



## Grant Opportunity Guidelines

# Manufacturing Modernisation Fund

<b>Opening date:</b>	5 September 2019
<b>Closing date and time:</b>	5.00pm AEDT on 31 October 2019
<b>Commonwealth policy entity:</b>	Department of Industry, Innovation and Science
<b>Administering entity</b>	Department of Industry, Innovation and Science
<b>Enquiries:</b>	If you have any questions, contact us on 13 28 46.
<b>Date guidelines released:</b>	5 September 2019 (Updated 16 October)
<b>Type of grant opportunity:</b>	Open competitive

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# 1. Manufacturing Modernisation Fund processes

## The Manufacturing Modernisation Fund is designed to achieve Australian Government objectives

This grant opportunity is part of the above grant program, which contributes to the Department of Industry, Innovation and Science's Outcome 1: *Enabling growth and productivity for globally competitive industries through supporting science and commercialisation, growing business investment and improving business capability and streamlining regulation*. The Department of Industry, Innovation and Science works with stakeholders to plan and design the grant program according to the *Commonwealth Grants Rules and Guidelines*.



## The grant opportunity opens

We publish the grant guidelines on business.gov.au and GrantConnect.



## You complete and submit a grant application

You complete the application form, addressing all the eligibility and merit criteria in order for your application to be considered.



## We assess all grant applications

We review the applications against eligibility criteria and notify you if you are not eligible.

We assess eligible applications against the merit criteria including an overall consideration of value with relevant money, if the selection process is competitive, and compare it to other eligible applications.



## We make grant recommendations

We provide advice to the decision maker on the merits of each application.



## Grant decisions are made

The decision maker decides which applications are successful.



## We notify you of the outcome

We advise you of the outcome of your application. We may not notify unsuccessful applicants until grant agreements have been executed with successful applicants.



## We enter into a grant agreement

We will enter into a grant agreement with successful applicants. The type of grant agreement is based on the nature of the grant and proportional to the risks involved.



## Delivery of grant

You undertake the grant activity as set out in your grant agreement. We manage the grant by working with you, monitoring your progress and making payments.



## Evaluation of the Manufacturing Modernisation Fund

We evaluate the specific grant activity and Manufacturing Modernisation Fund as a whole. We base this on information you provide to us and that we collect from various sources.

## 2. About the grant program

The \$50 million Manufacturing Modernisation Fund (the program) will run over three years from 2019-20 to 2021-22. The program will stimulate business investment in new technologies and processes in the manufacturing sector.

The program supports manufacturers to modernise, adopt new technologies, become more productive and create more jobs by co-funding capital investments and associated reskilling.

Modernisation can include technology upgrades, efficiency upgrades, such as energy or process optimisation, or more transformative changes to your business, which will allow you to produce new products or diversify into new markets.

The objectives of the program are:

- to support investment in efficient and transformative manufacturing processes by small and medium sized enterprises (SMEs)
- to support jobs growth and a more highly skilled workforce in the manufacturing sector.

The intended outcomes of the program are:

- increased innovation and enhanced productivity in manufacturing operations
- increased job opportunities and upskilling in the manufacturing sector.

The program is part the broader Government intent to support the modernisation of the manufacturing sector to incorporate advanced technologies to increase innovation and competitiveness. The Advanced Manufacturing Growth Centre (AMGC) has published a [Sector Competitiveness Plan](#) which outlines the following strategic priorities for the sector:

- Advanced Knowledge: including high R&D investment and STEM skill intensity
- Advanced Processes: including using state-of-the-art technology and managing energy use
- Advanced Business Model: including offering high value niche solutions, servitisation models and export competitiveness.

There may be other grant opportunities as part of this program. We will publish the [opening and closing dates](#) and any other relevant information on business.gov.au and GrantConnect.

The Department of Industry, Innovation and Science (the department/we) is responsible for administering this grant opportunity.

We administer the program according to the [Commonwealth Grants Rules and Guidelines](#) (CGRGs)<sup>1</sup>.

This document sets out:

- the eligibility and merit criteria
- how we consider and assess grant applications
- how we notify applicants and enter into grant agreements with grantees
- how we monitor and evaluate grantees' performance
- responsibilities and expectations in relation to the opportunity.

