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Department of Industry,
Innovation and Science

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Programme Guidelines

Business Research and Innovation Initiative - Pilot

September 2016



Australian Government



NATIONAL
INNOVATION &
SCIENCE AGENDA

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Contents

1. Introduction	4
2. Programme overview.....	4
2.1 Introduction	4
2.2 Programme objective	5
2.3 Pilot programme outcomes	5
3. The Challenges	5
4. Grant amount and grant period	5
4.1 Grants available	5
4.2 Project duration	5
5. Eligibility criteria	6
5.1 Who is eligible?	6
5.2 Eligible project and eligible activities	6
5.3 Eligible expenditure.....	7
5.4 Collaborations	7
6. The merit criteria you need to address.....	7
6.1 Merit criterion 1	8
6.2 Merit criterion 2	8
6.3 Merit criterion 3	8
6.4 Merit criterion 4	8
7. How we assess your application (selection process).....	8
7.1 Merit assessment by Innovation and Science Australia	8
7.2 Final decision	9
8. How to apply.....	9
8.1 Timing for the application process	10
8.2 Attachments to the application.....	10
9. If your application is successful	10
9.1 Grant agreement.....	10
9.2 How the grant will be paid.....	10
9.3 How we monitor your project	11
9.4 Project variations	11
9.5 Evaluation	12
9.6 Tax obligations.....	12
10. Other things you should know	12
10.1 Conflicts of interest	12
10.2 How we use your confidential information	13
10.3 How we use your personal information.....	14
10.4 Freedom of information.....	14
11. Public announcement.....	14

12. Enquiries and feedback.....	15
Appendix A. Definitions of key terms	16
Appendix B. How we assessed the challenge	19
B.1 Participating agency eligibility	19
B.2 Submission of challenge proposals	19
B.3 The merit criteria for challenge proposals.....	19
B.4 How we assessed challenge proposals (selection process)	20
B.5 Requirements of participating agencies once their challenge is selected	20
B.6 Challenge management group	20
B.7 Negotiations for the purchase of a solution	21
Appendix C. Guidelines on eligible expenditure	22
C.1 How we verify eligible expenditure	22
C.2 Labour expenditure	22
C.3 Labour on-costs and administrative overhead.....	23
C.4 Contract expenditure.....	23
C.5 Other eligible expenditure	24
Appendix D. Ineligible expenditure.....	25
Appendix E. Accountant declaration.....	26

1. Introduction

These guidelines set out the funding rules for the Business Research and Innovation Initiative – Pilot programme. The programme aligns with the requirements of the [Commonwealth Grants Rules and Guidelines](#).¹

The Department of Industry, Innovation and Science is responsible for administering the programme, through AusIndustry. The programme was announced as part of the National Innovation and Science Agenda as a two year pilot, with funding commencing 1 July 2016.

We will publish opening and closing dates of any funding rounds on [business.gov.au](#).

Definitions of key terms used in these guidelines are in Appendix A.

You should read this document carefully before you start filling out an application.

2. Programme overview

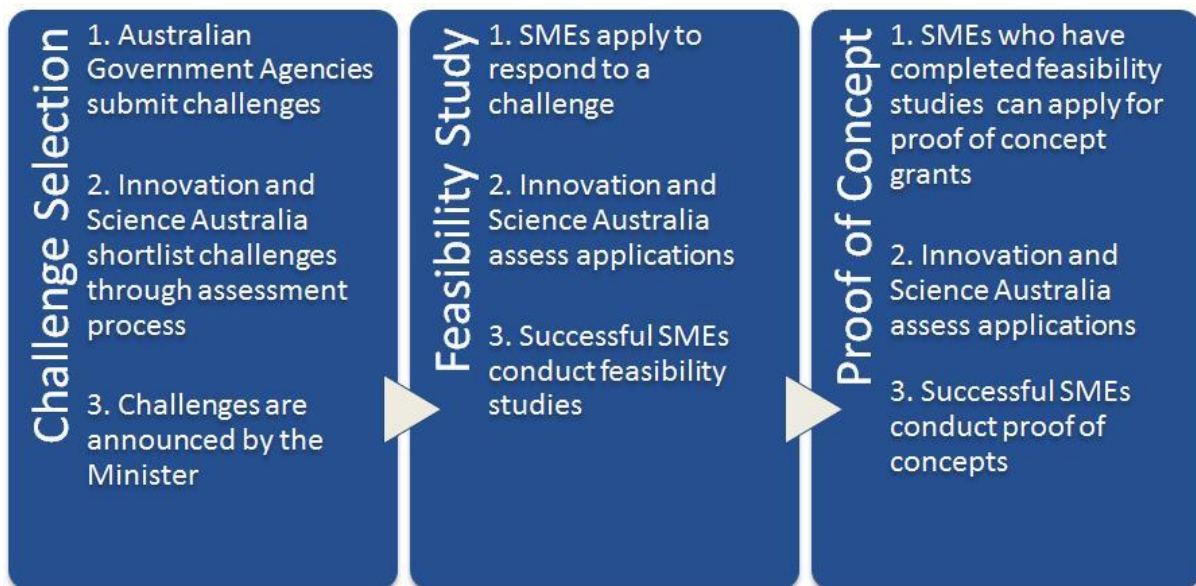
2.1 Introduction

The Business Research and Innovation Initiative is a pilot programme for small to medium sized enterprises (SMEs). The total allocation of grant funding for the pilot programme is:

- \$2 million for feasibility studies
- \$10 million for proofs of concept.

