

2022 NSW SMALL BUSINESS INNOVATION & RESEARCH PROGRAM

PHASE 1: FEASIBILITY STUDY

GUIDELINES FOR APPLICANTS

- 1. Background**
- 1.1 The NSW Small Business Innovation & Research (SBIR) program is a competitive research and development (R&D) challenge program funded by the NSW Government, administered by the Office of NSW Chief Scientist & Engineer (OCSE).
- 2. Program purpose and objectives**
- 2.1 The primary objective of the SBIR program is to leverage the capacity of small and medium-sized enterprises' (SMEs) NSW-based R&D to address the needs of the NSW Government with the aim to procure these solutions.
- 2.2 Secondary objectives identified in guidelines are to:
- (a) Increase the commercialisation of NSW Government-funded R&D, selling to NSW Government and potentially other end-users,
 - (b) Support the technology and innovation sector in NSW, with the NSW Government being a proactive customer for innovation,
 - (c) Grow the number of innovative products, services and jobs in NSW.
- 2.3 Through the SBIR program, the NSW Government will seek solutions developed by NSW SMEs for defined NSW Government challenges.
- 2.4 Proposed solutions must be innovative technologies or services that require development and commercialisation, not existing solutions that are already commercially available in Australia or elsewhere.
- 2.5 Participants in the SBIR program will retain intellectual property rights and the right to sell their solution in domestic and global markets.
- 3. Program structure**
- 3.1 The SBIR program has three phases:
- (1) Phase 1 – Feasibility study: SMEs submit proposals to solve one of the SBIR program challenges. Applications are assessed and successful applicants will each receive funding to conduct a feasibility study.
 - (2) Phase 2 – Proof of concept: Successful feasibility study grantees are invited to apply for the proof-of-concept phase. Applications are assessed and successful applicants will receive funding to develop a proof of concept.
 - (3) Phase 3 – Procurement: NSW Government agencies will consider the procurement of successful solutions.
- 3.2 There may be multiple successful applicants chosen per challenge. OCSE will endeavour to ensure that each challenge has at least one feasibility study and one proof of concept selected where possible.

- 3.3 Each phase is competitive and not all SMEs will proceed through to the next phase.
- (1) Phase 1: Feasibility study will require the grantee to establish the technical basis and commercial feasibility of the proposed solution. It will also assess and demonstrate the capacity and ability of the SME to deliver the proposed solution.
 - (2) Phase 2: Proof of concept will require the grantee to develop a proof of concept for the solution proposed in the feasibility study, such as a prototype of the product or service. The aim is to move the solution from Technology Readiness Level (TRL) 3 to 6 or 7 (see Appendix A).
 - (3) Phase 3: Procurement will require the solution developer to work with the NSW Government to implement the solution in NSW Government operations.

4. Challenges

- 4.1 The 2022 SBIR program has seven challenges:
- (1) Waste Recovery and Management
 - (2) Biosecurity Surveillance
 - (3) Cultural and Linguistic Diversity Services
 - (4) Recycled Content Verification
 - (5) School Zones Alerting System
 - (6) Urban Heat Island
 - (7) Vital Sign Monitoring
- 4.2 A detailed description of each challenge is available on the SBIR program website.
- 4.3 An online webinar will be held for each challenge. Each webinar will describe the SBIR program, the challenge, and provide an opportunity for prospective applicants to ask questions of the NSW Government agency proposing that challenge. The webinars will be recorded and made available on the SBIR program website.

5. Funding

- 5.1 Funding for Phase 1: Feasibility study will be up to \$100,000 per study for a project of up to three months. A total of up to \$1,600,000 in grants will be allocated for Phase 1.
- 5.2 Funding for Phase 2: Proof of concept will be up to \$1,000,000 per study for a project of up to 15 months. A total of up to \$10,000,000 in grants will be allocated for Phase 2.
- 5.3 Funding for Phase 3: Procurement will be at the discretion of NSW Government challenge agencies.
- 5.4 The SBIR program only provides grants for Phases 1 and 2.
- 5.5 The grant amount will be determined based on the project budget presented in the application.

