

ETHICAL FIELDS 2022

PROPOSAL FOR:
BUILDING
PLACE-BASED CAPITAL
PROGRAM, PROOF OF CONCEPT PHASE



PREPARED AND PRESENTED BY:



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1 PROPOSAL SUMMARY

Place Based Capital Program

We invite local places and strategic partners from across Australia to partner in the Place Based Capital Program.

Background

Local places have individuals and organisations from local government, business, industry and community are eager to make a difference in their region. They report that there are strong development and investment opportunities in their local area. To realise these opportunities, they require sources of funding and capital that are readily available, flexible, and supportive of local aspirations, opportunities, needs and challenges – **place based capital**.

Beyond capital, they also desire more engagement, control and influence over local investment, development and economic activity. They desire opportunities for all members of the community to participate, co-invest and share in the risks and returns of local economic and community development. Ultimately, they would like to ensure the benefits of this activity flow back into the hands of local people and organisations.

Whilst the existing funding and financial system services many areas, there are gaps and challenges with these options. Further to this, local places and organisations that have considered and attempted to set up local capital and investment structures alone, have encountered barriers with capability, capacity, funding and resources. A range of place based capital and local finance and investment solutions are available that have been tried and tested in Australia, the UK, US and other countries.

The program seeks to address these challenges and opportunities and is uniquely innovative in its desired scale, ambition and impact in Australia.

Aims

The aims of the Place Based Capital Program are to create:

- place based capital,
- a financial system and vehicle that supports place based capital and locally-led, owned and inclusive development, investment, returns and impact,
- a national network and vehicle to utilise collaboration, aggregation and/or mutualisation with local places across Australia to achieve economies of scale and access to larger forms of capital.

These aims are described in more detail below.

A. Place based capital

Place-based capital is capital that is aligned to place, where place could be considered a community, neighbourhood, local government area, town or region. It may be either capital that is owned or managed by local people and organisations which are inherently aligned to place such as local businesses and council; or capital from sources outside the region that are otherwise aligned to place, such as federal/state government and impact investors seeking to contribute to local outcomes. Place-based capital is aligned to and respectful of the vision, opportunities and challenges of local places and people. It provides more flexibility and addresses the local infrastructure and investment opportunities not being serviced by current financial systems. It is a source of capital to fund place-based, impactful projects that will benefit local regions and communities across Australia.

B. A financial system and vehicle that supports place based capital and locally-led, owned and inclusive development, investment, returns and impact

A financial system and investment vehicle focused on local economic and community development opportunities. This vehicle would be directed by the priorities of local stakeholders and provide a mechanism for local people and organisations to invest in their region and attract co-investment from outside the region. It would increase local ownership, control, influence and returns - leading to greater local self-sufficiency, resilience and prosperity. An example of this is a local impact fund - a self-sustaining, locally owned and managed investment fund that holds, manages and invests money in assets, ventures and/or infrastructure at a local scale. Such a fund can attract and aggregate other forms of capital to co-invest in regions and act as a catalyst for growing the local economy.

C. A national network and vehicle to utilise collaboration, aggregation and/or mutualisation with local places across Australia to achieve economies of scale and access to larger forms of capital

Aggregation, cooperation and mutualisation between local places and funds to create a national place-based capital system and structure. This national vehicle will optimise the outcomes for local places and their local finance and investment vehicles, achieve economies of scale and provide access to larger forms of capital. An example of this is a network of local impact funds across Australia supported by a democratically governed and collectively owned national enterprise whose role is to support individual local impact funds - local impact fund mutual.



Program Objectives

The Place Based Capital Program (Proof of Concept Phase) will bring together a group of local places from across Australia to create the Place Based Capital Community of Practice. Working together, this community of practice will...

1. Explore the individual and common economic development, community development and investment opportunities and challenges of local places and people
2. Research and explore alternative and innovative funding, finance, and investment solutions to support local economic and community development goals. Specifically, solutions that support locally-led, owned and inclusive development, investment, returns and impact
3. Research and explore funding, finance, and investment solutions that use cooperation and aggregation across regions to leverage economies of scale and access larger forms of capital
4. Design and evaluate these solutions
5. Create a next steps plan to implement the preferred solutions in your region and across Australia

By this point, and having worked together through this process, the community of practice can be confident they have a ready to build solution, effective partnership, mandate and the collective ability to engage the stakeholders and resources required to establish place based capital in their regions.



