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## GENERAL NOTICE

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Notice 2362 of 1998

### DEPARTMENT OF EDUCATION

#### **SOUTH AFRICAN SCHOOLS ACT, 1996 (ACT NO. 84 OF 1996) AND NATIONAL EDUCATION POLICY ACT, 1996 (NO. 27 OF 1996)**

#### **NATIONAL NORMS AND STANDARDS FOR SCHOOL FUNDING**

The Minister of Education, after consultation with the Council of Education Ministers, the Financial and Fiscal Commission and the Minister of Finance, hereby give notice in terms of section 35 of the South African Schools Act, 1996 (No. 84 of 1996), and section 3(4)(9) of the National Education Policy Act, 1996 (No. 27 of 1996) of the national norms and standards for school funding, as set out in the Schedule.

**S M E BENGU**

**MINISTER OF EDUCATION**

**OCTOBER 1998**

## **SCHEDULE**

### **NATIONAL NORMS AND STANDARDS FOR SCHOOL FUNDING**

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## ABBREVIATIONS

CEM	Council of Education Ministers
DoE	national Department of Education
EMIS	Education Management Information System
FFC	Financial and Fiscal Commission
HEDCOM	Heads of Education Departments Committee
HOD or Head of Department	Head of a provincial education department
MEC	Member of the Executive Council for Education
MTEF	Medium Term Expenditure Framework
PED	provincial education department
SASA	South African Schools Act, 1996
Section 21	Section 21 of the South African Schools Act, 1996
SGB	school governing body

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## 1 INTRODUCTION

### **This document**

1. This document sets out the national norms and minimum standards for school funding in terms of the South African Schools Act, 1996 (No. 84 of 1996). It also deals with the procedures to be adopted by provincial education departments (PEDs) in determining resource allocation to their schools.
2. These norms and minimum standards deal with
  - (a) the public funding of public schools, in terms of section 35 of the Act.
  - (b) the exemption of parents who are unable to pay school fees, in terms of section 39(4) of the Act<sup>1</sup>
  - (c) Public subsidies to independent schools in terms of section 48(1) of the Act.
3. The norms deal only with school-level expenditure, and do not cover a provincial education department's school-related administrative and developmental expenditure. However, such provincial funding allocations are expected to be consistent with the equity and efficiency principles underlying the public school funding norms and standards. In particular, allocations for management capacity development should be made by provincial authorities, and should target schools and governing bodies with weaker management.
4. The funding policy relating to learners with special educational needs will be prepared after the joint report of the National Commission on Special Needs in Education and Training and the National Committee on Education Support Services has been fully considered by the Ministry<sup>2</sup>. The funding policy for learners with special education needs who are enrolled in ordinary public schools is unlikely to contradict the principles underlying the present document, even if adjustments are eventually required.
5. The national Department of Education (DoE) prepared this document after consultation with the Standing Committee on Finance of the Heads

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<sup>1</sup> The Exemption of Parents from the Payment of School Fees Regulations, 1998 are published in the same Government Gazette as this document.

<sup>2</sup> Quality Education for All: Overcoming Barriers to Learning and Development (Pretoria: Department of Education, 1997).

of Education Departments Committee (HEDCOM). The standing committee includes representatives of the DoE and PEDs, the Departments of Finance and State Expenditure, the FFC, and the national educator organisations.

6. The DoE carefully analysed about 450 written public comments on the published draft of these norms. Consultations have been held with key stakeholder bodies representing the organised educators, public school governing bodies, and representatives of the independent schools. The document was then revised in collaboration with the HEDCOM Standing Committee on Finance. Further meetings were conducted with the organisations representing independent schools and public school governing bodies.
7. A formal consultation on the revised draft was held with officials of the Departments of Finance and State Expenditure, and the FFC Secretariat.
8. A subsequent draft was workshopped with the HEDCOM and discussed with the Council of Education Ministers (CEM). As required by the Act, the Minister has formally consulted the CEM, the FFC and the Minister of Finance. Cabinet has endorsed the document.

### **Interpretation**

9. In this document-
  - (a) unless the context indicates otherwise, any expression to which a meaning has been assigned in the South African Schools Act, 1996 (No. 84 of 1996), has that meaning;
  - (b) "Regulations" means the Exemption of Parents from the Payment of School Fees Regulations, 1998, determined in terms of the Act;
  - (c) "the Act" means the South African Schools Act, 1996 (No. 84 of 1996).

### **Application of the norms**

10. The norms and minimum standards in this document apply
  - (a) uniformly in all provinces, and are intended to prevail in terms of section 146(2) of the Constitution;
  - (b) only to ordinary public schools.
11. The norms do not apply to funds raised by ordinary public schools through their own efforts in terms of sections 36-37 and 39 of the Act.

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**When the norms come into effect**

12. These norms become national policy on 1 April 1999.
13. Some norms will apply to the public school financial year (January to December) and others to the state financial year (April to March). Norms pertaining to the school year come into effect at the beginning of the first school year after the norms become policy, namely the school year starting in January 2000.
14. Pre-conditions for full and efficient implementation of the norms are described later in this document, with suggestions for a sequence of activities that would enable PEDs to prepare themselves to put the norms into effect.

**Monitoring of implementation**

15. The national Department of Education is responsible for monitoring the implementation of the norms in terms of section 8 of the National Education Policy Act, 1996 (No. 27 of 1996). The DoE is required to undertake its monitoring and evaluation role  
"in a reasonable manner, with a view to enhancing professional capacities in monitoring and evaluation throughout the national education system, and assisting the competent authorities by all practical means within the limits of available public resources to raise the standards of education provision and performance." (section 8(4))
16. Each Head of Department will be expected to verify that the national norms are being complied with in allocating funds, or that acceptable alternatives are being implemented after consultation with the DoE. If the PED is unable to comply with the norms because of a lack of expertise or for any other reason, the DoE must be informed without undue delay, so that the problem can be examined and remedies sought.

## 2 POLICY FRAMEWORK

The right to education and the financial responsibility of the state

17. The Bill of Rights in the Constitution of the Republic of South Africa, 1996 (No. 108 of 1996) establishes the right to education in these terms:

"Everyone has the right-

- (a) to a basic education, including adult basic education; and
- (b) to further education, which the state, through reasonable measures' must make progressively available and accessible" (section 29(1)).

18. The South African Schools Act, 1996 came into effect on 1 January 1997. The principal objective of the Act is "to provide for a uniform system for the organisation, governance and funding of schools". In terms of the Act, schools cover learning programmes between grade O (better known as grade R. for "Reception") through to grade 12.

19. The SASA (section 3) provides for compulsory attendance of learners at school between the ages of seven and 15 (or the completion of grade 9). This is known as the compulsory or General Education phase. Every provincial Member of the Executive Council for Education (MEC) is required to provide sufficient school places for every child in the compulsory attendance bracket. If this cannot be done because of a lack of capacity, the MEC must take steps to remedy the lack as soon as possible.

20. The Act imposes other important responsibilities on the state with respect to the funding of public schools. The basic principles of state funding of public schools derive from the constitutional guarantee of equality and recognition of the right of redress. The Act provides that:

"The State must fund public schools from public revenue on an equitable basis in order to ensure the proper exercise of the rights of learners to education and the redress of past inequalities in educational provision" (section 34(1)).

