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### **Background**

In November 2021, the Victorian Government agreed to establish the Victorian Land Systems Fund (VLSF) to support existing and future Victorian-based supply chain partners of Hanwha Defense Australia (Hanwha).

The VLSF is a Victorian Government initiative that supports Victorian businesses, with a focus on Small to Medium Enterprises (SMEs), to win supply chain work with Hanwha for the Commonwealth Government’s Land 8116 program.

The Supply Chain Uplift Program (SCUP) is one of two VLSF grant streams. The SCUP provides grants for business improvement activities that will enhance the capacity of SMEs to effectively compete for and win contracts with Hanwha.

SCUP is part of the Victorian Government’s Defence Capture Plan (2021) which outlines the government’s approach to grow Victoria’s defence industry sector. SCUP is administered by the Department of Jobs, Precincts and Regions (the Department).

### **Program objectives**

The objectives of the Program are to maximise the value of the $1 billion Land 8116 program to the State, by supporting Victorian defence industry businesses to enter Hanwha’s domestic and global supply chains.

Funding will support Victorian businesses to gain relevant accreditations (e.g., ISO 9001), prepare tenders and meet industry specific compliance requirements such as International Traffic in Arms Regulations (ITAR) or the Defence Industry Security Program (DISP).

##### 2.1 Program Outcomes

The intended outcomes for the Program are:

* Victorian suppliers secure a greater portion of Hanwha's global and domestic supply chain work
* More Victorian suppliers are defence supply chain ready
* The Victorian defence supply chain has developed and/or attracted new advanced manufacturing capabilities to the state
* Victorian manufacturers are securing partnerships with overseas manufacturers
* More people are employed in the Victorian defence supply chain
* Funding enables Victorian businesses to undertake collaboration activities with Hanwha’s global and South Korean supply chain partners on defence R&D activity and intellectual property transfer opportunities.

The Program is intended to complement other existing Commonwealth and State Government funding initiatives. Any co-contribution by a Program grant recipient cannot be sourced via funding the business has received from a different Commonwealth or State Government grant or allocation.

### **Funding**

##### 3.1 Grant amount

Grant amounts of between $2,000 and $100,000 (excl GST) are available under this Program for the Land 8116 Program. The Department will fund 50 per cent of Eligible Expenditure, up to a maximum of $100,000 (excl. GST) of eligible project costs.

An Applicant can apply for 50 per cent of costs up to a maximum of $5,000 (excl. GST) for trade missions to pursue in-country collaboration and export opportunities.

The Victorian Government reserves the right to offer a grant for a lower amount than that applied for by an Applicant.

Please note that funding will not be provided for retrospective activities (i.e., costs incurred before a Grant Agreement is signed). Grant recipients that commence their project prior to the execution of a Grant Agreement do so at their own risk.

##### 3.2 Project cash co-contribution

Applicants are required to make a cash co-contribution based on a 1:1 funding ratio. In-kind contributions (i.e., non-monetary resources) are excluded from any calculation of the cash co-contribution. Funds received from other Victorian or Commonwealth Government programs cannot form part of the cash co-contribution.

##### 3.3 Tender response assistance funding

For project activities that support the development of a tender, the Grant Agreement will specify that a tender must be issued before the Department will pay any funds to a grant recipient. This will not prevent an Applicant and the Department from entering into a Grant Agreement prior to a tender being issued.

Funding will only be provided to the grant recipient after it has provided proof that its tender has been submitted.

If the request for tender is cancelled before the grant recipient is able to submit the tender, the grant recipient will have to take immediate action to minimise any expenses incurred and the Department will pay up to 50 per cent of the Eligible Expenditure up to the amount of the grant.

If a tender is cancelled after the grant recipient submits the tender, the Department will pay the full grant amount as specified in the Grant Agreement. A grant recipient must inform the Department of the outcome of the tender within two months of being notified of the result.

##### 3.4 Grant refund requirements in the event of insufficient project delivery or expenditure

The Applicant should note that there may be circumstances in which any Grant amounts may be required to be refunded to the Department. These circumstances will be as set out in the Grant Agreement and may include (but are not limited to) where the Recipient has breached the Grant Agreement, failed to deliver the Project or has not spent the full Grant Amount.

### **Applicant Eligibility**

##### 4.1 Eligible applicants

Applicants must meet each of the following criteria to be eligible for assistance under this Program:

* have Hanwha’s support for its application to this program (please note the department may verify your claim with Hanwha)
* be a legal entity with an operating business presence in Victoria
* submit an application for activities linked directly to the applicant’s Victorian business operations
* have an Australian Business Number (ABN)
* be able to meet the required cash co-contribution ($1 for every $1 provided)
* attest that the business complies with all workplace health and safety obligations and meets all industrial relations obligations as an employer.

