

Victoria's Science Agenda

VSA Investment Fund - Competitive Grants Program 2009

Guidelines and Notes for Applicants



State Government of Victoria

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Minister's Foreword

The continued success of Victoria's strong economy relies upon its ability to meet the challenges of climate change, our ageing population, market globalisation and intensifying international competition. The Victorian Government is acting on these challenges by investing in innovation to ensure a healthy, sustainable and productive future.

In August, the Brumby Government launched its 2008 Innovation Statement, *Innovation: Victoria's Future*, which will take the State forward as a dynamic and successful innovation economy. *Innovation: Victoria's Future* provides the strategic direction and investment to build up Victoria's innovation capabilities so we can turn good ideas into new products, services and solutions. New funding totalling \$300 million will provide the business and research sectors with new capabilities to meet the challenges we face and plan for the future.

One of *Innovation: Victoria's Future's* centrepiece programs is *Victoria's Science Agenda* (VSA) with \$145 million over four years. The VSA will deliver targeted programs to strengthen our robust science and technology base and generate economic and social benefits. A budget up to \$41 million is available for competitive grants under the *VSA Investment Fund* which builds upon past achievements of the Science, Technology and Innovation (STI) Initiative delivered by the Victorian Government since 1999.

STI Initiative grants and investments have positioned Victoria as a leader in science and technology, with world-class infrastructure and quality people providing the capability for the development of new solutions.

To maintain and strengthen our ability for putting research into action and tackling future challenges, the *VSA Investment Fund* will support market-focussed collaborative projects between business and research organisations. It will encourage greater industry involvement and investment in innovation and the development of stronger links between our science community and the economy as a whole.

I am delighted to launch the *VSA Investment Fund* and wish all applicants the very best in their endeavours as together we strive for a healthy, sustainable and productive Victoria.



GAVIN JENNINGS MLC
Minister for Innovation
October 2008

1. Overview

Victoria has established a strong national and international reputation for excellence in science and technology, built on the leadership of the Victorian Government since 1999. Funding totalling \$620 million has been provided through two generations of the *Science, Technology and Innovation (STI) Initiative: 1999-2008* which is now generating significant public and private returns on investment.

The *STI initiative*, together with other major investments in research and innovation such as the Australian Synchrotron, the Bio21 Institute and the Centre for Energy and Greenhouse Technologies, has delivered a comprehensive strategy to strengthen Victoria's science and technology infrastructure and support base, boost commercial opportunities in science, technology and innovation, promote the development of new Victorian businesses and improve the capacity of Victorian industry to compete in global markets.

To build on the success of previous investments, the Victorian Government released the 2008 Victorian Innovation Statement *Innovation: Victoria's Future*. The Statement focuses on three core goals:

- 1. Healthy** - to support our ageing population and their health needs, and to maintain our quality of life, we will need to be smarter and more innovative.
- 2. Sustainable** - putting innovation to work to meet the climate change challenge, protect our environment and ensure we have the carrying capacity for long term growth.
- 3. Productive** - to compete internationally, Victoria needs the skills and resources to work smarter and turn new ideas into new products, services and solutions.

Under [Innovation: Victoria's Future](#), the Victorian Government will provide \$145 million over four years to deliver *Victoria's Science Agenda (VSA)*. The VSA aims to utilise science and technology to respond to looming challenges facing the State, achieve greater returns on investment from science and technology and advance community acceptance of science and technology.

A key initiative within *Victoria's Science Agenda* is the \$41 million *VSA Investment Fund*, a competitive grants program.

2. Program Objectives

The Victorian Government recognises the need to broaden and build the pool of talented, highly skilled people in science and technology. It is also acknowledged that the creators of knowledge need to be connected more strongly with business where a need exists for targeted outcomes to be delivered efficiently. Better integration is necessary to capture greater economic benefits from our science and technology base.

The objective of the *VSA Investment Fund* is to boost the State's capacity to turn new ideas and technologies into valued products, services and solutions and help make Victoria healthy, sustainable and productive.

Competitive grants will enable business and research organisations to co-invest in partnerships, where identified gaps exist, that strengthen Victoria's science and technology capabilities as well as translate them to market outcomes.

