

## Research Councils Follow-on Fund: Call for Proposals

The Follow-On Fund is supported by BBSRC, EPSRC, NERC and STFC. **This call is for applications to EPSRC only.**

**EPSRC must receive your application by 4 pm on 25 August 2011.**

Please remember to allow sufficient time for your organisation's submission process between submitting your proposal to them and the Call closing date.

### 1. INTRODUCTION

The lack of funds to demonstrate the commercial potential of ideas can be a major barrier to the take up and commercialisation of research results arising from the science base. The Follow-on Fund helps researchers to bridge the funding gap between traditional research grants and commercial funding. The Fund operates on a 'proof-of-concept' model, where a small amount of funding is often sufficient to demonstrate technical viability and prepare a robust business plan. Completion of the follow-on work should place the prospective business idea in a much stronger position to secure commercial support from venture capital or seed funds.

### 2. AIMS OF THE EPSRC FOLLOW-ON FUND

The EPSRC Follow-on Fund will support the very early stage of turning research outputs into a commercial proposition. Proposals submitted to this call must draw substantially on the outputs of EPSRC research funding and have a clear potential for commercial application; usually a background patent will have been filed.

The fund will provide up to 12 months support for technical and business development activities that will establish the commercial potential of a concept; demonstrating both commercial feasibility and scientific/technical merit. Projects predominantly concerned with overcoming technical obstacles or extending the original research will not be accepted.

The Fund will support a complementary mix of both technical and business development activities **in the context of exploiting an identified commercial opportunity**. For example, Follow-on funding is not appropriate to take forward a promising line of research in the expectation that commercial potential will become apparent in the future.

### 3. ACTIVITIES SUPPORTED

Follow-on Funding can support a range of **early stage** activities that are essential to securing commercial opportunities. These might include:

- Undertaking further scientific and technical development of an idea.
- Improving an intellectual property (IP) position, for example, through supporting further work to exemplify or broaden patent claims.

- Gaining further information about the market for the new product, process or service.
- Identifying potential licensees or opportunities for joint ventures.

The Fund will specifically **not** support:

- 'Blue sky' research.
- Applied research for companies.
- Associated intellectual property costs e.g. patent costs.
- Purchase of larger equipment and capital.

Activities will generally be considered 'early stage' where they are prior to a full laboratory demonstration of the idea, are pre-production and prototype and where commercial funds for development are not available. As applications must be based on an identified opportunity, very preliminary feasibility activities will not be supported.

#### 4. ELIGIBILITY

This Follow-on Fund call is open to academics in UK research organisations to take forward ideas generated by **EPSRC research grant funding** (where the original research will have been subject to rigorous peer review). Projects originating from cross-Council research programmes that included a substantial EPSRC contribution may be eligible, but applicants should check with EPSRC before submitting a proposal. Please note that projects arising from **studentships** (including all EPSRC funding outside of a research grant) are **not eligible** for Follow-on Funding.

Bids to the Fund should be in response to a clearly identified commercial opportunity. It is expected that the University will have already undertaken feasibility-type studies such as:

- Commissioning expert advice from sector specialists on the best commercial development strategy for a business idea.
- Completing an initial market assessment to determine likely potential, competition and opportunities.
- Conducting IP searches – freedom to operate, etc.
- Developing contacts with potential licensees or other interested parties.

Applicants should engage with their relevant Technology Transfer Office (TTO), or equivalent, early in the preparation of proposals. **Evidence of the commercial opportunity must be included in a supporting statement from the TTO. This statement is mandatory and will form a key part of the assessment process.**

#### 5. SIZE AND NATURE OF THE AWARDS

Awards will not exceed 12 months duration and will be made in the form of a 'Standard Research Grant' with associated terms and conditions. Proposals should be costed in the normal way at Full Economic Costs (FEC).

The size of awards will depend on the requirements of the proposed project (with all costs fully justified within the case for support). However, the scale of proposals should be appropriate to the proof-of-concept nature of the Fund. Where appropriate, applicants are encouraged to secure additional sources of finance for the project, for example, from the host institution or other development fund. Such funding should represent added-value and be complementary to the support sought through the Fund.

