



REPORT FOR

**CONFIDENTIAL MEETING OF
COUNCIL**

MEETING DATE

25 AUGUST 2020

RECORD NO:

D20/66577

REPORT OF:

ORGANISATIONAL SERVICES & EXCELLENCE

TITLE:

CIVIC CENTRE CAFE

1. *That pursuant to Section 90(2) of the Local Government Act, 1999 the Council orders that the public (except staff on duty) be excluded from the meeting to enable discussion on the Civic Centre Cafe.*
2. *That the Council is satisfied that pursuant to section 90(3) b (i) and b (ii) of the Act, the information be received, discussed or considered in relation to this item is:*
 - *information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council; AND*
 - *information the disclosure of which would, on balance, be contrary to the public interest.*
 - *The disclosure of the included information would directly impact Council's ability to negotiate the best value for money for the community.*
3. *In addition, the disclosure of this information would, on balance, be contrary to the public interest. The public interest in the public access to the meeting has been balanced against the public interest in the continued non-disclosure of the information. The benefit to the public at large resulting from withholding the information outweighs the benefit to it of disclosure of the information. The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances on the basis that the public release of this information.*

PURPOSE

To inform Council of an Expression of Interest received from Bake & Brew Café Pty Ltd in relation to applying for a further three year lease of the Civic Centre Café.

RECOMMENDATION

That Council authorises the Chief Executive Officer to execute a lease for the Civic Centre Café as outlined in the report titled "Civic Centre Café" and dated 25 August, 2020 as per the following details:

1. for a period of up to 3 years with Bake and Brew Café or their nominated trading enterprise;
2. for a minimum lease fee (excluding outgoings) as follows
 - Year 1 (First 6 months) \$0 per week
 - Year 1 (Second 6 months) \$50 per week
 - Year 2 \$2,600 per annum
 - Year 3 \$2,600 per annum

(with the Chief Executive Officer authorised to negotiate a higher fee should circumstances improve with regard to COVID-19 for years 2 and 3).

RETENTION OF CONFIDENTIAL DOCUMENTS

1. That having considered the agenda item entitled Civic Centre Cafe and dated 25 August 2020 in confidence under section 90(2) & (3) b (i) and b (ii) and Section 91(7) of the Local Government Act 1999:

- information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council; AND**
- information the disclosure of which would, on balance, be contrary to the public interest**

the Council pursuant to section 91(7) of the Act orders that the report, attachments and minutes relevant to this item be retained in confidence until signing of a lease or licence.

2. That the Council gives the power pursuant to Section 91 of the Local Government Act 1999 to the Chief Executive Officer to revoke the order made under Section 91 (7) of the Local Government Act 1999 subject to the Chief Executive Officer consulting with the Mayor and reporting to the Elected Members of the revocation.

1. BACKGROUND

At the Council meeting held on Tuesday 11 October 2011 Council called for a report on the future options for Scribes Café. The report to include recommendations on the following:

1. *An audit of current operations and considerations of the 2010 retail specialist recommendations.*
2. *The reporting of in-kind costs (operational and capital) which may not be attributed to Scribes.*
3. *Alternate business models including but not limited to:*
 - *Franchise of existing café/retail business*
 - *Use of volunteers, and*
 - *Alternate service provisions.*

This report was presented to Council in August 2012. This report detailed the financial position of the in-house operation of the café as recording an average \$100,000 - \$120,000 loss per annum. At this meeting Council endorsed:

- a. *The continued provision of a café within the Civic Centre; and*
- b. *For staff to commence an Expression of Interest to invite proposals from third parties to operate the café.*

The expression of interest (EOI) process was successful with Council receiving two suitable submissions. P & D Property Traders Pty Ltd trading as Topiary Pantry were awarded the lease after Council considered the EOIs at a special Council meeting on 29 January 2013.

From April 2013 P & D Property Traders Pty Ltd operated the café under a formal lease arrangement which contained a six month termination at convenience notice period. Council staff were provided a copy of the financial statements of the entity and it was acknowledged that the café operations were breaking even.

In April 2015 P & D Property Traders Pty Ltd formally advised Council of their intention to exercise their termination at convenience from mid-October 2015, due to changes in the company direction and the fact that the business was operating at a loss.

At the Council Meeting of 14 July 2015, Council authorised the Chief Executive Officer to execute a lease for the Civic Centre Café Bake & Brew Café for a period of five years commencing on 21 September 2015?

On 27 July 2020 Council received correspondence from Bake & Brew requesting a new lease for three more years. Request provided as Attachment 1.

Bake & Brew, like most small businesses and cafés have been impacted badly by COVID-19.

On 23 March 2020 the Australian Government placed limits on restaurants and cafés and announced that from midday café's be restricted to takeaway and/or home delivery.

Bake & Brew were forced to temporarily close its doors at this point due to restrictions placed on library and community facilities and resumed trading on Monday 22 June 2020 with a comprehensive COVID-Safe Plan in place.

2. DISCUSSION

Over this time, staff have witnessed the effort put into the business by the current owners, management and staff. It is acknowledged that a considerable amount of effort has been put into improve the variety and quality of food and coffee provided to our community who use the facility. A harmonious relationship between the Council has been achieved and the service offered to Library customers and people enjoying Civic Park and its surrounds has attracted positive feedback from our community.