The pilot programme covers five challenges for which SMEs can develop solutions. These challenges, listed in section 3 below, were proposed by Australian Government agencies and successful challenges were recommended by Innovation and Science Australia (Appendix B explains this process). More detail on each of the challenges is available on [business.gov.au](#).

SMEs can apply for a competitive grant to undertake a feasibility study on their proposed solution to a challenge. Following the completion of a feasibility study, grantees can apply for a further competitive grant for the development of a proof of concept.



¹ <http://www.finance.gov.au/resource-management/grants/>

Upon completion of the proofs of concept, we expect grantees to conduct negotiations for any potential sale of the solution to the participating Australian Government agency in good faith. Australian Government agencies will decide whether to purchase any solution at their own cost and must comply with the [Commonwealth Procurement Rules](#)². There is no guarantee that the Australian Government agency putting forward a challenge will purchase a solution.

Grantees will retain intellectual property rights and the right to sell in domestic and global markets.

2.2 Programme objective

The objective of the programme is to drive innovation within SMEs and government by encouraging the development of innovative solutions by SMEs to public policy and service delivery challenges.

2.3 Pilot programme outcomes

The pilot programme outcomes are to:

- stimulate the innovative capacity of SMEs and Australian Government agencies
- improve business capability to access national and international markets
- develop SMEs confidence and awareness when working with government as a possible customer
- encourage Australian Government agencies to participate in sourcing innovative solutions.

3. The Challenges

- On-the-spot technology for measuring pyrethroid surface residues
- Tracking the effect and value of information products
- Digitally enabled community engagement in policy and programme design
- Improve transparency and reliability of water market information
- Sharing information nationally to ensure child safety

4. Grant amount and grant period

4.1 Grants available

We will provide grants of up to \$100,000 for feasibility studies that address a specific challenge. If you complete your feasibility study, you can apply for a grant of up to \$1 million to develop a proof of concept addressing the same challenge.

You can receive grant funding for more than one challenge at the same time or over time.

4.2 Project duration

- For a feasibility study, the maximum project duration is 3 months.
- For a proof of concept project, the maximum project duration is 18 months.
- There is no minimum project duration.
- We measure project duration from the project start date as identified in the grant agreement.

² <http://www.finance.gov.au/procurement/procurement-policy-and-guidance/commonwealth-procurement-rules/>

5. Eligibility criteria

5.1 Who is eligible?

To be eligible to apply for a feasibility study or proof of concept grant you must:

- a. be a non-tax exempt company incorporated under the *Corporations Act 2001* (Cth) or be an individual or partnership, provided you agree to form a non-tax exempt company incorporated under the *Corporations Act 2001* (Cth) with which a grant agreement could be entered into.
- b. have an ABN.
- c. have a turnover of less than \$20 million for each of the three years prior to the lodgement of the application, combined with any related bodies corporate. There is an exception for applicants controlled by an Australian university or public sector research organisation, whose individual turnover must be less than \$20 million for each of the three years prior to lodgement of the application. Newly established companies are welcome to apply.
- d. be able to demonstrate an ability to fund any project costs that are not covered by the grant.

Joint applications are acceptable, provided you have a lead applicant who is both the primary project proponent and eligible as per the list above.

You are **not** eligible to apply for a feasibility study or proof of concept grant if you are:

- an income tax exempt corporation
- an individual or partnership (however, an individual or partnership may apply if they agree to form an eligible corporation that is non tax-exempt before signing a grant agreement)
- a trust (however, a corporation that is a corporate trustee may apply on behalf of a trust)
- a Commonwealth, state or local government agency or body (including government business enterprises).

5.1.1 Additional eligibility criteria for proof of concept

To be eligible for a proof of concept grant you must have completed a feasibility study project addressing the same challenge. You must have submitted a feasibility report to AusIndustry using the required template within one month of completing the project. We will publish the template on business.gov.au.

5.2 Eligible project and eligible activities

5.2.1 For feasibility studies

A feasibility study is a set of activities undertaken to scope and research the technical and commercial viability of an SME's proposed solution to a challenge.

Eligible activities for feasibility studies could include work to determine:

- the technical viability of the proposed solution
- the novelty of the proposed solution compared to existing offerings
- the commercial potential of the proposed solution in domestic and/or international markets.

5.2.2 For proofs of concept

A proof of concept builds on a feasibility study, and involves undertaking a set of activities to produce a working prototype or demonstration of an innovative solution to a challenge.

Eligible activities for proofs of concept could include work to determine:

- the nature, functionality and capabilities of the innovative solution;
- differentiation of the innovative solution from any similar existing products or services; and
- performance of the innovative solution in the relevant operational environment(s).

5.2.3 Other things you should know

Activities that have received funding from other government grant sources are not eligible activities for the purposes of the programme. This is to avoid duplication of support with other government programmes. The specific activities that you propose to undertake during the feasibility study or a proof of concept must not have received other government grants.

The Programme Delegate may seek advice from Innovation and Science Australia to determine the scope of eligible activities.

5.3 Eligible expenditure

We will fund eligible expenditure on approved projects:

- For guidelines on eligible expenditure, see Appendix C.
- For a list of ineligible expenditure, see Appendix D.

We may update the guidelines on eligible expenditure. If your application is successful, the version that applies to your project will be the version that is current when your grant agreement is signed (by both the Australian Government and you).

You must incur the project expenditure between the project start and end date for it to be eligible. You may start your project from the date that the grant agreement is executed.

5.4 Collaborations

A collaborative project involves a lead applicant and at least one other partner.

