GUIDELINES

Industry R&D Infrastructure Fund



Final 05 July 2023



1. Background

Innovation transforms ideas or research into new commercial opportunities, businesses or industries. This, in turn, creates job opportunities and drives economic growth. Innovation drives productivity, creates solutions to our most complex problems, and benefits our community.¹

Research and Development (R&D) is critical to the processes of innovation, and the resulting technological and productivity improvements obtained from greater levels of innovation.

Australian business investment in research and development has been declining for many years and continues to be well below the OECD (Organisation for Economic Cooperation and Development) average. More could be done to lift this performance and drive productivity and economic growth.

The 2023-24 State budget committed \$15 million to establish the **Made in Victoria - Industry R&D Infrastructure Fund** to help incentivise and leverage industry investment in R&D.

The Industry R&D Infrastructure Fund is a stream under the Victorian Jobs and Investment Fund (VJIF). VJIF is a whole-of-government fund to support investment and innovation that facilitates sustainable job creation and drives long-term growth for Victoria.

2. Program objectives

The Industry R&D Infrastructure Fund will incentivise Victorian companies to make new investments in R&D infrastructure to support the effective development of Victoria's R&D capability in key industry sectors and increase Victorian business expenditure on R&D.

The benefits created by the funding can be to a business, or to an industry, or to both, but must be able to show how the project will increase Victoria's R&D capability in the longer term.

The program will support new R&D infrastructure projects aligned to Victoria's priority industries as identified in the *Made in Victoria: 2030 Manufacturing Statement*:

- · new energy technologies, including wind, hydrogen, solar and batteries
- · health technologies, including medtech, biotech, pharma and consumer healthcare
- food manufacturing and agriculture
- defence, aerospace and space
- digital and advanced technologies, including advanced materials, robotics, AI (Artificial Intelligence), 3D-printing, and quantum technologies.

Projects aligned to other industry sectors and R&D service providers may also apply for funding. To support business investment in R&D as a key driver of innovation and economic growth. This program will:

- directly support industry investment in new or enhanced R&D infrastructure
- enable high quality collaboration and mutually valued research between industry, universities and/or research providers
- deliver broader spill-over benefits from the investments, particularly in manufacturing, strengthening supply chains and in up skilling the workforce, with a focus on priority industry sectors.
- support R&D infrastructure that will strengthen the capability of Victorian industry to respond to opportunities in emerging areas of innovation.







3. Definition of R&D Infrastructure

The Industry R&D Infrastructure Fund is designed to complement the Australian Government's R&D tax incentive program by directly supporting business investment in R&D infrastructure and/or technology to help lift firm levels of innovation and productivity. This initiative is also targeted at enabling high quality collaboration and mutually valued research between industry, universities and/or research providers by supporting R&D infrastructure.

For the purpose of this fund and consistent with Australian Government program guidelines¹, R&D activities are defined as experimental activities:

- a) whose outcome cannot be known or determined in advance based on current knowledge, information or experience, but can only be determined by applying a systematic progression of work that:
 - i. is based on principles of established science; and
 - ii. proceeds from hypothesis to experiment, observation and evaluation, and leads to logical conclusions; and
- b) that are conducted for the purpose of generating new knowledge (including new knowledge in the form of new or improved materials, products, devices, processes or services).

R&D infrastructure comprises (but is not limited to) a range of sophisticated equipment and services enabling leading-edge science, research and innovation in any discipline. It encompasses a broad range of technology platforms, such as for:

- genomics analysis used in agriculture and human health
- the fabrication, testing and advanced engineering of new/novel and unique materials and devices
- imaging technology used to analyse materials and molecular structures
- optical and radio-telescopes used in astronomy
- design and build of specialist machinery, or modification of existing equipment
- building new or modification of existing buildings for specialist manufacturing activities (i.e. clean room for medical device manufacturing)
- innovation regarding environmentally friendly processes, such as significant reduction of waste
- set-up new or upgrade existing R&D equipment/suite of equipment, to provide service across the priority sectors (i.e. R&D service for material testing, engineering prototyping, product verification and/or validation)
- underpinning capabilities, such as data collection and analysis.

