

16.1 BUSINESS INNOVATION HUB RECOMMENDED OPERATOR**Record Number:** CC18/135;IC18/228**Author(s):** David Barrett, Manager Business Enterprises and Communications**Previous Motions:** Council, 26/06/2018, Motion No: 2018:06:234

- Attachments:**
1. **Request for Proposal for ~ Business Innovation Hub Tender 2018 Evaluation Matrix CR18/47329** 
 2. **Gawler Business Innovation Hub - Tender Response From Operator MediaDigitalX** 
 3. **Adelaide University Submission Business Innovation Hub CC161157** 
 4. **Gawler Business Development Group Submission for Business Innovation Hub** 

Reason for Confidentiality

In accordance with Sections 83(5) and 84(6) of the Local Government Act, 1999 – the Chief Executive Officer considers that this item may be considered in confidence by the Council on the grounds set out below (and therefore will remain confidential until the Council resolves how this item is to be classified).

A further written report will be considered by Members at the Meeting after the following recommendation is carried.

OFFICER'S RECOMMENDATION**16.1 Business Innovation Hub Recommended Operator****That:**

1. Pursuant to Section 90(3) (d)(i),(d)(ii),(k) of the Local Government Act 1999 (the Act), the Council orders that the public be excluded from attendance at that part of this meeting relating to Item 16.1, expecting the following persons:
 - Chief Executive Officer
 - Manager Development, Environment & Regulatory Services
 - Manager Infrastructure & Engineering Services
 - Manager Finance & Corporate Services
 - Manager Business Enterprises & Communications
 - Manager, Library and Community Services
 - Minute Takerto enable the Council to consider Item 16.1 in confidence on the basis the Council considers it necessary and appropriate to act in a meeting closed to the public (excepting those persons listed above) in order to receive, discuss or consider in confidence the following information or matter relating to Item 16.1:
 - (d)(i) commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party
 - (d)(ii) commercial information of a confidential nature (not being a trade secret) the disclosure of which would, on balance, be contrary to the public interest
 - (k) tenders for the supply of goods, the provision of services or the carrying out of works.
2. Accordingly, on this basis, the principle that meetings of the Council should be conducted in a place open to the public has been outweighed by the need to keep the information or matter confidential.

OFFICER'S RECOMMENDATION

That Council:-

- 1. Notes the Business Innovation Hub Recommended Operator Report.**
- 2. Authorises the Chief Executive Officer to negotiate and execute the Business Innovation Hub Management Services Agreement that engages MediaDigitalX as the operator of the Business Innovation Hub for an annual fee of \$114,000.**

RECOMMENDATION

- 1. Pursuant to Sections 91(7) and 91(9) of the *Local Government Act 1999* the Council orders that the:**
 - The minutes**
 - The written report**
 - Attachments to the written report**

associated with Item 16.1 Business Innovation Hub Recommended Operator, , having been considered by the Council in confidence under Section 90(3)(d)(i),(d)(ii),(k) be kept confidential and not available for public inspection until Execution of the Management Services Agreement, on the basis that the information received, discussed and considered in relation to this agenda item is:

commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party; AND commercial information of a confidential nature (not being a trade secret) the disclosure of which would, on balance, be contrary to the public interest; AND tenders for the supply of goods, the provision of services or the carrying out of works.

- 2. Further that Council delegates the power of review, but not the extension, of the confidential order to the Chief Executive Officer on a monthly basis in accordance with the provisions of Section 91(9)(c) of the *Local Government Act 1999*.**
- 3. All confidential orders will be reviewed at least annually in accordance with the *Local Government Act 1999*.**

BACKGROUND

At the 26 June 2018 Council Meeting the following was resolved:

Moved by Cr K Fischer
Seconded by Cr M Nicolson
Motion No: 2018:06:234

That Council:

- 1. Notes the Business Innovation Hub Operations Report and Inabox Group's request to terminate the existing Management Services Agreement with Council.*
- 2. Negotiate a surrender fee to be paid by Inabox Group for terminating the Agreement with a view that this fee covers Council's costs of sourcing a new operator.*
- 3. Authorises the Chief Executive Officer to release the Request for Proposal seeking a private operator for the Business Innovation Hub.*
- 4. Notes that at the conclusion of this Request for Proposal process a further report will be brought to Council with a recommendation to negotiate a Management Services Agreement with a preferred operator.*

The Request for Proposal (RFP) went to market via the SA Tenders Website on 10 July 2018.