Only the lead applicant must be an eligible applicant.

Only the lead applicant will enter into, and be responsible for any subsequent contractual relationship with the Commonwealth. The lead applicant must complete the application form and identify all other members of the proposed collaboration in their application. The application should also include a letter of support from each additional organisation involved in the proposal. Each letter of support should include:

- an overview of how the collaboration member will work with the lead applicant and any other collaboration members to support the successful completion of the grant project
- an outline of the relevant experience and/ or expertise the collaboration member will bring to the collaboration
- the roles and responsibilities the collaboration member will undertake, and the resources it will contribute (if any)
- details of a nominated management level contact officer

6. The merit criteria you need to address

To be competitive, you will need to address each merit criterion in your applications for both feasibility study and proof of concept projects. Your responses to the merit criteria should specifically address the grant for which you are applying. The application form asks questions that relate to the merit criteria outlined below. All merit criteria are of equal weighting. The amount of

detail and supporting evidence you provide in your application should be greater for proof of concept than for a feasibility study and commensurate with the project size, complexity and funding amount requested. The application form details word limits.

6.1 Merit criterion 1

Extent to which the proposed solution meets the challenge

- a. How the proposed solution will meet the challenge.
- b. How the proposed solution is different to what is already in the market.

6.2 Merit criterion 2

Your capability and capacity to deliver the proposed solution to the challenge

- a. Access to appropriately skilled and experienced personnel, including technical.
- b. Access to infrastructure, capital equipment and technology.
- c. Access to and/or the beneficial use of, any intellectual property (IP) necessary.
- d. An appropriate timetable and budget for the development of the project.

6.3 Merit criterion 3

Market opportunity

- a. The market need for the proposed solution within government.
- b. The future commercial potential of the solution in domestic and/or international markets.

6.4 Merit criterion 4

Value for money of the proposed solution given the level of funding sought

- a. The value for money of the proposed project activities to be undertaken.
- b. Possible social and economic benefit of the proposed solution.

7. How we assess your application (selection process)

We will first assess your application against the eligibility criteria. Only eligible applications will proceed to the merit assessment stage.

We will forward your application to the participating agency who nominated the challenge to assess the application against the merit criteria.

7.1 Merit assessment by Innovation and Science Australia

We will then refer your application to Innovation and Science Australia.

Innovation and Science Australia will assess your application against the merit criteria and compare it to other eligible applications in that funding round. The assessment will also take into account the participating agency's view of your application.

For Innovation and Science Australia to recommend a proposed project for funding, the participating agency must support the application. Innovation and Science Australia will give your application a score out of 100.

Innovation and Science Australia assesses all applications against the same merit criteria, and relative to the project size, complexity and grant amount requested. For larger and more complex projects more detailed supporting evidence will be expected.

After considering your application, Innovation and Science Australia will make recommendations to the Minister on which applications are suitable for funding. To be recommended as suitable for funding, your application must score highly against each merit criterion.

7.2 Final decision

The Minister decides which grants to approve taking into account Innovation and Science Australia's recommendations and the availability of grant funds.

If you are successful, you will receive a written offer.

If you are unsuccessful, we will notify you in writing and give you an opportunity to discuss the outcome with us. We may refuse to admit for merit assessment a new application that is substantially the same as a previous ineligible or unsuccessful application.

The Minister's decision based on recommendations of Innovation and Science Australia is final in all matters, including:

- approving funding for a feasibility study
- approving funding for a proof of concept
- the size of funding to be awarded
- the terms and conditions of funding.

The Minister will not approve funding if they reasonably consider the programme funding available across financial years will not accommodate the funding offer.

We cannot review decisions.

8. How to apply

Prior to applying you should read and understand these programme guidelines, the online application form and the grant agreement. View the grant agreement at business.gov.au.

You can only submit an application during a funding round. We will publish the opening and closing date for each round on business.gov.au.

To apply, you must:

- complete the relevant online Business Research and Innovation Initiative application form on business.gov.au
- provide all the information that is needed for us to assess your application
- address all eligibility and merit criteria, ensuring each requirement has been considered
- ensure all mandatory attachments are included.

When you submit your online application we will provide you with an automated receipt number and a link to a page to enter your email address to receive acknowledgment and a copy of your complete application.

You are responsible for ensuring your application is complete and accurate. We will investigate false or misleading information and may exclude your application from consideration. If you discover an error in your application after submission you should contact us immediately via the contact centre on 13 28 46.

We may request clarification or additional information from you that does not alter the substance of an application in response to an omission or error. However we are not bound to accept any additional information, or requests to change submissions, from you after the application closing time.

If you require further guidance around the application process or if you are unable to submit online contact us at business.gov.au or call the contact centre on 13 28 46.

8.1 Timing for the application process

The challenges for the pilot are listed at section 3. Additional details on the challenges are available on business.gov.au.

You must submit applications by the closing date.

8.2 Attachments to the application

The following documents are required with your application:

- project plan
- budget plan
- accountant's declaration regarding your turnover, see Appendix E for template
- trust deed (where applicable).

You must attach supporting documentation to the application form in accordance with the instructions provided within the form. You should only attach requested documents. We will not consider information in attachments that we do not request.

9. If your application is successful

9.1 Grant agreement

You must enter into a grant agreement with the Department of Industry, Innovation and Science, acting on behalf of the Commonwealth. A sample grant agreement is available on business.gov.au.

