



MODERATING PANELS: GUIDANCE NOTES FOR THE CONSIDERATION OF FOLLOW ON FUND AND INNOVATION B FUND PROPOSALS

1. INTRODUCTION

The Follow-on Fund and Innovation B Fund schemes aim to increase the level and accelerate the rate of commercialisation of research ideas arising from the NERC research community by providing funds to enable these ideas to be brought to a stage where commercial opportunities (e.g. licensing, seed or equity funds) can be secured. This is the model where further work on an idea will take it through to the stage at which the route to commercialisation is clear and the market able to pick it up and secure for example a spin-out (seed or venture finance) or licensing opportunity.

Follow-on Fund grants are limited to 12 months duration and are typically in the range of £80K-£100K. Research Councils will fund 80% of this total cost.

Innovation B awards are usually in the region of £50k. Awards over £50k are subject to NERC's investment policy and those over £100k are exceptional. Part B funds are intended to further enable the commercialisation process and move the product or service closer to the market place. There is no limitation on the duration however a schedule with milestones and reports has to be agreed before the award is transferred.

Activities supported might include:

- I. undertaking further scientific and technical development of an idea;
- II. improving an IP position, through for example, supporting further work to exemplify or broaden patent claims;
- III. gaining further information about the market for the new products or process; and
- IV. identifying potential licensees or opportunities for joint ventures.

2. Role of the Panel

The primary role of the moderating panel is to review the Follow-on Fund and Innovation B proposals assigned to it by NERC. The moderating panel will receive the full proposal and any additional background information. Using this information for reference, all moderating panels are responsible for:

- providing an overall grade for each proposal presented to them;
- producing a final ranked list of these proposals and;
- satisfying themselves that the financial resources requested for proposals in the funding frame are reasonable to meet the project objectives and recommending any areas of budget adjustment where necessary.

To assist in the prioritisation process, panel members will be assigned to act as introducers for individual proposals in advance of the meeting. The role of introducer is described in section 3.

3. Role of Introducer

For each proposal, two panel members will be nominated as introducers. Their role is to lead the discussion on the proposal. As well as the proposals that have been allocated to an introducer, panel members should read as many of the other proposals as possible (time permitting). This allows them to put the proposals on which they are speaking into context with the rest of those in the grant round and ensures a full discussion of each proposal at the meeting.

Before the Panel

Introducers are asked to provide detailed written comments on an Introducer's Form for each proposal they are introducing. These Introducer Forms will either be sent out or emailed to panel members ahead of the meeting,

The Introducer Form requires you to provide the following information:

i. Comments on the following aspects:

Technical Development Plan

- **Scientific quality:** Research to be conducted must be sound, originating from a scientifically excellent programme; for Follow-on Fund grants only, the original research leading to the application must be based on previous Research Council research support and hence will have been subject to rigorous, prior peer review.
- **Quality of the technical development plan:** the plan must identify a plausible strategy for technical development and include evidence of how the project will be managed, including identification of milestones;
- **Added value:** there must be evidence that the funding is likely to render commercialisation of the technical development more probable, or will give significantly greater exploitation value as a consequence of the project.

Commercial Development Plan

- **Commercial potential:** the commercial potential of the idea including: potential benefits to customers, market need (size of market, geographic spread and potential value, nature of competition, any gaps in knowledge), IPR position and strategy etc;
- **Quality of the development plan, including clear objectives and milestones:** the plan must identify a plausible commercialisation strategy for the technology or business idea within the chosen market segment and include evidence of how the commercialisation will be managed and milestones monitored;
- **Added Value:** there must be evidence to indicate that the project is cost effective and that funding is likely to render commercialisation more probable, or with the prospect of significantly greater exploitation value attributed to the technology, as a consequence of the follow-on project and in a cost effective manner.

ii. A provisional grade for the Commercial Impact of the proposal. Introducers must be prepared to justify fully their Commercial Impact grading. Please note: the scoring system for Commercial Impact can be found in section 7 of this document.

When reviewing the proposals, introducers should focus on the principal aspects highlighted above. However, you may also wish to comment on other aspects of the proposal, for example, the existence of matched/additional funding.

The introducer comments, and ensuing discussion, will form the basis of the feedback to applicants. NERC requires copies of Introducer's Forms, to be made available to the Panel Secretary after the meeting.