21. These principles therefore underlie the national norms and minimum standards for public school funding which the Minister is required to determine (section 35).

22. The SASA follows the Constitution (section 29(3)) in establishing the right of any person to establish and maintain an independent school at



his or her own cost, and sets out the grounds on which a PED must register an independent school. The Constitution does not preclude state subsidies for independent education institutions. The Act empowers the Minister of Education to determine norms and minimum standards for the granting of subsidies to independent schools. Such subsidies may be granted by the MEC in a province (sections 46, 48).

## **Personnel costs in provincial education departments**

23. Except in this section, this document does not deal with personnel costs in provincial education departments.

### ***Policy targets***

24. The Ministry of Education's personnel policy for schools embodies these key principles:

- (a) schools must be supplied with an adequate number of educator and non-educator personnel
- (b) such staff members must be equitably distributed according to the pedagogical requirements of the schools, and
- (c) the cost of personnel establishments must also be sustainable within provincial budgets.

25. In recent years, personnel expenditure has increased as a proportion of total expenditure by PEDs<sup>3</sup>. In 1998/99, the national average of personnel to total costs in PED budgets is 90 per cent. The result is that per learner spending on non-personnel costs has seriously declined. It may continue to do so unless the rate of personnel cost rises is arrested, since the Medium Term Expenditure Framework (MTEF) target expenditure levels indicate very small real increases in public spending on education.

26. Unless the relative proportion of personnel costs to total provincial education spending is managed down, provinces will continue to be unable to finance essential non-personnel education services, whose distribution at present is both inadequate and highly inequitable. As a policy target, based on both local and international evidence, the

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<sup>3</sup> Personnel expenditure refers to the costs associated with personnel salaries and benefits. It does not include the cost of pre-service or in-service education and training, and the professional development of teachers or other staff.

Ministry of Education has determined that personnel:non-personnel spending in ordinary public schools should be of the order of 80:20.

27. These matters have been the subject of detailed analysis by the MTEF Education Sectoral Review Teams, both in 1997 and 1998. Given realistic assumptions, the Review Team's 1998 report demonstrates that the Ministry of Education's policy target may take many years to achieve<sup>4</sup>. The team's recommendations are based on achieving a personnel:non-personnel cost ratio of 85:15 by the year 2005.
28. Progress toward meeting the personnel:non-personnel target must be assessed by provincial education departments in the course of preparing each year's updated MTEF. A reduction in the proportion of the education budget spent on personnel must result in an actual increase in budgeted expenditure on pedagogically critical non-personnel items (such as new school construction, provision of essential services, supply of books and other learning support materials, and educator development).
29. Within the total personnel allocation in PEDs, teaching personnel costs should be targeted at 85%, to allow for the appointment and proper distribution of administrative and support staff in provincial education departments.
30. The national Department of Education (DoE) will work with provincial education departments, using existing databases, to ensure that they can track the number and location of personnel engaged in teaching and non-teaching activities, in order to assist planning towards this target.

### ***Educator personnel***

31. Aside from the above general policy targets, this document does not norm the allocation of educator personnel, either in a province generally, or in teaching posts at or in connection with schools. Such matters, among others, are dealt with in important agreements that were negotiated in 1998 between the Ministry of Education and the national teacher unions.
32. The Minister of Education determines national policy in respect of educator post provisioning, in terms of the National Education Policy Act, 1996 (No. 27 of 1996). The educator post establishment in each province is determined by the MEC, subject to national norms prescribed

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<sup>4</sup> 1998 Medium Term Expenditure Review: Education (Pretoria: Budget Office, Department of Finance, 1998).

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for the provisioning of posts (Employment of Educators Act, 1998 (No. 76 of 1998), section 5(1)).

33. The Minister determines norms in respect of posts to be allocated to public schools, in relation to their curriculum and other circumstances, which the Head of Department must follow in distributing the available posts within the approved education establishment of a PED.
34. The Ministry's personnel and funding policies aim to remove inequities in the distribution of public resources for education, both across provinces and within provinces. The logical direction of policy is that personnel allocation costs to schools should be funded, eventually, on the basis of an equitable cost per learner, in order to address more efficiently the aim of redress and equity in the provision of quality education. However, these norms and the funding practices of PEDs are not yet based on a strict equitable cost per learner.

***Non-teaching personnel at school level***

35. The allocation of non-teaching staff to schools, including administrative and support staff, is extremely uneven. The provision of such personnel has been severely lacking in historically disadvantaged and small schools. Inequalities in the provision of such staff members is almost certainly associated with major inefficiencies in schools which serve poor communities.
36. The Minister of Education does not have responsibility for determining norms for the provision of non-educator personnel, including non-teaching personnel at school level. At present, such responsibility lies with provincial governments.
37. Nevertheless, the Ministry of Education is of the view that there is a clear case for norms to be established that will regulate the post provision of school-based non-teaching personnel on an equitable basis. The present inequalities must be phased out. The level of provision of non-teaching personnel at schools should, over time, approximate to educationally defensible and cost-effective per learner ratios for different categories of schools and staff members.
38. The Ministry will undertake further work on this matter, in consultation with PEDs, other state departments, and labour unions.

**Targeting expenditure for redress, equity and quality**

39. Effecting redress and equity in school funding, with a view to progressively improving the quality of school education, within a

framework of greater efficiency in organising and providing education services, are matters of urgent priority for the Ministry of Education. The Preamble to the South African Schools Act, 1996 states that:

"...this country requires a new national system for schools which will redress past injustices in educational provision, provide an education of progressively high quality for all learners and in so doing lay a strong foundation for the development of all our people's talents and capabilities...."

40. To achieve these objectives in a systematic manner requires new systems of budgeting and spending for schools.
41. In terms of our Constitution and the government's budgeting procedure, the national Ministry of Education does not decide on the amounts to be allocated annually for provincial education departments. This is the responsibility of provincial governments and legislatures, which must make appropriations to their education departments from the total revenue resources available to their provinces. Thus, each province determines its own level of spending on education, in relation to its overall assessment of needs and resources.
42. It follows that national norms for funding schools cannot prescribe actual minimum amounts in Rands to be spent per learner, however desirable that might be.
43. From the 1998/99 financial year, the national and provincial budgets have been prepared within the MTEF, which enables government outlays to be planned on a three-year rolling basis.
44. An important assumption underlying these national norms is that the national and provincial levels of government will honour the state's duty, in terms of the Constitution and the SASA, to progressively provide resources to safeguard the right to education of all South Africans. However, educational needs are always greater than the budgetary provision for education. To effect redress and improve equity, therefore, public spending on schools must be specifically targeted to the needs of the poorest. This will apply to both the General Education (grades 1-9) and the Further Education and Training (grades 10-12) phases.

## **Fee charging and exemption policy in public schools**

### ***School fees and equity***

45. The SASA imposes a responsibility on all public school governing bodies to do their utmost to improve the quality of education in their schools by

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raising additional resources to supplement those which the state provides from public funds (section 36). All parents, but particularly those who are less poor or who have good incomes, are thereby encouraged to increase their own direct financial and other contributions to the quality of their children's education in public schools. The Act does not interfere unreasonably with parents' discretion under the law as to how to spend their own resources on their children's education.

