

CONFIDENTIAL

Ordinary Council Meeting Agenda

Tuesday 14 April 2020
Commencing at 7:00pm

Council Chamber
Hobsons Bay Civic Centre
115 Civic Parade, Altona

**HOBSONS
BAY CITY
COUNCIL**



THE COUNCIL'S MISSION

We will listen, engage and work with our community to plan, deliver and advocate for Hobsons Bay to secure a happy, healthy, fair and sustainable future for all.

OUR VALUES

Respectful

Community driven and focused

Trusted and reliable

Efficient and responsible

Bold and innovative

Accountable and transparent

Recognised

Council acknowledges the peoples of the Kulin Nation as the Traditional Owners of these municipal lands and waterways, and pay our respects to Elders past and present.

Chairperson:

Cr Colleen Gates (Mayor)

Wetlands Ward

Councillors:

Cr Angela Altair

Strand Ward

Cr Peter Hemphill

Strand Ward

Cr Jonathon Marsden

Strand Ward

Cr Tony Briffa

Cherry Lake Ward

Cr Sandra Wilson (Deputy Mayor)

Cherry Lake Ward

Cr Michael Grech

Wetlands Ward

Aaron van Egmond
Chief Executive Officer
Hobsons Bay City Council

CONTENTS

13 In Camera Business.....	3
13.1 Proposed Transfer of Ownership of Regional Kitchen Pty Ltd	3

1 In Camera Business

Recommendation

That Council considers the confidential report listed below in a meeting closed to the public in accordance with Section 89(2) of the *Local Government Act 1989*:

13.1 Proposed Transfer of Ownership of Regional Kitchen Pty Ltd

This report is considered confidential under s89(2)(d) of the *Local Government Act 1989* as it relates to contractual matters.

13 In Camera Business



This report is considered confidential under s89(2)(d) of the *Local Government Act 1989* as it relates to contractual matters.

13.1 Proposed Transfer of Ownership of Regional Kitchen Pty Ltd

Directorate: Corporate Services

Councillor Portfolio: Social Wellbeing and Community Services - Cr Tony Briffa and Cr Colleen Gates

Appendices:

- 1 Community Chef Non-Binding Indicative Offer (confidential) 
- 2 RK Response to DHHS Non-Binding Offer (confidential) 

Purpose

To propose that Council sell its share in Regional Kitchen Pty Ltd (Regional Kitchen) to the Department of Health and Human Services (DHHS) or its nominee, such that all debts and liabilities held by Regional Kitchen are no longer the liability of Council once the sale is concluded.

Recommendation

That Council:

1. **Agrees to the sale of the shares in Regional Kitchen Pty Ltd owned by Council to the Department of Health and Human Services (DHHS) or its nominee on terms that reflect the letters of a non-binding indicative offer issued by DHHS dated 13 March 2020 and 23 March 2020.**
2. **Takes any action that is required under the Local Government Act 1989 in order to execute the relevant documents and complete the transaction.**
3. **Executes or approves any other relevant transaction documents.**
4. **Delegate to the CEO to undertake and execute the administration of these tasks on Council's behalf.**

Summary

Established in 2008, Regional Kitchen operates a food preparation and pre-prepared meal delivery business through its wholly owned subsidiary company RFK Pty Ltd, which trades as Community Chef. Initially funded via \$6M Victorian State Government and \$9M Federal Government grants, Regional Kitchen is a company registered in Victoria and its issued shares are owned by 17 councils, Hobsons Bay City Council among them.

Developed at a time to fill a market service gap and bring about supply stability for home delivered meals, Regional Kitchen has produced over \$7.5M delivered meals. Unfortunately, the delivered meal market has now dramatically changed calling into question the business's viability into the future.

Using a shared service model, Community Chef provides councils with delivered meals to vulnerable members of the community. However, in recent years demand for these programs has significantly declined. Despite attempts by Regional Kitchen to broaden its revenue sources into other markets, it has become clear that the existing income stream is no longer financially sustainable.

DHHS has recently approached Regional Kitchen and Community Chef with a view to acquiring the companies. It is understood that DHHS was motivated to pursue the acquisition because of a desire to secure independent meals supply for its hospital, correctional and aged care facilities.

In order to ensure ongoing supply to councils and the broader community through the public health system, it is recommended that Council transfer its shares in Regional Kitchen to DHHS.

Background

Hobsons Bay City Council (HBCC) has had a longstanding commitment to Regional Kitchen since its inception in 2008 and the commencement of supply through Community Chef in 2010. Up until 2011 HBCC was the operator of a commercial kitchen in Darebin providing meals for six councils including Hobsons Bay.

