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Acronyms

DBE | Department of Basic Education
FEDSAS | The Federation of Governing Bodies of South African Schools
LER | Learner-educator ratio
NNSSF | National Norms and Standards for School Funding
PES | Provincial equitable share
SGB | School governing body
Preface

This budget brief is one of five that explores the extent to which the national and provincial budgets and social services sector budgets address the needs of children under 18 years in South Africa. Their main objectives are to synthesise complex budget information so that it is easily understood by stakeholders, and set out key messages to inform financial decision-making processes. This budget brief examines how the poverty status of public schools impacts the overall resources available to such schools and undertakes a more detailed analysis in one provincial education department. It complements the budget brief on education and forms part of a wider series of publications that explore the extent to which the national and provincial budgets and social services sector budgets in 2017/18 and 2018/19 address the needs of children under 18 years in South Africa.

Key Messages and Recommendations

Provincial governments spent between one-third and one-half of their total budgetary resources on education. The bulk of the spending is reserved for public primary and secondary schools. The Government is encouraged to:
I. Maintain the level of spending on public primary and secondary schools.
II. Ensure that infrastructure spending is prioritised in provinces that have large infrastructure backlogs such as the Eastern Cape, KwaZulu-Natal and Limpopo, as well as eliminating inefficiencies in infrastructure delivery management systems.
III. Ensure that tested and cost-efficient interventions, which improve learning outcomes in low performing schools, are implemented and adequately funded.

The concentration of poor learners in traditionally poor provinces compromises the ability of education departments to give meaningful and substantive effect to the letter and spirit of the Government's progressive school financing policies. These education departments regularly fail to meet national per learner financial benchmarks. The Government is encouraged to:
I. Ensure that provincial education departments implement the national per learner benchmarks and require provinces to have contingency plans in instances where such deviations occur.

School financing policies do not differentiate sufficiently among fee-charging schools and inadvertently reinforce inequalities in access to available resources. By generating similar per learner subsidies for schools that levy vastly different school fee amounts, further rifts are introduced among similarly-poor learners. The Government is encouraged to:
I. Engage in an open dialogue with civil society, academia and teacher associations with a view to make its current school funding framework more responsive to the actual resource needs of public schools.
II. Collect and publish data on private contributions to public schools to analyse how private fees are distributed across and within provinces and who benefits from these contributions.

School financing policies that allow public schools in more affluent areas to supplement state funding through private contributions in the form of user fees, produce unintended consequences that impact on equity. Fee-charging schools regularly hire additional teachers through private means, and have lower learner-educator ratios (LERs). The Government is encouraged to:
I. Make post provisioning norms more pro-poor to progressively ensure lower educator-learner ratios in no-fee schools and reduce multi-grade teaching.
II. Make data on pro-poor teacher allocation at provincial level more transparent, and publicly accessible and monitor provincial compliance with pro-poor school funding norms.

This budget brief does not promote a particular funding model, but has noted important gaps in the publication of vital information that can improve transparency and allow for more refined assessments of equity and impact. The Government is encouraged to:
I. Ensure that the Department of Basic Education (DBE) requires provincial education departments to publish online their compliance with the pro-poor post-provisioning norms and per learner benchmarks of the school funding norms and standards.
II. Ensure that the Department of Basic Education continues to publish high quality SNAP Survey data and that pertinent variables used in previous editions be maintained.
III. Release a consolidated report on the state of private financing of schools and how this supports or thwarts the achievement of equity in South African public schools.

The Western Cape Government has managed to achieve the lowest LERs in its poorest schools. This is welcomed. However, when private spending is factored in, its schooling system reproduces national patterns of inequality in access to quality education. The National Government is encouraged to:
I. Initiate further research on the links between the adequacy of the school financing allocations for poor schools and achievement in provincial, national and international tests of cognitive achievements.
SECTION 1.
Main Funding Sources of Provincial Education Budgets

Allocation of Public Resources Towards Basic Education

Under Section 125(b) of the South African Constitution, the nine provincial governments are responsible for running key concurrent functions (such as basic education, health, and social welfare) in line with national policies and laws. Provincial education departments are responsible for ensuring that all public schools are well equipped and that sufficient funds are available to pay for teachers, textbooks and maintenance costs, such as water and electricity.