Purpose of the Request for Proposal

The RFP sought to identify private operators for the management and operations of the Business Innovation Hub (the Hub) in Gawler based on a public/private partnership model. Proposals were sought from organisations who have the capacity and appropriate experience in operating co-working business office environments and assisting both startups and existing businesses to develop capabilities to achieve commercial success in local, regional, national and international markets. The successful supplier and Council will work collaboratively to ensure that both the Council's vision for the Hub and the operator's need for a commercially sustainable arrangement are realised.

Vision for the Hub

The Hub is to be a commercially-focused, flexible working space occupied by businesses that are intent on wealth generation as well as local and regional job creation. These businesses must be willing to collaborate and use digital technologies and solutions to work smarter and grow. The optimal business model for the Hub is recommended as a joint operation between Council and a private operator under an agreement with mutually agreed terms with Council owning the built space.

The Hub is to be a vibrant, welcoming space that exudes a sense of business purpose, innovation, resilience and success. Local and regional investment and job creation are key outcomes to be achieved by the Hub and its commercial focus provides the opportunity to achieve this growth and job creation.

Respondents to this RFP were encouraged to read the excerpts adapted from "The Business Innovation Hub" report by United Focus before proceeding with a formal submission.

Response to the Request for Proposal

Submissions closed at 5pm on Monday 30 July 2018. Council received one submission via the SA Tenders Website prior to the closing time and a further two submissions after the tender officially closed. In assessing the only compliant response, the Assessment Panel noted that the respondent had not addressed Section 7 of the Response Schedules. The Panel considered this to be a reasonable gap in the response therefore allowing the non-compliant (late submission) responses to be brought into the formal tender assessment.

This Report outlines the three proposals that were received and provides an Officer's Recommendation regarding the preferred operator of the Business Innovation Hub in accordance with motion 4 above.

COMMENTS/DISCUSSION

The RFP outlined the following Key Features of the Hub:

- a) The space allows for an open office environment as well as private office spaces.
- b) Specific facilities of the Hub may include business incubator services for entrepreneurs, teleworking (hot desking), networking and video conferencing facilities, meeting rooms, business coaching, training and education facilities, admin support suite with photocopy and printer stations, lounge area, home office, gaming area, concierge and an area for private phone calls.
- c) It is proposed as a membership-based model, however Respondents may choose to provide their own thinking regarding the commercial sustainability of the Hub.
- d) The use of digital technologies is viewed as integral to the success of the Hub and the operator will need to facilitate the use of digital technologies to improve business productivity and competitiveness.
- e) The operator will need to provide a Digital Advisor-in-Residence program. This program will provide Hub users with an initial digital footprint and access to a variety of digital experts in areas such as cloud-based accounting, social media marketing and digital strategy.
- f) The Hub will be adjacent to other new vibrant spaces created as part of the Gawler Civic Centre redevelopment.

Council sought private operators with appropriate levels of skill, experience and willingness to fulfil some or all of the following functions and roles:

- a) Provide expert advice for the final fit-out of the Hub
- b) Concierge service – provide and manage an appropriate person who will undertake the role of concierge and day-to-day manager of operations of the Hub
- c) Marketing the Hub
- d) Promoting the Hub and attracting, vetting and signing up users
- e) Ensuring users fulfil their obligations and contractual arrangements and dealing with Members who do not, or cannot comply
- f) Managing the Digital Advisor-in-Residence program
- g) Proactively instigating initiatives that add value to users and that enhance the reputation of the Hub
- h) Participating in monthly management meetings with the Council management team
- i) Providing quarterly written reports to Council on management issues such as finances, user status and issues, marketing/promotion and risk management
- j) Assisting Council to improve the financial independence of the Hub as rapidly as possible
- k) Support innovative Australian startups to assist them to trade locally, regionally, nationally and internationally
- l) Expand the scale and operations of existing Australian businesses targeting innovative startups to increase their chances of success in local, regional, national and international markets
- m) Develop new innovative Australian startups with a focus on international markets
- n) Assist Council with the provision of services and activities targeted at the broader community and stakeholder groups who interact with the digital economy.