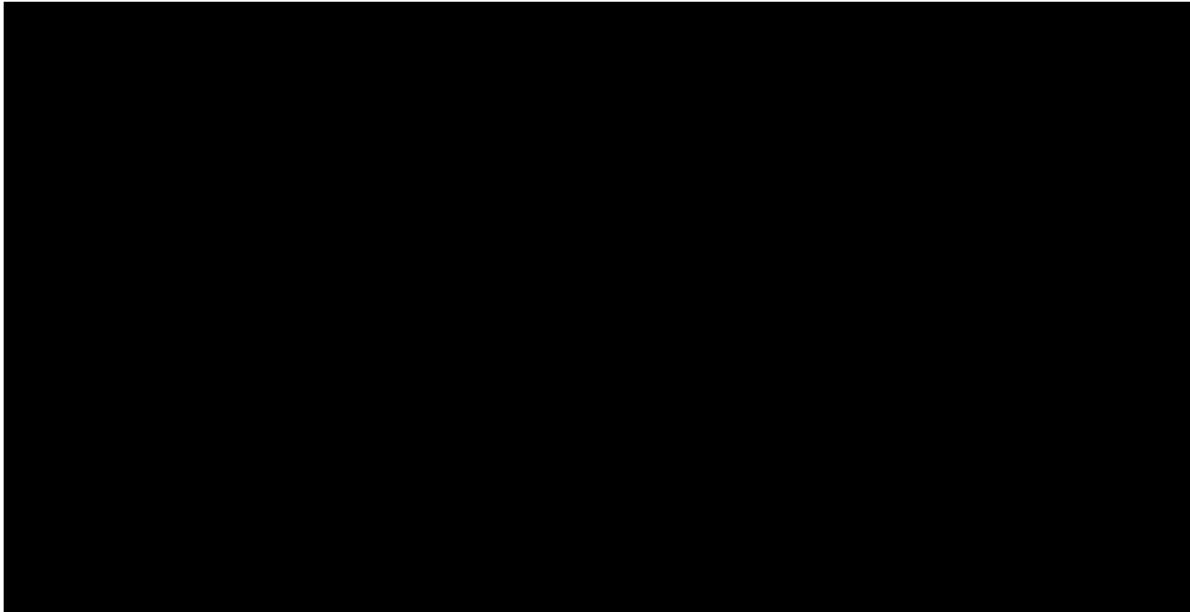
Council's decision to participate in the formation of the Regional Kitchen enterprise was an attempt to provide nutritional, reliable, and consistent availability of home delivered meals whilst leveraging off the economies of scale brought about by local government collaboration.

During its operation, Community Chef has created stability in an unreliable market that catered poorly for Local Government delivered meals programs and has provided ongoing employment for 55 staff, many of which required employability support. Community Chef attempted to reflect the "greater good" that local governments can achieve when they work together.

Community Chef operates from a facility situated at 43-47 Drake Boulevard, Altona that was designed to cater for significant growth in demand for meals from the councils' delivered meals programs. Its strategy also aspired to grow the business more broadly in the aged care, hospital and correctional facility markets. Community Chef provides meals for these markets across Victoria and now, also, in New South Wales.

HBCC, along with various other local governments, has agreements with Community Chef for the supply of pre-prepared meals. The demand from councils for their delivered meals programs – previously more than half of Community Chef's sales volume – has, unfortunately, declined significantly year on year since it commenced trading. Likewise, the corresponding annual income of the business has continued to fall.

In the context of HBCC, our demand for home delivered meals has been in rapid decline. The figure outlined below shows that our meals have dropped by [REDACTED]



Despite attempts to broaden the revenue base, the current income stream and the consistent decline in Council meals requirements across the sector will not sustain the business, even in the short term.

While a growing number of alternatives to the supply of delivered meals now exists, in the current context these may be difficult to secure. It is therefore important to preserve councils' access to meal supply for vulnerable residents, particularly for those councils that unlike HBCC, have a high reliance on Community Chefs production capacity.

Chronology

In 2008 HBCC purchased shares in both Regional Kitchen Pty Ltd [redacted] and RFK Pty Ltd (Community Chef) [redacted]. The companies were structured so that the Regional Kitchen would provide the land and buildings and RFK would operate the kitchen. Its profits were intended to fund the loans taken by Regional Kitchen to fund the land and building construction of the Altona complex.

HBCC was one of many councils competing to locate the Regional Kitchen within their municipality, demonstrating its resolve by [redacted]

[redacted] It offered Regional Kitchen [redacted]

[redacted]

[redacted] Following a request from the Regional Kitchen [redacted]

[redacted]

[redacted]

HBCC's participation in the Regional Kitchen was initially through the then Council CEO, Bill Jaboor, holding a position on the inaugural board and positioning itself as one of the founding shareholders.