In addition, the *VSA Investment Fund* aims to:

- > Invest in proposals that focus on the application of science and technology to address an identified problem or opportunity.
- > Leverage existing Victorian science and technology strengths and capabilities for economic, social and/or environmental benefits.
- > Enhance linkages between the research community and industry and across industry sectors and disciplines.
- > Support and accelerate the translation of research through development and demonstration stages.
- > Encourage greater industry investment in science and technology based innovation.
- > Increase industry utilisation of publicly-funded innovation infrastructure and expertise.
- > Boost business skills related to effective translation, application and adoption of research.

Investments from this program should drive innovation across the Victorian economy by the establishment of productive partnerships that will deliver solutions to looming challenges, particularly in health and sustainability. Desired outcomes include:

- > Innovative solutions to industry and community needs.
- > More quality jobs and thriving, innovative industries across Victoria.
- > Greater productivity through increased innovation.

3. Funding Principles

Up to **\$41 million** will be made available for compelling investment proposals in 2009/10. Funds will typically be made available to projects with two or three-year funding profiles. Projects are expected to commence no later than January 2010.

The *VSA Investment Fund* will be governed by the following principles:

- > A single funding round commencing in 2008/09 which will be open, competitive and merit based.
- > Requested funding cannot be less than \$300,000 nor exceed \$3.0 million. Proposals falling outside this value range will be considered on a case by case basis.
- > The funding is project based and is not recurrent.
- > Partner contributions must be matched on a 1:1 basis, with at least 50% co-funding being contributed in cash.
- > The investment proposal must:
 - i. demonstrate that economic and/or industry, health or environmental benefits to Victoria will be generated during the period of funding;
 - ii. be a collaborative partnership, comprising either a public/public, public/private or private/private venture, with the core partners including universities/research institutes and industry/private sector organisations, or if a private/private venture, at least three industry/private sector organisations; and
 - iii. leverage significant, existing Victorian capability.

- > Acquisition of equipment will be subject to broad access by industry and research collaborators as well as other researchers and fee-for-service users from private and public sector organisations.
- > Funding will not be considered for proposals that seek to duplicate existing services or which are considered to be more applicable for support from other Victorian or Australian Government programs.
- > The Government is not bound to use all the available funds if either the selection criteria are not met or insufficient projects are considered suitable for funding.

The *VSA Investment Fund* identifies two key priority themes:

- > *Taking innovation from the laboratory towards the market:* A discrete technology development or demonstration proposal which delivers value to Victoria over the life of the funding.
- > *Better models for bringing science and business together:* Entities or governance arrangements that will enhance Victoria's capacity to translate knowledge into ongoing, tangible benefits to the economy.

These themes reflect a desired funding emphasis and are neither mandatory nor exclusive.

Examples of investment proposals include, but are not limited to:

- > **Facilities that support prototype and technology development.** For example, test-bed facilities and pilot plants for validation – multi-purpose, multi-use facilities.
- > **A collaborative entity** that brings together technology and commercial capabilities to develop and demonstrate research outcomes to address a specific problem or identified market need.
- > **A 'portal'** where industry can seek the services of an entity to lead and coordinate all aspects of their research to market requirements.
- > **Development of research and industry clusters or networks** to build critical mass.
- > **A formal organisation** to provide services, mentoring and facilitation, removing impediments to innovation and building technical and business skills and capabilities.

Some examples of projects funded through the *STI Initiative* that meet the policy objectives of the new *VSA Investment Fund*, and which have established different business models to meet their particular objectives, are provided at www.business.vic.gov.au/vsa.

4. Eligibility Requirements

Eligible Applicants

VSA Investment Fund grants are available to collaborative ventures (public/private, public/public or private/private). These arrangements may include existing collaborations, or proposals to form new joint ventures or other types of partnerships. Solely private sector ventures must deliver benefits beyond individual companies, for example, to an industry sector through ongoing skills development, open access to funded equipment or shared intellectual property. Applications are open to collaborations between organisations including, but not limited to:

- > Private companies (large and small).
- > Industry associations.
- > Cooperative Research Centres.
- > Research and Development Corporations.
- > Universities and other post-secondary educational institutions.
- > Research institutes.
- > Public not-for-profit organisations.
- > Victorian Government agencies and other Government agencies active in Victoria.

Applications are to be certified and submitted by a lead organisation which must be:

- > A Victorian based-entity with whom the Victorian Government can enter into legally binding funding agreements; and
- > Able to demonstrate the commitment of funding, including both cash and in-kind contributions, which in total at least matches the funding sought from the *VSA Investment Fund*.

