



Response to

**Productivity Commission Draft Research Report
CONTRIBUTION OF THE NOT-FOR-PROFIT SECTOR**

Submitted by the
**Association of Neighbourhood Houses
& Learning Centres**

November 2009

About ANHLC

The Association of Neighbourhood Houses and Learning Centres (ANHLC) is the peak body for Victoria's 380 Neighbourhood Houses and Learning Centres.

The vision of the Association is of just and empowered local communities in which our member organisations provide opportunities for people's social inclusion and learning. Neighbourhood Houses and Learning Centres provide a range of community support, adult education and learning activities, social support, community development & civic activities along with children's services. Programs and activities are developed in response to the needs and concerns of the residents in the locality in which they are based.

Neighbourhood Houses and Learning Centres are community managed non-profit organisations. Houses & Centres are managed by voluntary committees and operated by part-time staff and volunteers. Although the majority receive some government funding, most Houses/Centres also rely on a mix of funding from community support, fundraising and fee-for-service programs in order to operate.

ANHLC made a formal submission to the Productivity Commission's Review of the Not-For-Profit Sector (submission no. 122) and welcomes the opportunity to comment on the draft report released in October 2009.

1. Response summary

The Association of Neighbourhood Houses & Learning Centres (ANHLC) welcomes the Productivity Commission's draft research report, *The Contribution of the Not-For-Profit Sector*, and commends the findings and recommendations it contains.

The draft report affirms the significant contribution that not-for-profits (NFPs) make to the social capital of Australia. It provides valuable data and practical proposals for improving sector sustainability and resilience and enhancing innovation.

ANHLC is particularly pleased that the draft report recommends expansion of Deductible Gift Reciprocity (DGR) tax endorsement for NFPs working to prevent disadvantage as well as alleviating it. This is a long overdue acknowledgement of the serious constraints placed upon these NFPs keen to expand and diversify their access to capital, but whose access to DGR is limited by outmoded definitions of 'charity'.

This is acknowledged in the rationale for Recommendation 7.22 in the draft report, which states that the failure of the current definition of charity to encompass preventative activities in the advancement of social and community welfare is an area of major concern. The draft report also states (xxxv-xxxvi):

As the understanding of the nature and causes of disadvantage has developed some of the eligibility criteria for DGR endorsement appears outdated which, in turn, restricts public support to NFPs engaged in preventative activities that have potential to address the root causes of disadvantage.

In ANHLC’s analysis, the expansion of DGR eligibility criteria to include ‘preventative activities’ is vital for the future sustainability of the Neighbourhood House sector.

ANHLC therefore urges the Productivity Commission to recommend government action on the following key recommendations and enact the required legislation as a matter of priority.

2. Key recommendations endorsed by ANHLC

Whilst ANHLC commends the Productivity Commission’s draft report and endorses many of the recommendations it contains, we wish to highlight our endorsement of the following as being of highest priority to the sector we represent:

DRAFT RECOMMENDATION 6.3

The Australian Government should adopt a statutory definition of charitable purposes in accordance with the recommendations of the 2001 Inquiry into the Definition of Charities and Other Organisations.

(ANHLC is not in a position to comment on whether the proposed national Registrar be established as a separate agency or separate division of ASIC, so long as the proposed body operates in an objective, consistent, equitable and independent manner).

DRAFT RECOMMENDATION 6.4

The Australian Government should establish a one-stop shop for Commonwealth regulation by consolidating various regulatory functions into a new national Registrar for Community and Charitable Purpose Organisations.

DRAFT RECOMMENDATION 7.1

Australian Governments should recognise the tax concession status endorsement of not for profits at the Commonwealth level, and explore the scope for a single national application process for organisations for tax status endorsement, or mutual recognition of endorsement across all jurisdictions.

DRAFT RECOMMENDATION 7.2

Subject to considerations of affordability, the Australian Government should widen the scope for gift deductibility to include all charitable institutions and charitable funds as endorsed by the proposed national Registrar.

This is a critical recommendation. Without DGR, sectors such as the Neighbourhood House sector cannot access philanthropic and corporate funding and support and therefore remain dependent on government funding and limited in their capacity to engage in innovation and growth.

DRAFT RECOMMENDATION 7.4

The Australian Government should establish a joint working party made up of representatives of the not for profit sector, business, philanthropic and other government to explore obstacles to not for profits raising capital and evaluate appropriate options to enhance access to capital by the sector.

(ANHLC believes that the role of intermediaries in facilitating NFP's access to capital and the need for a new legal form of incorporation for NFP's should be key elements for discussion by the members of the joint working party).

DRAFT RECOMMENDATION 10.4

Australian Governments should provide support to develop and promote training for not for profit management and boards in governance and related areas. They should explore the options for improving access to and quality of such training in these areas with peak bodies and appropriate training providers.

