L E G I S L A T I V E   A S S E M B L Y
FOR THE AUSTRALIAN CAPITAL TERRITORY

STANDING COMMITTEE ON PUBLIC ACCOUNTS
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Submission Cover Sheet

Inquiry into Grants Management

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Submission to Inquiry into grants management

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Before reading this submission, please read Accounting for New Capital and Community Capital is Ethical Capital.

The ACT Grants program webpage states

The ACT Government provides a wide range of grants and funding opportunities to financially support individuals, groups, and organisations that benefit Canberrans and the Canberra community. Information on the various categories of ACT Government grants can be found below.

This submission recommends an approach to grants and funding where they are evaluated on measures in well-being to the community for the money spent. It recommends the grants be in the form of Community Capital because Community Capital achieves the greatest value from money spent. As the money is spent in the most efficient way the evaluation is then on the basis of the increase in well-being measures. As this is a radical approach it is recommended that it be trialled with two projects. The first is Affordable Housing for twenty households and the second is for a Community owned Community Battery.

Discussion of the Current System

Many organisations seek Capital Grants to start or extend businesses. The Grants are often for Equity Capital. If the Grant is successful, the beneficiaries are the owners of the companies, and funds have transferred from one section of society to another. The government asks applicants to take a financial risk to address this issue. For ongoing businesses, it is often matching funds. For not-for-profits, it is often members' time and funds.

Other government incentives, such as the original feed-in tariffs for solar panels and the zero-interest loans to homeowners to install panels or batteries, use the same approach of requiring a financial risk by the incentive recipient.

Unfortunately, **Equity Capital disadvantages those with no Capital and advantages those with Capital**. Capital is a human invention where those without Capital have difficulty getting grants or taking advantage of zero-interest loans because they do not have matching Capital or own a property or both. Equity Capital moves wealth from the Commons to the better off.

Community Capital Grants

Community Capital is a variation of Capital available to all. It is accessible to all and is democratic. It increases the number of people who can apply for Grants. It is low-cost Capital and recycles Grant money through a community. **It is the most efficient way to distribute Capital and gives the Canberra community the greatest value for money** no matter the project.

This submission outlines Community Capital. Example projects for funding with Community Capital could be:

- Roll out **Community owned Community Batteries for less Capital.**
- Provide **100% Affordable Housing** without requiring Tax Concessions or cheaper land.
- **Community-owned Car Parking t**o address Parking issues and provide income for Community projects.
- **Reduce the Capital** needed for EV cars without government subsidies.
- All the existing projects under the grants program.

With Community Capital, a Grant is more like a high-return unsecured loan. If the Grant application allows Community Capital, then the **selection criteria change to use measures of Community Well-being** rather than financial returns. The Grants become available to all in the community irrespective of their financial and business experience.

This is possible because the government knows that the Capital is being used to its best ability and the government has real-time continuous access to the finances of a project and can be altered to potential issues.

Community Capital

Community Capital is a share of the output from assets, while Equity Capital is a share of the ownership of assets. Businesses funded with **Community Capital can still have shareholders** but share profits differently. With Community Capital, each sale also sells a little of the Capital from existing owners to the buyer, and the buyer becomes a part owner. With Community Capital, the entity owns the asset, and the owners of output receive a return on their investment with discounts when they use their Capital to purchase the assets.

With Equity Capital, shareholders get a return on investment with dividends and capital gains when selling the business or shareholding.

These differences mean Community Capital improves the efficiency of Capital by

- Removing the cost of renting money.
- Removing the cost of Capital markets.
- Making Capital available for reinvestment sooner than Capital markets.
- Preventing speculation as the return on Capital is fixed and known.
- Keeping Capital (including Grant money) inside the community.

Community Capital is more than double the efficiency of Equity Capital and will always be more productive. If a project uses Community Capital, the increase in wealth does not measure the worth of a project as the productivity of Capital is already maximised. The measure that matter is the increase in the well-being of the community the project serves.

Community Capital provides a mechanism to ensure the **use of well-being measures**. Buyers and worker shareholders control the purpose and execution of the project, and investors invest in the products produced, not the value created by the products. **Well-being measures can include the planet's well-being,** as human well-being is intimately linked with nature.

Applying for, Awarding and Administering Community Capital Grants

All Grant applications seeking funds should receive Community Capital and, where possible, **buy from organisations financed with Community Capital**.

Applications under the Community Capital Grant are for Canberra-domiciled organisations. **The assets purchased or constructed remain in Canberra**. The business may have customers outside Canberra, but the profits and assets stay in Canberra. The business structure is taxable, including companies, cooperatives, not-for-profits, and trusts registered in the ACT. Any Canberran can provide funds on the same terms as the ACT government, and **Canberrans receive investment priority.** The return on investment will often be negative, but there are returns in increased well-being of a Community and the well-being of nature.

The purpose of a grant application is from a list of approved purposes. There can be multiple purposes. If an objective is not in the published list, the applicant can add their own, along with a definition and suggestions on how it contributes to Community well-being.

Possible Examples

Affordable Housing is secure accommodation for a rent of 25% of a household's disposable income. The measure of success is the proportion of households where the occupants are not under housing financial stress.
Community Battery is where the community invests in a Battery whose operation will reduce the cost of a community member's renewable electricity. The well-being measure is the increase in disposable income for other purposes.
Community Composting where the return on the sale of compost may be negative, but there is a reduction in the cost of waste disposal and an increase in the value of soil and environmental well-being. Members might also pay a membership fee.
Community Companions are where community members have regular visits and where the return on investment is the well-being measure of connectedness per dollar spent.
Neighbourhood Watch is where community members watch for potential criminal activity against neighbours, such as thefts and damage. The well-being measures might be perceptions of safety and the incidence of crimes. There may be no return on investment but a notional payment from the government for reductions in the need for policing and reduction in crime.
Increased biodiversity where the number and variety of life form increases. One well-being measure is the cost savings from other means of eliminating invasive species.

Requirement for Matching Capital and Limitations on Expenditures

With Equity Capital, governments are concerned if the grants are cheap finance to benefit private investors. They address this problem by requiring matching funds and restricting the use of the funds. Community Capital removes this issue because the beneficiaries of the Capital are Canberra resident consumers, not investors and the positive changes in Canberra well-being measures.

Prevention of Fraud and Waste of Money

The government is responsible for preventing the waste of Public Money. Community Capital ensures that whatever was invested generates the most value for the money. This eliminates the need for expensive financial auditing and checking expenditures because the government knows how the money is spent in real time and the reason for the expenditures. The clients of the projects know what money is spent on them, and they have a voice through their possession of Capital in the project and have representation on the control board.

The evaluation and selection of projects will evolve and concentrate on measures of well-being as the likelihood of financial fraud is limited.

It is suggested that two projects suggested above be funded with Community Capital, and this be a third funded project as projects should only use service providers that are funded with Community Capital. (Note Community Capital can coexist with Equity Funding in an organisation). The reason for service providers to use Community Capital is to build control processes into the system structure. Read more on this at [Community Capital is Ethical Capital.]

Outcomes

Community Capital addresses most of the issues present in the current schemes. It removes most of the administrative burdens associated with finances as they are handled by everyday payments and receipts.
Some of those issues are:

- Reporting standardisation.
- Separate accounting for Grants.
- Financial guessing on value for money.
- Insurance
- Director's liabilities
- Auditing
- Matching funds
- Removal of restrictions on most expenses including payments to volunteers
- Allowing well-being measurements to show the value of a project rather than the money spent.