



PRINCE ALFRED COLLEGE

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

5 February 2023

Introduction

This submission relates to the Productivity Commission's draft report '*Future Foundations for Giving*' and, specifically, the recommendation to remove DGR status for school building funds.

We believe this recommendation (if adopted) would disincentivise giving, have a significant negative impact on the quality of education provision in Australia, now and for generations to come, and on vital local community services.

We are concerned that this recommendation has been made without a comprehensive understanding of the importance of building funds in schools, who gives and why, and the links between schools and communities.

We ask that the Productivity Commission reconsider its recommendation of withdrawal of DGR status for School Building Funds. Further, we ask that 'whole of organisation' DGR status be given to NFP schools, as is already the case for public universities, to support a more holistic education provision, including mental health and wellbeing initiatives, arts and cultural programs.

Prince Alfred College as an educational institution

Founded in 1869, Prince Alfred College (PAC) is one of Australia's leading boys' schools, located in Adelaide, South Australia. The school educates around 1150 boys from Reception to Year 12, including 150 boarding students from regional and rural Australia and overseas. In addition, a co-educational ELC caters for around 250 boys and girls from two to five years of age.

Prince Alfred College's purpose is to develop young men of character and purpose, who will contribute positively to society.

An 'Engaged and Inclusive Community' is one of five pillars within the College's strategic plan, and PAC has strong partnerships with the broader community, who make regular use of College facilities. These include, but are not limited to, local sporting clubs and associations, performing arts groups, educational groups and cultural associations.

The Importance of Building Funds for Schools

The Productivity Commission has argued that '*the rationale for school building funds accessing DGR status is weak*' and that, since school building funds were given DGR status in 1954, '*government support for non-government schools has expanded considerably*'.

Approximately two-thirds of independent schools receive no government funding for capital development to support growth and to upgrade facilities as they age.

While school fees help cover recurrent operating costs, capital development is funded separately, often using debt facilities. Contributions through DGR-approved building funds can help reduce the amount of debt that schools take on – reducing risk and making projects possible that otherwise may not be achievable.

There is no doubt that the withdrawal of DGR status from school building funds would be significant. While receiving an income tax donation is not a primary motivation for giving, it is a hygiene factor, necessary for people to donate.

Over the last 10 years, voluntary building fund donations have supported the vital maintenance and development of facilities, including a new Health Centre during the COVID-19 pandemic, a secondary metal workshop to support the breadth of learning pathways provided by PAC, and a new Boarding House, which provides many boys from regional and remote areas with an education that they would not be able to access in their home communities.

If DGR status were withdrawn and donations through the building fund ceased, it is unclear how non-government schools would cover infrastructure project costs without the support of their communities.

With current economic circumstances putting significant pressure on families, there is little scope for schools to further increase school fees or move to a compulsory building fund levy.

If schools are unable to maintain and develop facilities, this may lead to students seeking enrolment at their local government schools – some of which are already struggling to accommodate demand from within their 'zones'.

Access to Other Funding Sources

The report suggests that the current DGR system '*can also duplicate or cut across other funding arrangements*' and suggests the Government's Capital Grants Program as an alternative and more

democratic way of administering funding for infrastructure projects. It should be noted, however, that not all schools have equal access to funding under these arrangements and nor is this program, as it is currently structured, able to meet the funding gap that the withdrawal of DGR status from school building funds would create.

In addition to vital project funding, fundraising efforts serve to galvanise the school community around a shared goal and help to upskill key staff and volunteers – important secondary benefits that would be lost if replaced by a grant application process.

The Notion of Private Benefit

The Productivity Commission has also argued that *'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'*.

No data is provided in the report to support this assertion, which appears to be based on a number of assumptions around (1) who gives to school building funds (2) why donors give and (3) who the beneficiaries of school building funds are.

These assumptions around private benefits do not align with our understanding of school building funds and our experiences at Prince Alfred College, which are that:

- 1) The biggest contributors to the school building fund are *not* current parents but rather past parents and old scholars, who receive no private benefit from capital works, but give because they believe in the power of a Prince Alfred College education to change the lives of young people, communities and the society at large.
- 2) The benefits of capital works extend far beyond the immediate school community, with many of the College's facilities regularly accessed by the wider community.
- 3) Donations to the building fund are entirely voluntary. Families who are not able to contribute still have equal access to facilities. This includes many students who would otherwise face social and educational disadvantage, who attend Prince Alfred College each year on scholarship.

We believe this recommendation (if adopted) would have a significant negative impact on the quality of education provision in Australia, now and for generations to come, and on vital local community services.

It is also important to note there is no evidence from our conversations to suggest that if donors did not donate to the College building fund, they would invest that money in other charitable causes. Removal of deductible gift recipient status is thus likely to have a negative effect on the overall growth of the philanthropy sector, and the goal of the Australian Government to double giving by 2030.

Moreover, if building projects do not go ahead or are delayed due to lack of funds, this will also impact the construction industry across the country and employment opportunities in the sector.

Conclusion

In closing, we ask again that the Productivity Commission reconsider its recommendation to withdraw DGR Status for School Building Funds. The proposed changes would disincentivise giving, have significant adverse effects on schools across Australia and negatively impact the quality of the educational environment, programs and experiences schools can offer their current and wider communities, now and in the future.

Further, we ask that 'whole of organisation' DGR status be given to NFP schools, as is already the case for public universities, to support a more holistic education provision, including mental health and wellbeing initiatives, arts and cultural programs.

We thank the Commission for the important work it is doing to grow the philanthropy sector and for the opportunity to provide feedback. If you have any questions on this submission or the vital role of school building funds, please don't hesitate to contact me.

David Roberts

Headmaster

Prince Alfred College