Matching funding contributions must be firmly committed by all project partners whose applications are short listed to proceed to Stage 2 of the selection process. The lead organisation is responsible for administration of the grant funding for and on behalf of its partner organisations, via a funding agreement with the Victorian Government.

The project is to be located in Victoria and must be ready to commence no later than January 2010. Non-lead organisations in the collaborative venture may be based outside Victoria, and Australia, as long as these organisations provide the resources and capability necessary to ensure the project's core objectives can be met enabling the delivery of real economic benefits to Victoria.

Eligible Expenditure

Eligible proposal costs are:

- > Salary and on-costs for new staff.
- > Access costs to facilities and equipment, including lease or hire.
- > Professional services such as project management, legal services, business planning and evaluation.
- > Equipment and machinery.
- > Administration and professional services e.g. business planning or marketing.
- > Maintenance, insurance and consumables.
- > Other costs necessary for partnership formation and maintenance including travel.

Requests for any items of equipment or machinery, or for the refurbishment of facilities, must be strongly justified and will be considered on their merits. The applicant must plan to use existing resources wherever possible. If funding for new equipment is sought, the proponents must demonstrate that the equipment is essential to delivery of the project's outcomes, that it cannot be accessed or leased elsewhere, and that it will allow benefits to be

generated within and beyond the life of the project. Facilities and equipment supported through the *VSA Investment Fund* must have access policies that are open to other users.

Purposes for which funding under the program are **not eligible** include:

- > Construction of laboratories / facilities.
- > Land or sea transportation.
- > Substitution of existing operational and/or staffing costs.

5. Selection Process

Overview

The *VSA Investment Fund* will have a three stage selection process.

Stage 1

Stage 1 involves the preparation of an Expression of Interest (EOI) in which the critical features of the proposal and its potential value to the Victorian economy must be clearly articulated. To encourage a wide catchment of ideas across industry broadly, EOIs are limited to four (4) pages.

The most compelling EOIs will be short listed to proceed to Stage 2. The short list will be determined by a panel of senior Victorian Government officers, who will assess EOIs against the selection criteria (outlined in the next section).

At the conclusion of the EOI stage, short listed applicants will be invited to prepare a detailed application for consideration in Stage 2.

Stage 2

During this stage of the selection process, a rigorous business case will be prepared which provides evidence for the potential success of the project against the selection criteria and which includes a brief implementation plan. An Independent Assessment Panel (IAP) comprising up to 8 members across industry and business and experienced in the strategic assessment of investment proposals will be appointed to assess business cases.

Stage 3

At the conclusion of Stage 2, the IAP will recommend selected projects to the Minister for Innovation for conditional approval of financial assistance. In-principle approval of grant funding will be provided contingent on the submission of a full business plan and its satisfactory assessment by the IAP. Execution of the grant agreement is subject to:

- > A fully costed business plan; and
- > Successful negotiation with an established entity - supported by members' agreement/s, a constitution (if applicable) and, at the least, an interim CEO and board.

The procedures for each stage are set out in more detail below.

Stage 1: Expression of Interest

Expressions of Interest will be assessed for strategic merit on the basis of the selection criteria. The assessment will test the outcomes and benefits of the proposals, alignment with the program's policy objectives, as outlined in *Innovation: Victoria's Future*, as well as the capacity of the collaborating organisations to deliver the proposed outcomes in the specified time.

All applicants must complete and submit an Expression of Interest on the appropriate template (which can be downloaded from www.business.vic.gov.au/vsa) outlining the critical features of the project and clearly articulating its potential benefits to Victoria.

The Government Panel may seek advice from nominated referees, officers across Government and/or independent experts to further inform the selection process.

The State reserves the right to confidentially seek clarification or further information from applicants or referees about proposals to assist in the short listing process. If the Government Panel identifies overlapping proposals, Department officers may play a brokerage role by recommending collaboration between applicants where it is judged to be of strategic importance. Permission will be sought from applicants before any facilitation proceeds. In giving any guidance, the Government Panel will not be pre-empting any subsequent recommendations of the Independent Assessment Panel in Stage 2 of the selection process. Applicants may also be required to attend an interview before being invited to prepare a business case.

Unsuccessful EOI applicants will be informed of the outcome of their proposal in writing and, upon request, will be provided with feedback about the assessment of their proposals.

