Digital Transformation Round (Pilot)
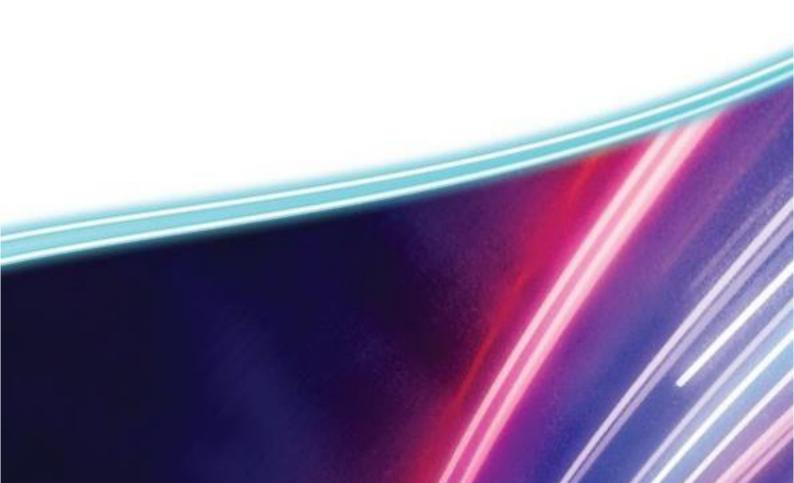
Local Capability Fund Guidelines 2023-24

Contents

Digital Transformation Round (Pilot)

Digital Transformation Round (Pilot) Guidelines

Objectives of this round

The objective of this Pilot is to provide initial support for eligible businesses to adopt and use digital technology and data for the purpose of improving their productivity, efficiency, competitiveness, resilience and/or safety. This Pilot will also assist with the Government's understanding of the challenges, needs and opportunities for Western Australian SMEs in relation to digital transformation.

The focus of this round is supporting the take-up of existing technologies and services, rather than supporting research or commercialisation of new ideas.

This Pilot supports the WA Government's economic development, jobs and diversification priorities as per its Diversify WA economic development framework.

Level of funding

The level of funding support available under this round of the LCF is 50 per cent of eligible costs (excluding GST) – up to a maximum of $25,000 per successful applicant. For example, to be eligible for the full $25,000 you would need to have minimum eligible costs of $50,000 (excluding GST).

Key dates

The timelines below are indicative only, and are subject to change at the Department of Jobs, Tourism, Science and Innovation's (the Department) discretion. Information regarding the closing date of the round will be published on the SmartyGrants portal in the event that the closing date changes.

Round Opens	6 October 2023
Round Closes	3pm (AWST) 8 November 2023
Assessment and notification of outcomes	Within 14 weeks of round closing
Execution of Financial Assistance Agreement	Within 30 days of notification of outcome
Completion of activities and claim for payment submitted	No later than 3pm (AWST), 30 June 2024

Eligibility criteria

To be eligible for funding, in addition to satisfying the general LCF eligibility criteria as detailed in Who Can Apply? on page 5, applicants must also:

» Have been trading for at least three years in Western Australia at the time of submitting the application for funding;

» Have at least one FTE employee at the time of submitting the application for funding; and

» Have a turnover of more than $500,000 in at least one of the previous three financial years.

Priority will be given to businesses and/or projects within the following sectors, as outlined in Diversify WA:

» Energy
» Defence industries
» Mining and METS
» Space industries
» Health and medical life sciences
» Primary industries
» Tourism, events and creative industries
» International education

Eligible activities

For a project to be considered eligible it must be consistent with the intended objectives outlined above and may include (but is not limited to):

» Costs of consultancy services/business planning that addresses an identified business need or opportunity related to digital adoption or data capabilities;

» Improvements in business cybersecurity (may include audit, mitigation strategies, staff training);

» Implementation of data analysis tools and platforms, data governance and management;

» Establishment of an e-commerce platform and/or secure payment portals;

» Integration of technologies to automate business processes, including Artificial Intelligence products;
» Integration of digital devices such as drones, robotic/autonomous devices, sensors, and/or additive manufacturing equipment (3D printers); and
» Costs of short-term training to address a specific digital capability gap within the business.

Ineligible activities

Projects that will <u>not</u> be considered in this LCF round include:

» Research and development or commercialisation of new or innovative technology or products;
» Purchase of computers, equipment, tablets or other portable devices for general business operations and not an integral part of the digital transformation project;
» Costs of general software, cloud subscriptions fees, internet provider fees, IT maintenance, website running costs, and other similar ongoing operational expenditures;
» Leasing of technology;
» Costs of general advisory/consultancy services; and
» Costs of long-term training (e.g. VET qualifications, university degrees).