Since provinces have only very limited powers to raise their own resources, they depend largely on transfers from the national sphere of Government. On average, provincial governments receive about 80 per cent of their overall provincial budget through an unconditional grant, the provincial equitable share (PES). The provincial equitable share is formula-driven and is based on the relative (demographic) need in the nine provinces. Between 17 to 20 per cent of provincial budgets is funded through conditional grant transfers, which compensate provinces for negative externalities (spill overs) or financing activities and programmes of national importance, but which are not adequately provided for in provincial budgets. Provincial own revenue varies between 2.0 per cent and 4.8 per cent of total provincial receipts (Provincial Estimates of Expenditure 2017).

The provincial equitable share formula captures the relative demand for the main cost-driver services and considers factors such as population size, poverty and economic activity. The formula has six components and the education component of the provincial equitable share has the biggest impact on the division of resources as it divides almost half of the entire equitable share (48% or R212 billion) based on two equally weighted criteria:

(1) the number of school-age children between 5 and 17 years and
(2) the number of learners enrolled in Grades R to Grade 12 in public ordinary schools.

The provincial equitable share formula does not dictate what provinces ought to spend on education or health and should primarily be regarded as an allocation formula. Provincial governments may decide, based on their own priorities, how they allocate their consolidated revenue (inclusive of the equitable share) between different sectors, including health, social development, roads and public works.

Provincial governments use their consolidated revenue sources (unconditional and conditional transfers from National Government and their own revenues) to make allocation decisions. As budget holders, provinces decide how much of their consolidated revenue gets allocated to the various sectors, including education. In 2017/18, provinces allocated an average of 41 per cent of their overall provincial budgets to their education sectors. While Limpopo and the Eastern Cape, the two poorest provinces, allocated the biggest share of their budgets to education (47% and 44% respectively), the Western Cape planned to spend only 35 per cent of its overall provincial budget on education (Figure 1). Poorer provinces, generally, have higher enrolment and repeater rates, while a province such as the Western Cape has access to a larger pool of own revenue sources.

FIGURE 1:
Allocations to education sector as % of overall provincial budgets, 2017/18

Source: Estimates of Provincial Revenue and Expenditure 2017 (own calculations)
Differences in spending on provincial education by provincial governments do not necessarily result in vastly different per-learner spending patterns across provinces. Using the mean absolute deviation statistic, the variation around the national average is relatively small (between ZAR 330 and 360 for 2016 and 2015 respectively), which is indicative of the convergence in per-learner spending across provincial education departments (Figure 2).

Although the per learner statistic in public ordinary schools is not representative of all spending in provincial education budgets, it gives an accurate account of spending trends in the largest provincial education programme.

Provincial education departments with the greatest infrastructure needs, allocate the lowest proportion of their budgets to spending on infrastructure (Figure 3). The Northern Cape and the Western Cape invest more in infrastructure development, and in relative terms, have higher costs for administration. Limpopo, on the other hand, plans to spend only 3 per cent of its education budget on school infrastructure in 2017/18. This is of concern considering that the province continues to face serious infrastructure backlogs regarding the maintenance and shortage of school facilities. Higher enrolment burdens, poor execution rates on infrastructure projects and
inadequate funding are some of the reasons for the low infrastructure spending in Limpopo. Western Cape and Gauteng allocate the biggest share of their education resources to special schools (6.0% and 5.7% respectively), while Mpumalanga and Limpopo have the smallest special education budgets in relative terms (1.5% and 1.7% respectively). It is particularly worrying that Mpumalanga, the province with the lowest relative allocation to special schools is also the province with the highest proportion of learners on waiting lists for public special schools. The number of children on the waiting list is equal to 70 per cent of the currently enrolled learners in special schools.

**SECTION 2. Provincial Funding of Schools**

### How do Provinces Fund Their School Sectors?

Provincial governments rely on national transfers (unconditional and conditional grants) and own revenue sources to finance social services. In addition to these sources of revenue, provinces also benefit from indirect conditional grant spending, where a national department employs an intermediary agent to conduct spending on behalf of provincial departments. Spending on infrastructure is a good example of the use of indirect conditional grant mechanisms. Indirect conditional grant spending represents a small share of total provincial education infrastructure spending (roughly 11% of spending on the infrastructure programme in 2016/17).