Selection Criteria

Each investment proposal will be assessed against the following selection criteria:

1. Opportunity identification

A realistic description of the potential for the investment proposal as demonstrated by:

- > The scale and feasibility of the identified problem or opportunity to be addressed, including a market analysis outlining the demonstrable need for the proposed outcomes.
- > How the proposal will address the problem or opportunity using the science and technology and business capabilities of all project partners.

2. Benefits to Victoria

- > The level of benefit the proposal will bring to Victoria through delivering outcomes that benefit the Victorian economy.
- > Level of other benefits to Victoria including societal, health or sustainability benefits.
- > Level of flow-on economic benefits to the industry sector, local community or supply chain.

3. Capability of the applicant

The consortium must have the capability to undertake the proposal and deliver the proposed outcomes as demonstrated by:

- > Sound management and governance arrangements.
- > Access to and appropriateness of human and physical resources that will be dedicated to the project.
- > Skills and experience of the management and project teams to successfully deliver the project's proposed outcomes within the identified resource and budget allocations
or
- > Plans to obtain the necessary, resources, skills and expertise.

- > Freedom to operate, including access to necessary intellectual property, and the ability to overcome any regulatory, competition or other barriers.

4. Project collaboration

- > Evidence of prior successful collaboration among the participants
or
- > Justification that the proposed collaboration will result in the most efficient use of the consortium's capabilities to generate economic and community benefits.

5. Technical merit of investment proposal

Scientific or technical soundness of the proposal including:

- > Appropriate use of science and technology to achieve the proposed outcomes.
- > Track record of the consortium partners in delivering scientific or technical milestones.
- > Well designed project plan with sound methodologies, and milestones with realistic timeframes.
- > Technical experience and skills within and accessible to the consortium partners.

6. Need for funding

Demonstrated rationale for Victorian Government investment in the proposal including:

- > Identification of a gap in investment from other sources, or a market failure, and a justification of why Government is the most appropriate source of funding.
- > A realistic budget.
- > Justification of costs.
- > The contribution of resources (cash and in-kind) from partner and other organisations.

Stage 2: Business Case

Short listed applicants from Stage 1 will be invited to prepare a rigorous Business Case addressing the selection criteria in detail. The Business Case must demonstrate the project's competitiveness by the provision of further evidence and justification, using the Stage 2 template available on the VSA website (www.business.vic.gov.au/vsa), together with an implementation plan and financial details. Any additional information as requested by the Government Panel during the EOI stage will be conveyed to applicants.

Applicants must demonstrate that they have the relevant experience and expertise to manage their project during the funding period. A description of the proposed governance arrangements must be provided. The implementation plan sets out the key steps, milestones and the timeline for completion of the project. The financial details should set out the projected operating costs, including the cost of business plan development, on a year by year basis. The financial details must also include a description of all cash and in-kind contributions from each consortium partner, and other sources, for each year of the project's operation.

An Independent Assessment Panel (IAP) will be appointed to assess all Business Cases. The IAP may seek the advice of nominated referees and/or independent experts to further inform the selection process. The IAP may also request an interview with applicants to assist the decision making process. The IAP will make recommendations to the Minister for

Innovation for the in-principle approval of funding for selected projects subject to the satisfactory completion of a detailed business plan.

Unsuccessful Business Case applicants will be informed of the outcome of their proposal in writing including feedback on their proposals.

Stage 3: Business Plan

Applicants given in-principle approval of funding will be invited to develop a detailed business plan that includes:

- > Strategic overview of the opportunity.
- > Governance arrangements.
- > Business model.
- > Marketing.
- > Intellectual property management.
- > Project planning.
- > Risk management.
- > Sustainability or exit strategies.

A business planning guidance document will be made available on the website www.business.vic.gov.au/vsa at the appropriate time. The Department will provide part funding for the preparation of a business plan, to be matched by the applicant. The cost of business planning should be factored into the financial details of the Business Case.

Grants may be terminated at the discretion of the Minister for Innovation if the business plan does not meet the satisfaction of the IAP and the Department.

6. Application Process

Stage 1: Expression of Interest

The *VSA Investment Fund* will open on 23 October 2008 with Expressions of Interest due at the Department of Innovation, Industry and Regional Development (DIIRD) by 13 February 2009. Expressions of Interest must be made using the EOI form available from the VSA website (www.business.vic.gov.au/vsa). EOIs must not exceed four (4) pages and must not use a font size smaller than 10 point.

