

seed

START

Program guidelines

Funding for early-stage startup founders through the Government of South Australia's Research and Innovation Fund (RIF).

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Seed-Start Grant Guidelines

Please read these Guidelines to determine your eligibility and suitability before applying.

These guidelines should be read in conjunction with the [Research and Innovation Fund \(RIF\) Investment Principles](#).

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Introduction

Seed-Start grants assist innovative early-stage South Australian businesses with high-growth potential to commercialise products or services that are unique or have a sustainable competitive advantage in national and international markets.

Grant funding is provided to co-fund the costs of delivering a clearly defined project (i.e. a scope of work that has a defined start and end date) that delivers a turning point in the growth of the business and in doing so, generates significant benefits such as revenue growth, export income, local employment or other social benefits to South Australia.

Seed-Start grants aim to benefit South Australia by:

- encouraging the establishment and growth of innovative young businesses in South Australia that build South Australian capability and capacity
- creating more jobs in South Australia, especially in skilled occupations
- increasing the number of young South Australian businesses raising private investment
- delivering economic, and/or public benefits for South Australia.

Seed-Start grants offer two funding options:

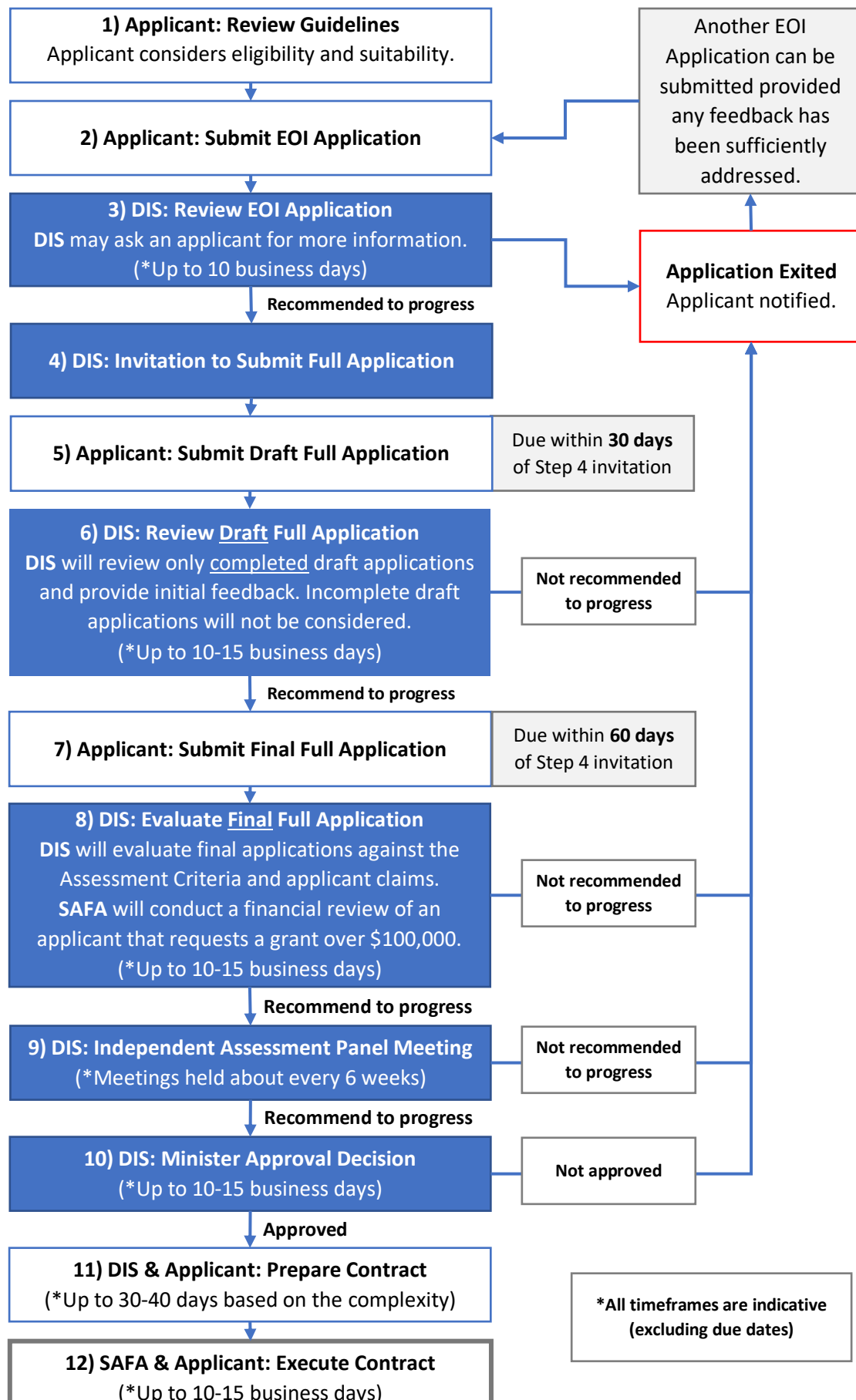
Seed Grant: Grants from \$50,000 to \$100,000 are available on a competitive 2:1 matched funding basis (\$2 from Government to \$1 from Applicant). Grant funds are provided to an early-stage business to undertake a defined project that will overcome the initial challenges in getting their product or service into national and international markets. The project must be achievable within a two-year time frame, and result in a product or service that is unique or has a sustainable competitive advantage.

