

Enterprise Development Fund

Purpose and Process

July 2012

1. Background

The University has, as part of its Strategic Plan, a goal of creating a culture of enterprise and innovation across the University, embedded in our core education and research activities. It also has the goal of translating research and scholarship outputs into applicable knowledge that is readily available to external organisations and individuals.

One element of the response to these goals has been to create an Enterprise Development Fund to support new academic commercial activity. This Fund is initially supported by a budget allocation from the Higher Education Innovation Fund (HEIF), but can also potentially draw on other sources. The Fund is the responsibility of the Enterprise Panel, supported by staff from Governance & Secretariat, Research & Enterprise Services (R&E), and the Sussex Innovation Centre. The Innovation Centre is a wholly-owned subsidiary of the University, providing business incubation and support, and hence provides a support facility of which the University can make use. The Innovation Centre is contracted by the University to provide support for the projects considered and funded by the Enterprise Panel.

2. Purpose

The purpose of the Enterprise Development Fund is to enable the development or proof of concept of commercially-attractive applied research and knowledge exchange activities, in order to attract external interest and income. The Fund will support initiatives derived from the University's research activities that have the capability of generating external income on a sustainable basis.

The University has allocated a budget to the Development Fund for three main types of support:

- i) Funds to pay for additional support.
- ii) Funds to make investments into an activity.
- iii) Funds to pay for protection of intellectual property (IP) (e.g. patent and associated legal costs).

3. Range of Possible Projects and Outcomes

There is no proscribed list of eligible activities or of desired outcomes, but the following provides guidance on possible examples.

- i) The development of an invention disclosure, including any relevant IP protection, leading to a licence or spin-out.
- ii) The creation of a service based on research facilities, which uses available capacity.
- iii) The packaging of know-how that can be marketed as a service.
- iv) The development and sale of software or web-based services.
- v) The creation of premium training in research techniques or findings.

Successful projects will:

- Demonstrate the translation of research findings into practical benefits
- Meet a market need or opportunity

- Generate income on a commercial and sustainable basis

The University does not seek a specific financial return on investment, but it does wish to see positive return from successful investments. Successful activities may lead to a range of other benefits, including the development of research partnerships, opportunities for placements or employment, or philanthropic donations. The University recognises the nature of enterprise and innovation, and therefore does not expect all investments to be successful.

4. Eligibility to Apply

All members of staff with a responsibility for undertaking research are eligible to apply to the Fund; i.e. typically academic and postdoctoral research staff¹.

5. Basis of Investment

The activity may take a number of different structural forms (subject to the University's discretion), including service provision within a school or department, the creation of an enterprise unit within a school or department, the licensing of intellectual property to a third party, and the creation of a company.

An investment in an activity will normally take one of three forms, which are not mutually exclusive:

- i) A non-repayable internal budget allocation.
- ii) A repayable loan.
- iii) An investment for equity in a company formed for the purposes of the activity.

Each of these will include an agreement on future income distribution as a consequence of the activity, consistent with the current University policies. This will provide a means of enabling and rewarding enterprise activity, for the individual and their School, and will also create a means of refreshing the Fund. The significant majority of investments will use the first option, of a non-repayable allocation, with subsequent income distribution following the standard model as defined in the relevant policy.

Applicants will need to have the support of their Head of School, and be able to demonstrate their own capability and capacity to deliver the commercial activity, as well as the commercial viability of the idea itself. If other partners are involved, their relevance, contribution and commitment will need to be made clear.

The proposal can include any justifiable costs, but is not for general resources for teaching or research, is not to fund academic research nor to bridge research staff, and is not to replace other sources of funding. Costs might include external market assessments, product development, sales and marketing, patenting, equipment, facilities and operation, and staffing, including recognising the time that the proposer(s) will need to dedicate to the activity. Funds are provided to meet Directly Incurred costs only.

6. Process

Proposals to the Enterprise Development Fund require School authorisation, followed by discrete financial operation and delivery.

¹ For the avoidance of doubt, this does not include postgraduate students.

The general process is outlined below. This provides a guide to how a proposal is developed and considered, and the ensuing activity is supported, rather than a rigid methodology. The process takes the form of a series of Gateways, as illustrated in the Diagram in Annex 1.

Phase 1: Initial discussion / scoping

A commercial idea may arise and be discussed through a number of routes, and might be referred into the process directly by the proposer, via their HoS, or via a member of R&E. The prime contact points are the Executive Director of the Innovation Centre, the IP Manager in R&E, and the Director of Research and Enterprise.