Other ineligible projects include:
» Costs of works carried out by consultants without the appropriate expertise to deliver the service;
» Costs of works carried out by third parties that are perceived by the Department not to be at arm's length from the business;
» In-kind contributions are not considered as part of the business commitment to project costs and are not funded under the LCF
» Retrospective projects. The project or expenditure on the project must not be undertaken prior to submitting your application;

» Projects for which other Federal, State or Local Government funding has been, or is likely to be granted; and
» Projects implemented outside of Western Australia.

Assessment process

Applications will be assessed by an Evaluation Panel which consider applications following the closure of the round. Applications will be assessed against their eligibility as well as the round objectives, and will then be scored against the following evaluation criteria and weightings:

» Relevance/Need (25%)
» Project implementation/integration (25%)
» Level of impact (30%)
» Value for money (10%)
» Financial viability and risk (10%)

Applicants need to score well in each criteria in order to be considered competitive.

Project completion date

All activities must be completed, and claims for payment submitted to the Department, by 3pm (AWST) 30 June 2024. Claims for payment are to be made online through the SmartyGrants portal.

Contact

If you have any questions regarding this assistance program, the application form or your business' eligibility for funding under this round, please contact: digitaleconomy@jtsi.wa.gov.au or lcf@jtsi.wa.gov.au

General Program Guidelines

Program objective

The Local Capability Fund (LCF) is a funding program administered by the Department of Jobs, Tourism, Science and Innovation (the Department).

The objective of the LCF is to provide SMEs with funding support to enhance their capacity, capability and competitiveness to supply major projects and markets in Australia and overseas.

Who can apply?

To be eligible for funding, applicants must:

» Have a current Australian Business Number (ABN);
» Be registered for GST for at least 12 months prior to application submission and intend to continue to be registered for the next 12 months;
» Be a for-profit organisation or business (Not-for-profits and charities are ineligible);
» Have its principal place of business (operating facility) in Western Australia and continue to be based in Western Australia for at least the next 12 months following application submission date; and
» Employ less than 200 people.

NB: Additional eligibility criteria may apply. Refer to the additional eligibility criteria on pages 3 and 4 for further details.

Previous recipients of funding through the Industry Facilitation and Support Program (IFSP) or the LCF are eligible to apply, subject to:

» The business having complied with the requirements of the Financial Assistance Agreements entered into for the prior funding - including all reporting requirements; and
» The business having received no more than $200,000 in grant funding under the LCF program in the last five years, including the most recent application. Any

funding received as part of the $10 million COVID-19 LCF Rounds run in 2020-21 does not go towards this limit.

How do I apply?

Eligible applicants must submit their application online via the SmartyGrants portal. A preview of the application form detailing the information required is available through the portal.

Before applying, applicants must read and understand these guidelines and the Financial Assistance Agreement found on the portal.

How will the applications be assessed?

Applications are usually assessed by an Assessment Panel that will consider the submitted applications following the closure of the round. The Assessment Panel will comprise of officers from within the Department as well as external expertise, as required. Applications are assessed against their eligibility as well as their relevance to the round objectives and against the evaluation criteria of the round.

To mitigate risk, a Risk of Failure report will be obtained through Illion (formerly Dun & Bradstreet) for recommended applicants.

A High Risk of Failure on the report will be taken into consideration when determining successful applications. The final decision on applications where a High Risk of Failure report is returned will be at the Department's discretion.

Illion is an independent, third party used to carry out due diligence and is not associated with, or part of, the Department. Further information on Illion can be found on its website.

Applicants will be notified of the outcome of their application via the email address provided in the application form.

Financial Assistance Agreement

Approval of funding is subject to the applicant entering into a Financial Assistance Agreement (FAA) with the Department.

Applicants must read the FAA template prior to submitting an application. This template includes the non-negotiable terms and conditions that successful Applicants will be required to agree to when entering into an FAA with the Department.

Payment of Grant

The LCF is a re-imbursement scheme and therefore successful applicants will need to pay for the activity prior to making a claim for the approved grant funding. The grant will be paid as a lump sum reimbursement on completion of all agreed activities. Progress instalments will not be considered except in exceptional circumstances.

The grant payment will be made on submission of a Tax Invoice to the Department for the GST exclusive value of the grant and must be accompanied by copies of suppliers' invoices and receipts as proof that the activity has been paid for in line with the application and FAA. Additional documentation may be required and will be detailed on page 3 as required.

