



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

**Proposals for amendments  
November 2004**



**Department of Education  
PRETORIA**

**I, Grace Naledi Mandisa Pandor, Minister of Education, after consultation with the Council of Education Ministers and the Minister of Finance, hereby invite comment from the public and interested parties on the proposed policy amendments contained in this document.**

**All comments should be in writing and must reach the Department of Education no later than ??? 2004.**

**Written comments, which should indicate the name and postal, e-mail and telephone contact details (if available) of the person, governing body or organisation submitting the comments, may be sent to:**

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**An electronic version of the document is available on the Department of Education website (<http://education.gov.za>, in the “NEWS” area).**

**Key sections of this document are translated into four official languages other than English.**

**This report is also published in the Government Gazette of ??? 2004.**

**GRACE NALEDI MANDISA PANDOR, MP  
MINISTER OF EDUCATION**

**DATE: ???**

## Contents

1	INTRODUCTION .....	4
2	WHAT ARE THE PRESSURES AND WHAT IS CHANGING?.....	5
3	WHAT ARE THE IMPORTANT THINGS COMMUNITIES SHOULD KNOW? .....	7
4	THE PROPOSED AMENDMENTS .....	12
	Appendix A References.....	31
	Appendix B Explanatory memoranda.....	32
	Appendix C Background analysis relating to fee exemptions calculations .....	35

## 1 INTRODUCTION

This document contains proposed amendments to the *National Norms and Standards for School Funding* (Notice 2362 of 1998). These proposed amendments cover the parts of the policy dealing with the school allocation and fee exemptions in public schools.

In terms of formal policy processes, these amendments are the result of a re-evaluation of school funding that began with an analysis captured in *Report to the Minister: Review of the financing, resourcing and costs of education in public schools* and led to a series of public commitments captured in *Plan of action: Improving access to free and quality basic education for all*. But more broadly, these amendments represent the culmination of many years of experience and hard work based on the original 1998 Norms, and specifically in the area of pro-poor school funding. South Africa can by now regard itself as a world leader amongst developing nations in this vital area of education planning. Truly, few developing countries have come as far along this road as we have. There are many challenges ahead. In particular, the achievement of adequate levels of non-personnel funding across all historically disadvantaged schools in the country remains an urgent imperative, but this goal now seems to be within our grasp. Developing further capacity at schools and in the district offices to promote effective utilisation of non-personnel resources in the interests of quality education and hence empowerment of communities, is another key challenge we face.

This document provides the proposed amendments themselves. It also provides the currently existing policy, as well as an explanatory appendix relating to the fee exemptions proposals.

Importantly, the proposals in this document imply amendments to both the *South African Schools Act* (Act 84 of 1996) as well as the *Regulations for the Exemption of Parents from Payment of School Fees* (Notice 1293 of 1998). These further amendments will occur soon after finalisation of these amendments in the *National Norms and Standards for School Funding*.

## 2 WHAT ARE THE PRESSURES AND WHAT IS CHANGING?

Here, we summarise the service delivery pressures, and how these translate into proposed policy amendments.

The fundamental spirit of the Norms published in 1998 are retained in the proposed amendments. This is important to keep in mind. But three key pressures result in a number of changes or additions to the existing policy.

- The first key pressure is that despite dramatic increases in the value of the school allocation in certain provinces, in many parts of the country **the monetary value of the school allocation is still too low**. This is related to unacceptable **inequities across the country in terms of the school allocation**. The following changes deal with these pressures.
  - PEDs will move towards a simpler and more accurate method of **gauging the poverty levels of schools**, and hence levels of funding required. This new method will consider only the community around the school, in particular income levels. A clearer system of exemptions will cater for schools where the poverty levels of learners enrolled in the school do not match the poverty level of the community around the school.
  - PEDs will moreover have to attain **monetary targets for the per learner school allocation amounts**. These targets take into account the greater extent of poverty in certain provinces, and consequently the need for more generous levels of funding in these provinces.
- The second key pressure is the need for a **better utilisation of the school allocation**. Currently, it is not sufficiently clear what the school allocation is intended for, and what it gets spent on.
  - Clearer **specifications regarding the intended usage of the school allocation** are provided. This will guide PEDs in the determination of indicative breakdowns by e.g. SASA section 21 function, and in the monitoring process. School budgeting will also be subject to clearer guidelines.
  - The targets themselves, which are simple for parents and schools to understand, will **encourage better accounting for expenditure on schools by the PED** where schools have not been allocated SASA section 21 functions.
  - A **medium term framework** for the school allocation, with three-year amounts being made explicit to schools, will improve predictability and the ability of schools to plan.
- The third pressure relates to the fact that the current **fee exemptions system** is not adequately protecting the poor across all schools and in all situations. This has created unjustifiable hardships for some poor households.
  - Schools serving the poorest communities in the country will be declared **‘no fee schools’**. In these schools, no compulsory school fees may be charged. The Minister will determine and amend from time to time the criteria for the declaration of no fee schools. The criteria will be based on the poverty level of communities and level of state funding. They may also focus on removing fees from certain grades only, in particular Grades R to 9. These new powers of the Minister will be written into an amendment to the South African Schools Act.

- **‘Automatic exemptions’** will apply to learners who are recipients of poverty-linked social grants, for instance the child support grant.
- **Households charged school fees for more than one learner** will find it easier to obtain a partial exemption. How partial exemptions work is explained more clearly than before.
- The obligations of the state to **monitor the implementation of the fee exemptions system** will be stronger. Schools with exceptionally high or exceptionally low numbers of exempted parents will be investigated by the PED and remedial steps, if necessary, will be taken.

### **3 WHAT ARE THE IMPORTANT THINGS COMMUNITIES SHOULD KNOW?**

Here, we summarise what the sections of the *National Norms and Standards for School Funding* titled 'The School Allocation' and 'Fee Exemptions in Public Schools' mean for communities. Importantly, what follows here is not the policy itself, but a summary of the policy.

This section has been translated into four official languages other than English to encourage more people to discuss the proposed policy changes, and to submit comments to Government.

#### **THE SCHOOL ALLOCATION**

##### **Introduction**

1. The school allocation is an amount of money that Government gives to each public ordinary school every year. The school allocation must be used by schools for things other than new buildings and other than the payment of salaries. The school allocation must be used to buy things such as textbooks, stationery and desks and to pay for things such as photocopying, electricity and telephone calls (these are just examples).
2. Government works out the amount of the school allocation on the basis of how many learners there are in a school, but also on the basis of how poor school communities are. Government believes that poorer school communities should receive higher school allocations, so that there is less pressure in poor schools to charge school fees, and because poorer parents are less able to purchase things like books that assist children to learn.

##### **Background**

3. Government started paying school allocations to schools in 2000, and since then the school allocations have increased. However, Government believes that the school allocations, especially in the poorer provinces, are still too low. The 2003 changes to the original school funding policy will result in school allocations that are more adequate and more equal across the whole country. It is important that schools serving poor communities should receive more, but it is also important that school communities in different provinces that are equally poor should be funded more or less the same.

##### **Things that schools may use the school allocation for**

4. More examples of things that schools may use the school allocation for are: library books, computer hardware and software, televisions, science laboratory equipment, fax machines, cleaning equipment, sporting equipment, Internet, audit fees and transport. These are things the school allocation *may* be used for. Schools will not be able to afford to buy all these things each year. However, the plan of Government is to make sure that at least the very poorest schools receive enough money in the school allocation to make quality schooling possible without school fees. In order for this plan to work, the participation of communities in the School Governing Bodies is important. Communities must actively take part in the decisions on how the school allocation can be used to improve education at the school.
5. Backlogs are shortages in schools that are the result of too little spending on schools during the apartheid years. For example, some schools have never had enough decent desks for learners. Some schools have always suffered from overcrowding. Government has been spending billions of rands since 1994 to deal with backlogs in schools, and will

continue to do this until all apartheid backlogs have been dealt with. This is not part of the school allocation, it is Government spending over and above the school allocation.

### **The resource targeting list**

6. It is very important for Government to provide good schools for communities where those communities live. Government believes that in order to deal with our history of inequality, schools that are in or near the poorest communities must receive the highest school allocations. This means that Government must measure the poverty of all communities in the country, so that Government can know which communities should receive better school funding. Since 2000, Government has kept lists of schools for each province, where all schools in the province are listed from most poor to least poor. This list is called the 'resource targeting list'. The way the poverty of communities, and therefore also schools, is measured would change slightly with the proposed policy changes. But any change would occur slowly, so no school's position on the list would change suddenly.
7. Government is aware that there are schools which serve learners who live very far from those schools. This is often a result of our apartheid past. For example, many learners move from 'townships' to schools in the 'suburbs' every day because their parents believe that their children can receive a better schooling there. This is understandable, but Government's aim is to make sure that all township and rural schools grow and improve, as indeed many have, so that all South Africans can enjoy good schooling wherever they live. This is why Government is paying so much attention to schools in historically disadvantaged areas. However, there are cases where Government must pay a better school allocation to a school in a non-poor area, because of the circumstances of the learners. For example, if learners from an informal settlement which has no school are forced to use a school in a nearby 'suburb', then Government believes that this school must be put in a new place on the resource targeting list, so that the school receives a larger school allocation.

### **The school allocation targets**

8. Below, Government's targets for the school allocation are given. Each amount is what one learner in the school should receive. As an example, the target for quintile 1 (or Q1) is R703 for the year 2006. Quintile 1 is the group of schools in each province catering for the poorest 20% of learners. Quintile 2 schools cater for the next poorest 20% of schools, and so on. Quintile 5 schools are those schools that cater for the least poor 20% of learners. Poorer quintiles have higher targets than the less poor quintiles. The 'adequacy benchmark' is the school allocation amount that Government believes is the minimum needed by each learner in each school. In 2006, this amount is R527.

#### **THE TARGETS TABLE**

**National table of targets for the school allocation (2006-2008)**

	2006	2007	2008
<i>Q1</i>	R 703	R 738	R 775
<i>Q2</i>	R 645	R 677	R 711
<i>Q3</i>	R 527	R 554	R 581
<i>Q4</i>	R 352	R 369	R 388
<i>Q5</i>	R 117	R 123	R 129
<i>Adequacy benchmark</i>	R 527	R 554	R 581

9. The rand amounts in the above table, for example the R703 for Q1 in 2006, are targets only. This means that a Provincial Education Department may spend more or less than the

target. If it spends less than the target, then this would be regarded as a problem, and the national Department of Education would investigate the problem with the Provincial Education Department concerned to see why the target could not be met. A plan would be put together so that the targets could be met as soon as possible.

### **Information that Government will provide for schools and the public**

10. By 30 September each year, the Provincial Departments of Education will provide each school with the following information in writing:
  - Which quintile the school is in.
  - What the target amount per learner is for that quintile for the next year.
  - What the total school allocation for the next year for that school will be, and how this has been worked out.
11. In addition, MECs for Education will make lists of all schools available to the public through the provincial Government Gazettes and the Internet. These lists will show the whole resource targeting list for the province, including which quintile each school is in.