Further information can be found in the EPSRC funding Guide:

<http://www.epsrc.ac.uk/funding/apprev/basics/Pages/fundingguide.aspx>

## 6. INVOLVEMENT OF LOCAL TECHNOLOGY TRANSFER OFFICE (TTO)

The Follow-on Fund is concerned only with development towards an identified commercial opportunity. It is expected that Technology Transfer Offices (TTO), or equivalent, will have already been involved in confirming this potential and will be engaged from the earliest stages of formulating bids to the Follow-on Fund.

In addition to helping shape the commercial development plans described in the proposal, the **TTO must provide a supporting statement with the application**. It is expected that the statement will include:

- **The quality of ongoing TTO support** dedicated to the project and applicant/s, including what future resources will be committed and summarising TTO engagement with the project so far.
- **Evidence for the commercial opportunity** that has stimulated a bid to the Follow-on, including the results of preliminary feasibility studies and estimates of potential market value. Explain why Follow-on funding has been identified as the appropriate next step and its value to the overall commercialisation strategy.
- **Clarification of the strength of the Intellectual Property position** (including freedom to operate). Confirm that the applicant organisation has appropriate rights to all the intellectual property (IP) that the project seeks to exploit. Explain the plans made to safeguard critical IP upon which a future business will depend. If applicable, include assurance that an IP agreement is in place where multiple research organisations are involved (such as joint proposals or where the originating grants were held at another institution).

**Applicants should note that the EPSRC assessment will be significantly influenced by the level of commitment and support evident in the TTO statement.**

## 7. ASSESSMENT PROCESS AND CRITERIA

Applications for funding will be assessed by a panel of experts in knowledge transfer in the appropriate science sector. There will be no prior peer-review stage in the assessment process, therefore, no reviewer comments will be fed-back prior to the meeting (see section 9, Confidentiality).

### Overall Fit to Call

Proposals will be considered suitable for consideration where they do not exceed 12 months duration and;

- **Accord with the overall Follow-on concept** (the early stage, pre-competitive development of commercial potential)
- **Draw substantially on the outputs of research that EPSRC has supported** (including identification of the research grant/s from which the ideas arose).
- **Demonstrate a strong commercial focus** (not extending the original research or predominantly concerned with overcoming technical obstacles).
- **Show support and commitment from the Technology Transfer Office** (that is specific to the proposed project and demonstrates genuine buy-in from the office)

## Principal assessment criteria will include:

- **Scientific Quality:** the original EPSRC research giving rise to this 'follow-on opportunity' will have already been rigorously peer reviewed. The assessment will focus on the follow-on programme of additional research and/or technical development to be undertaken. This must be soundly based, achievable and directed towards the requirements of commercial exploitation (such as meeting specific customer needs or wider market requirements).
- **Commercial Potential:** the viability of the business idea and its potential future commercial value will be major considerations; the USP should be clearly identified. Assessors will look for knowledge and understanding of the benefits to customers and of the market/s to be addressed (demand, size, geographic spread, potential value, nature of competition, gaps in knowledge to be addressed etc). The IPR position and protection strategy should be clear and any input from potential licensees/investors identified.
- **Quality of the Development Plan:** applicants should identify a plausible commercialisation strategy that includes key milestones and clearly identified objectives (both technical and commercial). A sound project-management structure should be in place, including appropriate risk and contingency planning. Proposals must not be heavily biased towards the scientific/technical challenge at the expense of addressing the business case for the technology and its timely introduction to the market. In this context, it is expected that work undertaken with Follow-on funds will directly contribute towards securing future support and investment (such as from VC or seed funds).
- **Added Value:** Projects must be cost-effective and highly likely to render commercialisation more probable, or result in a significantly greater exploitation value being attributed to the technology. The significance of the added-value that Follow-on Fund can provide will be assessed, for example, where high-potential projects are unlikely to find critical early-stage funding elsewhere. Consideration will be given to the overall impact of Follow-on funding in enabling next-stage commercial objectives to be achieved.
- **Host Organisation Support:** the institution's commitment to the business idea and follow-on work must be strongly evident. The Technology Transfer Office (TTO) must offer assurance that high-quality commercial advice and support will be available to the project throughout (and beyond) the period of Follow-on Fund support. The TTO statement must substantiate the case made for a commercial opportunity and provide assurance on the security of key IP. As researchers are not necessarily expected to have entrepreneurial experience, appropriate TTO engagement will enhance assessors' confidence in the proposal.

