

<b>Report title:</b> Update on the Performance of Medtech Accelerator	
<b>Report to:</b> Corporate Policy and Scrutiny Committee	
<b>Report author:</b> Nicole Wood, Executive Director Finance & Technology	
<b>Date:</b> 30 <sup>th</sup> June 2020	<b>For:</b> Discussion
<b>Enquiries to:</b> Nicole Wood <a href="mailto:nicole.wood@essex.gov.uk">nicole.wood@essex.gov.uk</a>	
<b>County Divisions affected:</b> All Essex	

## 1. Purpose of Report

To provide the Corporate Policy and Scrutiny Committee with an update on the performance of Medtech Accelerator, a company in which Essex County Council is a shareholder.

## 2. Recommendations

- 2.1 None – the report is for information and discussion.

## 3. Background

- 3.1 Medtech Accelerator Limited was set up in November 2016 to facilitate the early stage development of innovations in the broad area of medical technology (devices, diagnostics, software and eHealth) that meet unmet clinical needs within the UK National Health Service (NHS).
- 3.2 The Company was incorporated in November 2016. Essex County Council (ECC) is a shareholder of the Company, holding a 20% share (500,000 shares, of 2,500,000 shares) following a Cabinet decision in September 2017 to invest. In accordance with the Company's Articles of Association, ECC's nominated Director of the Company is Nicole Carty (Officer name Nicole Wood). Directors named at **Appendix 1**.
- 3.3 Led by Health Enterprise East (HEE) as a joint venture with New Anglia Local Enterprise Partnerships (LEP), Cambridgeshire & Peterborough Combined Authority, Essex County Council and the Eastern AHSN, the Medtech Accelerator supports and finances innovation projects at an early stage in order to maximise the potential for success in bringing new life enhancing technologies to patients. A total of **£2 million** has been made available to date by the current shareholders.
- 3.5 The Company is up to date with its reporting requirements as required by Companies House. The Company's Annual Accounts for 2019/20 are due 31<sup>st</sup> March 2021 (there is a financial year end 30th June).
- 3.6 As yet there is no trading income for Medtech Accelerator and the current year forecast is £490k loss (of which £477k is grants awards and £13k budget on administration). The

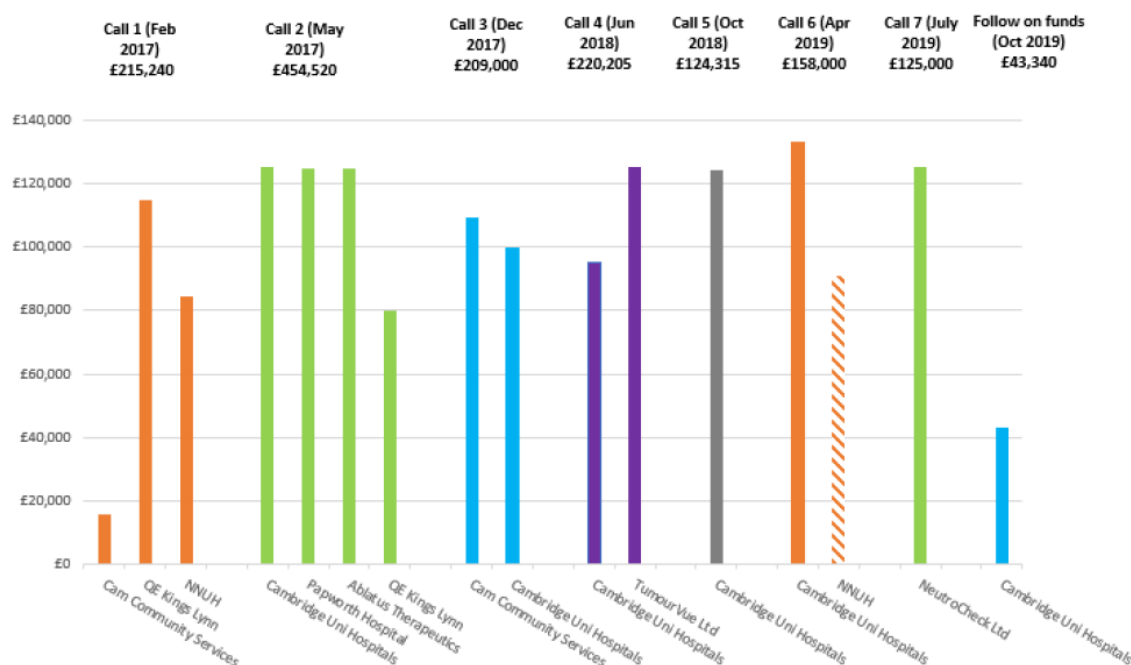
nature of R&D investment is that it would typically be years before there was either income streams or capital receipts from disposal of the equity in the company.