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

Discussion

Current structure of Regional Kitchen

In addition to owning all the issued shares in Community Chef, Regional Kitchen also owns the land and buildings of the facility at Altona.

[Redacted]

- [Redacted]
- [Redacted]

Regional Kitchen also has several refundable deposits payable to shareholders, which have been provided as secured funding to assist in its cash flow challenges.

[Redacted]

Recent developments

Over the last six months, DHHS has approached the companies with a view to acquiring them. To this end, DHHS has conducted due diligence and valuation of the companies and has put forward an offer to shareholders.

The Board of Regional Kitchen has been advised that independent valuations obtained by DHHS estimate that [REDACTED]

At the direction of shareholders, the Board engaged William Buck to undertake an independent expert report on the DHHS valuation. The independent valuation undertaken by William Buck for the land and building and the plant, property and equipment [REDACTED] [REDACTED] Given this and the current coronavirus (COVID-19) emergency, the recommendation is for a swift transfer of the business to DHHS to ensure ongoing supply to councils and the broader community through the public health system.

[REDACTED]

A transfer of ownership would be achieved by a transfer of the shares in Regional Kitchen to DHHS. The terms of the share transfer have been outlined in the non-binding indicative offer. DHHS has offered to acquire either 100 per cent of the shares in Regional Kitchen or certain assets and liabilities of the companies. In consideration of the transaction, the buyer will:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]

At the time of the transfer of shares, council shareholders would also terminate, by consent, the Shareholders' Agreement applicable to Regional Kitchen. After the transfer, DHHS would own the companies, including all assets and liabilities of the companies. It is also understood that the current employees of the Regional Kitchen [REDACTED]

To implement the transaction each relevant council and DHHS will be required to execute a share transfer form, which will be a simple two-page document. There may also be a share transfer agreement to be executed that would set out further terms applicable to the transfer of shares.

DHHS has signed a supply agreement with Community Chef for large volumes of meals, which would provide the company with enough cash flow to continue. [REDACTED]

[REDACTED]

Next steps

The next meeting of the Regional Kitchen board is scheduled for the 29 May, 2020 to ratify the sale to DHHS or otherwise. Whilst no indication of urgency had been indicated by the board, recent indications are that shareholders are requested to have their formal positions on the sale prior to the end of April, 2020.

It is recommended that Council determines at its 14 April 2020 Ordinary Council Meeting to sell Council's share of Regional Kitchen to DHHS, following the actions outlined in this report's recommendations. If most shareholder councils formally agree to the proposed sale of Regional Kitchen, the business will be sold to DHHS. It is in Council's interest to ensure that its formal position on the matter is part of the consideration of the Board.

Note that should the sale proceed, the delivered meals contract with HBCC, which continues for another three years, will continue to be honoured on no less favourable terms than currently exist.

Strategic Alignment

This report specifically addresses the following priorities of the Hobsons Bay 2030 Community Vision:

Priority 2: Community wellbeing and inter-connection

This report specifically addresses the following goals and objectives of the Council Plan 2017-21:

Goal 1: An Inclusive, Resilient and Healthy Community

- 1.2 Deliver, support and facilitate projects and programs that encourage equity and diversity, so everyone can reach their full potential

Policy and Previous Council Reports

Council received a briefing update on the financial status of Community Chef and the commencement of the due diligence process by DHHS on 19 November 2019.

Further discussions and a presentation on the progress of the due diligence, prospective recommendation of sale of Regional Kitchen and process of sale were held with Councillors on 3 March 2020 and 7 April 2020.

Legal/Statutory Obligations/Risk

All member councils are seeking to exit the business on the basis that [REDACTED] and DHHS is proposing to continue with the operation based on supporting contracts for the supply of food to hospitals and other entities. The business is not being sold for profit – Council will only receive [REDACTED] DHHS is assuming all liabilities including [REDACTED]

[REDACTED] Council needs to agree to the transfer by way of a resolution. This matter has been deemed to be confidential in accordance with section 89 (2) (d) of the *Local Government Act 1989* on the grounds that it concerns a sensitive commercial issue of a contractual nature.

Financial and Resource Implications

Our Contributions to Date

HBCC has a long history of contributions to the establishment and support of the Regional Kitchen. From its inception in 2008 till its most recent [REDACTED] HBCC has been a significant financial contributor to the ongoing provision of meals to our community. (Please see the table below).