### **Section 21 status and the school allocation**

12. Section 21 of the South African Schools Act deals with certain responsibilities that schools may take on. Provincial Departments of Education must transfer these responsibilities to schools that make an application for them, unless the Provincial Department of Education believes that school management is inadequate to deal with the responsibility. MECs will include in the Government Gazette details on which schools have which section 21 functions.
13. Schools that have section 21 responsibilities, or functions, receive the school allocation as a transfer into the school bank account.
14. Schools that do not have section 21 responsibilities do not receive the school allocation as money. Instead, the school works together with the Department to decide what the school allocation should be used for, and the Department buys the goods for the school. The school allocation is still the school's money, and the school has the right to know exactly how the money was spent. However, the Department takes the responsibility of managing the funds for the school. There have been some problems here in the past. For example, where orders were not processed fast enough, money was not spent during the year, and had to be returned to Treasury at the end of the year. Government has plans to improve this situation so that all schools, both those with and without section 21 functions, experience the full benefits of the school allocation.

### **Accountability of schools**

15. It is important that schools should use the school allocation in such a way that education is improved in the school. For this reason, the Departments have and will continue to lay down some basic rules for using the school allocation. For example, the Department may tell schools what percentage of the school allocation should be spent on textbooks and other educational materials. Schools with section 21 functions that do not follow the rules run the risk of losing their section 21 status.
16. The South African Schools Act of 1996 makes it clear that all schools must keep detailed accounts of what they spend their money on, and must account to school communities and

the Department on an annual basis. The Department decides how the accounts of schools must be organised and presented to communities.

### **FEE EXEMPTIONS IN PUBLIC SCHOOLS**

17. The South African Schools Act of 1996 gave parents at all schools the right to set school fees. If parents who can afford to pay school fees, pay school fees, this allows Government to spend more money on the poor in the school system. As Government's 2003 report on school funding indicated, school fees in non-poor schools made it possible for Government to move about R300 million to the funding of poorer schools. However, it is important that school fees should not be a barrier preventing entry of learners into schools. For this reason, Government believes it is important to increase the school allocation, especially in poor schools. Government also believes that the system of exemptions from school fees for poor parents must be strengthened, and that in some schools there should not be school fees at all.

#### **No fee schools**

18. Government believes that in the schools serving the poorest communities, there should be no school fees. From the year 2006, certain schools will no longer be allowed to charge school fees. These schools will be called 'no fee schools'. Schools that are in poor quintiles, and that receive a school allocation that is at least as great as the adequacy benchmark (see the previous table) will become no fee schools. What this means is that school fees would not be charged in the poorest schools that receive an adequate school allocation from Government. It was explained earlier that if in any province these schools receive less than the adequacy benchmark, then a plan would be drawn up to deal with the problem. The Minister will decide exactly which quintiles will be considered as 'poor' for the purposes of making schools no fee schools. The Minister may also decide to focus on removing school fees only from Grades R to 9 in certain schools.

#### **Automatic exemptions for individual learners**

19. As in the past, automatic exemptions from school fees will continue to apply where learners are orphans or are in some kind of foster care. What is new is that from 2006 automatic exemptions will also apply where Government pays a grant linked to a learner, for example a child support grant.

#### **Calculations to work out full exemption and partial exemption**

20. Even if a learner is not in a no fee school, and even if an automatic exemption does not apply for a learner, a parent may still be exempt, in full or in part, from the payment of school fees if the income of the parent is too low compared to the school fee. As in the past, there are particular calculations to work this out. Some of the calculations have changed, however, to make it easier for parents who have more than one learner.
21. As in the past, where the one or two parents responsible for the learner have a combined income that is less than ten times the school fee, full exemption from school fees applies, in other words the parents pay no school fees.
22. As in the past, where the income of the one or two parents is less than thirty times the school fee, and there is one learner being charged fees, partial exemption from school fees applies. What is new is that where parents are charged school fees for more than one learner, a more generous calculation of partial exemption is used. Parents with more than one learner still pay more in total than parents with one learner, but the difference is

smaller than before. The changed policy is also clearer than the previous policy on how the partial exemption must be worked out.

23. What is also new is that when parents calculate whether an exemption applies or not, they may add extra charges made by the school, for example the charge for a compulsory school trip, to the school fee. This is to discourage schools from charging for extras over and above the school fee.

#### **Number of exempted learners in a school**

24. Government believes it may be a problem if in a school that charges school fees, too many learners in a school are exempted, or no learners are exempted. The changed policy says that the Department will keep a closer watch on this situation in schools. If too many learners are exempted, it may be because the school fees are too high, or that the school allocation is too low. It may be necessary for the Department to advise parents to lower the school fee, or the Department may need to change the poverty score of the school so that the school allocation goes up. If no learners, or very few learners are exempted, it may be that the school is keeping poor learners out. This would also mean that the Department should take some action.

#### **The new exemptions regulations**

25. The *National Norms and Standards for School Funding*, which are the subject of this document, will, as in the past, provide the general exemptions policy, and the rules for working out fee exemptions. The *Exemptions of Parents from the Payment of School Fees Regulations* of 1998, which deals with the procedures that parents must follow to apply for exemptions, are not dealt with in this document. However, these regulations will be changed to make it easier for parents to know their rights, and to apply for school fee exemptions when they qualify for such exemptions.

## 4 THE PROPOSED AMENDMENTS

The proposed amendments in this section all refer to the *National Norms and Standards for School Funding* (Notice 2362 of 1998). Nothing in these proposals conflicts with an earlier set of amendments effected through Government Notice 20 of 2003 (those amendments dealt mainly with subsidies to independent schools).

The original policy is provided in Appendix D, and explanations specific to new paragraphs are provided in Appendix B.

**1. The sentence of existing paragraph 69 “The recommended date for the provision of such information to public schools is 30 September each year.” is deleted.**

**2. Existing paragraphs 80 to 83 are deleted. The heading “Cost allocation categories” preceding existing paragraph 80 is also deleted.**

**3. The following sentences are added to the end of existing paragraph 92.**

Wherever possible, PEDs must aim to eliminate under-utilisation of physical space occurring concurrently with overcrowding, and must therefore also determine minimum per classroom occupation levels below which schools will be considered under-utilised.

**4. Existing paragraphs 98 to 104, including the headings “Recurrent cost allocations” and “Targeting schools on the basis of need” preceding existing paragraph 98, are replaced by the following heading and paragraphs.**

### THE SCHOOL ALLOCATION

98A This section describes the rights and obligations of schools and the state with regard to the school allocation that is granted by Government on an annual basis to public ordinary schools.

98B This section relates to public ordinary schools only. ‘School’ in this section must be taken to mean ‘public ordinary school’.

#### Key terms

98C The following terms have particular importance with regard to the school allocation.

**National poverty distribution table (or the ‘poverty table’).** A table, provided in this policy, that describes the distribution of national poverty across the country.

**Provincial quintile** One fifth of public ordinary school learners in a province, where the first provincial quintile is the poorest one-fifth, and second provincial quintile is the next poorest one-fifth, and so on. In practice, it is the level of poverty of the school that determines how poor each learner is, but a quintile is nevertheless one fifth of the province’s learners, not schools.

**National quintile.** One fifth of public ordinary school learners in South Africa, where the first national quintile is the poorest one-fifth, and second national quintile is the next poorest one-fifth, and so on. In practice, it is the level of poverty of the school that determines how poor each learner is, but a national quintile is nevertheless one fifth of the country’s learners, not schools.

**National table of targets for the school allocation (or the ‘targets table’).** A table, provided in this policy, that lays down the per learner monetary targets for the school allocation in terms of national poverty quintiles.

**Resource targeting list.** A list of schools in a province with schools ranked according to poverty of the school community. Schools should be sorted from poorest to least poor on this list.

**School allocation.** An amount allocated by the state to each public ordinary school in the country on an annual basis in order to finance non-personnel recurrent expenditure items.

**School allocation budget.** A provincial budget used exclusively to finance the school allocations in the province.

**School poverty score.** A score attached to each school that reflects the degree of poverty of the surrounding community.

### **Introduction**

- 98D The school allocation is intended to finance key inputs other than personnel and buildings in the education process. Key examples of inputs for which the school allocation is intended are textbooks, stationery and non-educational items such as cleaning materials and electricity. Such inputs are necessary if educators and other personnel in schools are to perform their functions properly. The school allocation is therefore an important instrument supporting Government’s commitment to fulfilling the state’s Constitutional obligation to provide education.
- 98E As there is a history within South Africa and in other countries of school fees being used to cover the items targeted by the school allocation, Government regards a school allocation that is adequate for at least the poor, as a key lever for ensuring that households suffering the effects of poverty enjoy schooling that is adequately funded by the state. A distributional approach that favours the poor in this regard is in keeping not only with Government’s Constitutional obligation to redress the imbalances of the past, but also with South Africa’s commitment to various regional and international agreements to combat poverty through increased access to quality education.
- 98F Government sees the school allocation as a key means of empowering school communities, and realising democracy at the level of the school. It is important for the local level to participate in decision-making relating to what non-personnel inputs to purchase for particular schools. For this reason, Government supports the gradual transfer to the school level of decision-making powers relating to the school allocation. This must obviously occur in a controlled manner, in accordance with the important sections 19 to 22 of the SASA, and in such a way that public funds are not squandered, and are spent in a manner that fully supports the national curriculum.
- 98G Government will determine the level of the school allocation, and optimise the translation of the school allocation into resources that schools can utilise, on the basis of five key considerations:
- (a) The rights of learners with regard to schooling.
  - (b) What the minimum basic package of school inputs is in order to make quality education a possibility. With regard to this consideration, Government acknowledges that in striving for equity in education, there is a need to spend more on education for the poor, and that the basic minimum package may vary with factors such as socio-economic context.
  - (c) Prices of goods and services required by schools.
  - (d) The distribution of income and poverty in the country, including the greater ability of certain communities to make private contributions to the schooling process. With regard to this consideration, it is recognised that the poor in South Africa are not all equally poor, and that it

may be necessary for the state to deal with the problem of poverty differentially.

(e) The overall budget of Government.

### **Background**

- 99A A school allocation for South African public ordinary schools was established through the 1998 publication of the National Norms and Standards for School Funding. It was first implemented in 2000 by PEDs, and represented a major innovation in South African school funding both in terms of financing systems and pro-poor resourcing.
- 99B During the period 2000 to 2003 major lessons were learnt with respect to the pro-poor school allocation. On the side of implementation, lessons were learnt regarding the required management training for schools, the required financial accounting systems, and the importance of understanding how best to use the allocation in the interests of school improvement and the support of the curriculum. On the side of policy, it became clear that though the 1998 policy was fundamentally correct, certain policy improvements were needed. In particular, inter-provincial equity emerged as a key policy concern. Two major assessments, in 2001 and 2003, focussing specifically on the school allocation were conducted. Moreover, in 2003 the DoE published an assessment of the overall system for the resourcing of schools. This assessment led to the 2003 *Plan of Action: Improving access to free and quality basic education for all*. These documents are milestones in our building of a post-apartheid schooling system, and they strongly inform this amended policy on the school allocation.