Preference will be given to SMEs seeking to access the program; however, companies with over 200 employees can apply and will be assessed on a case-by-case basis. For the purposes of the Program, an SME is defined as a company with 200 or fewer employees.

##### 4.2 Ineligible applicants

The following entities are not eligible to apply:

* individuals and partnerships
* Commonwealth, State and Local Government agencies and bodies
* publicly funded research institutions.

### **Eligible projects**

An eligible project must assist the applicant’s entry into Hanwha’s domestic and/or international supply chains and support the development of the business’ Victorian based operations.

Where an applicant is seeking support to win work in a foreign market, satisfactory evidence must be provided to verify that any direct exports by the Applicant will be allowed under relevant Australian and international laws. For, regulations governing the export of defence and strategic goods and technologies, see: [www.defence.gov.au/ExportControls/Default.asp](http://www.defence.gov.au/ExportControls/Default.asp).

For grants to fund the cost of an audit to obtain a certification, funding will only be provided to a grant recipient after it has successfully provided proof of certification.

##### 5.1 Eligible Activities

An Applicant can apply for funding comprising of several different activities as follows:

|  |  |
| --- | --- |
| **Project activity** | **Description** |
| Business systems and process certifications | Activities (including formal external audits) associated with achieving business systems and process certifications that are relevant to the defence or national security industries.Certifications may include, but are not restricted to: ISO 9001, AS 9100, AS 9110, AS 9120, National Aerospace and Defence Contractors Accreditation Program (Nadcap). Certifications may also include those specified by a higher tiered contractor.Grants will only be provided for first-time certification audits or transition audits to help companies obtain revised process and system certifications i.e. ISO 9001:2008 to ISO 9001:2015.Grants can be used to fund the cost of any external audits that are required to obtain a certification, for example, audits for ISO 9001 certification.Please note, grants will not be provided to fund surveillance audits or re-certification audits. |
| Tender response assistance | Grants are available to Victorian SMEs that require expert assistance preparing tenders. Such assistance could include engaging consultants to write tenders, undertaking tender writing training, or third-party testing of products to confirm they meet tender specifications. |
| Industry specific compliance requirements | Grants are available to Victorian SMEs to undertake activities that will help to meet industry specific compliance requirements such as, ITAR and DISP and other relevant cyber and/or security requirements. |
| Supply chain collaboration activities | Grants are available to Victorian SMEs to facilitate introductions to and collaboration with Hanwha’s global and South Korean supply chain partners, as well as direct entry by Victorian companies into Hanwha’s global supply chains. |
| Development of defence R&D and technology transfer activities | Grants are available to Victorian SMEs to facilitate collaboration on defence R&D activities and intellectual property transfer opportunities. |
| Product development | Grants are available to support investments by companies to engage in product design and customisation for potential products. This may include expenditure on activities such as tooling, testing and the purchase of materials and development of prototypes. |

### **Eligible expenditure**

### The below sets out what will be considered "Eligible Expenditure" for the purposes of the Program and for which Grant amounts may be available. Applicants should note that all activity costed should be exclusive of GST.

|  |  |
| --- | --- |
| **Eligible Expenditure** | **Description and Examples** |
| Fee-for-service and related costs of service providers (i.e. consultants, experts, accreditedtesting bodies, labour and contractors) | Examples of fee-for-service and related costs of third party service providers include:* addressing business process and system gaps
* improving business processes and systems
* developing or implementing required materials, systems and processes
* to meet industry specific compliance requirements or to obtain business systems and process certifications
* Information Technology (IT) security policies, technology control plans, ITAR compliance programs
* product or process compliance testing and improvements to rectify non- compliance findings
* preparing tenders on behalf of recipients
* helping to meet the specifications of a tender, such as testing of products to confirm they meet industry specifications.
 |
| Minor building alterations and fit-out costs  | To help meet industry specific compliance requirements or passa certification audit, for example: * installation of security bars on windows
* installation of electronic access controls
* construction of partitions to meet security requirements
* other compliance requirements as appropriate.
 |
| External Audits | To obtain a business system and process certification of relevance to the defence or national security industries. |
| Software development, customisation, implementation or purchase | To help meet industry specific compliance requirements or pass a certification audit, for example: * verification and validation software
* document management
* product lifecycle management
* security/ ITAR management software
* other compliance requirements as appropriate.
 |
| Purchase and installationof equipment | * To help meet industry specific compliance requirements such as ITAR, for example:
	+ locking devices
	+ security containers
	+ security alarm systems
	+ detectors
	+ visitor management systems.
* To help a Victorian SME pass a business systems and process certification audit.
 |
| Trade missions to pursue collaboration and export opportunities  | * To facilitate introductions to and collaboration with Hanwha’s global and South Korean supply chain partners, as well as direct entry by Victorian companies into Hanwha’s global supply chains.
* To undertake intellectual property transfer activities with Hanwha’s global supply chain partners.
 |
| Defence R&D activity and intellectual property transfer opportunities  | To undertake defence R&D activity or engage in defence R&D collaborative opportunities. |
| Product development | To support investment in activities to develop new or enhance current products. This may include activities such as: * tooling and testing
* sourcing and/or development of product materials
* prototype development
* other costs associated with product design or customisation.
 |