Claims for payment, and submission of the associated documents, are to be made online via the SmartyGrants portal.

If a claim for payment is not received by the specified due date given in the key dates section on page 3, the grant approval will lapse and the funding agreement terminated.

Tax information

The Department is registered for GST and has been issued with Australian Business Number (ABN) 90 199 516 864.

Grants paid under the LCF are not regarded as payment for a supply to the Department. Therefore, the Department will not increase the grant to include GST, nor will it reimburse a grant recipient for GST paid to a third party.

Grants are assessable income for taxation purposes. We recommend applicants seek independent professional advice on the business's taxation obligations or seek assistance from the Australian Taxation Office. The Department does not provide taxation advice.

How many times can I apply?

Only one application per round per financial year is allowed for each applicant (determined by applicant ABN number). Unsuccessful applicants may not reapply in the same financial year for the same round. If a business applies more than once under the same round, only the first application submitted will be considered - unless otherwise requested by the applicant.

This is also subject to the applicant having received no more than $200,000 through this grant program in the last five years, including the most recent application. Any funding received as part of the $10 million COVID-19 LCF Rounds run in 2020-21 does not go towards this limit.

Reporting requirements

As previously stated, approval of funding is subject to the applicant entering into an FAA with the Department. The FAA requires the applicant to provide a report at six months and 12 months after the end of the financial year that the grant is awarded. These reports are to be submitted through the SmartyGrants portal. The FAA also stipulates that at any time within two years of receiving payment, the Department may contact the applicant for verbal updates on business performance generally.

Amendments to guidelines

The Department reserves the right to amend these guidelines and related documentation through the course of the round, if required.

Guidance for completing your application

LCF application forms are broken into a number of different sections. Refer to page 4 for the evaluation criteria related to the round you wish to apply for.

The following will guide you through each section to ensure that you are providing the required information in your application.

Overview of applicant's business operations

What are the business's core business and products/services?

Provide a brief explanation of the business's core business and products/services and how these are supplied to the market. I.e. What exactly does the business do? Is the business a direct supplier to the sector? If there are major projects within a sector/market that the business has supplied to, provide details of the project and what work the business did.

Evaluation criteria

Relevance/need

Project importance

Succinctly justify why the proposed project is important to the business. Why is this a project of interest to the business? What would be achieved with the proposed project that would not be possible or difficult to achieve otherwise?

Project alignment with the organisation's business plan and the proposed timing

Provide a brief explanation as to how the proposed project strategically aligns with the business plan or how it furthers the long-term goals of the business. Why are the proposed activities a short-term priority? Does anything else need to occur before the proposed activities are implemented? Where do the proposed activities fit in with regards to the business's long-term goals?

Challenges faced and proposed project

Provide an explanation of the major challenges faced by the business. Elaborate on how the proposed activities and the grant funding will assist the business to overcome / resolve the challenges it currently faces, as well as in taking advantage of any potential opportunities to improve the business operations. E.g. meeting pre-qualification requirements, increasing technical capability, improving internal processes or efficiency, or staff upskilling and training.

Realistic outcomes

Any improvements listed as potential results of the proposed project should be realistic and directly related to the activities that the business wishes to carry out. In your answer you want to show a clear line between what the business is seeking funding for and the improvements the business hopes to see.

Level of impact

You should endeavour to answer all questions in this section in two parts. First, what the expected outcome is – this should be a number if possible. E.g. five new contracts. Second, provide an explanation of how that outcome would occur from the project the business is seeking funding for.

Quantify and qualify

Assessors of your application will be looking to see that the answer is quantified (there is a number), that it is achievable by undertaking the funded activity (your explanation of how the outcome will occur), and that it is realistic for the business.

Please note the assessors of your application will take into consideration the annual turnover figures of the business that you provide to measure whether the expected outcomes for contracts, employees and estimated income are a realistic projection.

There may be some aspects of the section where outcomes from the requested project are not expected. This is okay, not all businesses would have outcomes in all categories necessarily, and not all funded activities will lead to some of the outcomes listed. However, you should try to answer as

many of the categories as you can and if you answer 'N/A' to all of them then this will result in a low score for this section.

The categories outlined are what the business will be required to report against at six months and 12 months should your application be successful.

Project implementation/integration

The purpose of this criteria is to determine the business' preparedness to implement the proposed project. Clearly outline how the business is committed to carrying out the project. Is this something that is being driven from the top of the business? Is the project part of any planning the business is undertaking? Does the business have a digital transformation plan that refers to the need to undertake this project?

