

Update: Guidance and Information on UK Government Support for Business during COVID-19

The UK Government announced earlier this week an unprecedented package of support for UK start-ups affected by COVID-19.

There are two aspects to the support package:

- up to £250 million will be made available to a new fund ('**Future Fund**') for high-growth, pre-profit/revenue companies that are unable to take advantage of the Business Interruption Loan Scheme; and
- £750 million will be made available through Innovate UK as grants and loans to research and development intensive SMEs ('**Innovate UK Funding**').

The Future Fund

Whilst full details of the Future Fund are yet to be finalised, key elements are expected to be as follows:

- The Fund will provide bridging finance by way of convertible loans of between £125,000 and £5 million to UK-based companies.
- The UK government's investment into a company needs to be *at least* matched by investment secured by that company from private investors.
- A company will only be eligible to apply to the Future Fund if it has raised £250,000 or more in equity investment via funding rounds in the past five years.
- The convertible loans will (amongst other things):
 - have a term of 36 months and will bear interest at the rate of at least 8 per cent per annum (payable on maturity); and
 - automatically convert into equity (at a minimum discount of 20%) if and when the applicant company raises the same as, or more than, the bridge funding amount in a subsequent funding round.
- The convertible loans can only be used for working capital purposes and cannot be used to – for example, repay any borrowings, make any dividends or bonus payments to staff, management, shareholders or consultants.
- The scheme will be delivered in partnership with the British Business Bank. It will open for applications in May 2020 and will initially remain open until September 2020.

Innovate UK Funding

£750 million of targeted support will be made available by Innovate UK (the national innovation agency) as follows:

- Innovate UK's existing customers will be able to 'opt in' to accelerate up to £200 million in aggregate of grant and loan payments; and
- an extra £550 million in aggregate will also be made available to existing customers.

We understand that up to £175,000 of support per applicant will be offered to around 1,200 companies not currently in receipt of Innovate UK funding, although no further details about this have yet been released.

For information on government support available to businesses more [generally](#) and separately with specific reference to the sport's sector, please refer to our earlier guidance [here](#) or visit our [website](#).

This note has been prepared on 23 April 2020. Given the live and rapidly evolving nature of events, we will provide further updates in due course, as further measures are announced and practical implications worked through.

Onside Law



Simon Thorp

Partner

simon.thorp@onsidelaw.co.uk



Harriet Leach

Senior Associate

harriet.leach@onsidelaw.co.uk



Alex Evans

Associate

alex.evans@onsidelaw.co.uk