

2.2 OPERATION AND MANAGEMENT OF CAFÉS AT MONASH GALLERY OF ART; MONASH AQUATIC AND RECREATION CENTRE, OAKLEIGH RECREATION CENTRE AND CLAYTON AQUATIC HEALTH CLUB

Responsible Directors: Julie Salomon/Peter Panagakos

RECOMMENDATION

That Council:

- 1. Awards the Tender for the operation and management of the Café at the Monash Gallery of Art to G'Day Chef for an initial term of three (3) years with G'Day Chef having one option to renew for a further term of two (2) years. Following an initial 12 month rent free period which begins as at the date of the commencement of the lease, the annual rental payable (including under the further option to renew) will be 4% of annual revenue.*
- 2. Awards the Tender for the operation and management of the Cafés at the Monash Aquatic and Leisure Centre, the Oakleigh Recreation Centre and the Clayton Aquatic and Leisure Centre to M & BT Investments Pty Ltd trading as Healthlink Café for \$109,999.81 (plus GST) or 10% of income, whichever is greater per annum plus a capital investment of \$308,000 for an initial term of five (5) years with one further option at their discretion to renew of five (5) years commencing by 30 September 2018;*
- 3. Authorises the Chief Executive Officer to execute the Lease and Licence agreements; and*
- 4. Authorises the Chief Executive Officer or her delegate, to approve the extension option of two (2) years for G'Day Chef and five (5) years for M&BT Investments as indicated in the Lease and Licence agreements subject to satisfactory performance of the agreement/s and the operator/s exercising this option.*

INTRODUCTION

This report advises Council of the tender submissions received for the management and operation of the Cafés at the Monash Gallery of Art, the Monash Aquatic and Recreation Centre, the Oakleigh Recreation Centre and the Clayton Aquatic Health Club.

BACKGROUND

Council, at its meeting on 27 February 2018, in part resolved to undertake an expression of interest (EOI) process for selecting a new tenant to operate the Monash Gallery of Art Café, and the Monash Aquatic and Recreation Centre, the Clayton Community Centre and Oakleigh Recreation Centre Cafés.

To determine the best outcome for Council, it was agreed that the EOI process for the new Lease or Licence to operate the cafes would include multiple options which included the following options:

- Option 1: Management and Operation of the Monash Gallery of Art Café (MGA Café);
- Option 2: Management and Operation of the Cafes at Monash Aquatic and Recreation Centre, Clayton Aquatic and Health Club and Oakleigh Recreation Centre Cafés (Leisure Centre Cafés)
- Option 3: Management and Operation of the MGA and Leisure Centre Cafés; and/or
- Alternative Option: Non-Conforming Tender. Tenderers were invited to propose alternative arrangements that demonstrate value for money benefit and to maximise the use and income to Council.

AGREEMENT PERIOD

The tender period detailed in the EOI documentation is for an initial term of three (3) years with one further option to renew for two (2) years, upon receipt of a written request from the Café operator and satisfactory compliance with the Lease or Licence terms and conditions. It is expected that the Lease or Licence agreement will commence by 30 September 2018.

PUBLIC NOTIFICATION

EOIs were advertised in The Age newspaper on Saturday 2 June 2018 and on Council's e-Tendering Portal on Friday 1 June 2018.

TENDERS RECEIVED

Ten (10) applicants registered to view the EOI documents with five formal tenders being received by the appointed closing time. Tender submissions were received from five (5) suppliers.

TENDER EVALUATION

Evaluation Panel:

The evaluation panel consisted of the: Director Community Development and Services, Manager Information and Arts, Manager Active Monash, MGA Gallery Director, Manager Property, Manager Strategic Procurement and the Chief Financial Officer.