Council welcomed any other suggestions and value-add from Respondents regarding functions, roles and initiatives that will help deliver on the Hub's vision.

The RFP detailed that a contract with the third party operator would be required that addresses the following issues:

- a) management roles and responsibilities,
- b) revenue and cost sharing,
- c) the respective responsibilities of both parties e.g. marketing, venue maintenance and security,
- d) digital responsibilities
- e) selecting and managing Members and digital advisors in residence,
- f) dispute resolution, and
- g) reporting and monitoring.

The terms of the contractual arrangement with a third-party should reduce the risks and enhance the positive aspects of the Private/Council Partnership model.

A Panel was engaged to formally assess any Proposals. The members of the Assessment Panel were:

1. David Barrett, Manager Business Enterprises and Communications, Town of Gawler
2. Erin Findlay, Manager Library and Community Services, Town of Gawler
3. Karen White, ICT Strategic Consultant

In addition to the formal assessment panel, Regional Development Australia Barossa Chief Executive Officer, Anne Moroney, has been consulted regarding the proposed outcomes of the Business Innovation Hub. This consultation included a face-to-face meeting with the preferred operator recommended within this report and Council Staff.

The RFP stated that in its assessment the Panel would have regard to, but not necessarily be limited to, the following criteria (not listed in any order of priority):

1. Conformance

2. Professional Capacity and Experience
3. Proposed Activities and Services
4. Insurances
5. Case Studies and Referees
6. Financial Capacity

This process led to three submissions being received. As stated earlier in this report, only one of these submissions was compliant with the RFP, the other two submissions being received after the tender officially closed. In assessing the only compliant response, the Assessment Panel noted that the respondent had not addressed Section 7 of the Response Schedules. The Panel considered this to be a gap in the response allowing the non-compliant (late submission) responses to be brought into the formal assessment process.

The Assessment Panel independently assessed the three submissions based on the pre-determined criteria using an agreed scoring matrix. The Panel then met face-to-face on Wednesday 8 August 2018 to discuss their individual assessments and determine the preferred operator to recommend to Council. A final scoring matrix based on the Panel's consensus was agreed (**Attachment 1**) and the commentary within this matrix outlines the main differences between the three proposals received. A summary of each of the proposals is outlined below.

Submission 1 – MediaDigitalX – Attachment 2

MediaDigitalX (MDX) is part of a partnership group incorporating Plutus Commerce and KWP! Advertising agency. A major part of these brands is the location, maintenance and management of multiple locations across the country. Each of these locations provides for not only MDX personnel but guest, partner and supplier colocation when required.

MDX by definition is a company built on service and technology provision to all markets in Australia. This can include large enterprise, SME, Local Government and Not for Profit. This broad scale of service capability allows MDX to be able to manage all facets of the Innovation Hub demographic. The experience and skill obtained in those large-scale engagements can be passed on to Council and Hub users.

MDX has trusted partnerships with major technology companies in Australia including Telstra, Xirrus, Apple and TPG. As a partner to all of these companies, the value this brings to the Innovation Hub project is one of capability, skills and management power. MDX can engage all of these technology providers under one banner.

In addition, MDX has formed a strategic alliance through its State Manager with the State Government backed GigCity initiative. This enables MDX to be the conduit for the Council's aspirations of being a major technology precinct with the Hub becoming a GigCity Precinct.

MDX has established a major investment strategy for South Australia. Not only looking to grow business here but offer expertise and capability to organisations that would not ordinarily have such skillsets or commitment. For the Hub, MDX want to provide a facility unlike anything else in South Australia. Cutting edge technologies, access to executives from its extensive network for user mentoring plus experienced and knowledgeable management for the advisory role. MDX will also rotate the skills capability for the Advisory role to come from its vast catalogue of highly trained operatives. MDX believes that the Hub should be recognised not only by the local community as a major innovation and enhancement for Gawler but by the broader state as the standard for technology and business training, use and operation.