Value and benefits for local places and people

Community Development Value

1. Stop wealth, ownership and control leaking out of local communities and redirect it back into the local economy
2. Enable local organisations and people to invest in their own region and receive a return from that investment
3. Enable local organisations and people to have more control and influence over local economic and investment activity. Investment is directed by the priorities of local stakeholders
4. Enable disadvantaged local people to participate in local investment opportunities

Local Economic Development Value

1. Create a pool of capital to invest in local business, assets, infrastructure and other development and investment opportunities
2. Leverage local capital for local opportunities (currently invested outside the region or not at all)
3. Attract and access government, corporate and institutional capital through aggregated and diversified investment offerings
4. Increase local returns for local organisations and business
5. Reduce the costs of setting up and running local fund solutions by working with other regions across Australia
6. Increase individual and regional wealth and prosperity

Return on Investment Value

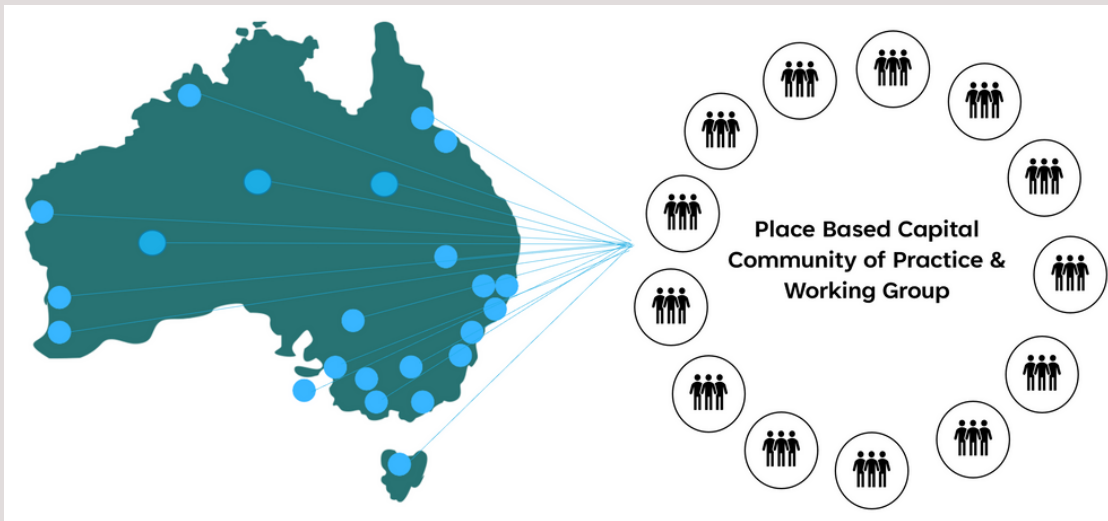
The program adopts a collaborative and co-funded model bringing together interested places and regions from across Australia to work together through a facilitated and structured process. This delivers significant value for your investment and enables your local region to:

- Develop valuable relationships and a community of practice with like-minded places, regions and peers to support your journey
- Learn more and achieve more together than you could alone
- Receive the outcomes and outputs for a fraction of the total cost
- Be in a stronger position to move forward with your place based capital goals.



Approach

Co-design and co-create these solutions with a group of local councils, communities and organisations from across Australia.



Process

The Community of Practice will work together through the following process:



Program Fees

The fee for program participation is \$2,500.

To register for the program and for more information

To register for the program or for more information, please contact: Meaghan Burkett, Director Community Wealth Building via: email: meaghan@ethicalfields.com or mobile: 0407 024 036.

2 THE CHALLENGE

LACK OF CAPITAL AND LOCALLY ALIGNED INVESTMENT VEHICLES FOR LOCAL DEVELOPMENT THAT MEET THE NEEDS, ASPIRATIONS AND OPPORTUNITIES AVAILABLE IN LOCAL AND REGIONAL PLACES AND COMMUNITIES.