Start Grant: Grants over \$100,000 to \$500,000 are available on a competitive 1:1 matched funding basis. Grant funds are provided to an early-stage business to deliver a defined project that will accelerate the development and commercialisation of their product or service in national and international markets. Start Grants are designed to support businesses that have passed the early-seed stage with a product or service ready (or close to being ready) for commercialisation. The project must be achievable within a three-year time frame and result in a product or service that is unique or has a sustainable competitive advantage.

A competitive application will be able to demonstrate:

- a strong case for why the grant funding is needed at this time
- access to the required matched funding (in cash) for the project and the grant requirement
- a well-defined customer problem or market opportunity (with supporting evidence)
- a well-defined solution that addresses the problem or opportunity, is commercially and technically viable, and is unique or creates a significant competitive advantage in national and international markets (with supporting evidence)
- a feasible project plan and a clear path to market
- a robust understanding of the technical, commercial, and financial risks faced by the business and the extent to which the applicant can mitigate those risks
- appropriate business financials (i.e. a balance sheet, profit and loss statement, and cash-flow modelling) with evidence supporting the underlying assumptions
- an ability to access the required commercial and technical capabilities to deliver the project plan and implement the solution.

Seed-Start Grant Process



Grant Details

Grant Type	Seed Grant	Start Grant
Grant Funding:	From \$50,000 to \$100,000 (ex GST)	Over \$100,000 to \$500,000 (ex GST)
Matched Funding:	2:1 (\$2 Government to \$1 Applicant)	1:1 (\$1 Government to \$1 Applicant)
Funding Period:	Up to 2 years maximum	Up to 3 years maximum
Royalty Payments	No	Yes - see Royalty Payments

Matched Funding

An applicant must commit the required matched funding as a cash contribution towards the costs of the proposed project.

An applicant may need to contribute additional matched funding depending on the total cost of the proposed project. e.g. If an applicant requests a Start Grant of \$500,000 (ex GST) and the total cost of the proposed project is \$1.1 million (ex GST), the applicant will need to contribute \$600,000 (ex GST) of matched funding, which is greater than the 1:1 matched funding requirement.

The matched funding can only be used for eligible expenditure – see Eligible Expenditure below.

An applicant cannot use in-kind (non-cash) contributions as its matched funding.

Evidence of having the matched funding, or immediate access to matched funding, must be clearly demonstrated at the time of submitting a Full Application.

Documented evidence may be provided as, but not limited to:

- a letter or statement from a financial institution
- a financier or investor agreement (which may be conditional on receiving a Seed-Start grant)
- a shareholder agreement.

