

THE FUNDING LANDSCAPE:

Broadening investment and finance options for science & tech companies

Facilitator:

Lauren Crawley-Moore, Senior Business Development Manager, UK Primary Markets, London & The South, London Stock Exchange

Contributors:

Sara Palmer, Head of Investment, Innovate UK Business Connect

Susan Elliott, Senior Manager, South East, British Business Bank

Louis Spencer, Relationship Director, Venture Banking Lead, South West & Wales, Natwest

Adam Thomas-Brown, Founding Partner, Mentra Ventures

Stephen Kirk, CEO, SKCI

Amy Morgan, Relationship Director – University Spinouts & Investor Coverage, Barclays Innovation Banking

David Hayers, Venture Debt Fund, Salica Investments

Mark Yallop, Co-Founder and Deputy Chair, QantX

Eli Krieger, Investment Analyst, Lansdowne Partners

Amy Li, Senior Vice President – Early Stage Banking, HSBC Innovation Banking

The UK investment landscape is at a pivotal moment. After a period of constrained capital and shifting market conditions, there are signs of renewed momentum, driven by policy interventions, evolving funding models, and a growing recognition of the need to better connect capital with innovation. While challenges remain, particularly around regional disparities, access to scale-up funding, and founders' understanding of financing options, there is increasing alignment between the public and private sectors to unlock investment and support long-term growth.

Against this backdrop, SETsquared's Investment Futures event convened a roundtable of investors, banks, and ecosystem leaders, facilitated by Lauren Crawley-Moore from the London Stock Exchange. The discussion brought together perspectives from across the funding landscape to explore how businesses can navigate early-stage growth, the realities of accessing capital across the UK, and the structural shifts needed to better support founders on their scaling journey.

Lauren kicked off the questions by inviting Innovate UK's perspective.



How should businesses approach the early stages of start-up growth? From an Innovate UK perspective, what trends or patterns are you seeing among companies as they begin that journey?

Sara Palmer, Head of Investment, Innovate UK Business Connect, got the discussion started:

“Innovate UK has a role to help drive private capital into UK innovation, a priority that sits at the heart of the Industrial Strategy and the partnership with the British Business Bank. From Innovate UK’s perspective, it operates at the frontier of emerging technologies, often in nascent markets where the investment landscape isn’t yet clearly defined.

“That’s where the investment team in Business Connect can add real value. We help demystify these first-of-a-kind technologies by translating what the market could look like, clarifying commercial pathways, and articulating the investment opportunity for investors with an appetite for innovation but who need confidence and context. In many ways, we act as a due diligence engine for the system, supporting investors to deploy capital into the priority sectors the government is now backing.

“Through our Invest in Innovation programme, we connect investors directly into the UK’s innovation ecosystems and build their understanding of these emerging landscapes. Alongside this, our Investor Partnerships Programme, now comprising over 200 partners across venture capital, angel syndicates and corporate, goes a step further by aligning public grant funding with private equity investment.

“This programme was designed in response to a real challenge observed: innovative companies repeatedly accessing R&D grants but struggling to scale beyond them. Pairing Innovate UK’s grant funding with committed equity from aligned investors can help break that cycle and accelerate growth. What’s particularly striking is the strength of investor appetite; once the risk and opportunity are clearly framed, there is genuine enthusiasm to back these technologies and help take them to market.”

How easy is it for founders to navigate the UK funding landscape? How connected are we as an ecosystem, and where does the British Business Bank fit within it?

Susan Elliott, Senior Manager, South East, British Business Bank, gave her perspective:

“For many founders, particularly first-time founders, the funding landscape remains difficult to navigate, and connectivity across the ecosystem is not as strong as it could be. This is especially true in the South East, which is somewhat paradoxical given its proximity to London. Historically, that proximity has created both a pull and a push effect, drawing activity into the capital while leaving a patchwork of disconnected pockets across the region.

“From a founder’s perspective, one of the most consistent findings in the British Business Bank’s research is a persistent lack of understanding about what type of finance is appropriate at different stages of the journey.”

