



# Submission to the Australian Government Productivity Commission

## Future Foundations for Giving

February 2024

### BACKGROUND

Inaburra School is an Independent School in the south of Sydney, catering for students from Kindergarten to Year 12. The School was established in 1982 as a project of Menai Baptist Church (MBC). From humble beginnings and resulting from the significant effort of MBC volunteers to support its operation across the years, the School now has 1220 students from Kindergarten to Year 12.

I should note that Inaburra does not have a large building fund, but it is registered as a Deductible Gift Recipient (DGR). We have not heavily promoted giving to the fund, though as a result to current changes to Government funding, we will increase this in the future.

### DRAFT REVIEW

The review of the current effectiveness of measures to support philanthropy is a worthwhile exercise and has certainly identified areas where improvements can be made.

Any changes which will support the operation of small charitable organisations to meet their strategic goals and yet simplify their administration, are worthwhile. In doing so it provides the added benefit of reducing any demand for small charities to apply for grants, further minimising the Government's burden of supporting charitable endeavours.

It is important to acknowledge that philanthropic giving is the right of individuals – and therefore, while governments may have specific goals of their own, they should not impose how or where individuals, or corporations, can choose to support community needs. And any way that governments can support the development of a philanthropic culture across the community should be maintained and strengthened. This includes maintaining incentives for giving. If the goal of government is to encourage more giving across the board, incentives should not be reduced in any area.

Changes to reduce the complexity of the DGR process are long overdue and would make a significant difference to the sector. Charities who can build their own regular giving programs through the application of the DGR scheme will have more autonomy and security. We also need to consider that Government interests change with election and funding cycles. It is true that the DGR process does not allow governments to focus on priority areas. But priority areas can change, and this potential change of focus is unhelpful for charities (especially smaller ones) who need more surety

around their operations, rather than seeing funding options fluctuate with whatever is the current political flavour at the time.

As community givers will often commit to a cause that aligns with their own values, they can provide loyal and long-term assistance, where Governments cannot be relied on to do likewise. Improving the access of smaller charities to the DGR process will increase their capacity to impact the community.

## WHAT IS A VALID CHARITY?

The *Charities Act 2013 (Cth)* sets out the legal meaning of charity. The Charities Act details valid charitable purposes, some of which are:

- advancing health
- advancing education
- advancing social or public welfare
- advancing religion
- advancing culture
- promoting reconciliation, mutual respect and tolerance between groups of individuals that are in Australia
- promoting or protecting human rights

The 12 categories in the *Charities Act 2013* build on the longstanding delineation of charitable intent which is established by common law largely based on the Preamble to the Statute of Charitable Uses (known as the Statute of Elizabeth), enacted by the English Parliament in 1601, as well as via *Commissioners for Special Purposes of Income Tax v Pemsel [1891-1894]*, as:

- the relief of poverty;
- the advancement of education;
- the advancement of religion; and
- other purposes beneficial to the community not falling under any of the preceding heads.

I note that the document does not dispute the definitions of what constitutes a charity. The analysis in the Commonwealth Government Treasury consultation paper *A Definition of Charity 2011* notes issues around the “public benefit” issue for matters of education, religion or relief of poverty, however there should be difference in how we consider matters that are of benefit for the public (that is, society as a whole) compared to the benefit of **all** the public.

## EDUCATION AS A CHARITY

It would seem to be a reasonable view that **all** education is for the benefit of the whole society. Every institution cannot educate every person – even the Department of Education cannot provide for every possible student. If they tried to, the additional cost to the Government would be substantial.

So, taking this into account, I assert that the advancement of education is a charitable purpose and is for the good and benefit of both the individual and society **as a whole**. This is regardless of what kind of education individuals are enrolled in.

The review notes that “Philanthropy contributes to a better society”, which is indeed true. As does Education. The review seems to be saying that some education is good for society, but other education is not? Is public education for the good of society but independent education is not?

Maintaining and supporting choice and allowing for diversity is also good for society as a whole. Independent education is an important part of supporting choice and diversity.

### SCHOOL FUNDING IN GENERAL

On page 15 the point is made that school building funds are used by both public and independent schools. It also asserts that funds were given DGR status in 1954 when “government support for non-government schools was very limited”, and that funding is now much more than it was then.

This leads to a conclusion that DGR status should be taken from independent school buildings funds but allowed for public school building funds.

The review must consider that public schools already attract more government funding than independent schools – both recurrent and capital funding. This is well documented (refer [DISPELLING MYTHS – Independent Schools Australia \(isa.edu.au\)](http://isa.edu.au)).