Hobsons Bay City Council Investment in Regional Kitchen and RFK (Community Chef)		
Date	Description	Contribution
2007	Initial project contribution	[REDACTED]
2008	Initial Share Purchase [REDACTED]	[REDACTED]
2009	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
2013	Subsequent Share Purchase [REDACTED]	[REDACTED]
2016 - 2020	Minimum Spend contribution not associated with meal purchase	[REDACTED]
2019	Additional Capital contribution	[REDACTED]
Total Net investment		[REDACTED]

The progression with the sale of Regional Kitchen will see HBCC's initial refundable shareholder deposit of [REDACTED] refunded. No shareholder financial equity is recognised in the proposed sale given the appraised company value and existing company liabilities.

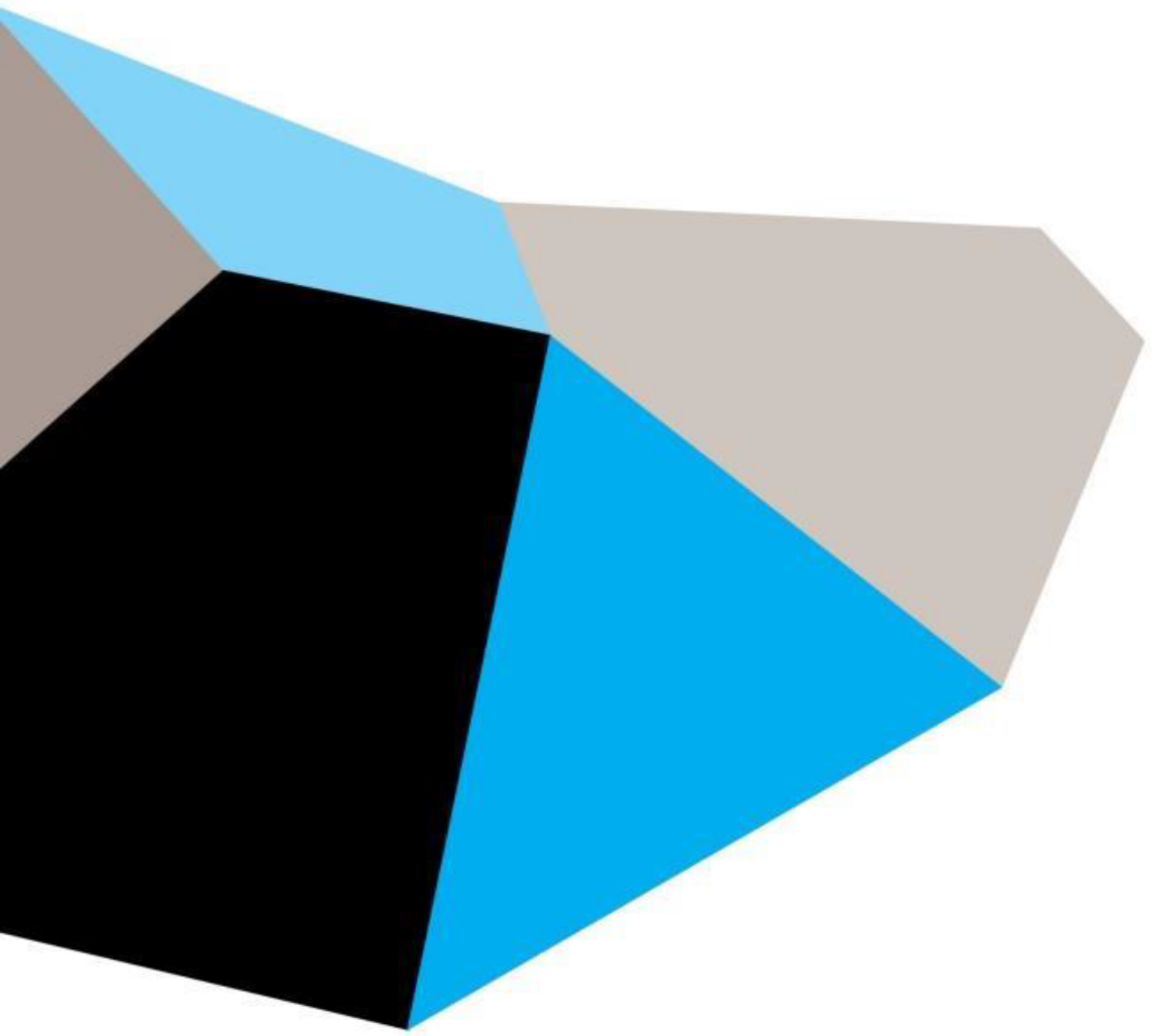
Environmental/Social/Economic Impacts

Through the continuing operation of the Regional Kitchen under a DHHS franchise, the security of home delivered meal contracts will be assured enabling thousands of the most vulnerable members of Melbourne's broader community to be supported with delivered meals.

Officer Declaration of Conflict of Interest

Section 80C of the *Local Government Act 1989* requires members of Council staff and persons engaged under contract to provide advice to Council, to disclose any direct or indirect interest in a matter to which the advice relates.