## 8. ADDITIONAL FUNDING OPPORTUNITIES

**The ERA Foundation:** A partnership between EPSRC and the ERA Foundation offers financial assistance and advice to promising follow-on projects in IT systems and telecommunications. The intention is to accelerate the path to commercialisation and ERAF would welcome the option to consider an equity investment should the project lead to a start-up company.

**H2O Venture Partners Ltd:** EPSRC and H2O Venture Partners Ltd are exploring a funding model that will allow selected projects to benefit from additional finance and the support of experienced technology entrepreneurs. This support is offered through H2O's standard investment model (see <http://www.h2ovp.com/html/en/home.html> for more details) and successful applicants will be approached directly regarding their interest and

to negotiate investment terms. EPSRC may also offer a £30k enhancement to the standard follow-on grant to allow additional commercially-driven technical work.

**Process:** The assessment and selection of projects for funding by EPSRC will take place in the normal way, without consideration of these further opportunities. Only after the peer review process is completed will successful applicants, whose projects might benefit from either initiative, be approached directly to establish interest. Participation in these opportunities is entirely optional and the EPSRC grant offer and conditions remain unaffected.

## 9. CONFIDENTIALITY

Recognising their commercially sensitive nature, EPSRC will take all reasonable steps to ensure that the contents of Follow-on Fund proposals are considered in strict confidence.

**Peer Review:** Full proposals are only disclosed to Assessment Panel members who operate under the terms of a formal non-disclosure agreement. No additional reviewers will be employed (and so there will be no opportunity for applicants to respond to reviewers' comments before the assessors meet).

**Publicity/other disclosure:** For all funded projects, the following details will be transferred to publicly available databases. EPSRC may also disclose some of the information listed below (respecting normal confidentiality but outside of a formal NDA) as necessary to help identify conflicts of interest, co-funding opportunities or for other purposes that will aid the assessment process.

- title and project summary
- name of research organisation
- name of investigator(s)
- name of any project partner(s)
- the value of the Research Council contribution
- start and end dates and duration of the award

**Applicants should ensure that the title and summary of the proposed project are worded in such a way as to protect any commercially confidential or sensitive areas.**

## 10. INTELLECTUAL PROPERTY

It is expected that the host organisation will hold full ownership/exploitation rights in all the intellectual property (IP) that is directly the subject of the Follow-on proposal. EPSRC support may only be used to develop and support IP owned exclusively by the host organisation (or other eligible research organisations by mutual agreement).

Where multiple organisations make a joint proposal to the Fund, they must agree an arrangement to cover existing and future IPR. In all cases, the IP position must be clarified in the proposal/TTO Statement (copies of agreements need not be submitted).

Any new intellectual property arising from Follow-on funding will be subject to current research grant conditions, that is, ownership and responsibility for exploitation of any IP rests with the host institution. Project Partners should not expect to acquire IP rights as a condition of their contribution to the project.

## 11. EVALUATION/REPORTING

Standard EPSRC reporting procedures will apply to funded projects. EPSRC would also like to hear about successful commercial outcomes beyond the standard reporting period and to discuss the publicity potential of successful projects.

## 12. HOW TO SUBMIT AN APPLICATION

Please refer to the **Application Guidance Notes** for details on preparing and submitting an application to the scheme. EPSRC will only accept applications to the Follow-on Fund through the Je-S system. EPSRC does not accept uninvited resubmissions of proposals but will invite a small number of resubmissions where there is compelling evidence from peer review that this is appropriate.