Susan Elliott, Senior Manager, South East, British Business Bank

“The South East itself is highly fragmented, with a wide range of distinct economic centres. That makes the system harder to understand and access, particularly for founders trying to identify the right support at the right time. A significant part of my work, alongside initiatives led by Sara and her team, is about being out in the field, getting beneath the headlines and improving those connections on the ground. However, resource constraints inevitably mean difficult choices about where to focus.

This is echoed across the investment community. While repeat founders tend to navigate this more effectively, first-time founders, especially those coming from scientific or technical backgrounds, often find it particularly challenging. Finance is rarely their natural comfort zone yet recognising that early can significantly improve their trajectory.

“There is an opportunity for the ecosystem to play a stronger convening role in addressing these gaps, bringing together capital, capability and clearer pathways. In that context, the newly announced South East Investment Fund is a positive step. While it has been announced rather than fully launched, with more detail emerging through upcoming briefings, capital deployment is expected later in the spring or summer. Although timelines remain uncertain, it should help address some of the current gaps. Ultimately, though, improving connectivity between founders, funders, and support organisations will be critical if we want to make the system genuinely.”

We’ve heard a lot today about gaps in the scale-up funding landscape, particularly outside London. NatWest has been doing some interesting work around IP-backed finance and venture debt. Could you tell us more about that?

Louis Spencer, Relationship Director, Venture Banking Lead, South West & Wales, Natwest picked this up: “Absolutely, and you’ve touched on two areas that are coming together in a really powerful way for us. As a UK bank, we’ve been very focused on ensuring that the value of our globally leading research and intellectual property is properly recognised. Through a strategic partnership, we now have the ability to fund against IP. That allows us to assign a value to a company’s IP and lend up to around 50% of that value.”

“We launched this [IP Backed Lending] proposition in March last year and are currently doing around one to two deals a month across a range of sectors. It’s still relatively new, but the traction has been really encouraging and reflects growing confidence in IP as a legitimate, financeable asset in commercial lending markets.”

“Alongside this, we’ve launched NatWest Venture Banking, a regionally integrated banking proposition for VC-backed businesses in the Innovation Economy. We know that companies within the Innovation Economy, such as FinTech, ClimateTech, SaaS, Life Sciences and Disruptive Commerce have an outsized impact on productivity, innovation and inward to investment. We also know these businesses look and feel different [through a banking lens] than businesses in the everyday economy. Our new Venture Banking proposition is designed specifically to support these companies and the growth challenges they face, whether it’s day-to-day banking support, liquidity management, capital connectivity or founder development. This includes a new Venture Debt capability that can be deployed alongside growth stage equity.”

“This is very much a response to what we see on the ground. In London, VC funding markets are more mature and well-connected, but in regional ecosystems, there is often a gap at scale, particularly for companies that are growing quickly but aren’t yet a fit for traditional bank lending. As a regionally embedded bank, we’re well placed to help fill that gap.”

Louis Spencer, Relationship Director, Venture Banking Lead, South West & Wales, Natwest

“What’s also encouraging is the broader shift we’re seeing in investment patterns. Recent data shows that around 45% of UK investment is now going into companies outside London. That reinforces the idea that capital is increasingly flowing to strong businesses rather than specific postcodes. Our role is to support that momentum by helping regional companies access sophisticated funding solutions and connect them to national and international opportunities, rather than keeping ecosystems overly insular.”

“In reality, it’s a mix of structural change and mindset shift, but together, those things can make a meaningful difference to how founders scale across the UK.”



Are there any other investors around the table who would like to share what they're seeing in the market, or offer insight into the kinds of businesses they've been working with over the past 12 months?

Adam Thomas-Brown, Founding Partner, Mentra Ventures, shared his perspective. “Over the past year, what's stood out most clearly is the persistent challenge of accessing capital at a regional level. At Mentra Ventures, we focus exclusively on Wales, and the contrast with other parts of the UK is stark. Wales has just three active venture firms investing between pre-seed and Series A, compared with around 19 in Scotland. That disparity fundamentally shapes outcomes.

