

Smart City Innovation Challenge

Challenge Guidelines

January 2023



Acknowledgement of Country



The NSW Government acknowledges and pays tribute to the unique cultural and spiritual relationship that Aboriginal communities have to the land and water known as New South Wales.

Find out more:

www.dpie.nsw.gov.au

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Guidelines for participants

Background

The NSW Government has established the Smart Places Acceleration Program, which implements Action 8 of the NSW Smart Places Strategy. The Program is facilitated by a \$45 million funding envelope under the Digital Restart Fund over three years to accelerate the development of smart places across NSW.

Through the NSW Smart Places Acceleration Program, the NSW Government is helping place owners – including councils, government agencies, property owners, and regional organisations – apply innovative smart technologies and capabilities. The government’s aim is to solve problems and improve the quality of life for communities across regional and metropolitan NSW.

The Innovation Challenges are funded by the Smart Places Acceleration Program’s reservation under the Digital Restart Fund.

Program purpose and objectives

The Innovation Challenges will connect state and local government with industry on place-based problems that matter to the people of NSW.

The objectives of the Smart City Innovation Challenges are to:

- Leverage the capacity of small and medium enterprises (SMEs) to address challenges faced by the NSW Government taking a smart cities approach to solutions
- Increase the commercialisation of NSW Government-funded smart city initiatives
- Support the technology and innovation sector in NSW, with the NSW Government being a proactive customer
- Grow the number of smart city products, services, and solutions in NSW that respond to real challenges faced by NSW Government agencies

Two challenges were released in 2022 encouraging industry to develop ‘smart’ ideas into pitchable solutions that address varied problems. More challenges will be released throughout 2023, building on the early success of the program.

The NSW Government, through the Smart Places Acceleration Program, will award funding to successful pitches and progress ideas that show exciting potential for places where the idea may be developed further and potentially prototyped.

Challenge statements will be developed in consultation with the Smart Places Advisory Council, state, and other government agencies to ensure robustness and to commit state agency ownership of challenges.

Participants in the Innovation Challenges will retain intellectual property rights and the right to sell their solution in domestic and global markets.

Each challenge will have three phases. Each phase is competitive, and not all applicants will proceed through each phase.

- **Phase 1 – Pitchfest:** Applicants submit an application outlining a proposed solution to the challenge. Applications are assessed against clear criteria, with up to 10 invited to present their proposed solution at a Pitchfest.
- **Phase 2 – Feasibility study:** The pitches are assessed, with up to 3 successful applicants entering into funding agreements for up to \$50,000 to conduct a feasibility study over a period of two months.
- **Phase 3 – Proof of concept:** Feasibility studies from each of the applicants are assessed by an evaluation panel. The panel may choose to proceed with one applicant entering into a contract for up to \$1,000,000 or choose multiple applicants to access a share of \$1,000,000. Applicants will develop their concept further i.e. proof of concept or trial, over a period of up to 12 months.

The feasibility study (Phase 2) will require the funded party to establish the technical basis and commercial feasibility of the proposed solution. It will also assess and demonstrate the capacity and ability of the proponents to deliver the proposed solution.

The proof of concept (Phase 3) will require the funded parties to further develop the proposed solution, such as developing a prototype or testing the product or service.

There is also an optional phase 4 in which NSW Government agencies will consider the procurement of successful solutions beyond the proof of concept stage.

This will require the solution developer to work with the NSW Government to implement the solution in NSW Government operations.

Funding

Up to \$50,000 funding will be available for each of the successful applicants to complete a feasibility study (phase 2) within 2 months.

Funding of up to \$1,000,000 may be made available to one successful applicant or may be split amongst multiple successful applicants. Funding is to be used to develop the proposed solution further (phase 3). Payments will be staggered to align with project deliverables/stages and with departmental processes. The applicant will have 12 months to complete this phase.

The funding amount for phases 2 and 3 will be determined based on an evaluation of the proposed project budget presented in the application, up to the maximum amounts of \$50,000 and \$1,000,000 respectively.