- 5.6 The grant amount will be up to 100 per cent of eligible project expenditure (see 11. Eligible expenditure below).
- 5.7 Funding will take the form of a cash contribution paid in instalments.
- 5.8 Funding will be subject to execution of a grant agreement between the applicant and the NSW Government.
- 5.9 The NSW Government, at its absolute discretion, may choose not to award or recommend funding under the SBIR program.

6. Eligibility criteria

- 6.1 To be eligible for the SBIR program an applicant must:
 - (a) Have an Australian Business Number (ABN);
 - (b) Be one of the following entities:
 - (i) A small or medium-sized enterprise with under 200 full-time equivalent employees, or
 - (ii) An individual or partnership, provided you agree to form a company incorporated in Australia to enter into a grant agreement, or
 - (iii) A NSW public research organisation applying through its appropriate technology transfer office, provided you agree to form a company incorporated in Australia to enter into a grant agreement.
 - (c) Meet one of the following criteria:
 - (i) Be headquartered in NSW, or
 - (ii) Conduct the majority of business research and development and production operations in NSW.
 - (d) Hold the Intellectual Property or the rights to commercialise the proposed solution.
 - (e) If successful, undertake to conduct SBIR program-related research and development work in NSW.
- 6.2 The NSW Government reserves the right to exclude applicants where they do not meet the intention of the above eligibility criteria. For example, where the applicant is a shell corporation or local subsidiary of a multinational corporation.

7. Joint applications

- 7.1 Joint applications between a NSW SME and NSW-based research organisations (including universities) are encouraged. However, the SME must lead the project and submit the grant application.
- 7.2 The lead applicant (the SME) must outline clearly in their application who the project partners are and what each organisation will contribute to the project.

8. Assessment criteria

- 8.1 Applications for Phase 1: Feasibility study will be evaluated against the following assessment criteria, which are equally weighted:
- 8.2 Solution (30 points)

- (a) To what extent would the proposed solution address the challenge statement, including the solution requirements?
- (b) Is the proposed solution ready to enter the feasibility study stage?
- (c) How is the proposed solution innovative and superior to what is currently on the market?

8.3 Commercial (30 points)

- (a) Does the application provide a reasonable plan for the next steps towards commercialisation, adoption and scale to service the challenge agency and other potential customers, including identifying potential barriers and how these will be mitigated?
- (b) Does the proposed solution have commercial potential outside of the Challenge Agency?
- (c) Given its commercial potential, does the proposed solution deserve public investment?

8.4 Delivery (30 points)

- (a) Does the company and project team have the appropriate skills and experience to carry out the project?
- (b) Does the team have access to the equipment, technology, infrastructure and financial resources needed to carry out the project?
- (c) Does the application provide a reasonable project plan, including budget, risk management plan and performance measures?

9. Application and assessment process

- 9.1 The SBIR program application and assessment process for Phase 1: Feasibility study is as follows:
- 9.2 Applicants submit the following:
 - (a) An application, answering all questions;
 - (b) A video presentation no longer than three minutes.
 - (c) Profit-and-loss statements from the last two years,
 - (d) Balance sheets from the last two years,
 - (e) A project budget
- 9.3 OCSE will confirm that applications meet the eligibility criteria.
- 9.4 Eligible applications will be assessed by both the NSW Government agency that proposed the challenge and an independent panel of experts (Expert Panel) with experience in business development, commercialisation, venture capital and entrepreneurship.
- 9.5 OCSE will notify all applicants of the outcome of the assessment process.

