

29 January 2024

**Submission in Response to the Productivity Commission's Draft Report
*Future Foundations for Giving (2023)***

Scotch College Adelaide

1.0 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 Scotch College Adelaide welcomes the opportunity to provide feedback.

This submission focuses 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.*

As outlined in our response below, we are concerned that the Productivity Commission in its interim report has recommended the removal of Deductible Gift Recipient (DGR) status for School Building Funds without a clear understanding of the nature of capital works in schools, the nature of their impact, how philanthropic giving occurs in school contexts, and a detailed analysis of the link between schools and communities.

We believe that the recommendation would have a significant negative impact on the quality of educational provision in this country, the quality of community assets and the sustainability of educational outcomes for generations of students to come.

2.0 Scotch College Adelaide as an educational institution

For context, Scotch College is located in suburban Adelaide and currently enrolls approximately 1300 students and employs 547 teachers and other staff in full-time, part-time, casual and permanent capacities. The school, through its boarding program, educates over 100 students from rural and regional Australia including indigenous students.

The school is part of the local community in the Mitcham Local Government Area (LGA) where the main campus is situated and in the regional areas in which we have links and relationships (including Kangaroo Island and the Yorke Peninsula). The College is seen as a significant community social asset, with grounds available for access by and incidental use by local residents within the LGA.

The school has long-standing and vibrant partnerships with external organisations that utilise facilities for their use and that of the Adelaide community at large. These include local sporting clubs and associations, performing arts groups, mental health professionals and community groups who access facilities on a routine basis.

Additionally, through a community partnership with the YMCA the newly constructed Purruna Centre on the school's main campus is available for broader public use on a daily basis, enriching the infrastructure provision in the LGA and the school's connections to its local community.

As an educational institution Scotch is active in its partnerships with local and national schools, sharing knowledge and best practice. The school has a tradition of partnership with public schools in research and programs, typically funded and resourced by Scotch.

3.0 Schools as not for profit entities

Like the majority of non-government schools in Australia, Scotch College 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 is of the public benefit of the work of schools in educating young people both today and in generations to come; it underpins the DGR status of the school building fund at our school, which is a core enabler of our capacity to be a community asset.

4.0 The importance of building funds for schools

While there is much debate around the role of recurrent public funding for non-government schools in Australia the clear majority (approximately two-thirds of independent schools) receive no government funding for capital expenditure to support growth. In many schools, such as Scotch, all 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.

5.0 The Notion of Private Benefit

The Productivity Commission has argued that school building funds create *the potential for a donor to be able to convert a tax-deductible donation into a private benefit* and suggest that is especially apparent for primary and secondary education, particularly where students are charged fees.

This conclusion appears driven by some key assumptions:

- That the contributions to building funds are from existing or future parents of children receiving the benefit of educational provisions provided by a DGR-funded capital work
- That the benefit of the capital work is restricted to those who are enrolled at the school or who have made a contribution
- That the capital project is a private asset and yields no public benefit
- That the benefits of the educational provision of a school are limited to those who pay fees
- That contributions through DGR-approved building funds subsidises school fees

These assumptions are worth questioning both in the national context and that of Scotch Adelaide as a case in point.

- 5.1 The view that that ***the contributions to building funds are from existing or future parents of children*** is inconsistent with sources of funding. The significant provision of donations by broader communities, past students and past families who receive no private benefit from the capital works has been overlooked by the Commission's report. The motivation of these donations are the improvement of educational provision for generations of young people to come, largely with no connection to themselves. Their generosity is driven by an altruism stemming from their valuing of education as an instrument of social change, underpinning the relevance of DGR status.

In recent years Scotch College has built and opened a multi-use wellbeing facility, Purruna, the funding of which was underpinned by philanthropy. A significant proportion of donors were not parents of current or future students, and not able to draw any private benefit from the building. They were motivated by the vision of a multidisciplinary space that sought to become a lighthouse for wellbeing and mental health interventions in a genuinely charitable way. Without DGR status, the building would not have been possible.

The Report shows no real analysis of the source of contributions to DGR-status building funds, and we would welcome the Commission's view on that.

