



Department of Education

Presentation of 3rd Quarter Outcomes
of the Gauteng Department of Education
in respect of the 2006/07 Conditional Grants
October – December 2006

1. Introduction

The 2006/07 Financial Year is a difficult year as a result of continued growth of the education sector due to increased learner enrolments arising from migration and as a result of reduced drop-out rates in secondary schools. Over the last few years the gross enrolment ratio in primary have reached universal access levels and in secondary schools are nearing universal access levels.

This is creating pressure on the system to respond faster with learning spaces especially in the secondary sector of ordinary schooling and to expend and improve efficiencies in providing a sustainable school nutrition programme.

While in Gauteng, studies are showing a decline in HIV infection rates among the youth, we are still under tremendous pressure to ensure the programme is sustained to increase the level of success the provincial programme is achieving.

2. Budget Trends Analysis

2.1 Expenditure by Programme

| Programme | 2005/06 | 2006/7 | Actual Spending | Actual Spending | Actual Spending | % Spent |
|-----------------------------------|-------------------|-------------------|-------------------|------------------------|-----------------------|--------------|
| | Actual | Budget | April - June 2006 | April - September 2006 | October-December 2006 | Dec-06 |
| Administration | 680,127 | 805,203 | 161,966 | 350,299 | 546,544 | 67.9% |
| Public Ordinary School Education | 8,253,401 | 9,761,527 | 1,876,742 | 4,163,906 | 6,622,878 | 67.8% |
| Independent School Education | 159,801 | 177,102 | 87,994 | 134,419 | 203,323 | 114.8% |
| Specialised School Education | 590,053 | 657,534 | 195,691 | 330,549 | 488,092 | 74.2% |
| Further Education and Training | 327,132 | 486,354 | 124,427 | 224,932 | 366,360 | 75.3% |
| Adult Basic Education | 157,845 | 187,474 | 37,031 | 88,759 | 138,271 | 73.8% |
| Early Childhood Development | 41,507 | 79,000 | 10,709 | 18,445 | 26,452 | 33.5% |
| Auxiliary and Associated Services | 195,818 | 304,765 | 22,384 | 75,326 | 173,150 | 56.8% |
| Special Functions | - | - | 430 | 466 | 870 | 100.0% |
| Total expenditure | 10,405,684 | 12,458,959 | 2,517,374 | 5,387,101 | 8,565,940 | 68.8% |

- Spending is on track across all programmes.
- The low expenditure in Early Childhood development is as a result of growth plans for 2007 academic year.
- The low expenditure in Auxiliary Services is as a result of GautengOnline rollout being planned for the third quarter of the year and the senior examinations which is conducted in the third quarter.
- The expenditure in Public Ordinary schools will increase after the LTSM is procured in the Third Quarter and after all the teacher training iro the NCS preparation is completed.
- Expenditure in Further Education and training will increase after the second tranche of the FET grant is transferred.

2.2 Expenditure by economic classification

| Economic classification | 2005/6 | 2006/7 | Actual Spending | Actual Spending | Actual Spending | % Spent |
|--------------------------------------|-------------------|-------------------|------------------|------------------------|-----------------------|---------------|
| | Actual | Budget | April-June 2006 | April - September 2006 | October-December 2006 | Sep-06 |
| Current payments | 9,165,877 | 10,912,190 | 2,236,294 | 4,613,813 | 7,357,730 | 67.43% |
| Compensation of employees | 8,270,713 | 9,726,166 | 2,121,722 | 4,345,962 | 6,721,139 | 69.10% |
| Goods and services | 894,981 | 1,186,024 | 114,339 | 267,618 | 636,200 | 53.64% |
| other | 183 | - | 233 | 233 | 391 | - |
| Total transfers and subsidies | 719,236 | 822,845 | 226,209 | 605,766 | 793,190 | 96.40% |
| Provinces and municipalities | 28,422 | 10,347 | 6,905 | 7,090 | 7,260 | 70.16% |
| Departmental agencies | 65 | - | 40 | 170 | 157 | - |
| Non-profit institutions | 669,399 | 790,186 | 213,999 | 586,699 | 768,323 | 97.23% |
| Households | 21,350 | 22,312 | 5,265 | 11,807 | 17,450 | 78.21% |
| Payments for capital assets | 520,562 | 723,924 | 54,871 | 167,522 | 415,020 | 57.33% |
| Buildings and other fixed structures | 370,069 | 606,679 | 47,036 | 118,724 | 320,358 | 52.81% |
| Machinery and equipment | 137,168 | 117,245 | 7,835 | 46,646 | 91,928 | 78.41% |
| other | 13,325 | - | - | 2,152 | 2,734 | - |
| Total expenditure | 10,405,684 | 12,458,959 | 2,517,374 | 5,387,101 | 8,565,940 | 68.75% |