You will have 30 days from the date of offer to execute a grant agreement with the Commonwealth ('execute' means both you and the Australian Government have signed the agreement). During this time, we will work with you to finalise details. We may withdraw the offer if both parties do not execute the grant agreement within this time. Under certain circumstances we may extend this period.

We will not make any grant payments until there is an executed grant agreement in place. We are not responsible for any expenditure until a grant agreement is in place.

Grantees will be required to participate in a challenge management group established for each challenge.

The Commonwealth may recover grant funds if there is a breach of the grant agreement.

9.2 How the grant will be paid

9.2.1 For feasibility studies

We will pay the entire feasibility study grant on execution of the grant agreement.

9.2.2 For proof of concept

For proof of concept grants, we will make an initial payment on execution of the grant agreement. We will make subsequent payments progressively based on your progress reports against agreed milestones in the project plan. Ten per cent of the total grant funding is set aside for the final payment. We will pay the grant funds owing when you submit a satisfactory final proof of concept report.

9.3 How we monitor your project

Project progress will be monitored by the challenge management group and informed by submitted project progress reports and project support meetings.

You must submit progress reports as described in the grant agreement. All report templates are available on business.gov.au. We will also provide you with the progress report templates. The amount of detail you provide in your reports should be commensurate with the project size, complexity and grant amount.

Progress reports must:

- include the agreed evidence
- identify the total eligible expenditure incurred in achieving the milestones
- be submitted within two weeks of the reporting period.

We will only make proofs of concept grant payments when we receive satisfactory progress reports. We will assess your report and conduct site visits if necessary.

At the completion of feasibility studies and proofs of concept, you must submit a final report..

Final reports must:

- include the agreed evidence
- identify the total eligible expenditure incurred for the project
- be submitted within four weeks of completing the project.

9.4 Project variations

We recognise that unexpected events may affect project progress. In these circumstances, you can request a project variation, including:

- changing project milestones
- extending the timeframe for completing the project but within the maximum three month period for feasibility studies and 18 month period for proof of concept
- an increase to the agreed amount of grant funds up to maximum of grant funds for each component, and subject to available programme funds.

If you want to propose changes to the grant agreement, you must put them in writing **before** the project end date.

We will **not** consider changes after the project end date.

If a delay in the project results in milestone achievement and payment dates moving to a different financial year, you will need a variation to the grant agreement. We can only move funds between financial years if there is enough funding in the relevant year to accommodate the revised payment schedule.

You should not assume that a variation request will be successful. We will consider the request in the context of factors such as:

- impacts on the project outcome
- consistency with the programme policy objectives and any relevant policies of the department
- changes to the timing of grant payments
- availability of programme funds.

In deciding whether to agree to a variation, the Programme Delegate may seek the advice of Innovation and Science Australia and/or the relevant participating agency.

9.5 Evaluation

We will evaluate the pilot programme to determine the extent to which the funded activity is contributing to the objectives and outcomes of the programme. You may be required to provide information to assist in this evaluation. This may include completing surveys or attending focus groups, within twelve months of the completion of your funding agreement.

9.6 Tax obligations

Where applicable, grants are subject to the goods and services tax (GST). We will increase your grant payments to compensate for GST if you are registered.

Grants are assessable income for taxation purposes, unless exempted by a taxation law. We recommend you seek independent professional advice on your taxation obligations or seek assistance from the Australian Taxation Office. We do not provide advice on tax.

On payment of grant funds we will provide you with a recipient created tax invoice (RCTI).

10. Other things you should know

10.1 Conflicts of interest

For staff, technical experts and others who help to manage, assess and evaluate the programme, a conflict of interest can exist if there is a conflict between:

- their programme duties, roles and responsibilities
- their private interests (where these interests could inappropriately influence the way they manage the programme).

Private interests include an individual's own personal, professional or business interests or the interests of individuals or groups with whom they are closely associated. This includes relatives, friends or other affiliations.

A conflict of interest can be:

- real (or actual)
- apparent (or perceived),
- potential.

A real (or actual) conflict of interest exists when a person's private interests or their programme duties, roles and responsibilities **could** improperly influence how they manage, assess and evaluate the programme.

An apparent (or perceived) conflict of interest exists where it **appears or is perceived** by a third party that someone's private interests or their programme duties, roles and responsibilities could

improperly influence how they manage, assess and evaluate the programme, even if a real or actual conflict has not, or cannot, be established.

A potential conflict of interest exists when someone has a private interest and an actual conflict of interest **could** arise if they make any decisions related to the programme.

10.1.1 How we manage conflicts of interest

We manage conflicts of interest according to the *APS Code of Conduct* (section 13 (7) of the *Public Service Act 1999* (Cth)). We publish our conflict of interest policy on the [Department of Industry, Innovation and Science³](http://www.industry.gov.au/AboutUs/InformationPublicationScheme/Ourpolicies/Pages/Library%20Card/ConflictofInterestInsideTradeExpectationsofInnovationEmployees.aspx) website.

Innovation and Science Australia and other officials must declare any conflicts of interest. A delegated authority receives and retains all declarations. The delegated authority assesses all declarations to determine whether a conflict of interest exists and whether it is significant. In the event that a conflict of interest is identified, that individual will be advised what they must do to manage the conflict. For example, if a conflict of interest is a cause for concern, that official will not take part in the assessment of applications under the programme.

10.2 How we use your confidential information

We'll use the information you give us according to Australian laws, including:

- the *Public Service Act 1999* (Cth)
- the *Public Service Regulations 1999* (Cth)
- the *Privacy Act 1988* (Cth)
- the *Crimes Act 1914* (Cth)
- the *Criminal Code Act 1995* (Cth).

