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To: Deputy Directors-General, Chief Directors, Directors (Head Office and district offices), Deputy Directors, Circuit Managers and Officials at Head Office and district offices

Short summary: *Western Cape Education Department (WCED) framework for payments to schools/other government institutions.*

Subject: WCED framework for payments to schools/other government institutions

1. This circular serves to supplement Circular 0021/2022, dated 05 May 2022.
2. The WCED is required to ensure that all expenditure is necessary, appropriate, cost effective, and is recorded and reported, as prescribed by the relevant legislative framework.
3. The following process has been adopted by the WCED and is applicable in terms of transfer payments to schools:
 - 3.1 The WCED has approved the mainstreaming of transfer payments to schools for the implementation of projects at school-level, considering the following school competencies allocated to schools in terms of the South African Schools Act, 1996 (Act 84 of 1996) (hereinafter referred to as *this Act*):
 - 3.1.1 where the department wishes to contribute to ongoing operations of the school and specifically support a project, in line with the department's general obligations and those set out in section 34 of *this Act*;
 - 3.1.2 where the school has been allocated additional functions in terms of section 21 of *this Act*, including maintenance and improvement of the school's property, determining the extra-mural curriculum of the school, their choice of subject options, purchasing of textbooks/educational material/equipment, payment for services to the school, including workshop fees, and any other relevant function consistent with *this Act*; and
 - 3.1.3 where the WCED had reached an agreement with the school in terms of which the department will contribute towards the project by transferring funds into the registered account of the school for the project.

- 3.2 School-based projects approved are for, but not limited to, contributions to the ongoing operations of the school, learner support and tutoring activities (including school examinations), curriculum interventions, educational materials, furniture and equipment for the school, as well as for projects to maintain or improve the school's property.
- 3.3 The school projects approved for transfer payments do not relate to any departmental deliverables in terms of the departmental performance plan.
- 3.4 All transfer payments approved to schools must be strictly assessed, using the business plan produced by the school, and indicating the funding required by the school to execute the project.
- 3.5 Any governing body, as part of the business plan application, must apply to the Head of Education, in writing, to be allocated the relevant function, in terms of section 21 of *this Act*, if such function has not been allocated to the governing body. Such approval, if granted, will be limited to the project deliverables as specified in the school business plan application.
- 3.6 Transfer payments for the above purpose require a Transfer Payment Agreement (TPA), incorporating the contents of the attached draft TPA (attached as **Annexure A**), which must be entered into through the signing thereof by both parties before the commencement of the specific school project. The WCED signatory must at least be at the level of Director.
4. The following procedures pertain to official gatherings arranged for Head Office and district offices:
- 4.1 WCED schools or any other government institution may only be used to host an official WCED gathering, if such facility is made available at no cost.
- 4.2 However, if no suitable no-cost facilities are available at WCED schools and/or other government departments or municipalities, the normal procurement procedures for the sourcing of a facility and catering will apply.
- 4.3 Any such required goods and services may only be procured in line with Supply Chain Management (SCM) regulations requirements that determine:
- a) the need for goods and services to be advertised in the open market;
 - b) that the service provider is required to be registered on the Central Supplier Database (CSD); and
 - c) the sourcing of a minimum of three quotations.
- 4.4 Such services may be procured from WCED schools and/or other government departments or municipalities, if these institutions are registered on the CSD. The CSD defines the pool of suppliers and service providers from which all procurement must occur, and these institutions must opt to participate in the open competitive procurement process of government.

- 4.5 All official gatherings and related services arranged for Head Office and district offices transactions are indicative of goods and services and not transfer payments as the funds are not seen as for the furtherance of the school's (or other government institution as applicable) operations; instead, it is seen as performing of services for the department.
- 4.6 The WCED must comply with the provisions of this circular, National Treasury Regulations and Instructions, Provincial Treasury Instructions, the Accounting Officer's System, SCM and the Financial Delegation of Powers regarding the procurement processes and payments to avoid any possible irregular, unauthorised, and fruitless and/or wasteful expenditure.
5. The following general recognition criteria will be applied for the purpose of the proposed *WCED Framework for Payments to Schools/other Government Institutions* (this document):

No.	Recognition criteria	Example of indicators	Recognition
1	Are the funds given to the entity to fund their own operations, in line with the entity's mandate?	Funds are provided to public entities in order to perform their mandated operational functions. These funds provided to public entities are requested through the budget process.	Transfer payments
2	Is there a non-exchange transaction (i.e. give something but get nothing or marginal value in return)?	A government unit not receiving anything of similar value directly in return for the transfer payment to the other party is indicative of the payment being unrequited. The department receives no benefit in return for this transfer payment.	Transfer payments
3	Is the department the owner/sponsor of the project?	If the department is responsible for a project and requests another entity to perform the activities related to the project for the department, it is an indicator of goods and services, and not funds provided for the furtherance of the entity's operations.	Goods and Services

- 5.1 All expenditure that meets the recognition requirements of a transfer payment in terms of the framework will be:
- 5.1.1 strictly assessed according to the business plan produced by the school, indicating the funding required by the school to execute the project;
- 5.1.2 used for a school project only and does not relate to any departmental deliverables in terms of the departmental performance plan;
- 5.1.3 classified as Transfers and Subsidies in the general ledger and the financial statements of a department; and

- 5.1.4 require a legally vetted TPA signed by both parties, including written assurance in terms of section 38(1)(j) of the Public Finance Management Act, 1999 (Act 1 of 1999), that the WCED school or any other government institution implements effective, efficient and transparent financial management and internal control systems, prior to the payment being processed.
- 5.2 All expenditure that meets the recognition requirements of Goods and Services in terms of the framework will have to adhere to the following:
- 5.2.1 Goods and services may only be procured in line with SCM regulations requirements that determine:
- the need for goods and services to be advertised in the open market;
 - that the service provider is required to be registered on the CSD; and
 - that a minimum of three quotations are sourced.
- 5.2.2 WCED schools or any other government institution may only be used if:
- such venue is made available at no cost; or
 - the institution is registered on the CSD, which defines the pool of suppliers and service providers from which all procurement must occur, and they opt to participate in the open competitive procurement process of government.
- 5.2.3 The project must be a departmental project and relates to a departmental deliverable in terms of the departmental performance plan.
- 5.2.4 The expenditure must be classified as current expenditure (Goods and Services) in the general ledger and the financial statements of a department.
6. Please bring the content of this circular to the attention of all relevant personnel.

SIGNED: LJ ELY

ACTING HEAD: EDUCATION

DATE: 2023-05-02