46. Ironically, given the emphasis on redress and equity, the funding provisions of the Act appear to have worked thus far to the advantage of public schools patronised by middle-class and wealthy parents. The apartheid regime favoured such communities with high-quality facilities, equipment and resources. Vigorous fund-raising by parent bodies, including commercial sponsorships and fee income, have enabled many such schools to add to their facilities, equipment and learning resources, and expand their range of cultural and sporting activities. Since 1995, when such schools have been required to down-size their staff establishments, many have been able to recruit additional staff on governing body contracts, paid from the school fund.
47. Poor people, on the other hand, especially in former homeland areas, have contributed a disproportionate share of their incomes over many decades to the building, upkeep and improvement of schools, through school funds and other contributions, including physical labour. All too many schools in poor rural and urban working-class communities still suffer the legacy of large classes, deplorable physical conditions, and absence of learning resources, despite a major RDP National School Building Programme, and many other projects paid directly from provincial budgets. Yet the educators and learners in poor schools are expected to achieve the same levels of learning and teaching as their compatriots.
48. Such contradictions within the same public school system reflect past discriminatory investment in schooling, and vast current disparities in the personal income of parents. The present document addresses these inequalities by establishing a sharply progressive state funding policy for ordinary public schools, which favours poor communities.

***Parents' responsibility***

49. All public school governing bodies are obliged by the Act to support their schools financially as best they can. The Act provides that a governing body must -
- "take all reasonable measures within its means to supplement the resources provided by the State in order to improve the quality of

education provided by the school to all learners at the school" (section 36).

50. However, in fulfilling their obligation to raise supplementary resources, governing bodies are not required to charge school fees. Whether or not to charge school fees is a matter for the parents of the schools<sup>5</sup>. The Act links the question of fees to the budget of the school, which the governing body must present to a general meeting of parents for approval. The intention is that the governing body will give the parents all necessary information about the school's income, from the state and other sources, and its educational needs. Parents will then decide what additional revenue the school needs for educational purposes, and how that revenue is to be raised, including whether or not fees are to be charged.
51. At the parents' general meeting, any resolution that proposes fee payment must include the amount of fees to be charged, and "equitable criteria and procedures for the total, partial or conditional exemption of parents who are unable to pay" the fees (section 39(2)). In making its decisions, therefore, the parent body must take into account, as far as is practicable, the financial circumstances of all the parents, taken as a whole. The Ministry expects that more affluent, or less poor, parent communities will contribute proportionally more, because state funding per learner in their schools will be less than in schools serving poorer communities.
52. A parent body, taking into account its circumstances, may decide to charge no fees at all, in which case the question of exemptions does not arise. Another parent body may decide to set a small fee, so that no parent needs to be exempted. In most public schools where parents decide to charge fees, parents' ability to pay fees may vary considerably. In such cases, difficult decisions must be taken about the level of fees, and an equitable threshold for exemption from fee-paying.
53. Parents of learners at a public school, therefore, carry serious responsibilities with respect to the determination of a school's budget, its sources of revenue, and (if fees are charged) the level of fees and the conditions for exemption of parents from fee paying. Furthermore, if a majority of parents vote in favour of school fees, each parent is

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<sup>5</sup> Section 1(xiv) of the Act defines "parent" as-

- (a) the parent or guardian of a learner;
- (b) the person legally entitled to custody of a learner; or
- (c) the person who undertakes to fulfil the obligations of a person referred to in paragraphs (a) or (b) towards the learner's education at school.

responsible for paying the required fee, unless an exemption has been granted. But no learner can be denied admission, or otherwise discriminated against, on grounds of the parent's inability or failure to pay fees.

54. The Ministry of Education monitors all aspects of the implementation of the South African Schools Act, 1996, in order to assess to what extent its objectives are being met. In particular, the effect of the new budget allocation policy on the current inequalities in school provision, the levels of fee charging by public schools, and the uses to which such income is put, are all important matters of legitimate concern to the Ministry and the public, which must be kept under review.

## **State subsidies to independent schools**

### ***The independent school sector***

55. Independent schools vary substantially in age, size, location, socio-economic status, facilities, staff, mission, governance, representivity, religious or secular identity, community service, cost structure, endowments, financial viability, rates of fees, and quality of teaching and learning. It is impossible to generalise about them. Many deliver valuable educational services and have loyal clienteles. Others deliver services of low quality and exploit the ignorance of parents. Some pride themselves on conservative principles of governance and teaching. Others value innovation. Some have an inward focus. Others have a deliberate mission of social concern and professional co-operation with public schools serving the poor.
56. Independent school enrolment amounts to about two percent of total school enrolment nation-wide. This percentage may be increasing. Within provinces, independent school enrolments vary from a fraction of a percent of total school enrolment, to several times the national average. If all learners were to transfer to public schools, the cost of public education in certain provinces might increase by as much as five percent.
57. The practice of granting state subsidies to registered independent schools (previously known as private schools) is well established in South Africa. Subsidies have typically been calculated as a defined fraction of the cost per learner in the public school system. Before 1994, independent schools were required to register with the respective education departments of the apartheid state, among which the cost per learner was grossly unequal. Therefore, state subsidies to independent schools reflected the pattern of race-based inequality in the public (state and state-aided) school systems under apartheid.

58. Race-based inequalities in subsidies to independent schools have been eliminated since 1994. Since then, subsidy levels have differed somewhat by province. But extreme pressure on the non-salary components of provincial education budgets, especially in 1997/98 and 1998/99, has resulted in a sharp decline in the per learner value of independent school subsidies, and considerable uncertainty as to the future trend of independent school funding by provincial education authorities.
59. Fees in independent schools have tended to rise in response to subsidy cuts. Some independent school proprietors have applied for schools to be taken over by provincial education departments, as public schools on private property, in terms of section 14 of the Act. PEDs have been slow to comply.
60. The Government is grappling with the necessity to stabilise and reprioritise provincial education budgets, in terms of the Medium Term Expenditure Framework. The serious reality underlying the new policy for school funding is that, for the foreseeable future, provincial education budgets will be extremely constrained, especially with respect to non-personnel allocations, out of which subsidies are paid

***Subsidy policy***

61. The national Ministry of Education cannot determine subsidy levels in monetary (Rand) terms because, under our Constitution, budget decisions of that kind are made within provincial governments. For this reason, the national norms for independent school subsidies are expressed as criteria of eligibility for subsidy, and principles of allocation. These criteria and principles are consistent with the values underlying the Constitution and the Act.
62. The Ministry of Education bases its subsidy policy on the fiscal argument, and on social grounds. The fiscal argument is as follows. The state has a constitutional and statutory responsibility to provide school education to all learners. However, the right of reputable, registered independent schools to exist is protected by the Constitution, and the payment of subsidies to them is not precluded. Such independent schools perform a service to their learners that would otherwise have to be performed by the provincial education departments. Public subsidies to such schools cost the state considerably less per learner than if the same learners enrolled in public schools. It is, therefore, cost efficient for the state to provide a subsidy.



63. In South Africa, the fiscal argument is an important but not a sufficient basis for national policy. Given the extreme inequalities and backlogs in the provision of public education and the pressure on public education budget allocations, the national policy on public subsidies to independent schools must serve explicit social purposes.
64. Subsidy allocations, therefore, must show preference for independent schools that are well managed, provide good education, serve poor communities and individuals, and are not operated for profit. Such criteria must be capable of measurement according to objective, transparent, and verifiable criteria.