We'll treat the information you give us confidentially if it meets **all** of the four conditions below:

1. You clearly identify the information as confidential and explain why we should treat it as confidential.
2. The information is commercially sensitive.
3. Revealing the information would cause unreasonable harm to you or someone else.
4. You provide the information with an understanding that it will stay confidential.

10.2.1 When we may reveal confidential information

We may reveal confidential information:

- to Innovation and Science Australia and other Commonwealth employees and contractors, to help us manage the programme effectively
- to employees and contractors of our Department, so we can research, assess, monitor and analyse our programmes and activities
- to other Commonwealth, state, territory or local government agencies in programme reports and consultations
- to the Auditor-General, Ombudsman or Privacy Commissioner
- to the responsible Minister or Assistant Minister

3

<http://www.industry.gov.au/AboutUs/InformationPublicationScheme/Ourpolicies/Pages/Library%20Card/ConflictofInterestInsideTradeExpectationsofInnovationEmployees.aspx>

- to a House or a Committee of the Australian Parliament.

We may also reveal confidential information if:

- we are required or allowed by law to reveal it
- you agree to the information being revealed **before** we reveal it, **or**
- someone other than us has made the confidential information public.

10.3 How we use your personal information

We must treat your personal information according to the Australian Privacy Principles (APPs) and the *Privacy Act 1988*. This includes letting you know:

- what personal information we are collecting
- why we are collecting your personal information
- who we will give your personal information to.

We will collect personal information from you, and we may give the information to our employees and contractors, Innovation and Science Australia, and other Commonwealth employees and contractors, so we can:

- manage the programme
- research, assess, monitor and analyse our programmes and activities.

We, or our Minister, may:

- announce to the public the names of successful applicants
- publish personal information on the department's websites.

Please read our [Privacy Policy](#)⁴ for more information on:

- what is personal information
- how we collect, use, store and reveal your personal information
- how you can access and correct your personal information.

10.4 Freedom of information

The *Freedom of Information Act 1982* (Cth) (FOI Act) applies to all documents we create, receive or store about the programme. If someone requests a document under the FOI Act, we will release it (though we may need to consult with you and/or other parties first) **unless** it meets one of the exemptions set out in the FOI Act.

11. Public announcement

The Minister may publicly announce successful projects and may include:

- name of your business
- title of the project
- description of the project and its aims
- amount of grant funding awarded.

⁴ <http://www.industry.gov.au/Pages/PrivacyPolicy.aspx>

We will also be published details of successful project on the [Department of Industry, Innovation and Science](#)⁵ website as per the requirement of the [Commonwealth Grants Rules and Guidelines](#).⁶

12. Enquiries and feedback

For further information or clarification you can contact us on 13 28 46 or by [web chat](#) or through our [online enquiry form](#) at business.gov.au.

Questions you ask us may form the basis of a response that we will publish on our website as Frequently Asked Questions.

The AusIndustry [Customer Service Charter](#) is available at business.gov.au. AusIndustry uses customer satisfaction surveys to improve its business operations and service.

If you have a complaint, call the contact centre on 13 28 46 or contact us at [business.gov.au](#). We will refer your complaint to the appropriate manager.

If you are not satisfied with the way we handle your complaint, you can contact:

Head of Division
AusIndustry – Innovation Programmes
GPO Box 9839
CANBERRA ACT 2601

You can also contact the [Commonwealth Ombudsman](#)⁷ with your complaint (call 1300 362 072). There is no fee for making a complaint, and the Ombudsman may conduct an independent investigation.

⁵ <http://www.industry.gov.au/Pages/default.aspx>

⁶ <http://www.finance.gov.au/resource-management/grants/>

⁷ <http://www.ombudsman.gov.au/>

Appendix A. Definitions of key terms

In these guidelines unless the contrary intention applies:

Activities means the steps or processes undertaken in conducting the *project*.

Applicant means an entity referred to in these *guidelines* that submits an application for Business Research and Innovation Initiative *programme funding*.

Application form means the document issued by the *Programme Delegate* for the purposes of *applicants* applying for funding under the *programme*.

AusIndustry means the division of the same name within the *department*.

Australian Government agency means a Commonwealth entity as defined in section 10 of the [Public Governance, Performance and Accountability Act 2013 \(Cth\)](#)⁸.

Challenge means the policy or service delivery challenge that has been put forward by an *Australian Government agency*, which has been selected as the subject of the grant.

Challenge management group means the group established for each challenge, which is responsible for supporting the efficient and effective management of the challenge projects.

Challenge proposal means a proposal submitted by an *Australian Government agency* that specifies a *challenge*, outlining the scope and objective of the challenge and the potential for innovation.

Collaborative project means a project involving a partnership, alliance and/or network, aimed at a mutually beneficial, clearly defined innovative outcome.

Conflict of interest means the exercise of a power or making of a decision by a person in a way that may be, or may be perceived to be, influenced by either a material personal interest (whether financial or non-financial) or a material personal association.

Department means the Department of Industry, Innovation and Science.

Eligible activities means the activities undertaken by a *grantee* in relation to a *project* which are deemed eligible for funding support by the *Programme Delegate* in accordance with these *guidelines* and the *grant agreement*.

Eligible applicant means an *applicant* that satisfies the requirements described in section 5.1 of these *guidelines*.

Eligible application means an application or proposal for *grant funding* under the *programme* that the *Programme Delegate* has determined is eligible for assessment in accordance with these *guidelines*.