3. A way forward

ANHLC recognises that changing tax legislation can be a lengthy and complex process. In the event that PBI is abolished as a category in an overall reform of the charity laws, it is important to emphasise that any reform of the current charity tax laws will need to address the expansion of DGR (or its equivalent) to organisations engaged in preventative strategies aimed at disadvantaged individuals and communities.

Whilst strongly endorsing the Productivity Commission's draft recommendation 6.3 for a statutory definition of charitable purposes based on what was recommended by the 2001 Inquiry into the Definition of Charities and Other Organisations (see Appendix 1), we restate the proposal outlined in our original submission in the belief that it will form an effective and straightforward interim measure.

Briefly, ANHLC's proposal involved the amendment of the PBI category to included the word 'prevention' which would appear in the Australian Tax Office publication *Giftpack for DGR & Donors* under the category 'Welfare & Rights' in the following way:

A Public Benevolent Institution is a non-profit institution organised for the direct relief or prevention of poverty, sickness, suffering, distress, misfortune, disability or helplessness.

This amendment effectively limits associated tax benefits to organisations working with disadvantaged individuals and communities.

We note that Freehills Law Firm has offered to assist Government in the process of considering and documenting the inclusion of 'prevention' in the definition of PBI, including drafting and reviewing legislation or policy documents. Freehills has previously worked with Treasury and the ATO on legislative and policy changes affecting the charitable sector and has considerable experience with both the government and the Neighbourhood House sector.

We also offer the expertise and experience of our sector to work with the federal government in the implementation of recommendations made in the Productivity Commission's draft research report. Specifically, we nominate the national body for the Neighbourhood House sector, the Association of Neighbourhood House and Centres Australia (ANHCA), to participate in the working group proposed in Recommendation 7.4 of the draft report.

Statutory Definition of Charitable Purposes

As per Recommendation 6.3 in the Productivity Commission's draft report

The outcomes of the Australian Government's 2001 Inquiry into the Definition of Charities & Other Organisations recommended that the following preferred option for a definition of "charity" be adopted:

- The advancement of health, including the *prevention* and relief of sickness, disease or of human suffering;
- The advancement of education;
- The advancement of social and community welfare, including:
 - the prevention and relief of poverty, distress or disadvantage of individuals or families
 - the care, support and protection of the aged and people with a disability, children and young people
 - the promotion of community development to enhance social and economic participation
 - the care and support of members or former members of the armed forces and the civil defence forces and their families;
- The advancement of religion;
- The advancement of culture, including the promotion and fostering of culture and the care, preservation and protection of the Australian heritage;
- The advancement of the natural environment;
- Other purposes beneficial to the community, including the promotion and protection of civil and human rights and the *prevention* and relief of suffering of animals

(Note that 'Advancement' is taken to include protection, maintenance, support, research, improvement or enhancement.)

Letters of endorsement from Neighbourhood House / Centre peaks



Angela Savage
Executive Officer
ANHLC
Level 7, Carlow House,
289 Flinders Lane,
MELBOURNE 3000

20 November, 2009

Dear Angela

This letter indicates formal endorsement of the ANHLC response to the Productivity Commission's draft report on the Contribution of the Not-for-profit Sector.

Learning Centre Link is the WA State association for community, neighbourhood houses and learning centres.

Yours sincerely,

Janice Mason

Coordinator, Planning & Development

1/25 Naldera Street, Glandore SA 5037
Telephone (08) 8371 4622 Facsimile (08) 8371 4722
Email info@canh.asn.au



ABN 98 522 761 073

9 November 2009

Not-for-Profit Sector
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

To: Productivity Commission

**Re: ANHLC written response to the Productivity Commission Draft Research Report:
Contribution of the Not-for-Profit Sector**

Community & Neighbourhood Houses and Centres Association Inc. (CANH) is the peak body for 96 community centres in South Australia, providing service and support to and advocacy for its' member organisations. CANH is a member of Australian Neighbourhood Houses and Centres Association Inc (ANHCA) which represents nationally over one thousand Neighbourhood Centres, Community Houses, Learning Centres, Neighbourhood Houses and Community Centres which are member organisations of their state and territory peak/representative bodies in Western Australia, South Australia, Tasmania, Victoria, Australian Capital Territory, New South Wales and Queensland.

CANH endorses the written response to the Productivity Commission Draft Research Report: Contribution of the Not-for-Profit Sector submitted by the Association of Neighbourhood Houses and Learning Centres (ANHLC), the Victorian peak body.

This endorsement is for the draft recommendations considered to be the highest priority to the sector we represent:

DRAFT RECOMMENDATION 6.3

The Australian Government should adopt a statutory definition of charitable purposes in accordance with the recommendations of the 2001 Inquiry into the Definition of Charities and Other Organisations.

DRAFT RECOMMENDATION 6.4

The Australian Government should establish a one-stop shop for Commonwealth regulation by consolidating various regulatory functions into a new national Registrar for Community and Charitable Purpose Organisations.