In terms of actual provincial education spending trends, comparatively, the Western Cape devoted the smallest share of its provincial funding to basic education, while Limpopo spent the largest share of its provincial budget on basic education. Between 2014/15 and 2017/18, provinces set aside approximately 41 per cent of their budgets on basic education and provinces’ shares are broadly similar over this period (Figure 4). The difference in shares devoted to basic education totals approximately 13 per cent for the Limpopo and Western Cape province.

### TAKEAWAYS

- Provinces have executive authority in the management of the basic education function, but depend almost entirely on national transfers to finance their education systems.
- Provinces differ greatly in terms of how much they allocate to their respective education systems. The two poorest provinces, Limpopo and the Eastern Cape, allocated the biggest share of their budgets to their education sector (47% and 44% respectively) compared to the Western Cape and Gauteng, which allocated only 35 per cent and 38 per cent respectively.
- Higher enrolment and repeater patterns, differential capacity to leverage own revenue sources, and the difference in mix of public and private schooling are some of the factors responsible for the differential macro-spending patterns.
- However, the macro-spending trends do not necessarily translate into unequal per-learner spending patterns for the key programmes: per-learner spending in public schools across provinces in 2015 and 2016 were very similar.

**FIGURE 4:** Provincial education budgets as a share of total provincial expenditure, 2014/15 to 2017/18 (%) | Source: Estimates of Provincial Revenue and Expenditure 2018 (own calculations)

Note: Only the value labels for the national average and the lowest and highest shares of provincial expenditure are explicitly indicated in the graph.
Compensation of employees (inclusive of salaries and employee social benefits) constitutes more than three-quarters of basic education provisioning in provinces, while spending on complementary services that support the delivery of education (goods and services) consume almost 9.0 per cent on average over the period represented in Figure 5. The transfers to non-profit organisations, which involve mostly transfers to public schools whose budgets are managed by school governing bodies (SGB), remain stable at around 7.0 per cent of total spending, while spending on school buildings ranged between 4.5 per cent and 5.2 per cent of total basic education in provinces.

Provincial governments, like their national-level counterpart, are organised along the line of sector departments such as Basic Education, Health, Social Development and so on. In line with the explanatory terms used in the Public Finance Management Act (Act No. 1 of 1999), government votes should be presented by ‘main division’ or programmes. Each of these main divisions will have sub-programmes. In terms of the structure of provincial education budgets, they are divided into 7 programmes (or divisions) and each programme has seven sub-programmes:

1. Administration
2. Public Ordinary School Education
3. Independent School Subsidies
4. Public Special School Education
5. Early Childhood Development
6. Infrastructure Development
7. Examination and Education Related Services.

Service delivery in provincial education is distributed among its Head Office (the main budget holder), District Offices (decentralised oversight units) and institutions where actual service delivery takes place (such as public schools, special education facilities etc.). In terms of the resources flow, Head Office manages the entire provincial education budget and transfers resources to District Offices and institutions. Head Office, in turn, reports to the Provincial Treasury and the Provincial Legislature, about money spent and the value-add that citizens receive.

The South African School’s Act (Act No. 84 of 1996) makes provision for differential functions to be accorded to schools, dependent on an assessment of the capacity of the school to perform a number of functions as set out in Section 21 of the Act. This has implications for how public schools are funded: schools that comply with Section 21 of the Act receive direct financial transfers into their school accounts, whereas spending for other schools is managed by the Head Office or District Office. Such schools receive a notional budget (or a paper budget) and may procure goods and services subject to the provisioning of open and competitive quotes. Public schools are further divided into fee-paying schools (quintiles 4 and 5) and fee-free schools (quintiles 1 to 3) based on the poverty ranking of a school.

Expenditure that is allocated to public schools is considered for three categories, namely the salaries of teachers and non-teaching personnel, the operational costs of running public schools, and larger capital investment (building new schools or adding classrooms to existing schools). Section 34 of the South African Schools Act obliges the state to ‘fund public schools from public revenue on an equitable basis in order to ensure the proper exercise of the rights of learners to education and the redress of past inequalities in education provision’. Section 34 (‘Responsibility of State’) and Section 35 (‘Norms and standards for funding of public schools’) of the Schools’ Act, form the backbone of the Amended National Norms and Standards for School Funding (Government Notice No. 883), which addresses the operational costs of public schools and intends to distribute such funds using poverty targeted criteria.