### 3 IMPLEMENTATION

#### **Developing capacity for intensive data use**

##### ***Data needs***

65. Most PEDs manage budgets of many billions of Rands. Targeting redress, and improving equity in public funding of public schools in an efficient manner, requires the DoE and PEDs to undertake serious budgetary and financial analysis, and to use information intensively.
66. In order to make progress towards equity in school funding, each provincial education department must
- (a) use relevant provincial data much more intensively in budgeting and planning decisions;
  - (b) develop the necessary data systems to guide planning and allocations; and
  - (c) be able to demonstrate to the DoE that progress is being made.
67. The SASA provides that all public schools are budget and cost centres (sections 37, 38 and 42). These norms and standards therefore require the use of certain data that have not previously been necessary in budgeting for public schools.
68. Schools must provide information to provincial education departments (section 59 of the Act). On their part, departments must ensure that information is received on time from schools, so that the necessary analysis can be undertaken, and resource allocation decisions made on time.
69. PEDs must annually provide public schools with sufficient information so that the schools' governing bodies can develop their budgets as required by section 34 of the Act. The recommended date for the provision of such information to public schools is 30 September each year.
70. Initially, the budget information provided to schools by PEDs may be indicative, rather than fully detailed. In time, such information should include the current year's expenditures at each school, and the guideline amount of the total allocation by the provincial education department to the school for the coming school year, including all guideline personnel costs. Such costs should be expressed both in absolute and per learner terms. This is necessary so that schools become accustomed to thinking about their total costs per learner. The aim is to improve each PED's

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accounting and information processing systems so that each school's costs for personnel and non-personnel can be identified by item.

71. Comprehensive data on schools have been created through the national School Register of Needs survey, whose databases have been incorporated in provincial data systems, and the new, provincially-based national Education Management Information System (EMIS). The 1996 national Census reports will provide reliable and up-to-date demographic information. Provincial education departments may have access to other data sources, and the national Department will augment these wherever possible.
72. The MTEF provides a co-operative mechanism for improving the accuracy of budget-related data, and undertaking relevant analytic studies. The DoE – and PEDs are active participants in these processes.

### ***Skill requirements***

73. To attempt to accomplish the new tasks without high-level skills is absolutely unrealistic, especially given the size of provincial education budgets. Each provincial education department must, therefore, acquire the services of:
- (a) At least one, and preferably several, highly-skilled strategic financial analysts who understand the use of data-intensive planning and analysis techniques in public financial management. If not already deeply familiar with education issues and policies, they must be willing to make a careful study and acquire the necessary knowledge.
  - (b) Several high-level accounting experts who understand the national computerised public financial and management information systems. Both accounting expertise and strategic financial management expertise are necessary if PEDs are to apply the norms satisfactorily.
  - (c) Several highly-skilled information systems experts to improve the functioning of the education databases (including the EMIS). This will include the decentralisation or devolution of such functions and the training of regional and district officers.
  - (d) At least one senior statistician or applied numerical analyst.
  - (e) At least one person skilled in educational planning and forecasting techniques.
  - (f) Computer systems and databases.
74. Provinces that have difficulty making the necessary appointments should explore:

- (a) the use of existing donor-funded arrangements with consulting firms and NGOs;
- (b) secondments from other public sector organisations (e.g., financial or scientific);
- (c) secondments from the private sector;
- (d) consultancies or other contracted services; and
- (e) the use of national DoE personnel with financial and EMIS expertise, to assist with the induction of the new, high-level analysts.

75. Each provincial education department should plan the work of such specialists as follows:

- (a) Assess the tasks that must be accomplished, taking into account financial regulations, sound financial management procedures, and the National funding norms described in this document
- (b) Proceed to appoint, or cause to be seconded, or out-source with own or donor funds, persons with the skills listed above to undertake the tasks identified in step (a).
- (c) Clarify the relationship of the new specialists to existing work units. Lines of accountability and working relationships must be very clear.
- (d) Ensure that the new specialists have the necessary operating budget, status, and support personnel, such as data entry personnel, to get the work done.
- (e) Ensure that they interact with colleagues in similar posts in other provinces and with national DoE officials working on these tasks, as a means of assisting with their familiarisation with the policy environment.
- (f) Ensure that they have a written Scope of Work or task description. Draft lists of technical tasks consistent with the funding norms and other ongoing financial management tasks are available from the national DoE.
- (g) The Scope of Work must include budgeted plans for financial capacity building in provincial, district and other offices of the PED (depending on their actual responsibilities), school management teams and SGBs.

76. A provincial education department that is not technically ready to apply the norms in full, will be expected to present to the national DoE a detailed management plan for the acquisition of the necessary capacity to implement. This plan must be consistent with paragraphs 73-75 of this document. The national DoE will assist PEDs to develop the capacity they need.

77. It will take some time for each PED to achieve the required capacity, and to enable their specialists to become fully conversant with the new

requirements. This means that the national norms must be applied in a progressive manner while provincial education departments are developing their data systems, and their capacity to apply them.

### **Implementing the norms**

78. Certain tasks have priority, and must be undertaken or continued even before the norms and minimum standards come into effect. These are:
- (a) creating a computerised method of tracking and documenting the targeted allocations and subsidies, according to the norms;
  - (b) creating appropriate accounting and financial mechanisms to allocate and track funds in terms of the norms, and to inform schools of their allocations as required by section 34 of the Act;
  - (c) helping SGBs to understand how to advise parents on whether to set fees, to calculate the level of fees, to determine exemption criteria and procedures, and to handle appeals (SASA, sections 38-40).
79. Analytical and budgetary preparation for January 2000 must start not later than the beginning of the school year 1999. Figure 1 outlines key aspects or functions of the norms that pertain to the school and fiscal years, or that are ongoing. The entries are presented in approximate chronological order during the year, except for the "ongoing" column. There is no time-wise correspondence across the three lists. Details and explanations of the activities listed in Figure 1 may be found in Part 2 of this document.

Figure 1. Sequencing the application of the norms during the school and state financial years		
School Financial Year	State Financial Year	Ongoing
<ol style="list-style-type: none"> <li>1. Determination of Rand value of subsidies to independent schools (term by term) for current school year.</li> <li>2. Determination of which public schools will be able to receive direct transfer payments for certain items for next school year.</li> <li>3. Targeting of public schools according to targeting criteria for next school year and development of master targeting list.</li> <li>4. Provide guideline budget information to public schools on their level of financial support for next year, including personnel, other directly-provided items, and transfer payments.</li> <li>5. Determination of percentage subsidy levels for independent schools for next school year.</li> <li>6. Fee determination and exemptions at public schools for next school year. (The PED is not necessarily directly involved in these processes, but bears a responsibility of supervision and ensuring that governing bodies are well prepared.)</li> </ol>	<ol style="list-style-type: none"> <li>1. Availability of guideline, preliminary, and final budgetary information which can be used to determine school-level budgets and inform schools.</li> <li>2. Availability of budgeted funds.</li> </ol>	<ol style="list-style-type: none"> <li>1. Ensure that personnel, teams, and systems needed to accomplish the tasks in this table and in these norms are available.</li> <li>2. Improve databases for targeting of public schools according to poverty and school conditions criteria</li> <li>3. Improve criteria for determining which public schools receive direct transfer payments for certain items.</li> <li>4. Improve financial and physical planning for new construction requirements, including analysis for targeting priorities.</li> <li>5. Improve accounting, financial, and EMIS tracking methods ensure that individual school costs and personnel allocations can be tracked, cross-indexed and made more accurate.</li> <li>6. Provide financial management training to governing bodies and school leadership</li> <li>7. Ensure audited status of public schools.</li> <li>8. Ensure well-functioning process of appeal from parents over school fee exemptions.</li> </ol>