Internal capability

Does the business and its staff have the capability to carry out the project? If the business is integrating a new piece of equipment or system, are the staff able to use it? If they aren't, are there plans to train them so they are? If the business is carrying out a project that will help it move into a new market, will the staff be able to undertake this work?

Use of external consultants/suppliers

Even though the business may be using external consultants or suppliers to deliver the activity, this will still require employee time and/or a financial commitment from the business. Does the business have this capacity? If a consultant will be providing advice, is there a plan/timeline in place for consideration or implementation of the advice?

Good applications give assessors an idea of where the project fits into the business's goals and whether the business has ability to not only carry out the activity but also to benefit from it.

Value for money

It is critical that the business a) seek competitive quotes for the activity the business is seeking funding for, and b) provide copies of those alternative quotes with the application. It is expected that the business will get at least two quotes for each activity.

The importance of alternative quotes and research

If you do not provide alternative quotes, you must provide an explanation as to why the business has not sought/provided them. There will be some situations where it is simply not possible/feasible to get alternative quotes, such as when there is only one supplier of a particular product or service. If this is the case, you need to explain this so that assessors can understand why there are no alternative quotes.

Regarding the choice of consultants, you need to provide a good explanation of why the business has chosen the particular consultant/supplier. Does it represent better value for money (remember that 'value for money' does not always mean cheapest)? Will the service be delivered faster than the alternatives (enabling the business to see the benefits of the project sooner)?

Assessors will be considering whether the activity you are seeking funding for represents value for money not only for the business but also for the government, therefore, Assessors will consider the expected benefits to the State relative to the grant amount requested.

Financial viability and risk

If you answer yes to any of the questions in this section, you must provide an explanation of what occurred, the current position and what outcomes occurred (if any). The evaluation panel considers whether providing funding would present a risk, and so it is advised that you provide an explanation that is detailed enough (without being too long) to demonstrate that while senior officers of the business may have had business ventures that haven't worked out in the past that the current business is sustainable.

Up-to-date financials

When providing a copy of the latest financial statements, you must provide a copy of both the balance sheet and the profit and loss statement for the last financial year (if you are applying in 2023-24, you must provide

financial statements for the 2022-23 financial year). The financial statements must cover the entirety of the financial year they are for (i.e. do not provide financial statements that only cover part of a financial year). If the financial statements do not show figures for previous years then please provide copies of the previous year's financial statements as well.

If the latest financial statements are yet to be audited, then please provide an unaudited copy with an explanation of when an audited copy will be available.

If there are significant drops in turnover, net profit or equity between years in the detail you provide in the table for the last three financial years, please provide an explanation regarding these. Any significant drops may suggest that there is some financial risk involved in providing funding to the business, so a good explanation of why these drops occurred will help to assure assessors that the business is financially viable and sustainable.

Tips

1. Always double-check your application. It is worth getting someone else to read over it, if possible, before you submit it to ensure it makes sense.

2. Remember that assessors are unlikely to be experts in the business's industry. Overly technical and detailed answers may be difficult for assessors to understand which could lead to lower scores. When writing an application it is useful to write it in a way that anyone could understand, not just those who work in the business's industry. A good way of doing this is to imagine you are promoting the business via its website or social media where the public will need to understand the core activities of the business.

3. Give yourself enough time before the closing date to be able to source quotes and relevant documents. As these documents can often take a bit of time to get hold of - with quotes sometimes taking a number of weeks - if you start an application the day before the closing date, and do not have the necessary documents ready to go, then you might run out of time to get them. Applications without quotes or relevant documents will receive lower scores.

4. Good applications provide sufficient detail but are also concise. While you definitely want to provide enough detail to ensure assessors are able to properly assess your application, if you overwhelm them with large amounts of detail it may be difficult for them to determine the point you are trying to make. Again, it is worth double checking your application and getting someone else to look over it to make sure that it is detailed, but to the point.

5. Assessors are only able to make a recommendation based on the information you provide in your application. If there is something important that will help your application stand out then include it.

6. Always read the eligibility criteria and the eligible activities carefully to ensure the business is eligible to apply, and that the activities the business is seeking funding for are eligible. A good application takes time to write, so if the business is ineligible you don't want to spend time on an application that will be rejected straight away. If you have queries about whether the business (or an activity) is eligible, feel free to contact the relevant team as detailed on page 3 under Contact.