Council officers involved in the preparation of this report have no conflict of interest in this matter.



HOBSONS BAY CITY COUNCIL

115 Civic Parade, Altona

PO Box 21, Altona 3018

Phone (03) 9932 1000

Fax (03) 9932 1039

NRS phone 133 677 and quote 03 9932 1000

Email customerservice@hobsonsbay.vic.gov.au

 www.twitter.com/HobsonsBayCC

 www.facebook.com/HobsonsBayCityCouncil

 www.hobsonsbay.vic.gov.au

CONFIDENTIAL



Ordinary Council Meeting Appendices

Tuesday 14 April 2020
Commencing at 7.00pm

Council Chamber
Hobsons Bay Civic Centre
115 Civic Parade, Altona

**HOBSONS
BAY CITY
COUNCIL**



CONTENTS

13 In Camera Business

13.1	Proposed Transfer of Ownership of Regional Kitchen Pty Ltd	
	Appendix 1 – Community Chef Non-Binding Indicative Offer	3
	Appendix 2 – RK Response to DHHS Non-Binding Offer	7



Department of Health and Human Services

50 Lonsdale Street
Melbourne Victoria 3000
Telephone: 1300 650 172
GPO Box 4057
Melbourne Victoria 3001
www.dhhs.vic.gov.au
DX 210081



Strictly Private & Confidential
Directors
Regional Kitchen Pty Ltd
43-47 Drake Boulevard
ALTONA VIC 3018

By Email

Dear Directors

NON-BINDING INDICATIVE OFFER



[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]



[Redacted]	[Redacted]
------------	------------

[Redacted]

[Redacted]



[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

13/ March/ 2020

[Redacted]



Signature: [Redacted]

Name: [Redacted]

Position: [Redacted]

Date: [Redacted]

17 March 2020

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
Department of Health and Human Services

Dear [REDACTED],

Non-binding indicative offer

Thank you for your letter of 13 March 2020 which set out the proposed terms of the non-binding indicative offer (Offer) made by the Department of Health and Human Services (DHHS) to Regional Kitchen Pty Ltd (RK) in respect of the acquisition of the shares of RK or certain assets and liabilities of the business of RK and RFK Pty Ltd (Transaction).

The Board of RK appreciates the ongoing efforts of you and your team and the desire by all involved to achieve a mutually acceptable outcome.

As you will understand, the Board is not in a position to bind the shareholders of RK, although we are familiar with the views of the shareholders in relation to the transfer of their shares. Whilst the Offer is acceptable in many respects, we ask that DHHS consider a small number of amendments, as described below:

■ [REDACTED]
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

■ [REDACTED]
[REDACTED]

[Redacted]

The Board understands that it may execute the Offer when it is in acceptable terms without the need for a shareholder vote, noting that the Offer is non-binding and indicative. If the Transaction is to relate to the acquisition of shares then the shareholders will naturally need to agree at a future point. If the Transaction is to relate to the acquisition of assets and liabilities then a shareholder vote will be needed. We note that this is contemplated in the Offer.

We look forward to hearing from you.

Yours sincerely,

[Redacted Signature]