We have defined key terms used in these guidelines in appendix A.

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

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<sup>1</sup> <https://www.finance.gov.au/sites/default/files/commonwealth-grants-rules-and-guidelines.pdf>

### **3. Grant amount and grant period**

The Australian Government has announced a total of \$50 million over 3 years for the program, which will be delivered through two streams of funding:

- an estimated \$20 million for small grants (\$50,000 to \$100,000) to support technology and efficiency improvements
- an estimated \$30 million for larger grants (\$100,000 to \$1 million) to support transformative investments in technologies and processes.

You may submit one application under each of the two funding streams, however only one application can receive grant funding. If both applications are successful, you will be required to elect which project to progress to a grant agreement.

- The minimum grant amount is \$50,000
- The maximum grant amount is \$1,000,000.

For small grants (up to \$100,000) the grant amount will be up to 50 per cent of eligible project costs (grant percentage).

For larger grants (\$100,000 to \$1 million) the grant amount will be up to 25 per cent of eligible project costs.

The remaining proportion of eligible project costs we consider your contribution. Your contribution must be cash.

You cannot use funding from other Commonwealth, State, Territory or local government grants to fund your share of eligible project costs.

#### **3.3 Project period**

The maximum project period is 2 years.

We may approve a further extension provided you complete your project by 30 June 2022.

### **4. Eligibility criteria**

We cannot consider your application if you do not satisfy all eligibility criteria.

#### **4.1 Who is eligible?**

To be eligible you must:

- be an entity incorporated in Australia and a trading corporation, where your trading activities
  - form a sufficiently significant proportion of the corporation's overall activities as to merit it being described as a trading corporation; or
  - are a substantial and not merely peripheral activity of the corporation.

#### **4.2 Additional eligibility requirements**

We can only accept applications:

- from manufacturing small and medium-sized enterprises (SMEs) with up to 199 employees (headcount)
- where your application clearly identifies the level of job creation expected from your project
- where you can provide evidence from your board (or chief executive officer or equivalent if there is no board) that the project is supported, and that you can complete the project and meet the costs of the project not covered by grant funding.

We cannot waive the eligibility criteria under any circumstances.

### 4.3. Who is not eligible?

You are not eligible to apply if you are:

- an individual
- partnership
- trust (however, an incorporated trustee may apply on behalf of a trust)
- a Commonwealth, State, Territory or local government body (including government business enterprises).

## 5. What you can use the grant for

### 5.1. Eligible activities

To be eligible your project must involve capital investment and associated skill-based training to modernise your manufacturing process.

Eligible activities may include:

- buying, constructing, installing or commissioning of manufacturing plant, equipment or software
- relevant training and skills development to assist you to integrate the new technology into your business, including upskilling and accreditation in advanced processes.
- process design and engineering directly related to your capital investment
- fit-out, alterations and/or extensions to buildings directly related to your capital investment

We may also approve other activities.

### 5.2. Eligible expenditure.

You can only spend grant funds on eligible expenditure you have incurred on an agreed project as defined in your grant agreement.

- For guidance on eligible expenditure, see appendix B.
- For guidance on ineligible expenditure, see appendix C.

We may update the guidance on eligible and ineligible expenditure from time to time. If your application is successful, the version in place when you submitted your application applies to your project.

Not all expenditure on your project may be eligible for grant funding. The program delegate makes the final decision on what is eligible expenditure and may give additional guidance on eligible expenditure if required.

You must incur the project expenditure between the project start and end date for it to be eligible unless stated otherwise.

You may start your project from the date of your letter of offer. We are not responsible for any expenditure you incur until a grant agreement is executed.

## 6. The assessment criteria

We use assessment criteria, known as merit criteria, to assess your application. You must address all merit criteria in your application. We will assess your application based on the weighting given to each merit criterion.

The application form asks questions that relate to the merit criteria below. The amount of detail and supporting evidence you provide in your application should be relative to the project size, complexity and grant amount requested. You should provide evidence to support your answers. The application form displays size limits for answers.

