

**ITEM 17. EXEMPTION FROM TENDER - VENUE MANAGEMENT CATERING SERVICES CONTRACT**

**FILE NO: S085074.012**

**SUMMARY**

The City's current catering services contract with Restaurant Associates (Australia) Pty Ltd (Restaurant Associates) will expire on 30 June 2016. Following the completion of an EOI, a procurement process has commenced for the awarding of a new 10 year catering services contract.

Separate to this procurement process, an extensive upgrade of Level 4 of Town Hall House, which includes the production catering facilities, is scheduled for early 2017 (and will involve a complete shutdown of the floor).

There is no alternative location within Sydney Town Hall or Town Hall House that can readily accommodate a commercial production kitchen the size and capacity required to service the Sydney Town Hall catering services operation.

In line with expert external advice, it is now proposed that the procurement process for a new catering services contract be deferred, and that a further extension of the existing catering services contract be sought to enable completion of the upgrade works.

The benefits of this proposal to the City and its clients are:

- continuity of service delivery throughout the refurbishment period;
- income levels generated by the contract during the refurbishment period will continue; and
- the new catering contract and financial offer to Council will not be impacted by any allowances or caveats made by future caterers to cover the refurbishment period.

**RECOMMENDATION**

It is resolved that Council:

- (A) approve an exemption from tender, in accordance with section 55(3)(i) of the Local Government Act 1993, for the contract catering supply arrangements that cover Sydney Town Hall and the Barnet Long Room at Customs House operations, until the completion of the Town Hall House level four upgrade period, currently forecast as 30 June 2017, noting that, because of extenuating circumstances, a satisfactory result would not be achieved by inviting tenders at this time;
- (B) note that the reasons why a satisfactory result would not be achieved by inviting tenders are:
  - (i) there is an increased risk of transitioning to a new catering service provider during the refurbishment period, including the impacts this will have on continuity of service to venue hirers and disruption to venue operations; and

- (ii) there is a risk of a decreased financial offer to Council if the contract commences during the refurbishment period;
- (C) note the financial implications and consultants recommendations detailed in confidential Attachments A and B to the subject report;
- (D) approve the variation of the existing contract with Restaurant Associates (Australia) Pty Ltd; and
- (E) authority be delegated to the Chief Executive Officer to negotiate an extension of the contract to cover the period until the completion of the Town Hall House level four upgrade (noting exact dates are to be finalised once the procurement process relating to the Level 4 upgrade has been completed).

### **ATTACHMENTS**

- Attachment A:** Review and Recommendation of the current and future catering contract arrangements by Hospitality Management Australia (Confidential)
- Attachment B:** Forecasted financial implications of the extension of the current catering contract (Confidential)

**(As Attachments A and B are confidential, they will be circulated separately from the agenda paper and to Councillors and relevant senior staff only.)**

## **BACKGROUND**

### **Venue Management Catering Contract**

1. The City has a contract with Restaurant Associates (Australia) Pty Ltd (Restaurant Associates) for the provision of catering services to the Sydney Town Hall and the Barnet Long Room at Customs House
2. The final option of the Venue Management Catering Contract with Restaurant Associates was approved by Council on 9 December 2013 and expired on 31 December 2015.
3. As part of the approval of the final option, the contract terms were reviewed independently and benchmarked with similar venues. These arrangements are considered to be in line with, or above, what is currently achievable in the market
4. An extension of this contract until 30 June 2016 was approved under delegated authority in October 2015 to allow for the procurement and tendering process to be completed, and an appropriate time for the physical change over in the kitchens without impacting event schedules.
5. The procurement process for the new 10 year catering contract is underway. The EOI process to shortlist appropriate caterers with the capacity to fulfil the requirements of the contract has been completed. Tender documentation to the five shortlisted caterers is due to be issued in May 2016.

