



DDG: EDUCATION DISTRICT COORDINATION & INSTITUTIONAL OPERATIONS MANAGEMENT

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MEMORANDUM

TO : CLUSTER MANAGEMENT
: DISTRICT DIRECTORS
: PRINCIPALS & SGBs, PUBLIC SCHOOLS
: DISTRICT NORMS & STANDARDS CO-ORDINATORS
: SGB ASSOCIATIONS, UNION OFFICIALS
FROM : DDG: EDUCATION DISTRICT COORDINATION & IOM
SUBJECT : 2nd TRANCHE TRANSFERS TO QUALIFYING SCHOOLS
DATE : 13 DECEMBER 2022

Dear Colleagues,

1. This communicate serves to inform the relevant stakeholders about the 2nd tranche payment items as well as the recalculation of all tranche payments to public ordinary schools (POS).
2. The department is experiencing huge challenges with the affordable amount allocated in respect of transfers to schools during the past few years which caused the department not being able to fund schools at the National Norm. The following factors severely impacted on the amount of funds transferred to schools:
 - a. Huge budget cuts from 2019/20 to 2023/24 MTEF. This necessitated the department to reduce the norms and standards funding to schools, in particular the per learner allocation to all quintiles. This meant that the department could not fund at the National Norm. Before the cuts the department was funding at the National Norm.
 - b. In 2020/21 the ECDoE experienced budgets cuts of R1.176 billion and a further R76.8 million in 2021/22, bringing the total reduction in budget baselines to R1.253 billion over these two periods. In 2021, after the department lobbied for more funds, Provincial Treasury increased the funding baseline as is evident from the rand growth of R1.411 billion in 2022/23. We however note that the indicative allocation to the programme again decreases by R1.212 billion in 2023/24. The net effect therefore is that the overall indicative budget baseline for POS will have been reduced by R1.054 billion since 2019/20. This in effect is the root cause of the programmes reduction in the per learner allocation and total NNSSF to POS. See table 1 below.



Table 1: Reduction in indicative baseline for Public Ordinary Schools

R 000's	2019/20	2020/21	2020/21	2021/22	2021/22	2022/23	2022/23	2023/24	2023/24	Net Growth
Sub-Programmes	Audited outcome	Audited outcome	Rand Growth on 2019/20	Preliminary Outcome	Rand Growth on 2020/21	Adjusted Budget	Rand Growth on 2021/22	Medium-term estimate	Rand Growth on 2022/23	Since 2019/20 to 2023/24
Public Primary Level	10,140,206	9,968,918	(171,288)	10,208,190	239,272	10,146,811	(61,379)	10,275,949	129,138	135,743
Public Secondary Level	19,023,119	18,150,342	(872,777)	17,834,448	(315,894)	19,247,693	1,413,245	17,895,631	(1,352,062)	(1,127,488)
Human Resource Development	172,723	91,402	(81,321)	88,919	(2,483)	128,713	39,794	134,637	5,924	(38,086)
School Sport, Culture and Media Services	59,618	8,237	(51,381)	10,461	2,224	30,335	19,874	34,844	4,509	(24,774)
Total	29,395,666	28,218,899	(1,176,767)	28,142,018	(76,881)	29,553,552	1,411,534	28,341,061	(1,212,491)	(1,054,605)

- c. These cuts reduced significantly the amount transferred to schools for items such as 10% Cash, Educational Consumables, Maintenance and Municipal Services. Furthermore, the problem with Municipal Services is exacerbated by the fact that districts approached head office to bailout a few Section 21 schools that had challenges with paying its schools Municipal accounts. This practice carried through which saw 15.6% or 783 Section 21, quintiles 1-3 schools submitting invoices for payment. It must be noted that schools that the schools that submitted invoices for centralized payments did not qualify for transfers in 2022/23. This is why the majority of the schools i.e.; 4,118 Section 21 schools received its transfers as per the RTT allocation. Prepaid usage was not used as a criteria for transfers.
- d. Note that of the allocated per learner funding, not all goes to schools' transfers. Beside the transfers to schools, the department is also faced with current contractual obligations under NSF which is centralized e.g., E-Learning, Data Communication, Textbooks, Stationery Quintiles 1-3, MTBBE, School Specialisation i.e., Agriculture, Technical, Maritime Studies and Full Service, LAIS, School Furniture.
3. Table 2 below shows the additional funds needed to fund at the National norms and standards funding level for 2023/24. Each year the department does this exercise and lobbies for funds from PT with the hope of increasing the funding in respect of NSF for both POS and Early Childhood Development (ECD) as an increase in POS NSF also impacts on ECD NSF. As we can see, an additional R872.5 million is needed to fund at the National per learner norm. As you can see, the reduction in NNSSF for POS was directly affected by these budget cuts.