At the Panel

During the meeting, the Chair will initially invite each introducer to present their provisional Commercial Impact grade. Introdurers will then be invited to lead the discussion by summarising the proposal and providing comment on its Commercial Impact. The discussion will then be opened up to the panel by the chair and an overall grade for Commercial Impact agreed.

Introdurers are free to amend their Introducer Forms during the meeting itself if points arise during the discussion.

The Panel will be required to review, assess and comment on Innovation B award milestones and reports and decide on the continuation or not of funding.

While there is no formal requirement for the panel to formally assess final reports, the Panel will be invited to comment upon their content.

4. Proposal grading

In the assessment of proposals submitted to the Follow-on Fund and Innovation B Fund the primary criterion is the potential for commercial impact with proposals being awarded a grade of between 0 and 10 (highest).

5. Proposal prioritisation

Once all the proposals have been graded, the panel is then asked to place them in priority order. A ranked list of the proposals will be compiled based on the grades assigned to each proposal for potential commercial impact. It is important to stress that the panel has the right to rearrange this ranking order, but only within the Commercial Impact grade.

6. Consideration of Resources Requested

The paragraphs below describe the approach the panel should take to the resources requested on the proposals.

Full Economic Costing

All research proposals submitted for consideration are expected to present the full economic cost (FEC) of the project. Proposals must include the funds for the investigators' effort and the overheads supporting the research activity. Proposals are composed of four summary fund headings, as follows:

Directly Incurred Costs – Costs that are explicitly identifiable as arising from the conduct of a project, are charged as the cash value actually spent and are supported by an auditable record.

Directly Allocated – The costs of resources used by a project that are shared by other activities (including the costs of estates). They are charged to projects on the basis of

estimates rather than actual costs and do not represent actual costs on a project-by-project basis.

Indirect Costs – non-specific costs charged across all projects, based on estimates that are not otherwise included as Directly Allocated costs.

Exceptions – Directly Incurred costs that are funded at 100% of FEC, subject to actual expenditure incurred, or items that are outside FEC.

All costs that have been justified as reasonable requirements for the research proposed are allowable and should be accepted. Panel recommendations on resources requested should be constrained to items that have not been justified. Note that consideration of whether the resources are justified or not should focus **only** on:

- 'Directly Incurred' costs;
- the level of Investigators' effort (Note: Investigators can claim up to 100% of their time on the proposed research project if it is fully justified);
- 'Other Directly Allocated' costs (except charge-out costs for departmental technical & administrative services);
- 'Exceptions' costs.

All other Estates and Indirect Costs elements, which are fixed by the research organisation, should **not** be considered.

Equipment

The following changes in how equipment is requested on Research Council Grants came into effect on 01 May 2011:

- An increase in the threshold for individual items of minor research equipment from £3k to £10k (inclusive of VAT); items less than £10k are classed as 'Other Directly Incurred' not equipment;
- Further justification is required for all items of equipment costing between £10k and the OJEU threshold value (net of VAT £101,323, inclusive of VAT £121,58);
- A business case is required for all items of equipment above the OJEU threshold value (net of VAT £101,323, inclusive of VAT £121,588).

Proposals must detail the proposed contributions to the cost of equipment requested. NERC will contribute a percentage of the final purchase price and will expect the research organisation to contribute the remainder from non-NERC funding. Given that NERC capital provision has been reduced by about 50%, contributions of the order of 50% of the full cost of the equipment will be expected.

The panel is asked to consider the proposed contribution levels in relation to the value for money of the proposal and this may influence the overall excellence score. NERC may negotiate the percentage contribution to equipment recommended for support in some cases if the proposed NERC contribution is not affordable.

Caveats to and exemptions from these rules:

- *Instrument development*–The requirement for additional justification or business case will not apply to equipment to be used for instrument development. NERC would consider funding up to 100% of the cost of instrument development. However, the expectation would be for the Research Organisation to contribute at least 50% of the cost.

- *NERC wholly owned Research Centres* – alternative sources of funding are not available to these organisations and NERC will expect to fund the entire cost of the equipment detailed.