Other Commonwealth and South Australian Government grants or investment sources will not be accepted as matched funding for the proposed project.

Royalty Payments

Grant funding greater than \$100,000 (ex GST) in value will be contingently repayable by way of royalty. A royalty of 3 per cent will be calculated on the revenue derived by the successful applicant above an agreed revenue threshold and up until the value of the grant has been repaid. If no income has been earned after ten years from the agreed project completion date, no repayment will be required.

Royalty payments are calculated on net sales revenue, that is revenue from sales, less product returns and allowances. Royalty obligations commence from the project completion date and after net sales revenue exceeds \$250,000 in any financial year, subject to negotiation.

(e.g. Net sales revenue = \$250,000 p.a. x 3% = \$7,500 royalty)

Once repayment obligations commence, these obligations continue until the full amount of the grant is repaid, acknowledging that repayment obligations may vary from year to year depending on net sales revenue.

Grant recipients may choose to repay the obligation as a lump sum.

Eligibility Criteria

To be eligible an applicant must:

- be a company incorporated in Australia with an active Australian Business Number (ABN):
- be a non-tax-exempt business
- be registered for Goods and Services Tax (GST)
- have an annual turnover of less than \$1 million for each of the three financial years prior to the lodgement of the application - this includes the annual turnover for any Related Bodies Corporate¹
- be based or willing to be based in South Australia prior to commencing the project.

If based outside of South Australia, there may be special circumstances which merit consideration of an applicant however the State Government may impose a contractual obligation on the applicant (if successful) to relocate and maintain the relevant enterprise (in whole or part) in South Australia.

An applicant must consider the Assessment Criteria outlined in the section below before applying, including the requirement to provide a strong case for the need for grant funding.

An application will not be considered where:

- retrospective grant funding is sought
- other funding sources are deemed better suited to the proposed project.

If an applicant has previously received a grant from the South Australian Government for the same project, or a stage of the project, then the applicant is not entitled to further funding from this program. An applicant is permitted to apply for a different or subsequent stage of the project having demonstrated progress and acquittal of previous funding from the South Australian Government.

Eligible Expenditure

Eligible expenditure for grant funding and matched funding includes the following activities and/or items that are critical for the delivery of the proposed project:

- salaries and consumables directly attributed or critical to the delivery of the project
- accessing specialist professional services
- access to and acquisition of specialist equipment, hardware, software, and service provider fees
- accessing or protecting intellectual property rights
- prototyping and development of a Minimum Viable Product

¹ The term "Related Body Corporate" has the same meaning as in section 50 of the *Corporations Act 2001 (Cth)*.

- scholarships, study tours, undertaking market research/testing and engaging with major customers and investors
- travel expenses for testing, market development of the product/service, capital raising and other partnership or investment opportunities
- data procurement and efforts to obtain regulatory approval.

Ineligible Expenditure

Ineligible expenditure includes, but is not limited to, the following 'business as usual' activities and/or items:

- rent or other property fees
- salaries for business founders - unless these are essential to the execution of the proposed project (e.g. unique technical skills/knowledge)
- recruitment and procurement fees
- basic office supplies and equipment
- grant application cost, administration costs, or infrastructure levies
- payments to directors
- any other expenditure items determined by the South Australian Government as usual business operational costs.

Assessment Criteria

Seed-Start Grants involves a two-stage application process beginning with a short Expression of Interest (EOI) Application.

If an EOI Application is accepted, the applicant will be invited to submit a detailed Full Application.

The application forms ask questions that relate to the assessment criteria below. The amount of detail provided in both the EOI Application and Full Application should be relative to the project size, complexity and grant funding amount requested.

An applicant is also encouraged to provide evidence they have obtained advice and guidance from one or more business development experts on how to develop and commercialise the product or service in national and international markets.

An Independent Assessment Panel will evaluate EOI Applications and Full Applications against the Assessment Criteria outlined below.

NOTE: Items marked with ● are used to evaluate EOI applications.