Eligible expenditure means the expenditure incurred by a *grantee* in relation to a *project* and deemed eligible for funding support by the *Programme Delegate* in accordance with these *guidelines* and the *grant agreement*.

Eligible expenditure guidelines means the *guidelines* formulated by the *Programme Delegate*, which may be updated from time to time, which outline accepted *eligible expenditure* under the *programme*.

Feasibility study means to scope and research an innovative solution to a *challenge* in order to provide details for a proposed *proof of concept*.

⁸ <http://www.finance.gov.au/resource-management/pgpa-act/10/>

Feasibility study report means the report submitted in the format specified in the *grant agreement*, at the completion of a *feasibility study*.

Finance circular means the policy guidance issued by the Department of Finance and Deregulation on various matters relating to the Australian Government's financial framework.

Grant agreement means a single agreement for the receipt of a grant under the *programme* for a *project*.

Grant funding or **grant funds** means the funding made available by the Commonwealth of Australia to successful *applicants* under the *programme*.

Government grant sources includes, but is not limited to, grants from Commonwealth, state, territory, local or international government programmes, including funding under the Business Research and Innovation Initiative.

Innovation means the process whereby ideas are transformed, through economic activity, into sustainable, value-creating outcomes. It can generate changes in output such as new products and/or processes and/or services.

Innovation and Science Australia means the statutory board established by the *Industry, Research and Development Act 1986* (Cth) (the Act) and named in that Act as Innovation Australia (as at the date these Guidelines were made).

Lead applicant means an entity that makes an application for funding under the *Business Research and Innovation Initiative* on behalf of other participants where the *project* is a *collaborative project*.

Grantee means an entity that has been offered funding and has entered into a *grant agreement* with the Commonwealth in relation to the *programme*.

Good and services tax (GST) has the same meaning as in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

Minister means the Minister for Industry, Innovation and Science.

Non Income-Tax Exempt means not exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997* (Cth) or Division 1AB of Part III of the *Income Tax Assessment Act 1936* (Cth).

Participating agency means an *Australian Government agency* that has identified a *challenge* and acts as the lead agency for a *challenge proposal*.

Personal information means the same as in the *Privacy Act 1988* (Cth).

Programme means the *Business Research and Innovation Initiative Programme*.

Programme Delegate means an employee of the *department* who has been empowered by the *Minister*, or is otherwise duly authorised, to carry out the relevant functions in respect of the *programme*.

Programme Directions means the directions that are given by the *Minister* under the Act to *Innovation and Science Australia* concerning its functions in relation to the *Business Research and Innovation Initiative*, as in force from time to time.

Programme funding or **Programme funds** means the funding made available by the Commonwealth for the *programme* in any given financial year, being the funding specified in the Portfolio Budget Statement (as varied by any Portfolio Additional Estimates Statement or by the *Minister*) for that year.

Programme guidelines or guidelines means these *guidelines* that are given by the *Minister* to the *department* to provide a framework for the operation and administration of the *programme*, as in force from time to time.

Project means a project described in an *application for Business Research and Innovation Initiative programme funding*.

Proof of concept means a continuation of a *feasibility study*, involving a set of activities to produce a working prototype or demonstration of an innovative solution to a *challenge*.

Public Sector Research Organisation means an organisation:

- a. at least 50% owned, controlled or funded by the Commonwealth, or an Australian state or territory government;
- b. primarily carrying out research and development activities; and
- c. either:
 - i. providing services, or making facilities available, in relation to science or technology;
 - ii. training, or assisting in the training of, persons in the field of scientific or technological research; or
 - iii. collecting, interpreting or publishing information relating to science or technology.

Related bodies corporate has the same meaning as section 50 of the *Corporations Act 2001* (Cth).

Turnover means revenue earned from ordinary activities during a full financial year. Revenue means the gross inflow of economic benefits arising in the course of the company's ordinary activities. Ordinary activities means activities that are undertaken by the company as part of its normal business operations, and includes the sale or supply of goods, lease of premises, hire of equipment, giving of advice, export of goods, and supply of other things.

Appendix B. How we assessed the challenge

The five challenges covered by this pilot programme are outlined in Section 3 of these guidelines.

This appendix sets out the process and selection criteria that the Australian Government used to identify and select the challenges. This also sets out the role of participating agencies in the pilot programme more broadly.

B.1 Participating agency eligibility

Participating agencies were assessed as eligible if they provided evidence of Secretary, Deputy Secretary or equivalent support for the challenge proposal.

B.2 Submission of challenge proposals

Agencies were required to submit a complete challenge proposal containing sufficient verifiable information to undertake a merit assessment. Application forms were required to be submitted within a specified timeframe.

Where agencies wished to collaborate on a challenge, one agency was required to be the lead participating agency for submission of the challenge proposal. Details of other collaborating agencies were provided in the challenge proposal. Where a challenge proposal was successful, the lead agency became the “participating agency” for that challenge.

B.3 The merit criteria for challenge proposals

To be competitive, agencies were required to address each merit criterion in their application. Innovation and Science Australia assessed the agencies’ applications and all assessment criteria were of equal weighting.

Merit criterion 1 – Scope for innovation

The extent to which the challenge proposal calls for an innovative solution to address an Australian Government agency need not currently met by solutions in the global marketplace.

The agency may indicate merit by demonstrating:

- why an innovative solution is required to meet the challenge
- that a suitable solution is not currently available in the market
- the extent of innovation required to address the unmet need.