## PART 2

## 4 THE PUBLIC FUNDING OF PUBLIC SCHOOLS

### Cost allocation categories

80. These norms apply to:

***Capital cost allocations***

- (1) new classroom and other construction

***Recurrent cost allocations***

- (2) immovable capital improvements and repairs
- (3) recurrent costs easily separated from other costs
- (4) other recurrent and minor capital equipment costs, and
- (5) hostel costs.

81. In the discussion below, each cost allocation category is linked to the current categories under which costs are reported to the national DoE. In this way, budgeting, planning, and cost-reporting categories will correspond with one another.

### How the norms should be applied

82. The norms should be applied as follows:

- (a) All the categories below should be budgeted and analysed separately for an initial estimate, since they must all fit within an overall provincial education budget.
- (b) After initial estimates for the separate categories have been achieved, their overall educational coherence needs to be assessed, within the total allocation.
- (c) Some of the categories may need to be cut and others increased. In that case, however, the procedure for budgeting within each of the five items must be respected.

83. If a provincial education department wishes to use a different methodology that serves the same purposes, the HOD must be able to demonstrate to the national DoE's satisfaction that it will have an equivalent effect.

### Capital cost allocations

#### **(1) New classroom and other construction allocations**

*(This cost category includes the items currently reported to the national DoE under "Land Acquisition" and "New buildings and other land improvements".)*



**Scenario planning for new school construction**

84. "New classroom and other construction allocations" includes provision for water, electricity, sewage and telephone services on site, and connections to mains services where these are provided to the school site.
85. Provincial education departments must budget for this category in terms of their overall budget for education and for schools, and the relative flexibility or rigidity of other budget items.
86. The MEC for Education of each province must ensure that there are enough school places to enable each child living in the province to attend school during the compulsory phase (section 3(3) of the Act). If an MEC cannot comply with this mandate, he or she must take steps to remedy the situation and must report annually to the Minister of Education on progress made (section 3(4) of the Act).
87. In recent years, all PEDs have provided less funds for capital development, which reflects the severe pressure on their non-personnel allocations. The School Register of Needs survey has documented the extent of the backlogs of physical facilities in all provinces. These are particularly acute in provinces that carry the legacy of former homelands and so-called independent states. The 1998 MTEF Education Sectoral Review Team report acknowledges that such provinces are unable to provide sufficient funds to make inroads in their accumulated school construction needs. The team recommends that further work on this matter must be undertaken as a priority. The Departments of Education and Finance are working on the problem.
88. Despite the current shortage of funds for capital development, as an aid to planning and decision-making, each PED must:
- (a) maintain an accurate, prioritised, annually updated database of school construction needs, and
  - (b) undertake annually updated long-term projections of new school construction targets and funding requirements, based on these norms.
89. Part of the physical planning framework should include an analysis of the cost and educational need for schools that are smaller than is normally desirable. If they are very close to each other, and there are no economic or educational grounds for their separate existence, the options of merger or closure (in terms of section 33 of the Act) should be considered. In the event of a merger or closure, the provincial education department must ensure that all affected learners have

access, on a reasonable basis, to alternative public school accommodation.

90. The scenario planning should initially estimate the requirements to eliminate backlogs and provide sufficient school places by the target year 2008. This must form part of the analytical work required for the MTEF, and should be adjusted annually in the light of new data and performance in new school construction. Depending on the availability of funds each year, and construction performance, the plan may require acceleration or deceleration.

***Target list***

91. The construction of new schools or additional classrooms and learning facilities should be targeted to the neediest population. In this expenditure category, "need" is defined in terms of

- (a) lack of current schools, or
- (b) overcrowding of existing ones.

92. No national norm for "crowding" is given in this document. Each PED must objectively determine where to site new schools and classrooms based on provincial norms and verifiable crowding and distance indicators (need indicators) developed from available data, including the School Register of Needs, Census data, and the department's own EMIS.

93. Need indicators should refer to the proportion of children who are out of school or are in over-crowded schools. Preference should be given to areas where –

- (a) children are out of school and there is no uncrowded local or nearby school; or
- (b) all eligible children are enrolled in school but the local or nearby schools are crowded; *and*
- (c) an analysis of population movements demonstrates that the population concerned is resident and permanent.

94. Using these criteria, the PEDs must develop a ranking of geographical areas from neediest to least needy, based on the numbers of children out of school or in existing crowded schools. Backlogs must be eliminated by starting with the neediest, most crowded areas, and proceeding as quickly as possible down the list of priorities.

95. In the allocation of new school construction funds, preference must be given to-

- (a) facilities serving the compulsory education grades (grades 1-9) in order to ensure that all eligible learners have school places as soon as possible, and
- (b) extensions to existing schools, rather than new schools, except where extensions would result in schools that are too large to be pedagogically sound, or would otherwise be uneconomical, impractical, or undesirable on educational grounds.

### ***Hostel facilities***

96. New hostel facilities may be built if the following criteria are satisfied:

- (a) the crowding criteria in paragraphs 91-93, for construction of new schools or extensions; and
- (b) the transport time and poverty criteria in paragraph 122.

97. Other criteria may be used, provided that they give the same results in terms of equity and efficiency. Provincial education departments may be required to verify such results, in order to demonstrate that they have complied with this national norm for hostel construction.

## **Recurrent cost allocations**

### ***Targeting schools on the basis of need***

98. In principle, it would be desirable for all recurrent funding of ordinary public schools, including personnel allocations, to be driven by a simple per learner formula that favours the poor. This would be consistent with equity, efficiency, and the vision of schooling implicit in the SASA and Education White Papers 1 and 2<sup>6</sup>. However, another approach is necessary because social conditions and school conditions are massively unequal, provincial administrations and school governing bodies have widely varying capacities, and provincial governments have different fiscal competencies.

99. Allocations for recurrent cost items must be targeted as far as possible on the basis of need, determined according to the condition of the school and the relative poverty of the school community, using the "Resource Targeting Table" (Figure 2 below).

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<sup>6</sup> Education and Training in a Democratic South Africa: First Steps to Develop a new System [Education White Paper 1] (Pretoria: Department of Education, February 1995), Notice 195 of 1995, and The Organisation, Governance and Funding of Schools, Education White Paper 2 (Pretoria: Department of Education, February 1996), Notice 130 of 1996.

100. Each PED is required to produce a "resource targeting list" of all schools in its province, sorted on the conditions at the school and the poverty of the community served by the school, so as to produce five groups of schools. These will correspond to the "school quintiles, from poorest to least poor" in column 1 of the table. Resource allocation will be based on this list.