## 13. ANY QUESTIONS

If you have any questions about this call or the Follow-on Fund, please contact:

**David Mahoney:** e-mail [david.mahoney@epsrc.ac.uk](mailto:david.mahoney@epsrc.ac.uk)  
Telephone 01793 444395.

Or write to EPSRC at Polaris House, North Star Avenue, Swindon SN2 1ET.

# EPSRC Follow-on Fund: Application Guidance Notes

These notes offer guidance in applying to EPSRC's Follow-on Fund and form part of the call. Please note the following important information on:

1. Completion of the **Application Form**.
2. Content and format of the **Case for Support**.
3. Requirements for other **Attached documents**.

## 1. APPLICATION FORM (Je-S)

You should submit your proposal using the Research Councils' Joint electronic Submission (Je-S) System (<https://je-s.rcuk.ac.uk/>). When adding a new proposal, you should select Council '**EPSRC**', document type '**Standard Proposal**' and the '**Follow-on Fund**' Scheme. On the Project Details page you should select the Call '**Follow-on Fund 10**'. Details of which Research Organisations have registered to use Je-S are available from [http://www.so.stfc.ac.uk/jes/jes1/RODetails\(Web\).pdf](http://www.so.stfc.ac.uk/jes/jes1/RODetails(Web).pdf)

Note that clicking 'submit document' on your proposal form in Je-S initially submits the proposal to your host organisation's administration, not to EPSRC. Please ensure you allow sufficient time for your organisation's submission process between submitting your proposal to them and the Call closing date. **EPSRC must receive your application by 4 pm on 25 August 2011.**

Guidance on the types of support that may be sought and advice on the completion of the research proposal forms are given on the EPSRC website <http://www.epsrc.ac.uk/funding/apprev/Pages/default.aspx> (which should be consulted when preparing all proposals).

**Project Summary** - Note that project summaries for successful Follow-on Fund applications will be published (see section 9 of the call). Applicants must ensure that the title and summary of the proposed project are worded in such a way as to protect commercially confidential or sensitive areas. Applicants should obtain the necessary clearances from collaborators with a commercial interest in the content of the application.

**Related Proposals** - This is a mandatory section and must identify the research project/s whose outputs are the subject of the Follow-on Fund proposal. Select the option '**Follow on to previous EPSRC research grant**' and enter a valid research grant reference number. Use the text box provided to **explain the link** between the cited research and the proposed project. This step should be repeated if there is more than one relevant research grant.

## 2. CASE FOR SUPPORT (Description of Follow-on Fund Project)

**Case for Support** (max 8 sides A4) you are strongly advised to ensure that the assessment criteria detailed in section 7 of the call document are clearly addressed. The following format should be adopted:

**Previous Track Record** (max 2 sides of A4) also an opportunity to illustrate continuity from the originating research to the current follow-on opportunity.

**Description of the Follow-on Fund project** (max 6 sides of A4) the description of the project should comprise two main elements:

**Commercial Development Plan** (no more than 3 sides of A4)  
Outline the business idea and a plausible commercialisation strategy for its development. Include details of the current IPR position and plans for its future security. Identify key milestones towards realising the commercial

potential of your idea and make clear the role of Follow-on Fund support in maximising the chances of future success. The added value from project partners, potential licensees/investors or other support should be identified.

**Technical Development Plan** (no more than 3 sides of A4)

Describe the technical challenges to be overcome in support of the Commercial Development Plan and how they will be addressed; outline the work to be carried out and provide milestones where appropriate. Your diagrammatic work plan (see below) may be a useful way of showing the interrelationships between Commercial and Technical objectives.