Ethical Fields has consulted with representatives from over fifty regions across Australia from government, non-government organisations, community and business. We heard that one of the most significant challenges is lack of capital for local investment and development opportunities. Local places and regions need capital for local infrastructure, housing, smart and regenerative initiatives like community energy projects, and funding for small business start-ups or to simply keep local cornerstone businesses afloat. They are commonly reliant on temporary and ad-hoc grant funding, philanthropy and absentee investors from outside their region. Finance options with large institutions are inflexible and do not understand and value local needs and aspirations. Further, most local people are excluded from their region's investment and development activities, and financial rewards from these investments and activities tend to flow outside of the region.

Where there is interest from local places and regions that have considered and attempted to set up local investment structures, we understand a key challenge is capability, capacity, funding and resources to establish and operate an effective investment vehicle. High design, establishment and management costs associated with fund management's legal, governance and regulatory requirements are a common barrier to exploring place-based capital and local investment solutions.



3 THE SOLUTION

PLACE-BASED CAPITAL AND LOCAL INVESTMENT VEHICLES OWNED AND CONTROLLED BY LOCAL ORGANISATIONS AND PEOPLE, ENABLING LOCAL COMMUNITIES TO INVEST IN THEMSELVES AND THEIR REGION AND ATTRACT CO-INVESTMENT FROM OUTSIDE THE REGION THAT IS ALIGNED TO REGIONAL VISIONS AND ASPIRATIONS.



Local regions and communities have individuals from local government, business, industry and community eager to make a difference in their region. They report that there are strong development and investment opportunities in their local area. However, to capitalise on these opportunities, they require locally aligned capital. Beyond capital, they also desire more control and influence over local capital, economic and development activity. They would like to ensure the benefits of this activity flow back into the hands of local people and organisations. That's where community wealth building comes in.

What is community wealth building?

Community Wealth Building is a people-centred approach to local economic and community development. Community wealth building is built on locally rooted and broadly held ownership. It draws on these democratic principles to deliver prosperity, wellbeing, self-reliance and resilience to local communities. This is achieved via policies, strategies and local action that enable government, industry, business and community to:

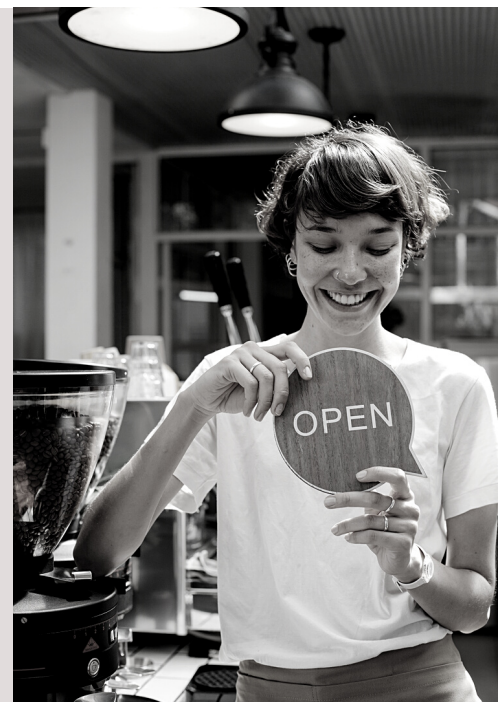
- **Empower local people and places** – By shifting more ownership, control and decision-making of the local economy and development to the people that value and rely on it the most - local residents, local business owners, local employees, local community, local agencies and organisations and local consumers.
- **Increase local ownership and prosperity** – By encouraging all local people or organisations to invest in and hold a financial and controlling stake in local assets and resources of all kinds – capital income, land, property, enterprises, infrastructure, equipment and more.