Applicants are encouraged to use Victorian service providers to assist with their project where possible. The Department reserves, in its absolute discretion, the right to reject funding applications for activities not specified above, or for activities that do not meet Program Objectives.

### **Ineligible Expenditure**

Applicants will need to meet the cost of any ineligible expenditure associated with their project. Grants may not be used to cover the following expenses:

##### 7.1 Business as usual activities

* Expenses including salaries of existing employees and general overhead costs
* Routine replacement of plant or equipment
* Routine operational expenses, including communications, accommodation, office computing facilities, printing and stationery, maintenance, postage, legal, banking and accounting fees
* Costs related to preparing the grant application, project reports and project variations
* Building websites, marketing, sales, and promotional activities
* Entertainment costs
* General software upgrades and purchases, e.g., Microsoft Office/Windows operating systems
* Feasibility studies
* Business plans
* Land acquisition

##### 7.2 Projects that should be met by an alternative funding source

* Initiatives seeking retrospective funding for projects that have already begun or been announced
* Projects undertaken by the private sector as a result of Victorian Government contractual arrangements or regulatory requirements
* Projects requiring ongoing funding from the Victorian Government once completed
* Projects that can be better implemented through another Commonwealth or Victorian Government funding program

##### 7.3 Unsuitably qualified service providers

* Works carried out by unqualified service providers without the appropriate expertise to deliver the service
* Works carried out by third parties that are not considered by the Department to be sufficiently at “arm’s length” from an Applicant.

### **Duration of projects**

Projects should take no longer than 12 months to complete. Where applicants cannot deliver funded projects within this period, they must inform the Department of why a longer duration is required.

Projects must be completed within the timeframes specified in the Grant Agreement.

### **Application Process**

Potential Applicants are encouraged to carefully consider their ability to meet Program objectives and requirements and how they will perform against the assessment criteria before applying.

Applicants will need to have engaged with Hanwha and will be required to attest that Hanwha is supportive of their application to this Program.

The department may verify the applicant’s company name and project description with Hanwha Defense Australia to confirm their eligibility.

Applicants will be required to provide quotations and estimates to support their applications.

The Program is open until 30 June 2024 or until funds have been exhausted.

##### 9.1 How to Apply

Applicants are encouraged to first speak to members from the Victorian Defence, Aviation and Aerospace Branch, to discuss their project and to determine eligibility before formally applying for a grant. Contact details are included in section 15 of this document.

Applicants can submit a completed application via this [website](http://www.business.vic.gov.au/).

Applicants will be advised in writing of the outcome of their applications, including those whose applications are unsuccessful.

##### 9.2 Applications

Applications can only be made using the electronic link provided and must be submitted online. Printed, facsimile, posted or other methods of delivery of the application form will not be accepted.

All sections of the application form must be completed in full, and all requested attachments provided.

Applicants will be asked to provide project information, including:

* + a description of the project and expected project outcomes
	+ reasons for undertaking the project
	+ the key personnel, associated costs, delivery timeframes, key milestones and deliverables
	+ a risk management plan
	+ a project budget.

##### 9.3 Required Documentation

* Quotes for eligible project expenditure for the total Project cost (grant plus matched funding)
* Cash-contribution evidence, see **Section 9.4 below**
* Financial information as required in **Section 9.5 below**
* Where relevant, evidence verifying that any direct exports by the Applicant will be allowed under relevant Australian and international laws
* budget information such as the nominated grant amounts and deliverables and quotes for project related tasks

##### 9.4 Cash co-contribution evidence

Applicants may also be required to supply documentation that provides details of the cash
co-contribution, such as:

* evidence of support from the Board or Applicant owner that the Applicant can undertake the project and meet its cash co-contribution obligation; and
* an approved loan facility from a reputable Australian bank (including loan amount);
* cash at bank (current bank statement from a reputable Australian bank); or
* management accounts demonstrating satisfactory cash flow or liquid assets.