“The issue isn't a lack of entrepreneurial talent or ambition. In fact, six of Wales' top ten companies of all time reached scale without raising a single pound of Welsh capital. That tells us there's a significant structural gap in the ecosystem. Without local lead investors, particularly at pre-seed, you lose a critical catalyst that enables companies to progress up the funding chain, into later growth rounds and, eventually, exits.

“This lack of early-stage capital has a compounding effect. Fewer local investments mean fewer wealth-creation events, which in turn limits the recycling of capital back into the ecosystem. We experienced this firsthand when raising our own fund, investors quite reasonably ask where the historic returns are, but without prior investment, those returns never materialise.

“That's why policy interventions matter. When national and regional funding programmes allocate equal capital to both mature and early-stage ecosystems, they risk reinforcing existing inequalities. Instead, there's a strong case for focusing on marginal gains, backing underrepresented founders and regions by geography or diversity, and deliberately helping them catch up.

“Regions that are socio-economically deprived or have historically seen less wealth creation are not weak investment cases; they're future opportunities. With the right, joined-up approach to capital formation, reinvestment, and ecosystem building, those regions can generate sustainable growth and long-term returns, not just reflecting the past, but actively shaping the future.”

Adam Thomas-Brown, Founding Partner, Mentra Ventures

Amy Li, Senior Vice President – Early Stage Banking, HSBC Innovation Banking, continued:

“From my perspective at HSBC Innovation Banking, working closely with early-stage founders, one point that's really important is education around capital pathways. I'm not a traditional relationship manager or banker, I work alongside founders to help them reach their next stage of growth by connecting them to the right networks, partners, and opportunities.



“What I see time and again is that venture capital is often treated as the default, or even the only route to scale. We've glamorised VC to the point where many founders assume it's the right journey for everyone. It isn't. Venture capital plays a critical role for certain types of businesses, but it's not suitable for all models, stages, or ambitions.

“As a result, many founders spend months or even years chasing VC funding, repeatedly hearing 'no,' and assuming the issue is that investors don't understand their business. In reality, they're often pursuing the wrong type of capital. There are strong alternatives that don't get talked about enough: family offices, ultra-high-net-worth private investors, the Innovate UK Investor Partnerships, and grant funding, to name just a few.

“If we broaden the conversation and open more doors to these routes, we can help founders deploy their time and energy more effectively. The right capital, at the right stage, can unlock incredible outcomes, but only if founders are supported to understand which form of capital is right for them in the first place.”

Susan Elliott continued the discussion: “One area I don’t think gets enough attention is preparation and forward planning around debt funding. We’ve talked about how equity, and particularly angel or venture capital, can be over-glamorised, but in many cases, there are viable debt routes that founders either overlook or dismiss too quickly.

“Of course, debt only works where a business can service it, and that caveat always applies. But when used for specific, well-defined growth objectives, debt can be a powerful and appropriate tool. We’re starting to see this reflected in new models, such as the proposed structure of the South East Investment Fund, which is expected to include a debt component focused on projection-led lending. That kind of approach could play an important role in bridging funding gaps for growing businesses.

“What’s striking, though, is the lack of traction these conversations often get. Whenever we run awareness sessions on “good debt” or debt as a growth enabler, turnout is nowhere near what you see when a room

is filled with angel investors. That brings us back to education. Founders need a better understanding of the different types of debt available, when they’re appropriate, and how they fit into a broader funding strategy.

“This is where banks can add real value by providing objective guidance, tools, and resources that help businesses think ahead and prepare properly. The goal is to help founders answer tough questions about their business and funding needs before anyone else asks, and to ensure they’re pursuing the right form of capital at the right time.”

Sara Palmer added: “In the US, I read that venture debt represents about a third of all venture capital, and in the UK, it’s under 2%, and less than 10% is of that is provided by private venture debt providers.”