- 9.6 OCSE will execute funding agreements with successful applicants.
- 9.7 Applications must be submitted by 9:59am AEST Tuesday 14 March 2022.
- 9.8 All applicants will be informed of the outcome of their application.
- 10. Grant agreement and reporting**
- 10.1 All applicants who accept the offer of an SBIR program grant will be required to enter into a grant agreement with the NSW Government. The grant agreement will include any details the applicant has agreed with the NSW Government.
- 10.2 Grantees are expected to work closely with the NSW Government and comply with regular reporting and meeting obligations.
- 10.3 At the conclusion of the feasibility study projects, grantees will be required to submit the feasibility study report and present their results to the NSW Government.
- 10.4 At the conclusion of the feasibility study projects, grantees will take part in a pitch event, presenting their solutions and the outcomes of their feasibility studies to the expert panel, the challenge agencies and other NSW Government representatives who may be interested in the technology.
- 11. Eligible expenditure**
- 11.1 An SBIR program grant must be spent in accordance with the grant agreement and only on eligible expenditure.
- 11.2 To qualify as eligible, expenditure must:
- (a) Be incurred by the grantee during the project period,
 - (b) Be a direct project cost or incurred to undertake required project audit activities, and
 - (c) Fit within one of the seven categories of eligible expenditure.
- 11.3 The seven categories of eligible expenditure are:
- (a) Labour expenditure including on-costs,
 - (b) Capital equipment relevant to the project,
 - (c) Material costs (including consumables specific to the project),
 - (d) Contract expenditure,
 - (e) Travel and overseas expenditure,
 - (f) Financial auditing of the project, and
 - (g) Other costs directly related to the project or project audit activities.
- 11.4 Appendix B describes the categories of eligible expenditure in detail.
- 12. Proof of Concept**
- 12.1 Grantees who have completed successful feasibility studies will be invited to apply for Phase 2: Proof of concept.

13. Timeline	Nov 2022	Phase 1: Feasibility study applications open
	Nov/Dec 2022	Webinars are hosted for each SBIR program challenge
	March 2023	Phase 1: Feasibility study applications close
	April 2023	Applications are assessed for Phase 1: Feasibility study
	June 2023	Grants awarded and Phase 1: Feasibility studies commence
	August 2023	Feasibility studies are completed, pitch event is held, and grantees are invited to apply for Phase 2: Proof of concept
	October 2023	Phase 2: Proof of concept projects commence

These dates are indicative and subject to change.

- 14. Funding Agreements & Reporting Requirements**
- 14.1 All applicants who are successful under the SBIR and who accept the offer of a grant will be required to enter into a formal Funding Deed with OCSE relating to the grant. The Deed will specify obligations that relate primarily to the recipient's accountability for the grant, including using the grant for activities occurring in NSW, the return of unspent grant funds and reporting on the use of the grant for the duration of the terms. Requests for variations or changes to the project will only be considered in limited circumstances. The Funding Deed must be signed by at least one core participant.
- 14.2 The NSW Government may choose to publicly announce funding for individual applications. It may also use information provided to create case studies
- 14.3 All recipients of NSW Government funding should acknowledge this financial support in accordance with the Funding Acknowledgement Guidelines for Recipients of NSW Government Grants available at www.nsw.gov.au/branding/sponsorship-and-funding-acknowledgment-guidelines
- 15. Probity Advice**
- 15.1 The OCSE will make sure that the grant opportunity process is fair according to the published guidelines, incorporates appropriate safeguards against fraud, unlawful activities, and other inappropriate conduct.
- 15.2 An independent probity advisor will be engaged as part of this Program to provide guidance to the OCSE on any issues concerning integrity, fairness and accountability that may arise throughout the application, assessment, and decision-making process. This will ensure decisions are made with

integrity, fairness, and accountability, while delivering value for money for NSW.

- 16. Government Information (Public Access) Act 2009 (NSW)**
- 16.1 Applicants should be aware that information submitted in applications and all related correspondence, attachments and other documents may be made publicly available under the Government Information (Public Access) Act 2009 (NSW). Information that is deemed to be commercially sensitive may be withheld. The Government Information (Public Access) Act 2009 (NSW) makes government information accessible to the public by:
- requiring government agencies to make certain sorts of information freely available
 - encouraging government agencies to release as much other information as possible
 - giving the public an enforceable right to make access applications for government information
 - restricting access to information only when there is an overriding public interest against disclosure.
- 17. Conflicts of Interest**
- 17.1 Conflicts of interest for NSW DEIT will be handled as set out in the Investment NSW Code of Ethics and Conduct.
- 18. Privacy**
- 18.1 We treat your personal information according to the NSW DEIT Privacy Management Plan available at investment.nsw.gov.au/privacy and the Privacy and Personal Information Protection Act 1998 (NSW).
- This includes letting you know:
- what personal information we collect
 - why we collect your personal information
 - who we give your personal information to.
- 18.2 Your personal information can only be disclosed to someone for the primary purpose for which it was collected unless an exemption applies.
- 19. Disclaimer**
- 19.1 NSW DEIT does not guarantee or warrant and accepts no legal liability whatsoever arising from or connected to, the accuracy, reliability, currency or completeness of any material contained in this publication. Information in this publication is provided as general information only and is not intended as a substitute for advice from a qualified professional.
- 19.2 NSW DEIT recommends that users exercise care and use their own skill and judgment in using information from this publication and that users carefully evaluate the accuracy, currency, completeness, and relevance of such information. Users should take steps to independently verify the information in this publication and, where appropriate, seek professional advice.