A. The Funding

Sufficient Seed-Start Grant program budget is available to support the grant funding requested for the proposed project and the extent to which the application demonstrates:

- 1. Alignment with the Seed-Start Grant program objectives and intent.
- 2. Value for money for the South Australian Government.
- 3. The need for grant funding i.e. the applicant can provide a strong case why they are unable to access sufficient funding for the entire project, including from directors and

shareholders, loans or equity investment and why it is unreasonable to expect the applicant to obtain all the required funding from alternative sources.

4. The required matched funding for the proposed project is committed and available.

B. The Problem and Solution

The extent to which the application demonstrates:

- 1. A well-defined customer problem or market opportunity (with supporting evidence).
- 2. A clear and concise explanation of the product or service being developed and how it addresses the identified problem.
- 3. The current stage of development of the product or service and the development still required to be ready for market.

C. The Market

The extent to which the application demonstrates:

- 1. The key customers for the product or service, who will pay you for the product or service, and the end-users of the product service.
- 2. The product or service is differentiated and/or has a sustainable competitive advantage in national and international markets (with supporting evidence as to why customers will want to buy the product or services instead of the competition) and the economic and/or public benefits (i.e. social or environment benefits) it will provide in the market.
- 3. The key competitors.
 4. Key competitor mitigation plans.
 5. The technical and functional viability of the product or service that addresses the customer requirements (with supporting evidence).
 6. The commercial viability of the product or service (with supporting evidence), including:
 - The estimated total value of the addressable market
 - The estimated total value of annual sales or revenue
 - The estimated cost of annual sales.
- 7. The go-to-market strategy to access customers or distributors, achieve sales and revenue, and revenue generated to date.
- 8. The intellectual property strategy including any relevant protection steps (e.g. patent, trademark, copyright, trade secrets, etc.), and how the strategy aligns with the market opportunity.

D. The Project

The extent to which the application demonstrates:

- 1. A clear and concise description of the proposed project and the expected outcomes.
- 2. The project is on the critical path to accelerate the growth of the business (i.e. creation of new revenue, private investment, and jobs).
- 3. The project plan activities, milestones, and deliverables are logical and feasible to achieve the project outcomes.
- 4. The project risks and mitigation plans are robust, including the technical, commercial, financial and implementation risks.
- 5. The suitable and effective use of the requested grant funds.
- 6. The validity of the business financial statements including the cash-flow modelling (for the project and the business) and evidence supporting the underlying assumptions.
- 7. Beyond the project, the future development and commercialisation costs are estimated, and the required funding is accessible.

- 8. The project team has the capacity and required managerial, commercial, and technical capabilities to deliver the project.

The Department reserves the right to apply and vary different weighting to these criteria.

The Department reserves the right not to fund an application regardless of whether an applicant fulfils the eligibility requirements and addresses all Assessment Criteria.

Application and Selection Process

The diagram below shows the high-level stages in the application and selection process.



The timeframes involved in the application process depends on several factors including the grant amount requested, the quality of the application and the complexity of the required evaluation and assessment.

Before applying, potential applicants must read and understand these guidelines to determine their eligibility and suitability.

Expression of Interest (EOI)

Eligible applicants must first submit an EOI Application form. EOI Applications are open on an ongoing basis unless otherwise stated.

The Department for Innovation and Skills (**DIS**) will review all submitted EOI Applications and reply within 10 business days to confirm if it has been accepted, declined, or if additional information is required for a decision. Other government departments may be consulted if a proposed project or solution requires expert knowledge in domains such as health, defence, space, or agriculture.

If an EOI Application is declined, another EOI Application can be submitted at any time, provided all feedback is suitably addressed.

If an EOI Application is accepted, the applicant will be invited to complete a Full Application.

Full Application

An applicant will be required to submit a Full Application in two stages:

1. **Draft Version** – A completed draft version of the Full Application>
Due to DIS within 30 days of invitation.
2. **Final Version** – A completed final version of the Full Application.
Due to DIS within 60 days of invitation.

The Draft and Final versions of the Full Application must be submitted within the specified due dates, otherwise the invitation will lapse, and the applicant will be required to restart the process with a new EOI Application.