- **Anchor opportunities and prosperity to place** – By increasing industries, businesses and jobs that are anchored locally and are committed to a region and its people.
- **Make financial power work for local places** – By stopping wealth flowing out of local places and redirecting it back into the local economy. By building local financial systems and vehicles owned and controlled by local people or organisations.
- **Create an inclusive economy** – By adopting more inclusive forms of economic development and business models that build wealth and prosperity for everyone.
- **Leverage local multipliers and reinvestment** – by creating an economy and development approach that systematically reinvests in and multiplies the local impact from development and economic activity in the region.
- **Strengthen regional self-reliance and resilience** - by creating systems, institutions, enterprises, infrastructure and cultures that reinforce community ownership, leadership and wealth building.

Against this background and in consultation with representatives from across Australia, we have developed a concept that draws on the principles of community wealth building combined with local and international case studies to address this challenge.

PLACE-BASED CAPITAL, LOCAL IMPACT FUNDS & LOCAL IMPACT MUTUAL FUND

We envision place-based capital provided by a network of self-sustaining, locally-led and locally-owned place-based investment vehicles operating across Australia, supported by a nation-wide structure that provides aggregation, economies of scale and access to large scale capital. This network and system would drive locally-led and owned development, investment, and impact.



This concept seeks to build a locally-owned financial system, and infrastructure, to fund place-based, impactful projects that will benefit local regions and communities across Australia. Whilst there are a number of current projects and existing vehicles across Australia focusing on capital and investment solutions at a local scale, we are unaware of an Australian initiative that offers a locally-owned model combined with a model to leverage cooperation, aggregation and mutualisation. The concept builds on tried and tested solutions from the UK and US, but is uniquely innovative in its desired scale, ambition and impact in Australia.

What is Place Based Capital?

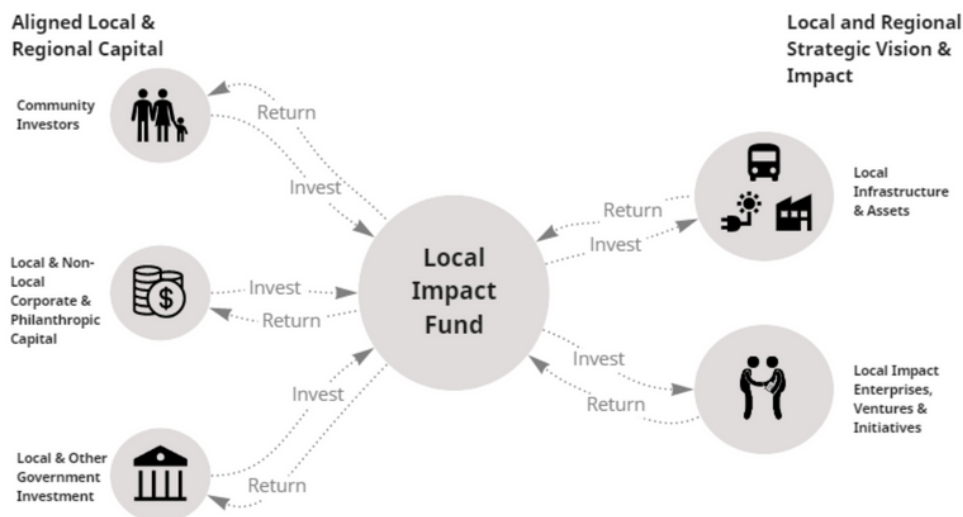
In this context, capital is defined as wealth in the form of money or other assets owned by a person or organisation or available for a purpose, such as starting a company or investing. Place-based capital is capital that is aligned to place, where place could be considered a community, neighbourhood, council area, town or region. It may be either capital that is owned or managed by local people and organisations which are inherently aligned to place, or capital from outside the region that is otherwise aligned and available to a place, such as impact investors seeking to contribute to local outcomes.

What is a Local Impact Fund?

A fund is a pool of money or property that is managed or held to make distributions to other entities. A local impact fund is a locally-owned and managed single or multi-sector fund that holds, manages and invests money in assets, ventures and/or infrastructure at a local scale. The fund creates a pool of capital to invest in local economic and community development opportunities, directed by the priorities of the local stakeholders, and provides a mechanism for local people and organisations to invest in their region. A local impact fund also has the potential to attract and aggregate other forms of capital to co-invest in regions and act as a catalyst for growing the local economy.