**FIGURE 5:**
Expenditure by type in provincial education budgets, 2014/15 to 2017/18 (%) | Source: Estimates of Provincial Revenue and Expenditure 2018 (own calculations)

Note: The ‘Other’ category constitutes less than 1.0 per cent of spending and its value label is not explicitly indicated in the graph.
Teacher Allocation and Costs

Publicly-paid teachers are allocated to schools based on the national Post Provisioning Norms. These norms determine how many teachers should be included in a province’s teacher pool based on a formula, which allocates different weights based on the number of learners, the composition of subject choices, the ideal class size, the language of instruction, and the number of grades taught in a school. If a school has many learners that chose subjects with heavier weightings (for example Art), then that school will be allocated more teachers than a school with the same number of learners who chose subjects with average weightings. The differential weighting criteria reflect the relative need in respect of post provisioning. Since provinces spend on average 86 per cent of their budgets on personnel costs, the allocation of teachers has a crucial impact on how education resources are spent.

The pro-poor component of the Post Provisioning Norms allows provinces to allocate a maximum of 5 per cent of teacher posts to schools in a progressive way in favour of schools in poorer communities. No public data is available on how redress teachers are allocated by provinces and to what extent learners in poorer schools benefit from the provisioning of extra teaching staff. A recent study found that only 3 out of 9 provinces, namely Free State, Northern Cape and Western Cape, distributed educators in a pro-poor manner. The incomplete application of the post-provisioning model does not serve the interest of poor learners, because learners from poorer communities have greater educational needs and require more intense support to overcome disadvantage.

While the post provisioning norms are slightly progressive in theory, in practice, expenditure on teacher salaries tends to be regressive. Since fee-charging quintile 4 and 5 schools in wealthier areas often manage to attract better-qualified and more experienced teachers, they have higher teacher per learner costs than no-fee schools in quintiles 1, 2 and 3. Internal analysis done by the DBE shows that quintile 5 educators cost on average 9 per cent more than their colleagues in quintile 1.

Fee-charging schools in quintiles 4 and 5 can hire additional teachers through their respective SGBs. These teachers are paid directly by the school from revenue collected through school fees, donations and fundraising (Figure 6). This leads to considerably smaller LERs in public fee-charging schools compared to no-fee schools, which does not accord with the funding spirit and intent of the South African Schools Act. Figure 6 shows that all provinces, except for Mpumalanga, have on average higher LERs in no-fee schools compared to public fee-charging schools. At national level, there are on average four learners fewer per educator in fee charging public schools compared to no-fee schools (LER 32 and 28 respectively). Gauteng and the Western Cape are the two provinces with the highest LER in no-fee schools, which is on average roughly 30 per cent higher than in public fee-charging schools. The latest available data from 2015 shows that Western Cape (15%) and Gauteng (10%) are also the two provinces with the highest proportion of privately funded educators in public schools. In contrast, all other provinces have less than 8 per cent of privately funded educators working in their public schools. In Limpopo, only about 3 per cent of educators working in public schools are financed through private funds.
Recurrent Operational Costs: Non-Personnel and Non-Capital Financing of Public Schools

The National Norms and Standards for School Funding policy (NNSSF) includes the financial target that provinces should reserve 20 per cent of their public ordinary school budgets for expenditure on non-personnel and non-capital costs including textbooks, stationery and school maintenance. In addition, the 2017 minimum financial targets for non-personnel funding were quantified in Rand terms and are provided below:

- R1,243 per learner in no fee schools;
- R623 per learner in quintile 4 schools;
- R215 per learner in quintile 5 school.

On the 20 per cent target, only Gauteng came close to reaching this target with 18.4 per cent of its public school budget reserved for non-personnel expenditure. KwaZulu-Natal and Mpumalanga managed to allocate only about 10 per cent of their public school budget to cover non-personnel costs. In the 2015 Department of Basic Education’s National Education Infrastructure Management Systems Report, it indicated that almost 19,000 schools do not have libraries (71% of schools) and that only a small fraction of schools that have libraries have stocked libraries (17%). Poor allocation and spending on the non-personnel side will almost certainly make it harder to provide access to books for young children.

On the Rand targets set in 2017, only a small number of provinces managed to comply with these targets for per-learner subsidies in 2017/18 (Figure 7). Only four provincial education departments complied with the minimum per-learner financial benchmark (Free State, Gauteng, North West Province and Western Cape), whereas in 2016/17, the corresponding number of compliant provinces was six out of nine provinces. Figure 5 shows that Mpumalanga, Limpopo and KwaZulu-Natal are transferring significantly less to schools than required by the NNSSF. Most of these provinces refer to budget constraints as reason for not implementing the targets for minimum per-learner subsidies. Western Cape and Gauteng transfer higher amounts to quintile 4 and 5 schools than required by the NNSSF targets.