### **Inputs that may be covered by the school allocation**

- 100A This sub-section describes which items may be covered by the school allocation. The description is not intended to be unnecessarily restrictive or prescriptive. Nor does the description exclude the use of state funds other than the school allocation for the items mentioned. Instead, this description should guide the state in determining the level and distribution of the school allocation, and schools in determining the utilisation of the allocation. This sub-section does not in any way place the state under the obligation of ensuring that the cost of all the items listed here should be fully covered by the school allocation.
- 100B In general, the school allocations are intended to cover non-personnel recurrent items and small capital items required by the school as well as normal repairs and maintenance to all the physical infrastructure of the school. Moreover, the school allocation is primarily and exclusively intended for the promotion of efficient and quality education in public ordinary schools.
- 100C The following list provides examples of items that the school allocation may cover, and a categorisation of these items. It should be noted that the items mentioned serve as examples, and do not constitute all the possible items. The definition of a capital item is as per Treasury regulations (currently, any item exceeding a value of R5,000 per item is defined as a capital item).
- (i) Learning support materials (LSMs), including textbooks, library books, charts, models, computer hardware and software, televisions, video recorders, video tapes, home economics equipment, science laboratory equipment, musical instruments, learner desks, chairs. (These items, and the ones under (ii) to (iv) below, would typically support the SASA section 21(c) function.) This category is subdivided into capital items and non-capital items.
- (ii) Non-LSM equipment, including furniture other than learner desks and chairs, paper copier machines, telephone sets, fax machines, intercom systems, equipment for connectivity within the school and to the Internet, hardware tools, cleaning equipment, first aid kits, overalls for cleaners and ground staff, sporting equipment, electrical accessories. This category is subdivided into capital items and non-capital items.
- (iii) Consumable items of an educational nature, including stationery for learners.

(iv) Consumable items of a non-educational nature, including stationery for office use, paper, cleaning materials, petrol, lubricants, food.

(v) Services relating to repairs and maintenance, including building repair work, equipment repairs and maintenance, light bulbs. (These items would typically support the SASA section 21(a) function.)

(vi) Other services, including workshop fees, TV licences, Internet service providers, school membership of educational associations, postage, telephone calls, electricity, water, rates and taxes, rental of equipment, audit fees, bank charges, legal services, advertising, security services, public or scholar transport, vehicle hire, insurance, copying services. (These items would typically support the SASA section 21(d) function.)

100D In view of the fact that schools are not equally subject to the legacy of apartheid inequities, population increases and unexpected calamities, the DoE and the PEDs must pursue resourcing mechanisms other than the school allocation in order to deal with the following shortages of the items referred to in paragraph 100C:

(a) Shortages of LSMs and equipment where the shortage is clearly and directly linked to historical expenditure inequities.

(b) Shortages of LSMs and equipment, and in particular shortages of learner desks, learner chairs and textbooks, where the shortage is clearly and directly linked to a recent and significant increase in the enrolment of the school.

(c) Urgent building repair needs which are clearly and directly linked to historical expenditure inequities.

(d) Shortages resulting from calamities such as fire or floods.

(e) Start-up resource requirements linked to the approved introduction of new grades into existing schools, or the establishment of completely new schools.

100E Nothing in this policy prevents PEDs or SGBs from devoting funds derived from the school allocation towards needs described in paragraph 100D, if this is regarded as being in the interests of education in the school, and if this occurs in accordance with the general policy governing the school allocation. An SGB may, for instance, approve the use of the school allocation for urgent building repair needs arising out of a natural calamity. A PED may establish a system whereby schools are reimbursed at a future date for utilising funds from the school allocation for non-intended expenditure of a non-personnel nature. Such a system of reimbursement must be transparent and treat all schools equally. Schools do not have an automatic right to this type of reimbursement outside of, or in the absence of, such a system in the province.

100F The school allocation may not be used to cover the cost of personnel and new buildings.

#### **The resource targeting list**

101A This sub-section describes the 'resource targeting lists' that PEDs must maintain as a basis for the pro-poor distribution of the school allocation budget. The resource targeting list is a list of all the public ordinary schools in the province, sorted from poorest to least poor. The principle is followed that, ideally, communities are best served by the schools closest to them. It is precisely for this reason that the preferential public funding of schools in poorer communities is regarded as a priority for Government. However, exceptions to this principle are also contemplated in this sub-section.

101B The PED must assign to each school a school poverty score that will allow the PED to sort all schools from poorest to least poor. The principles governing the determination of the school poverty score are the following:

(a) The score should be based on the relative poverty of the community around the school, which in turn should depend on individual or household advantage or disadvantage with regard to income, wealth and/or level of education.

(b) The score should be based on data from the national Census conducted by StatsSA, or any equivalent data set that could be used as a source. The beneficiaries of the school allocation, for example schools or districts, should never be the source of the data, in order to avoid undesirable incentives to distort information.

(c) The derivation and calculation of the score should be sufficiently comprehensive to provide a reasonable measure of the relative poverty of the school community. However, it should not be the intention to incorporate the complete range of poverty indicators in the score. The score should moreover be constructed to be as transparent and generally understandable as possible.

(d) The basic methodology behind the score should be national in order to promote a pro-poor funding framework that treats equally poor schools equally, regardless of the province they find themselves in. However, provincial variation should be pursued where this enhances the ability of a PED to distinguish between the poverty levels of different school communities, and where the variation has been agreed upon after consultation with the DoE.

101C The following steps should be followed in the determination of the school poverty score:

(a) Each school must be linked to a specific geographical area that can be considered the catchment area of the school. Where Census data is used, the geographical area would be the set of enumerator areas or place names closest to the particular school. Different levels of the schooling system, for example primary schools and secondary schools, would be dealt with separately. The DoE may determine precise rules for this step after consultation with PEDs.

(b) Variables from the data set relating to households or individuals must be selected to inform three different indicators of poverty: income; dependency ratio (or unemployment rate); and level of education of the community (or literacy rate). The DoE may change this set of indicators after consultation with the PEDs.

(c) Variables from the data set, and the indicators of poverty, must be weighted, for the purposes of arriving at a final poverty score for each specific geographical area, corresponding to each school. The DoE will determine the weightings that should be used.

101D The Provincial Department of Education must, as a first priority, aim to provide schooling to communities in quality schools that are geographically accessible for learners. Linked to this priority, is the imperative to ensure that preferential school funding in poorer communities translates into effective interventions and optimal combinations of inputs that assist in combating historical disadvantage. However, PEDs may deviate from this principle, and may deviate from the school poverty score methodology described in paragraph 101C, in the following circumstances:

(a) There are inadequate places in local schools, and the PED has determined that the community should make use of schools at a distance from the local community.

(b) The PED has requested parents to make use of a school other than the local school, where the local school is suffering severe and temporary problems relating to, for instance, the quality of teaching and learning.

101E The exceptional circumstances referred to in paragraph 101D may permit the use of an approach other than the one described in paragraph 101C in order to determine a school's poverty score. In particular, the provision that it is the poverty of the community around the school that should be the determining factor, might be waived. Where a PED has determined that learners should attend a school other than the local school, the PED could, for instance, expand the community of the receiving school so that it included households from the community from which learners originated. Any deviation from the approach described in paragraph 101C must be effected transparently, and uniform criteria must apply to all similar

deviations within the same province. PEDs must register deviations in a provincial register that provides details on each deviation, including the justification for the deviation. Such a register must be available for scrutiny by the public and monitoring authorities such as the DoE.

- 101F A school may apply to the PED for a deviation of the type described in paragraph 101D to be effected for that school, where the school believes that it warrants special consideration. PEDs must establish transparent and fair procedures for dealing with such applications from schools, in line with paragraph 101E.
- 101G A school may dispute the correctness of the poverty score assigned to it through representation to the Head of Department. PEDs must establish transparent and fair procedures to deal with such queries regarding technical accuracy.

**The determination of nationally progressive school allocations**

- 102A This sub-section describes how PEDs should use the resource targeting list, the table of targets for the school allocation (the ‘targets table’) and the national poverty distribution table (the ‘poverty table’) to determine the school allocation for each school.
- 102B The following ‘table of targets for the school allocation’ or ‘targets table’ establishes target per learner amounts for the school allocation. Column A provides the percentages that underlie the pro-poor funding approach. For example, the first national quintile (or one-fifth) of learners should receive 30% of funding, which is six times more than the 5% of funding which should go towards the least poor quintile. Column B specifies the target per learner school allocation amount in rands for each of the years 2006, 2007 and 2008. Column B furthermore specifies what the average per learner target value would be for the country as a whole. The ‘adequacy benchmark’ amount appearing in column B indicates the per learner amount that Government considers minimally adequate for each year. For 2006, the adequacy benchmark is set at R527, and for the following two years inflationary increments have been calculated to give R554 and R581. Column C indicates the maximum percentage of learners in each national quintile that could be funded to the adequacy level. Column C provides an indication of both the possibility of adequate resourcing without school fees, and the percentage of learners which could be exempted from the payment of school fees, given the existence of fees. For example, in 2007 in national quintile 5, if school fees were used to finance the needs of 78% of learners, then 22% of learners could be financed through the state’s school allocation, in other words 22% of learners could be fully exempt from the payment of school fees.

**THE TARGETS TABLE**  
**National table of targets for the school allocation (2006-2008)**

	A	2006		2007		2008	
		B	C	B	C	B	C
<i>NQ1</i>	30.0	R 703	100%	R 738	100%	R 775	100%
<i>NQ2</i>	27.5	R 645	100%	R 677	100%	R 711	100%
<i>NQ3</i>	22.5	R 527	100%	R 554	100%	R 581	100%
<i>NQ4</i>	15.0	R 352	67%	R 369	67%	R 388	67%
<i>NQ5</i>	5.0	R 117	22%	R 123	22%	R 129	22%
<i>Overall</i>	100.0	R 469	89%	R 492	89%	R 517	89%
<i>Adequacy benchmark</i>		R 527		R 554		R 581	

- 102C The table appearing in paragraph 102B covers the school allocation targets to the year 2008 only. The Minister, in consultation with the Minister of Finance and the Financial and Fiscal Commission (FFC), will release targets relating to years beyond 2008, and may change previously released targets, depending on circumstances. The Minister would publish in the Government Gazette, on an annual basis, the new column B targets for the new outer year. For instance, in 2006 the Minister would publish the column B targets applicable to 2009. This is to promote predictability and better medium term planning in the schooling system. Changes to previously released targets could be made to deal with factors such as unexpected changes in the inflation rate. The Minister may revise the distribution between national quintiles contained

in column A. The Minister may revise the adequacy benchmark amounts. Revisions should occur on the basis of emerging research into the costs of schooling in different socio-economic contexts, changes in the socio-economic profile of the country and the overall budget of Government. The Department of Education must actively promote research that can inform optimal school allocation budgets, and an optimal distribution of this budget.