The concept of a local fund is not new. Similar vehicles are successfully operating across Australia. This program can learn and build on these activities. The difference with the proposed concept to existing structures is:

- local impact funds are underpinned by the principles of community wealth building that aim to create systems, institutions, enterprises, infrastructure and cultures that reinforce local ownership, leadership and wealth building;
- local impact funds do not rely upon charity and philanthropy, but rather are primarily investment vehicles that enables local people and aligned co-investors from outside the region to invest in a place and receive returns on their investment; and
- the concept aims to utilise cooperation, aggregation and mutualisation to optimise outcomes.

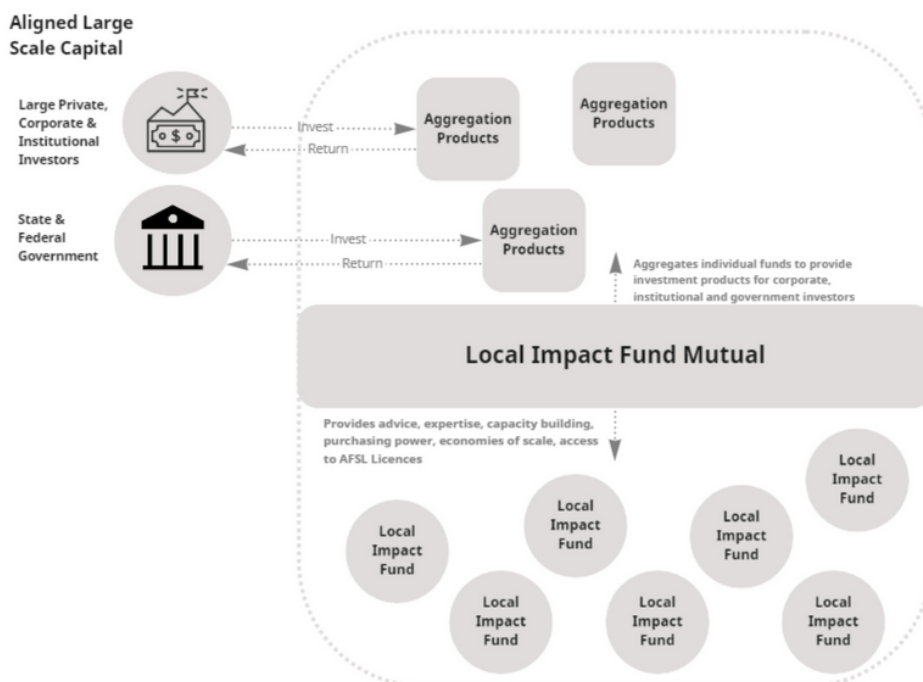


Copy of Figure 1. Local Impact Fund Diagram. Source: Ethical Fields 2022

This concept draws on elements from working examples and case studies such as the Muswellbrook Future Fund, Evergreen Cooperative Development Fund (US), North West Evergreen Fund (UK), Cheshire and Warrington Development Fund (UK).

What is a Local Impact Fund Mutual or other aggregation vehicle?

This concept aims to utilise the principles of aggregation, cooperation and mutualisation to optimise outcomes for individual local impact funds. It also creates a place-based capital system and structure that can operate at a national and institutional scale. The program will explore a range of options and entity structures for doing this. An example of a Local Impact Fund Mutual is presented here for illustrative purposes. A Local Impact Fund Mutual is a democratically governed and collectively owned entity whose role is to support a network of individual local impact funds across Australia. A mutual is a member-owned organisation where people come together to meet their shared needs. Each Local Impact Fund holds a membership share in the mutual.



Copy of Figure 2. Local Impact Fund Concept Diagram. Source: Ethical Fields 2022

Shared ownership of this structure ensures the mutual upholds the interests of the local funds that it represents. The mutual provides economies of scale in technical, managerial, financial, network and resource inputs and costs. The Mutual provides advice, expertise and capacity building for regions and individual local impact funds, addressing local capability and capacity barriers.