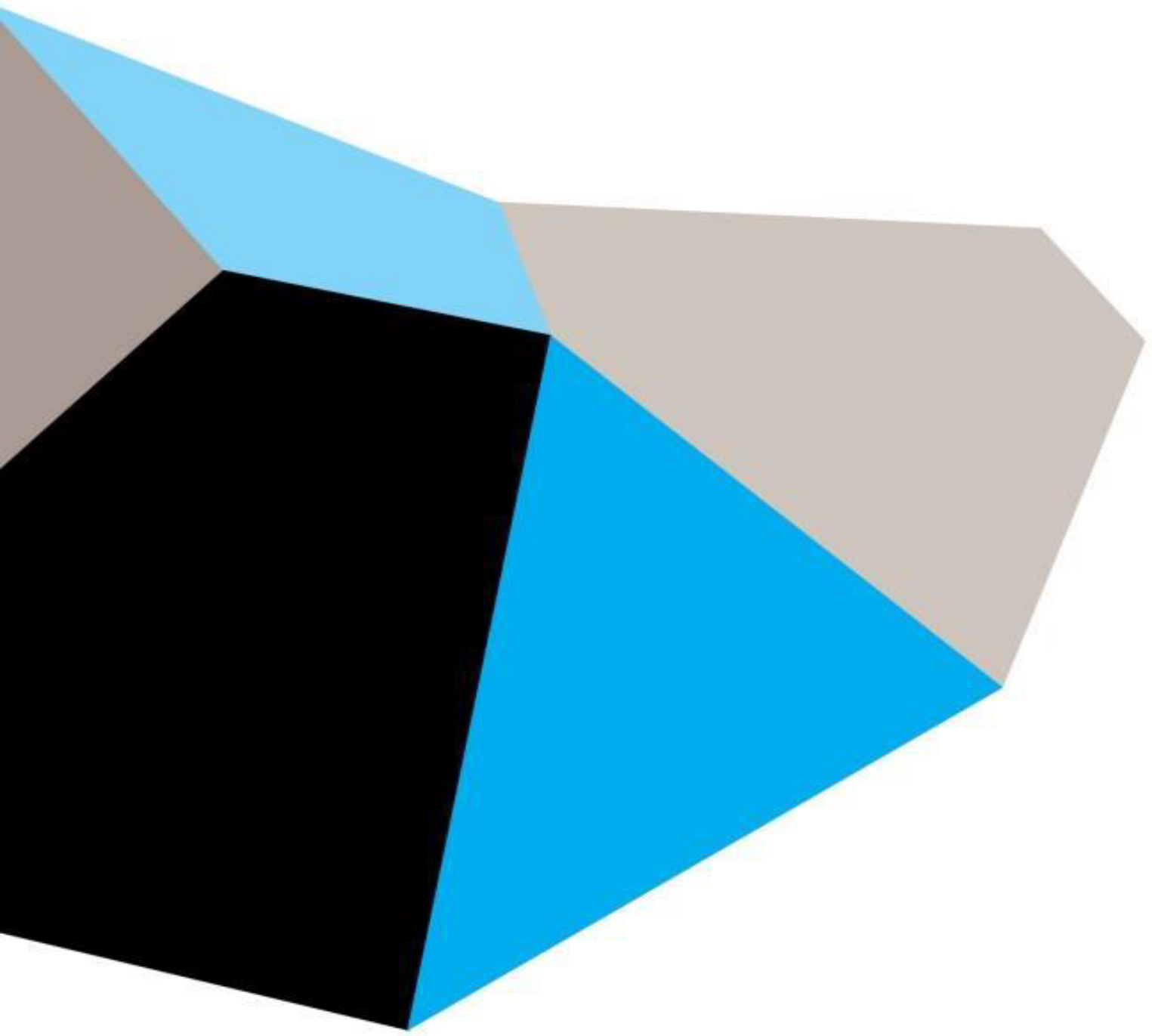
[Redacted Title]

[Redacted Address]

Regional Kitchen Pty Ltd







HOBSONS BAY CITY COUNCIL

115 Civic Parade, Altona

PO Box 21, Altona 3018

Phone (03) 9932 1000

Fax (03) 9932 1039

NRS phone 133 677 and quote 03 9932 1000

Email customerservice@hobsonsbay.vic.gov.au

 www.twitter.com/HobsonsBayCC

 www.facebook.com/HobsonsBayCityCouncil

 www.hobsonsbay.vic.gov.au

13 In Camera Business

This report is considered confidential under s89(2)(d) of the *Local Government Act 1989* as it relates to contractual matters.

13.1 Proposed Transfer of Ownership of Regional Kitchen Pty Ltd

Directorate: Corporate Services

Councillor Portfolio: Social Wellbeing and Community Services - Cr Tony Briffa and Cr Colleen Gates

Appendices:

- 1 Community Chef Non-Binding Indicative Offer (confidential)
- 2 RK Response to DHHS Non-Binding Offer (confidential)

Purpose

To propose that Council sell its share in Regional Kitchen Pty Ltd (Regional Kitchen) to the Department of Health and Human Services (DHHS) or its nominee, such that all debts and liabilities held by Regional Kitchen are no longer the liability of Council once the sale is concluded.

Motion

Moved Cr Peter Hemphill, seconded Cr Jonathon Marsden:

That Council:

1. Agrees to the sale of the shares in Regional Kitchen Pty Ltd owned by Council to the Department of Health and Human Services (DHHS) or its nominee on terms that reflect the letters of a non-binding indicative offer issued by DHHS dated 13 March 2020 and 23 March 2020.
2. Takes any action that is required under the *Local Government Act 1989* in order to execute the relevant documents and complete the transaction.
3. Executes or approves any other relevant transaction documents.
4. Delegates to the Chief Executive Officer to undertake and execute the administration of these tasks on Council's behalf.

Carried unanimously

Recommendation

That Council:

1. Agrees to the sale of the shares in Regional Kitchen Pty Ltd owned by Council to the Department of Health and Human Services (DHHS) or its nominee on terms that reflect the letters of a non-binding indicative offer issued by DHHS dated 13 March 2020 and 23 March 2020.
2. Takes any action that is required under the *Local Government Act 1989* in

order to execute the relevant documents and complete the transaction.