This infrastructure can be directed to be operated by a single applicant for its own use or as collaborative, cross-disciplinary and networked facilities that provide technologies to a range of users from many organisations.

Note that approval for funding is independent of and does not guarantee entitlement to the tax offset under the Research and Development Tax Incentive (R&DTI). Applicants are responsible for seeking specialist advice concerning any implications of grant funding towards future tax claims under the R&DTI or their companies tax status. Further details on the Australian Government's R&DTI can be found here <u>Research and Development Tax Incentive</u> | <u>business.gov.au</u>.





¹ Research and development tax incentive | Australian Taxation Office (ato.gov.au)

4. Eligibility

4.1 Eligible Applicants

The Industry R&D Infrastructure Fund is open to:

- businesses that have identified key R&D equipment/infrastructure that will support their R&D activities and anchor their operation in Victoria
- businesses that provide R&D services.

Successful applicants will need to complete the project activities ideally within 12 months. Successful applicants may negotiate projects timelines beyond 12 months on a case-by-case basis.

To be eligible the organisation will need to:

- a) be a legally structured business registered in Victoria with an Australian Business Number (ABN), with a minimum 3-year trading history
- b) have an operating presence in Victoria
- c) employ at least 20 full-time equivalent² (FTE) staff or have an annual turnover greater than \$1.5 million³.

Businesses who do not fit the eligibility but have a project which aligns with the objectives of the program should contact the program manager via email at <u>industryr&dfund@ecodev.vic.gov.au</u>.

4.1.1 Trust structures

An Incorporated Trustee can apply on behalf of a Trust provided that the Trustee:

- will remain sufficiently liable for the performance of any agreement it signs
- can meet the above eligibility criteria.

4.1.2 Partnerships

Individual Partners may apply on behalf of a partnership provided that the partners:

- will remain jointly and severally liable for the performance of any agreement they sign
 - can meet the above eligibility criteria.

4.2 Ineligible Applicants

The following entities are not eligible to apply:

- individuals
- Australian, state and local government agency or body established under *the <u>Public</u>* <u>Administration Act 2004</u> (VIC) or equivalent legislation of another Australian jurisdiction
- company not incorporated in Australia
- unincorporated association, committee or collective
- community-based organisations





² Companies with less than 20 FTE may be considered but will need to provide a compelling argument

demonstrating why the project should be funded in line with the eligibility criteria and program objectives. ³ Companies with a turnover above \$100 million will need to provide a case for why government funding is needed to deliver to the project in Victoria.

- academic institutions, public sector research providers or university⁴ organisations currently involved in litigation against the State Government of Victoria or the Commonwealth of Australia.

4.3 Prohibited activities

Prohibited activity means an activity which:

- is illegal under Australian laws (including, without limitation, the Labour Hire Licensing Act (Vic) equal opportunity, anti-discrimination, affirmative action legislation and other Victorian laws)
- is inconsistent with policies and procedures of the Victorian Government
- involves the production, distribution, advocacy, sale, research or development of:
 - o tobacco or tobacco-related products
 - o cluster munitions and other controversial weapons
 - \circ thermal coal and natural gas
 - o gambling
 - logging of old growth forests
 - o uranium
 - unregulated animal testing
 - o live cattle and / or sheep exports, or
 - \circ fracking.

4.4 Other conditions of applying

The applicant must also agree to:

- a) meet any co-contribution requirement with eligible cash expenditure
- b) provide audited financial reports for the last 3 financial years to enable DJSIR to conduct a financial risk assessment. Note, if the applicant's financial reports are not audited, unaudited financial reports can only be accepted if they have been prepared by an accountant registered on the Tax Practitioner Board
- c) participate in future program evaluation activity
- adhere to and enforce the <u>Victoria's Climate Change Act 2017</u> (CC Act), the <u>Fair Jobs Code</u>, (2018), <u>Local Jobs First Policy</u> (2018), and <u>Gender Equality Act</u> (2020) where applicable
- e) meet all industrial relations obligations as an employer in accordance with the National Employment Standards.