MDX proposes the following activities or services to be offered to Hub users:

1. Regular access to the MDX executive team for business guidance and mentoring
2. User access to seamless technology integration for their operation
3. Financially viable operation to the Town of Gawler inside its stated guideline
4. Comfortable and highly appealing environment for all to use

5. Access to a Hub “price book” for those needing to acquire technology (startups etc.)
6. Integrated training schedules with Town of Gawler Community training initiatives
7. Business establishment assistance including access to telephony and internet plans

MDX proposes that all of the above allows for any user to have access to not only anything they require with regard to their own business but casual users to benefit from access to resources that ordinarily would be unavailable to them. In addition, areas such as provision of telephony, internet plans and technology price book could be “sold” under the Business Innovation Hub banner with financial sharing back to Council. This potential opportunity will be the subject of a future report to Council.

Under MDX’s proposal, Council will act as facility landlord and managing agent. Council will therefore provide fit out, allowance for 24 x 7 access to both MDX and Hub users, ongoing provision of all standard life services and security services.

MDX will be responsible for all technology and management based services including:

1. access to high speed internet (based on agreed location access to GigCity with SABRENet)
2. site telephony
3. all required additional site hardware including routers, switches, wireless access points
4. all required casual use technology including desktops, monitors, large screen TV’s/monitors, printers
5. all required access to Microsoft 365 platforms on casual use hardware
6. full network and facilities access to all contracted users
7. access to council staff when required
8. MDX to assume risk of use of the internet and public facing technologies

MDX proposes a single management contract invoiced monthly over 36 months to the Town of Gawler for the total operation of the Hub including all required hardware and technology and 1.0 FTE Manager. In addition MDX is willing to take over the responsibility for the GigCity ISP contract (if required). MDX will manage the induction, contracting, billing and debt of the contracted users. Financially, this would be managed by direct debit or credit card deduction.

For the first 12 months of operation, MDX will pass all Hub revenues directly to Council with an expected review of the revenue management after the first 12 months.

In collaboration with Council, MDX will provide marketing and promotion for the Hub aligned with Council’s vision for the facility and future marketing strategies. MDX will call on expertise from KWP! to assist in this area.

MDX requests that Council provides a 100% rent subsidy to MDX for the Hub for the first 12 months of the contract however proposes that this be reviewed to commercial rent for the remaining 24 months of the contract.

MDX’s proposal assures that Council will see no impact of ongoing lifecycle planning with regard to the Hub’s technology hardware maintenance, except for facilities requiring capital spend as part of the normal responsibility of a landlord. MDX assures Council that it will not generate any requirement for a Council capital spend for a minimum of 12 months and any expectation for such capital spend requirements will be prioritised as part of Council’s normal budget process.

Further, MDX assures that Council will see no impact or adverse effect to its current delivery, management or connection to the existing and proposed Civic Centre operations and developments. Rather, the MDX solution would complement the project and allow for greater flexible use of its proposed functional areas.

MDX has proposed a management fee of \$9,500 + GST per month for the duration of the 36 month agreement (\$114,000 per annum) with financial returns to Council of full revenue in the first year and rent in years 2 and 3.

Submission 2 – University of Adelaide – Attachment 3

The University of Adelaide proposes to, in partnership with Council, develop ThincLab Gawler, a business innovation hub located in the Council's new Civic Centre complex. The University has a long history of incubation and acceleration for new ventures, celebrating 25 years of ThincLab in 2018. Initially targeted at staff and students, ThincLab has been expanded to provide incubation services for early stage start-ups in any industry sector. Participation in ThincLab is managed through a competitive application process with applications open to all but limited entry to the program.

In the past 12 months, ThincLab Adelaide has assisted 66 startups valued at \$500M+ to secure \$189M external funding and created 93 new jobs. Building on this local success, ThincLab has expanded into a global network with sister sites based in France and Singapore.

ThincLab works with an extensive network of partners to help entrepreneurs launch and grow innovative companies.

The University of Adelaide proposed a 3-year initial term agreement with Council after which the partners will have the option of extending the agreement. Its vision for ThincLab Gawler is to bring together a thriving startup community that will support economic development, job creation and increased prosperity for ventures based in Gawler and surrounding regions.