3. **Executes or approves any other relevant transaction documents.**
 4. **Delegates to the Chief Executive Officer to undertake and execute the administration of these tasks on Council's behalf.**
-

Summary

Established in 2008, Regional Kitchen operates a food preparation and pre-prepared meal delivery business through its wholly owned subsidiary company RFK Pty Ltd, which trades as Community Chef. Initially funded via \$6 million Victorian Government and \$9 million Australian Government grants, Regional Kitchen is a company registered in Victoria and its issued shares are owned by 17 councils, Hobsons Bay City Council among them.

Developed at a time to fill a market service gap and bring about supply stability for home delivered meals, Regional Kitchen has produced over 7.5 million delivered meals. Unfortunately, the delivered meal market has now dramatically changed calling into question the viability of the business into the future.

Using a shared service model, Community Chef provides Councils with delivered meals to vulnerable members of the community. However, in recent years demand for these programs has significantly declined. Despite attempts by Regional Kitchen to broaden its revenue sources into other markets, it has become clear that the existing income stream is no longer financially sustainable.

DHHS has recently approached Regional Kitchen and Community Chef with a view to acquiring the companies. It is understood that DHHS was motivated to pursue the acquisition because of a desire to secure independent meals supply for its hospital, correctional and aged care facilities.

In order to ensure ongoing supply to councils and the broader community through the public health system, it is recommended that Council transfer its shares in Regional Kitchen to DHHS.

Background

Hobsons Bay City Council has had a longstanding commitment to Regional Kitchen since its inception in 2008 and the commencement of supply through Community Chef in 2010. Until 2011, Council was the operator of a commercial kitchen in Darebin providing meals for six councils including Hobsons Bay.

Council's decision to participate in the formation of the Regional Kitchen enterprise was an attempt to provide nutritional, reliable, and consistent availability of home delivered meals whilst leveraging off the economies of scale brought about by local government collaboration.

During its operation, Community Chef has created stability in an unreliable market that catered poorly for local government delivered meals programs and has provided ongoing employment for 55 staff, many of whom required employability support. Community Chef attempted to reflect the "greater good" that local governments can achieve when they work together.

Community Chef operates from a facility situated at 43-47 Drake Boulevard, Altona that was designed to cater for significant growth in demand for meals from the councils' delivered meals programs. Its strategy also aspired to grow the business more broadly in the aged

care, hospital and correctional facility markets. Community Chef provides meals for these markets across Victoria and now, also in New South Wales.

Hobsons Bay City Council, along with various other local governments, has agreements with Community Chef for the supply of pre-prepared meals. The demand from councils for their delivered meals programs – previously more than half of Community Chef’s sales volume – has, unfortunately, declined significantly year on year since it commenced trading. Likewise, the corresponding annual income of the business has continued to fall.

In the context of Hobsons Bay, demand for home delivered meals has been in rapid decline. Figure 1 shows that Council’s meals have dropped by [REDACTED]