The mutual could hold an Australian Financial Services Licence (AFSL), allowing the mutual to provide financial product advice to the local impact funds and clients. An AFSL allows the mutual to deal in financial products, make markets for financial products and operate a registered scheme. The mutual could also provide a custodial or depository service, provide traditional trustee company services, provide a crowdfunding service and/or provide a superannuation trustee service. A mutual could aggregate investment opportunities from individual funds, thereby offering more extensive diversified products. These could be broad multi-sector products, single-sector products such as renewable energy, housing or they could be regionally focused products, such as the Hunter Region. This source of private sector capital is often difficult to access for regional projects (or an individual regional impact fund alone) due to their smaller scale and the prohibitive costs associated with creating financial products. Accessing these growing investment markets unlocks a large capital base for regional projects and initiatives.

What are the benefits of Place Based Capital, Systems and Structures?

This concept offers benefits for a range of critical stakeholders including:

- Local people, community, businesses and organisations
- Local entrepreneurs
- Local government and other development organisations
- State and Federal governments
- Investors including local investors, private and impact investors and institutional and corporate investors.

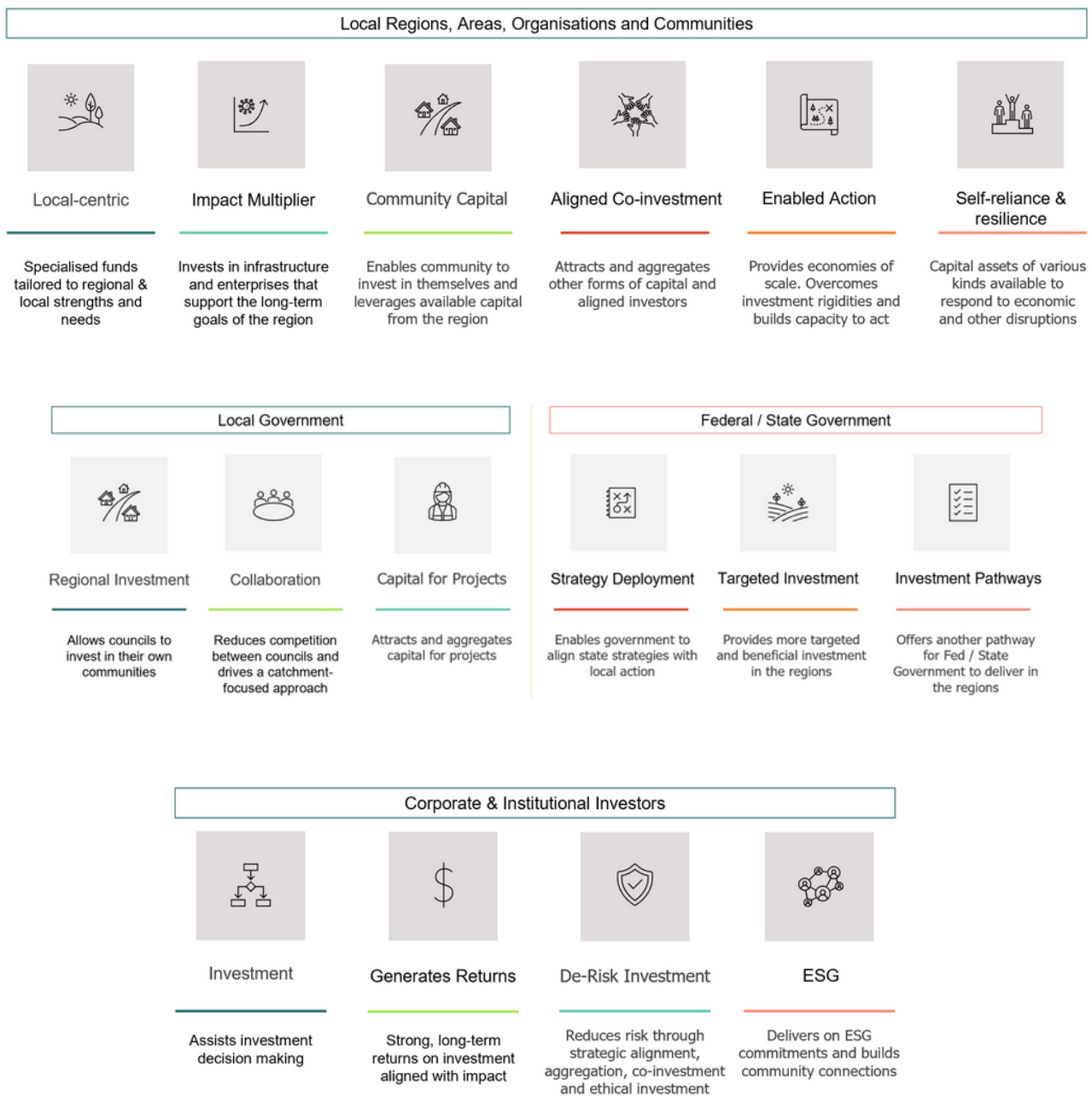


Figure 4 Advantages of place-based capital, a LIF and LIFM Model. Source: Ethical Fields 2022

4 APPROACH

A FACILITATED, COLLABORATIVE AND CO-FUNDED APPROACH WITH A COMMUNITY OF PRACTICE FROM LOCAL PLACES AND REGIONS ACROSS AUSTRALIA TO IDENTIFY AND UNDERSTAND INDIVIDUAL AND COLLECTIVE INVESTMENT AND DEVELOPMENT NEEDS, CHALLENGES AND OPPORTUNITIES, AND TO CO-DESIGN AND EVALUATE A RANGE OF MODELS THAT COULD TRANSFORM THE CAPITAL AND INVESTMENT LANDSCAPE SO THAT LOCAL PEOPLE AND PLACES THRIVE.



In conjunction with a group of local places and regions, represented by councils, economic development agencies, local organisations and/or community, Ethical Fields will facilitate a structured program to explore place-based capital opportunities in your region.

Program Objectives

The Place Based Capital Program (Proof of Concept Phase) will to bring together a group of representatives from local places and regions across Australia to create the Place Based Capital Community of Practice. Working together this community of practice will:

- Build knowledge and capability in community wealth building, investing and managed funds, cooperative and aggregation benefits and structures
- Build local and collective understanding of local capital needs, challenges, opportunities and how these relate to other regions
- Build local and collective understanding of aggregation & cooperation needs, challenges, opportunities and how these relate to other regions