For advice and guidance on eligibility requirements and selection criteria during the application period, contact the VSA Secretariat in DIIRD on (03) 9651 9820 or email vsa@diird.vic.gov.au. The VSA Secretariat operates separately to the Government Panel and any enquiries that reach the Panel will be redirected to the VSA Secretariat. Frequently Asked Questions (FAQs) will be posted on the VSA website.

The closing time and date for lodgement of EOIs is 3.30pm, 13 February 2009.

Expressions of Interest may be submitted electronically or in hard copy as follows:

Electronically (preferred)

Expressions of Interest are to be emailed to vsa@diird.vic.gov.au with the subject line **VSA Investment Fund: Expression of Interest**. EOIs must be submitted in PDF format and signed by and sent from the office of the CEO, Executive Director or DVC (Research) to confirm certification. They must be received by the closing time and date.

Hard copy (optional)

If the Expression of Interest form is not sent electronically, six (6) single-sided hard copies of the completed EOI should be provided, duly certified by the CEO, Executive Director or DVC (Research). Envelopes should be marked **VSA Investment Fund: Expression of Interest** and addressed to:

**Program Manager, VSA Investment Fund
Innovation and Technology Division
Department of Innovation, Industry and Regional Development
Level 35, 121 Exhibition Street
MELBOURNE VIC 3000**

by no later than 3.30pm on 13 February 2009.

Stage 2: Business Case

For short listed applicants, the closing date for lodgement of Business Cases is expected to be in mid May 2009. Business Cases may be submitted electronically or in hard copy as for Expressions of Interest. Envelopes/emails should be marked with **VSA Investment Fund: Business Case**.

Stage 3: Business Plan

The closing time and date for lodgement of business plans will be negotiated with successful applicants, and is likely to be towards the end of September 2009. Business plans may be submitted electronically or in hard copy as for Business Cases. Envelopes/emails should be marked with **VSA Investment Fund: Business Plan**.

Timelines

The indicative timetable for the 2009 grant round is:

| Activity | Date |
|---|---------------------|
| Advertisements inviting applications and release of policy framework, guidelines and application forms | 23 October 2008 |
| Closing date for receipt of Expressions of Interest | 13 February 2009 |
| Evaluation of Expressions of Interest | Late March 2009 |
| Invitation to submit Business Cases | Early April 2009 |
| Closing date for receipt of Business Cases | Mid May 2009 |
| Evaluation of Business Cases by Independent Assessment Panel. | Late June 2009 |
| Recommendations to the Minister for Innovation for in-principle approval of funding (subject to the satisfactory completion of a business plan) | July 2009 |
| Minister gives in-principle approval of funding and invites the preparation of business plans. | Late July 2009 |
| Submission of business plans and finalisation of funding agreements. | Late September 2009 |
| Minister announces successful proposals. | October 2009 |

7. Successful Applicants

Public announcements of successful projects will be made by the Minister for Innovation in October 2009. Announcements may include details of the applicant, the value of the funding and the purpose of the funding.

Successful applicants will be required to enter into a formal agreement (or contract) with the Victorian Government. The agreement will cover items such as payment schedules, project management and risk management requirements, performance monitoring, reporting and evaluation requirements, access and auditing requirements including record keeping, insurances, indemnities and asset management requirements. Special terms and conditions may be required in particular cases. Most projects will be subject to review at least once to assess their progress, outcomes and directions and to confirm commitments by recipients of continued funding within the grant period.

Successful applicants will normally have four weeks to accept the offer, reach agreement on terms and conditions and for the completion of all contractual arrangements including the negotiation of applicable project milestones.

Successful applicants will need to ensure that they take out all appropriate insurances at an adequate level for the duration of the funding period.

8. Additional Information

Information on the *VSA Investment Fund* is located on the Victorian Government's innovation web site (www.business.vic.gov.au/vsa). Information on the application process can also be obtained from the VSA Secretariat by email on vsa@diird.vic.gov.au or by telephone on 9651 9820.

Information sessions

A series of information sessions will be conducted in Melbourne and regional Victoria to outline the requirements of the program to interested organisations and prospective applicants. The locations and dates of the information sessions are set out on the VSA website.

Registration is essential. Please make a booking for attendance via email vsa@diird.vic.gov.au or by telephone on 9651 9820.

Confidential Information

All Expressions of Interest, Business Cases and Business Plans received by DIIRD will be treated as confidential but copies may be provided on a strictly confidential basis to other Victorian Government agencies for comments on their strategic importance and to external parties for further review, subject to permission by the applicant(s).