101. The resource targeting list will comprise all ordinary public schools in the province sorted by "need" or "poverty". Two equally weighted factors will be used to rank the schools:

- (a) ***The physical condition, facilities and crowding of the school.*** Using the School Register of Needs data, provincial education departments may create indices based on the range of physical facilities at the school, learner:classroom ratio, the overall condition and need for repairs, availability of basic services. This factor is weighted 50%.
- (b) ***The relative poverty of the community around the school.*** Using Census, household survey or other data, provincial education departments may create indices based on, for example, the proportion of households with electricity and piped water in the community served by the school, the level of education of the parents served by the school, and other similar criteria. This factor is weighted 50%.

Figure 2. Resource targeting table based on condition of schools and poverty of communities

School quintiles, from poorest to least poor	Expenditure allocation	Cumulative percentage of population	Cumulative percentage of non-personnel and non-capital recurrent expenditure	Per learner expenditure indexed to average of 100
Poorest 20%	35% of the resources	20%	35%	175
Next 20%	25% of the resources	40%	60%	125
Next 20%	20% of the resources	60%	80%	100
Next 20%	15% of the resources	80%	95%	75
Least poor 20%	5% of the resources	100%	100%	25

102. Having listed the schools in rank order, PEDs must then divide the list in five quintiles, from poorest to least poor. The distribution by quintile will determine the per learner allocation, in terms of the Resource Targeting Table above. Thus, allocations will be made on a variable per learner basis that favours the poorer segments of the population. The neediest and largest schools will get priority in funding.
103. The same Resource Targeting Table is to be used by all PEDs. However, each PED's resource targeting list need not be used mechanically. There are four ways in which variations to the list may be made:
- (a) **Naturally-occurring breaks.** PEDs must be urged to take advantage of naturally-occurring breaks in the distribution that are close to, but do not exactly coincide with, the quintile break-points (20%, 40%, etc.). For example, if schools in the 17th percentile are distinctly poorer than those in the 18th, the break-point need not be the 20th percentile, but may be the 17th. The same might apply to any break points around the 40th, 60th, and 80th percentiles. If slightly different break points are used, the relative expenditures per learner in the various quintiles may differ somewhat from those shown in the last column of the table.
  - (b) **Homogeneous conditions.** If the distribution makes it practically impossible to distinguish between two quintiles, the provincial education department is encouraged to consider making the same per learner allocations to the two quintiles. However, the general progressivity of the table must be respected.
  - (c) **Special circumstances.** It is inevitable that special circumstances will apply in a number of schools, which will warrant their being reassigned to another quintile. Governing bodies may also apply for such a reassignment and provincial education departments must establish a fair and objective administrative mechanism for considering such requests and deciding upon them.
  - (d) **Further subdivisions.** It is unlikely that enough information will exist to enable a PED to create further subdivisions, particularly in the poorest two quintiles. However, if sufficient information is available, a provincial education department may proceed to create further subdivisions, as long as the overall progressivity of the table is respected.

***Responsibility of school governing bodies for managing recurrent allocations***

104. The SASA makes provision for public school governing bodies to become progressively more responsible for managing aspects of recurrent expenditure. Section 21 provides that, subject to the Act, a school governing body may apply in writing to the Head of Department to be allocated any of the following functions:
- (a) maintain and improve the school's property, buildings, grounds, and hostel
  - (b) determine the extra-mural curriculum and the choice of subject options in terms of provincial curriculum policy
  - (c) purchase textbooks, educational materials or equipment for the school
  - (d) pay for services to the school, or
  - (e) other functions consistent with the Act or applicable provincial legislation.
105. The HOD must approve a governing body's application for section 21 functions, conditionally or unconditionally, unless the SOB does not have sufficient capacity to undertake the functions effectively.
106. A MEC may determine that some governing bodies may exercise one or more functions under section 21, even if they have not applied for them. This is permitted only if the governing bodies have the capacity to perform the functions effectively, and there is a reasonable and equitable basis for allocating the functions to them (section 21(6) of the Act).
107. In order to guide the actions of the MEC, the HOD and an affected SGB, it is necessary to establish an objective test of governing body capacity in terms of section 21 of the Act. Provincial education departments must, therefore, devise a managerial capacity checklist, for approval by the HOD. The checklist will include items relating to the capacity to handle and account for public funds, the capacity to meet ongoing contractual obligations to suppliers of goods and services, and the ability to make financial decisions that are educationally sound. The criteria used in developing such a list must be transparent and public.
108. Each provincial education department must develop a "section 21 list" of schools that have been allocated functions and may carry out their own procurements in this manner, and a list of schools that are not yet section 21 schools. The lists must be revised each year. The section 21 list is expected to grow as more schools acquire the requisite capacity' However, a school may be removed from the list if the governing body proves unable to undertake the additional functions, as provided in section 22 of the Act.

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109. ***Schools on section 21 list.*** Schools on the section 21 list will receive a lump-sum, per-learner transfer for the payments for which they have responsibility, in accordance with the Resource Targeting Table. Such transfers will be smaller for better-off schools than for poorer schools. If a school's bills for these services or items are lower than the lump-sum transfer, the SGB may allocate the transferred amount to the purchase of other education-related items. In general, such SGBs may vary the proportion of the funding devoted to such goods and services according to their own perception of education needs, taking provincial policy into account. Such expenditure must of course be accounted for.
110. School governing bodies that are on the section 21 list may deal directly with suppliers and contractors for the relevant budgeted items in accordance with standard procurement procedures. They must keep documents as evidence of correct dealing with such suppliers and contractors, and records of how the materials and services were used, and produce such documents or records at the request of officials from the PED and for audit purposes.
111. ***Schools not yet on section 21 list.*** Schools that are not on the section 21 list, and have therefore not been granted approval to procure their own goods and services, must procure their goods and services according to existing departmental arrangements. However, the PED will exercise administrative controls to ensure that the cost per-learner is maintained at a level consistent with these norms, the Resource Targeting Table at Figure 2, and the budgeted allocation for each applicable item.
112. Such schools must be informed of their school's budget, even if it is a "paper" budget, as explained in this document. This will prepare them to understand actual costs of running their school, and improve their capacity to join the section 21 list in due course.
113. In the light of the foregoing, PEDs must allocate recurrent funds to the following cost items, on the basis of the Resource Targeting Table, with the provisos indicated below. Schools on the section 21 list must receive their per learner allocations for each cost item, and be accountable in terms of the Act for their expenditures on goods and services in terms of these items.

**(2) Immovable capital improvement and repair costs**

*(This cost category is currently reported to the national DoE under Maintenance of Buildings")*

114. Allocation of this category of costs must be made according to the Resource Targeting Table and the section 21 list, where applicable. The following exceptions to the general allocation rules apply:

- (a) **Emergency repairs.** Emergency repairs which endanger the health or safety of persons at or associated with the school, or which might imply large future expenditures if not corrected immediately, must be prioritised in terms of their relative danger or future cost. The Resource Targeting Table will not apply. In general, the section 21 list will not apply.
- (b) **Routine maintenance and cleanliness.** Functions such as cleaning, removal of litter, maintenance of grounds, minor painting and repairs, and replacement of light-bulbs, will be the responsibility of the school community, regardless of the level of poverty of the community.