5. Available Funding

The program provides grants of up to 50% of eligible project expenditure. The minimum grant amount is \$250,000 (excluding GST) and the maximum grant amount is up to \$2 million (excluding GST).

Projects with a total eligible expenditure of less than \$500,000 (excluding GST) will not be considered.

Funding will not be provided for retrospective activities, i.e., where project expenditure is incurred prior to acceptance of a letter of offer or execution of a grant agreement. Applicants that commence their projects prior to execution of a grant agreement do so at their own risk.





⁴ Note that academic institutions and universities are eligible to be project partners



5.1 Co-contributions

Companies will need to meet the minimum cash co-contribution requirement of at least \$1 for every \$1 granted (50% of total eligible project expenditure). For example:

• Organisation 1 provides a total cash contribution of \$600,000 of deemed to be eligible expenses for the project. The Victorian Government provides an additional \$600,000 (excluding GST) through the Industry R&D Infrastructure Fund in matched funding.

In-kind contributions (i.e., non-monetary resources) are excluded from being counted towards the required co-contribution. Funds from other Victorian or Australian Government programs cannot form part of the co-contribution.

The assessment process may consider the applicant's capacity to provide a co-contribution of more than 1:1 and promote value for money outcomes.

Applicants are responsible for seeking specialist advice concerning any implications of grant funding towards future tax claims under the Australian Government's R&D tax initiative or their companies tax status.

Full project expenditure, including grant funding and co-contribution funding, must be spent on eligible project activities detailed below.

6. Funded Projects

Applicants must clearly demonstrate how funding will support further growth in business expenditure on R&D. Funded projects will be expected to deliver on the program objectives (Section 2).

6.1 Project timing

Projects will be expected to commence within 90 days of execution of the grant agreement and evidence provided, in the form of a purchase order and/or invoice from the supplier/s, that the applicant has committed a minimum of 10% of eligible project expenditure by this date.

Successful applicants will ideally complete the project activities within 12 months of the date of the grant agreement. Successful applicants may negotiate projects timelines beyond 12 months on a caseby-case basis. Completion of the project within this period will be a legally binding commitment in the grant agreement.

6.2 Eligible project activities and expenditures

Funding will support the purchase and commissioning of capital equipment (recorded as fixed assets in the applicant's accounting and tax asset registers). Associated project expenditure related to construction or outfitting of buildings to enable R&D activities including those targeting process improvements, prototyping, evaluation and testing of new products and processes will also be considered.

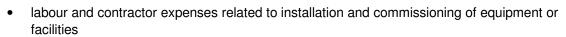
Any other activities related to establishment of infrastructure and not covered by other programs, including the R&D tax incentive, may be considered on a case-by-case basis.

Eligible project expenditure includes the following activities:

- capital expenditure (e.g., testing or specialised machinery, equipment and technology)
- capital expenditure incurred to construct a building or part of a building
- building costs associated with an extension alteration or improvement to a building
- training of staff specific to the installation or operation of the new R&D infrastructure







• accreditation expenses associated with equipment and/or facilities being assessed and granted industry-relevant standards (e.g., ISO standards).

All eligible expenditure should be readily identifiable as specifically used only for the establishment of infrastructure for delivery of R&D activity and not be used for other functions (i.e., in-market product manufacturing or day-to-day operational cost).

Successful projects will be monitored for resulting R&D activity.

Eligible project expenditure must be:

- incurred by the grant recipient within 12 months of execution of the grant agreement
- a direct cost of the project, and
- exclusive of the Goods and Services Tax (GST).

The project budget as submitted with the application must clearly detail all proposed expenditure items and be subject to the approval of DJSIR.

Should applicants be uncertain as to whether a particular expense is eligible for funding under the Industry R&D Infrastructure Fund, they can contact the program manager via email at <u>industryr&dfund@ecodev.vic.gov.au</u>.

