



31 January 2024

Northcross Christian School – Submission to the Productivity Commission’s Draft Report

The recommendation of the Productivity Commission’s draft report, Future Foundations for Giving, to remove deductible gift recipient (DGR) status from school building funds is a confusing and apparently counter-productive step in the broad aim of increasing charitable giving in Australia. We wanted to write and explain what the significantly problematic impact of the proposed removal of the DGR status will mean for independent schools and for those families who support us.

Northcross Christian School is located in Ryde and provides an outstanding education for the more than 350 Kindergarten to Year 6 students enrolled. Northcross was first established in 1981 as Ryde Christian Community School and has faithfully educated the children of Ryde and surrounds for more than 40 years. In this time, the school has grown and developed, in large part, through the continual support of our community. While the focus of our school has always been to develop the whole child and to be an authentic Christian school, Northcross also achieves impressive results in external testing, thus underlining the quality of the learning provided to our students.

Northcross Christian School is appreciative of the funding provided by the Commonwealth and State governments that allow for us to educate our students. This is supplemented with fees paid by our parents which we intentionally keep low to be a more inclusive community. In short, Northcross provides excellent value for money for our families *and* for the broader community. Like most non-government schools, Northcross 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 non-government schools in educating Australia’s young people underpins the DGR status of the school building fund at our school and others around Australia. However, the report by the Commission indicates a lack of understanding of the value, financially, educationally and societally, provided by schools like Northcross. To date, the buildings and resources needed to accommodate the growth of our school – like almost all non-government schools – has been substantially funded by families, alumni and other donors through our school building fund. Our school has received



small amounts of capital grants from government since the BER program, and all of these have been to assist in the care of students with disabilities or to meet specific aims, such as increasing security arrangements.

The Ryde area is underserved for schools and the demographic predictions indicate that this is a problem only likely to increase. Currently, the State Government relies on schools like Northcross to ensure that there are enough places for all NSW school students. This is only likely to increase as parents are seeking the strong results and values-based education that we offer in the independent sector. Northcross is well-positioned to assist in solving the problem of the lack of school places in the Ryde area. We are actively exploring growth and determining how we can serve more families, and take some of the pressure off local schools, many of which are well beyond capacity currently, with no plan for how this will be addressed in the future. For any growth, which naturally requires more buildings, we have been told to expect, at most, 3% of a project to be covered by capital grants, leaving Northcross and its community to fund the remaining amount through donations and loans. The removal of DGR status from school building funds would seriously jeopardise our school's ability to raise the funds necessary to provide our teaching and learning infrastructure to a greater number of students, or even to maintain it for our current student numbers into the future. There has been no information provided about how the government intends to increase capital funding to provide for the inevitable drop in donations to school building funds. Clarity on this strategy and how it would be administered must form part of the Commission's deliberations.

The Productivity Commission's report alleges 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." This claim is nonsensical, as donations to building funds are unlikely to provide a direct benefit to the donor or their child (due to the length of time a project is likely to take). Furthermore, obtaining a benefit from a donation is expressly excluded in the Australian Taxation Office rules for Tax Deductible Gift Recipient Funds; if it did occur, it would be grounds to deregister the DGR fund through existing compliance mechanisms. Donors to school building funds are sowing into the future of the school and education generally. Removing the DGR status of our building fund is likely to see a significant reduction in donations, which would result in us having no choice but to rely on the small amounts provided in capital grants or, and what is more likely, see a gradual reduction in the quality and safety of our classrooms and necessary amenities. Growth would be out of the question, thus placing the burden of accommodating students back onto the State Government. Currently, I have minimal faith in either Commonwealth or State Governments to build necessary capacity to accommodate students



numbers, and would ask the Commission to consider the higher cost to taxpayers than the current DGR-based system.

Given that one of the criticisms in the report is that the benefit of donations to school building funds not reaching the broader community (p198 of Report), it would be helpful for the Productivity Commission to take time to understand why this might be the case, if indeed it is. I have listed above why it is unlikely that the donor would be receiving the benefit from their gift but the impact of Section 83C of the Education Act must be considered too. When schools risk losing or even having to repay their funding for breach of this Section, which requires *all* funds to be used for the sole purpose of running the school, it is very hard to justify the provision of a benefit to the broader community. So, in essence, independent schools are being threatened with the removal of DGR status to build and maintain the very structures they would dearly love to make available to the community, but are unable to do so based on legislative requirements. We request that the Commission considers the impact of complex legislation on why it is that schools operate as they do and to consult more deeply with independent schools themselves.

Considering the potential damage that removing the DGR status of schools building funds has on the future of independent schools, we ask that the Productivity Commission withdraw this recommendation from its final report.

On behalf of the Northcross Christian School Board

Catherine Horsburgh
Principal

Mark Bartlett
Board Chair

