



WESLEY COLLEGE

MELBOURNE AUSTRALIA - SINCE 1866

A True Education

01 February 2024

Australian Productivity Commission
GPO Box 1428
Canberra ACT 2601

Via email: philanthropy@pc.gov.au

Dear Commissioners Robson and Abramson and Associate Commissioner Seibert,

Re: Response to the Draft Report and the need to maintain Deductible Gift Recipient (DGR) Status of Schools

Wesley College Melbourne (Wesley) appreciates the opportunity to contribute to this inquiry and respond to the Australian Productivity Commission's Future Foundations for Giving (Draft Report), particularly given the Australian Government's aspiration to double philanthropic giving by 2030.

Philanthropy in the form of money, time, skills, assets and voice are vital to the depth and breadth of the Australian education system. For generations, philanthropy has provided a unique and important role in support of innovation in educational programming, development of educational infrastructure, and access for students at Wesley. Philanthropy is vital to a thriving education sector and to the experience of current and future generations of young people.

The generosity of the Wesley community, including staff, students, parents, alumni and friends, has contributed a net benefit to the Australian education and regional landscapes through volunteering, supporting and donation to education. Fundraising efforts at Wesley are focused on scholarships and buildings and, with strong governance and professional best-practice in fundraising, we ensure compliance with all aspects of the ATO regime and the stewardship of donors to Wesley.

We respectfully suggest that the removal of DGR for Building Funds in schools will negatively impact upon the objective of increasing net social benefit by removing opportunities for generational support of education. Similarly, removing the tax-deductibility of donations to school Building Funds reduces choices and options for donors and risks the diversion of philanthropy away from education, creating an untenable burden on government to fund existing and new school buildings and facilities.

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Wesley's net benefit and contribution to the Australian community

Wesley College was founded in 1866 by members of the Methodist Church in Lonsdale Street Melbourne. Having raised funds in the decade prior, this group was focused on building a school to provide a liberal education, informed by a strong sense of morality and social justice. Further development of the now-historically significant buildings at the Prahran campus occurred in the 1930s through the benefaction of George and Alfred Nicholas whose generosity enabled the employment of more than 900 men displaced by WWI. Today, Wesley College is a co-educational school which believes deeply in a fairer and more inclusive society. These values are embedded in our philanthropic efforts which have supported scholarship pathways for deserving students who would not otherwise be able to attend the College and to provide for investment in capital programs to support the growing demand for the holistic education offered by Wesley.

Wesley College and the Wesley community, including staff, students, parents and alumni all contribute to society by holistically developing young people, promoting tolerance and inclusion, supporting early teacher education and employment, fostering community engagement, sharing school resources, providing direct employment, materially contributing to the development of the Australian curriculum, and directly investing in infrastructure in metropolitan and regional communities.

For more than 50 years, Wesley has invested in regional Victoria with the development of outdoor education sites at Chum Creek in the Yarra Ranges, Mallana in Gippsland, and Loch End in the western district of Victoria. Wesley established the Clunes campus in 2000 to provide experiential learning for students during their secondary schooling and in turn invested significantly in regional Victoria.

In 2010, Wesley partnered with the Bunuba people of the Kimberley in Western Australia to establish the Yiramalay Studio School. The Studio School's purpose was to make a significant impact in closing the gap, to build deep cultural understanding and deliver learning on-country. This collaboration was the result of the Wesley community's passionate commitment to and investment in reconciliation, to the people of Fitzroy Crossing and to the Australian community. Wesley established the Yiramalay Foundation to secure philanthropic funding to support the School and it has now been transferred to the stewardship of Studio Schools Australia and receives federal government funding.

Wesley's metropolitan campuses have, for decades, provided access to local clubs, music groups, language centres and sporting groups. These groups have benefited from the ongoing maintenance, upgrade and management of Wesley's facilities which ultimately benefit local communities and the health and wellbeing of numerous groups external to the Wesley community.

In all these areas, Wesley's investment has contributed materially to local communities in the form of employment, infrastructure, community, tourism, economic development and education. In each case, these investments were enabled because of the flexibility of philanthropic support in ways not possible with government funding. Critically, Wesley's investment is core to the vision and values of the College and its community forms a foundation for our place in the Australian community and as a learning organisation.

Investments made by Wesley in buildings and facilities demonstrate 'patient capital' as identified in the Draft Report in relation to philanthropic giving. Over decades, Wesley has invested philanthropic gifts in educational infrastructure and as a result has made positive contributions to society as a whole in a way that would not have been possible with government funding. This is the essence of the submission by the Alannah and Madeline Foundation to the Commission, that a 'donated dollar can enable charities to be more innovative and independent', enabling schools such as Wesley to develop innovative solutions for students particularly with learning needs and post-Covid social and emotional challenges, and thereby lifting both the philanthropic and education sectors.