Some typical projects might include:

- businesses may apply seeking to establish a new or expanded R&D infrastructure within their own business to deliver process improvements, prototyping, evaluation and testing of their own products and processes
- service providers that specialise in providing R&D services to support the establishment of new or expanded R&D infrastructure intended to be accessible to sector clients
- business that are part of a consortium with partners, including public sector organisations. The supported infrastructure could be established within either the lead applicant or partner organisations.

6.3 Ineligible Activities & Expenses

The Industry R&D Infrastructure Fund is not intended to support projects which involve:

- · project expenses that are already funded or partially funded by other government funding
- expenses incurred in acquiring, or in acquiring the right to use, technology wholly or partly for the purpose of one or more R&D activities
- expenses that are primarily focussed on routine maintenance of existing R&D infrastructure
- retrospective funding for activities that have already begun
- business as usual operational expenditure, including existing staff costs/salaries, communications, travel, entertainment, accommodation and office computing equipment
- land and lease costs
- printing, stationery, postage, and bank charges
- basic and routine professional services including legal and accounting fees
- any amount paid on account of GST





- costs related to preparing the grant application, preparing any project reports and preparing any project variation requests
- building routine websites, sales and promotional activities, marketing or communications campaigns
- regulatory and intellectual property fees and charges associated with registering domestic or international patents or other intellectual property enforcement expenses.

7. Application process

Potential applicants are encouraged to carefully consider their ability to meet the program requirements and how they will perform against the assessment criteria before committing significant resources to developing an application.

There is a Two-stage application process:

- Stage 1: Expression of Interest, followed by
- Stage 2: An invitation by DJSIR to submit a formal application.

All details of opening and closing dates for the round are publicised on the Business Victoria website at business.vic.gov.au/irdif. Applications will only be accepted when a funding round is open.

- Stage 1: The Expression of Interest (EOI) opens on Thursday, 6 July 2023 for a 6-week period.
- Stage 1: EOIs must be submitted in the portal by 5pm on the closing date Friday, 18 August 2023. Please note that late applications will not be accepted.
- All applicants will be advised in writing via email of the outcome of their EOI, 4 weeks from the closing date.
- Following assessment of EOI applications, the successful applicants will be invited to submit a detailed project plan as part of Stage 2 through direct discussions with DJSIR. Applicants in this process will be assigned a case manager to further discuss their project and requirements as part of the submission of a full application.

7.1 How to apply

The electronic EOI application form is available on the Business Victoria website at business.vic.gov.au/irdif. EOI's can only be made using this electronic form and must be submitted online. Printed, facsimile, posted or other methods of delivery of the EOI form will not be accepted.

All sections of the EOI form must be completed in full. Only final EOIs that are lodged with DJSIR will be considered and assessed. EOIs that are still in 'draft' and have not been submitted upon program close will not be assessed.

For further information please contact the program manager via email at IndustryR&DFund@ecodev.vic.gov.au.

7.2 Supporting documentation

All EOI applications will need to detail the applicant's eligibility under the program and must include an outline of the proposed project and outcomes and demonstrate how the project meets the objectives of the program.

Applicants progressing to Stage 2 of assessment will be required to provide the following additional supporting documentation:

application form



- detailed project plan, including additional outcomes resulting from the project and quotations from supplier/s to support estimated costs (a project plan template will be provided)
- a detailed project budget, set at quarterly intervals across the planned grant period
- evidence of capital to support the cash co-contribution to the project (evidence includes cash in the bank, statutory declaration from the CFO/CEO of committed funds)
- audited Financial Reports for the past 3 years (including Profit & Loss, Balance Sheet and notes to the accounts). Note, If the applicant's financial reports are not audited, unaudited financial reports can only be accepted if they have been prepared by an Accountant registered with the Tax Practitioner Board
- management or interim accounts for the current year, if the most recent Financial Report is more than 6 months old
- business plan incorporating financial projections (Profit & Loss and Cash Flow) and expected expenditure plans related to delivery of the project:
 - the cash flow projections must include project expenditure, capital expenditure and project funding as separate items in cash outflow and inflow
 - the financial projections should cover the life of the project and should reflect the financial benefits expected to be generated from the project. A template providing guidance on the Profit and Loss and Cash Flow projections will be available.
- risk management plans for delivery of the project, including risks associated with climate change, and
- letters of support where relevant, for example from potential clients, partners, local councils and relevant associations may be included.