Uneven distribution of poor learners across provinces has implications for the relative amount of fiscal space that provincial education departments have to effect redress and meaningful financing of schools (Figure 8). Since no-fee schools receive a higher per-learner subsidy than fee-charging schools, they are therefore costlier to the provincial government. Poorer provinces with a higher proportion of learners in no-fee schools consequently have relatively higher per-learner costs than richer provinces. Figure 8 shows that Limpopo and Eastern Cape, the two poorest provinces, have the highest proportion of learners in no-fee schools while Western Cape and Gauteng have the lowest.


FIGURE 8: Percentage of learners in no-fee schools and fee-charging schools by province, 2016 | Source: Calculations based on DBE, Schools Master List of public ordinary schools 3/2016.
What is the Magnitude of Private Contributions to Public Schools?

The National Norms and Standards for School Funding policy allows better-off schools in quintile 4 and 5 to charge school fees, which bring in additional private revenue into the public school system. The amount of fees charged is determined by each school’s governing body, which is composed of school management, teachers and parents. In most cases, levied school fees are higher than the state-subsidies that no-fee schools receive for non-personnel funding. This is particularly true for quintile 5 schools, which charged fees as high as R45,000 (approximately 3600 USD) per child in 2017/18. xxii More affluent provinces such as the Western Cape and Gauteng that have a high proportion of public fee-charging schools, also benefit to a much larger extent from private contributions to their public schools. While in Limpopo only about 3 per cent of teachers in public schools are paid through private funds, in the Western Cape and Gauteng about 15 per cent and 10 per cent of teachers respectively are hired by the school governing bodies and are paid through private contributions.xxiii They work side by side with publicly-funded teachers, which lowers the LER in public fee-charging schools (see Figure 4).xxiv

Private contributions to public schools are difficult to quantify because there is no consolidated administrative data available on the amount of fees and the private donations public schools collect. The most complete national data set on school fees, charged by public schools, stems from 2011. On average, quintile 4 schools charged around R1,250 per year and child, while fees in quintile 5 schools were more than four times higher at around R5,700.xxx The resource gap between no-fee and fee-charging schools is likely to have further increased since 2011, as school fees tend to grow at rates above inflation whereas state-subsidies only grow in line with inflation.xxxi

The Western Cape is the only province that publishes data on school fees.xxx Based on this data and taking into account that on average about 20 per cent of fees are not collected by schools due to fee exemptions or bad debt, it can be estimated that public fee-paying schools, in addition to state funding, received about R2.8 billion of private contributions in the form of fees in 2016.xxxii Bearing in mind that other revenue collected from schools through fundraising, rentals or donations is not included, private fees collected by public schools correspond to almost 17 per cent of the R14.2 billion budget, which the Western Cape Provincial Government allocated to its public schools in 2016/17.

TAKEAWAYS

» Provincial education departments have achieved some level of progressive funding in the allocations made to public schools for their recurrent operations.

» However, the gains of this intervention have not been uniformly distributed. In 2017, only four out of nine provinces complied with the national minimum targets for per-learner subsidies for non-personnel costs.

» The uneven distribution of poor learners across provinces reinforces inequality because poor learners are concentrated in provinces that lack the financial means to effect meaningful redress funding and have fallen short in terms of the national per-learner financial benchmarks.

» More affluent provinces such as Gauteng and the Western Cape have a higher proportion of public fee-charging schools, which minimises the total claims for pro-poor funding and consequently these provinces fully meet the national per-learner financial benchmarks.

» Whereas financing public schools for operational costs is progressive, the financing of teaching personnel is not pro poor. The latest available analysis of teacher allocation shows that only three out of nine provinces allocated teachers in a pro-poor manner in 2013.

» More affluent provinces such as Gauteng and the Western Cape have a higher proportion of public fee-charging schools and therefore benefit from higher private contributions to their public school system. In Western Cape, it is estimated that funds collected through fees are equivalent to about 17 per cent of the provincial public ordinary school budget.