- Personnel expenditure is lower than expected due to the implementation of ELRC resolution in the Fourth quarter of the year which will be retrospective to 2005/6 Financial year.
- Transfers are slightly low due to late transfers to schools as a result of Section 21 Functions being reviewed.
- The low capital expenditure is as a result of the shortage of CIDB compliant companies. The department has also not disbursed further funds to the IDT due to the late start of projects in the 2005/06 financial year due shortage of CIDB compliant companies. This has, however, been addressed in the second quarter and third quarter.
- Good and services will increase after the procurement of the LTSM in the Fourth quarter is completed.

2.3 Expenditure by Conditional Grants

| Economic classification | Actual Budget 2005/06 | 2006/07 Budget | Actual Spending - April-June 2006 | Actual Spending April - September 2006 | Actual Spending October-December 2006 | % Spent Dec-06 |
|-------------------------------------|-----------------------|----------------|--------------------------------------|---|--|-------------------|
| Recapitalisation of FET | - | 106,000 | 53,000 | 53,000 | 106,000 | 100% |
| HIV and AIDS | 19 348 | 21,102 | 1,825 | 4,457 | 11,040 | 52% |
| National School Nutrition Programme | 91 580 | 99,921 | 13,191 | 35,889 | 70,413 | 70% |
| Total Conditional Grants | 110, 928 | 227,023 | 68,016 | 93,346 | 187,453 | 83% |

- Expenditure is on track for most conditional grants.
- The low expenditure in HIV/AIDS Grant is a result of procurement problems related to first aid- kits.
- The Recapitalisation Grant expenditure will increase as a result of the second tranche of 50% of the allocation to a college being transferred to colleges in the third quarter. The utilisation of the said funds by colleges was lower level due to slow start-up and has increased rapidly as the projects go into full delivery mode.

2.4 Expenditure Trends

2.4.1 HIV/AIDS

The department has made major efforts in increasing delivery in the HIV and AIDS interventions over the second quarter of 2006/07.

Spending analyses as reflected in the IYM report indicates that expenditure increased from 9% in the first quarter to over 54% in the third quarter. A number of delivery obstacles have been addressed allowing for smoother expenditure over the balance of the year.

Budget allocation, Expenditure trends and Balance per activity: Third Quarter October -December 2006:

| Key phase/Performance Area | Allocation R'000 | % of allocation R'000 | Actual Spending April-June 2006 R'000 | Actual Spending April-Sept 2006 R'000 | Actual Spending April-Sept 2006 R'000 | % Spent April - Dec 2006 |
|----------------------------|------------------|-----------------------|---------------------------------------|---------------------------------------|---------------------------------------|--------------------------|
| Advocacy | 1,550 | 5% | 56 | 89 | 216 | 13.94% |
| Peer Educators | 5,151 | 15% | 563 | 2,435 | 5,715 | 110.95% |
| Care & Support | 2,620 | 15% | 39 | 291 | 1,122 | 42.82% |
| LTSM | 2,410 | 14% | 488 | 700 | 1,385 | 57.45% |
| Monitoring & Evaluation | 1,400 | 15% | 49 | 145 | 291 | 20.79% |
| Management & | 1,781 | 6% | 315 | 251 | 703 | 39.47% |

| | | | | | | |
|-------------------|---------------|-------------|--------------|--------------|---------------|---------------|
| Administration | | | | | | |
| Educator Training | 5,100 | 30% | 315 | 582 | 1,377 | 27.00% |
| Total | 20,012 | 100% | 1,825 | 4,493 | 10,809 | 54.01% |

Achievements to date:

- DVD finalization meeting on profiling
- Meeting with parenting skills service provider
- Meeting with head of procurement in GSSC to review the previous year and plan for the current year
- Tender presentation with GSSC for life skills impact evaluation.
- Meeting with Soul Buddyz and Orange Free State Province.
- Khathorus school based meeting with cluster leader schools
- 9 CIF attended to monitor the budget
- Master trainers meeting in D11
- 337 Master trainers were trained.
- Senior phase meeting discussion.
- days master trainers workshop
- Monitoring of LTSM in D6 warehouse
- Presentation by five new service providers.
- 800 SGB files printed.
- 000 parenting skills document printed.
- 10000 charts printed.
- 761 training materials are being printed.
- Child labour conference for 5 days.
- National treasury workshop for 2 days.
- Outreach programme in moddabee with peer supporters.
- Teddy bear project meeting.
- Gender conference in Birchwood Hotel.
- Girl learner dialogue workshop.
- Radio programmes for life skills week in 4 radio stations: Pretoria, Vaal, Orange Farm and Jozi (Soweto).
- HSRC and commonwealth conference presentations.
- Project two: Health and wellness strategy, a care line has been established and is being piloted in six districts.
- Evaluation tender was finalized.
- Recommendation to DAC of the service providers to supply the Department with the first aid kits was done.
- Three senior administration posts located at the districts level were filled.
- An order for senior phase intergraded module was released.

Problems/Obstacles to proper Financial Management

- The low expenditure in HIV/AIDS Grant is a result of procurement problems related to first aid- kits.
- There is an urgent need for staff development of the District staff responsible of administrating Life skills grant.
- Objectives used in the districts not the same as those in head office resulting in Journals.
- GSSC always takes long time to process the requisitions.
- We have a challenge wherein the GSSC interpret our specifications wrongfully resulting in us getting incompetent service providers.
- District staff (ESS Coordinators) don't attend the CIF meetings resulting in communication breakdown.
- Districts monthly reports are always submitted late or not forwarded at all and if submitted, they are sent without fully signed.
- There is going to an under expenditure of Administration and management due to longer time taken to fill the vacant posts available.

Interventions /Corrective measures

- We have compiled a mini directory to avoid GSSC from contracting impotent service providers.
- An advert will be placed for more service providers.

2.4.2 National School Nutrition Programme

Spending analyses as reflected in the IYM report indicates that expenditure increased from 13% in the first quarter to 70% in the third quarter. Spending is on track with plans.

With the allocated budget, the Department is providing School Nutrition Programme to 1137 schools catering 396 944 learners in the National School Nutrition Programme at identified schools across the province. 100% of the beneficiaries have been reached out during the third quarter.

Budget allocation, Expenditure trends and Balance per activity, Third quarter October– December 2006:

| Key phase / performance area | Allocation R,000 | % of allocation | Actual Spending April –June 2006 | Actual Spending July – September 2006 | Actual Spending October–December 2006 | % Spent April–December 2006 |
|------------------------------|------------------|-----------------|----------------------------------|---------------------------------------|---------------------------------------|-----------------------------|
| School Feeding | 99,921 | 100% | 13,191 | 35,889 | 70,123 | 70% |

Challenges and Concerns experienced during the first quarter:

Schools in the province do not submit applications timeously and this causes delays in the dispensation process. The procurement process is long and protracted resulting in hindrances in sourcing goods and services required. The Basic Accounting System presents some problems particularly that it seldom mirrors the accurate expenditure due to accumulations.

The Department has arranged some corrective accomplishment to these challenges impeding on delivery. District coordinators developed management plans for submission of application by schools to speed up the processes. Additional interns were recruited to alleviate capacity problems.

Interventions to keep spending on Track

In ensuring that the budget will be efficiently spent, the Department has planned to provide infrastructure and food production programmes at schools through competitions and incentives in the next quarter. Promotional materials supporting healthy lifestyles will also be developed.

2.4.3 FET Recapitalisation

The allocation for FET Recapitalisation Grant in the 2006/07 financial year for the Department amounts to R106 million. R56 million was transferred to the eight colleges. During the second quarter of the financial year a total of R18,094 million of the R56 million was spent by the colleges to implement the recapitalisation plans. This represents 52,7% of the amount actually transferred to colleges.