- 102D Considering that poverty is unevenly spread across South Africa, and that it is Government's intention to establish targets that treat equally poor learners equally, regardless of the province they find themselves in, province-specific poverty data should be taken into account. The following 'national poverty distribution table' or 'poverty table' should be used by PEDs in determining how the target table in paragraph 102B finds expression in each province. For example, Eastern Cape must consider the national quintile 1 target to be applicable to as many schools on the resource targeting list as it takes to cover 34% of learners, starting from the poorest school. The national quintile 2 target would be applicable to the following schools on the resource targeting list, up to the point at which the next 26% of learners would be covered. The national quintile 5 target would be applicable to only as many schools on the non-poor end of the resource targeting list as it takes to cover 11% of learners. The data in this table is based on household income data supplied by National Treasury.

**THE POVERTY TABLE**  
**National poverty distribution table**

	National quintiles					Total
	1 (poorest)	2	3	4	5 (least poor)	
Eastern Cape	34%	26%	18%	10%	11%	100%
Free State	33%	20%	16%	14%	18%	100%
Gauteng	7%	11%	18%	28%	35%	100%
KwaZulu-Natal	19%	22%	22%	21%	16%	100%
Limpopo	27%	25%	22%	15%	10%	100%
Mpumalanga	14%	23%	25%	21%	17%	100%
Northern Cape	18%	17%	21%	20%	23%	100%
North West	20%	19%	23%	23%	15%	100%
Western Cape	4%	10%	16%	29%	40%	100%
South Africa	20%	20%	20%	20%	20%	100%

***N.B. THE FIGURES IN THIS TABLE ARE STILL SUBJECT TO VERIFICATION THROUGH THE DEPARTMENT OF EDUCATION-NATIONAL TREASURY CONSULTATIVE PROCESS.***

- 102E The Minister, in consultation with the Minister of Finance, will review the national poverty distribution table on an annual basis and, when necessary, will publish updated versions of this table in the Government Gazette.
- 102F In order to calculate the target school allocation for each individual school for the following year, the PED must multiply the relevant per learner target from the targets table by the enrolment of the school in the current year. For example, a school serving 100 national quintile 2 learners (defined as such according to the criteria laid out in paragraph 102D) in 2006, would have a target school allocation of 100 multiplied by R645, or R64,500, in 2007.
- 102G Each PED must, as part of its ongoing MTEF budgeting process, calculate the school allocation budget implied by the national targets, and compare this amount to the actual school allocation budget amount available in the MTEF budgets. If the target amount is not equal to the actual amount, one of the following sets of procedures should be followed:
- (a) If the actual amount exceeds the target amount, the PED must ensure that, as a minimum, each school receives the school allocation implied by the national targets. A PED may use the difference between the actual amount and the target amount to create a smoother distribution, or a continuous curve, so that less abrupt per learner funding shifts occur between one school on the resource targeting list and the next. However, such smoothing should not result in any school receiving less than the target per learner amount applicable to that school.

(b) If the target amount exceeds the actual amount, the PED and the DoE, in collaboration with the National and Provincial Treasuries, must jointly devise a plan for attaining the targets in the earliest possible year. This plan must include details on how, in the interim, the actual budget will be distributed across the national quintiles. Such a plan must prioritise the attainment of targets in quintiles 1 and 2, and for learners in Grades 1 to 9.

- 102H Each PED must provide a recommended breakdown of the school allocation, for each school, according to the three section 21 functions of SASA that imply expenditure and according to the breakdown provided in paragraph 100C. This breakdown should be communicated in all official letters to schools indicating what their school allocations are. The three relevant section 21 functions are restated here, with some comments:

Section 21(a) of SASA: To maintain and improve the school's property, and buildings and grounds occupied by the school.

Section 21(c) of SASA: To purchase textbooks, educational materials or equipment for the school.

Section 21(d) of SASA: To pay for services to the school.

It should be noted that though school hostels are mentioned in section 21(a) of SASA, funding of school hostels is dealt with in the next section of this policy, titled 'Hostel costs'.

- 102I In addition to the breakdown referred to in the previous paragraph, and apart from the financial directions issued in terms of section 37 of SASA, PEDs may determine other conditions governing the use of the school allocation where this is deemed necessary for the promotion of better school management. Such other conditions may also be aimed at general socio-economic transformation. For instance, a PED may introduce procurement provisions or recommendations to empower small and black-owned businesses. The other conditions would apply to all schools, whether they have SASA section 21 functions or not. All these conditions must be communicated to schools in the official letters referred to in the previous paragraph.

### **The school allocation and accountability**

- 103A The effective implementation and monitoring of the school allocation requires timely provision of accurate information by the DoE, PEDs and schools. This sub-section explains key obligations in terms of information provisioning and accountability, and provides some important timeframes.
- 103B The DoE must provide the Minister with sufficient data and research to enable the Minister to publish, in the Government Gazette, school allocation information (as described in paragraph 102B) for the next three years, by 1 August of each year.
- 103C PEDs must process enrolment data, school poverty data (as described in paragraph 101B), provincial budget data and the school allocation data released by the Minister in order to determine provisional school allocations for each school for the next three years. The provisional school allocations for the next three years must be communicated to schools by 30 September of each year. This communication must include information on which national quintile individual schools find themselves in, what the national per learner target amount applicable to that national quintile is, what the rationale is for the national targets published by the Minister, what the national adequacy benchmark is and what calculations were performed by the PED to arrive at each school's school allocation amount. PEDs must furthermore submit to the DoE the data and calculations used to arrive at the provisional school allocations for each school, so that the DoE can be in a position to monitor policy compliance, make inter-provincial comparisons, and advise PEDs of national best practice. The submission of the information to the DoE must occur by 30 September.
- 103D By 30 September of each year, MECs must publish in the provincial Government Gazette the entire resource targeting list for the province. This list must include, as a minimum, school

EMIS numbers, names of schools, the poverty score of each school, and the national quintile in which each school is situated. The list must also include SASA section 21 functions allocated to each school in terms of paragraphs 104A to 108A, and must specify which schools are no fee schools or schools with no fee grades in terms of paragraphs 126A to 126E. PEDs must furthermore make all of this information available to the public on an ongoing and updated basis through a medium such as the Departmental website.

- 103E Due to the fact that the school year and the Government financial year are different, the final school allocation for any school year can only be determined during the course of the school year in question, after the Provincial Legislature has approved the budget for the PED. The final school allocation for the current year must be communicated to schools during the two weeks following the finalisation of the PED budget by the Provincial Legislature. In order to facilitate proper planning, PEDs should strive to ensure that the final school allocation communicated to schools in terms of this paragraph deviates as little as possible from the provisional figures provided on 30 September of the previous year.
- 103F The DoE, PEDs and schools must report on the usage of the school allocation, and the DoE and PEDs must furthermore report on the determination of the school allocation, within their respective annual reports. The DoE and PEDs must also produce analyses and proposals on how the school allocation can further enhance education delivery, including school effectiveness and learner performance. Analyses must moreover be produced on the impact of the school allocation on general socio-economic transformation, including black empowerment amongst manufacturers and suppliers of school materials. These analyses and proposals must be widely disseminated to encourage public debate and participation.
- 103G The DoE and PEDs must work with National Treasury and its provincial counterparts to ensure that the charts of account governing PED and school finances support the implementation of these norms. In particular, it must be clear from PED accounts what non-personnel non-capital expenditure on schools was occurring outside the framework of the school allocation, for instance in terms of paragraph 100D. Furthermore, school accounting systems should allow for differentiation of expenditure according to SASA section 21 functions, and any other required classifications, partly in order for the provisions in paragraph 111B below to be implemented.
- 103H The DoE and PEDs will collaborate to ensure that every school in the country has a set of policy implementation manuals and tools relating to the school allocation. This set must include, for example, the policy documents themselves, explanatory manuals, and tools for educating the school community about the purpose of the school allocation. Materials must be available in all official languages. Materials applicable to all provinces will be made available on the website of the DoE.

**The list of section 21 status**

- 104A This sub-section deals with the SASA Section 21 functions that may be allocated to schools by the Head of Department, and the maintenance by the PED of the list of section 21 status used for determining mode of resourcing to schools with respect to the school allocation.
- 104B 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 SASA section 21 functions.

**5. In existing paragraph 107, the words “DoE, in consultation with PEDs must” replace the words “Provincial education departments must”.**

## **6. Existing paragraphs 108 to 119 are replaced by the following paragraphs.**

108A Each PED must maintain a 'list of section 21 status' containing all public ordinary schools in the province. This list must specify the section 21 status of each school on the list, in other words what section 21 functions have been officially allocated to each school. All the section 21 functions of SASA, including additional functions introduced through amendments, must be considered in the list of section 21 status. The list must be updated each time functions are granted to or withdrawn from schools, and must be easily accessible to the public. The number of schools with one or more section 21 functions is expected to grow as more schools acquire the requisite capacity.

### **Resource transfer procedures where SASA section 21 functions have been allocated**

109A This sub-section deals with the resource transfer procedures relating to the school allocation, where SASA section 21 functions (a), (c) and/or (d) have been allocated.

109B Schools which, according to the list of section 21 status, have been allocated one or more of the three SASA section 21 functions, will receive a single transfer in accordance with their national quintile, their enrolment, the national table of targets for the school allocation, and the SASA section 21 functions that have been allocated to the respective schools. A recommended breakdown into cost categories, in terms of paragraph 102H, must accompany the transfer. If a school has not been allocated all of the three SASA functions in question, the transfer will only include funds for the allocated functions, determined in terms of paragraph 102H.

109C School governing bodies that have been allocated the relevant SASA section 21 functions may carry out their own procurement and may deal directly with suppliers and contractors for the relevant budgeted items in accordance with standard procurement procedures, the financial directions issued in terms of section 37 of the SASA and paragraph 102I of this policy. 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.

### **Resource transfer procedures where SASA section 21 functions have not been allocated**

110A Although it is Government's aim to improve school management capacity, and to make the assumption of section 21 functions possible across all schools in the country, Government also recognises that this is a long-term task, and that the system will continue to include many schools without section 21 functions, or so-called non-section 21 schools, for many years. It will therefore continue to be necessary for the DoE and PEDs to work together to improve the systems and procedures that resource non-section 21 schools with respect to the school allocation.

