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UK Government Expands the Future Fund

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The UK government announced last week that the Future Fund is to be expanded, both in terms of the amount of funding available for early-stage, high-growth startups and the eligibility of these companies.

Initially £250 million was made available by the UK government under the Future Fund, to be matched by private investors, with the UK government having made it clear that this amount could be increased if needed. To date, more than 320 companies have benefitted from over £320 million of Future Fund support. Due to the popularity of the Future Fund, more funding has now been made available. The scale of the scheme is being kept under review.

Changes have also been made to the scheme's company eligibility criteria, meaning UK companies that have participated in highly selective accelerator programmes and were required, as part of that programme, to have parent companies outside of the UK, will now be able to apply for Future Fund investment. Participants in accelerator programmes are often required to set up a non-UK parent company in order to participate, which means some companies did not meet the Future Fund criteria of having a UK parent company when it opened for applications in May.

These changes would cover accelerators such as Techstars and Y Combinator, which give businesses access to finance, mentorship and expert networks. Although there is no set list of eligible accelerator programmes, the British Business Bank, which operates the Future Fund, has confirmed that the terms shall cover a "selective, fixed-term, cohort-based programme for early stage companies, which provides seed or venture capital investment and access to mentorship and other professional support." The accelerators must also be (i) open and competitive and (ii) require as a condition to participation the ultimate parent company is incorporated in a non-UK jurisdiction.

Only accelerator alumni would be covered by these changes, with the UK government confirming that it remains committed to using the Future Fund to support future activity in the UK.

Companies will still be required to meet the 'substantive economic presence' tests (that half or more employees are UK-based and/or half or more revenues are from UK sales), and the British Business Bank has said it will carry out more in-depth checks on applications from overseas companies to ensure public money is not being misused. All applications will be assessed against UK government investment standards on specific jurisdictions by reference to factors such as sanctions, tax transparency, and the cost and complexity of implementation. Concerns around the proper use of public finances and wider public policy risks, as well as whether investment would undermine the integrity or public credibility of the Future Fund will be taken into account.

Read more about the Future Fund.

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