



Westminster School

Response from Westminster School to the Productivity Commission's Draft Report *Future Foundations for Giving*, released 30 November 2023.

PRODUCTIVITY COMMISSION'S RECOMMENDATION

Withdrawal of Deductible Gift Recipient (DGR) status for building funds in primary and secondary schools.

WESTMINSTER SCHOOL RESPONSE

We are writing to request that the Productivity Commission reconsider its recommendation of the withdrawal of Deductible Gift Recipient Status for school building funds.

ABOUT WESTMINSTER

Westminster School is located in Marion, a south-western suburb in Adelaide, South Australia. The School is coeducational from Early Learning to Year 12 with an enrolment of 1450 students. It employs approximately 300 teachers and other staff. Westminster contributes to the social and economic life of the community in which it is situated. There are currently 167 boarding students residing at the School from families located around Australia and overseas. Westminster has a second campus for Outdoor Education and an adjacent farm to support its Agriculture program, both at Point Sturt in South Australia. The School is proud of its vibrant community that includes thousands of former students and their families, across Australia and the world.

BACKGROUND TO THE REPORT

The Productivity Commission's draft report into Philanthropy – *Future Foundations for Giving* – has provided a range of recommendations in relation to philanthropic giving in Australia. Westminster welcomes the opportunity to provide feedback.

This submission will focus on the Productivity Commission's recommendation to remove DGR status for school building funds on the basis that there is "the potential for a donor to be able to convert a tax-deductible donation into a private benefit."

Westminster School is extremely concerned that the Productivity Commission in its interim report has recommended the removal of DGR status for school building funds. Westminster believes this action would have a profoundly negative impact on its community and thousands of others around Australia and urges the Productivity Commission to reconsider its recommendation.

Kaurna Country
Alison Avenue
Marion 5043
South Australia

T / + 61 8 8276 0276
ws@westminster.sa.edu.au
www.westminster.school

Westminster School Inc.
ABN 99 153 945 403
CRICOS No. 00602G

Early Learning to Year 12
Coeducational Day
and Boarding
Round Square
Member School
Duke of Edinburgh's
International Award
Uniting Church in Australia

We acknowledge the Kaurna people as the traditional custodians of the land that encompasses Westminster School. We pay respect to the Elders past, present and emerging, and recognise that their cultural and heritage beliefs are important to them and us today.

SCHOOLS AS NOT-FOR-PROFIT ENTITIES

Like the majority of non-government schools in Australia, Westminster is a not-for-profit entity, registered with the Australian Charities and Not-for-Profits Commission (ACNC) with the charitable purpose of advancing education for the betterment of society. This recognition of the importance and public benefit of the work of schools in educating Australia's young people underpins the DGR status of the school building funds around Australia.

THE IMPORTANCE OF BUILDING FUNDS FOR SCHOOLS

According to the Association of Independent Schools of South Australia (AISSA), independent school families, alumni and communities nationally contribute 86 per cent of school capital income. Two-thirds of independent schools receive little to no government funding for capital expenditure. In many schools, 100 per cent of capital funding is sourced from parents and school communities.

In 2021, the value of this contribution from Australian independent school families, alumni and communities was approximately \$1.14 billion for school building and capital works. These same families contribute around \$5.7 billion annually to the ongoing costs of educating their children, with their after-tax dollars.

WESTMINSTER SCHOOL'S POSITION

Gifts from the Westminster School community are received and recorded through the Westminster School Foundation (WSF), which was established in 1987. The WSF is incorporated and operates at arm's length to Westminster School. The WSF is governed by its own Board and responsible for its own decisions.

At Westminster, approximately \$50m has been invested over the last five years into building new and upgrading existing buildings. Less than 2% of this figure came from government funding. This investment in Westminster's campus and facilities comprised School funding, including borrowings, and accumulated gifts made over the past 12 years to the WSF by its community (alumni, past parents, current parents, staff), as well as the growth in investments made by the WSF.

There are strict protocols in place to ensure the integrity of gifts made to the WSF's Building Fund are upheld within the DGR guidelines. To qualify for DGR, it is well understood that gifts are made without any expectation of a tangible benefit to the donor. The WSF liaises with School governance to ensure that any recognition of gifts is handled appropriately within what is permitted under the applicable DGR guidelines. This approach has been upheld since the WSF's inception.

Any building work at Westminster School is for the use of current and future students. As the facilities at Westminster are of high quality and functionality, access to the School's facilities is regularly sought by the broader community for use outside the conventional

school day. These enquiries/bookings generally focus on the sports and swimming centre, ovals, sports pavilion, dining hall, performing arts theatre, boarding houses and any ancillary facilities.

PRIVATE BENEFIT

The Productivity Commission has argued in its report that in the case of school building funds, there is “the potential for a donor to be able to convert a tax-deductible donation into a private benefit is especially apparent for primary and secondary education, particularly where students are charged fees.”

However, the Productivity Commission has shown no real evidence to support its argument that there is a material risk of tax-deductible donations to school building funds being converted into a private benefit.

School Building Funds support capital works programs and develop assets with a life that extends far beyond the 13 years a child spends at school. Further, it is not only the families of current students who contribute to school building funds, but alumni, community groups, and others through a range of fundraising activities. It is extremely unlikely that a member of the community, or a school alumnus, who may have left the school many years ago, could benefit directly from these donations. It is well understood by the current Westminster community that gifts are often referred to as paying forward to the next generation of students, as was the case by the generation before the current parent cohort.

While the draft report raised the possibility of there being a link between donations and fees charged for education services, this is not the case in independent schools. At Westminster, as in other independent schools, capital works are funded separately to the recurrent operating costs that are recouped through fees. As such, deductible donations to the WSF’s Building Fund do not materially reduce the fees payable by parents. The processes are kept quite separate and subject to regular third-party auditing.

IMPACT OF THE REMOVAL OF DGR STATUS FOR SCHOOL BUILDING FUNDS

Removing DGR status for non-government school building funds will shift more financial burden onto families, who already make significant sacrifices to support their children’s education and are doing their best to manage the ever-increasing cost of living pressures.

For Westminster, the removal of DGR status for school building funds will directly impact the capacity of the School to provide the best possible learning environment for its students. With about 95 per cent donors giving to the WSF qualifying for DGR status, the withdrawal of this status will significantly impact on Westminster School being able to offer quality facilities that are built with the flexibility to evolve with the ever-changing future of education. Furthermore, Westminster’s situation is exacerbated by its location. The School is in South Australia where there is no Block Grant funding available to

independent schools, unlike other states. Should the recommendation not be rescinded, it will directly influence the ability of Westminster to plan future building projects for School and community use. An example is the major redevelopment of the Westminster Preparatory School (Reception to Year 6), currently planned for construction to commence in 2026.

FURTHER CONSULTATION

Beyond this submission, Westminster School offers to be a resource should any further consultation by the Productivity Commission be required with a school that offers all levels of preschool, primary and secondary education.

CONCLUSION

Westminster School thanks the Productivity Commission for the work being done in this space and opportunity to provide feedback.

To confirm the School's position, Westminster strongly opposes the Productivity Commission's recommendation to withdraw DGR status from school building funds and is concerned about the very detrimental impact it could have on the provision of quality facilities that unintentionally leads to a decline in educational standards, nationally.

On behalf of Westminster's students, families and the wider community, the School asks that the Productivity Commission rescind the recommendation made.

Thank you for your consideration of this submission.

Simon Shepherd
Principal

Craig Need
Chair of School Council