We will only award funding to applications that score highly (50% or more) against all merit criteria, as these represent best value for money.

### 6.1. Merit criterion 1

#### **The extent that your project will improve your manufacturing competitiveness and lead to job growth (40 points)**

You should demonstrate this by describing the business case for the project and by identifying:

- a. the extent that your project will:
  - (for grants up to \$100,000) support your business to adopt new manufacturing technologies that will deliver efficiency improvements
  - (for grants between \$100,000 and \$1,000,000) support your business to adopt transformative manufacturing technologies and processes
- b. the extent that your project will maximise employment outcomes, such as increased jobs and a more highly skilled workforce in your business over the life of the project and into the future
- c. the extent that your project will use design and engineering excellence, and innovative and efficient business processes, to enhance the competitiveness of your business
- d. your market opportunity in Australia and/or internationally and how you will take advantage of this opportunity
- e. how your project aligns with AMGC's strategic priorities (see [section 2](#))

### 6.2. Merit criterion 2

#### **Capacity, capability and resources to deliver the project (40 points)**

You should demonstrate this by identifying:

- a. your track record in managing similar projects and access to personnel with the right skills and experience, including management and technical staff
- b. your plan to manage the project including scope, implementation methodology, timeframes, delivery risks and budget access
- c. your access, or future access, to any required infrastructure, capital equipment, technology, intellectual property and regulatory or other approvals.

### 6.3. Merit criterion 3

#### **Impact of the grant funding on your project (20 points)**

You should demonstrate this by identifying:

- a. the likelihood your project would not proceed without the grant
- b. the positive impact the grant will have on the size, scale or timing of your project.
- c. the total additional investment the grant will leverage and explain how this benefits your project.

## 7. How to apply

Before applying, you should read and understand these guidelines and the sample [grant agreement](#) published on business.gov.au and GrantConnect.

To apply, you must:

- complete the online program application form on business.gov.au
- provide all the information requested
- address all eligibility and merit criteria
- include all necessary attachments

You will receive confirmation when you submit your application. You should retain a copy of your application for your own records.

You may submit one application under each of the two funding streams, however only one application can receive grant funding. If both applications are successful you will be required to elect which project to progress to a grant agreement.

You are responsible for making sure your application is complete and accurate. Giving false or misleading information is a serious offence under the *Criminal Code 1995* (Cth). If we consider that you have provided false or misleading information we may not progress your application. If you find an error in your application after submitting it, you should call us immediately on 13 28 46.

If we find an error or information that is missing, we may ask for clarification or additional information from you that will not change the nature of your application. However, we can refuse to accept any additional information from you that would change your submission after the application closing time.

If you need further guidance around the application process, or if you are unable to submit an application online, [contact us](#) at business.gov.au or by calling 13 28 46.

### 7.1. Attachments to the application

Provide the following documents with your application:

- project plan
- project budget
- evidence of support from the board, CEO or equivalent
- trust deed (where applicable).

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

### 7.2. Timing of grant opportunity

You can only submit an application between the published opening and closing dates. We cannot accept late applications.

If you are successful, we expect you will be able to commence your project around March 2020.

Table 1: Expected timing for this grant opportunity

Activity	Timeframe
Assessment of applications	12 weeks
Approval of outcomes of selection process	2 weeks
Negotiations and award of grant agreements	4 weeks
Notification to unsuccessful applicants	At the time of the grant decisions
Earliest start date of project	Date of your grant offer
End date of grant commitment	No later than 30 June 2022

## 8. The grant selection process

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

We consider your application on its merits, based on:

- how well it meets the criteria
- how it compares to other applications
- whether it provides value with relevant money.

We will establish a committee comprised of an independent industry chairperson and two departmental representatives. The committee may also seek additional advice from independent technical experts.

The committee will assess your application against the merit criteria and compare it to other eligible applications before recommending which projects to fund.

If the selection process identifies unintentional errors in your application, we may contact you to correct or clarify the errors, but you cannot make any material alteration or addition.

### 8.1. Who will approve grants?

The program delegate (who is an AusIndustry Senior Responsible Officer with responsibility for the program) decides which grants to approve taking into account the recommendations of the committee and the availability of grant funds.