With regard to COVID-19 restrictions, the café has an area in its indoor dining room of 75.5 square metres. This has implications on the maximum number of people that can visit the café area.

Currently a maximum of 18 people excluding staff are allowed to eat and visit the premises. The outdoor dining tables can facilitate 10 people. Additional chairs and tables in the library are currently not accessible due to the impact on cleaning costs, further restricting the number of customers for the café. This plan, although restricted is workable for the Café, however it limits income and with the unpredictable climate threatening further restrictions, it is difficult for the Café and additionally all small business to put in place firm business plans and make financial predictions.

For the café to succeed in the long-term, their request for a smaller lease fee in the short-term, is a reasonable proposition in the current climate. It is suggested that in the interest of encouraging employment in the area and assisting this small business to survive through these uncertain times that Council considers accepting the request from Bake and Brew for a further 3 year lease.

3. STRATEGIC OBJECTIVES

Strategic Plan

The following strategic objectives in Council's Strategic Plan 2020 are the most relevant to this report:

Objective	Comments
Community	
<i>People feel a sense of belonging, inclusion and connection with the City and the community</i>	People accessing the Civic Centre feel connected to the community, through being able to access services and support local business.
Economy	
<i>Modbury Precinct is revitalised as the city's key activity</i>	Café is located in the heart of Modbury Precinct and is an attractor to service provided to the community at the Civic Centre.

<i>A local economy that is resilient and thrives, where businesses are supported to grow and prosper, provide local jobs and sustain our community and visitors and utilize technology to improve the livability of our city</i>	Supporting a local business who is providing jobs for individuals within the City of Tea Tree Gully community.
Leadership	
<i>Major strategic decisions are made after considering the views of the community</i>	Conscious of the current situation in the community and make sound decisions to support the community.

Policies / Strategies

4. LEGAL

The lease will be prepared by Council's lawyers in line with Council's standard leasing terms and conditions and costs will be borne by the lessee.

The current operators ensure compliance with all WH&S Guidelines.

Regular building inspections will be scheduled to be conducted to ensure compliance with lease terms and conditions.

5. RISK – IDENTIFICATION AND MITIGATION

Nil

6. PEOPLE AND WORK PLANS

Nil

7. FINANCIAL

An adjustment will be made in Q1 budget review.

8. ASSETS

Nil

9. ENVIRONMENTAL

Nil

10. COMMUNITY AND STAKEHOLDER IMPACT

The café provides significant social opportunities to the community and staff who use the Civic Centre and in particular Library patrons.

11. COMMUNITY AND STAKEHOLDER ENGAGEMENT

Nil.

12. PROMOTION AND COMMUNICATIONS OF COUNCIL DECISION AND OPERATIONAL IMPACTS

Nil

13. INTERNAL REPORT CONSULTATION

The following staff have been included in the consultation process in the preparation of this Report.

Name	Position	Consulted about
Helen Kwaka	Manager Library Services Arts & Culture	Library Services

Attachments

1. Correspondence Received - Request for three year lease - Bake and Brew Cafe

Report Authorisers

Diane Kunze Executive Assistant	8397 7398
Ryan McMahon Director Organisational Services & Excellence	8397 7297



July 27, 2020

Lease of Civic Centre and Library Café from the City of Tea Tree Gully.

For the attention of:

Ryan McMahon
Organisational Services and Excellence

The current Lessee wishes to apply for a further 3 year lease of the Café. The business will continue to trade as Bake and Brew Café under the current management and staff.

Over the last 5 years the business has been developed from a turnover of \$327,000 pa under the previous lessee to a turnover of \$466,000 for year ended June 30, 2019. As would be expected turnover for June 30, 2020 has been impacted badly by Covid-19 and as reported is \$357,000.

The proprietors would like to think that over the last 5 years of trading the council and library staff have seen the growth and effort put into the business by the current owners. Management and staff have put a lot of effort into improving the variety and quality of food and coffee provided. We believe this is working harmoniously with council, council staff and Tee Tree Gully ratepayers as a whole.

The business currently employs 7 staff at an average salary of \$33,000pa per person. This business is a very much wage only business and does not return any significant profit or distribution to the owners. Net Profit as calculated by Dean Newberry & Partners for the last two financial years has been \$1436 for Y/E 30/6/19 and \$1456 for Y/E 30/6/20.

For the four years leading up to Y/E 2020 the average sales per day was \$1732. The business has been operating for 5 weeks now since the Covid-19 shut-down and the best days takings has been \$1200. This is due to council staff working outside the civic centre and very much reduced Library activities and

staffing. The business is now in a position of uncertainty with no idea of if and when things will return to normal, if ever. As such it is impossible to budget for June 30, 2021 and beyond that.

The Proprietors would like to be in a position to provide the council with a nominal \$50 per week rent after a period of 6 months with the hope that business will return to some form of normality in this period. This will depend on a whole series of events over which the proprietors have no control. Significant among these events are council themselves returning to a normal business operation and indeed the library as well. This will obviously be subject to national and even world-wide progress and health restrictions.

The proprietors submit this application for council consideration and approval. If you have any queries or require any further information please contact the undersigned.

Paul Bastian

Paul Bastian
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