

Your thought leader in
cooperative school governance



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THE IMPACT OF THE COVID-19 CRISIS ON SCHOOL FINANCES?

No one could have anticipated the COVID-19 crisis when budgeting for 2020 was done last year. In terms of the approved income and expenditure budget, school-paid staff were appointed, current staff were assured that their open-ended contracts would continue—some even with salary increases—new projects were initiated, service contracts entered into with providers of various school needs, and allocations made for running expenses.

We have always said that schools are a microcosm of broader society. This is certainly true in these times. Along with many businesses and employers, schools are facing a situation where the lockdown regulations have closed down the “business” temporarily. Many people have found themselves unemployed or have had their hours reduced/income cut and will not be able to pay school fees during the closure of the business. For these reasons school income over the next few months may not meet the budgeted targets. For many schools which operate without reserves, cashflow problems could arise. There may not be money to pay April salaries or meet other costs because fees for the month have not been paid and scheduled fundraisers have been cancelled.

Schools are different in some respects from other businesses whose futures are unpredictable, in that the “business” of schooling will get going again and consequently the educators and support staff will be needed as well as all the services in support of the school programme.

There is much uncertainty in the current situation, but what is certain is that all schools will have to address the issue of reduced income. It will not be business as usual.

WHAT CAN SCHOOLS DO?

Even though schools are closed, the “business” is running, so school governance and management must continue.

- ◆ The SGB/Finance Committee needs to meet remotely to examine the current financial position, assuming that March payments have been made, and calculate the cost per month of meeting essential obligations, for example, employment contracts, security service contracts, and ICT providers.
- ◆ Where schools have reserves or can access trust Funds/Foundations and the like to cover the costs for a few months (say three months), they should honour all existing essential contracts as many households and businesses need to keep going to keep the economy working and to enable those who have incomes to support the many who will not have.

Part of this exercise would include:

- ◆ estimating savings that will automatically be made because of the school closure—electricity, school activities.
- ◆ looking at aspects of the school programme that can be curtailed for the rest of the

year such as reducing extra-curricular activities and cutting out all the “nice to haves”, and deferring the purchase of non-essential LTSM. Section 38A payments, where relevant, can be suspended because the duties for which these are paid will not be fulfilled and because this is a contribution the State-employees can make to the school as their remuneration is not threatened by the COVID-19 crisis.

The next step would be to examine the budgeted income sources and consider other income sources by:

- ♦ estimating the anticipated shortfall (worst case scenario) in school fee payments for the next six months,
- ♦ evaluating the potential income from fundraising activities still to be held if at all possible—remembering with less disposable income, families will not be able to support fundraisers to the extent they might have in the past.
- ♦ considering other sources of funding such as donations from the few businesses/funders who may have something to spare if the school can motivate its case
- ♦ requesting the MEC to approve a loan to the school from the bank. (However, this is unlikely to be given to schools without some form of security acceptable to the bank unless some negotiating with banks is done on a national level on behalf of schools in financial difficulty.)

Where these calculations conclude that the school can continue meeting its obligations, although the situation will be tight, all will be well. A caution here—well-off schools should take care not to display their wealth conspicuously while their neighbouring schools are struggling.

Plans, however, will have to be made to deal with the situation if, after having done all the above, schools have concluded that they cannot meet their monthly costs (now or later) because they rely on monthly payments of fees, sometimes paid in cash at the school which is now closed, and/or because they know their parent community will not be in a financial position to pay fees because of lost income/jobs,

What can schools do where school find themselves unable to meet their monthly costs ?

- ♦ Inform school-paid staff of the school’s financial situation and its inability to pay staff at the end of April (or whenever). Inform staff of cuts and savings that will be made. Absolute honesty is needed here. Money cannot be reserved for section 38A payments or specially favoured projects or activities—the school must be operating under extraordinary constraints.
- ♦ Consult with all the school-paid staff about accepting reduced salaries, the percentage to be determined according to the school’s financial ability which would be better than being retrenched. They could be asked to accept the reduction based on an undertaking by the school to make up some or all the shortfall in payments once the school is on a sound financial footing.
- ♦ Inform these staff members of the school’s efforts to register for the special COVID-19 Temporary Employer-Employee Relief Scheme (COVID-19 TERS). See the links below. Claiming under this scheme will only be possible if the school has been compliant and registered with the UIF and has paid over the monthly fees. The school’s UIF number will be needed. Completing this process won’t be quick.

I will be attending a webinar on this topic but unfortunately it only takes place on 6 April. This webinar will provide some of the answers to questions schools are asking. As soon as I have more information I will send out an *Undercurrents* on the topic.

