

**Management report to Council**

**Agenda item 6.8**

**Submission under section 193 of the Local Government Act 1989**

**Council**

**Presenter:** Ben Rimmer, Chief Executive Officer

**26 June 2018**

**Purpose and background**

1. To seek Council support for a submission to the Minister for Local Government under section 193 of the *Local Government Act 1989* requesting approval to create a new City of Melbourne subsidiary company, Melbourne Digital Enterprises Pty Ltd (MDE).
2. Council has approved, over the last 2-3 years, significant steps to strengthen technology and digital service delivery within City of Melbourne operations. These steps, while ongoing, have delivered significant improvements in service delivery to the community, and to Council, while reducing the cost impacts of a growing population.
3. These developments have involved partnering with private sector software and services firms, and have been the subject of interest and attention from the local government sector in Victoria and from digital government service delivery experts more generally. An opportunity now exists to create value for Council, and reduce the cost of further technology and digital development, by forming commercial partnerships to deliver digital services at scale.
4. These partnerships have the potential to assist Council to create value and offer efficient and effective service delivery for ratepayers and other City of Melbourne stakeholders. They also offer the potential to positively influence the local government IT and digital landscape more broadly, producing wider public value.
5. The formation of a separate company limited by shares provides greater commercial freedom to explore a range of opportunities that are presenting across the public and private sector whilst providing appropriate risk management and financial protections to the Council.

**Key issues**

6. Positive discussions are ongoing with select other local governments and commercial organisations about the opportunities to establish innovative commercial structures to deliver a range of digitally enabled products and services. A separate company will allow the discussions to develop commercially while positioning the City of Melbourne as a leader in the changing sector landscape. Council has a successful model of this type of enterprise, through its wholly owned subsidiary Citywide Pty Ltd.
7. Year one costs of MDE will be limited to remuneration of an MDE executive, MDE overheads (minimal anticipated) and a small fund to establish trial ventures. The release of these funds will be overseen by appropriate governance structures and will be sourced from proposed 2018-19 organisational budgets, subject to approval by Council. Council approval will be sought for each stage of detailed implementation planning, together with financial and risk management implications.
8. MDE will have the ability to create ventures with a range of commercial and public sector partners. Each business opportunity will have an associated business case which will progress through a gated process to ensure value of opportunity and risk exposure is mitigated. Officers are aware of a number of potential high value initiatives which will be further detailed over coming months.
9. A risk assessment on the MDE initiative has been undertaken. The risks to Council have been assessed as manageable and will be controlled or mitigated via the corporate and governance structures that will be established when incorporating MDE. Under the intended corporate structure each commercial opportunity will have an associated business case and the appropriate permissions will be sought should those opportunities be progressed.
10. The operation and risk management controls of the MDE will, as with Council's other subsidiary companies, be subject to overview by Council's Audit and Risk Committee (ARC). Quarterly reports will be provided to the ARC, offering the ARC the opportunity to assure themselves that commercial developments are progressing in a way that includes sufficient controls and mitigations, and the opportunity to inform Council of any concerns.

**Recommendation from management**

11. That Council:

11.1. Approves a submission to the Minister for Local Government under section 193 of the *Local Government Act 1989* requesting approval to incorporate Melbourne Digital Enterprises Pty Ltd.

11.2. Authorises the Chief Executive Officer to prepare and lodge the submission under delegation.

**Attachments:**

1. Supporting Attachment (page 3 of 3)

**Supporting Attachment**

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**Legal**

1. Section 193 of the *Local Government Act 1989* (Act) provides a process that must be followed, before a Council can form and operate a company. The report is in accordance with the Act.
2. Legal advice has and will continue to be provided on the development and operation of MDE.

**Finance**

3. No financial impacts are involved in making the s193 submission. An entity with investment and financial risk of up to \$5 million requires approval from the Minister for Local Government, and this is the proposed request. If permission is granted and the company incorporates, Year one costs are minimal and can be accommodated in Council's proposed 2018-19 budget.

**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. Preliminary discussions have occurred with senior officers of Local Government Victoria, and with relevant public and private sector parties who are interested in these developments.

**Environmental sustainability**

6. For the s193 submission no environmental sustainability issues or opportunities are relevant. However, should the company be incorporated any ventures that will be assessed will take sustainability criteria into consideration.