##### 9.5 Financial Risk Assessment

In relation to Grants of $50,001 and more (exc. GST):

* Applicants must submit audited financial reports for the last three financial years\*. This should be the ‘final accounts’ with Directors’ Report & Declaration and should include Profit & Loss Statement, Balance Sheet and Notes to the Accounts.
* Where the latest financial report is more than six months old:
	+ up to date management or interim accounts (Profit & Loss Statement and Balance Sheet).
* Current Business Plan, or project proposal
* For project-based applications, the company’s financial projections\*\* for the next three financial years, including:

**–** Profit and Loss

**–** Cash Flow

\* If the applicant’s accounts are not audited, unaudited accounts from their Accountant will be accepted.

\*\* The cash flow projections should include project 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.

It is an applicant’s responsibility to ensure all requested documentation is supplied to the Department. Failure to do so may result in the application not proceeding.

### **Assessment of applications**

All applications will be assessed individually against the eligibility criteria, key selection criteria and available funds through an open-round grant process.

The Supply Chain Uplift Program Assessment Panel will review all eligible applications and provide recommendations.

Applicants may be contacted by the Department to provide additional supporting documentation or further information.

There is no guarantee that an application will be supported for funding, or that the amount of funding requested will be offered.

##### 10.1 Due Diligence Assessments

Applicants may be subject to due diligence assessments to enable the Department to assess financial and other non-financial risks. Outcomes from such assessments may be considered in any decision to recommend or award a grant and in contracting with successful applicants. Such checks may include:

* any potential for reputational risk to the State
* whether the applicant has failed to meet key contractual obligations for previous grant agreements with the State
* business regulator checks
* financial risk assessments for grants of $50,001 or more.

 10.2 Business regulator check

A business regulator check may be undertaken to verify business details provided with the Australian Business Register, Australian Securities and Investment Commission and/or other applicable regulator. Any of the following circumstances may be taken into consideration in any decision whether to award a grant:

* any adverse findings by a regulator regarding an Applicant
* an Applicant is placed under external administration
* there is a petition to wind up or deregister the Applicant
* the Applicant is or becomes deregistered or unregistered (including cancellation or lapse in registration.

### **Assessment criteria**

Applications will be assessed against the following Assessment Criteria:

|  |  |
| --- | --- |
| **Project Activity** | **Description and Examples** |
| 1. How the project will help the applicant to enter Hanwha’s supply chain
 | This criterion assesses the extent to which the proposed project will meet the program objectives and provides value for money.* Assessed on:
	+ The extent to which the proposed project will directly support engagement with Hanwha’s domestic and/or global supply chain
	+ The extent to which the proposed project could potentially lead to new defence opportunities and/or contracts.
 |
| 1. How the project will improve outcomes for Victoria
 | This criterion assesses the extent to which the project could meet the Program Outcomes. * Considerations include:
	+ The potential value of the contract with Hanwha
	+ The potential of the project to attract additional business with and beyond Hanwha’s supply chain
	+ The potential of the project to result in the development or attraction of new capabilities or the transfer of intellectual property to the State
	+ The potential of the project to lead to the development of new partnerships with overseas manufacturers
	+ The potential number of new jobs generated in Victoria as a result of the project
	+ The potential number of existing employees transitioned into higher value, higher skilled roles
	+ The potential for the project to enable collaboration with Hanwha’s global and South Korean supply chain on defence R&D
	+ The potential of the project to result in Victorian export opportunities
	+ Whether the project will take place in areas of socio-economic disadvantage or has the potential to employ disadvantaged workers.
 |
| 1. Ability to deliver the project
 | This criterion assesses the organisation and its capacity to deliver the outcomes associated with the project.* Assessed on:
	+ The applicant organisation’s previous experience in delivering comparable projects
	+ The applicant organisation’s capacity to lead and deliver the necessary expertise and workforce for the project
	+ Evidence that the project team (i.e., business, consultant) has the capability to undertake the project.
* i.e., the applicant can meet cash co-contribution requirements and has the capacity to meet any additional activity costs that exceed the funding offered by the Department
 |
| 1. Need for government support
 | This criterion assesses whether there is a strong argument for government support. Assessed on:* + Demonstrated need for government assistance for the project to proceed
	+ Size of the company. Preference will be given to SMEs seeking to access the program. Companies with more than 200 employees can apply and will be assessed on a case-by-case basis
	+ The potential of the grant to impact positively on the quality, scale or timing of the project
 |

### **Grant agreements**

Subject to acceptance of an offer by an Applicant, a legally binding Grant Agreement will be prepared reflecting the project, proposed outcomes, milestones and conditions of payment.