Evaluation Criteria:

The tenders received were assessed according to the following criteria listed in the tender documentation:

Evaluation Criteria	Weighting (%)
Quality Systems (including business plan, marketing and promotion)	5.0%
Experience (including performance in managing and or maintaining other cafes or small businesses)	7.5%
Service (including the capacity provide services that are consistent with industry standards and best practices)	7.5%

Menu (including, price point and provision of a healthy menu that will complement the profile of facilities)	20%
Price (including rental return, incentives and improvements)	60%
Total	100%
Financial Viability	<i>Pass/Fail</i>
OH&S Compliance	<i>Pass/Fail</i>

DISCUSSION

There are very different model arrangements and tender offers in the two options i.e. Option 1, manage and operate the MGA Café for a base rental, or alternative rental which may include percentage rental, undertaking improvements or undertaking capital improvements or incentives in favour of Council, whilst Option 2, has a similar model to Option 1, however, is for the operation of the Leisure Centre Cafes. A final option was for the provision of a non-conforming tender with an alternative and innovative arrangement that could demonstrate value for money benefit to Council, as Council was looking to maximise use and income from the MGA Café and the Leisure Centre Cafes as was open to considering other options put forward by prospective tenderers.

Scoring for the financial component was weighted at 60% along with the non-price components at 40%.

The submissions were subjected to a basic compliance test to ensure that the tenders complied with the requirements of the EOI. Tenderers were required to provide at least one conforming submission under options 1 – 3 prior to submitting any alternate proposals for Council's consideration. Three (3) of the tenders were eliminated from further evaluation due to significant non-conformances.

Two tenderers, G'Day Chef and M & BT Investments were shortlisted for further evaluation for the operation and management of the MGA Café. M & BT Investments was also shortlisted for further evaluation for the operation Leisure Centre Cafés (Option 2). M & BT Investments included an alternate proposal which was also evaluated. The alternate proposal offered capital investment at all three sites associated with the upgrade and branding of the three Leisure Centre Cafés and that this investment would be offset by an amendment to the contract or five (5) years with one further option to renew for a further (5) years, upon receipt of a written request from the Café operator and satisfactory compliance with the Lease or Licence terms and conditions.

These two tenderers were then subjected to further evaluation and scrutiny that involved an assessment of the responses to the criteria contained in the tender specification, and the responses to the mandatory Tender Returnable Schedules included in the tender documentation.

Evaluation Criteria Summary:

Based on the evaluation criteria and weightings the Tenderers ranked in the following order from highest to lowest.

The Preferred Tenderer for the operation and management of MGA Café was ranked 1.

	Tenderer	Non-Price (40 %)	Price (60 %)	Total Score
1	G'Day Chef	36	36	72
2	M&B Investments	10	60	70

The Preferred Tenderer for the operation and management of Leisure Centre Café was ranked 1.

	Tenderer	Non-Price (40 %)	Price (60 %)	Total Score
1	M&B Investments trading as Healthlink	35	60	95

FINANCIAL IMPLICATIONS

MGA Café

The financial modelling provides a realistic plan to grow the business to be a viable offering. The schedule of offer is for an annual rental of 4% of turnover inclusive of outgoings and a take up of the offer of having the first 12 months' rent free.

Leisure Centre Cafés - Option 2

The return to Council for the Leisure Centre Cafés contract from M & BT Investments is \$117,272.55 (plus GST) for the conforming tender and \$109,999.81 (plus GST) for the non-conforming tender. The non-conforming tender also includes a total capital investment of \$308,000 by M & BT Investments, comprising \$200,000 in the Monash Aquatic and Recreation Centre, \$100,000 in the Oakleigh Recreation Centre and \$8,000 the Clayton Aquatic Health Club.

As part of the due diligence, a Corporate Scorecard report was obtained for the two conforming short listed tenderers.

CONCLUSION

The evaluation panel recommends the appointment G'Day Chef for the operation and management of the Cafe at the Monash Gallery of Art; and M & BT Investments Pty Ltd trading as Healthlink Café, alternate proposal for the operation and management of the Cafés at the Monash Aquatic and Leisure Centre, the Oakleigh Recreation Centre and the Clayton Aquatic and Leisure Centre.

The initial term of the MGA contract is for three (3) years with one further option to renew for two (2) years, upon receipt of a written request from the Café operator and satisfactory compliance with the Lease or Licence terms and conditions. It is expected that the Lease or Licence agreement will commence by 30 September 2018.

In accordance with the proposed terms of the alternate proposal for the operation of the Leisure Centre Cafés, the contract is for five (5) years with one further option to renew for a further (5) years, upon receipt of a written request from the Café operator and satisfactory compliance with the Lease or Licence terms and conditions.