

8 February 2024

RE: Pembroke School submission to the Productivity Commission's Draft Report - *Future Foundations for Giving*

Introduction

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 and Pembroke School welcomes the opportunity to provide feedback.

This submission will focus on the 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.”

We are extremely concerned that the Productivity Commission in its interim report has recommended the removal of Deductible Gift Recipient (DGR) status for School Building Funds, and we believe that this action would have a significant negative impact on our community and thousands of others around Australia and urge the Commission to reconsider.

Pembroke School is located in Kensington Park, Adelaide, South Australia and currently enrolls 1,712 students and employs 338 teachers and other professional staff. The School contributes to the social and economic life of the community in which it is situated. The foundation of our School is our community – they are ‘us’ and we are ‘them’ and it is what makes us so special. Our community expands across Adelaide and beyond, with a strong and meaningful regional and local presence. We nurture relationships long after school days are over, welcoming past parents, grandparents, alumni and friends back to the School with open arms. Pembroke community members all over Australia remain connected and are warmly invited to gatherings and events whenever possible. We truly forge deep and enduring connections that define our past, present and future.

Like all schools, we rely on our community, and we are a true community school. In our recently launched Strategic Plan 2030, ‘Our service to Community’ sits proudly as one of four strategic pillars. Under this pillar sits several strategic initiatives, one of which focuses entirely on the cultivation of our giving and philanthropic culture. We wish to measure our success in this capacity as a school that is known for giving back and fostering public good with a flourishing and proud culture of philanthropy.

As a school we are mindful that not all are able to give and many of our donors are past parents and alumni. This generosity from our wider community bolsters opportunity meaning that all can benefit. We know that by offering tax deductibility, many are encouraged to give. Indeed, the question of tax deductibility is a question frequently posed by those seeking to make gifts, both large and small.

Schools as not for profit entities

Like the majority of non-government schools in Australia, Pembroke School is a not-for-profit entity, registered with the Australian Charities and Not-for-Profits Commission (ACNC) with the charitable purpose of ‘advancing education’. 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 fund at our school and others around Australia.

The importance of building funds for schools

Across Australia, Independent school families, alumni and communities collectively contribute 86 per cent of school capital income nationally. Two-thirds of Independent schools receive 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 around \$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.

Pembroke School is deeply grateful to the community and for the generous support over the years from many families, alumni, staff and friends who have helped create lasting impact for students now and into the future. Around the School's campus, many buildings bear the legacy of gifts from the community into the Building Fund. These include:

- The Diana Medlin Junior School -1993
- The John Moody Technology Centre, Middle School -1994
- The Senior School Resource Centre, Senior School -1998
- The DD Harris Wing, Campbell House, Boarding House - 2002
- The Middle School Resource Centre 2004
- The Dorothy Yates Hall, Senior School - 2006
- The Girton Arts Precinct – Senior School - 2009
- Old Watulunga Environmental Learning Centre, Regional - 2016
- The Shipsters Road Building, Middle School - 2019
- The John Moody Dining Room and King's Café, Middle School and Boarding - 2024

Since 2001, parent and community donations to capital works at Pembroke School total \$12.3 million. Of this, \$11.4 million has been applied to the development of much-needed school infrastructure as student numbers have increased over time. Many of these developments are also utilised by the wider community as well as our enrolled students.

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 that 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.

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 schools. Capital works are funded separately to the recurrent operating costs that are recouped through fees, and deductible donations to a School Building Fund therefore do not materially reduce the fees payable by parents.

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 Pembroke School 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 our students. This will include future building projects such as our bold intent to develop a multi-functional facility on Haslam Oval which stands to benefit our entire community.

Conclusion

Pembroke School does not support 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 education nationally.

On behalf of our students, families and the wider school community we ask that the Commission reconsider this recommendation.

Thank you for your consideration of this submission.

Yours sincerely

Mark Staker
Principal