The program delegate's decision is final in all matters, including:

- the grant approval
- the grant funding to be awarded
- any conditions attached to the offer of funding.

We cannot review decisions about the merits of your application.

The program delegate will not approve funding if there is insufficient program funds available across relevant financial years for the program.

## 9. Notification of application outcomes

If you are successful, you will receive a written offer, including any specific conditions attached to the grant.

If you are unsuccessful, we will notify you in writing and give you an opportunity to discuss the outcome with us. You can submit a new application for the same (or similar) project if there are future funding rounds. You should include new or more information to address the weaknesses that prevented your previous application from being successful. If a new application is substantially the same as a previous ineligible or unsuccessful application, we may refuse to consider it for merit assessment.

## 10. Successful grant applications

### 10.1. Grant agreement

You must enter into a legally binding grant agreement with the Commonwealth. The grant agreement has general terms and conditions that cannot be changed. A sample [grant agreement](#) is available on business.gov.au and GrantConnect.

We must execute a grant agreement with you before we can make any payments. Execute means both you and the Commonwealth have signed the agreement. We are not responsible for any expenditure you incur until a grant agreement is executed.

The approval of your grant may have specific conditions determined by the assessment process or other considerations made by the program delegate. We will identify these in the offer of funding.

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

You will have 30 days from the date of a written offer to execute this grant agreement with the Commonwealth. During this time, we will work with you to finalise details.

The offer may lapse if both parties do not sign the grant agreement within this time. Under certain circumstances, we may extend this period. We base the approval of your grant on the information you provide in your application. We will review any required changes to these details to ensure they do not impact the project as approved by the Program Delegate.

### 10.2. How we pay the grant

The grant agreement will state the:

- maximum grant amount we will pay
- proportion of eligible expenditure covered by the grant (grant percentage)
- any financial contribution provided by you or a third party.

We will not exceed the maximum grant amount under any circumstances. If you incur extra costs, you must meet them yourself.

We will make payments according to an agreed schedule set out in the grant agreement. Payments are subject to satisfactory progress on the project.

### 10.3. Tax obligations

If you are registered for the Goods and Services Tax (GST), where applicable we will add GST to your grant payment and provide you with a recipient created tax invoice. You are required to notify us if your GST registration status changes during the project period. GST does not apply to grant payments to government related entities<sup>2</sup>.

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<sup>2</sup> See Australian Taxation Office ruling GSTR 2012/2 available at [ato.gov.au](#)

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

## 11. Announcement of grants

We will publish non-sensitive details of successful projects on GrantConnect. We are required to do this by the *Commonwealth Grants Rules and Guidelines* unless otherwise prohibited by law. We may also publish this information on business.gov.au. This information may include:

- name of your organisation
- title of the project
- description of the project and its aims
- amount of grant funding awarded
- Australian Business Number
- business location
- your organisation's industry sector.

## 12. How we monitor your project

### 12.1. Keeping us informed

You should let us know if anything is likely to affect your project or organisation.

We need to know of any key changes to your organisation or its business activities, particularly if they affect your ability to complete your project, carry on business and pay debts due.

You must also inform us of any changes to your:

- name
- addresses
- nominated contact details
- bank account details.

If you become aware of a breach of terms and conditions under the grant agreement you must contact us immediately.

You must notify us of events relating to your project and provide an opportunity for the Minister or their representative to attend.

### 12.2. Reporting

You must submit reports in line with the grant agreement. We will provide sample templates for these reports as appendices in the grant agreement. We will remind you of your reporting obligations before a report is due. We will expect you to report on:

- progress against agreed project milestones
- project expenditure, including expenditure of grant funds

The amount of detail you provide in your reports should be relative to the project size, complexity and grant amount.

We will monitor the progress of your project by assessing reports you submit and may conduct site visits to confirm details of your reports if necessary. Occasionally we may need to re-examine claims, seek further information or request an independent audit of claims and payments.

### **12.2.1. Progress reports**

Progress reports must:

- include details of your progress towards completion of agreed project activities
- show the total eligible expenditure incurred to date
- be submitted by the report due date (you can submit reports ahead of time if you have completed relevant project activities).