115. Thus, non-routine and non-emergency capital improvements and repairs will be allocated according to the section 21 list and the Resource Targeting Table. These will probably constitute the majority of the allocations in this category.

### **(3) Easily separable recurrent costs**

*(This cost category is part of what is currently reported to the national DoE under "Supplies and Services-Other")*

116. Allocation of these items must be made according to the Resource Targeting Table and the section 21 list, where applicable.

### **(4) Other recurrent and small capital equipment costs**

*(This cost category is currently reported to the national DoE under "School Books", "Stationery", "Equipment", and "Media Collections")*

117. The purpose of this allocation is to provide all learners with a minimum package of learning materials (books and stationery) equivalent to at least R100 per learner. However, if the total provincial budgetary allocation for this item is insufficient, the PED must ensure that priority is given to poorer learners according to the Resource Targeting Table. In this case, the funding per learner remains as per the cost of the basic package, but priority is given to schools highest in the poverty rank order.

118. The allocation per learner of R100 should be allowed to increase with the national Consumer Price Index or the "reading matter" component of this index, whichever is higher.



119. The norms relating to schools on the section 21 list, also apply to this category of recurrent expenditure.

**(5) Hostel costs**

*(This cost category is currently reported to the national DoE under Supplies and Services-Other")*

120. **Records.** Schools with hostels must keep a separate account for all recurrent costs associated with hostels, and a record of the number of learners staying at each hostel. Such accounts and records will be subject to unannounced audits by officials of the PED.

121. **Hostel fee.** The school must charge each learner staying in the hostel a hostel fee equal to the average running cost per learner in the hostel. No blanket cross-subsidisation of hostel costs from fee income is permitted. However, if the SOB wishes to exempt particular learners from hostel fees, it may do so by recording the necessary book-keeping transfer.

122. **Hostel subsidy.** The PED must, in turn, set aside a budget item for hostel subsidies. Schools with hostels will be paid pro rata out of this budget for each of their learners

- (a) whose transport time to the school is greater than 1½ hours;
- (b) if there are no available school places near the learner's parents' place of residence; and
- (c) whose parents cannot afford the per-child hostel cost.

123. The PED may adjust these criteria in order to ensure that the subsidy per learner is meaningful, while recognising that this may decrease the number of learners thus covered, requiring a tightening of the targeting criteria.

124. Subsidies for hostel costs incurred by learners with special education needs enrolled in ordinary public schools will be provided by the provincial education department in accordance with the overall funding approach used for such learners.

## 5 FEE EXEMPTIONS IN PUBLIC SCHOOLS

### Introduction

125. The SASA requires the Minister of Education to make regulations about the equitable criteria and procedures for exemption of parents who are unable to pay school fees (section 39(4))<sup>7</sup>. The regulations reflect the national norms in this document, and apply uniformly in all provinces. PEDs are advised to make the regulations available to all public school governing bodies.

126. Governing bodies must notify all parents in writing about the equitable criteria and procedures for exemption, in sufficient time for the general meeting of parents at which the budget is considered. The regulations are to be interpreted within the framework set by chapter 4 of the Act, and with reference to these norms.

127. Since fee revenue is determined both by the fee level and by the number of fee payers, the norms relating to exemption are designed to assist parent bodies to make appropriate and equitable decisions about the fee level and the exemption thresholds.

### Exemption criteria

128. If a parent meeting in terms of section 39 of the Act decides to charge annual school fees, the following criteria for exemption from fee paying must be observed, subject to the Regulations.

#### *Full exemption*

129. Subject to Regulation 5(4), if the combined annual gross income of the parents is less than 10 times (10X) the annual school fees per learner, the parent qualifies for full exemption.

130. A person who has the responsibility of a parent of a learner placed in a foster home, foster care or a place of safety, qualifies for full exemption.

#### *Partial exemption*

131. Subject to Regulation 5(4), if the combined annual gross income of the parents is less than 30 times (30X) but more than 10 times (10X)

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<sup>7</sup> The Exemption of Parents from the Payment of School Fees Regulations, 1998, are published in this issue of the Government Gazette.

the annual school fees per learner, the parent qualifies for partial exemption.

132. Partial exemption may be granted on a sliding scale. The criteria for applying the scale of partial exemptions must be determined by the parents at the general meeting referred to in section 38(2) of the Act, or by the governing body of the school if the general meeting of parents so decides. Such criteria could be intermediate income multiples between 30X and 10X. Thus, for example, 50% exemption could apply at the 20X mark.

***No exemption***

133. Subject to Regulation 5(4), if the combined annual gross income of the parents is more than 30 times (30X) the annual school fees per learner, the parent does not qualify for exemption.

***Conditional exemption***

134. The criteria for making a conditional exemption must be related to special circumstances affecting a parent's ability to pay the fee, or to the need to acquire relevant information about a parent's circumstances.

***Other considerations***

135. A school governing body must make it possible for parents to pay by installment.
136. Parents whose circumstances change for the worse during the school year may apply for partial or total exemption at any time during the year, but fees already paid need not be reimbursed.
137. Parents who are partially or totally exempt, must advise the SGB if their circumstances improve to the extent that they are no longer eligible for the exemption granted to them. The SGB may amend or rescind the exemption on the merits of the parent's circumstances.
138. Nothing prevents a parent who is eligible for exemption from freely deciding to waive exemption. Such a decision must be communicated to the chairperson of the governing body in writing.
139. Nothing in these norms prevents a governing body from encouraging all parents, including fee-exempt parents, to render voluntary services to the school or to make voluntary contributions to the school fund in terms of sections 20(1)(h) and 37(2), respectively, of the Act.

**Exemption procedures**

140. The Regulations on exemption specify the procedures for
- (a) making an application for exemption
  - (b) consideration of an application by a school governing body
  - (c) alteration of a decision by a school governing body, and
  - (d) an appeal by a parent who is dissatisfied with a decision relating to exemption.

## 6 SUBSIDIES TO INDEPENDENT SCHOOLS

### Introduction

141. Every person has the right, in terms of the Constitution, to establish and maintain, at their own expense, an independent educational institution that does not discriminate on grounds of race, is registered with the state, and maintains standards that are not inferior to standards in comparable public educational institutions. This provision does not preclude state subsidies for such institutions (section 29(3) and (4)).
142. The SASA provides for the right of persons to establish and maintain an independent school, and for the registration of an independent school by the Head of Department, under conditions consistent with the Constitution. The Act enables the provincial MEC to grant a subsidy to a registered independent school, in terms of norms and minimum standards determined by the Minister of Education (sections 45-46, 48).
143. The norms that follow are the first uniform national norms for independent school subsidies. They are intended to provide a stable and principled basis for MECs in all provinces, to decide the eligibility for subsidy and the level of subsidies for registered independent schools.
144. The national norms apply uniformly in all provinces. However, a provincial MEC may vary them, so long as their intent and spirit is maintained. The Head of Department must consult the national DoE on this matter.
145. The following norms embody conditions of eligibility for subsidy, and funding criteria for allocating subsidies.

