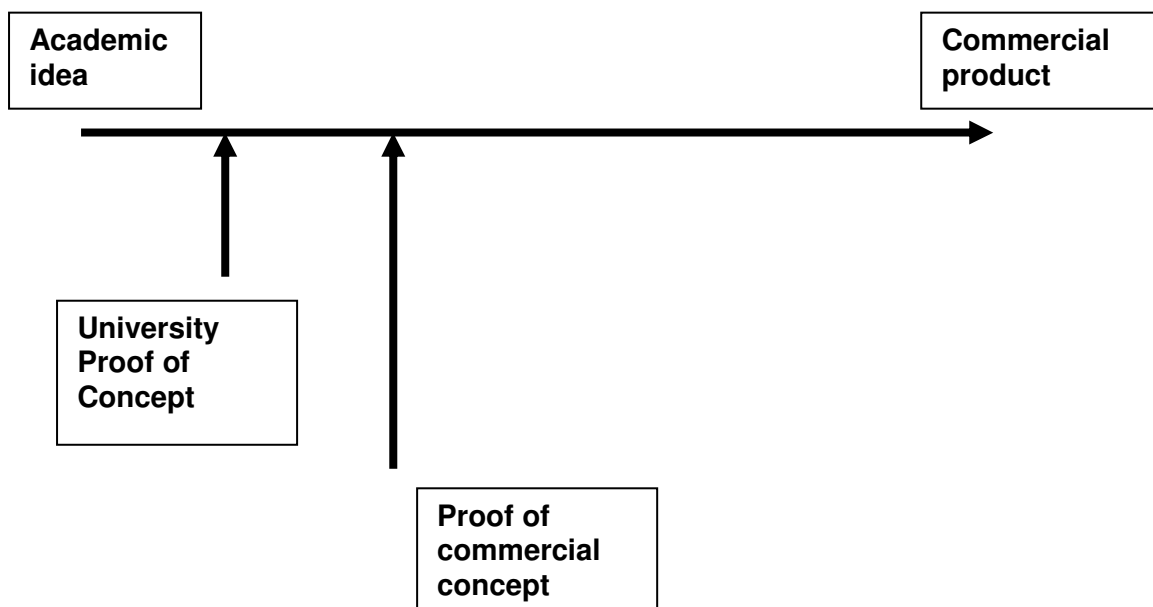


# YORKSHIRE CONCEPT

## Proof of commercial concept fund: Guidance notes

### 1. Introduction

1.1 The *Yorkshire Concept - Proof of Commercial Concept Fund* (PCCF) is carefully named; the Fund supports **proof of commercial concept** and by this stage of development the proof of scientific principle should have been proven. The proposal will be at the pre-incorporation phase, and the proof of commercial concept award, is a grant to the HEI. The diagram below demonstrates how this might look compared to a pure proof of technology/science concept:



The aim is to create by the completion of each proposition, a commercial strategy attractive to potential investors and follow on funders.

### 2. The background

2.1 The rationale for PCCF is that the Higher Educational Institutions<sup>1</sup> (HEIs) of the region represent a huge pool of talent and knowledge base generating a constant source of new technologies and commercial possibilities. PCCF aims to capture this potential for the benefit of wealth creation and economic prosperity in the region, with the Fund providing initial funding to test these new technologies and associated business ideas for their robustness and commercial application. In turn this will lead to new businesses, new jobs and more innovative, productive and competitive companies in the region.

2.2 PCCF will support the early commercialisation assessment of an HEI's intellectual capital (patents, design rights, know-how, etc). In doing so it will facilitate, foster and encourage HEI staff and students in enterprise and commercial activities. Although propositions will often be based on

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<sup>1</sup> Bradford, Huddersfield, Hull, Leeds, Leeds Metropolitan,, Sheffield, Sheffield Hallam, Trinity and All Saints, York, York St John

Intellectual Property (IP) generated and owned by the HEIs, it may equally be the case that 'first mover advantage' and/or the business ideas of staff and students come from other aspects of the institution's knowledge portfolio.

2.3 The outcomes of propositions whose proof of commercial concept is validated will be demonstrated through a variety of market manifestations such as spin out and start up companies, new jobs, licences to extant companies and the creation of jobs in those businesses.