We will only make grant payments when we receive satisfactory progress reports.

You must discuss any project or milestone reporting delays with us as soon as you become aware of them.

### **12.2.2. End of project report**

When you complete the project, you must submit an end of project report.

End of project reports must:

- include the agreed evidence as specified in the grant agreement
- identify the total eligible expenditure incurred for the project
- include a declaration that the grant money was spent in accordance with the grant agreement and to report on any underspends of the grant money
- be submitted by the report due date
- be in the format provided in the grant agreement.

### **12.2.3. Ad-hoc report**

We may ask you for ad-hoc reports on your project. This may be to provide an update on progress, or any significant delays or difficulties in completing the project.

## **12.3. Independent audits**

We may ask you to provide an independent audit report. An audit report will verify that you spent the grant in accordance with the grant agreement. The audit report requires you to prepare a statement of grant income and expenditure. The report template is attached to the sample grant agreement.

## **12.4. Compliance visits**

We may visit you during the project period, or at the completion of your project to review your compliance with the grant agreement. We may also inspect the records you are required to keep under the grant agreement. For large or complex projects, we may visit you after you finish your project. We will provide you with reasonable notice of any compliance visit.

## **12.5. Grant agreement variations**

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

- changing project milestones
- extending the timeframe for completing the project but no later than 30 June 2022
- changing project activities.

Note the program does not allow for:

- an increase of grant funds.

If you want to propose changes to the grant agreement, you must put them in writing before the project grant agreement end date. We can provide you with a variation request template.

If a delay in the project causes milestone achievement and payment dates to move to a different financial year, you will need a variation to the grant agreement. We can only move funds between financial years if there is enough program funding in the relevant year to allow for the revised payment schedule. If we cannot move the funds, you may lose some grant funding.

You should not assume that a variation request will be successful. We will consider your request based on factors such as:

- how it affects the project outcome
- consistency with the program policy objective, grant opportunity guidelines and any relevant policies of the department
- changes to the timing of grant payments
- availability of program funds.

### **12.6. Evaluation**

We will evaluate the Manufacturing Modernisation Fund to measure how well the outcomes and objectives have been achieved. We may use information from your application and project reports for this purpose. We may also interview you, or ask you for more information to help us understand how the grant impacted you and to evaluate how effective the program was in achieving its outcomes.

We may contact you up to two years after you finish your project for more information to assist with this evaluation.

### **12.7. Grant acknowledgement**

If you make a public statement about a project funded under the program, including in a brochure or publication, you must acknowledge the grant by using the following:

'This project received grant funding from the Australian Government.'

## **13. Probit**

We 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 and is consistent with the CGRGs.

### **13.1. Conflicts of interest**

Any conflicts of interest could affect the performance of the grant opportunity or program. There may be a conflict of interest, or perceived conflict of interest, if our staff, any member of a committee or advisor and/or you or any of your personnel:

- has a professional, commercial or personal relationship with a party who is able to influence the application selection process, such as an Australian Government officer or member of an external panel
- has a relationship with or interest in, an organisation, which is likely to interfere with or restrict the applicants from carrying out the proposed activities fairly and independently or
- has a relationship with, or interest in, an organisation from which they will receive personal gain because the organisation receives a grant under the grant program/ grant opportunity.

As part of your application, we will ask you to declare any perceived or existing conflicts of interests or confirm that, to the best of your knowledge, there is no conflict of interest.

If you later identify an actual, apparent, or perceived conflict of interest, you must inform us in writing immediately.

Conflicts of interest for Australian Government staff are handled as set out in the Australian [Public Service Code of Conduct \(Section 13\(7\)\)<sup>3</sup>](#) of the [Public Service Act 1999 \(Cth\)<sup>4</sup>](#). Committee members and other officials including the decision maker must also declare any conflicts of interest.

We publish our conflict of interest policy on the department's [website<sup>5</sup>](#).

### 13.2. How we use your information

Unless the information you provide to us is:

- confidential information as per 13.2.1, or
- personal information as per 13.2.3,

we may share the information with other government agencies for a relevant Commonwealth purpose such as:

- to improve the effective administration, monitoring and evaluation of Australian Government programs
- for research
- to announce the awarding of grants.