The University's incubation model combines office space with skills development workshops, experienced industry mentoring and accredited acceleration training. The proposed member benefits from ThincLab Gawler include:

1. Modern office space
2. Concierge service
3. Flexible membership packages
4. GigCity Wifi
5. Printing
6. Meeting Rooms
7. Access to hire the multi-function space
8. ThincLab industry mentors and advisors.

In addition to these standard offers, the University also provides access to Digital Advisor workshops, Australian eChallenge, Xelarite, 3D prototyping, Design Thinking and International Business Exchange, however all of these offers are at an additional cost above membership of the Hub.

The University of Adelaide has proposed two fee structures to operate the Hub. The difference between the two is that Option 1 allows for 1.0FTE Hub Manager whereas Option 2 allows for 2 part-time Innovation Hub Managers – total 1.2FTE. The costs of these proposals is outlined in the table below:

| Proposal | Total Cost over 3 Years | Per Annum |
|----------|-------------------------|--------------------|
| Option 1 | \$659,000 + GST | \$219,666.67 + GST |
| Option 2 | \$722,000 + GST | \$240,666.67 + GST |

Submission 3 – Gawler Business Development Group – Attachment 4

The Gawler Business Development Group (GDBG) has proposed that a new entity be established to operate what they are proposing to call the Business Innovation Hive (Hive). The proposal states that the Hive will be managed by a Board comprised of a member from GDBG, an external chair, Mr William Ehmcke (as business architecture and advisory) and additional Board positions as appropriate.

The GDBG's proposed business architecture (outlined below) looks to generate an environment which is new to Gawler with the intent to develop an 'active' space which offers functionality and creativity. The conceptual model moves away from a passive HUB concept, to that of active HIVE – buzzing with developments.

The business architecture is segmented into four (4) components, each of which can be monitored and evolved as the business community engages with the Hive. These 4 components are:

1. Factors of Production – products and services to generate tangible outputs
2. Digital Developments – knowledge-based services to foster participation
3. AgTech Forum – to focus innovation onto regional businesses in the agricultural sectors
4. Membership and Advisory functions – to maintain alignment with local/regional needs

Factors of Production

Overview: The mantra for the web almost since commercial awareness has been 'it's all about the content', and this is especially true today, in a media-soaked world. A website without engaging content is simply a digital brochure. Therefore, when using the web for business, the content should capture and inform.

- a) Digital services – high speed internet; wireless network; print; video conferencing, webinar and streaming services
- b) Podcasting - GDBG proposes the Gawler Broadcasting Association be re-located to the Innovation Hive, including a purpose-built studio for podcast recording and editing. GBA also offer courseware in podcasting
- c) Digital publishing – ease of operations to stream, utilise global platforms (YouTube, Twitch, Vimeo) and social media.
- d) Establish links with video production services identified locally and encouraged to use and/or operate through the Hive.

Digital Developments

Overview: Develop a broad catalogue of informative workshops and seminars to inform and stimulate local business owners.

- a) GDBG current programs, PLUS augment and expand the programs
- b) GBA existing courseware
- c) Record courseware as podcasts and webinars, edit and publish from the Hive, using the GBA platforms.
- d) Develop the social media audiences clustered around the Hive to consume locally produced content
- e) Establish links with other community radio organisations and use the Community Broadcasting network to further distribute and acquire programs
- f) Expand the audio element in to video production to not only advise and educate on income streams available from modern online entertainment outlets, but to propagate video production companies providing audio and video production for commercials and other online content for other business in the area and beyond.

Agtech Forum

Overview: Gawler is located at a cross roads of agricultural industry – wine to north east; broad acre farming lands of the north west and intensive food production – plus there is the presence of Roseworthy Agricultural College, being the oldest agricultural college in Australia. The Innovation Hive would look to capitalise on both available resources and the commercial needs for improved agricultural capabilities.