- 5.2 The view that ***the benefit of the capital work is restricted to those who are enrolled at the school or who have made a contribution*** is inconsistent with the use of school infrastructure in practice. A significant proportion of school infrastructure is leveraged for community and broader use, promoting public benefit.

As a case in point, the Purruna Centre has been made available to the local community in a range of different contexts:

- Through partnership with the YMCA, a not-for-profit organisation, the majority of the building is available for public use
- Local sporting clubs and associations use the facilities weekly
- The aquatics facility is the largest provider of swimming lessons in the LGA, and the only pool available for public swimming
- A range of external allied health professionals use the treatment and consulting rooms in the building, providing mental health, paediatric developmental and physiotherapy services to the local community
- The building has hosted community events, educational conferences, and Adelaide-wide student events

This is in addition to the broader community use of the school's facilities.

In an economic sense, Purruna contributes to broad social benefit. Through the YMCA, the school, and allied health providers the building employs approximately 80 people.

In a temporal sense, the benefit and advantage of buildings is spread across generations. Should a contribution to their development be made by a current or prospective parent of a student, the impact of the facility will be in aggregate far greater for students and the community across decades to come. The longevity of school buildings means that any philanthropic contribution will have its greater impact on unknown and substantial groups of students and community members in years ahead.

- 5.3 The view that **a capital project is a private asset and yields no public benefit** is inconsistent with the reality of the use of school facilities by local communities and the contribution schools make to the growth of human capital in the economy.

In many contexts schools provide facilities for community groups, clubs, and cultural activities. These are diverse, and leverage the built environment. In many cases, the investment in the built environment provides community access to open-space in the form of grounds and sporting facilities outside of hours, as is the case at Scotch College, where grounds are not locked and local residents utilise them for outdoor recreation.

The Purrana Centre, as a case in point, drove innovative design to make it one of the most environmentally sustainable facilities in the country. This has allowed other schools and systems to imagine what is possible, and become a lighthouse in the LGA for sustainable development

More significantly, the intellectual capital of education has broad social and public impacts. The capacity of schools to conduct research, share best practice, develop innovative learning strategies and accelerate the impact of education is not a private benefit. Educational innovation spreads across sectors to deepen the impact upon society, and as students move from schooling into other areas of work and life its benefits extend into all areas of Australian life. To consider the impact of a DGR status supported capital development as exclusive to those who make the contribution is erroneous.

- 5.4 The assumption that **the benefits of the educational provision of a school are limited to those who pay fees** is inconsistent with the nature of independent schools. The assumption that DGR-supported capital developments are exclusive to those already paying for a benefit from a school is untrue.

Independent schools have long traditions of providing social supports for students from diverse backgrounds and experiences. These include students from rural and remote communities, migrant communities and families whose capacity to service fees is not sufficient for them to attend school. In many school communities, these make a sizable proportion of student populations.

Here, as in many schools, partnerships with First Nations communities have seen a thriving program to give Indigenous students from regional areas an opportunity to attend the school. Partnerships with NGOs and welfare organisations see students from disadvantaged backgrounds have the opportunity to attend the school with no fee-payment. Contributions of others through DGR-status supported capital programs have beneficial impact upon the education and future of these young people, in an entirely altruistic manner.

- 5.5 And while the draft report raised the possibility of **contributions through DGR-approved building funds subsidising school fees** 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 in any way reduce the fees payable by parents.
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6.0 Conclusion

Scotch College Adelaide does not support the Productivity Commission's recommendation to withdraw DGR status from school building funds and is concerned about the detrimental impact it will have on the ability to raise funds for building works that underpin the provision of quality education nationally both in the short-term and into the future for generations to come.

A change to DGR status would require Scotch College to reconsider or abandon future projects that will have significant social and long-term benefit. These include performance and theatre spaces in an area of Adelaide with no alternatives, sporting facilities targeted at improving infrastructure for womens' sport and a development on Kangaroo Island SA with significant community and research impact.

On behalf of students, families and the wider community we ask that the Commission reconsider the recommendation to remove DGR status.

Thank you for your consideration of this submission.