#### 13.2.1. How we handle your confidential information

We will treat the information you give us as sensitive and therefore confidential if it meets all of the following conditions:

- you clearly identify the information as confidential and explain why we should treat it as confidential
- the information is commercially sensitive
- disclosing the information would cause unreasonable harm to you or someone else
- you provide the information with an understanding that it will stay confidential.

#### 13.2.2. When we may disclose confidential information

We may disclose confidential information:

- to the committee and our Commonwealth employees and contractors, to help us manage the program effectively
- to the Auditor-General, Ombudsman or Privacy Commissioner
- to the responsible Minister or Assistant Minister
- to a House or a Committee of the Australian Parliament.

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<sup>3</sup> [https://www.legislation.gov.au/Details/C2017C00270/Html/Text#\\_Toc491767030](https://www.legislation.gov.au/Details/C2017C00270/Html/Text#_Toc491767030)

<sup>4</sup> <https://www.legislation.gov.au/Details/C2017C00270>

<sup>5</sup> <https://www.industry.gov.au/sites/g/files/net3906/f/July%202018/document/pdf/conflict-of-interest-and-insider-trading-policy.pdf>

We may also disclose confidential information if

- we are required or authorised by law to disclose it
- you agree to the information being disclosed, or
- someone other than us has made the confidential information public.

#### 13.2.3. How we use your personal information

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

- what personal information we collect
- why we collect your personal information
- to whom we give your personal information.

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

- manage the program
- research, assess, monitor and analyse our programs and activities.

We, or the Minister, may:

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

You may read our [Privacy Policy](#)<sup>6</sup> on the department's website for more information on:

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

#### 13.2.4. Freedom of information

All documents in the possession of the Australian Government, including those about the program, are subject to the *Freedom of Information Act 1982* (Cth) (FOI Act).

The purpose of the FOI Act is to give members of the public rights of access to information held by the Australian Government and its entities. Under the FOI Act, members of the public can seek access to documents held by the Australian Government. This right of access is limited only by the exceptions and exemptions necessary to protect essential public interests and private and business affairs of persons in respect of whom the information relates.

If someone requests a document under the FOI Act, we will release it (though we may need to consult with you and/or other parties first) unless it meets one of the exemptions set out in the FOI Act.

### 13.3. Enquiries and feedback

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

We may publish answers to your questions on our website as Frequently Asked Questions.

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<sup>6</sup> <https://www.industry.gov.au/data-and-publications/privacy-policy>

Our [Customer Service Charter](#) is available at business.gov.au. We use customer satisfaction surveys to improve our business operations and service.

If you have a complaint, call us on 13 28 46. We will refer your complaint to the appropriate manager.

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

Head of Division  
AusIndustry – Support for Business  
Department of Industry, Innovation and Science  
GPO Box 2013  
CANBERRA ACT 2601

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

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<sup>7</sup> <http://www.ombudsman.gov.au/>

## Appendix A. Definitions of key terms

Term	Definition
<u>Advanced Manufacturing Growth Centre</u>	<p>The Advanced Manufacturing Growth Centre (AMGC) is one of the six Growth Centres established under the Industry Growth Centres Initiative.</p> <p>The initiative is an industry-led approach driving innovation, productivity and competitiveness by focusing on areas of competitive strength and strategic priority in growth sectors.</p> <p>The AMGC Sector Competitiveness Plan describes how to lift the capability of the sector, boost productivity and skills, create jobs, reduce regulation and engage with international opportunities.</p>
Application form	The document issued by the Program Delegate that applicants use to apply for funding under the program.
AusIndustry	The division of the same name within the department.
Department	The Department of Industry, Science and Technology.
Assessment Committee	The body established to consider and assess eligible applications and make recommendations for funding under the program.
Eligible activities	The activities undertaken by a grantee in relation to a project that are eligible for funding support as set out in 5.1.
Eligible application	An application or proposal for grant funding under the program that the program delegate has determined is eligible for assessment in accordance with these guidelines.
Eligible expenditure	The expenditure incurred by a grantee on a project and which is eligible for funding support as set out in 5.2.
Eligible expenditure guidance	The guidance that is provided at Appendix B.
Grant agreement	A legally binding contract between the Commonwealth and a grantee for the grant funding
Grant funding or grant funds	The funding made available by the Commonwealth to grantees under the program.
<u>GrantConnect</u>	The Australian Government's whole-of-government grants information system, which centralises the publication and reporting of Commonwealth grants in accordance with the CGRGs
Grantee	The recipient of grant funding under a grant agreement.
Guidelines	Guidelines that the Minister gives to the department to provide the framework for the administration of the program, as in force from time to time.

