



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

- TO : THE ACCOUNTING OFFICER OF THE DEPARTMENT OF BASIC EDUCATION**
- : ALL ACCOUNTING OFFICERS OF ALL PROVINCIAL DEPARTMENTS RESPONSIBLE FOR EDUCATION**
- : ALL HEAD OFFICIALS OF PROVINCIAL TREASURIES**

**NATIONAL TREASURY INSTRUCTION 02 OF 2015/2016**

**COST CONTROL MEASURES FOR THE CONSTRUCTION OF NEW PRIMARY AND SECONDARY SCHOOLS AND THE PROVISION OF ADDITIONAL BUILDINGS AT EXISTING SCHOOLS**

**1. PURPOSE**

The purpose of this *Treasury Instruction* is to prescribe the manner in which the costs associated with the delivery of new schools and the provision of additional buildings at existing schools will be controlled in terms of the Public Finance Management Act of 1999 (Act No1 of 1999), (PFMA).

**2. BACKGROUND**

- 2.1 Section 6(1)(g) of the PFMA states that, the National Treasury must promote and enforce transparency and effective management in respect of revenue, expenditure, assets and liabilities of departments, public entities and constitutional institutions.
- 2.2 The National Policy for an Equitable Provision of an Enabling School Physical Teaching and Learning Environment was published in Government Gazette No. 33283 dated 11 June 2010 to provide guidance on the provision of suitable enabling environments for all learners in South Africa. The Department of Basic Education published a menu of prototype designs of small, medium and large primary and secondary schools, with and without waterborne sanitation, to meet the required typology of schools, a cost model to enable costs to be estimated and a design manual to assist all role-players involved in the planning, budgeting, design, procurement and implementation of school infrastructure.
- 2.3 The Minister of Basic Education published Minimum Uniform Norms and Standards for Public School Infrastructure in terms of the South African Schools Act, 1996, (Act No. 84 of 1996) in Government Gazette No. 37081 dated 29 November 2013. These norms established requirements for universal access, the location and identification of schools, categories of school areas and their sizes, class rooms, electricity, water, sanitation, libraries, laboratories for science, technology and life sciences, sports and recreational facilities, electronic connectivity, perimeter security, school safety and design considerations for all educational facilities.

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- 2.4 The cost of school projects has been excessively high and highly variable despite the standard prototype designs and comprehensive minimum norms and standards being in place. Value for money was not being realised on these projects.
- 2.5 In order to curb excessive expenditure on these projects, the National Treasury has developed a cost model in consultation with the Department of Basic Education as enclosed in **Annexure A** to this *Treasury Instruction*. This model draws upon the work done during 2011 in the development of the cost model by the Department of Basic Education to establish a control budget (i.e. a reasonable and realistic benchmark) for the costs of implementing agency services, professional fees and construction costs associated with a range of school facilities across South Africa.
- 2.6 This cost model takes into account a number of regional differences and makes provision for price adjustments for inflation. Control budgets for schools, other than micro schools (schools with less than 135 learners) can be calculated in the template as enclosed in **Annexure B** which can be downloaded from National Treasury's website on this link:  
<http://www.treasury.gov.za/legislation/pfma/TreasuryInstruction/default.aspx>

### **3. COST CONTROL MEASURES**

- 3.1 Accounting officers of departments that are responsible for the planning, design and procurement of a new school or additional school buildings at existing schools must:
- (a) comply with the provisions of the Minimum Uniform Norms and Standards for Public School Infrastructure published in terms of the South African Schools Act, 1996, (Act No. 84 of 1996) in Government Gazette No. 37081 dated 29 November 2013; and
  - (b) provide a suitable enabling environment for learners within the control budget generated by the National Treasury cost model.
- 3.2 The organ of state or the school governing body established in terms of section 21(a) of the South African Schools Act, 1996 (Act No. 84 of 1996) that is responsible for procuring and delivering of new schools or additional buildings within existing schools must:
- (a) proactively manage the progressive development of a project against the control budget generated by the National Treasury cost model by means of the package planning, detailed design and site processes and take the necessary action to keep the project costs within such budget;
  - (b) use the cost model as a benchmark prior to going to the market;
  - (c) must reserve the right to reject bids or negotiate with bidders where the costs are excessive and beyond the estimated control budget;
  - (d) continuously monitor the project expenditure against the control budget during project execution; and
  - (e) within 4 months after the project was brought to completion (i.e. reaching a state of readiness for the occupation of the whole of the works although some minor work may be outstanding):
    - i) calculate the final cost for the project (total cost of new school or total cost of additional buildings provided for an existing school within the scope of the cost model) using the latest version of the National Treasury cost model for schools and apply the price adjustment for inflation indices during the month that completion was achieved;

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- ii) obtain the cost of the works, professional fees and implementing agent services, if any, including VAT, covered by the control budget, certified by a professional quantity surveyor registered in terms of the Quantity Surveying Professions Act, 2000 (Act No. 49 of 2000);
- iii) compare the certified cost against the control budget; and
- iv) where the final cost exceeds the control budget, submit a report prepared by a professional quantity surveyor registered in terms of the Quantity Surveying Professions Act, 2000 (Act No. 49 of 2000) in the prescribed format enclosed in **Annexure C** to this *Treasury Instruction* to the National Treasury's Office of the Chief Procurement Officer or relevant Provincial Treasury. This report must substantiate and motivate the reasons for exceeding the control budget and accounts for such overrun.

3.3 Such reports will provide the National Treasury with the opportunity to interrogate cost overruns on individual projects, track trends, effect any necessary changes to the cost model and, where appropriate, take corrective action to ensure that future projects delivered by an implementer provide value for money.

#### **4. APPLICABILITY**

This *Treasury Instruction* applies to the National Department of Basic Education and all Provincial Departments of Education.

#### **5. EFFECTIVE DATE**

This *Treasury Instruction* takes effect from 1 June 2015.

#### **6. DISSEMINATION OF INFORMATION CONTAINED IN THIS TREASURY INSTRUCTION**

6.1 Head officials of provincial treasuries are requested to bring the contents of this *Treasury Instruction* to the attention of all accounting officers of the education departments in their respective provinces.

#### **7. AUTHORITY FOR THIS TREASURY INSTRUCTION**

This *Treasury Instruction* is issued in terms of section 76(2)(j) of the PFMA.

#### **8. CONTACT INFORMATION**

Enquiries related to this *Treasury Instruction* may be directed to:

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