Applicants will have approximately 5 weeks to provide this additional documentation.

It is the applicant's responsibility to ensure all requested documentation is supplied to DJSIR within the required periods. Failure to do so may result in the application being deemed ineligible.

8. Assessment

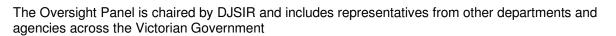
This is a contestable program and successful applications will be required to rate highly against the program's assessment criteria. Highly competitive applications would be expected to satisfactorily meet all selection criteria. A critical part of the assessment of each project will be reviewing applications to prioritise projects that would establish impactful R&D facilities that may not have been established in Victoria without government support. The following process will be undertaken:

• DJSIR will determine application eligibility against the eligibility criteria, undertake any probity checks and review applications to ensure all mandatory documentation is included.

8.1 Stage 1: EOI Assessment

- Eligible applications will be considered by a panel and assessed against the EOI assessment criteria (see table below).
- An Inter-departmental oversight panel will determine applicants to be invited to Stage 2 by considering:
 - o the quality assessment undertaken by the assessment panel on each EOI
 - \circ the spread of projects across priority industries and value for Victoria
 - $\circ~$ the number of projects.





STAGE 1: EOI Assessment Criteria

EOI	Considerations			
Assessment Criteria				
1	Eligibility			
	Eligibility of entity type			
	Size of organisation			
2	Alignment to program objectives			
	 Makes a sufficiently compelling case that the project will deliver outcomes consistent with the program objective of developing Victoria's R&D capability in priority industry sector/s and potential to lift business expenditure on R&D and be sustainable 			
	Level of alignment with the priority industries			
3	Need for Funding			
	 Makes a sufficiently compelling case on why government funding is necessary to achieve the project outcomes or would lead to improved outcomes. Applications will need to justify the critical impact of grant funding to delivery of the project 			
4	Other conditions of funding			
	Ability to meet co-contribution requirements			

8.2 Stage 2: Project Assessment

- Applications will be reviewed to ensure all mandatory documentation is included.
- Applications will be assessed and scored against Stage 2 assessment criteria and a list of recommended projects identified.
- Financial Risk Assessments will be undertaken on the lead applicants in this list.
- DJSIR's Whole-of Government Investment Committee will consider the recommended projects and endorse that list or note any issues.
- DJSIR will recommend projects to the Minister for Innovation and Industry for final approval.

Decisions in recommending and awarding grant funding under this program are at DJSIR and Minister's discretion. This includes not making any funding available or approving a lesser amount than that applied for.





STAGE 2:	Assessment	Criteria
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Assessment Criteria	Considerations	Weighting		
1	Alignment to program objectives to increase business expenditure of R&D	40%		
	 Demonstrate how the project will deliver outcomes consistent with program objectives 			
	 Demonstrate how the infrastructure will be managed and sustained beyond the grant period to support R&D projects 			
	Contribute to sector capability			
2	 Demonstrate how the activity will enhance firm-level innovation and contribute to the competitiveness of the sector, especially in the development of new products and services for new or emerging markets 	30%		
	 Demonstrate how the project will deliver new or enhanced R&D infrastructure capabilities to meet industry demands (especially development of new R&D capabilities not currently accessible within Victoria, AND/OR impact on the attraction of business expenditure on R&D in Victoria) 			
	Capacity and capability to successfully implement the project			
3	 Provide details of the lead applicant and partner's ability to manage research infrastructure and R&D projects 	15%		
	 Outline the track record of the applicant in delivering grant projects (if applicable) and the resources to be allocated to the project 			
	Outline how the project will be implemented to meet the project deliverables and milestones			
	Other project benefits	15%		
4	 Provide details of any broader benefits to non-project participants or flow on impacts, such as strengthened supply chains, increased skills, and workforce capabilities 			
	 Provide details of project partners and benefits from the project. Outline track record of collaborations with research providers 			

Further information may be sought from applicants if required.