All questions in the Full Application form must be completed as instructed, and all requested documentation attached, for timely processing. The Department will not consider any materials or documents attached to the application that were not specifically requested or do not comply with the amount or length of information requested.

An internal DIS committee will undertake an initial evaluation of the Draft and Final versions of the Full Application based on the Assessment Criteria and, where possible, verify claims by the applicant.

The South Australian Government Financing Authority (SAFA) will undertake a financial review of an applicant that has requested grant funding over \$100,000 (ex GST).

If the internal DIS committee identify any elements in the Full Application (at the Draft or Final stage) that significantly fails to address one or more areas of the Assessment Criteria, or any claims are found to be false or misleading, the application can be exited from the assessment process and not proceed to the Independent Assessment Panel. An applicant will be notified in writing if this occurs.

The most common reasons to not progress an application to an Assessment Panel includes:

- not providing complete business financials
- not having committed and available matched funding (in cash)
- not validating the market opportunity
- not validating the sustainable competitive advantage of the product or service
- not meeting the eligibility criteria regarding corporate structure and shareholder arrangements.

Assessment Panel

An Assessment Panel convenes approximately every six weeks to assess Full Applications and make recommendations to the Minister for Innovation and Skills.

If a Full Application is not recommended, the applicant may re-apply at any stage by submitting a new EOI Application.

If a Full Application is recommended for grant funding, it will be sent to the Minister for Innovation and Skills or a delegated representative to consider approving the grant funding.

An applicant will not be notified of the Assessment Panel's decision until it is reviewed, noted or approved by the Minister or delegated representative.

Approval

The final decision to approve grant funding is at the sole discretion of the Minister or delegated representative.

The Department will at the earliest opportunity inform an applicant of the Minister's decision to approve or not approve the grant funding.

If a Full Application is approved for grant funding, the Minister for Innovation and Skills will send a letter to the applicant outlining the grant funding awarded, any conditions of the funding, and the next steps. The Department will contact the applicant to begin drafting a grant contract.

An applicant may, entirely at their own risk, choose to incur expenditure towards their proposed project using their matched funding from the date the Assessment Panel recommended approving grant funding for the proposed project. The applicant will be notified of the Assessment Panel's recommendation only after the Minister has made an approval decision.

In exceptional circumstances, the Minister may consider or accept (at their sole discretion) any proposal, including without limitation a proposal that is not in accordance with these guidelines. In such circumstances these proposals may need to meet the requirements of the South Australian Industry Participation Policy. Further details can be found at www.saipp.sa.gov.au

Grant Contract and Payments

To receive grant payments, an approved applicant will be required to sign a grant contract in the form of a formal written contract with the South Australian Government that stipulates all deliverable obligations, reporting obligations and all terms and conditions under which the grant funding is provided.

An approved applicant cannot claim any grant payments until a formal written contract is signed by both parties, including the applicant and a South Australian Government representative.

The approved applicant must return an executed grant agreement by the date specified in the Minister's approval letter, otherwise the offer will lapse.

Payments will be provided at the times and in the manner specified in the grant contract. A payment schedule will be determined based on the proposed project milestones and the applicant's financial plans. Payments are usually made in advance to allow coverage of expenses related to the next milestone. A final payment is made in arrears once a project completion report is validated, and a financial acquittal is completed for the entire project, which requires satisfactory expenditure of grant funding and matched funding.

Seed Start grants are generally treated as assessable income for taxation purposes, unless specifically exempted. The Department for Innovation and Skills does not provide any advice on tax and recommends that grant recipients seek independent professional advice on their taxation obligations.

Reporting

Seed Start recipients are required to provide reports as a condition of grant funding. The reporting requirements and due dates will be outlined in the grant contract. The amount of detail reported may be relative to the project size, complexity, and grant amount. Occasionally, the Department or SAFA may re-examine claims, seek further information, or documentation, or request an independent audit of claims and payments. These reports may include the reports listed below. A summary of the type of information that may be requested for each is outlined below as guidance.

