Request Details

PR No: 10245573 Type: ZDER - Deviation RQ
Cost Centre: 1623 - AudS Arrear Account Department (SALES: TV LICENCES)
Vendor: -
Description: Deviation Request
Practitioner: 935 -
Amount: 8,600,000.00 ZAR

BACKGROUND

The SABC appointed Nutun Business Services South Africa Pty Ltd on the 01st of December 2023 and the contract is to terminate on the 30th of November 2028. The supplier was appointed through a tender process under reference number RFP/TVL/2022/48, to provide the SABC with the non-exclusive Base Services as per the Service Level Agreement which forms an integral part of the Main Agreement.

A first addendum was thereafter concluded for the period 01 April 2024 to 31st of March 2025 to amend the main agreement to include the revenue targets for the FY2024/25.

NUDEBT collected YTD R48.9m and achieved 108%, HC collected YTD R42.4m and achieved 94%, NUTUN collected R29.3m and achieved YTD 65%. Nutun has to date failed to achieve their monthly revenue budgets and achieved a YTD performance of 65%. Nutun reflected a YTD shortfall of R15.7m as at the end of August 2024

Nutun#s performance negativelyimpacts the overall TV License revenue and revenue generated via debt collection. This non-performance was addressed by TV Licenses on numerous occasions (at the monthly operational meetings, fourth quarter review meeting held with Nutun for FY2023/24 and at the first quarter review meeting of FY2024/25 held in July 2024).

Following the above, TV Licenses proceeded to provide Nutun with the below assistance:

Tracking and analysis of daily cash collected by Nutun on the individual books

Input and recommendations to campaigns conducted by Nutun

Input and recommendations to the communication scripts used by Nutun for SMS and emails

Refresher product knowledge training to Nutun agents whenever the need arose.

Despite the above assistance provided, Nutun failed to improve and reflected month-on-month declines on collections. Following internal deliberations, a decision was taken to invoke clause 19.4.1 of the contract signed with Nutun. TV Licences issued a warning letter dated 29th of July 2024 to Nutun and granted them a period of two (2) consecutive months effective from 01st of August 2024 until 30th of September 2024, to achieve their monthly revenue budgets, failing which further mitigation efforts would be taken in accordance with the contractual conditions.

TV Licences has received a termination notice from Nutun dated 17th of September 2024 wherein Nutun confirms their intention to terminate their contract with the SABC with the termination date of service being 31st of October 2024.

The cash revenue budget for Debt Collection for FY2024/25 is R326,372m.

The current YTD shortfall for debt collection as of 31st of August 2024 is R14.7m. TV Licenses is approaching critical peak periods when debt collection revenue is improved. i.e. Black Friday and the festive season.

Debt Collection Agency budgets for November 2024 to March 2025 are as follows:

MONTH	TARGET
NOVEMBER	R29,000,000
DECEMBER	R27,350,000
JANUARY	R24,122,856
FEBRUARY	R26,250,000
MARCH	R26,250,000
TOTAL	R132,972,856

The revenue budget in November is the highest in the fiscal. It is therefore imperative that a new Debt Collection Agency is appointed by the 31st of October 2024, to ensure that the debt collection service is not interrupted, and the revenue generated from this stream is not negatively impacted.

REASON

A deviation is required to enable the SABC to appoint Van De Venter Mojapelo (Pty) Ltd (VVM) as an interim DCA with effect from 01 November 2024 for a period of eighteen (18) months pending finalization of the RFP by SCM (whichever occurs first). Van De Venter Mojapelo (Pty) Ltd (VVM), the second qualifying bidder identified via RFP/TVL/2023/35 concluded by SCM has the necessary infrastructure to commence debt collection on 01 November 2024 This is following Nutun#scontract termination notice, the end date being 31 October 2024.

In the event that an interim appointment is not made, TV Licences will have only two (2) agencies collecting arrear licence fees. This is a risk for revenue collection, due to the high number of accounts in arrears (6.2m). A third agency is urgently required to ensure that there are maximum efforts to generate revenue. Due to the complexity and magnitude of an open tender, the evaluation and award of an open tender will not be concluded prior to the 31 October 2024.