The starting point will normally be a discussion between the proposer and a member of staff of the Innovation Centre and / or the IP Manager. After this initial assessment (if the outcome is positive), a member of the Innovation Support team or a member of R&E will be assigned to the case to undertake, typically, the following tasks with the proposer:

- Simple desk research to determine whether a market exists, its structure, and the principal competitors.
- Interaction with R&E with respect to any constraints, such as contractual commitments or ownership of intellectual property.
- Consideration of various business model and market options.
- Outline development of the business model using the “Four Cornerstones” approach (management and strategy; marketing / sales; finance / funding; operations / legal / HR; technical / product) in preparation for presentation.
- In some cases, preparation of example marketing material.
- Discussion with the proposer’s HoS to ensure the activity has their support, and with the School’s Finance and Technical Services Managers to ensure all resource issues are addressed. The School’s Finance Manager should support the proposer in generating relevant cost details.

The outcome of this phase will be a case that can be presented to the Enterprise Panel, or a decision that the idea is not suitable to be taken forward.

The criteria applied at this stage and throughout the process are set out in Section 7.

Phase 2: Panel presentation

The proposer, supported by R&E/Innovation Centre, presents their case to the Panel, indicating the commercial proposition, the planned development, and the resources required. The purpose of the presentation is to agree further development and the likely route to pursue. The proposal to the Panel should be summarised in Proposal Summary Form in Annex 2.

If approved, the Panel will agree a level of support from the Innovation Centre, and may also agree other resources at this stage. Alternatively, the Panel may approve in principle, but wish to receive a more detailed explanation before release of resource. The Panel is likely to require a full business plan before release of substantive investment.

The offer of investment will include relevant conditions (e.g. timescales, milestones and delivery targets), to which the proposer and their HoS will need to agree. The funding may be staged and contingent on progress and delivery.

Any internal allocation of funds will be made into a discrete budget centre, under the control of the proposer and their School.

Phase 3: Implementation

The implementation of the proposal will necessarily vary between cases, but will involve the proposer in delivery of the business plan. This will involve regular reports back to the Panel, which may require presentation at a Panel meeting, and to the proposer's School. If necessary, there will be secondary decision points by the Panel. These could include decisions to continue, or decisions relating to the structural form of the activity.

Phase 4: Review

In addition to regular reports from the funded activities, the Panel will review periodically the portfolio of activities, in conjunction with Schools. For individual activities, this will include relevant exit strategies.

7. Assessment Criteria

Proposals will be assessed on the following criteria:

- Demonstration of the translation of research findings into practical benefits
- Meeting of a market need or opportunity, and the potential market
- Generation of income on a commercial and sustainable basis
- An assessment of risks and their management, including academic, reputational, commercial, legal, and financial risk
- The nature, timescale and probability of the return to the University
- The capability, capacity, and commitment of the proposer(s) and their School(s)
- Comments from the HoS
- Any other direct benefits to the University

8. Administration of the Fund

The administration of the Fund is the responsibility of the individual in Governance & Secretariat who supports the Enterprise Panel, who will engage other relevant Professional Services staff as appropriate. The tasks include:

- Documentation of investment decisions by the Panel.
- Notification of investment decisions to proposer(s) and their School(s), and to those supporting them.
- Notification of budget allocations or other financial transfers in order to implement the investment, and liaison with the Management Accountant with responsibility for R&E to implement this. Where appropriate, the Management Accountant will instruct the relevant School Finance Manager to set up a suitable unique project code, and will allocate the agreed budget to that code. A separate sub-project code for receipt of income for services relating to the activity will also be set up, where appropriate.
- Administration of the support contract with the Innovation Centre, including ensuring authorisation of payment of invoices.
- Liaison with the R&E Contracts and IP team to ensure appropriate arrangements are in place where an investment involves a third party.
- Reporting of the Fund position to the Panel, collating reports from individual projects and relevant Professional Services staff, as necessary.

A small operational group comprising staff from R&E and the Innovation Centre exists to ensure adequate communication amongst those responsible for supporting these activities.

9. Enterprise Panel

The terms of reference of the Enterprise Panel are:

- i) To support the Pro-Vice-Chancellor (Research) in determining and prosecuting the commercial development and exploitation route of University intellectual property and enterprise initiatives;
- ii) To use the Enterprise Development Fund, Cascade Fund, South East Seed Fund and any other relevant funds, as appropriate, to support academic commercial initiatives that have the capability of generating external income on a sustainable basis;
- iii) To foster in the Schools and the academic community an increased understanding of and engagement with commercial activities.

The current membership of the Panel is:

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| • Pro-Vice-Chancellor (Research) (Chair) (ex officio) | Professor Michael Davies (from 1/1/13) |
| • Interim Chair | Professor Laurence Pearl (from 31/8/12 to 31/12/12) |
| • Director of Finance (ex officio) | Mr Allan Spencer |
| • Director of Research and Enterprise (ex officio) | Dr Ian Carter |
| • Executive Director of the Sussex Innovation Centre (ex officio) | Mr Mike Herd |
| • A representative of the Heads of School | Professor Ray Satchell, Director of SCLS |
| • Two independent members ² | Mr Ed Jenner
Mr Arjo Ghosh |

The representative of the Heads of School and the two independent members will normally serve for a term of three years.