Funding will take the form of a cash contribution paid in instalments.

Funding will be subject to the execution of a funding agreement between the applicant and the NSW Government.

The NSW Government, at its absolute discretion, may choose not to award or recommend funding under the Innovation Challenges, or split funding amongst multiple applicants.

Funding for procurement of successful solutions beyond proof of concept will be at the discretion of the NSW Government agency proposing the challenge. Funding for ongoing procurement is not provided within the Innovation Challenges.

Eligibility criteria

To be eligible for the Innovation Challenges, an applicant must:

- Hold the Intellectual Property or any relevant rights to commercialise the proposed solution

The NSW Government reserves the right to exclude applicants where they do not meet the intention of the above eligibility criteria. For example, where the applicant is a shell corporation or local subsidiary of a multinational corporation.



Joint applications

The Joint applications between an applicant and NSW-based research organisations (including universities) are encouraged. However, the applicant must lead the project and submit the funding application.

The lead applicant must outline clearly in their application who the project partners are and what each organisation will contribute to the project.

Funding agreement and reporting

All applicants who accept the offer of funding through the Innovation Challenges will be required to enter into a funding agreement with the NSW Government. The funding agreement will include any details the applicant has agreed with the NSW Government.

Funded parties are expected to work closely with the NSW Government and comply with regular reporting and meeting obligations.

At the conclusion of the feasibility study projects, funded parties will be required to submit the feasibility study report and present their results to the NSW Government.

Eligible expenditure

Funding received through the Innovation Challenges must be spent in accordance with the funding agreement and only on eligible expenditure.

To qualify as eligible, expenditure must:

- Be incurred by the funded party during the project period
- Be a direct project cost or incurred to undertake required project audit activities
- Be consistent with the Smart Places Acceleration Program Guidelines
- Fit within one of the seven categories of eligible expenditure

The seven categories of eligible expenditure are:

- Labour expenditure including on-costs
- Capital equipment relevant to the project
- Material costs (including consumables specific to the project)
- Contract expenditure
- Travel expenditure
- Financial auditing of the project
- Other costs directly related to the project or project audit activities

Application and assessment process

The assessment process for each round of the challenge is as follows:

1. Applicants must answer all questions in the application form.
2. The department will screen all applications received for eligibility. Additional information may be requested to ascertain an applicant's eligibility.
3. Applicants may also be required to provide profit and loss statements and balance sheets from the last two years.
4. Applications for each phase will be assessed in accordance with the assessment criteria by a panel comprised of the department, Investment NSW, and NSW Government agency partner/s (owner of the challenge).
5. All applicants will be notified of the outcome of the assessment process.



Assessment criteria

Applications through each of the phases will be evaluated against a consistent set of assessment criteria. It is expected that as applicants progress through the phases, the proposed solution would continue to evolve and become more robust.

Applications will need to satisfy the requirements of the Smart Places Acceleration Program Guideline and the requirements set out under the Digital Restart Fund, and will be scored out of 100 against the following criteria:

- **Nature of applicant (10 points)**
 - Small to Medium Enterprise
 - The applicant is a Small to Medium Enterprise under 200 full-time equivalent employees, or
 - The estimated value of goods and services procured (through sub-contracting, partnership, consortium benefits) from Small to Medium Enterprises (<200 FTE) as a percentage of the total value of the proposal



- **Technical (30 points)**
 - The extent to which the proposed solution would address the challenge statement, including the solution requirements
 - The proposed solution is ready to enter the Pitchfest/feasibility study stage
 - The proposed solution is superior to what is currently on the market
 - The proposed solution satisfies the requirements of the [Smart Places Acceleration Program Guidelines](#) and the requirements set out under the [Digital Restart Fund](#).
- **Commercial (30 points)**
 - The proposed solution has commercial potential
 - Given its commercial potential, the proposed solution deserves public investment
 - The application includes a reasonable plan for the next steps towards commercialisation and adoption, including identifying potential barriers and how these will be mitigated
- **Delivery (30 points)**
 - The company and project team have the appropriate skills and experience to carry out the project
 - The team has access to the equipment, technology, infrastructure, and financial resources needed to carry out the project
 - The application provides a reasonable project plan, including a budget that represents value for money, risk management plan and performance measures