SCOPE OF WORK

Debt Collection Services

COST EFFECTIVENESS

It is more cost effective for the deviation to be approved than establishing an in-house debt collection team which will require add itional head count and increased operational costs to service the accounts in arrears. These costs outweigh the costs of debt collection.

The total commission payable to VVM from 01 November 2024 until 31 March 2025 is R8 600 000.00 excl Vat (TV licence determines revenue budgets on an fiscal basis), and R27 600 000.00 excl VAT from 01 April 2025 until 31 march 2026 subject to an annual CPI increase. The estimated total request R36 200 000.00

There is sufficient commission budget to pay the interim DCA the R8 600 000.00 excl VAT required for the remainder of this fiscal. A commission budget of R60 000 000.00 excl VAT is loaded on SAP for the 03 DCAS combined for FY2024/25 and R36 900 000.00 commission is available for the remainder of FY2024-25.

LEGAL IMPLICATIONS
None

RISK & MITIGATIONS
Failure to deviate from the normal process and appoint Van De Venter Mojapelo (Pty) Ltd (VVM) will result in the below listed risks:

1. Due to the complexity and magnitude of an open tender, the evaluation and award of the tender will not be concluded prior to 31 October 2024.
2. Delays in finalizing the procurement process and the appointment of the third DCA will impact negatively on TV Licence revenue, thereby creating an inherent business risk to the SABC#s financialresources.
3. TV Licences loses the opportunity to generate high revenues during the peak season

RECOMMENDATION
Based on the above motivation, TV Licences requests that:

The BAC approves the deviation request to appoint Van De Venter Mojapelo (Pty)Ltd (VVM) for the provision a debt collection service to collect arrear TV Licences for the period of eighteen (18) months, starting from 1st of November 2024 until 30th of April 2026. The request is at an estimated total cost of R36 200 000.00 excluding VAT.

That the Head of SCM Governance and Compliance, signs the letter of award.

The Legal department and the GE Sales to duly sign the contract.

NATURE OF DEVIATION
Urgent

VENDOR SELECTION
Van De Venter Mojapelo (Pty) Ltd (VVM) is the vendor that ranked second

when RFP/TVL/2023/35 was concluded.

PERIOD
CONTRACT INFORMATION RELATING NUTUN BUSINESS SERVICES

INITIAL CONTRACT	COST (EXLUDING VAT)	PERIOD
4600001566	R8 141 959.42	01.12.2023-30.11.2028
1st Addendum		
(Variation)	R21 535 385.93	30.04.2024-31.03.2025

CURRENT REQUEST

VAN DE VENTER MOJAPELO: R36 200 000.00 Excluding VAT(estimate)for a period of eighteen (18) months, starting from 01 November 2024 until 30 April 2026.

PURPOSE
The purpose of this submission is to request approval to deviate from a normal procurement process and directly appoint Van De Venter Mojapelo (Pty)Ltd (VVM) for the provider the of TV Licences debt collection for the period of eighteen (18) months, starting from 1st of November 2024 until 30th of April 2026. The request is at an estimated total cost of R36 200 000.00 excluding VAT.

The details of the deviation are as follows:

Service provider: Van De Venter Mojapelo (Pty)Ltd

Nature of goods/services: Debt Collection Services

Period: 01.11.2024 until 30.04.2025

Deviation amount requested: R36 200 000.00 excluding VAT

APPROVERS AND REVIEWERS

Date Actioned	User Name	Actioned By Full Name
26.09.2024	CASSIMNB	NASEEM CASSIM
26.09.2024	TLADIS	SYLVIA NIKIWE TLADI
27.09.2024	MTHEMBUMS	MICHAEL SENZOSENKOSI MTHEMBU
07.10.2024	MTHEMBUMS	MICHAEL SENZOSENKOSI MTHEMBU
08.10.2024	NJOKOVP	VALENCIA NJOKO