[http://www.labour.gov.za/uif-to-process-covid-19-TERS-benefit-to-assist-employers-and-workers-during-coronavirus-\(covid-19\)-lockdown](http://www.labour.gov.za/uif-to-process-covid-19-TERS-benefit-to-assist-employers-and-workers-during-coronavirus-(covid-19)-lockdown)

<https://www.dailymaverick.co.za/article/2020-04-01-uif-has-r30bn-available-for-covid-19-income-support-to-laid-off-workers/>

COMMUNICATION, COMMUNICATION, COMMUNICATION

As a nation we have valued the clear communication from the President and some of the Ministers and criticised the style of some of the others. We have recognised that the tone of how the officials speak to the nation determines the response.

Being alert to the above, Schools/SGBs must communicate with the parents.

What kind of things should be said?

- ♦ First of all, it must be acknowledged that we are all living in uncertain times and that we do not know when school will resume, nor can we make any predictions. We must avoid being alarmist and spreading rumours. The school will only respond to official announcements from the President or the Minister of Basic Education.
- ♦ Secondly, the school must offer parents reassurance that their children will be fine and that the school will do everything to catch up the education programme.
- ♦ Thank them for their efforts in helping their children to complete any work that the school provided or to access online resources (whatever you have managed to arrange for them).

- ◆ Emphasise that you do not expect parents to be responsible for teaching the curriculum and that no child will be disadvantaged if he/she did not manage to do all the work that was given.
- ◆ The matter of school fees will need to be addressed gently. Getting parents to pay fees is a public relations exercise.
 - ⇒ Encourage them to do their best to pay. Explain why they need to pay fees despite schools being closed—staff need to be paid, contractual obligations with service providers must be met, etc. They will, in due course, receive the services for which fees have to be paid.
 - ⇒ Provide a way for parents who normally pay cash to do so in another way without flouting the lockdown regulations.
 - ⇒ Acknowledge that some parents will not be able to pay fees at this stage. Reassure them that their children will not be discriminated against on the grounds of non-payment of fees. While schools do not want to increase the number of exemptions, it is morally and legally correct to inform parents of their right to apply for exemptions. Explain what they must do to apply. They could also apply for a temporary deferment of payment of the whole or part of the fees.
- ◆ Inform parents of ways that the school will cut the expenditure budget if the fees do not come in, even the worst case scenario of having to retrench staff could be mentioned, if relevant.
- ◆ Include any other specific school news—for example, progress updates on projects, and good news about anyone/anything.

Don't forget to communicate with staff

The unique circumstances of each school will determine the details of the communication. Some of what is said to the parents is also relevant to the staff. Staff also need reassurance.

WHAT CAN THE GBF DO TO HELP?

At a national level we will engage with the Minister of Basic Education and the Director-General on some of these matters by:

- ◆ bringing to the attention of the DBE the difficulties faced by schools as employers in respect of using the COVID-19 UIF provisions for employers and their employees. Could the Minister engage with her counterpart in the Department of Employment and Labour to assist in this matter?
- ◆ bringing to their attention the impact of the COVID-19 crisis on fee-paying schools (particularly the poorer quintile 4 and 5 schools).
- ◆ pointing out the need to keep schools functioning and teachers employed because their services will be needed when schooling recommences. Retrenchment of school staff is not desirable.
- ◆ asking the DBE to consider engaging at provincial and local level for an arrangement to suspend the billing of schools for services such as electricity and water or some sort of payment reprieve/deferment.
- ◆ requesting the DBE to investigate an arrangement with banks to grant loans to schools and to consult with Education MECs and Heads of Department on the matter of approving school applications for loans expeditiously.
- ◆ Asking them questions that you ask us and for which we have no answers! Please send these to ceo@gbf.org.za and we will see what we can do.

All GBF staff are back at work and can assist you remotely.

In the meantime, while we are under lockdown, please keep safe and healthy. We extend our grateful thanks to all families who may have members working in the essential services that are keeping us going and doing their very best to see us through this health crisis.

ADVANCE NOTICE

The GBF will not be able to conduct the usual face-to-face seminars in the second term so we are busy preparing online SGB capacity-building programmes which we hope to launch within the next few weeks. We will keep you informed.

The plan is to focus on school finance matters.

This newsletter is a general information sheet and should not be used or relied on as legal or other professional advice. No liability can be accepted for any errors or omissions nor for any loss or damage arising from reliance upon any information herein. Specific and detailed professional advice may be required for your unique matter. Errors and omissions excepted.