FET Recapitalisation expenditure for the Third Quarter October – December 2006:

| College | Allocation R'000 | % of allocation | Transferred to College | Actual Spending April –June 2006 R'000 | Actual Spending April –Sept 2006 R'000 | Actual Spending April– Dec 2006 | % Spent of transfer to College April– Dec 2006 |
|------------------------------|------------------|-----------------|------------------------|--|--|---------------------------------|--|
| Ekurhuleni East College | 13,000 | 12% | 13,000 | 0 | 284 | 7,151 | 55.0% |
| Western College | 3,000 | 3% | 3,000 | 0 | 1,581 | 2,651 | 88.4% |
| Tshwane South College | 20,000 | 19% | 20,000 | 19 | 10,749 | 15,921 | 79.6% |
| South West College | 12,000 | 11% | 12,000 | 0 | 199 | 3,852 | 32.1% |
| Sedibeng College | 11,000 | 10% | 11,000 | 0 | 172 | 8,050 | 73.2% |
| Central Johannesburg College | 15,000 | 14% | 15,000 | 0 | 458 | 4,242 | 28.3% |
| Ekurhuleni West College | 18,000 | 17% | 18,000 | 3,125 | 3,841 | 8,897 | 49.4% |
| Tshwane North College | 14,000 | 13% | 14,000 | 320 | 809 | 5,057 | 36.1% |
| TOTAL | 106,000 | 100% | 106,000 | 3,464 | 18,094 | 55,822 | 52.7% |

Challenges and Concerns experienced during the Third quarter:

The Following mirrors the challenges experienced by the Department in the Recapitalisation process for the 8 FET Colleges

- The Department experienced problems in speeding up of the procurement processes
- Constant support in especially on finance from GDE
- Marketing of the new programmes when the cost per programme is not known.
- The preparation to train the educators for 2007 implementation.
- Step up the frequency of monitoring per college especially those which are behind in their spending and implementation.
- Re-adjustment of operational plans and budget allocations in order to meet objectives. And submissions of deviations promptly for GDE HOD and DoE approval.
- Meeting skills demands of projects with existing staff and skills levels.
- Developing LTSM to meet demands of new programmes.

Interventions to keep spending on Track

There has been continued support for Colleges requiring assistance in terms of challenges identified especially with the budgets. Thorough analysis of College monthly reports has been carried out to ensure maximum production. The Department has also embarked on follow up visits to verify progress as indicated in the monthly reports. Teams/committees at all colleges have been Strengthened with motivation and training.

Meetings have been held with National Department of Education, Provincial Education Department's and Colleges - on preparation for the Procurement of LTSM as well as Programme costing. All personnel involved in bidding /tender are trained in Supply Chain Management. By now 37 college staff members (from 8 FET Colleges) and 8 Departmental officials have been taken through training by the Gauteng Shares Services Centre 2006. Compliance with legislature and GPG processes was inculcated into the training. GDE had to secure the services of GSSC for college onsite procurement and other financial expertise support. The summary budget template on the monthly report to had to be reworked to reflect the committed funds and paid funds.

2.4.4 CAPEX

The Department has made substantial progress in getting its infrastructure programme back on track. Expenditure has increased its spending from R54,871 million in the first quarter to over R415 million in the third quarter. This represents 57,3% expenditure. Spending is on track and it is expected that we will overspend by the end of the fourth quarter.

NEW CONSTRUCTION

1. New Construction 2007/8

A budget of R306,000,000.00 is required for construction of 21 new schools in 2007/8 financial year, with retention extending into 2008/9 financial year.

Construction during the 2007/8 financial year presupposes that funding of R23,000,000.00 is available for initial planning in the 2006/7 financial year.

2. New Construction 2008/9

Allowing for escalation in costs, a budget of R336,000,000.00 is required for the construction of 20 new schools during the 2008/9 financial year.

Construction during 2008/9 presupposes that funding of R70,000,000.00 is available for all preparatory work during 2007/8.

3. New Construction 2009/10

Allowing for escalation in costs, a budget of R 384,000,000.00 is required for construction of 20 new schools in the 2009/10 financial year.

Construction during 2009/10 presupposes that funding of R58,490,071.00 is available for all preparatory work during 2008/9

4. Planning for New Schools

A minimum of R23,000,000.00 is needed for the initial planning to be done by the Department of Public Transport, Roads and Works during the current financial year.

An adjustment to the payments for the IDT managed projects will have to be considered to release this funding. (See paragraph 13).

