

Sustainable Melbourne Fund Business Plan**Presenter:** Ian Shears, Manager Urban Sustainability**30 August 2016****Purpose and background**

1. The purpose of this report is to present the Sustainable Melbourne Fund (SMF) Business Plan and Financial Year 2017-19 Forecast (the 'Business Plan', refer to Attachment 2) to Council.

Confidentiality

2. The information contained in this report has been designated as confidential information by the Acting Chief Executive Officer because its release may prejudice the Council or any other person.

Key issues

3. SMF has prepared a three-year Business Plan (Attachment 2) to communicate the current and planned future activities, including detail on the deployment of up to \$10 million from the City of Melbourne's \$30 million loan from the Clean Energy Finance Corporation (CEFC). Management sought and received further information from SMF on the implementation of the Business Plan (refer to Attachment 3 and 4).
4. In March 2016, the Management commissioned an independent high-level review of the past five years of operations of SMF, to assess the potential benefits of future investment by Council into SMF. The report was provided to Councillors in a Confidential Briefing Paper on 22 June 2016.
5. The independent review noted that SMF has experienced lower than expected financial performance. The report also indicated that, due to recent regulatory changes to enable Environmental Upgrade Agreements (EUAs) to be issued by Councils across Victoria and developments in the EUA market nationally, SMF is potentially on the cusp of significant growth. However, SMF's ability to realise this growth and to achieve positive financial results is contingent on the increase of their debt limit from \$5 million to \$15 million (associated with the deployment of CEFC funds from Council).
6. The review findings provide an appropriate level of satisfaction to Management to continue to support the expansion of SMF. The \$10 million loan will be progressively released in four equal tranches of \$2,500,000. The first tranche of \$2,500,000 will be drawn at the completion of financial close. The three subsequent tranches will be available for draw down once 80% of the preceding tranche/s has/have been utilised and subject to financial performance to the satisfaction of the Lender at its absolute discretion.
7. Full repayment of the CEFC loan is required in October 2020. The Business Plan confirms that full deployment and repayment of the loan is a key strategic and operational focus for the Trustees of SMF. The loan will be actively monitored and managed as part of SMF's broader investment framework. More specifically a Repayment of Capital Policy has been established to further define SMF's approach to repaying the loan.
8. The Trustees of SMF have approved the Business Plan. This has been provided to the City of Melbourne along with responses to our further questions (Attachment 3) and the proposed Work Plan (Attachment 4).

Recommendation from management

9. That Council:
 - 9.1. Notes the Sustainable Melbourne Fund Business Plan and Financial Year 2017-19 Forecast.
 - 9.2. Approves the immediate release of this report (excluding Attachments 2, 3 and 4) to the public following the passing of this resolution by Council.

Supporting Attachment

Legal

1. No direct legal issues arise from the recommendation in the report.

Finance

2. Implementation of the Business Plan is contingent on the release of the \$10 million in CEFC loan from Council. Following a formal Council decision, Management will progressively and conditionally release these funds.
3. SMF has received \$425,000 from the Australian Renewable Energy Agency to fund the operational expenditure associated with the expansion of the Victorian Environmental Upgrade Agreement marketplace.

Conflict of interest

4. No member of Council staff, or other person engaged under a contract, involved in advising on or preparing this report has declared a direct or indirect interest in relation to the matter of the report.

Stakeholder consultation

5. Trustees of the Sustainable Melbourne Fund have approved the Business Plan.

Relation to Council policy

6. The recommendation will assist implementation of Council's *Zero Net Emissions by 2020* strategy, particularly in relation to the uptake of renewable energy and energy efficiency.

Environmental sustainability

7. Refer to paragraph 6.