110B There is no single solution for the resourcing of non-section 21 schools. Many different approaches are pursued by PEDs, and a number of different improvements to current practice have been proposed. A common approach is for PEDs to procure resources in bulk for schools, relative to the size of the school allocations, and to manage the delivery of items to schools. This approach can involve varying degrees of determination by the schools regarding what resources are procured. Where this approach is pursued, it is important for schools to receive adequate information regarding the monetary value of the resources they receive. This need will increase with the establishment of national targets for the school allocation, as school communities will in many cases have a clearer idea than before of what the size of the school allocation is. The DoE and PEDs must collaborate to improve accounting systems that can provide schools with the required expenditure data.

110C The DoE and PEDs must continue to explore innovative solutions to improve the resourcing of non-section 21 schools. Joint control by schools and the PED over individual school accounts, or special district-level accounts, must be considered. Moreover, solutions whereby the PED pays suppliers from whom schools have ordered goods should be considered. The aim should

be to develop the capacity of the school to determine its own resource mix within the policy framework, to ensure that goods reach schools on time, and to combat the inefficient utilisation of resources, as well as excessive prices for school inputs. These aims should be pursued within the overall policy intention of a pro-poor school allocation, as expressed in this policy.

- 110D PEDs must take adequate measures to ensure that expenditure occurs according to school budgets within the relevant MTEF financial year, where SASA section 21 allocations have not been allocated. This is in view of the fact that Provincial Treasuries generally do not allow the roll-over of funds from one financial year to the next. In this regard, it is important that non-section 21 schools should not be disadvantaged relative to those schools that receive the transfer in terms of paragraph 109B. In order to facilitate the purchase of, for instance, equipment, which may necessitate some saving from one year to the next, PEDs should explore budgetary solutions that allow schools to plan upfront for such expenditure without necessitating roll-overs at the Provincial Treasury level.
- 110E Schools with some, but not all, of the SASA section 21 functions (a), (c) and (d) must be resourced on the basis of this sub-section (paragraphs 110A to 110E) and the previous sub-section (paragraphs 109A to 109C).

#### **Financial controls where section 21 functions have been allocated**

- 111A Schools which receive the school allocation as a monetary transfer into the school fund must administer this money in accordance with the SASA. The PEDs must ensure that the financial management directions issued to all schools in terms of section 37 of the SASA are adequate, and that schools comply with these directions.
- 111B Schools must be guided by the breakdown in the school allocation determined in terms of paragraph 102H. PEDs must monitor compliance with, and deviations from these breakdowns. Where schools spend substantial amounts of private income, in addition to income from the school allocation, PEDs must ensure that total expenditure according to the breakdowns is at least as great as what was determined in terms of paragraph 102H. In particular, PEDs must promote adequate expenditure on educational items, and strive to ensure that the SASA section 21(c) function relating to educational inputs is not under-funded. Schools that deviate from the PED-determined breakdown, must have justifiable reasons for doing so, and should only under-budget for the educational items relative to the recommended breakdown after consultation with and approval from the PED. Where PEDs observe substantial deviations from the recommended breakdowns in the school allocation, in particular deviations where the educational inputs suffer and proper schooling is consequently placed at risk, PEDs should seriously consider implementing SASA section 22, dealing with the withdrawal of SASA section 21 functions.

#### **Transition and commencement issues**

- 112A This sub-section contains recommendations regarding the transition from previous to new policy imperatives with respect to the school allocation.
- 112B It is important that in the planning around the school allocation, all the various items linked to this fund, as described in paragraphs 100B to 100F, be taken into account. For example, if utility charges had been excluded from the school allocation in the past, it would be important for these items to begin to become included.
- 112C The resource targeting lists of the PEDs should undergo a gradual transition with respect to the new policy imperatives. Poverty scores according to the new methodology should be determined during 2006. However, changes in the position of schools on the resource targeting list, in particular movement from one national quintile to another, should be phased in over some years. It should be noted that this principle of gradual change should apply even without changes to the methodology, as the relative poverty of communities does not remain static.
- 112D In the interests of stability, the implementation of this policy should not result in any school receiving a smaller school allocation in nominal rand terms than it did in the past, or than it

was promised for the future.

- 112E The amended policy provisions relating to the school allocation become applicable from 1 January 2006.

## **7. Existing paragraphs 125 to 140 are replaced by the following paragraphs.**

- 125A 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)). This section provides the basic principles and calculations governing school fee exemptions, and the regulations, which are based on these norms, provide details on how the policy should be implemented.

### **Introduction**

- 125B School fees provide two benefits for the schooling system. Firstly, they provide a mechanism for raising revenue amongst parents who can afford to make this contribution, which in turn provides fiscal space for the state to implement preferential funding for poor schools. Secondly, school fees, even if they are set at a low and nominal level, encourage parent participation in school governance, and promote accountability of schools to the communities they serve.
- 125C School fees must not be allowed to become an obstacle in the schooling process, or a barrier preventing access to schools, especially as far as the most marginalised are concerned. Government believes that in the schools serving the poorest communities, there should be no school fees. Moreover, where schools do charge school fees, proper parent participation in the fee-setting process is critical. Effective criteria determining which schools should not charge school fees, as well as an effective exemptions policy to protect those who are less advantaged economically within fee-charging schools, are of utmost importance.
- 125D This amended policy on school fee exemptions is informed by a rigorous and participatory process of re-assessment of the school fee situation, culminating in *Report to the Minister: Review of the financing, resourcing and costs of education in public schools* and *Plan of Action: Improving access to free and quality basic education for all*, both published in 2003 by the DoE. The DoE's commitment to the global Education for All goals strongly informs this amended policy.

### **No fee schools**

- 126A This sub-section deals with schools that may not levy compulsory school fees. No fee schools are an integral part of Government's strategy to alleviate the effects of poverty and redress the imbalances of the past.
- 126B A school is a no fee school, and compulsory school fees may consequently not be charged in the school, if both of the following two criteria apply:
- (a) The school has, in terms of paragraph 102D, been placed in a national quintile, or in a part of a quintile, that has been identified by the Minister, in terms of paragraph 126C, as being in need of a total prohibition on compulsory school fees.
- (b) The school receives a per learner school allocation, as defined in paragraph 98C and 102F, that is greater than or equal to the adequacy benchmark for the year in question referred to in paragraph 102B. This criterion is aimed at ensuring that a critical level of public funding is reached before private funding in the form of school fees is removed. The per learner school allocation amount that should be compared against the adequacy benchmark is the amount implicit in the communication made to schools in terms of paragraph 103D.

- 126C The Minister shall, in consultation with the Minister of Finance, and after consultation with the Council of Education Ministers, and in terms of section 39(XXX) of SASA<sup>1</sup>, determine those quintiles or parts of quintiles where, subject to condition (b) in paragraph 126B, schools may not implement compulsory school fees.
- 126D The determination by the Minister referred to in paragraph 126C may involve the determination of schools with no fee grades, in other words the removal of compulsory school fees from certain grades only. This provision, also referred to in section 39(XXX) of SASA, allows the Minister to take special measures that will support compulsory attendance of seven to fifteen year old learners in terms of section 3 of SASA. The determination of no fee grades for certain schools will be subject to the condition of adequate state funding referred to in paragraph 126B.
- 126E MECs must publish information on what schools qualify as no fee schools, and the details, if any, regarding no fee grades.

#### **Automatic exemptions for individual learners**

- 127A This sub-section deals with instances where the status of the individual learner makes school fees with respect to that learner undesirable, and hence an automatic exemption for that learner a necessity. The provisions in this sub-section apply to all schools charging school fees in terms of SASA section 40. Should a learner be subject to a no fee situation in terms of paragraphs 126A to 126E, then this sub-section becomes redundant.
- 127B An automatic exemption applies to any learner who is an orphan or who has been placed in the care of a foster parent, a kinship care-giver, a child-headed household or a child and youth care centre by a court or some other competent authority
- 127C An automatic exemption applies to any learner for whom a poverty-linked state social grant is paid. A poverty-linked state social grant is any state social grant distributed explicitly to alleviate poverty, and would include all social grants issued on the basis of a means test.
- 127D Details regarding, for instance, the procedures for establishing automatic exemptions, and for nullifying them when the conditions in paragraphs 127A to 127C no longer apply, are explained in the exemptions regulations.

#### **Calculations to determine full and partial exemptions**

- 128A This sub-section explains how parents may be fully or partially exempted from the payment of school fees, even if they do not qualify for exemptions in terms of the foregoing two sub-sections. In this sub-section, it is principally the income of individual parents and households, relative to school fees and other education expenses that is used to determine eligibility to full or partial exemptions.
- 128B This sub-section is informed, amongst other things, by two important equity principles:
- (a) Within any school, the income threshold in rands below which parents qualify for *full* exemption, should be the same for all parents, regardless of the number of learners for which parents have been charged school fees.
- (b) Within any school, the income threshold in rands below which parents qualify for *partial* exemption, should depend partly on the number of learners for which parents have been charged school fees. The greater financial burden of having more than one learner for whom school fees are charged, should be recognised, especially insofar as the less advantaged are concerned.

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<sup>1</sup> The relevant sub-section of section 39 of SASA will be filled in after the SASA amendment has occurred. The SASA amendment will essentially empower the Minister to identify which quintiles or parts of quintiles, starting from the poorest quintile, should be subject to a prohibition on school fees.

- 128C This sub-section contains fairly complex formulas. The intention with these formulas is to illustrate the logic in the policy. However, these formulas are not intended to be used extensively by parents. Instead, the formulas would guide the formulation of more user-friendly examples and advice that could enable parents to understand their right to school fee exemptions.
- 128D In this policy, the combined gross annual income of two parents, or the total gross annual income of one parent, where applicable, is referred to as *I*. This amount excludes any state welfare grant receipts.
- 128E In this policy, the total of all school fees charged within one school to any parent in terms of section 39 of the SASA is referred to as *F*. *F* would reflect the value of school fees before any discount or exemption had been effected.
- 128F In this policy, the number of learners for which any parent is charged school fees in one school is referred to as *Y*. *Y* is thus the number of learners corresponding to amount *F*.
- 128G In this policy, total expenses demanded of any parent by a school over and above the school fee, are referred to as *T*. These expenses include any monetary contributions explicitly demanded of parents by the school during the school year in question, for example contributions demanded for school trips forming part of the curriculum of the school. Ideally, such contributions should be fully incorporated into the school fee, but if they are not, parents may consider them to form part of *T*. Parents may also consider the monetary cost of physical items demanded by the school as part of *T*. *T* may furthermore include the cost of any school uniform over and above a standard school uniform. A standard school uniform, for the purposes of this policy, means either of the following:
- (a) A basic school uniform that can be purchased at more than one retailer.
  - (b) A school uniform prescribed by provincial or national policy.
- 128H Expenses corresponding to learners who are subject to the automatic exemptions referred to in paragraphs 127A to 127D may not be included in the amount *T*. In other words, *T* should only correspond to the learners included in *Y*.
- 128I In this policy, per learner expenditure in one school by a parent is referred to as *E*. *E* is calculated as follows:

$$E = \frac{F + T}{Y}$$

- 128J Details regarding the onus and method of proof for *I* and *E*, as well as procedures for settling disputes regarding these values, are explained in the exemptions regulations.
- 128K Eligibility for full exemption. If the answer to the following

$$\frac{E}{I} > \frac{1}{10}$$

is true, then full exemption from the payment of school fees applies. In other words, if the average per learner value of the school fee charged, plus additional expenses demanded by the school per learner, is greater than one-tenth of the gross income of the parent or parents, then full exemption applies.