Table 2: Impact of per learner funding increase scenarios on POS & ECD

Quintile (Public Ordinary)	Learners 10 Aug 2022	Per Learner Funding @ National Benchmark	Per Learner Eastern Cape Affordable	Total NSF National Benchmark	Total NSF Eastern Cape Affordable	EC Affordable vs National Benchmark shortfall
1	501,899	1,602	1,066	804,042,198	534,894,921	(269,147,277)
2	304,260	1,602	1,066	487,424,520	324,262,708	(163,161,812)
3	713,477	1,602	1,066	1,142,990,154	760,382,514	(382,607,640)
4	51,179	803	534	41,118,669	27,354,494	(13,764,175)
5	72,321	278	185	20,079,738	13,358,192	(6,721,546)
Grand Total	1,643,136			2,495,655,279	1,660,252,829	(835,402,451)

Quintile (ECD)	ECD Learners 10 Aug 2022	Per Learner Funding @ National Benchmark	Per Learner Eastern Cape Affordable	Total NSF National Benchmark	Total NSF Eastern Cape Affordable	EC Affordable vs National Benchmark shortfall
1	34,407	1,121	746	38,584,010	25,668,293	(12,915,717)
2	20,878	1,121	746	23,412,589	15,575,395	(7,837,194)
3	41,507	1,121	746	46,545,950	30,965,032	(15,580,918)
4	2,670	562	374	1,501,608	998,956	(502,652)
5	4,021	194	129	781,494	519,895	(261,599)
Grand Total	103,483			110,825,651	73,727,570	(37,098,080)

TOTAL PUBLIC ORDINARY SCHOOLS PLUS ECD ADDITIONAL FUNDING REQUIRED TO FUND AT VARIOUS LEVELS	2,606,480,930	1,733,980,399	(872,500,531)
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4. Note that the department used the August 2022 learner numbers when the total tranches to schools for 2022/23 FY was recalculated. This was as per a directive of AG that the department uses the current learner numbers when effecting transfers. This is to accommodate the impact of ongoing learner migration caused by rationalization, realignment and closure of schools in the province.
5. The transfers for 2nd tranche are in respect of the following: Education & Workshop Consumable including a portion for Library books, Maintenance, Municipal Services and Cash payment shortfalls. Note, all schools received its transfers as per the shared register of payments file to districts and the letters issued to schools. The document can be accessed in the department's share point area.
6. The department resolves that the centralization of NSF is causing further pressure of the amount transferred to schools and are considering options in 2023/24 to improve the amount transferred to schools. The following would assist:
 - a. To transfer all Municipal Services funds to S21 schools and not accommodate any centralization of this function without a withdrawal of the S21 status as directed by Section 22 of SASSA 84 of 1996.
 - b. To significantly reduce the amount earmarked for centralization so that more funds are available for transfers. To this effect, all schools will be required to complete a template indicating, were relevant, a voluntary opting in or out of central procurement.
 - c. The department continues to lobby Treasury for funding with the hope of restoring the baseline and being able to fund at the National Norm as before. The department, through this intervention has provisionally been assisted with R441 million additional funding from Treasury which will assist in increasing the NSF over the 2023 MTEF funding baseline. Already R100.016 million has been identified to improve 2023/24 NSF baseline to schools.
7. Note that the department used the August 2022 learner numbers when recalculating the total tranches to schools for 2022/23 FY. The transfers are in respect of the following: Education & Workshop Consumable including a portion for Library books, Maintenance, Municipal Services and Cash payment shortfalls.
8. The Municipal Services item is in respect of 1st and 2nd tranche payments after the department completed an exercise with the district NSF coordinators to confirm schools qualifying for this transfer. The Cash payment shortfall is due to the increase in learner numbers after the recalculation of the resources school allocations using the August 2022 learner data.



9. The register of payments to schools was shared with NSF coordinators soon after the 2nd tranche run. Also note, individual letters were also emailed to individual schools indicating the planned transfer, the actual payment and the amount owing. Please note that this information is available on the department's Share Point using the following link.
[https://ecdoe.sharepoint.com/:f/s/EMISHOffice/EkIGHm-tmWZOIq-1Hquqdl0BkhjG3r3sboJovoyhAf - vQ?e=Fhzrlo](https://ecdoe.sharepoint.com/:f/s/EMISHOffice/EkIGHm-tmWZOIq-1Hquqdl0BkhjG3r3sboJovoyhAf-vQ?e=Fhzrlo) **PS. NOTE please use Ctrl, Left Click on laptop or mouse**
10. The Prog 2 individual **School Paper Budgets** for 2023/24 have been uploaded to the following SharePoint folder: Prog 2 Prelim Oct 2022 on 25 October 2022. EMIS is working on a per district folder for these paper budgets which will be made available under the same folder path.
11. The individual preliminary school paper budgets were emailed to schools on 27 October 2022 to **principal.emisno@ecschoools.org.za** e.g., **principal.200500013@ecschoools.org.za**. Note that the final allocation is likely to change upward because of the additional allocation from Treasury.
12. Head Office have been receiving numerous queries directed to Head Office. Please note that districts have been provided with the documents needed to verify transactions. Direct enquiries from schools is not encouraged as the head office cannot manage over 5,000 schools. Schools are therefore required to direct enquiries through the relevant circuit managers and district officials using the transfer query form attached herewith. Note the form must be sent to the district who must first analyse the submission before placing comments. The department will continue to make available the working papers used for transfers. Districts in turn will submit these forms with a covering letter and liaise with Head Office concerning the challenges.

Yours sincerely,



DDG: EDC & IOM (ACTING)

DATE: 13/12/2022