### **3. Objectives**

3.1 A successful Fund depends on the implementation of a wide range of objectives to increase the number of quality commercial prospects arising from the knowledge base, and to stimulate and support those ideas through a facilitative infrastructure provided by the HEI. This infrastructure will be over and above any assistance provided by the PCCF. Consequently the following objectives have been adopted as the guiding principles of the Fund:

- To stimulate and increase the number and quality of commercialisation propositions from the HEIs leading to investment by commercial partners and creating new economic activity.
- To help develop links and relationships with agencies, organisations and individuals who could provide seedcorn and/or third-party investment at the appropriate time leading to new businesses and new jobs.
- To contribute to and stimulate cultural change, networking and good practice within and between institutions, bringing together a collaborative approach across the region, ensuring HEIs benefit from each others' experiences.
- To help support collaborative research and development with regional companies where outcomes/royalties will be shared and innovation and competitiveness increased.
- To contribute to the development of the regional clusters by facilitating the exploitation of technology.

### **4. The co-investment model**

4.1 Finance for the Fund works through the mechanism of co-investment, and 50% of the grant for each proposition is sourced by the HEI in cash, which in turn matches 50% cash sourced by Yorkshire Forward and managed through Yorkshire Universities. HEIs will have different means of raising their 50% cash contribution; however this cannot be sourced from the private sector as this will be deemed to contravene State Aids guidance published by the European Commission for Research and Development and Innovation.

4.2 The fund will make grant awards normally in the order of £30,000 to £70,000 to propositions based on the principle of 50%:50% therefore a total grant award of £70,000 would be made up of £35,000 from Yorkshire Forward and £35,000 from the HEI.

### **5. What is Proof of Commercial Concept?**

The Fund will not support academic research but supports proof of commercial concept,:

- After academic research;
- Development that can be demonstrated to take place in a commercial context and be demand driven.
- It is usually expected that work will be undertaken with an industrial/commercial partner(s).

- After a background patent has been generated / filed;
- To assist pre-production/prototyping; ;
- Undertaking further scientific and technical development of an idea to improve the IP position, e.g., supporting further work to exemplify or broaden patent claims.
- IP is expected to belong fully to the HEI as part of the project.
- Undertaking a full commercial appraisal for new products or process in the context of business partners.
- Identifying potential licensees or opportunities for joint ventures.
- Identifying routes to market and developing a commercial strategy.
- Identifying follow on funding investment.

## 6. Eligible Costs

6.1 The Fund does not fund academic research or the development and/or marketing of existing products. Yorkshire Concept contributes to actual proposition costs; it does not pay overhead(fEC) or IP costs.

Eligible costs include:

- Personnel – salaries that are demonstrated to be essential to the development of the proposition and can evidence added value.
- Consumables;
- Market assessment;
- Materials (evidence of need must be demonstrated);
- Subcontracted consultancy or other development services (evidence of need, contractor specification, quality assurance, costings to be provided);
- Other costs, such as travel and subsistence (justification is required and applicants must demonstrate that these costs are directly linked to the commercial objectives of the proposition).

Although external specialist support may be bought in by the grant to support commercial assessment as stated above, each proposal will also be actively supported by the HEIs through the provision of mentoring, business development and monitoring from inception to completion.

## 7. Application and Assessment

Applicants must consider the following when preparing an application:

- PCCF expects proposals to address the proof of commercial concept.
- The Board is commercially focussed.
- Is the proposition something new and innovative?
- Is there a market for the proposed outcome of the proposition?
- How can this be evidenced?
- What is the potential income that could be generated? How do you make money?
- Who may be suitable industry partners or investors for commercialisation?
- Who are you already in contact with and what level of discussion is underway?
- Applicants must be aware that the pitch to the Board has to equally address the science and commercial aspects rigorously and equally with the academic and business development managers playing equal roles.

- Applicants must ensure that the lead academic is able to make the presentation, and under normal circumstances it is expected there would be two representatives (one the academic and one the business development manager) from each institution in attendance, however the use of a specialist consultant is also permitted.
- Observers are able to attend Board meetings but these should be notified in advance to the Fund Director.

Applications must address all the following points.

- **The Invention**

What is the technology base of the idea? Can any Intellectual Property invested in the concept be protected? How otherwise would the idea be protected? How is it proposed to develop the concept into a proof of commercial concept proposition? Remember this is after proof of principle is proven. What cost, competitive and other advantages does the new project bring? What level of costs and margins might the new product/technology bring? What resources are required? What is the development period? How does the proposal scale? What are the barriers to entry for competitors?

- **Industry Partners and Markets**

How is it proposed to develop the concept into a commercial proposition? Evidence the opportunity addresses real market needs? What is the market? How big are the potential markets? Who are the key players in those markets? Do you already have industry relationships with these companies and how does that shape the content of the proposal? How will the concept be developed to generate industry relationships to enter those markets?