- 128L As an example, the following calculations would be made where a parent with a combined gross annual income of R22 000 was charged fees for 2 learners amounting to R600 each, and the parent claimed that required additional expenses for one learner came to R50, and for the other learner these expenses came to R70.

$$E = \frac{1200 + 120}{2} = 660$$

then

$$\frac{660}{22000} > \frac{1}{10} \text{ giving } 0.03 > 0.1 \text{ (false)}$$

In this case, the parent concerned would not be eligible for full exemption, as the statement would not be true. This is because the per learner expenditure by the parent, divided by income, comes to 3%, which is less than one-tenth, or 10%.

128M Eligibility for partial exemption. For the purposes of determining eligibility for partial exemption, a parent may follow either one of two approaches. A parent may consider only learners in the current school, or may consider learners in the current school, plus learners in other schools, subject to the criteria in this policy. In some cases, parents may find the first approach more favourable to them, whilst in other cases parents may find the second approach more favourable. This depends on the interplay of the various values.

128N In this policy, the number of learners in other schools for which a parent is charged school fees, is referred to as  $y$ .  $y$  may only include learners in public schools, in Grades 1 to 12, who are not in the no fee schools or no fee grades, described in paragraphs 126A to 126E, and are not subject to the automatic exemptions, described in paragraphs 127A to 127D.

128O In this policy, the lowest of the following three values, is referred to as  $f$ :

(a) the adequacy benchmark rand value for the current year, as defined in paragraph 102B.

(b) the average fee charged to the parent in the current school, or  $F/Y$ .

(c) the average of the non-discounted school fees charged in the other school or schools, in other words the average school fee charged to the learners included in  $y$ .

128P A parent wishing to consider only learners in the current school, would calculate the value  $E$  in accordance with paragraph 128I above. A parent wishing to consider learners in the current school, plus learners in other schools, would calculate  $E$  as follows:

$$E = \frac{F + T + fy}{Y + y}$$

The above formula may be used only to determine eligibility for partial exemption, not eligibility for full exemption.

128Q As an example, if the parent referred to in paragraph 128L was also charged school fees of R440 each for two learners in another school, where these learners qualified to be included in  $y$  in terms of paragraph 128N, the following calculation could be made to arrive at  $E$ :

$$E = \frac{1200 + 120 + (440 \times 2)}{2 + 2} = 550$$

It should be noted that because the average school fee in the current school applicable to the parent ( $F$  or R600) and the adequacy amount of R527 referred to in paragraph 102B are both greater than the average school fee applicable to the learners in the other schools (R440), the R440 value would be used for  $f$ .

128R The following table indicates what levels of exemption correspond to the various levels of education expenditure over income, or  $\frac{E}{I}$ , and the various numbers of learners ( $Y$  or  $Y + y$ , depending on whether learners in other schools were counted). The table only illustrates exemption levels as far as four learners. For levels of partial exemption corresponding to 5 learners and above, the formulas in paragraphs 135A to 135F should be consulted.

		<b>Levels of fee exemptions</b>			
		<i>Number of learners</i>			
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<i>Education expenditure over income</i> ( $\frac{E}{I}$ )	<b>2.0%</b>	0%	0%	0%	0%
	<b>2.5%</b>	0%	0%	0%	14%
	<b>3.0%</b>	0%	7%	22%	33%
	<b>3.5%</b>	7%	26%	38%	47%
	<b>4.0%</b>	25%	40%	50%	57%
	<b>4.5%</b>	39%	51%	59%	65%
	<b>5.0%</b>	50%	60%	67%	71%
	<b>5.5%</b>	59%	67%	73%	77%
	<b>6.0%</b>	67%	73%	78%	81%
	<b>6.5%</b>	73%	78%	82%	85%
	<b>7.0%</b>	79%	83%	86%	88%
	<b>7.5%</b>	83%	87%	89%	90%
	<b>8.0%</b>	88%	90%	92%	93%
	<b>8.5%</b>	91%	93%	94%	95%
	<b>9.0%</b>	94%	96%	96%	97%
	<b>9.5%</b>	97%	98%	98%	98%
<b>10.0%</b>	100%	100%	100%	100%	

128S As an example, the parent referred to previously would first make the following calculation, considering only the two learners in the current school:

$$\text{Approach 1: } \frac{660}{22000} = 0.03 = 3\%$$

If 3% expenditure over income and 2 learners were looked up in the preceding table, the parent would see that he or she qualified for a 7% fee exemption. However, the parent would also make the following calculation, on the basis of all the four learners for whom the parent was being charged fees:

$$\text{Approach 2: } \frac{550}{22000} = 0.025 = 2.5\%$$

The preceding table shows that a calculation involving 4 learners where expenditure over income is 2.5%, results in an exemption of 14% in the current school. The parent may use this second approach to claim an exemption of 14%. In other words, 86% of the R600 school fee, or R516, would be payable.

128T In the determination of level of partial exemption, schools may use the table in paragraph 128R, rounding off to the closest category if necessary, or may use the calculations provided in the explanatory note provided below.

#### **Other types of fee exemptions**

129A An SGB may grant fee exemptions in addition to the types referred to above, on condition that such exemptions are based on transparent and equitable criteria which take into account the need to alleviate the effects of poverty in the households of the school community.

#### **Applicability of the right to fee exemptions and obligations linked to the right**

130A Exemption from school fees is a right that parents who fulfil the criteria outlined in this policy may exercise. Parents who wish to waive this right, are free to do so.

- 130B At the level of the school, it is the responsibility of the school principal to inform parents of their rights with regard to the school fee exemptions. However, it is the responsibility of individual parents to communicate the need for an exemption to the school.
- 130C A parent cannot be held liable for the payment of school fees, including school fees charged in the past, if such a parent is or was eligible for a school fee exemption, and did not apply for an exemption due to lack of knowledge about his or her rights, or due to some other factor that made it impossible or difficult for the parent to apply for an exemption.
- 130D A parent does not have the right to be reimbursed for school fees already paid, even if the parent was eligible for an exemption with respect to the school fees paid.
- 130E Parents must provide accurate information, with supporting documentation if necessary, when applying for school fee exemptions. Parents whose circumstances change during the year to the extent that their original school fee exemptions status changes, must inform the SGB of such changes.

#### **Implementing the school fee exemptions**

- 131A The exemptions regulations translate this policy on fee exemptions into obligations on the part of parents, SGBs, and PEDs with respect to the procedures for the application and granting of fee exemptions.
- 131B The following specific procedures, and related obligations, are explained in the exemptions regulations:
- (a) How parents make an application for exemption and how third parties, for instance NGOs, may support and represent parents.
  - (b) How SGBs should consider an application for exemption.
  - (c) How SGBs communicate their decisions to parents.
  - (d) How a parent who is dissatisfied with a decision of the SGB relating to an exemption may appeal to the Head of Department.
  - (e) How the Head of Department should deal with appeals from parents.
  - (f) When and how parents must inform the SGB of changes to their situation.
  - (g) Under what circumstances and how an SGB may alter a decision during the course of a year.
  - (h) How the SGB and the employees at the school should assist parents in dealing with fee exemptions.

#### **Monitoring the number of exemptions in schools**

- 132A This sub-section deals with action to be taken by PEDs with respect to the proportion of parents in any fee-charging school who are fully or partially exempt from the payment of school fees.
- 132B PEDs must ensure that the proportion of fully exempt and partially exempt parents in each school is collected on an annual basis. PEDs must closely monitor schools with exceptionally high and exceptionally low proportions of exempted parents. In particular, PEDs should identify as early as possible schools with exceptionally high proportions where this is related to problems in the fee-setting processes of the parents, or to the position of the school on the resource targeting list referred to in paragraphs 101A to 101G. Furthermore, PEDs should ensure that a low proportion of exempted parents is not linked to the incorrect implementation

of this policy, or to the deliberate exclusion from schools of learners from poorer households.

- 132C If PEDs encounter problems in terms of paragraph 132B, appropriate advisory or disciplinary action should be taken.

### **Promotion and enforcement of the exemptions regulations**

- 133A The DoE and the PEDs will implement programmes on an ongoing basis to raise awareness in schools and communities about the right to fee exemptions. Such programmes will also encourage parent participation in the setting of school fees, in terms of the SASA, so that excessive and unreasonable fees can be combated. These programmes will include collaboration with other social services delivery agents, in particular the Departments of Social Development, with a view to making the exemptions regulations an integrated part of Government's poverty alleviation strategies. Proper integration of state services should be aimed at ensuring, for example, that households targeted for poverty alleviation by the Department of Social Development, are exempt from the payment of school fees in public schools. These programmes should include support to parents, for example by means of advice through toll-free telephone numbers.
- 133B Employees of the PEDs in departmental offices and schools play a key role in ensuring that fee exemptions are implemented properly, and that school fees do not constitute a barrier or an obstacle to effective schooling and access to schooling. PEDs must ensure that PED employees are fully aware of their responsibilities in this regard. Moreover, PEDs must take strong action against employees who undermine the exemptions regulations, or fail to implement them, and thereby marginalise the poor in the public schooling system.
- 133C PEDs must actively monitor the implementation of the fee exemptions policy, for example PEDs should monitor the extent of exemptions granting in schools, partly to implement the provisions outlined in paragraph 132C above. PEDs and the DoE must work jointly in the design of systems to make monitoring possible, and in the analysis of data collected.

### **Transition and commencement issues**

- 134A The amended policy provisions relating to school fee exemptions become applicable from 1 January 2006.
- 134B Where parents are said to owe outstanding school fees corresponding to a year before 2006, the following combination of the old policy and the new policy will apply:
- (a) The determination of the level of exemption applicable to the outstanding fees must occur in accordance with the old policy.
- (b) The other rights and obligations of parents are governed by the new policy, in particular paragraphs 130A to 130E.