» This results in unfavourable LERs in poor, no-fee schools compared to fee-charging schools that can hire additional teachers, thus reinforcing existing inequality in access to scarce quality teaching resources.
SECTION 3. Case Study on Public School Funding in the Western Cape

Background and Rationale

The purpose of this case study is to examine how the poverty status (or quintile ranking) of public schools impacts the overall resources available to such schools. Since the Western Cape is the only province that publishes data on private fees paid to public schools, it was chosen to show how the national school financing policy plays out at the institutional (school) level.

In the Western Cape, approximately 41 per cent of learners in public ordinary schools attend schools that levy fees, whereas at the national level, the corresponding number is less than 20 per cent. In 2017, there were 879 no-fee schools and 570 public fee-charging schools in the Western Cape of which approximately a quarter was categorised as quintile 4 schools (148 schools), while the remaining schools are quintile 5 schools (421 schools). In the Western Cape 55 per cent of schools categorised as quintile 4 schools, are effectively no-fee schools and fully depend therefore, on public resources.

In 2017, 86 per cent of Western Cape’s public school budget was spent on personnel costs. In 2015, 80 per cent of SGB-paid teachers in the Western Cape worked in quintile 5 schools while 12 per cent were employed in quintile 4 schools and 8 per cent in no-fee schools.

Allocation and Funding of School Staff

Public schools in the poorest quintile have the lowest LER when only publicly-paid educators are used in the calculation of the LER (Figure 9). However, when privately-

FIGURE 9:
Average LER for publicly-paid educators and for publicly-paid and School Governing Body (SGB)-paid educator by quintile in the Western Cape, 2015

Source: Snap Survey of Ordinary Schools 2015, DBE School Master List 4/2015

Source: Western Cape Government, Provincial Treasury, Estimates of Provincial Revenue and Expenditure 2017
funded educators are added, LERs drop significantly from 37 to 27 learners per educator in the richest quintile schools, while experiencing a much more gradual decline (1-2 points) in the other quintiles. Better-resourced schools can capitalise more on the private provisioning of educators.

Allocation of administrative and support staff is weighted towards the poorest schools. SNAP 2015 data shows that, in relative terms, quintile 1 schools benefited most from publicly paid administrative and support staff with an average of 169 learners per such staff members compared to 199, 193 and 191 in quintile 2, 3 and 4 schools and 180 in quintile 5 schools respectively. When privately funded staff is included, again, quintile 5 schools benefit most with a ratio of 109 learners per administrative and support staff compared to on average 173 in the other quintiles.

Funding of Non-Personnel Costs at the School Level

In 2017, the Western Cape surpassed the National Department of Basic Education’s minimum targets for per-learner subsidies by 70 per cent for quintile 5 schools (R372) and by 60 per cent for quintile 4 schools (R995) while it kept subsidies for no-fee schools in line with national targets (R1243). The National Department of Basic Education sets minimum targets for per-learner subsidies that provinces should allocate or transfer to schools to cover non-personnel expenditure on an annual basis.

Private Contributions to Public Schools

To quantify the overall resources available to public schools, it is important to include private contributions in the form of school fees, donations and charities in the overall analysis. Unfortunately, very little data is publicly available to analyse private contributions to public schools, and many schools are reluctant to share information on their budgets.

Since the amount of fees charged by public schools is determined by the SGB, fees range widely between and within fee-charging schools in quintiles 4 and 5 and between schools at the primary and secondary levels (Figure 10). Figure 10 shows the wide range in fees charged in both quintile 4 and 5 schools. More than half of quintile 4 schools (55%) charged fees below R1 000 and about 75 per cent of schools charged fees below R2 000 in 2017. Fees in quintile 5 schools tend to be much higher than quintile 4 schools. However, a quarter of these schools charged fees below R2 000. About 50 per cent of quintile 5 schools charge fees between R2 000 and R13 500 while 25 per cent charge fees higher than that. Ten quintile 5 schools charged fees between R31 000 and R45 000.

The range of fees charged in quintile 4 and 5 schools is not considered when public resources are allocated to schools. Current school funding regulations do not consider the actual amount of fees charged by public schools, but refer exclusively to the school’s quintile. This means that a school, which charges R2000 per year per learner, receives the same state funding as a school that charges R20 000.