- 3.9 ECC does not rely on any trading income from Medtech Accelerator in our budget & MTRS. ECC holds the £500,000 asset on our balance sheet as an investment asset – and it has been assessed at the same value for the ECC accounts at 31st March 2020. The acquisition of the equity investment scored as capital expenditure. Therefore, whilst we might adjust the carrying value of the asset if we thought its value had increased or decreased significantly, this would be an accounting adjustment only - there would be no impact on the General Fund of a change in value. If and when we choose to divest ourselves of this investment, the proceeds would be treated as a capital receipt. However, capital gain can also be realised as and when there is a realisation of the companies value. At this early stage in the development lifecycle of the portfolio it is very difficult to determine fair value of the portfolio reliably.

#### 4. Current investment status

- 4.1 There has been 15 investments in excess of £1.6m to June 2020 over the various funding rounds from 2017. The process for consideration of investments is set out in **Appendix 3**. Further more detail on the current status of individual investments is shared in **Appendix 2**. Some projects have been materially impacted through COVID due to disruption of clinical trials or some supply chain disruption (eg the SAFIRA electronic device had China supply chain disrupted).

£1.62m pledged to 15 projects across 7 award calls.



- 4.2 The ECC budget assumes no more investment in the fund beyond the initial £500k – notably as investments to date have all fallen in areas outside of Essex, concentrated on Cambridge, so are not directly supporting the policy objectives around economic

development objective. However, there may be commercial gains in the long term due to the value of the investments made to date.

- 4.3 Further grant awards are expected from the fund in 2020, with an aim to hold a residual cash balance by December 2020 of circa £50k. This will enable funding of the administration and management of the company (expected at £2-3k per annum) should it become dormant for future investment.

## **5. Next steps**

- 5.1 ECC will continue to be a shareholder but expects to see its shareholding depleted as new funds are raised. ECC will need to determine whether to continue to invest should there be a next round of fund raising in 2021, though is under no obligation to do so.
- 5.2 The CEO of Medtech is looking at potential follow on funds for investment via Local Enterprise Partnerships, Academic Health Science Networks, Angel Investors and Venture capitalists. A commercial mentor has been brought in to support the individual investments pitching for more funds as part of their next phase commercialisation; this has brought some early success such as securing Innovate UK grants for the sleep apnoea product as a precursor to its developing a bid for clinical trial funding from equity investors.
- 5.3 In September 2020, the Board will meet to consider the next phase strategy for the Fund now it is materially committed. As part of that exploration we will be reviewing:
- The ROI and possible cashflows for existing investments
  - Next phase funding strategy and options
  - Options including whether it becomes a 'dormant' fund, managing the equity in existing portfolio as a holding company.

## **Appendix 1: Directors**

The directors shown below have held office during the whole of the period from 1 July 2017 to the date of this report.

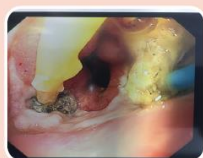
- Dr A D Blackwood
- W Jones
- N K S Carty - appointed 30 January 2018 (officer Nicole Wood)
- Dr W D Allan - appointed 9 November 2017

Other changes in directors holding office are as follows:

- R M Q Brooks - resigned 26 October 2017
- S W Wilson – resigned 18<sup>th</sup> September 2019

## Appendix 2 – Investments as at June 2020

### 1. Completed projects progressing well



**Endoluminal vacuum therapy device for upper GI leaks**  
*Cambridge University Hospitals*



**Cancer tissue ablation technology**  
*Ablatus Therapeutics Limited*

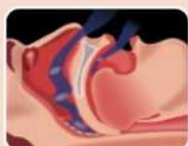


**Dissection Plane Splayer for soft tissue retraction**  
*Cambridge University Hospitals*

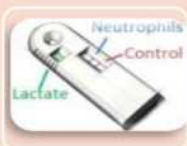


**Safer Injection for Regional Anaesthesia (SAFIRA) device**  
*Queen Elizabeth Hospital King's Lynn*

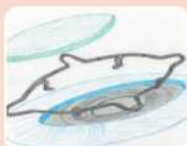
### 2. Ongoing projects progressing well