Preserving Wesley's buildings of historical and social significance

Wesley's investment in buildings and facilities includes the sympathetic renovation, modernisation and preservation of buildings of historical note. Given the heritage overlays which apply to several of the buildings at Wesley's St Kilda Road, Elsternwick and Clunes campuses, the role of philanthropy is vital to the continued preservation of these facilities which contribute to the positive amenity of their surrounding suburbs and reference the evolving architecture of Melbourne.

Schools must provide spaces which inspire learning, promote collaboration, ensure safety and foster creativity, all skills necessary for the future of employment and the benefit of all Australians. These challenges represent the very essence of education and materially contribute to the future of Australian society. The COVID-19 pandemic has taught us that while schools can deliver curriculum remotely and online, the very essence of education requires face-to-face teaching and learning in spaces that inspire people; students and teachers alike.

Recurrent government funding is not and cannot be used to support capital works. Independent Schools Australia, in its 2023 Snapshot reported that independent sources of income, including philanthropy, contributed 86% of overall capital funding for independent schools, amounting to \$1.14 billion.

As a result, philanthropic income is vital to the ongoing management and development of school buildings and facilities particularly as one of the few sources of income available to schools. By their nature, heritage and historic building overlays require extensive planning and permissions, which attract additional development and compliance costs.

Independent Schools Australia reported in 2021 that non-government schools had invested \$2.51 billion in capital of which approximately 78% was in land and buildings. This represented more than 30% of the amount invested by government of all levels through capital block grant programs.

Federal and state governments are simply unable to fund the necessary facilities developments for schools across the country while evolving the design to meet educational expectations, responding to challenges relevant to young people in a post-pandemic setting and expanding schools' infrastructure to meet the demand of the growing Australian population.

Philanthropy provides a vital part of the funding model for buildings and facilities in schools, removing at least part of the burden on government of providing for every entity and every level of the education sector.

Wesley's policies, practice and development horizons guard against private benefit

The Draft Report identifies the risk of private benefit for donors who contribute to school building funds. The Australian Taxation Office (ATO) explicitly precludes the accrual of private benefits to donors including in relation to scholarship and building funds and this is embedded in the policies and practice of the Wesley College Foundation.

The professional fundraising practice of the Wesley College Foundation is focused on identifying donors and developing an understanding of interests, and the relevance of tax-deductible giving options. In 2022, 93% of donors to the Wesley College Foundation Building Fund were alumni, or the parents and grandparents of alumni, who contributed to capital programs often including buildings and facilities with historical significance, both in metropolitan and regional settings.

A number of Private ancillary funds (PAFs) and corporate or institutional donors are required to contribute only to organisations that have DGR status conferred upon them. This provides a signal of transparency and compliance in fundraising practice and confirms the charitable status of the entity. The removal of DGR status from school building funds would prove fatal to this form of structured or corporate giving to education and would be at odds with the charitable status of education generally.

Donations from parents form a very small fraction of overall donations and, given long development cycles for building programs in school settings, often encompassing twenty and thirty-year horizons, current families are typically the beneficiaries of the philanthropy of prior generations of donors.

Contrary to concerns raised in relation to the accrual of private benefits to donors, donors do not dictate the development or design of buildings and facilities at Wesley and there is no form of giving imposed on fee statements for current families. The only form of private benefit is the knowledge of contributing to education and the gratitude of and recognition by current generations of Wesley staff and students.

Conclusion

Wesley College is supportive of efforts to improve the DGR and strengthen the regulatory systems, and to improve public confidence in philanthropy. The long history of philanthropy and positive social impact made by Wesley and the Wesley College community would be significantly eroded and the education sector significantly undermined if the Deductible Gift Recipient (DGR) status is removed from school building funds.

Wesley urges the Commission to consider the risk of unintended consequences because of such a change. Over generations, generous donors have given to Wesley's building programs and in turn Wesley and its community have contributed materially to Australian society. The ATO and established charity law both recognise that the advancement of education is a charitable purpose. To remove buildings from the educational purpose undermines the entire sector given that education is best in a face-to-face setting in fit-for-purpose buildings and facilities.

Removing the option for donors to support building programs in schools will place a higher burden on government to find funds to maintain buildings of historical significance, cope with students from non-government schools moving into government schools, respond to the current and growing teacher-shortage crisis, and impose a burden on the education sector which requires new and growing investment in the health and wellbeing of students and staff in the post-pandemic period.

A vibrant education sector relies on philanthropy in all its forms, and we urge the Commission to preserve the DGR status of school building funds for future generations.

Yours sincerely,

Prof. Rachel Webster AO
Chair, Wesley College Council

Mr Nick Evans
Principal