TOTAL GOVERNMENT RECURRENT FUNDING PER STUDENT COMPARISON		FY 2020–21
PER STUDENT AVERAGE		\$20,940
PER STUDENT AVERAGE	\$12,260	
LOW CTC		\$19,350
HIGH CTC	\$4,570	

GOVERNMENT SCHOOLS    INDEPENDENT SCHOOLS

The view that independent schools are highly funded by the government is incorrect. As this data demonstrates, even the most highly funded independent schools (low CTC rates) receive less per student funding than public schools. Low CTC schools are often special circumstances schools in need of every dollar. The average independent school student receives 58% of the funding that the same student would receive in a public school. It cannot be substantiated that independent schools are more highly funded than public schools.

Reducing the methods for independent schools to generate funds will result in increased school fees. This will then flow into more enrolments turning to the public system.

It is critical to accept that the existence of independent schools saves the government millions of dollars every year and the loss of DGR status for independent school building funds will have negative flow on effects for the sector.

### CAPITAL FUNDING

In addition to recurrent funding, capital grants are minimal for the sector and few school qualify for them.

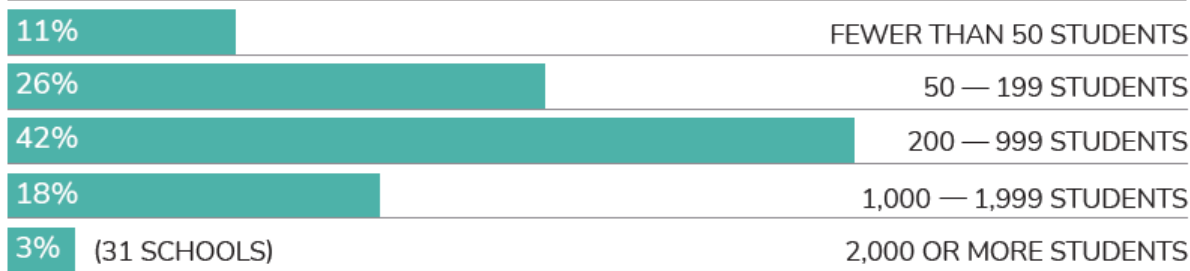
With the scrapping of the interest subsidy some years ago (which was helpful in assisting schools to defray the cost of interest on self-funded capital works), many schools rely on the DGR status of their building fund to enable them to keep their facilities up to date.

It means that schools are able to do this without the need for government capital grants.

It is acknowledged that some older, larger schools have substantial building funds, and are in a position to fund extensive projects. These are the ones that end up in the media and set a tone for what the sector as a whole does. However, these few are not a fair representation of the sector as a whole.

In 2021 there were 1209 independent schools in Australia. The school size % is represented below:

**SIZE OF INDEPENDENT SCHOOLS**



The schools that feed the media are generally from the top two categories – so around 20% of the total sector. It is important that the review consider that over 950 schools are in the remaining number. These are the school who will be utilising the DGR status of building funds. Their success in raising funds, to accommodate students outside of the public sector, thereby saves the government from meeting the cost of educating these students in the public system and at more cost to the government.

Any measure that impacts the ability of independent schools to fundraise for building will ultimately impact the cost base of the government education departments.

**VOLUNTEERING**

Schools have seen the impact of the reduced commitment to volunteering, as have many sectors in the community. This is also impacted by very necessary child protection requirements which make accessing volunteers even more complicated. The ability for the community to donate funds that are tax-deductable offsets the reality that opportunities for volunteering in schools are terribly limited.

The DGR process offers other ways for the community to contribute to the operation of the school, and in a way that meets child-safe standards. There is value in providing parents and the wider community other ways to support the operation of their school of choice.

**PRIVATE BENEFITS**

I would challenge the view that a donation converts to a private benefit for the donor. A donation in a school converts to opportunities certainly – but for the future. Due to the time to accumulate funds in building funds, and the development cycle of projects (even in large schools), the money collected through the building fund may not be put into bricks and mortar for some years. A sample project build cycle is around 3 years from design to occupancy, and in complex planning environments or master planning programs, it can take twice this amount of time.

Regardless of the amount of donation, it would be a long return-on-investment if the sole purpose for donation was to gain personal benefit. Is there data around this assertion? If so, it should be tabled to support the statement.

I appreciate the opportunity to provide feedback for the review, and trust that this information assists in the next steps.

**Louise Hambridge**

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