### **Town Hall House Level 4 Upgrade**

6. Integral to the operation of the Sydney Town Hall is the catering production kitchen located on Level 4 of Town Hall House. All food prepared under the contract originates from this location.
7. The current project plan for the Level 4 upgrade includes an upgrade to the production kitchen and amenities. This requires a shutdown of the floor for up to six months (currently forecast as January to June 2017) while the works are being undertaken, making the production kitchen unable to be used during this time.
8. During this period, the contracted caterer will need to make alternative arrangements for the majority of catering production to be undertaken off site, as well as some equipment storage requirements. A strategy, involving re-engineering of menus logistics including delivery trucks and hot boxes from another location, as well as offsite storage, will need to be in place during this period to service the catering requirements of the Sydney Town Hall.
9. The changes to traffic arrangements in the City due to the Light Rail construction will make a logistics plan relying on road access in the CBD challenging, with an increased risk of not delivering catering to site at the required time for events. The importance of experience and understanding of the catering operator and its relationships with venue hirers will be critical to the success of these interim arrangements.
10. To successfully achieve these requirements, the nominated caterer during this period will need to have:

- (a) sufficient resources and capacity within its organisation;
  - (b) detailed technical understanding of both the specific client and City operational requirements; and
  - (c) established, good working relationships with all parties.
11. The incumbent caterer has performed to the City's satisfaction throughout the contract period, has previous experience in operating in the Sydney Town Hall and Town Hall House during capital works, and is capable of managing the unavailability of the Level 4 production kitchen without closure or disruption to events or services

## **KEY IMPLICATIONS**

### **Impact of the Level 4 Upgrade on the Catering Contract**

12. Due to the timing of the upgrade works and the catering contract tendering, it is likely that the value of the tender responses, in particular, the financial offer to the City, will be impacted by the uncertainty and costs associated with the unavailability of the production kitchen. This concern has been confirmed by Hospitality Management Australia, the consultancy firm providing support to the City in the finalisation of the tender documentation. A copy of its opinion and recommendation regarding this issue is in confidential Attachment A.
13. To transition a new catering operator in the first year of the contract, during the upgrade period, with potentially limited experience of Sydney Town Hall venue operations, or established relationships with hirers, presents a significant risk to the City.
14. An option to mitigate this risk is to extend the term of the existing catering contract and reschedule procurement and commencement of a new catering contract once the upgrade/refurbishment works are completed
15. The current catering contract has the ability to allow the caterer to make alternative arrangements for production kitchen activities without impacting the financial return (the turnover based commission payment) to the City.
16. The incumbent caterer has the capacity and resources to cover this period. They have a better understanding of specific client requirements and operational logistics associated with the Sydney Town Hall to manage service delivery over the refurbishment period than would a potentially new, untested operator with less than 12 months experience operating in the venue.

## **FINANCIAL IMPLICATIONS**

17. It is anticipated that a better return to Council will be achieved from the catering tender if there is no requirement to make alternative production kitchen arrangements in the first year of the contract.
18. A forecast of the revenue generated under the current contract for the extension of term (forecast as 1 July 2017) is in confidential Attachment B and is in line with previous years.

**RELEVANT LEGISLATION**

19. The requirements for tendering under section 55(3) of the Local Government Act 1993 do not apply to a contract where extenuating circumstances are demonstrated, and Council decides by resolution, which states the reasons for the decision, that a satisfactory result would not be achieved by inviting tenders.
20. Attachments A and B contain confidential information which, if disclosed, would:
  - (a) confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business; and
  - (b) prejudice the commercial position of the person who supplied it.
21. Discussion of the matter in an open meeting would, on balance, be contrary to the public interest because it would compromise Council's ability to negotiate fairly and commercially to achieve the best outcome for its ratepayers.

**CRITICAL DATES / TIME FRAMES**

22. Based on the current Level 4 upgrade program, the anticipated term of the variation of the contract with Restaurant Associates will be 1 July 2016 to 30 June 2017, noting exact dates are to be finalised once the procurement process relating to the Level 4 upgrade has been completed..
23. The recommended extension will ensure that the financial offer to the City for any new contract for the catering services will not be compromised by the upgrade works.
24. The tender process for the new catering term will continue. The commencement date of the new catering contract will be drafted at the completion of the Level 4 upgrade, anticipated as 1 July 2017.

**OPTIONS**

25. Options available are:
  - (a) Endorse the extension of the existing catering contract to cover the upgrade period. This is the preferred option.
  - (b) Continue with the tender process to appoint a new operator commencing 1 July 2016. This is not recommended due to the risks associated with the delivery of catering services during the upgrade period.

**GEORGE ANGELIS**

Acting Director City Operations

Melissa Bajugi, Manager Venue Management Unit