Merit criterion 2 – Achievable parameters

A challenge proposal must demonstrate it is realistically resolvable within the general constraints of the programme.

The agency may indicate merit by demonstrating that feasibility study and proof of concept are achievable within the:

- time constraints of the programme
- funding constraints of the programme
- current technological environment.

Merit criterion 3 – Agency commitment and strategic alignment

A challenge proposal must align with the activities, priorities and policies of the agency and the Commonwealth.

The agency may indicate merit by demonstrating:

- how the solution to the challenge aligns to the strategic priorities and objectives of the agency
- budget and resource allocations related to the potential purchase of the solution to the challenge
- possible social and economic benefits of the innovative solution to the Australian public.

Merit criterion 4 – Agency capacity and resources

A challenge proposal must outline the agency's capacity and resources to participate in the programme.

The agency may indicate merit by demonstrating:

- the resources the agency will bring to the challenge; including project management, subject matter expertise, IT support and access to relevant intellectual property.

B.4 How we assessed challenge proposals (selection process)

The Programme Delegate determined whether a challenge application was eligible. Eligible challenge proposals were referred to Innovation and Science Australia for merit assessment and ranking against the equally weighted merit criteria.

Innovation and Science Australia provided merit-ranking recommendations to the Minister. Innovation and Science Australia also considered whether there was an appropriate variety of challenges for the pilot programme.

After taking into account the merit ranking from Innovation and Science Australia, the Minister approved the challenges for announcement and publication on business.gov.au and subsequently opened applications from SMEs for feasibility studies to solve the announced challenges.

B.5 Requirements of participating agencies once their challenge is selected

Those agencies whose challenges were selected as part of the pilot programme are required to:

- a. sign an exchange of letters with the Department of Industry, Innovation and Science to establish the roles and responsibilities of the participating agency
- b. participate in merit assessments for feasibility study and proof of concept applications
- c. collaborate with the challenge manager on project activities and frequently asked questions
- d. provide assistance to the grant recipient when required on a specific challenge
- e. participate in the project management group
- f. at their own cost, cooperate with any evaluation of the programme undertaken by the Commonwealth or independent third parties.

B.6 Challenge management group

There will be a challenge management group for each challenge. This group will be a working group responsible for supporting the efficient and effective management of the challenge projects.

Each challenge management group will comprise:

- officers from AusIndustry with a working knowledge of the Business Research and Innovation Initiative

- an officer from the participating agency who has a high level of technical understanding of the challenge problem
- the grantee for their individual project.

The challenge management group will:

- provide a transparent process to answer grantee questions regarding the challenge and to ensure that all grantees have equal access to information from the participating agency relevant to that grantee's project and within the limits of appropriate commercial confidentiality
- provide advice and support to grantees or the participating agency as required to assist the successful completion of each project and the challenge as a whole
- provide advice to the programme delegate in relation to any requests for variations to projects.

The challenge management group will report to the Programme Delegate.

B.7 Negotiations for the purchase of a solution

The programme funds competitive grants for SMEs to develop innovative solutions to public policy and service delivery challenges faced by participating agencies. It is not a procurement programme. If a participating agency wishes to procure an innovative solution developed by an SME under the programme, it must commence a procurement process at its own cost and in compliance with the *Commonwealth Procurement Rules*.

Agencies should consider whether a limited tender would be appropriate for their circumstances. This procurement method is discussed in Chapters 9 and 10 of the *Commonwealth Procurement Rules*. Officials may wish to seek advice from their internal procurement teams.

In the event that a participating agency intends to purchase a solution to a challenge following the completion of the grant agreement, the relevant grantee must negotiate in good faith with the Commonwealth in relation to the sale of the solution to the Commonwealth.

Appendix C. Guidelines on eligible expenditure

This section provides guidelines on the eligibility of expenditure for feasibility studies and proofs of concept. We will update these guidelines from time to time, so you should make sure you have the current version from the business.gov.au website before preparing your application.

The Programme Delegate makes the final decision on what is eligible expenditure and may issue additional guidance on eligible expenditure if required.

To be eligible expenditure must:

- be incurred by the grantee within the project period
- be a direct cost from the project
- meet the eligible expenditure guidelines.

C.1 How we verify eligible expenditure

If your application is successful, we may ask you to verify the project budget that you provided in your application when negotiating your grant agreement. You may need to provide evidence for major cost items. Evidence can include:

- quotes
- purchase orders
- details of all employees working on the project, including name, title, function, time spent on the project and salary.

The grant agreement will also include details of the evidence you may need to provide when you achieve certain milestones in your project. This may include evidence related to eligible expenditure, including:

- invoices
- associated payments.

If requested, you will need to provide the agreed evidence along with your milestone achievement reports.

You must also keep payment records of all eligible expenditure, and must be able to explain how the costs relate to agreed project milestones and activities. At any time, we may ask you to provide records of your paid expenditure. If you do not provide these records when requested, the expense may not qualify as eligible expenditure.

At the end of the project, you will be required to provide an independent financial audit of all eligible expenditure from the project.

C.2 Labour expenditure

Eligible labour expenditure for the grant covers the direct labour costs of employees you directly employ on the core elements of the agreed project. We consider a person an employee when you pay them a regular salary or wage, out of which you make regular tax instalment deductions.

We consider costs for technical, but not administrative, project management activities eligible labour expenditure. However, these costs are limited to 10% of the total amount of eligible labour expenditure claimed.

We do not consider labour expenditure for leadership or administrative staff (such as CEOs, CFOs, accountants and lawyers) as eligible expenditure, even if they are doing project management tasks.