### 3. ATTACHED DOCUMENTS

#### Mandatory for all applications

- **Justification of Resources** (max 2 sides A4) as per EPSRC guidance. Note that the Follow-on Fund will only support the purchase of minor equipment (individual items costing less than £10,000); these should be included under 'Other Directly Incurred Costs'. Exceptions might be considered only if critical to realising the commercial opportunity and there is no cost-effective option (such as leasing or subcontracting). However, the revised RCUK policy on equipment purchase will apply, see [http://www.rcuk.ac.uk/documents/publications/Equipment\\_Guidance.pdf](http://www.rcuk.ac.uk/documents/publications/Equipment_Guidance.pdf)

In the context of this scheme 'Other Directly Incurred Costs' might also include, for example, use of consultants, subcontracting or market assessment expenses.

- **Pathways to Impact** (max 2 sides A4) all applications for EPSRC funding need to address the potential impact of research projects through a mandatory Pathways to Impact document, see <http://www.epsrc.ac.uk/funding/apprev/preparing/Pages/economicimpact.aspx>

Applicants to the Follow-on Fund are encouraged to view this document as an opportunity to expand on the potential commercial potential (such as possible future diversification into other applications/markets), as well as wider societal and economic benefits. This should complement (not duplicate) the Case for Support.

- **Diagrammatic Work Plan** (max 1 side A4, Gantt chart or similar) must be attached to illustrate the planned commercial and technical development. Indicate the main project milestones for both aspects and how they interrelate.
- **Supporting Statement from the Technology Transfer Office** (or equivalent) to be attached to every application (using attachment type '**Host Organisation Statement**'), see call document (sections 6 & 7) for details.

#### Mandatory where applicable

- **CV for named staff** (max 2 sides each) not required for principal or co-investigators
- **Project Partner Letters of Support** (no page limit) you must attach a recent letter from each project partner confirming support for the project, the contributions declared on the form and outlining the possible benefits to the organisation.
- **Equipment quotes** (no page limit) required for single items over £25,000,



## Other attached documents

- **Additional letters of support** (no page limit) where these add value to the proposal, such as confirming the interest of potential users in the product or technology to be developed.
- **Documents invited by EPSRC** (page limits may apply) such as project updates where a proposal has been deferred from a previous Assessment Panel.

*All attached documents should use a minimum 10pt font size with margins of at least 2cm*

## **Research Council Follow-on Fund: Hints and Tips on Writing Proposals to EPSRC**

The Follow-on Fund supports the first steps towards commercialising the results of EPSRC funded research. Unlike standard research proposals, Follow-on projects require input from both the researcher/s and their institution's Technology Transfer Office (TTO), or equivalent, making it essential that they work closely together from the outset.

Responding to feedback from previous panels and advisory bodies, EPSRC has tightened the requirements for projects submitted to the fund. It is now required that applications be based on clear evidence that a market opportunity exists and that Follow-on funding is the logical next step in developing the business idea. The proposal should show how the proposed work will make the commercial potential evident to other funders, who will then support future steps towards a successful outcome such as a license deal or spin-out.

### **PREPARING PROPOSALS**

A close cooperation between Researchers and TTOs is the key to a successful commercialisation strategy and this dialogue should start well before the Follow-on proposal is written. For example, in discussing the technical opportunity and testing its commercial potential through a feasibility study.

Where Follow-on funding is the appropriate route to develop this potential, a grant can be applied for via the Je-S system in response to a call for proposals. Researchers will find the application process and preparation of a compelling technical/scientific case very familiar, but may have less experience in setting out a convincing commercialisation plan. TTO colleagues will be able to offer valuable expertise in commercial exploitation but possibly with limited direct knowledge of the grant application process.

Researchers and TTOs should work together to present a convincing case that EPSRC Follow-on funding will provide a vital first step in developing the business idea by addressing both technical issues and business development, so enabling the next steps in an overall commercialisation strategy. The TTO must also provide a robust supporting statement as part of the submission and this must make clear the evidence already obtained regarding market potential.

### **POSSIBLE PROBLEMS**

This partnership has often been accomplished with great success and applications to the fund have enjoyed an excellent success rate overall. However, over several calls we have seen issues arise in proposals that can reduce a project's competitiveness for Follow-on funding. By sharing some of these issues with potential applicants and TTOs, we hope that similar pitfalls can be avoided in future applications to the fund. Remember that Follow-on funding will support the early development of promising business ideas, you should already have some evidence that such an opportunity exists before applying.