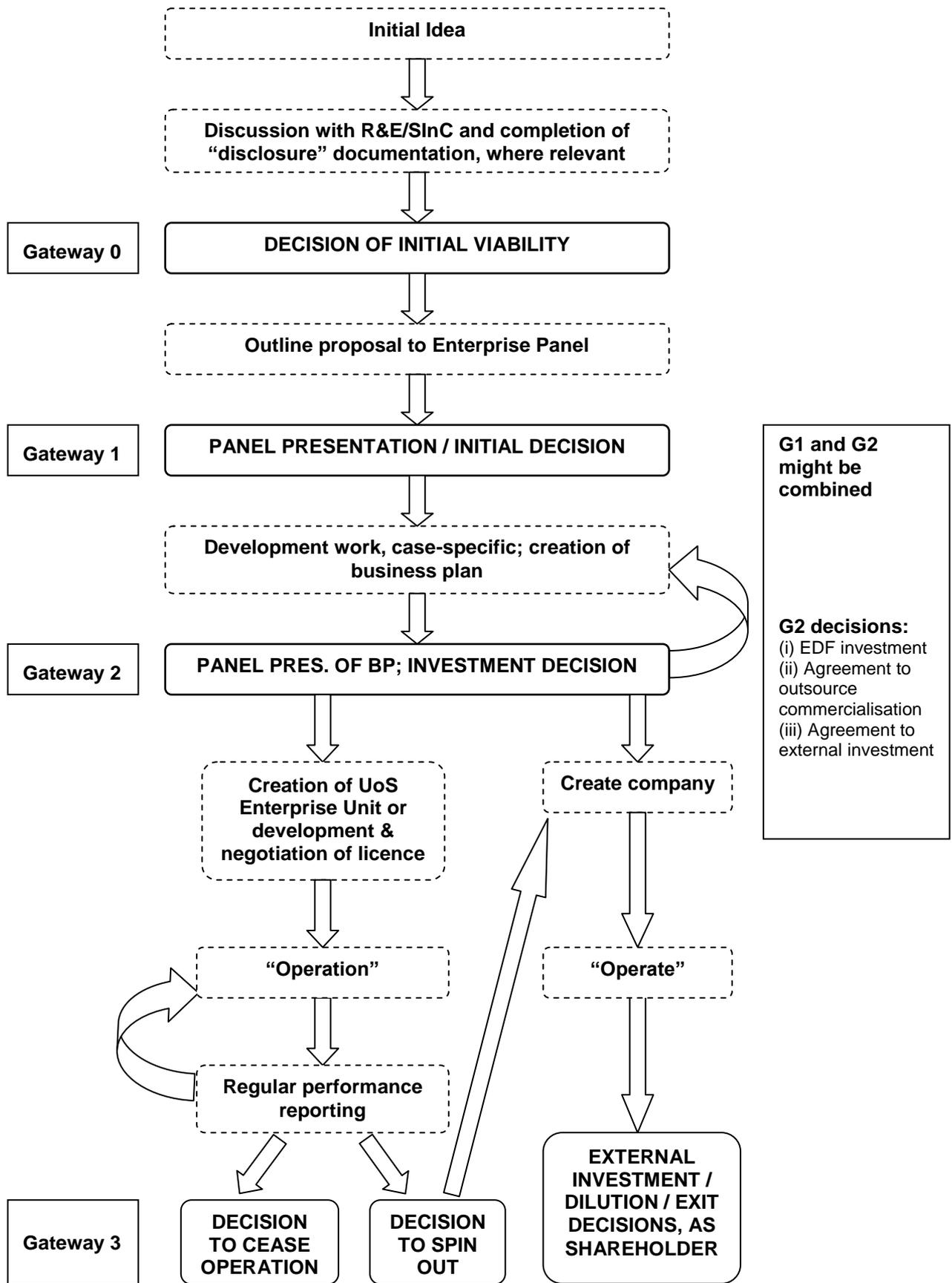
The Panel is administratively supported by Dominic Dean, Office of Governance and Secretariat.

The quorum for the Panel is three, one of whom must be the Pro-Vice-Chancellor, the Director of Finance, or the Director of Research and Enterprise.

The Panel reports to the Research & Knowledge Exchange Committee, and thence to Senate and Council, as appropriate. Relevant information on the Panel's activities is included in the regular reports to the Performance Committee on the University's research and knowledge exchange activity.

² who will preferably be relevant independent members of Council

Annex 1: Enterprise Development Fund Gateway Process



**Annex 2
Enterprise Development Fund
Proposal Summary Form**

Proposer Name: School / Department:	Email: Phone:
Title of Proposed Activity	
Summary of Proposed Activity	
Research on which proposal is based	
Anticipated Benefits	
Potential Market	
Anticipated Income	
Risks Identified and their Proposed Management	
Nature, Timescale and Probability of Return to the University	
Capability and Capacity of the Proposer	
Funds Requested	
Start Date and Duration of Activity	
Comments from the Head of School	