**FIGURE 10:**
Average annual school fees levied by public schools in quintiles 4 and 5 in the Western Cape, 2017 | Source: Western Cape Education Department, 2017.
Comparison of Public and Private Funding Sources of Public Schools

The following anonymised case study illustrates how private contributions impact the overall resources available to public fee-charging schools under the current school funding framework. The four schools were selected based on their quintile ranking and the actual school fees levied.

**FIGURE 11:**
Comparison of public and private funding sources of quintile 5 schools, 2017

Source: Figures based on 2018 school budgets of three public quintile 5 schools in the Western Cape. Costs for state paid personnel are based on the 2016 PERSAL dataset and adjusted by 7.3% in line with DPSA cost of living adjustment for 2017.***

**QUINTILE 5**

**School A**
- School fees: ± R20 000
- Average LER: 20
- % of SGB paid teachers: 45%
- Total expense per learner: R34 800
- Total state funding per learner: R10 500

**School B**
- School fees: ± R2 500
- Average LER: 38
- % of SGB paid teachers: 0%
- Total expense per learner: R11 700
- Total state funding per learner: R9 700

**School C**
- School fees: ± R4 000
- Average LER: 38
- % of SGB paid teachers: 0%
- Total expense per learner: R9 800
- Total state funding per learner: R9 500

In 2017, School A spent about three times as much as the other two schools per learner (R34,800 vs. R10,000). Despite these different funding conditions, funding norms foresee that all three schools receive the same amount of public resources for both personnel and non-personnel costs. While School A is a well-funded school, which draws about 70 per cent of its resources from private contributions, schools B and C can be described as commuter schools. Most of the learners in these schools are from outside the schools’ better-off neighbourhoods, which were initially used to determine the school’s quintile.

The case study confirms findings from internal DBE analysis referred to in section 2, which shows that educators in better-off public schools tend to be better remunerated compared to teachers in schools where less overall funding is available. The case study shows that more public resources are being spent per learner in School A, which is a well-funded quintile 5 school, compared to schools B and C, which are two low fee-charging schools.

The pro-poor allocation for non-personnel costs does not compensate for the lack of income through fees in poor no-fee schools (Figure 12). Despite higher per-learner allocations for non-personnel costs, this school has less than a third of overall resources available per learner compared to School A and about 18 per cent less per learner than School B. The overall resources available per learner are approximately the same for schools C and D. With regard to state funding, School D receives about 7 per cent less state funding compared to School A, while it receives almost the same as schools B and C.
FIGURE 12:
Funding sources of no-fee school, 2017

QUINTILE 1

School fees: None

Average LER: 36

Total expense per learner: R9 800

Total state funding per learner: R9 700

TAKEAWAYS

» In the Western Cape, a large percentage of children attend fee-charging schools.

» LERs are surprisingly low in the poorest quintile in this province, but when privately-paid educators are factored in, the richest schools experience a substantial lowering of their LERs.

» Fee-charging schools levy vastly different school fees, which directly affect the total size of revenue available to these schools, but the official financing framework does not take private financing into account when determining per-learner subsidies for operational costs and allocating educators and other school staff.

» The implementation of the current school financing policies is muted by two important factors, namely

– Richer schools (schools in quintile 5) often employ publicly-paid educators with more experience, better qualification and consequently higher salaries, thus increasing their per-learner cost; and

– The level of private contributions in better-off schools is far higher than the official Government per-learner subsidy, which leads to the growing funding gap between poor and rich public schools.

» The allocation of state funding to fee-charging public schools is not linked to the actual costs required to provide quality education. In the case of high fee-charging public schools, state funding makes up less than a third of the schools’ funding sources, which puts into question, their status as public schools.
Endnotes

i. The six components of the provincial equitable share formula are:  
1. **Education** (48% weighting),  
2. **Health**, which captures both the demand and the need side of health provisioning in the province (27%),  
3. **Basic**, which captures each province's percentage share of the total population (16%),  
4. **Poverty**, which expresses the percentage of poor people in a province relative to all poor people in the country (3%),  
5. **Economic**, which is calculated for each province’s regional economic output (1%); and  
6. **Institutional**, which is assumed to be the same across all provinces and does not require any special data (5%).

ii. Sources of provincial revenue include vehicle licenses, royalties from casinos and other gambling establishments, user collection fees in health, education and other departments, sales of goods and services, interest on provincial property and land etc.


