

UK Announces Support to Innovative Firms

By Kaleb Nyegaard

Original post [here](#).

On April 20, the United Kingdom (UK) announced a GBP 1.2 billion (\$1.49 billion) [support package](#) for “innovative firms.” The government, in partnership with private investors in some instances, will deploy the money through a new program called the Future Fund and the expansion of an existing program called Innovate UK.

Future Fund

The package allocates GBP 250 million to the [Future Fund](#), a new partnership between Her Majesty’s Treasury and the [British Business Bank](#), a wholly-government-owned development bank. Only unlisted UK businesses that have raised at least GBP 250,000 in aggregate from third-party investors in previous funding rounds in the last five years [may participate](#). The government will partner with third-party investors to issue the convertible loans to eligible businesses. The government’s portion of the loan will consist of between GBP 125,000 and GBP 5 million. The third-party investors will match at least one-to-one the government’s investment. The government will have limited corporate governance rights during the term of the loan and as a shareholder after conversion.

The loans convert at a minimum conversion discount rate of 20% on the next funding round. If the business is sold or goes public, the loan must be repaid at a premium of 100% of the principal or converted to equity at the discount rate, whichever is higher for the lenders. The program forbids businesses from using the money to pay off previous debts or make dividend or bonus payments to staff, management, shareholders, or consultants.

The initial phase of the program is expected to [launch](#) in May and accept applications through September. The government left open the option to extend the timing beyond September and to increase the total allocation.

Innovate UK

The GBP 750 million commitment to the government’s innovation, Innovate UK, will [target](#) support to research and development intensive small and medium size firms through Innovate UK grants and loans.

The announcement indicated that GBP 550 million will be made available to businesses with existing loans or grants with Innovate UK. The program will also provide 1,200 businesses without a current relationship with Innovate UK with up to GBP 175,000 each. Innovate UK expects to deliver the first payments in mid-May. In addition to the newly allocated money, the government will accelerate delivery of GBP 200 million in grants and loans already approved for 2,500 businesses with existing relationships with Innovate UK. Participation in the acceleration of delivery of funds will be optional to the eligible businesses.

Other measures

Before the COVID-19 pandemic, the government had a number of programs designed to support innovative and high growth businesses as part of an [initiative](#) to double overall public investment in research and development from GBP 11 billion to GBP 22 billion by 2025. The

programs include the GBP 2.5 billion government venture capital fund [British Patient Capital](#) and other measures from the British Business Bank, like the GBP 600 million [Life Sciences Investment Programme](#).