An application must address each assessment criterion and make the best possible case for funding. Claims made against each criterion must be substantiated and full details of all underlying risks and assumptions should be clearly stated. The review and assessment of applications will progress the applications best placed to achieve the program objectives and provide best value for the state.

9. Notification of Outcomes

Applicants will be advised of the outcome of their application by email and successful applicants will receive a letter of offer. The decision by DJSIR is final.





10. Grant agreement

Successful applicants will be sent a letter of offer inviting them to enter into a legally binding grant agreement with DJSIR. The grant agreement details all funding obligations and conditions.

Applicants will have 15 calendar days from the date of the letter of offer to accept the offer in writing and 60 calendar days from the date of acceptance to execute the grant agreement with DJSIR. The offer may be withdrawn if the grant agreement is not executed within the 60-day period.

A sample grant agreement is available at business.vic.gov.au/irdif.

10.1 Reporting

All recipients of grant funds must agree under the grant agreement to:

- report on the outcomes of the project (6-monthly written milestone reports including progress towards purchase and installation of equipment are required). Depending on the size of the grant there may be a requirement for audited reports
- complete a project completion evaluation report (before the final milestone payment is paid) the funding agreement may include a 2-3 year annual post-project evaluation report
- face-to-face meetings (as requested)
- participate in a formal evaluation of the program by DJSIR or its agents (as requested).

11. Publicity

Grant recipients must agree to cooperate with DJSIR in the preparation of materials used to promote the benefits of the program to industry, such as a media release or case study on the project and consult with DJSIR prior to the publication of any project promotion materials.

12. Privacy

Information provided for this program, including personal information, will be collected and used by DJSIR for assessment of eligibility for this grant, program administration and program review. DJSIR will be auditing and monitoring applications and may contact you for clarification. We may contact you during program review and evaluation.

DJSIR completes a range of eligibility assessments that may include data matching to clarify the accuracy and quality of your supplied information. This is part of our auditing and monitoring processes and for confirming eligibility across this program.

If personal information about a third party is included in the application, the applicant must ensure the third party is aware of and consents to the contents of this privacy statement.

In the assessment of the application, it may be necessary to share personal information with State and Australian Government department and agencies.

DJSIR collects demographic information for economic reporting purposes. No personal information is used in reporting; all reports are presented with aggregated data.

Any personal information about the applicant applying or a third party will be collected, held, managed, used, disclosed or transferred in accordance with the provisions of the *Privacy and Data Protection Act 2014* (Vic) and other applicable laws.

Enquiries about access or correction to your personal information, can be emailed to industryr&dfund@ecodev.vic.gov.au.







Other concerns regarding the privacy of personal information can be emailed to <u>privacy@ecodev.vic.gov.au</u> and DJSIR's privacy policy is available at <u>www.djsir.vic.gov.au/privacy</u>.

13. Probity and Decision-making

The Victorian Government makes every effort to ensure the grant application and assessment process is fair and undertaken in line with the published program guidelines.

Victorian Government staff work to the Code of Conduct for Victorian Public Service Employees (Section 61) of the *Public Administration Act 2004* (Vic), including processes set out to avoid conflicts of interest. Staff are also expected to demonstrate the following Victorian public sector values:

- responsiveness
- integrity
- impartiality
- accountability
- respect
- leadership
- human rights.

If any information in the application is found to be incomplete, inaccurate, false or misleading, or grants are not applied for the purposes of the business in accordance with the terms of funding as set out in these guidelines and any attached application, the grant will be repayable on demand.

13.1 Amendments to guidelines

DJSIR reserves the right to amend these guidelines and the application terms at any time as it deems appropriate.

14. Contacts and further information

For more information:

- Business Victoria programs webpage (www.business.vic.gov.au/irdif)
- visit the Business Victoria Website and navigate to the Contact Us page at https://business.vic.gov.au/contact-us
- email the program manager on IndustryR&DFund@ecodev.vic.gov.au

Please note that engagement with DJSIR or any Victorian Government representative does not constitute endorsement of any application for funding.