According to the available November Cashflow spreadsheet, expenditure to date stands at R48,917,634.00. This cashflow indicates a projected expenditure of R315,983,785.00 for the remainder of the financial year. This includes an expenditure of R 30,882,285.00 on 5 sites where work has not yet started because of withdrawal of original contractors.

5. Land Acquisition

The delays in the management of land acquisition have resulted in an increase in costs in this current year. In the past two days, submissions for the immediate purchase of land to avoid eviction of building contractors has amounted to R2,500,000.00.

I am awaiting a detailed schedule of all other costs anticipated for the remainder of this financial year, including rentals to local authorities.

To avoid escalating land costs, the completion of the audit of the vacant land is now critical, as it is essential that processes of purchasing land for the planned schools for the period 2007 – 2014 are implemented without further delay.

6. Cosmo 2 (3 schools)

The three schools, 2 primary and 1 secondary have been sited to also serve Zandfontein and Diepsloot residents where accommodation of learners is through overcrowding classrooms.

The successful provision of three schools within a construction period of 9 months by the developers, has made a positive contribution to alleviating chronic classroom shortages in the Northern Johannesburg area.

The site works will be completed prior to the closure of work on 15 December 2006, and therefore the total expenditure for the three new schools by the end of this financial year is realistically R12,000,000.00.

Construction 2006 and prior

7. Incomplete DoE repairs and renovations and rehabilitation.

Forty five (45) of the initial fifty five (55) projects have been active this year despite non inclusion on 2006 Budget Statement 3. Provision has to be made for payments which have already been processed this year and for the projected costs until the projects have been completed. Delays in completing projects is resulting in often 100% escalation in cost when compared with the initial contract price.

It is our best financial interest to ensure that all the projects are completed no later than the end of the 2007/8 financial year.

8. Incomplete Full Schools

Currently there are forty one (41) projects within this category. It is anticipated that before the end of the 2006/7 financial year, final accounts for 17 projects should be complete. The anticipated expenditure for these final accounts is

R17, 962, 190.00. To complete construction of the remaining schools a projected amount of R32 495 836.00 will be required. This is likely to escalate as certain contracts have been cancelled due to non performance, and the new costs for completion will be higher due to increase in material and labour costs.

Funding for nineteen (19) projects was not reflected in Budget Statement 3 of 2006.

A projected amount of R49, 978,296.00 has been projected to complete these projects in 2007/8. A specific management plan has been devised to ensure effective monitoring takes place with a view to speedy resolution of any problems on the various sites.

9. Incomplete Additions

Of the current forty one (41) projects in this category, twenty one projects were not included in Budget Statement 3 of 2006. Twenty nine (29) of the projects have been active during this financial year. The projected cost for the active projects for the 2006/7 financial year is R 47 110 642.00.

To complete the projects a further R52,608,069.00 is needed as projected .

To remain within the budget constraints for 2007/8, the projection have been reduced to R43,771, 009.00 on the assumption that R8,837,060.00 would be retained until the following financial year if the existing expenditure pattern prevails.

10. Cosmo Schools

The three schools have been completed and will be occupied as from 1 January 2007. An amount to service the final account in April 2007 is required.

11. Alternative Schools

The Schools will be complete, and expenditure finalised by the end of the financial year.

12. 16 Schools TK (16 Turn-key schools)

The delays in the planning for this project are of concern. A separate report will be provided. The escalation of costs due to a standing period for certain contractors will result in an significant increase on the tender price. The contractors are earnestly committed to ensuring that these schools are ready for occupation on 1 January 2008.

13. IDT Schools

According to the available November Cashflow spreadsheet, expenditure to date stands at R48,917,634.00. This cashflow indicates a projected expenditure of R315,983,785.00 for the remainder of the financial year. This includes an expenditure of R 30,882,285.00 on 5 sites where work has not yet started because of withdrawal of original contractors.

The CFO is managing the expenditure reports with the project manager.

14. 8 GDE IDT Schools

Work is currently only taking place on 3 of the 8 sites.

15. Unplanned Maintenance

The backlog of unplanned maintenance particularly in respect of fencing and roofing is being addressed. The programme is progressing extremely well with authorization of payments for completed work totaling as much as R 3,000,000.00 on certain days this week.