The following is a summary of feedback from previous assessment panels that may be useful when planning the content and structure of your Follow-on Fund proposal.

## **Underlying Research**

- The status of the research at the time of submission should be clear, especially if the work referenced occurred some time ago.
- Some proposals give inadequate details of the underlying science, undermining confidence in the claimed potential; however, some get this balance badly wrong at the other extreme and this is equally undesirable.
- Occasionally, old technologies are 'recycled' in Follow-on proposals. Although few restrictions are placed on the age of underlying research, it must retain the potential to create leading-edge, commercially competitive applications.

## **Understanding the Market / Competitive Advantage**

- It is recommended that proposals include a rigorous competitor analysis. This builds confidence that the difficulties of entering a contested market have been considered.
- The Unique Selling Point (USP) should be clearly explained. Proposals often fail to explicitly state the USP, key capabilities within the team or other persuasive points that would differentiate the commercial proposition from others in the field.
- Market assessments and predictions of commercial potential require strength and substance; reference to the value of generic markets is often irrelevant and unhelpful.
- Letters from possible users of the technology that explain their requirements can be helpful in demonstrating that a specific and

recognised industrial need is being addressed.

## **Intellectual Property**

- The patent position should be explicit in all proposals and the IP filing status is very important. All applications would strongly benefit from full clarification of the IP position as assessment panels need to understand just what it is that applicants have the rights to exploit.
- Panels have generally found it more difficult to assess software applications, including understanding who the end users are, the revenue model and the IP position.

## **Planning**

- Development plans can be unrealistically ambitious for the time period requested, the available resources or both.
- Panels have felt that development plans are often insufficiently thought through; offering little reassurance that there is a clear vision of the route through to exploitation.
- A brief outline of the overall vision for the technology, beyond the early period for which funding is requested, can build confidence and illustrate the added value of the Fund in a wider context.
- There is often insufficient risk management and contingency planning evident in proposals.

### **Technology Transfer Offices (TTO) and equivalent**

- The statement of support offered by Technology Transfer Offices is sometimes unspecific and bland, i.e., a generic description of the TTO function with no apparent commitment to the proposal concerned.
- Some proposals display a worrying lack of commercial awareness despite the requirement of TTO involvement. It should be ensured that TTO advice is incorporated into the project and not confined to the supporting statement.
- Evidence of a continuing commitment from the TTO to the whole life of the Follow-on Fund support and beyond is helpful.
- Although some are clearly excellent, TTOs on the whole could do more to encourage and support the applicants.

### **General Points**

- Investigators should address the technical aspects of the case to informed generalists as the expertise of panel members cannot cover all proposals received.

- The non-technical summary must be informative, accessible and engaging for non specialists.
- Applicants seemed inclined not to mention if they are already involved in a spin-out when in fact this might strengthen confidence in a proposed new venture.
- Proposals can be heavily research focused, reading more like responsive mode proposals. The amount of additional work needed before exploitation might become feasible makes it unrealistic to fund such projects.
- Few proposals look forward to longer term objectives beyond the end of Follow-on Fund support and a description of the exit strategy would add value. If relevant, a vision of where a spin-out company sees itself in 2 years time could be useful.
- Investigators could provide context, especially in rapidly evolving fields, by explaining where the technology stands at the time of application.
- The Technology Transfer Offices should consider taking the lead in preparing and submitting proposals in partnership with the investigator/s.

### **FURTHER INFORMATION**

I hope you find these insights into the assessment of past Follow-on proposals useful. It may also be of interest to view the projects that have been successful by looking at the EPSRC web site using 'Funded Grants on the Web' at <http://gow.epsrc.ac.uk/FindPanels.aspx> and searching for 'follow' under panel name.

### **CONTACT US**

If you have any questions about the Follow-on Fund, please contact:  
**David Mahoney** at [david.mahoney@epsrc.ac.uk](mailto:david.mahoney@epsrc.ac.uk) or telephone **01793 444395**