DRAFT RECOMMENDATION 7.1

Australian Governments should recognise the tax concession status endorsement of not for profits at the Commonwealth level, and explore the scope for a single national application process for organisations for tax status endorsement, or mutual recognition of endorsement across all jurisdictions.

DRAFT RECOMMENDATION 7.2

Subject to considerations of affordability, the Australian Government should widen the scope for gift deductibility to include all charitable institutions and charitable funds as endorsed by the proposed national Registrar.

CANH endorsement for ANHLC response to PC

CANH also endorses the ANHLC recommendation "As outlined in its original submission ANHLC believes that the range of NFP's requiring formal endorsement for Commonwealth tax concessions should be expanded to include NFP's who engage in preventative strategies to address disadvantage."

DRAFT RECOMMENDATION 7.4

The Australian Government should establish a joint working party made up of representatives of the not for profit sector, business, philanthropic and other government to explore obstacles to not for profits raising capital and evaluate appropriate options to enhance access to capital by the sector.

DRAFT RECOMMENDATION 10.4

Australian Governments should provide support to develop and promote training for not for profit management and boards in governance and related areas. They should explore the options for improving access to and quality of such training in these areas with peak bodies and appropriate training providers.

Yours sincerely,



Gill McFadyen
Executive Officer
Community and Neighbourhood Houses and Centres Association Inc.



Angela Savage, Executive Officer
The Association of Neighbourhood Houses and Learning Centres
Floor 7, Carlow House
289 Flinders Lane
MELBOURNE VIC 3000

Dear Angela,

Support for the ANHLC response
Productivity Commission Draft Research Report
CONTRIBUTION OF THE NOT-FOR-PROFIT SECTOR

I write on behalf of Tuggeranong Link, the ACT member of the Australian Neighbourhood Centre and House Association (ANCHA), to endorse the ANCHLC response to the Productivity Commission Draft Research Report.

In particular, we support the recommended expansion of Deductible Gift Reciprocity (DGR) tax endorsement status for NFPs who work to prevent disadvantage. The current constraints restrict the ability of our houses and centres to expand and diversify. The expansion of DGR eligibility to include 'preventative activities' is paramount to future sustainability of our sector. Our houses and centres make a substantial contribution to social welfare through low-cost activities and volunteer support. Deductible Gift Recipient status would provide a significant boost to our future capacity.

Tuggeranong Link also strongly supports Draft Recommendation 7.1 to explore the scope for a single national application process for organisations for tax status endorsement. This would greatly increase the efficacy of the selection process and reduce the administrative load to the Commonwealth.

Our support also remains strong for the ANHLC proposal that as an interim measure, the definition of a Public Benevolent Institution is amended to include the word prevention. It should be re-inforced that applicants would be required to meet all existing aspects of the current PBI criteria, however the change would enable NFPs engaged in preventable activities eligibility for philanthropic funding.

If you require any further information, please contact me on 0404514898, or tugglink@pcug.org.au

Regards,

Janine Robertson, member
Tuggeranong Link and ANCHA
20 November 2009

20th November 2009

Angela Savage
Executive Officer
ANHLC
Level 7, Carlow House,
289 Flinders Lane,
MELBOURNE 3000

Dear Angela,

The Local Community Services Association (LCSA) supports the response of the Association of Neighbourhood Houses and Learning Centres to the draft research report of the Productivity Commission's Study into the Contribution of the Not-for-Profit Sector and endorses it as a national response in relation to the issues pertaining to tax deductibility.

LCSA will be submitting a separate response dealing with some of the other issues raised in the draft report and will indicate its endorsement of the ANHLC response within that paper.

Yours sincerely,



Brian L. Smith
Executive Officer
on behalf of LCSA Management Committee



Tasmanian Association of Community Houses Inc.

20 November 2009

Not for Profit Sector
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

To: Productivity Commission

Re: ANHLC written response to the Productivity Commission Research Report: Contribution of the Not-for-Profit Sector

The Tasmanian Association of Community Houses represents all 34 Neighbourhood House and Centres across Tasmania, all of which are located in disadvantaged communities. We are also a member of the Australian Neighbourhood Houses and Centres Association Inc (ANHCA) which represents over a 1000 Neighbourhood Houses and Centres across Tasmania.

TACH, and ANHCA, fully endorses the written response to the Productivity Commission Research Report: Contribution of the Not-for-Profit Sector prepared by ANHLC on behalf of Neighbourhood Houses and Centres across Australia.

The adoption of these recommendations will address serious inequity in current legislation which has limited our organisations capacity to access benefits and funds available to many other organisations, despite the fact that Neighbourhood Houses and Centres are crucial in support people in poverty in some of the most disadvantaged communities in Australia.

Yours sincerely

John Hooper
Executive Officer