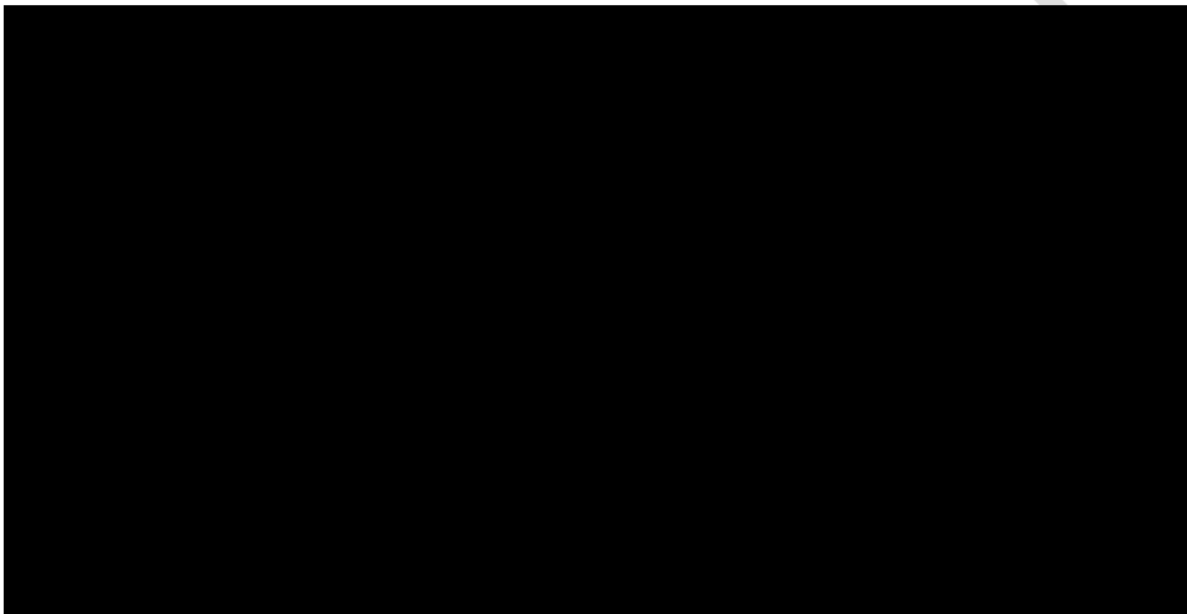


Figure 1. Hobsons Bay City Council monthly delivered meals

Despite attempts to broaden the revenue base, the current income stream and the consistent decline in council meals requirements across the sector will not sustain the business, even in the short term.

While a growing number of alternatives to the supply of delivered meals now exists, in the current context these may be difficult to secure. It is therefore important to preserve councils’ access to meal supply for vulnerable residents, particularly for those councils that, unlike Hobsons Bay City Council, have a high reliance on Community Chefs production capacity.

Chronology

In 2008 Council purchased shares in both Regional Kitchen [REDACTED] and RFK Pty Ltd (Community Chef) [REDACTED]. The companies were structured so that the Regional Kitchen would provide the land and buildings and RFK would operate the kitchen. Its profits were intended to fund the loans taken by Regional Kitchen to fund the land and building construction of the Altona complex.

Hobsons Bay City Council was one of many councils competing to locate Regional Kitchen within their municipality, demonstrating its resolve by [REDACTED]

[REDACTED] It offered Regional Kitchen [REDACTED]
[REDACTED]

[REDACTED]

[REDACTED] Following a request from the
Regional Kitchen a [REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]

Council's participation in Regional Kitchen was initially through the then Council Chief Executive Officer, Bill Jaboor, holding a position on the inaugural board and positioning itself as one of the founding shareholders.

[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]

Discussion

Current structure of Regional Kitchen

In addition to owning all the issued shares in Community Chef, Regional Kitchen also owns the land and buildings of the facility at Altona.

[REDACTED]

- [REDACTED]
- [REDACTED]

Regional Kitchen also has several refundable deposits payable to shareholders, which have been provided as secured funding to assist in its cash flow challenges.

[REDACTED]

Recent developments

Over the last six months, DHHS has approached the companies with a view to acquiring them. To this end, DHHS has conducted due diligence and valuation of the companies and has put forward an offer to shareholders.

The Regional Kitchen Board has been advised that independent valuations obtained by DHHS estimate that [REDACTED]

At the direction of shareholders, the Board engaged William Buck to undertake an independent expert report on the DHHS valuation. The independent valuation undertaken by William Buck for the land and building and the plant, property and equipment [REDACTED] [REDACTED] Given this and the current coronavirus (COVID-19) emergency, the recommendation is for a swift transfer of the business to DHHS to ensure ongoing supply to councils and the broader community through the public health system.

[REDACTED]

A transfer of ownership would be achieved by a transfer of the shares in Regional Kitchen to DHHS. The terms of the share transfer have been outlined in the non-binding indicative offer. DHHS has offered to acquire either 100 per cent of the shares in Regional Kitchen or certain assets and liabilities of the companies. In consideration of the transaction, the buyer will:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]

At the time of the transfer of shares, council shareholders would also terminate, by consent, the Shareholders' Agreement applicable to Regional Kitchen. After the transfer, DHHS would own the companies, including all assets and liabilities of the companies. It is also understood that the current employees of Regional Kitchen [REDACTED]

To implement the transaction each relevant council and DHHS will be required to execute a share transfer form, which will be a simple two-page document. There may also be a share transfer agreement to be executed that would set out further terms applicable to the transfer of shares.

DHHS has signed a Supply Agreement with Community Chef for large volumes of meals, which would provide the company with enough cash flow to continue. [REDACTED]

[REDACTED]

Next steps

The next meeting of the Regional Kitchen Board is scheduled for the 29 May 2020 to ratify the sale to DHHS or otherwise. Whilst there has been no urgency expressed by the Board, recent indications are that shareholders are requested to have their formal positions on the sale prior to the end of April 2020.

It is recommended that Council determines at its 14 April 2020 Ordinary Council Meeting to sell Council's share of Regional Kitchen to DHHS, following the actions outlined in this report's recommendations. If most shareholder councils formally agree to the proposed sale of Regional Kitchen, the business will be sold to DHHS. It is in Council's interest to ensure that its formal position on the matter is part of the consideration of the Board.

Note that should the sale proceed, the delivered meals contract with Council, which continues for another three years, will continue to be honoured on no less favourable terms than currently exist.