Term	Definition
Innovation and Science Australia	The statutory board established by the <i>Industry Research and Development Act 1986</i> (Cth) and named in that Act as Innovation and Science Australia.
Minister	The Commonwealth Minister for Industry, Science and Technology.
Personal information	<p>Has the same meaning as in the <i>Privacy Act 1988</i> (Cth) which is:</p> <p>Information or an opinion about an identified individual, or an individual who is reasonably identifiable:</p> <ul style="list-style-type: none"> <li>a. whether the information or opinion is true or not; and</li> <li>b. whether the information or opinion is recorded in a material form or not.</li> </ul>
Program delegate	An AusIndustry Senior Responsible Officer within the department with responsibility for the program.
Program funding or Program funds	The funding made available by the Commonwealth for the program.
Project	A project described in an application for grant funding under the program.
Small and Medium-Sized Enterprise (SME)	A business employing up to 199 employees (headcount).

## Appendix B. Eligible expenditure

This section provides guidance on the eligibility of expenditure. We may update this guidance from time to time, so you should make sure you have the current version from the [business.gov.au](http://business.gov.au) website before preparing your application.

The program delegate makes the final decision on what is eligible expenditure and may give additional guidance on eligible expenditure if required.

To be eligible, expenditure must:

- be incurred by you within the project period
- be a direct cost of the project
- be incurred by you to undertake required project audit activities
- meet the eligible expenditure guidelines.

### How we verify eligible expenditure

If your application is successful, we will ask you to verify the project budget that you provided in your application when we negotiate your grant agreement. You may need to provide evidence such as quotes for major costs.

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

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

You must keep payment records of all eligible expenditure, and be able to explain how the costs relate to the agreed project activities. At any time, we may ask you 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.

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

### Plant and equipment expenditure

We consider costs of acquiring, designing, engineering, automating, digitising or construction of, plant and equipment, as well as any related commissioning costs as eligible expenditure. You must list commissioning costs as a separate item within the project budget in the application form, and on reports of expenditure during project milestones.

We cannot consider any expenditure paid before the project start date as eligible expenditure.

You may purchase, lease (finance lease or operating lease under certain conditions) or build plant and equipment. In claiming the purchase price of capital items, you must take out any costs related to financing, including interest. You can claim related freight and installation costs on capital expenditure.

Eligible costs for plant and equipment will normally need to be on your balance sheet.

We will only consider costs for plant and equipment not on your balance sheet under certain circumstances. We will only consider project costs with an operating lease to be eligible if:

- you integrate the plant or equipment into your manufacturing process; and
- you cannot transfer the plant or equipment and the lease period is at least 4 years.

Where you need to pay in instalments to purchase capital items (for example deposits, payment on installation, or payment on commissioning), you can claim the grant amount for the items progressively across multiple progress reports up to the end of the project period. Alternatively, you can choose to claim the full amount in a single report, when you pay for the capital item.

For leased items, you will need to show an executed copy of the lease identifying the capital cost of the item and the lease period. We can pay you the full grant entitlement when:

- you have received the capital item
- you have entered into a formal lease agreement, and
- you make the initial payment.

You may show expenditure on plant and equipment by providing evidence of

- purchase price
- payments (e.g. tax invoices and receipts from suppliers confirming payment)
- commitment to pay for the capital item (e.g. supplier contract, purchase order or executed lease agreement)
- receipt of capital items (e.g. supplier or freight documents)
- associated costs such as freight and installation (e.g. supplier documents)
- the capital item on your premises (e.g. date stamped photographic evidence).