See http://www.rcuk.ac.uk/documents/publications/Equipment_Guidance.pdf for more information. More details of the NERC application guidance can also be found in the NERC Research Grants Handbook at <http://www.nerc.ac.uk/funding/application/howtoapply/forms/grantshandbook.pdf>

Assessment of Equipment Requests for items of equipment costing between £10k and the OJEU threshold value (excluding VAT £101,323, including VAT £121,588)

Evidence must be provided of an evaluation of the use of existing relevant capital assets. The Justification of Resources should be used to:

- confirm that the piece of equipment is not already available for use within the host institution, or at any other accessible location (for instance by making reference to any asset registers consulted)
- provide evidence that at all other reasonable options have been considered
- explain, if the equipment requested will replace existing equipment, what will happen to the existing equipment
- set out what contribution the Research Organisation is making towards the cost of the equipment

Panel members are asked to comment explicitly on the viability of the arrangements described to access equipment needed for this project, and particularly on any university or third party contribution to new purchases. The panel should provide NERC with a recommendation as to whether requests to purchase new equipment are justified and should be funded, whether, the proposed contribution level is appropriate, whether the planned work can proceed without the equipment and any points of clarification needed from the applicants before any funding should be released.

Assessment of Equipment Requests for all items above the OJEU threshold value (excluding VAT £101,323, including VAT £121,588)

Applicants must provide a business case which should outline the strategic need for the equipment. NERC will decide the strategic location for these items and will potentially fund them at 100% FEC. Funding at this level will be exceptional and a contribution from the Research Organisation of at least 50% of the cost will be the normal expectation. The business case should not be more than 2 sides of A4 and should include at least 3 quotations from different potential suppliers. Where there are less than 3 potential suppliers, this must be fully explained in the accompanying Justification of Resources.

Panels are asked to assess the strength of the strategic business case and comment on whether the requested equipment is appropriate and has been fully justified. Panels should consider the following:

- Is the provision of this equipment essential to the completion of the proposed work i.e. is the proposal feasible without the requested equipment?
- Are the costs quoted sensible and justified?
- Are their suitable arrangements detailed for the ongoing support and maintenance of the equipment?
- Have the host institution and/or other third party collaborators made appropriate contributions?
- Is this an appropriate location and user base for this investment?

- Does this represent a coherent and effective package across this institution?
- Does this proposal effectively build on and properly utilise existing inventory?
- Have effective arrangements been demonstrated for extending the user base i.e. is there evidence that this will be used for more than one project?

The panel should provide NERC with a recommendation as to whether the request should be funded, whether the proposed contribution level is appropriate, whether the planned work can proceed without the equipment and any points of clarification needed from the applicants. Business cases supported by the panel may be further assessed against other business cases recommended for funding if the capital budgets available are exceeded. The advice provided by the panel will inform this process.

7. Panel Scoring Systems

Commercial Impact (0-10)

Moderating panels are asked to assign a final grade of between 0-10 to each proposal for potential commercial impact using the definitions provided below.

Score	Usual Indicators
Excellent quality proposal	
10	The proposed work is outstanding and represents world-leading standards in terms of potential for commercial impact. Highest priority for funding.
9	The proposed work is excellent and represents world-class standards in terms of potential for commercial impact. Very high priority for funding.
8	The proposed work is very good, contains aspects of excellence, and represents high standards in terms potential for commercial impact. High priority for funding.
Good quality proposal	
7	The proposed work is of a good quality, internationally competitive, at the forefront of UK work and has a high level of potential for commercial impact. Should be funded if possible.
6	The proposed work is of a good quality, on the borderline between nationally and internationally competitive, and has a good level of potential for commercial impact. Potentially fundable.
5	The proposed work is of a good quality in terms of potential for commercial impact, has some merit and addresses useful questions, but is not at the leading edge. It is suitable for funding in principle but in a competitive context is not a priority.
Potentially useful proposal	
4	The proposed work is of a good quality in terms of potential for commercial impact, has some merit, but has a number of weaknesses. Not recommended for funding.
3	The proposed work is of a satisfactory quality in terms of potential for commercial impact. It would provide some new knowledge, but fails to provide reasonable evidence and justification for the proposal. Not recommended for funding.
Unacceptable proposal	

2	The proposed work is weak in terms of potential for commercial impact, and has only a few strengths. Not suitable for funding.
1	The proposed work is of an unsatisfactory quality in terms of potential for commercial impact. Not suitable for funding.
0	For special cases, e.g. flawed in approach, subject to serious technical difficulties, does not address operational risks, sufficiently unclearly written that it cannot be properly assessed, is duplicative of other work, or not suitable for the scheme.

8. General Comments

NERC welcomes comments from the Panel Members, which will help in evaluating the outcome of the call. Comments on aspects such as the quality and focus of applications, demand, processing and documentation are particularly helpful.