- a) Establish links with Roseworthy to offer workspace to mentor new AgTech developments
- b) Encourage local business involved in any forms of AgTech services to utilise the business location, perhaps establishing a Council operated scholarship program to assist start-ups
- c) Produce and publish specific podcast content to the ag sector
- d) Establish centres of excellence around two key AgTech technologies – being sensor technologies (as a component of the Internet of Things IoT) and spatial technologies, around mapping, telemetry, and drone skills
- e) Form links with companies in the agricultural sector, such as Elders Limited, which in headquartered in Adelaide.
- f) Form links with business incubator and accelerator programs to assist local business in the AgTech sector

Membership and Advisory Functions

Overview: For the Innovation Hive to maintain relevance there needs to be a strong dialogue with business. Gawler businesses in commercial premises are already members of GBDG. Additional Innovation Hive services would be available to local businesses both as a component of that membership and additional fee for service models. Importantly, management from the agricultural sectors would be invited to participate in a series of advisory forums to assist in directing the AgTech activities centred in Gawler.

- a) GBDG membership – both access to existing programs and as a broker of fee-for-service programs
- b) Hive only membership for use of the Hive facilities per hour, per day, per month etc.
- c) Virtual Membership for those wishing to take advantage of communications, programs and events the Hive offers but not access the space and facilities otherwise.
- d) Establish a membership program for businesses in the ag sector – along the lines of an AgTech cooperative. Fees would apply
- e) Establish Advisory boards, drawn from the Ag sector membership program, to articulate and refine commercial needs
- f) Define needs, look for selective government grants and partnering programs to support AgTech business, located at the Hive.
- g) House the GBA and utilise their in-kind contribution for education programs for pod-casting and to develop a series focusing on primary producers, both history of properties and generational farmers, as well as the use of technology and the changing face of primary production.
- h) Use the networks of the GBDG and businesses throughout Gawler to present educational seminars and master classes in technology specific areas.
- i) Allow commercial sellers of technology related products to showcase their products for a fee and encourage such businesses to donate hardware and software to the facility to allow demonstration of its “real-world” uses.
- j) Invite community clubs and groups to share with other community groups and interested businesses how they have enhanced their operations, both administrative and fundraising, through the use of technology.

Marketing

The GBDG will use its existing network of industry contacts and businesses for marketing on a B2B level. A dedicated website and social media presences will be developed, and participation by Hive members and local professionals in the field of web design and social media management will be encouraged to ensure a dynamic online presence.

Press releases will be distributed widely and regularly to ensure a front of mind presence in both potential users of the facility and State and Federal Government staff and MPs.

Civic Centre Connections

Both local and visiting exhibiting artists will be encouraged to make use of the Hive and its facilities, and to be able to showcase their work wherever possible. Within the Hive's membership these artists can also find providers of digital marketing services or other professionals who can help to enhance their promotion, administration or manufacturing processes of their work.

There is potential for 'happy hour' styled events to take place with local musicians or other entertainment crossing over to other entertainment spaces in the Civic Centre.

The Social Enterprise Café will be a key area for relaxation and connection and will also be called upon to cater events within the Hive.

The Library will be pivotal in terms of providing access to research and a sharing of resources where appropriate. The Library is a key conduit to connecting with school age students and schools to encourage young entrepreneurs.

GBDG Financial Proposal

The GBDG proposed that the operating budget would be developed cooperatively with Council as the scope of the programs are refined. The GBDG is supportive in developing active financial plans, looking to maximise Hive contributions, minimise Council subsidies and strategically a financially sound future over a 3-year operating window.

The GBDG will draw on independent auditors to ensure maximum clarity is provided to both Council and the GBDG with respect to the new entity's operation and finance to maintain separation of contributions via the Business Levy which fund the GBDG itself and income and expenses of the new entity.

CONCLUSION

The Assessment Panel independently assessed the three submissions based on the original RFP assessment criteria and then met on Wednesday 8 August 2018 to determine the preferred operator to recommend to Council. An agreed assessment matrix was used to determine the preferred operator – **Attachment 1**. The scoring within the matrix is based on the Panel's consensus and the commentary outlines the main differences between the three proposals received.

The Panel appreciated the skills, experience and program delivery potential offered by the University of Adelaide's proposal however, this proposal transferred all risk to Council. In addition, under the University's proposal Council would be required to fund the Hub's operations, programs and service delivery to the value of approximately \$220,000 per annum. The Panel did not consider this to be commercially viable for Council and therefore should not be pursued.