Eligible salary expenditure includes an employee's total remuneration package as stated on their Pay As You Go (PAYG) Annual Payment Summary submitted to the Australian Taxation Office (ATO). We consider salary-sacrificed superannuation contributions as part of an employee's salary package if the amount is more than what the Superannuation Guarantee requires.

The maximum salary for an employee, director or shareholder, including packaged components that you can claim through the grant is \$150,000 per financial year.

For periods of the project that do not make a full financial year, the maximum salary amount you can claim will be reduced in proportion to the amount of time in the part financial year the project was taking place.

You can only claim eligible salary costs when an employee is working directly on agreed project activities during the agreed project period.

C.3 Labour on-costs and administrative overhead

Eligible salary costs can be increased by an additional 30% allowance to cover on-costs such as employer paid superannuation, payroll tax and workers compensation insurance, and overheads such as office rent and the provision of computers.

You should calculate eligible salary costs using the formula below:

$$\text{Eligible salary costs} = \text{Annual salary package} \times \frac{\text{Weeks spent on project}}{52 \text{ weeks}} \times \text{percentage of time spent on project}$$

You cannot base labour costs on an estimation of the employee's worth. If you have not exchanged money (either by cash or bank transactions) we will not consider the cost eligible.

We will only consider salaries paid to principals and/or their relatives as eligible labour expenditure when the ATO has assessed tax payable on the salary

Evidence you will need to provide can include:

- details of all personnel working on the project, including name, title, function, time spent on the project and salary
- ATO payment summaries, pay slips and employment contracts.

C.4 Contract expenditure

Eligible contract expenditure is the cost of any agreed project activities that you contract others to do. These can include contracting:

- another organisation
- an individual (who is not an employee, but engaged under a separate contract).

All contractors must have a written contract prior to starting any project work – for example, a formal agreement, letter or purchase order which specifies:

- the nature of the work to be performed
- the applicable fees, charges and other costs payable.

Invoices from contractors must contain:

- a detailed description of the nature of the work
- the hours and hourly rates involved
- any specific plant expenses paid.

Invoices must directly relate to the agreed project, and the work must qualify as an eligible expense as if you had claimed it directly (without engaging a contractor). The costs must also be reasonable and appropriate for the activities performed.

We will require evidence of contractor expenditure that may include:

- an exchange of letters (including email) setting out the terms and conditions of the proposed contract work
- purchase orders
- supply agreements
- invoices and payment documents.

As stated in the grant agreement, you are required to ensure all project contractors keep a record of the costs of their work on the project. You may be required to obtain and provide a contractor's records of its costs of doing project work. If you do not provide such records, the relevant contract expense may not qualify as eligible expenditure.

C.5 Other eligible expenditure

Other eligible expenditures for the project may include:

- commissioning
- building modifications – note that if you own the modified asset, modifications to leased buildings may be eligible, for example installing a fume cupboard. You must use the leased building for activities related to your project. The building modifications should directly contribute to the feasibility study or the proof of concept.
- staff training that directly supports the achievement of project outcomes
- financial auditing of project expenditure
- costs of acquiring intellectual property and technology
- costs you incur in order to obtain planning, environmental or other regulatory approvals during the project period. However, associated fees paid to the Commonwealth, state, territory and local governments are not eligible.
- contingency costs up to a maximum of 10% of the eligible project costs. Note that we make payments based on actual costs incurred.

Other specific expenditures may be eligible as determined by the Programme Delegate.

Evidence you need to supply can include supplier contracts, purchase orders, invoices and supplier confirmation of payments.

Appendix D. Ineligible expenditure

Examples of ineligible expenditure include:

- financial costs, including interest
- costs incurred in the preparation of the application
- depreciation of plant and equipment
- maintenance costs
- costs of purchasing, leasing, depreciation of, or development of land
- infrastructure development costs, including development of road, rail, port or fuel delivery networks beyond the site
- site preparation activities which are not directly related to, or for, the main purpose of the project
- opportunity costs relating to any production losses as a result of allocating resources to the agreed grant project
- costs related to obtaining resources used on the project, including interest on loans, job advertising and recruiting, and contract negotiations
- routine operational expenses, including communications, accommodation, office computing facilities, printing and stationery, postage, legal and accounting fees and back charges
- costs related to preparing the grant application, preparing any project reports (except costs of independent audit reports) and preparing any project variation requests
- activities you paid for using non-cash considerations

Other specific expenditure may be ineligible as determined by the Programme Delegate.

Appendix E. Accountant declaration

Role of person making declaration	[Accountant or Chief Financial Officer(CFO)]
Name	
Contact details	
Qualification	<input type="checkbox"/> Chartered Accountant <input type="checkbox"/> Certified Practicing Accountant <input type="checkbox"/> CPA Australia <input type="checkbox"/> Chartered Accountants Australia and New Zealand <input type="checkbox"/> Institute of Public Accountants
Membership number	
Applicant's name	
Applicant's ABN	

I declare that:

On the basis of the evidence [Applicant Name] has supplied to me, I consider the combined turnover with any related bodies corporate for the last 3 financial years to be as represented in the table below.

Names of bodies corporate	Turnover (\$A) yyyy/yy	Turnover (\$A) yyyy/yy	Turnover (\$A) yyyy/yy
Applicant	\$	\$	\$
	\$	\$	\$
	\$	\$	\$
	\$	\$	\$
Total combined turnover	\$	\$	\$

Signature

Signed on this day of