- Build local and collective understanding of the requirements of setting up and running an investment fund such as governance, managerial, regulatory, technical and operational matters

- Identify, design, test and evaluate a number of solutions to create a sustainable and reliable source of place based capital for their region and a national structure to provide economies of scale (including but not limited to the the local impact fund & local impact fund mutual examples provided above)
- Engage with, learn from and test the solutions with key stakeholders such as potential community, government and private investors to better understand their needs and challenges when engaging with local investment opportunities
- Create a concept design of the preferred and most viable model that is ready for prototyping and commercialisation.

By this point, and having worked together through this process, the community of practice can be confident they have a ready to build solution, effective partnership, mandate and the collective ability to engage the stakeholders and resources required to establish place based capital in their regions.

Program Benefits

The program adopts a collaborative and co-funded model bringing together interested places and regions from across Australia to work together through a facilitated and structured process. This delivers significant value for your investment and enables your region to:

- Develop valuable relationships and a community of practice with like-minded regions and peers to support your journey
- Learn more and achieve more together than you could alone
- Receive the outcomes and outputs for a fraction of the total cost
- Be in a stronger position to move forward with your place based capital goals

Approach and Timeframes

The program adopts a co-design and ‘learning together’ approach.

Regional representatives will collaborate with Ethical Fields and the community of practice through the four stages detailed in Figure 3.



Copy Figure 3. Place Based Capital Program (of Concept Phase). Source: Ethical Fields 2022

Regional representatives will participate in initial onboarding and capacity building activities and workshops to ensure local representatives possess the foundational knowledge around community wealth building, capital, mutuals and investment necessary to confidently and effectively engage with the program.

Ethical Fields will facilitate a series of workshops, exercises and surveys that will co-define common, place-based capital needs, challenges and opportunities and the role and opportunity of aggregation and cooperation. Participants will also identify and gain an understanding of the potential needs and challenges faced by both potential investors and entrepreneurs. These insights will inform the development of several concept models that best meet needs, leverage opportunities and minimise challenges across regions.