Indicative Timelines

These timelines are indicative and subject to change.

| Innovation Challenge process | |
|--|---|
| Phase 1: Applications open | |
| | Applications assessed and successful applicants invited to participate in Pitchfest |
| 2 months | Applicants refine concept and prepare for Pitchfest |
| | Pitchfest event takes place |
| 1-2 months | Pitches assessed and successful applicants invited to complete feasibility study |
| Phase 2: Feasibility studies commence | |
| 2 months | Feasibility studies are completed |
| 1-2 months | Feasibility studies are assessed and the successful applicant is invited to apply for Phase 3: Proof of concept |
| Phase 3: Proof of concept commences | |
| 12 months | Development of a Proof of Concept |



Probity

The department will ensure that the assessment process is fair and incorporates safeguards against fraud, unlawful activity, and inappropriate conduct.

The department will manage actual, potential, or perceived conflicts of interest identified by applicants, assessors, and administrators of the Innovation Challenges. All applicants and assessors will be asked to declare any actual, potential, or perceived conflicts of interest, or confirm that there are no conflicts of interest.

All information provided to the NSW Government will be collected and stored in accordance with the Privacy and Personal Information Protection Act 1998 (NSW).

The NSW Government will treat information provided in applications as confidential and only use the information for the purposes of assessing the application, evaluating the performance of funding awarded under the Innovation Challenges and evaluating the performance of the Innovation Challenges.

The NSW Government may disclose non-commercially sensitive information provided in applications, including business names and a basic summary of the proposed solution, to announce the awarding of funding.

The NSW Government may disclose confidential information provided in applications if required under law, for example, under the Government Information (Public Access) Act 2009 (NSW).

Appendix – Eligible expenditure

To be eligible, expenditure must:

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

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, you may be asked to provide records of the expenditure you have paid. If you do not provide these records when requested, the expense may not qualify as eligible expenditure.

The seven categories of eligible expenditure

1. Labour expenditure

Eligible labour expenditure for the funding covers the direct labour costs of employees you directly employ on the core elements of the project. We consider a person an employee when you pay them a regular salary or wage, out of which you make regular tax instalment deductions.

We consider costs for technical, but not administrative, project management activities eligible labour expenditure.

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

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

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

2. Labour on-costs and administrative overhead

You may increase eligible salary costs by an additional 30% allowance to cover on-costs such as employer paid superannuation, payroll tax, workers compensation insurance, and overheads such as office rent and the provision of computers.

You should calculate eligible salary costs using the formula below:

| | | | | |
|--|----------|--------------------------------------|----------|--|
| Eligible salary costs = Annual salary package | X | Weeks spent on project (52 weeks) | X | Percentage of time spent on project |
|--|----------|--------------------------------------|----------|--|

You cannot calculate labour costs by estimating the employee's worth. If you have not exchanged money (either by cash or bank transactions) we will not consider the cost eligible.

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

3. Capital equipment relevant to the project

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

5. Contract expenditure

Eligible contract expenditure is the cost of any agreed project activities that you contract others to do. These can include contracting:

- Another organisation
- An individual who is not an employee but engaged under a separate contract.

All contractors must have a written contract prior to starting any project work – for example, a formal agreement, letter, or purchase order which specifies:

- The nature of the work they perform
- The applicable fees, charges, and other costs payable.

Invoices from contractors must contain:

- A detailed description of the nature of the work
- The hours and hourly rates involved
- Any specific expenses paid

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

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

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

6. Travel expenditure

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

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

7. Other eligible expenditure

Other eligible expenditures for the project may include:

- Financial auditing of project expenditure
- Other specific expenditures may be eligible as determined by the Department.
- Evidence you may be required to supply could include supplier contracts and invoices