### *Conditions of eligibility*

146. An independent school may be considered for subsidy if it
- (a) is registered by the PED;
  - (b) has made an application to the PED in the prescribed manner;
  - (c) has been operational for one full school year;
  - (d) is not operated for profit;
  - (e) is managed successfully according to a management checklist determined by the PED, as described in paragraph 149;
  - (f) agrees to unannounced inspection visits by officials of the PED; and
  - (g) has not been established in direct competition with a nearby uncrowded public school of equivalent quality.

147. In addition to the conditions in the previous paragraph, the following conditions apply to independent secondary schools. A secondary school may be considered for subsidy if
- (a) its grade 12 pass rate is 50% or more of full-time candidates writing the examination in the prior year;
  - (b) the repetition rate in grades 11 or 12 is not more than 20%; and
  - (c) it does not engage in practices that are calculated to artificially increase the school's grade 12 pass rate.
148. The Head of Department may vary conditions (a) or (b) in the previous paragraph, on good cause shown.
149. Each school requesting funding will be subject to a management checklist (which may be the same as, or based on, the checklist referred to in paragraph 107 above), which will be approved by the HOD after consultation with representatives of independent schools. This checklist will determine whether the school is able to manage public funding responsibly. It must include indicators of sound management, such as whether the school keeps proper admissions and attendance registers, and maintains fee payment and other financial records. To be eligible for funding a school must subscribe to the checklist, and must allow unannounced inspections by officials of the PED, to ensure that the practices in the checklist are up-to-date. Refusal to allow an unannounced visit will result in forfeiture of further funding.

## **Funding criteria**

### ***Subsidies related to fees***

150. In what follows, the level of annual non-discounted fees<sup>8</sup> charged at an independent school as of January 1998 will be taken as an indicator of the socio-economic status of a school's community.

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<sup>8</sup> For the purpose of this national policy, "fees" means any form of payment for registration and tuition made by a parent in relation to a learner's enrolment or attendance at an independent school. It includes the present annualised value of any past or future once-off payment, using a market rate of interest for investments of equal certainty. It also includes any other form of payment by a parent, or equity in the school taken by a parent, as a form of fee payment-equivalent. The highest level of fees normally charged at the school, as opposed to fees discounted for once-off payment, will be taken as representative. Additional costs associated with the normal course of instruction which learners are expected to follow are to be considered fees, even if they are not formally called fees. However, payments for extra items or services, or for school materials that are procured by the school instead of having to be purchased by the parent, are not to be considered fees, as long as the cost of such items is similar to their open-market value.

151. The Ministry's policy is to enable subsidies to be granted in relation to the socio-economic circumstances of an eligible school's clientele. The level of school fees charged by an independent school is taken as an objective, publicly-available criterion that correlates well with the socio-economic circumstances of the school's clientele. Subsidy levels are therefore related to fee levels on a five-point progressive scale, as shown in Figure 3 below. Eligible schools charging the lowest fees will qualify for the highest level of subsidy. Schools charging the highest fees, in excess of 2.5 times the provincial average cost per learner in an ordinary public school, are considered to serve a highly affluent clientele, and no subsidy will be paid to them from public funds.

Figure 3. Allocation table for independent school subsidies	
<i>Fee level</i>	<i>Subsidy level</i>
1) Up to 0.5 times (50% of) the provincial average public cost per learner in ordinary public schools the previous fiscal year.	Subsidy equal to 60% of the provincial average cost per learner in ordinary public schools.
2) Higher than 0.5 and up to 1.0 times the provincial average public cost per learner in ordinary public schools the previous fiscal year	Subsidy equal to 40% of the provincial average public cost per learner in ordinary public schools.
3) Higher than 1.0 and up to 1.5 times the provincial average public cost per learner in ordinary public schools the previous fiscal year.	Subsidy equal to 25% of the provincial average public cost per learner in ordinary public schools.
4) Higher than 1.5 and up to 2.5 times the provincial average public cost per learner in ordinary public schools the previous fiscal Year.	Subsidy equal to 15% of the provincial average public cost per learner in ordinary public schools.
5) Higher than 2.5 times the provincial average public cost per learner in ordinary public schools the previous fiscal year.	No subsidy.

152. PEDs will need to establish a procedure to deal with borderline situations. For example, if the average public school cost in a province is R2000, and an independent school charges fees of R1050, it will just miss being in the first (highest subsidy) category, even if its clientele is not different from that of a school charging, say, R950. PEDs may use the following criteria, in addition to any other relevant information submitted by the school, to judge whether a school falls into a certain category:

- (a) schools in the first (highest subsidy level) category would typically be located in townships, deep rural areas, or informal settlements.
- (b) schools in the second category would typically be in inner city or transitional suburban areas, catering largely to township and informal sector clientele or the urban lower middle class.
- (c) schools in the third and fourth categories would be middle and upper middle class schools with good facilities with a local clientele.
- (d) schools in the fifth category would be well established schools with excellent facilities and a national or regional clientele and very low learner:educator ratios.

153. Subsidies may be paid only in respect of grades 1-12. No other grades are eligible for subsidy for the time being. If the fee structure varies by grade, the enrolment-weighted average of the fees in all relevant grades will be taken as representative of each level.

154. The fee levels applying to primary and secondary schools may differ. For purposes of these norms, "primary" comprises grades 1 to 7, and "secondary" comprises grades 8 to 12. The HOD may recommend a subsidy, if it is deemed in the interest of the school and the provincial education department, when a school lowers its fees in order to qualify for the same percentage subsidy in both primary and secondary levels.

***Subsidies in relation to PED budgets***

155. The Ministry of Education is sensitive to the connection between the total cost of independent school subsidies and the overall budgetary position of a provincial education department. Recent reductions in the overall funds available for independent school subsidies because of urgent budgetary expediency, should not become de facto policy by default. At the same time, PEDs must have latitude to vary budgetary allocations between programme areas, in relation to the total funds at their disposal, and the priorities established in terms of national and provincial policies.

156. A PED may, therefore, alter the fee levels and corresponding percentage subsidies after consultation with the national DoE, if the application of these norms would

- (a) cause a PED's expenditure on subsidies to independent schools to deviate from a three-year historical moving average by more than 10 percent in real terms in any given year; or
- (b) contribute to over-expenditure on the PED's budget in the year they are applied; or



- (c) result in independent schools receiving year-to-year budget cuts (or increases) in any given year that are significantly larger (or smaller) than other programme areas in the PED's budget.

### ***Other deviations***

157. Aside from deviations already discussed in this document, a PED may deviate from the subsidy and fee levels in these norms only on good cause shown (see paragraph 144 above).

### **Date of subsidy payments**

158. Subsidies will be calculated on a per learner basis according to the verified enrolment in the school at the beginning of each term.

159. PEDs must ensure that the first term's subsidy is paid no later than 1 April in each school year. Subsequent subsidies must be paid no later than six weeks after the beginning of each school term.

### **Monitoring and revision**

160. The Ministry of Education, in co-operation with PEDs and representatives of independent schools, will monitor the application of these norms in order to:

- (a) monitor fee levels;
- (b) monitor subsidy levels;
- (c) ensure that the overall level of subsidy to independent schools is a reasonable percentage of the total education budget in a province, in relation to the relative size of the independent and public school sectors in the province, and other relevant considerations; and
- (d) ensure that national education policy objectives are being well served by the norms and their application.

161. In the light of an analysis of these matters, the Ministry, after due consultation, may amend or revise the norms.