- **Competitive advantage**

What is the competitive advantage the proposition brings? Cost/efficiency? Demonstrate this using numbers to assess impact and cost benefit analysis on the bottom line. A worked example is crucial in evidencing value. Demonstrate how money will be made. How will the HEI benefit especially in cases where IP is not a factor?

- **The Future Business**

Can funding develop the opportunity to attract industry investment or further development funding? Does the proposition have the commercial potential? How will commercialisation be achieved? Demonstrate potential routes to market.

- **Exit Route**

How will the proposition develop and define the next steps towards realising its commercial potential? What is the commercial strategy? How will the proposal be attractive to an external partners or follow on funders?

- **Risk Assessment**

What are the perceived risks associated with the proposition and what contingencies are developed to address them?

It is acknowledged that early stage development of commercialisation ideas may not have a fully defined plan for reaching market; however, applicants must identify how they propose to address any significant gaps in the commercialisation strategy.

Applications should also address the following;

- The commitment, skills and individual roles of the proposition team including scientific and technological development alongside commercialisation.
- Who leads the team
- Proposition costs and value for money
- Clearly defined timescales, milestones and outcomes.
- A well defined exit and commercialisation strategy.

Applicants must seek the support of their Head of Department, Faculty or School for the proposition, and work with their Knowledge Transfer Centre/Technology Transfer Office/etc. in the development of an application. Applications will not be considered without evidence of the full support of the host institution through the Technology Transfer Office or equivalent, and its commitment to provide 50% of the cost.

Please see the end of this application for the contact details within each participating institution.

## **8. Application, approval and monitoring**

8.1 The Board does not receive applications directly; these will be submitted through the Fund Director. At Board meetings applicants including the lead academic or student will make a 10 minute presentation to the Board, equally science/technical and commercialisation followed by around 25 minutes of questions and answers. An applicant may be accompanied by a business development manager or equivalent. The Board will then consider the proposition in private. The Board reserves the right to award the grant requested either in full or in part, subject to the satisfactory completion of certain milestones, or to reject the application. Rejected applications may be given the opportunity to re-present. Proposition expenditure and progress against milestones and targets will be monitored on a quarterly basis, and HEIs must create a ring fenced account for each proposition.

8.2 In almost all cases the Board will reach a decision on the day of the Board meeting and HEIs will be informed within a day or two of the decision, and if favourable of any special terms and conditions relating to the grant. HEIs will then receive a formal offer letter which they should sign and return to receive the grant. Successful propositions will receive the 50% or part thereof if the Board stipulates staged payments, of the Yorkshire Forward funding from Yorkshire Universities, which is the managing organisation for the Fund.

8.3 Institutions' financial management systems vary; consequently advice will be provided by the host's Knowledge Transfer Centre/Technology Transfer Office/etc. on how successful propositions can access and draw down funds from their official contact point.