**Non-contact, sleep apnoea diagnostic device for children**  
*Royal Papworth Hospital*



**NeutroCheck**  
*Neutrocheck Ltd & Cambridge University Hospitals*



**Corneal Graft Suturing Ring**  
*Norwich and Norfolk University Hospitals*

### 3. Projects Impacted by COVID (eg supply chain disruption)



**TumourVue: Precise Intraoperative Tumour Localisation**  
*TumourVue Ltd & Cambridge University Hospitals*



**Real Time Available Resource Locator for Emergency Patient Transfers (LocANTS)**  
*Cambridge University Hospitals*



**A Novel Patch for Sampling Cervical Disease**  
*Cambridge University Hospitals*

#### 4. Paused or suspended projects



**Arterial  
GlucoSave**  
*Queen Elizabeth  
Hospital King's  
Lynn*



**Bone conduction  
technology to  
help children  
with 'glue ear'**  
*Cambridgeshire  
Community  
Services*



**New biologic  
coating to  
reduce implant-  
related  
infections**  
*Norfolk and  
Norwich  
University  
Hospitals*



**Smart Mesh – a  
heat-activated  
polymerisation  
system**  
*Cambridge  
University  
Hospitals*

### Appendix 3: Medtech Accelerator Awards Strategy and Process

The growth and development strategy of Medtech Accelerator is to identify and support the development of new, disruptive medical technologies originating out of the NHS so that new companies can be formed. These new company vehicles will then create value through taking products to market and generating shareholder returns via dividends, mergers, acquisitions or by initial public offerings. Investment decisions by Medtech Accelerator are taken against a set of three core criteria of eligibility:

1. **New medical technology** – seeking to support novel technologies that meet unmet clinical needs and will have significant impact on both patients and healthcare providers. Focus is on radical innovation as opposed to incremental innovation. Technologies should be IP rich and protectable to ensure they can be sufficiently safeguarded to attract significant further investment that they will undoubtedly need to bring such innovations to market.
2. **Based upon NHS IP** – NHS staff are excellent at spotting problems on the frontline of our healthcare system. As proven by HEE's 14-year track record in this space many such ideas have significant commercial potential that can be exploited for the benefit of the NHS and its patients. Therefore, projects coming to the Medtech Accelerator should have NHS staff at their heart. Collaborative projects between the NHS and industry and/or academia are welcome, but the NHS must be a core project partner in any project brought forward.
3. **Potential to form future spin-out company** – Projects should have the potential to go on and form new companies. The market size and opportunity should therefore be sufficient to support a new venture and be attractive to the investment community. Given the stage in which the Medtech Accelerator is investing, it aims to pump prime promising ideas such that they can go on and attract further investment to support their ongoing development and commercialisation. Therefore, there must be an underlying business model to the idea that supports a commercially viable business.

## Medtech Accelerator Process



## Medtech Accelerator Awards Committee

The purpose of the Awards Committee is to provide an independent and robust process to receive, assess and select the winning applications from the entries put forward to the Medtech Accelerator for funding. Assessments are made against a robust set of criteria (Box 1). The Awards Committee composes of 11 voting members, including an independent Chair (Box 2).

The Awards Committee meet four times a year. Meetings are quorate when at least 3 voting members are present. The Awards Committee report its decisions to the Medtech Accelerator Board by distributing the minutes of its meetings and, where appropriate, by an oral report at the next Board meeting. The Awards Committee is a private meeting, but its decisions are subject to public scrutiny given the nature of the Medtech Accelerator's funding and intentions.

Awards Committee assess applications received against a set of 11 core criteria:

- i. **Novelty & Inventiveness** – Is the technology different to what is already available?
- ii. **Strength of IP Position** – Is there an IP position to offer competitive advantage?
- iii. **Market Need** – Has the market to sell the technology in been identified and is the opportunity big enough to provide a future return on investment?
- iv. **Clinical Need** – Does the technology solve an unmet clinical need within the NHS?
- v. **Value for Money** – Are the costs for the project appropriate and affordable?
- vi. **Project Plan Feasibility** – Is the project plan deliverable within the duration of the award?
- vii. **Technical Feasibility & Development Risk** – Have the technology risks been identified, classified and appropriately mitigated?
- viii. **Regulatory Pathway** – Has a regulatory approval route been mapped out?
- ix. **Strength of the Team** – Is there sufficient experience in the team for development and commercialisation?



- x. **Commercialisation Strategy** – What is the underlying business model and route to market?
- xi. **Impact** – Will the project deliver impact to the Eastern region as well as the NHS