vi. A government vote refers to a government cost centre, which can be an independent department (such as Basic Education) or an entity of that department (such as the South African Social Security Agency or SASSA in the national Department of Social Development). A government vote implies that the spending of that cost centre must be approved by the national or provincial legislature.

vii. Section 21 of the South African Schools Act (Act No. 84 of 1996) makes provision for a School Governing Body to apply for the Head of the Provincial Education Department to be allocated the following functions: to maintain and improve the school’s property; to determine the extra-mural activities of each school, including its academic subject mix; to purchase educational textbooks and materials; to pay for services to the school; to provide an adult basic education and training class or centre; and any other function deemed to be within the purview of basic education.

viii. Public schools do not receive money directly for large capital projects. Expenditure for large capital projects at schools is undertaken centrally by the Head office (provincial education department) or through an indirect conditional grant (via the national Department of Basic Education using an intermediary to deliver the building of classrooms or schools).

ix. The DBE Master List lacks data on whether a public school charges fees or not for a total of 3931 schools. 96% (3754) of these schools are in Mpumalanga, Northern Cape and North West Province. For these provinces schools categorised as quintiles 1, 2 or 3 were considered no-fee schools and quintiles 4 and 5 were considered fee-charging schools. This is also consistent with information provided in the DBE lists of no-fee schools in 2016 in which none of the no-fee schools in these three provinces was categorised as quintile 4 or 5 schools. The DBE School Master List 3/2016 is available at: <https://www.education.gov.za/Programmes/EMIS/EMISDownloads.aspx> [Accessed January 2018] The DBE list of no-fee schools is available at: <https://www.education.gov.za/Informationfor/ParentsandGuardians/SchoolFees.aspx> [Accessed January 2018]


xi. Veriava (2010) outlined some of the challenges in implementing the school fees regime and noted that during the early years of implementing the revised school funding norms and standards, fee-charging public schools often refused to grant exemptions, did not inform poor parents of the exemption policy, and children who were known to have qualified for fee exemptions were discriminated against. See Veriava, F (2010) The resourcing of public schools: an analysis of compliance with, and measurement of the State’s constitutional obligations. Research Paper for the Studies in Poverty and Inequality Institute (SPII)

xii. The low LER in public no-fee schools in Mpumalanga is likely to be related to the high proportion of public schools (9%), which are operated on farms and which tend to have relatively few learners per school and where teachers are often tasked with teaching several grades in one class.

xiii. The DBE School Master List lacks data on whether a public school charges fees or not for a total of 3931 schools, 96% (3754) of these schools are in Mpumalanga, Northern Cape and North West Province. For these provinces schools categorised as quintile 1, 2 or 3 schools were considered no-fee schools and quintiles 4 and 5 were considered fee-charging schools. This is also consistent with information provided in the DBE lists of no-fee schools in 2016 in which none of the no-fee schools in these three provinces was categorised as quintile 4 or 5 schools. The DBE School Master List 3/2016 is available at: <https://www.education.gov.za/Programmes/EMIS/EMISDownloads.aspx> [Accessed January 2018]

xv. See endnote xii


xix. The 2017 Division of Revenue Bill obliges provinces to publish their indicative allocations to schools. Sec 30 (2) (a) (ii) of the 2017 Division of Revenue Bill reads: ‘A provincial treasury must, on the same day that its budget is tabled in the provincial legislature, or a date not later than 14 days after this Act takes effect, approved by the National Treasury, publish by notice in the Gazette— [...] (ii) the indicative allocation to be made per school and per hospital in the province in a format determined by the National Treasury; [...]’

xx. See for example: Mpumalanga Estimates of Provincial Revenue and Expenditure 2017/18, p. 238.

xxi. See endnote xii


xxv. Information provided upon request by Van Wyk C., ReSEP (Research on Socio-Economic Policy), Department of Economics, University of Stellenbosch, April 2017.


xxx. No data is available on the funding sources for SGB paid teachers in no-fee schools. It is assumed that private donations or support through charities enabled some no-fee schools to hire and pay for additional teachers.


xxxii. In 2017, no-fee schools in the Western Cape received an annual state subsidy of R1243 per learner for non-personnel costs while fee-charging quintile 4 and quintile 5 schools received on average R995 and R372 per learner respectively. See: Western Cape Government, Provincial Treasury, Estimates of Provincial Revenue and Expenditure 2017, p. 169.


xxxiv. Department of Public Service and Administration, Circular 1 of 2017.