19.3 The guidelines are subject to change at any time at the sole discretion of NSW DEIT.

20. Contact

20.1 For any further questions regarding the SBIR, contact us through investment.nsw.gov.au/contact-us/

Appendix A: Technology Readiness Level

Technology Readiness Level is a benchmarking tool for measuring the maturity of a specific technology.

TRL	TRL Description	Evidence of Achievement
1	Basic principles observed and reported	Published research that identifies the principles that underlie this technology
2	Technical Device/System concept formulated	Practical applications (e.g. devices) of the basic principles of the invention
3	Technical proof of concept demonstration	The basic performance of the invention is demonstrated in a laboratory setting
4	Alpha prototype validation in laboratory environment	A simple prototype is developed, and its performance is demonstrated in a laboratory environment. The performance indicates its potential for solving a community need
5	Beta prototype validation in clinical environment	A more advanced prototype is developed, and its performance is demonstrated in a community environment and further end-user feedback is gained for the final design phase
6	Final Device/System design validation with clinical pilot study	The design of the device or system is frozen, and a small number of devices/systems are manufactured, and a pilot study is conducted by a key opinion leader. A pilot study report is prepared showing the results of the study
7	Device/System from pilot manufacturing line is being trialled in multiple geographical locations	A larger sample of devices/systems are manufactured and sent to multiple sites in different geographical locations for trialling. The reports from these trials will be used for submissions to regulatory authorities
8	Device/System is partially approved and in commercial use	The device/system has been approved in limited geographical regions and is in commercial use in those regions
9	Device/System is fully approved and in commercial use worldwide	The device/system is approved for use worldwide and is in commercial use worldwide

Appendix B: Eligible expenditure

To be eligible, expenditure must:

- Be incurred by the grantee during the project period,
- Be a direct cost or incurred to undertaken required project audit activities, and
- Fit within one of the seven categories of eligible expenditure.

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

The seven categories of eligible expenditure are:

1. Labour expenditure

Eligible labour expenditure for the grant covers the direct labour costs of employees you directly employ on the core elements of the 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.

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 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.

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

2. Labour on-costs and administrative overhead

You may increase eligible salary costs by an additional 30% allowance to cover on-costs such as employer paid superannuation, payroll tax, 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 calculate labour costs by estimating the employee's worth. If you have not exchanged money (either by cash or bank transactions) we will not consider the cost eligible.

You will need to provide details of all personnel working on the project, including name, title, function, time spent on the project and salary

3. Capital equipment relevant to the project

4. Material costs (including consumables specific to the project)

5. 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 they perform
- 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 expenses paid.

Invoices must directly relate to the agreed project, and the work must qualify as an eligible expense. The costs must also be reasonable and appropriate for the activities performed.

We may require evidence of contractor expenditure such as written contracts and invoices.

You must ensure all project contractors keep a record of the costs of their work on the project. We may require you to provide a contractor's records of their costs of doing project work. If you cannot provide these records, the relevant contract expense may not qualify as eligible expenditure.

6. Travel expenditure

Eligible travel expenditure may include domestic travel limited to the reasonable cost of accommodation and transportation required to conduct agreed project and collaboration activities in Australia.

Eligible air transportation is limited to the economy class fare for each sector travelled.

7. Other eligible expenditure

Other eligible expenditures for the project may include:

- Financial auditing of project expenditure
- Other specific expenditures may be eligible as determined by the Department.

Evidence you may be required to supply could include supplier contracts and invoices.