The safety of schools is thus being enhanced, and assets are being maintained,

Provision for the R85,000,000.00 will be spent before the end of the financial year will have to be made through the necessary virement.

16. Planned Maintenance

No provision made for the 2006/7 year. The new schools completed by GDE must be placed in a preventative maintenance programme as from April 2007/8, hence the provision in the budget.

As orders have not been placed as of today, it is unlikely that R12 million will be paid by the end of the financial year. It is likely that we will only be able to procure 30 classrooms during the first term, and hence the suggested reduction of the allocation for this purpose.

On the balancing of the budget, it is suggested that the internal consultants be paid against the personnel budget, and payments for geotech and other engineering reports be financed with the CAPEX budget.

3. Assessment of Monitoring Capacity

3.1 National School Nutrition Programme

Coordinating Committee is responsible for monitoring and evaluating the impact of HIV/AIDS programme in the province.

All resource allocation efforts are monitored, evaluated and reported monthly and quarterly through the financial reports as well as the quarterly progress reports with an aim of improving implementation and efficiency.

3.3 FET Recapitalisation

The focus of the Department in relation to FET Recapitalisation is to promote, facilitate and support institutions such that there is implementation and improvement to the overall recapitalization process, and therefore institutional effectiveness.

In developing and supporting institutions, the Institutional Development and Support Officials (IDSOs) will focus on two broad areas, namely, functionality which is about factors that are controllable and internal to the institutions and other variances that are uncontrollable, being external to the institutions and have an impact on their effective running.

Two broad areas alluded to above are briefly expounded upon below:

3.3.1 FUNCTIONALITY

The following aspects are key locale for measuring Institutions Recapitalisation effectiveness:

- Implementation of the approved strategic plan
- Roll out of the operational plans
- Human Resource Management and Development
- Alignment of FETIs to niche programs and economic imperatives
- Learner Performance & Learner Achievement
- Programmes responding to job opportunities and self employment
- Financial Management (Monthly financial projections and expenditure reports)
- Reports (monthly from the college to the Department, and quarterly to the National DoE)
- Infrastructure development and improvement

The 8 FET colleges were notified about the monitoring visits by the Department in July 2006. The monitoring took place in July and August 2006. Two teams from the Department executed monitoring and support. The Department has also identified and provided support on new challenges as they arise.

Distinguished roles and activities of the Departmental monitoring teams:

1. The Planning, Monitoring and Evaluation (PME)
 - monitored the progress and effect of the Recapitalisation operations
 - monitored the preparations of the colleges in relation to programme delivery
 - (State of readiness)
2. The Support Systems (SS)
 - Reinforced the existence and effective working of the College Recapitalisation committees.
 - Promoted the commitment and review of the goals and objectives of the Recapitalisation Process.

The PME team applied a tool to conduct their monitoring and met with the members of the Recapitalisation committee in finalizing monitoring for the quarter. The SS team met with the Recapitalisation Committee members in each of the 8 Colleges and used the selected agenda items for information and review.

The purpose of a monitoring tool is to assist in getting comparable measurements between different institutions. It also provides information on learner and institutional performance and provides benchmarks against which we can measure progress.

3.4 CAPEX

The Department has a Chief Directorate for facilities and has a dedicated monitoring and evaluation Unit as well as a Compliance sub directorate. Provincially all CAPEX programmes are also monitored by the provincial Public Works department. Although each of the projects within the department are specified, The task teams enables the monitoring of projects to be efficient and contributes to the broadening of accountability as well as ensuring effective implementation co-ordination.

The Department has always reviews Capital Expenditure Procurement. The intended impact of the monitoring and evaluation processes is to leverage CAPEX to optimise the impact on service delivery.

4. Information in regards to service level agreements

The department has successfully concluded the service level agreements with the Independent Development Trust to deliver schools within a nine month period for 2006/07.

The department has concluded a memorandum of understanding with the provincial Department of Public works on the migration of the education department's Works Section to the Department of Public Works during 2006/07 as a result of provincial executive council decisions. A service level agreement is being discussed and should be concluded by July 2006 for implementation in 2007/08.

5. Conclusion

The department is confident that with the changes in approach to delivery in the areas of the conditional grants and Capital expenditure we will deliver in much more effective way wit improved efficiencies and turnaround time. Management Systems are in place to make certain that implementation is carried at the highest intensity in relation to the conditional grants.