If you claim expenditure for the construction of plant and equipment, we limit this to

- the costs of materials
- direct construction labour salary costs
- contractor costs
- freight and establishment costs.

Evidence for construction expenditure may include purchase orders, invoices, payment documentation, photographic evidence (date stamped) of the capital item in your premises and details of labour costs.

Grant payments for capital items may affect your tax obligations. We recommend that you seek independent professional advice on tax related matters.

## **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. However, we limit these costs to 10 per cent of the total amount of eligible labour expenditure claimed.

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

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

The maximum salary for an employee, director or shareholder, including packaged components that you can claim through the grant is \$175,000 per financial year.

For periods of the project that do not make a full financial year, you must reduce the maximum salary amount you claim proportionally.

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

### 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:

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

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.

Evidence you will need to provide can include:

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

### 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 plant 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 will require evidence of contractor expenditure that may include:

- an exchange of letters (including email) setting out the terms and conditions of the proposed contract work
- purchase orders

- supply agreements
- invoices and payment documents.

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.

## Other eligible expenditure

Other eligible expenditures for the project may include:

- staff training and skills development that directly supports the achievement of project outcomes
- commissioning
- building modifications where you own the modified asset and the modification is required to undertake the project, for example installing a clean room. Modifications to leased buildings may be eligible, for example installing a cleaning room. You must use the leased building for activities related to your manufacturing process.
- financial auditing of project expenditure
- costs you incur in order to obtain planning, environmental or other regulatory approvals during the project period. However, associated fees paid to the Commonwealth, state, territory and local governments are not eligible
- business diagnostics services, limited to 10% of the eligible project costs.
- contingency costs up to a maximum of 10% of the eligible project costs. Note that we make payments based on actual costs incurred.

Other specific expenditures may be eligible as determined by the program delegate.

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

## Appendix C. Ineligible expenditure

This section provides guidance on what we consider ineligible expenditure. We may update this guidance from time to time, so you should make sure you have the current version from the business.gov.au website before preparing your application.

The program delegate may impose limitations or exclude expenditure, or further include some ineligible expenditure listed in these guidelines in a grant agreement or otherwise by notice to you.

Examples of ineligible expenditure include:

- research costs related to product development
- costs related to product design and development
- activities, equipment or supplies that are already being supported through other sources
- costs incurred prior to us notifying you that the application is eligible and complete
- any in-kind contributions
- financing costs, including interest
- capital expenditure for the purchase of assets such as office furniture and equipment, motor vehicles, computers, printers or photocopiers
- costs involved in the purchase or upgrade/hire of software (including user licences) and ICT hardware (unless it directly relates to the project)
- costs such as rental, renovations and utilities
- costs related to relocating manufacturing operations that do not involve any new or additional manufacturing capability directly related to the project.
- non-project-related staff training and development costs
- insurance costs (the participants must effect and maintain adequate insurance or similar coverage for any liability arising as a result of its participation in funded activities)
- debt financing
- costs related to obtaining resources used on the project, including interest on loans, job advertising and recruiting, and contract negotiations
- depreciation of plant and equipment beyond the life of the project
- maintenance costs
- costs of purchasing, leasing, depreciation of, or development of land
- infrastructure development costs, including development of road, rail, port or fuel delivery networks beyond the manufacturing site
- site preparation activities which are not directly related to, or for, the main purpose of transitioning to higher value and/or niche manufacturing
- opportunity costs relating to any production losses due to allocating resources to the agreed grant project
- costs of manufacturing production inputs not relating to commissioning new equipment
- routine operational expenses, including communications, accommodation, office computing facilities, printing and stationery, postage, legal and accounting fees and bank charges
- costs related to preparing the grant application, preparing any project reports (except costs of independent audit reports we require) and preparing any project variation requests.

This list is not exhaustive and applies only to the expenditure of the grant funds. Other costs may be ineligible where we decide that they do not directly support the achievement of the planned outcomes for the project or that they are contrary to the objective of the program.

You must ensure you have adequate funds to meet the costs of any ineligible expenditure associated with the project.