### **Explanatory note: Determination of partial exemptions**

- 135A This section explains the formulas used for determining the level of partial exemption. Specifically, it explains how the partial exemption levels given in the table in paragraph 128R are calculated.
- 135B The threshold for eligibility for partial exemption is referred to as  $C$ . The value of  $C$  depends on the number of learners a parent would like to consider in terms of paragraphs 128M to 128T above.  $C$  is calculated as follows:

$$C = \frac{1}{25 + 5Y} \text{ or } C = \frac{1}{25 + 5(Y + y)}$$

The second of the above two approaches would be used if a parent wanted to consider learners from other schools. The values for  $C$  corresponding to 1, 2, 3 and 4 learners would be as follows:

<i>Learners</i>	<i>C</i>
1	1/30 or 0.033
2	1/35 or 0.029
3	1/40 or 0.025
4	1/45 or 0.022

135C As an example, the parent referred earlier on would make the following calculation when considering four learners:

$$C = \frac{1}{25 + 5(2 + 2)} = 0.029$$

135D If the answer to the following:

$$\frac{E}{I} > C$$

is true, using either of the two approaches described previously, then partial exemption from the payment of school fees applies.

135E Where parents are granted partial exemption, they should be charged a portion of the school fee, where that portion works on a sliding scale between 0% and 100%. The partial exemption should be calculated according to the following formula:

$$1 - \frac{\frac{I}{E} - 10}{\frac{1}{C} - 10}$$

135F As an example, to arrive at the 14% level of exemption referred to in paragraph 128S, the following calculation would be made:

$$1 - \frac{\frac{22000}{550} - 10}{\frac{1}{0.029} - 10} = 0.143$$

## **Appendix A References**

- Department of Education. (2003) *National Norms and Standards for School Funding: Provincial procedures to produce and implement a resource targeting list*. Pretoria. Unpublished consultant's draft report.
- Department of Education. (2003) *Plan of Action: Improving access to free and quality basic education for all*. Pretoria.
- Department of Education. (2003) *Report to the Minister: Review of the financing, resourcing and costs of education in public schools*. Pretoria.
- Simkins, C. (2003) *School funding norms: Intensive audit of resource targeting tables*. Pretoria, Department of Education.

## Appendix B Explanatory memoranda

The following explanations all relate to proposed paragraphs appearing in section 4 above.

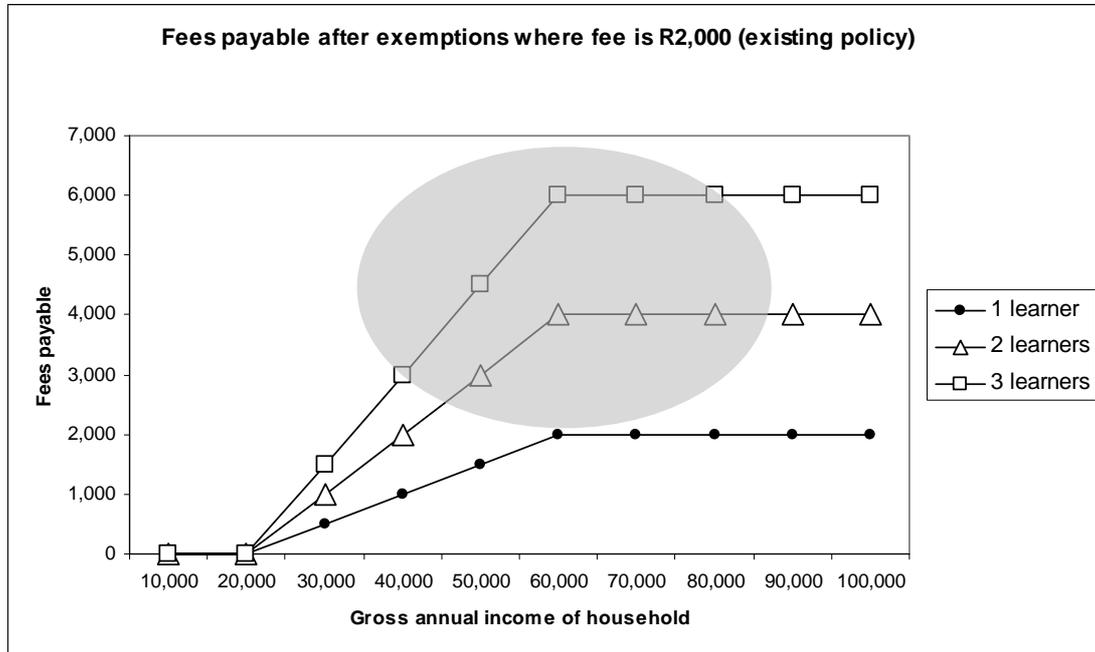
- 100A **Motivation:** The word ‘may’ appears to avoid an interpretation whereby it is understood that the school allocation *must* cover all these items (this could lead to serious problems for Government). We want to state what we would ideally like, and we need to provide the country with a sense of the *intention* of the school allocation (partly so that the school allocation is not used for non-intended things), yet we need to take into account the reality of budgetary constraints, and the fact that improving the resourcing of schools is a developmental process. It should be kept in mind that whether a school has SASA 21 functions or not, the amount allocated to the school is always referred to as the ‘school allocation’ – see the proposed definition of ‘school allocation’. It is important to point out that just because an item could be covered by the school allocation, e.g. an Internet contract, does not mean that that item may not be financed through some other means too. For instance, a PED may decide to finance Internet contracts for all schools in a province outside of the framework of the school allocation. In such a case, a school cannot claim that this money ought to be included in the school allocation, and that the school has a right to determine how that money is spent.
- 100C **Implication to note:** The current policy requires the school to source private funds for cleaning materials and minor building maintenance and repairs. These proposals imply that this falls away, and that the school allocation from the state may be utilised to fund these items. This change is in keeping with paragraph 42 of the 2003 Plan of Action (PoA).
- Process point:** Alignment between particular items and the SASA section 21 functions is explained here (this is something that has never been made explicit in policy before, leaving considerable room for ambiguity). This alignment was decided on after extensive discussion on the pros and cons relating to accounting practicalities, the spirit of the decentralisation implied by SASA, and the need to promote expenditure on particular items.
- 100D **Motivation:** We should remember that we fund poor schools more than non-poor schools in recognition of the fact that it costs more to educate the poor, and because non-poor parents are able to pay school fees. It is untenable for us to say that the pro-poor slant of the school allocations sorts out the historical backlogs issue (even as far as repairs are concerned). This is not why there is a pro-poor slant. At the same time, it is not possible to divide reasons for needs into neat categories all the time, which is why the next paragraph provides the flexibility for schools to spend money on, say, the gaping hole in the ceiling that has been there for ten years and which the Department has not got round to fixing yet.
- 100E **Motivation:** The intention here is partly that schools should not be punished for utilising school allocation money to fix, for instance, that hole in the ceiling that the PED has not got round to fixing yet. Moreover, the intention is to flag the possibility of a system of reimbursements, the establishment of which would be a provincial prerogative. The advantage of such a system would be speedier sorting out of larger repair problems at the level of the school. A disadvantage would be increased administrative complexity.
- 101B **Motivation:** See paragraphs 40 and 41 of the PoA.
- 101C **Motivation:** These steps are based to a large degree on Simkins (2003). The three indicators that are referred to here are indicators that (a) have been fairly extensively used by PEDs in the past and (b) were used by Simkins in the construction of an independent measure of community poverty. Water and electricity supply variables have deliberately been left out largely because there is a fear that such infrastructure information on the community itself could distort the score (we would not want a very poor community that had recently been included in the electrical grid to receive less funding). Simkins (2003) indicates that income and unemployment data correlate well with each other, but not well with general level of education. Ultimately, then, the proposed approach in this paragraph is to use two fairly independent measures of poverty: firstly, income/ unemployment and, secondly, level of education/ literacy. These measures are highly relevant for level of recurrent funding needed in schools.

- 101D **Implication to note:** Very importantly, this paragraph is not saying that funding must follow individual learners where parents send learners to distant schools through their own choice, and not through any planned initiative on the part of the PED. In this sense, the current policy approach is retained. It is only where the PED has formally agreed that the commuting to a distant school should occur, due to problems around local availability, that the deviations contemplated in this paragraph would apply.
- 101E **Implication to note:** Changes will almost invariably be from a less poor score to a more poor score. Each such change has the potential to undermine slightly the pro-poor net effect of the school allocation on the school community. Even if the funds follow poor learners, the fact that the funds flow to less poor communities, represents a subtraction, however slight, of resources flowing into poorer communities. (It should be remembered that the proximity of any public service has a positive spin-off effect on local businesses etc.)
- 101F **Motivation:** This paragraph and the next one expand slightly on what already exists in the policy.
- 102B **Motivation:** See paragraph 38 of the PoA.
- Implication to note:** The table in this paragraph, and the one in paragraph 102D below, have major implications for the national division of revenue process, and the determination of provincial budgets by the Provincial Legislatures. Because targets which play themselves out differently in each province have been introduced, stronger budget imperatives than those that exist in the current policy are proposed.
- 102D **Motivation:** See paragraph 37 in the PoA.
- Implication to note:** The 2002 amendments to the Post Provisioning Norms require 5% of educator posts considered in the post provisioning model to be distributed in a pro-poor manner, using the School Funding Norms (i.e. this policy) as the point of departure. The implications of these amendments to the School Funding Norms for the Post Provisioning Norms are being investigated.
- 103C **Implication to note:** The 30 September deadline exists as a recommendation in the current policy. Here it becomes a requirement.
- 108A **Motivation:** Here a slight change has been introduced. Instead of two separate lists, one of section 21 schools and one of non-section 21 schools, one integrated list is required, where the section 21 status of each school is specified. This should not be difficult to implement, in fact many PEDs include the section 21 status of a school on the province's master list of schools, meaning the proposed approach is in many cases what is already happening.
- 109A **Motivation:** As there are no major policy amendments here, the original policy is maintained, with some minor changes to maintain consistency with the rest of the policy.
- 109B **Discussion:** The matter of whether the timing of the transfers should be written into the policy, is receiving attention. It has been suggested, for instance, that quarterly transfers should become policy, in order to enhance predictability for the schooling system.
- 110A **Motivation:** This sub-section is new, though the policy intention is similar to that in the existing policy. The major change is that there are now more specific references to the possible solutions for resourcing non-section 21 schools. A one-size-fits-all approach has been deliberately avoided, as no such approach has emerged yet from the ongoing experimentation work.
- 110B **Motivation:** The reason why some options are explained here and in the next paragraph, is to underline to both schools and PEDs that there is not just one way of doing things and that schools can expect a creative and dynamic approach on the part of the PED in terms of solving the considerable problems relating to the resourcing of so-called 'non-section 21 schools'.