An Applicant will have 14 days to accept the offer in writing and 14 days from the date of acceptance to execute the Grant Agreement with the State of Victoria. The Department may withdraw the offer if the Grant Agreement is not executed within the 14-day timeframe.

An Applicant will have 14 days to accept the offer in writing and 14 days from the date of acceptance to execute the Grant Agreement with the State of Victoria.

All recipients of grants must:

* comply with performance monitoring requirements under the grant agreement, including written reports and face to face meetings
* participate in formal evaluations of the Program by the Department including the submission of a post-completion report 12 months after completion of the project.

##### 12.1 Publicity

Successful applicants must agree to cooperate with the Department in the promotion of the program. This may include involvement in media releases, case studies or promotional events and activities.

Successful applicants must not make any public announcement or issue any press release regarding the receipt of a grant without prior written approval from the Department.

The Department may publicise the benefits accruing to the successful applicant and/or the State associated with the provision of the grant and the State’s support for the Project. The Department may include the name of the successful applicant and/or grant amount in any publicity material and in the Department’s annual report.

The Department may request successful applicant fact checks any text and seek approval to use any owned imagery associated with the activity prior to the publication by the Department of any such promotional materials.

If requested by the Department, the successful applicant must ensure that the State’s support for the grant is acknowledged on all promotional materials and appropriate signage consistent with the Guidelines for Victorian Government Advertising and Communications or as otherwise specified by the Department.

Applicants must agree to cooperate with the Department in the preparation of materials used to promote the benefits of the Program to industry, such as a media release or case study.

The Department will request grant recipients to fact check any text and seek approval to use any grant recipient owned imagery associated with the project prior to the publication of any such promotional materials.

Grant recipients are not to publicly announce being awarded a grant until the Minister has officially done so, unless prior written approval has been provided by the Department.

### **Terms of Applying**

##### 13.1 Absolute discretion

The Department’s and Minister’s decisions on all matters in recommending and awarding grant funding under this Program is at the Department’s absolute discretion. This includes for recommending for approval a lesser amount than that applied for and amending funding conditions without notice.

The Department reserves the right to request the applicant provide further information should it be deemed necessary.

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

As the Victorian State election will be held on Saturday 26 November 2022, the Victorian Government will assume a caretaker role from 6.00pm on 1 November 2022 until such time that either it becomes clear that the incumbent government will be returned, or when a new government is commissioned.

In line with the caretaker conventions, and depending on the timing of the awarding of relevant grants, the incoming government may determine whether to proceed with this program and relevant grants after the caretaker period.

Applicants should be aware that:

* all information about this grant program represents the position of the current government only, and is, depending on the progress of the program and relevant grants, potentially subject to change; and
* the incoming government may decide to not proceed with this grant program.

##### 13.2 Disrepute

The Department may at any time, remove an applicant from the application and assessment process, if in the Department’s opinion association with the applicant may bring the Department, a Minister or the State of Victoria in disrepute.

### **Privacy and Confidentiality**

The Department will, to the extent permitted by law, treat all information provided by Applicants as strictly confidential and commercial-in- confidence where relevant. Information provided by the Applicant for the purpose of this application will be used by the Department for the purposes of assessing the application, program administration and program review. In making an application, the Applicant consents to the provision of their information to other Victorian Government Departments and agencies for the purpose of assessing applications. If there is an intention to include personal information about third parties in the application, please ensure they are aware of and consent to the contents of this privacy statement.

Any personal information about the Applicant 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.

The Department is committed to protecting the privacy of personal information. Requests for access, or correction should be sent to defence@ecodev.vic.gov.au or for other concerns regarding the privacy of your personal information you can email DJPR Privacy privacy@ecodev.vic.gov.au. A copy of our privacy statement is located at [www.djpr.vic.gov.au/privacy](http://www.djpr.vic.gov.au/privacy).

### **Contacts and Further Information**

Applicants are encouraged to discuss their project with a representative from the Victorian Defence, Aviation and Aerospace Branch.

For more information, please contact Defence Victoria on 03 9651 8053 or email defence@ecodev.vic.gov.au

Please note that engagement with the Department or any Victorian Government representative does not constitute endorsement of any application for assistance.