Performance Milestone reports must:

- include concise details of progress towards completion of agreed project activities and show eligible expenditure incurred for the reporting period
- be submitted by the report due date or submitted ahead of time if the agreed project activities have been completed.

Biannual Business Outcomes reports must:

- include concise outcome data of the Recipient's business (i.e. employee numbers, new revenue, new funding, and new business creation)
- be submitted twice a year for the periods January to June and July to December.

Project Completion reports must:

- include concise details confirming the progress and completion of the Project and any significant achievements and benefits gained through the Project
- verify and declare the grant funding and matched funding were incurred on eligible expenditure for the Project
- be submitted by the report due date or submitted ahead of time if the agreed project activities have been completed.

Post Project Completion reports must:

- include further progress made towards the Project outcomes during the 12 months after the project completion
- be submitted 12 months after the project completion report.

Royalty reports must:

- include a letter from the Recipient stating the Royalties accrued (or nil amount) and supporting calculations certified by the Recipient's accountant
- be submitted each financial year during the term of the contract, together with the annual financial report that has been prepared by an independent accounting firm.

Once the project is completed and final reports and financial acquittals are validated – Seed Start grant recipients may have ongoing reporting obligations as specified in the contract.

Other ad-hoc reports and surveys may be requested from time to time that relate to the recipient's business, the Project, or other information in respect to the grant contract.

Grant Variation

The Department understands that external factors and the uncertain nature of research and commercialisation can impact on a business and/or a project.

Should any significant changes occur to the applicant, their financial position, or the nature and/or scope of the project, the applicant should immediately contact the South Australian Financing Authority (contact details to be provided in the grant contract) to discuss whether a grant variation can be accommodated. Any variation will be at the discretion of the South Australian Government.

If the grant contract has terminated or expired (i.e. the end date has passed), then a grant variation can no longer occur.

Applicant Support and Feedback

During the application

An applicant that has been invited to submit a Full Application will be assigned a Department case officer as a main point of contact. The case officer may provide limited feedback to an applicant prior to submitting a Full Application and may ask an applicant additional questions and provide feedback during the evaluation and assessment stages.

After a successful application

A Department case officer will remain engaged with a successful applicant if or when necessary. The case officer will be available for questions related to grant management but also for additional support such as discussing market opportunities and introductions to key contacts.

Grant Announcements

EOI Applications

Outcomes of the EOI application process will not be publicly announced.

Full Applications

If a Full Application is successful, general details of the successful applicant may be publicly disclosed in official Government of South Australia media releases and websites subject to the Government of South Australia's consideration of any commercial and public interest factors.

Published details may include but are not limited to:

- the business name of the successful applicant
- the title and summary description of the project
- estimated and actual economic outcomes
- the amount and nature of grant funding awarded.

Applicants should ensure that information contained in the proposed project title and summary descriptions is not commercially sensitive or would not, if released, compromise requirements for confidentiality (such as protection of Intellectual Property).

In making information public about a project that received grant funding, the Government of South Australia may use a project description, including title and summary, which differs from that provided in the application.

Any awarded industry assistance contracts of \$200,000 or more are published in their entirety on the Government's Tenders and Contracts website.

Additional Information

DIS reserves the right to amend these Guidelines and application terms as required.

Information received in connection with an application or proposal may be used and communicated outside the Government of South Australia for due diligence, monitoring, reporting and evaluation purposes.

If any information in an application or report is found to be false or misleading, or grants are not used per the terms of funding, the grant will be repayable on demand.

Any information contained in, or relating to, an application, including information identified by an applicant as confidential information for the purposes of applying for funding under the Seed-Start Grant program, may be disclosed by the Department:

- to employees, advisers or third parties in order to manage the Seed-Start Grant program (including but not limited to, for the purposes of evaluating and assessing the application);
- within the Government of South Australia where this serves the legitimate interest of the Department;
- in response to a request by a House or Committee of the Parliament of the Commonwealth of Australia or South Australia;
- where information is authorised or required by law to be disclosed; and
- where the information is already in the public domain.