



9 February 2024

Australian Productivity Commission

Submission from Loreto Normanhurst

To whom it may concern

As the Principal of Loreto Normanhurst, I wanted to share my concerns regarding the potential withdrawal of Deductible Gift Recipient (DGR) status for independent schools' building funds by the Government Productivity Commission.

Like most non-government schools, Loreto Normanhurst 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.

Here are some crucial points I'd like to bring to your attention:

### Critical Importance of DGR Status

Loreto Normanhurst heavily relies on the school building fund to support critical capital works projects, playing a pivotal role in meeting the increasing demand for student places and enhancing educational facilities. Historically, the expansion of our School, like most non-government schools, has been significantly financed by families, alumnae, and generous donors through our school building fund.

Notably, government capital grants have been limited, with only \$150,000 received since the BER program 2019, dedicated to constructing a disability lift within the School. The potential removal of DGR status for non-government school building funds poses a considerable threat, diminishing contributions from donors and constraining our and other non-government schools' ability to effectively address the growing demand for student places.

### Consequences for Boarding Facilities and the sustainability of our School

Considering the decline in Commonwealth funding and rising operational expenses, this recommendation poses a significant threat to the sustainability of independent schools. DGR status is pivotal in incentivising donors, impacting our capacity to fund vital projects like our planned new boarding facility scheduled to open in late 2025.

The Loreto Normanhurst Boarding House serves over 218 students, 85% from rural areas. This is 17% of our entire student community. The risk of being unable to construct the new boarding facility to replace the current 125-year-old facility jeopardises our ability to provide quality education to girls in rural and regional Australia. This directly affects students seeking education unavailable in their rural communities.

#### Government's Role in Alleviating Financial Burden

Facilitating private contributions through DGR status is a means for the government to ease the financial burden on schools, promoting efficiency and directing public resources where needed most.

Investments in school infrastructure, especially boarding facilities, have a lasting impact, and DGR status encourages long-term planning for conducive learning environments.

#### Financial Implications and Community Impact

Without philanthropic investment, the School may be forced to source facility funding from elevated school fees, impacting our community's ability to contribute to needs-based support.

#### Economic Growth through Capital Projects

Investment in building/capital projects by Independent Schools facilitates economic growth through the construction industry. The money invested goes to construction wages, materials, and other related expenditures, contributing to the broader financial landscape.

In addition to the above, I urge the commission to consider the following:

#### Impact on Educational Outcomes

Consider how withdrawing DGR status from building funds of private and independent schools would negatively impact educational outcomes, considering philanthropy's role in infrastructure development, resource availability, and overall academic quality.

#### Donor Motivations

Has the Commission researched the motivations of donors contributing to building funds for private and independent schools? Has there been an analysis of whether these donations primarily serve private interests or contribute to broader community benefits, such as improved educational outcomes?

#### Comparative Analysis with Other Educational Sectors

Has the Commission compared the impact of donations to building funds for private and independent schools with the impact of donations to other sectors that currently enjoy DGR status? It would be imperative to examine concrete evidence demonstrating that withdrawing DGR status from school building funds will positively impact charities. We believe that the charitable sector operates on principles of loyalty and trust, with long-term commitment being a fundamental basis for philanthropy.

## Donor Personal Gain

The Productivity Commission's report raises concerns about the potential for donors to convert tax-deductible donations into private benefits, specifically in the context of school-building funds. It suggests this risk is more apparent in primary and secondary education, particularly when students are charged fees. However, it is important to note that this claim lacks supporting evidence or data, and the likelihood of such a benefit accruing to donors is highly improbable.

Furthermore, the assertion contradicts the rules set by the Australian Taxation Office for Tax Deductible Gift Recipient Funds, explicitly excluding obtaining a benefit from a donation. Any instance of such benefits would trigger the grounds for deregistering the DGR fund through existing compliance mechanisms.

It is critical to weigh the report's concerns about 'potential' private benefits against the tangible benefits of donations that have contributed to the development of school infrastructure. Notably, these assets often have a lifespan extending well beyond the 13 years a child spends in school. In many instances, the completion of an asset occurs long after the donor parent's child has finished their schooling.

On behalf of our students, families and the wider school community, we ask that the Productivity Commission withdraw this recommendation from its final report.

Thank you for your attention to this matter.

Warm regards,

Marina Ugonotti  
**PRINCIPAL**