

## Introduction

This submission briefly summarises the CCA policy position in relation to the Productivity Commission Draft Report on Childcare and Early Childhood Learning.

CCA has not focused on many of the issues relating to Childcare and Early Childhood Learning. This submission is really about how the Productivity Commission Draft Report may impact on charities and not-for-profit organisations across Australia.

This submission has been prepared through consultation with selected members of CCA (see *Attachment 1 for a listing of CCA members*) and key organisations in the NFP sector. It also draws on recommendations from previous CCA submissions.

It is important to note that this submission does not override the policy positions outlined in any individual submissions from CCA members.

CCA welcomes this opportunity to provide input into this consultation process and would like the opportunity to further explore the core issue raised in this submission.

## The Community Council for Australia

CCA is an independent, non-political, membership organisation dedicated to building flourishing communities by enhancing the extraordinary work and effort undertaken by the NFP sector in Australia. CCA seeks to change the way governments, communities and not-for-profits relate to one another. This includes establishing a regulatory environment that works *for* community organisations, not against them.

CCA provides leadership to the sector by being an effective voice on common and shared issues affecting the contribution, performance and viability of NFP organisations in Australia, and:

- promoting the values of the sector and the need for reform
- influencing and shaping relevant policy agendas
- informing, educating, and assisting organisations in the sector to deal with change and build sustainable futures
- working in partnership with government, business and the broader Australian community to achieve positive change.

## Context: the not-for-profit sector

The NFP sector contributes over \$54 billion or around 5% of GDP per annum, encompasses over 600,000 organisations ranging in size from large to very small, and is estimated to employ over one million staff (or eight per cent of all employees in Australia). Current turnover is approx. \$110 billion annually and the sector holds assets of around \$175 billion. As best we can identify, the current breakdown of income sources for the 50,000 or so economically active not-for-profit organisations is 33% fees and services or self-generated funds, 33% government funded, 33% through donations and sponsorships (ABS Satellite Account 2012).

Over the last decade, the growth in the NFP sector is second only to the mining industry and employment growth has exceeded any other industry.

These figures only tell a small part of the story. The real value of the NFP sector is in the often unattributed contribution to the quality of life we all experience in Australia. NFPs are at the heart of our communities and are what makes us resilient as a society.

The importance of the NFP sector is now being recognised around the world with almost every government putting in place measures to drive improvements. Smaller government and bigger community is a common theme, driven in part by savings, but also by a commitment to greater civic engagement and increased investment in the NFP sector.

In Australia there are currently a range of initiatives seeking to promote social enterprise; reduce compliance costs for NFP organisations; encourage a diversification of financing options to build a more sustainable funding base; streamline and refine the regulation of NFPs and charities; establish less bureaucratic reporting requirements while building community transparency; increase philanthropy and improve relationships between government and the NFP sector. CCA supports these activities.

The Australian Charities and Not-for-profits Commission (ACNC) is now operational. The establishment of the ACNC is the first time the NFP sector has had an independent regulator dedicated to serving their needs. It is a positive step towards reducing red tape, supporting transparency, building community trust and enhancing the role of the sector.

The recent history of the NFP sector is framed by growth and reform, but there are a number of new issues emerging. The level of individual philanthropic giving has levelled out from the high in 2008. The ongoing increase in revenue available to governments is effectively stalling in real terms against a backdrop of increasing demands and higher community expectations.

There have been numerous reports and recommendations relating to the NFP sector over the last decade, but it is only in recent times that governments have begun to enact some of these recommendations and embark on a long overdue process of reform and enhancement.

If we can make the not-for-profit sector more productive and responsive to the changing needs of the Australia, we will not only strengthen civil society organisations, but all the communities they serve.

## **Key Issue of Concern**

The Community Council for Australia is concerned that the Productivity Commission is alluding to the language of 'competitive neutrality' in considering the withdrawal of tax concessions to charities in relation to Early Childhood Education.

Any suggestion that charities and not-for-profits offer no benefit to the community is an absurdity. To equate a 'for profit' service seeking to generate money and profits for individuals to a not-for-profit seeking to serve their community and improve the lives of children undermines the very basis of the public benefit test applied directly or indirectly in all charity and not-for-profit determinations.

Perhaps even more importantly, the suggestion that direct subsidies or grants may be a better way of providing support for not-for-profit organisations runs counter to the emerging policy of encouraging the not-for-profit sector to be less dependent on government grants and more responsive to both their purpose and their communities.

Government grants are an inefficient way of transferring support to the not-for-profit sector largely because of the administrative burden on both government and the organisations competing for or receiving the grants.

Tax concessions and exemptions may have their own complexities, but are administratively easier to apply, are determined by the purpose of the organisation rather than individual activities, and allow greater flexibility through individual organisational responsiveness (as opposed to government grant makers determining priorities).

It is important to emphasise that the purpose of an organisation is considered more important from a legal and taxation perspective than the individual activities of that organisation. Focusing on purpose has proven to be the best way of approaching the determination of public benefit in Australia and internationally.

While CCA appreciates the range and complexity of local, State and Federal rulings relating to charity and not-for-profit regulations, concessions and exemptions, any reform of these concessions needs to be systemic and based on considered policy across the whole not-for-profit sector. To identify one sector (early childhood education) and raise the possibility of withdrawing concessions that will continue to apply across other not-for-profit sectors is, at best, a retrograde step. It will only exacerbate an already inconsistent set of rules, requirements and concessions while achieving no net benefit for early childhood education.

## **Conclusion**

CCA believe it is important to retain taxation and other concessions for charitable and not-for-profit providers of early childhood care. While the current system for provision of taxation and other concessions to charities and not-for-profit organisations is less than ideal, addressing this issue requires considered policy across the whole not-for-profit sector rather than ad hoc changes to key service providers in areas such as early learning and childhood education.