However, in discussion with the University of Adelaide, Council's Business Innovation Hub may be able to purchase the University's mentoring and advisory program direct. Costs of this option are being sought by Council Staff with a view to having the Hub managed by a private operator that accesses the University's programs on a fee for service basis.

The Panel considered that the proposal offered by the GBDG was contrary to the Hub operations being sought by Council. The GBDG's proposal was deemed too restrictive in terms of activities and services being offered – limited to Agricultural and Broadcasting. The Panel also thought that the

GBDG's proposal was driven by a need to source a permanent home for the Gawler Broadcasting Association rather than offering services to encourage and facilitate local business innovation.

The GDBG's proposal did not offer any financial arrangements and is predicated on the establishment of a new entity therefore could not meet the requirements of previous experience in co-working and/or service delivery to the business community. The Panel also saw the proposal as heavily reliant on Mr William Ehmke, in fact at times it read as though Mr Ehmke should have been the respondent not the GDBG.

The Panel thought that the proposal offered by MDX was detailed and although MDX has no formal experience managing co-working spaces, the requested 36 month agreement provides the ability to implement, review and refine operations during the initial contract term. The transition from rent free to commercial rent after the first 12 months presents a good opportunity for a return on Council's investment as does the initial 12 month pass-through of all revenues to Council.

MDX's programs and services meet Council's vision for the Hub and the networks being brought by this company will deliver positive benefits to the Hub. MDX is willing to enter the same agreement that Council has previously endorsed for management of the Hub with the following variations:

1. Management Fee of \$9,500 + GST per month for the duration of the agreement (36 months)
2. 100% revenue return to Council in the first 12 months only
3. Revenue to be retained by MDX for months 13-36 of the agreement
4. MDX to provide a rental return (to be negotiated) to Council for months 13-36 of the agreement

On this basis, the Panel recommends that Council engage MDX as the private operator of the Business Innovation Hub and authorise Council's Chief Executive Officer to negotiate and execute the final management services agreement.

COMMUNICATION (INTERNAL TO COUNCIL)

Executive Management Group
Karen White, ICT Strategic Consultant

CONSULTATION (EXTERNAL TO COUNCIL)

Anne Moroney, Chief Executive Officer Regional Development Australia Barossa

POLICY IMPLICATIONS

Nil

STATUTORY REQUIREMENTS

Nil

FINANCIAL/BUDGET IMPLICATIONS

The proposal provided by MDX presents Council with opportunities to deliver a return on its investment in the Gawler Civic Centre. MDX Group is offering 100% pass-through of Hub revenue in the first 12 months of operation and rent for the Hub space within years 2 and 3 of the 36 month agreement. The proposal also delivers Hub programs, Digital Advisors in Residence and services at no cost to Council.

Council's 2018/19 budget provides for recurrent costs of \$33,000 relative to management of the Business Innovation Hub and revenue of \$10,000 to be returned to Council.

Establishing the commercial agreement between Council and MDX will require some legal and administration costs (both in-kind and contracted). These costs will be absorbed within Council's existing 2018/19 budget related to the Business Innovation Hub.

Agreeing to the proposed Management Agreement will require Council to pay MDX \$9,500 per month as a service fee for managing the Hub. This extrapolates to an annual fee of \$114,000 (excluding GST).

Council's current Long Term Financial Plan (LTFP) allocates recurrent operating expenditure of \$132,000 plus CPI to the Business Innovation Hub. The proposed Management Agreement with MDX stands to reduce this annual expense by \$18,000 as well as provide Council with a rental return in months 13-36 of the agreement, not currently included in Council's LTFP.

Full details regarding the financial arrangement between MDX and Council will be incorporated within 2018/19 budget reviews, the 2019/20 budget and Council's next annual update of the LTFP.

COMMUNITY PLAN

Objective 1.2: Build a local community that is proud of Gawler

Objective 2.1: Physical and social infrastructure to service our growing population and economy

Objective 2.4: Manage growth through the real connection of people and places

Objective 5.3: Deliver ongoing effective and efficient services, including support for regional collaboration

CONFIDENTIAL