Together, participants will evaluate the framework's technical viability and commercial feasibility, drawing on the knowledge of legal and financial experts within the finance field. Potential concept models will be evaluated, with a preferred model chosen if the option is deemed viable. With concept viability and feasibility confirmed, the co-created structure will be ready for prototyping and commercialisation which forms the basis of Phase 2 (not included in this Program). Parties interested in moving to Phase 2 will create a next steps plan to move to this next phase of prototyping and commercialisation.

For a more detailed program plan and approach please contact Ethical Fields.

5 PARTICIPATION FEES

To ensure the principles of community wealth building are embedded from start to end, and the program meets specific local needs and challenges, the program adopts a collaborative & co-funding approach with local regions and communities.

Places

We invite 15 - 20 local regions from across Australia to participate in the program. A local region could reflect a local community, local government area, town, city or wider regional area. Each of these regions will nominate 1 - 3 representatives to participate in the program activities. These representatives will liaise with stakeholders from their local region to gather information to inform the program and report back to these stakeholders about the developments, findings and outcomes from the program. Representatives could come from local councils, development agencies, community organisations, business, non-government organisations or just passionate individuals from your community. Representatives will need to commit approximately 30 hours over 8 months.

We request a co-contribution of \$10,000 for places.

Strategic Partners

We invite strategic partners to participate in the program. Strategic partners may come from government, NGO and private organisations that are keen to support the advancement of place based capital.

We request a co-contribution of \$30,000 for strategic partners.

6 ABOUT US



MEAGHAN BURKETT
PROGRAM DIRECTOR



KATE SIMPSON



GARETH PRIDAY



SHANE ARTHURSON



SAM DOOVE

Program Lead - Ethical Fields

Ethical Fields works with local councils, development agencies, business and the community on Community Wealth Building. We convene partnerships that work together to design and scale programs, initiatives and ventures that foster local autonomy, resilience and prosperity; build local and regenerative industries and enterprises and transform the economy to enable local people & places to thrive.

Our team has extensive experience in community wealth building, new economy models, fund design and management, cooperative and mutual approaches, enterprise start-up and scaling, including stakeholder engagement and capability building across these areas. We have an extensive network of partners to support program delivery and a successful track record of leading co-design projects. The project team includes Meaghan Burkett (Program Director, strategy, policy, project management, community wealth building), Rohan Clarke (financing impact, capital stack development, financial instruments, cooperatives), Gareth Priday (futures thinking and living labs), Sam Doove (economic research, analysis and new economies) and Moira Were (engagement, capability building and gender investment lens). Ethical Fields may engage other experts and partners through the life of the program to support specialist needs as they arise.

We have delivered similar co-design initiatives that focus on growing individual capabilities while promoting collaborative learning to inform the design and commercialisation of new industries and enterprises. For example, Ethical Fields designed and delivered a similar program in 2020/21 using the principles of collaboration, co-design and co-funding to explore the value of cooperation, aggregation and mutualisation for farmers seeking to access finance for natural capital. This led to the establishment of a new enterprise called Regen Farmers Mutual. The Mutual is a democratically governed and farmer-owned entity designed to help farmers access environmental markets.

For more information please visit our website www.ethicalfields.com



Lead Learning Partner - The Yunus Centre Griffith University

The Yunus Centre Griffith University is an innovation Centre experimenting with new and complexity-informed approaches that accelerate transitions to regenerative and distributive futures through systems transition. As our Lead Learning Partner they will walk alongside us, observing signals and patterns, feeding back into the community so we learn and evolve as we go.

For more information please visit their website [The Yunus Centre \(griffith.edu.au\)](https://griffith.edu.au)



7 NEXT STEPS

1. REGISTER FOR THE PROGRAM OR PARTNERSHIP

You can register for the program by contacting Ethical Fields via email: TalkToUs@ethicalfields.com via phone: 0407 024 036

2. MORE INFORMATION ABOUT THE PROGRAM

Contact	Meaghan Burkett, Director meaghan@ethicalfields.com 0407 024 036
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