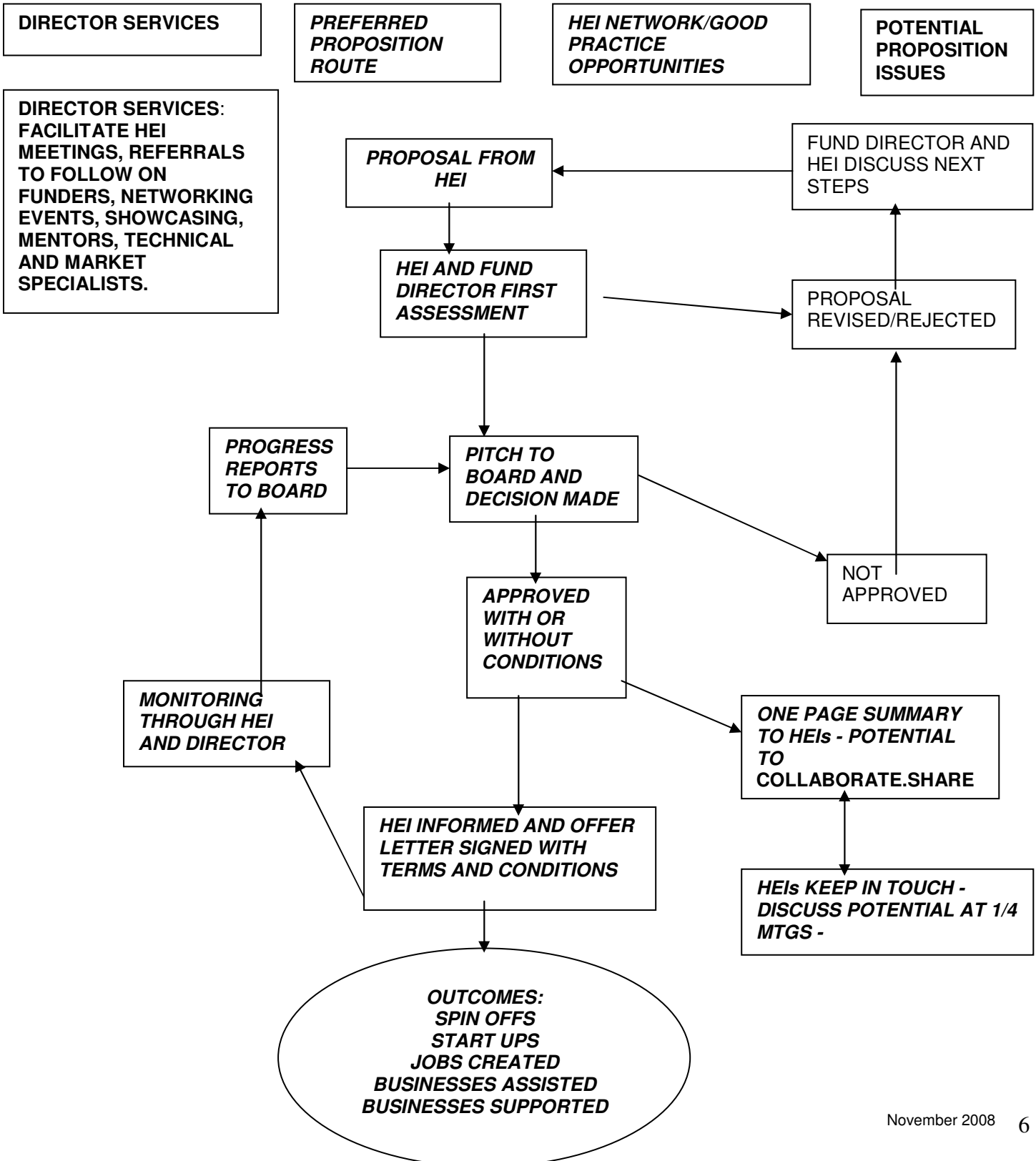
8.4 HEIs in receipt of Yorkshire Concept funds agree that;

- The application is approved on the basis of the details set out in the application form and on condition that the proposition delivers its aims, meets the pattern of expenditure, and produces the agreed targets and milestones. This also includes any special conditions that might have been imposed by the Board.
- The Higher Education Institution (HEI) will contribute to the proposition a cash sum equivalent to the grant, as set out in the application form.
- The proposition will be monitored quarterly across all targets, milestones and budget, in accordance with the provisions of the Partnership Agreement for the Yorkshire Concept Fund between the HEI and Yorkshire Universities.
- A specific budget/cost centre will be created within the Higher Education Institution for the purposes of managing the grant.
- Monitoring frequency will be increased if the Fund Director deems that the proposition is significantly varying from its targets, milestones and budgets.
- Any proposition overspend is the responsibility of the HEI.
- Any significant variation in spend or achievement of milestones is reported to the Fund Director.

- In exceptional circumstances, such as substantial under performance or mismanagement of funds, the grant may be reduced or may be returned to Yorkshire Universities. .
- You will provide a final account of all spend and a commercialisation exit report on completion of funding.
- At six-monthly or other intervals as determined by the Yorkshire Concept Board, the academic/student leading the proposition, in conjunction with the HEI's business development manager or other similar, will present progress directly to the Board.

The operation of the Fund is set out in the diagram below.

Fund operation:



## 9. Further information

If you are interested in finding out more about Yorkshire Concept: Proof of Commercial Concept Fund and wish to develop a proposition please contact the person in your institution;

| <b>Institution</b>            | <b>Contact</b>   | <b>Telephone</b> |
|-------------------------------|------------------|------------------|
| University of Bradford        | Andy Duley       | 01274 235 409    |
| University of Huddersfield    | Barry Timmins    | 01484 471165     |
| University of Hull            | John Frankland   | 01482 466 748    |
| University of Leeds           | Brian McCaul     | 0113 343 0918    |
| Leeds Metropolitan University | Michael Garroway | 0113 812 1937    |
| Leeds Trinity and All Saints  | Phil Williams    | 0113 283 7151    |
| University of Sheffield       | Michelle Nolan   | 0114 222 1453    |
| Sheffield Hallam University   | Rob Evans        | 0114 225 4293    |
| University of York            | Mark Mortimer    | 01904 435286     |
| York St John University       | Mike Troke       | 01904 876 648    |