

Government Support for Start-Up Businesses

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The government has announced support for start-up companies, up to £750m from Innovate UK and a new scheme where the Government will invest in high growth UK companies. The details are sketchy but below is what we know so far.

What we do know:

There will be an expansion of Innovate UK's funding for the most R&D intensive small and medium-sized businesses;

- £750 million Fund made up of grants and loans
- The bulk of it is reserved for businesses who are already receiving Innovate UK funding but £210m will go in £175,000 chunks to 1,200 companies who do not currently receive Innovate UK funds
- Innovate UK has yet to release any details of how to apply

The Future Fund:

- A £250 million fund (scale to be kept under review)
- Will be administered by the British Business Bank (BBB)
- The Future Fund will be available from May to September (we can assume this will be extended)
- The Government will invest a minimum of £125,000 up to £5 million in high-growth UK companies
- The investment will take the form of a convertible loan note
- The funding is to be used solely for working capital (not to repay loans, dividends bonuses etc)
- The investment will be made on a 50:50 matched basis with private sector loans
- Companies will need to raise the private sector money first before they are eligible for the Government funding
- The loan will mature after a maximum of 36 Months
- It will incur interest of 8% pa to be paid on the maturity of the loan
- The loan will automatically convert to equity with a minimum conversion discount of 20% on the company's next qualifying funding round to the price set at that funding round
- To be eligible
 - the company must have raised at least £250,000 from third-party investors in the past five years; *and*
 - The company must be an unlisted UK-registered company
- Because it is a loan, investors will not be eligible for SEIS/EIS relief

What we don't know

- How wide the investors pool will be – *i.e.* Individuals/ UK Taxpayers only/ VC firms
- Does the cash need to be in the bank or is a binding commitment from investors enough for the Government to give its share?
- How onerous the paperwork will be. As it is via the BBB we can assume that it will not be easy.
- Whether private sector commitments prior to the announcement can be considered part of the match funding.
- Whether Advance Subscription Agreements will be allowed as matching investments (especially as with a few changes to their terms they could later become eligible for SEIS/EIS)

Important: disclaimer

This information is prepared for general use to support and inform many people quickly. It was based on information available at the time of writing. The situation is changing fast and new updates may have already superseded this information. Guidance is being published in stages, so we are working with other accountants to try and make sensible interpretations of announcements about what is available.

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