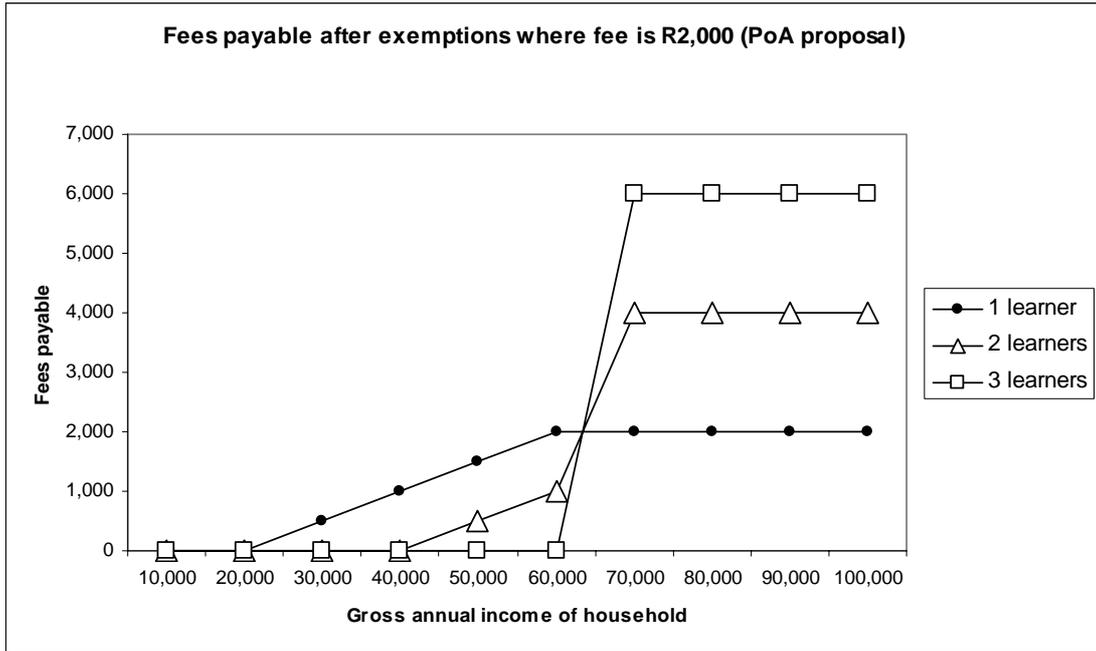
- 110C **Motivation:** See paragraph 45 of the PoA.
- 125A **Motivation:** The issue of the relative roles of the SFN and the Exemptions Regulations is an important one that has been discussed in the policy formulation process. Arguably, duplication between the two documents should be avoided, so the approach taken here is that principles and calculations appear here, and that process issues around the application for exemptions, dispute resolution, etc., get dealt with in the regulations.
- 126B **Motivation:** The PoA (paragraph 60) determines that criterion (a) is needed. Criterion (b) was added in order to deal with a situation in which budgetary constraints caused non-compliance with the paragraph 102B targets. Such a situation is obviously undesirable, but the solution for such situations is to set a plan for reaching the targets, as explained in paragraph 102G, and not to starve the school of needed funds by prematurely removing fee income.
- 126C **Motivation:** It should be remembered that according to the country's Education for All (EFA) commitments, universal access to free education at the primary level should be achieved by 2015. This implies a gradual extension of the pool of no fee schools.
- 127D **Implication to note:** Exemptions regulations to provide implementation details.  
128J
- 127B **Motivation:** It has repeatedly been argued that an automatic exemption for orphans should be made explicit in the policy. This paragraph is similar to paragraph 130 in the existing policy, but the wording has been brought in line with the 2003 Children's Bill.
- 127C **Motivation:** See paragraph 65 of the PoA. The PoA advocates exemption for all fees charged to the household, even if only one of many learners from the household receives a social grant. This was deemed too loose, and too difficult to administer, and hence the exemption has been pegged to the individual learner here.
- 128B **Motivation:** This is in accordance with some analyses made, and with the PoA, paragraph 63.
- 128G **Discussion:** Strictly speaking, SASA prohibits schools from making any monetary demands of parents other than the school fee charged in terms of section 39. It has even been argued that legally the school cannot demand parents to provide physical inputs outside of the regime of the school fee. The official school fee should in other words cover the full value of inputs that are demanded of parents by the school. It has been argued that this paragraph is necessary to 'bring the worms out of the woodwork'. If the effect of this paragraph is to force schools to work additional inputs demanded of parents into the school fee, then this is desirable.
- Discussion:** The PoA (paragraph 64) suggested that one-third of the cost of the school uniform be taken into consideration, in determining eligibility for exemptions. This is in view of the fact that a school uniform is a 'capital item' in the sense that it lasts for more than a year – the one-third criteria is of course based on the assumption that a school uniform lasts for three years, which may be a faulty assumption. The position taken in this paragraph seemed simpler, fairer and more implementable.
- 130A **Motivation:** It was felt that references to the applicability of the right to exemptions, e.g. retrospective applicability, had to be tightened up. Hence this sub-section includes both things said in the existing policy, and a couple of new things. In essence, nothing is new.
- 131B **Motivation:** Paragraph 140 of the SFN has been captured here, and expanded somewhat.
- 133A **Motivation:** For this and the next paragraph, see PoA paragraph 66.

## Appendix C Background analysis relating to fee exemptions calculations

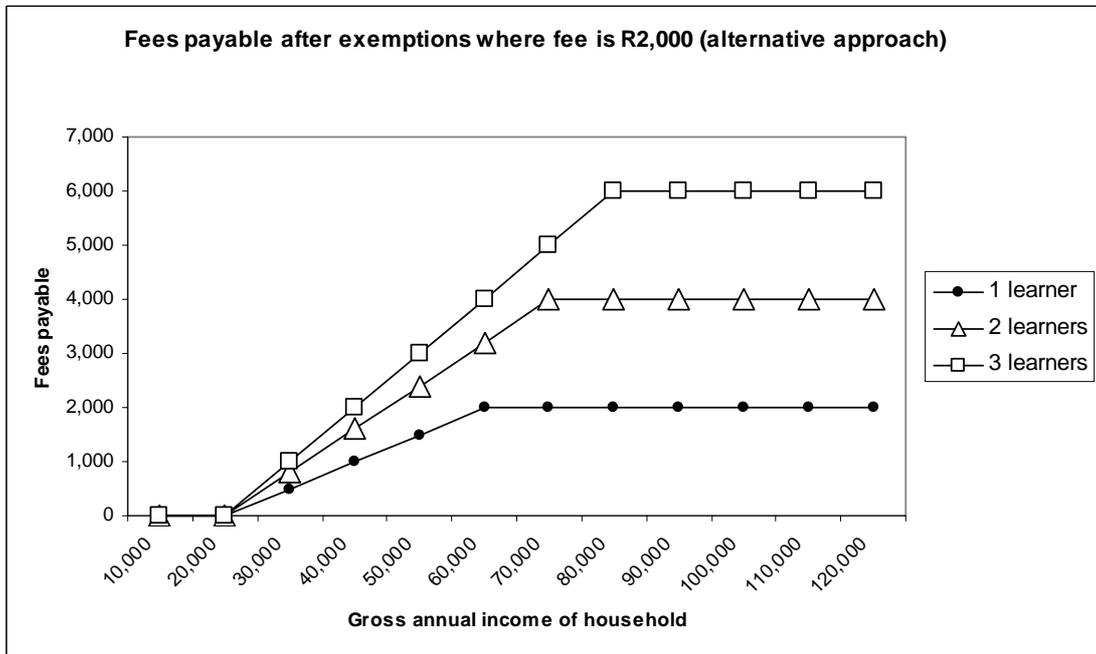
It is important to carefully assess any changes to the exemptions policy in terms of effect on individual parents, and the income of schools. The following graph illustrates what the current exemptions policies mean for parents of 1, 2 and 3 learners.



Under the current system, within any school parents would begin contributing some school fees at the same income level – this level is R20 000 where the school fee is R2 000. Clearly, the more children a parent has, the more the parent must pay. The 2003 Plan of Action (PoA) proposal in this regard, is that poorer parents with many children must be given some relief – the grey area on the graph is therefore our chief concern. The PoA’s specific approach to the problem seems to be to say that poorer parents should be permitted to divide not just the fee for one learner, but the total of all fees they must pay, by annual income. Such an approach would render the setup captured in the following graph.



There are two serious problems with this setup. Firstly, parents with two or three learners would often pay less in total fees than parents with one learner. This is clearly unfair. Secondly, there would be radical changes associated with relatively small shifts in income. For instance, a parent with three learners would move from zero school fees to R6 000 in school fees if income increased from R60 000 to R70 000. If we regard the problem area as the area shaded in grey two graphs back, then a situation like the following is probably called for.



In this situation, all parents begin paying some level of fees at the same level of income – in this case R20 000 per annum, as we are dealing with a R2 000 school fee. Moreover, parents with more learners always pay slightly more, though not that much more up till around R60 000 per annum. The partial exemptions threshold (this is the left-hand end of each of the three

plateaux) kicks in at a higher level of income, the more learners a parent has. This deals with the grey oval area in the first graph.

The above situation is relatively easy to describe in a formula. Essentially, the following description suffices:

- Full exemption applies when the *individual* (i.e. not total of many) school fee divided by annual income is greater than 10%.
- No exemption applies when the *individual* school fee divided by income is less than a threshold level. This threshold level is different depending on number of learners. In the above situation, the threshold is determined by:

$$\frac{1}{25 + 5L}$$

where  $L$  is the number of learners. This gives 3.33% for one learner (this is the threshold for partial exemptions in the current policy), 2.86% for two learners, and so on.

- On the non-horizontal part of each line in the above graph, level of exemption would be defined by the following expression:

$$1 - \frac{\frac{I}{F} - 10}{\frac{1}{C} - 10}$$

where  $I$  is annual income,  $F$  is the individual school fee, and  $C$  is the threshold for partial exemptions referred to in the previous bullet. This expression would, for instance, give a level of exemption of 50% for parents with three learners with a combined annual income of R50 000.

Probably the most important variable to change in this model, if we wanted to favour poor parents with more than one learner slightly more, or slightly less, is the 5 in the second bullet. By changing this to 7 or 4, for instance, the slopes of the diagonal parts of the lines in the graph change.

The solution suggested above to deal with parents charged fees for more than one learner begs two important questions:

- Which learners should be counted? Importantly, should learners from schools other than the current school be counted? And if so, should these be from neighbouring schools, or complementary schools (e.g. feeder schools) only? There are both practical administrative and equity concerns at play here. The position adopted in the proposals is to allow parents to count learners in any other public schools, where those learners are charged school fees.
- If learners from other schools are counted, then what school fee should be considered? If the fee of another school is considered, then not only are there problems around the verification of information, but the possibility exists that parents with learners in other schools that are more expensive than the current school, will be unfairly advantaged in the exemptions process in the current school. The position taken in the proposals that follow is to say that the minimum of the current school's fee, the other school's fee, and what has been established as the 'adequacy benchmark', should be counted. In this way, unfair

advantaging of certain parents (and disadvantaging of the current school in terms of income) as a result of high fees in other schools, is avoided.

## **Appendix D The 1998 policy**

On the following pages, the original *National Norms and Standards for School Funding* (Notice 2362 of 1998) appear. Section 6, which deals with subsidies to independent schools, is not affected by these amendments and is therefore not included.