Investor, Stephen Kirk, also commented: “As an independent angel investor focused on climate tech, I’ve been reflecting on some of the structural challenges in the current UK investment landscape, particularly around the interaction between equity schemes like SEIS/EIS and debt financing. While these schemes are excellent for incentivising equity investment, they can inadvertently discourage or even prevent investors from also providing loans to the same businesses, which limits flexibility in how we support companies.

“To illustrate, I’m currently involved in a software platform construction business that has seen a rapid shift in momentum. Just last week, we were uncertain about its trajectory; now, following the securing of a first enterprise order worth £200,000, equivalent to around a third of its annual burn rate, we have strong conviction that it’s going to succeed. Despite this progress, when we explored debt financing options, we encountered a familiar barrier.

“A major high street bank was initially willing to lend but ultimately required all directors to sign personal guarantees. This brought the issue back to the other non-executive directors and myself, and I was clear that I would not take on that level of personal risk. From my perspective, if I were to do that, I might as well lend the money myself.”

“This experience highlights a broader gap in the market. I’m particularly interested in the potential for IP-backed venture debt solutions that better reflect the realities of start-up governance, especially when non-executive directors are involved and understandably unwilling to provide personal guarantees. My sense is that this is an area where the UK could evolve, perhaps taking cues from the US, where there appears to be less reliance on personal guarantees in similar contexts.”

Stephen Kirk, CEO, SKCI



Do any of the banks around the table want to pick up on that?

Amy Morgan, Relationship Director – University Spinouts & Investor Coverage, Barclays Innovation Banking, took up the mantle: “I have the privilege of overseeing our UK-wide innovation ecosystem, having originally set up our Eagle Labs network. I was personally involved in launching locations in Cardiff, Swansea, Bristol and Southampton, so I’ve long been close to the kinds of ecosystems that SETSquared serves.

“My role today has evolved beyond ecosystem building to focus on how we, as a bank, actively support the growth of the innovation economy through more tailored financial solutions.

“A key part of that is addressing exactly the challenge you’ve described. Traditionally, when banks assessed debt opportunities, the focus was looking back on the last three years of financial performance (profitability), typically favouring asset-heavy businesses with limited emphasis on intellectual property.

“What we’ve been working on with our structured finance team is shifting that lens to look at the forecasted growth potential for companies that have reached early-stage profitability. That’s been a meaningful change, and importantly, it’s not just for later-stage companies.

“In parallel, we’ve collaborated with Salica on their venture debt solution, recognising the growing need for

alternative funding routes alongside equity. It reflects a broader shift: while traditional banks may not always have been seen as closely aligned with the innovation economy, that is changing. We’ve been building in this space for over a decade, but now we’re listening much more closely to the specific challenges founders and investors face.

“Within my team, we’ve structured our approach to stay deeply connected to the ecosystem. We have dedicated colleagues focused solely on relationships with VCs and angel networks, others working closely with tech transfer offices across UK universities, and a broader innovation ecosystem team engaging with a wide range of partners.

“All of this is designed to ensure we’re continuously hearing feedback, evolving our propositions, and ultimately improving how we can support high-growth, equity-backed businesses with the right forms of debt at every stage of their journey.”

David Hayers of Salica Investments continued: “I run a venture debt fund, and from my perspective, debt remains a particularly tricky asset class for this community. We’ve been doing this for over a decade now, and what that experience has shown us is just how selective this form of financing needs to be. Each year, we see at least 350 deals and complete 8 - 10. The majority fall away because the companies are simply too early; taking on debt at that stage would be the worst possible decision for them.

“The reality is that debt has to be repaid on a defined schedule, and too often companies underestimate that. There can be an initial “sugar high” from the additional capital, but without sufficient underlying revenue, they’re unlikely to service the debt successfully. Many founders still view debt as a form of cheap equity, but fundamentally, it is not; it carries very different expectations and risks.

“In our case, we’re typically lending between £1.5 million and £10 million, and we generally won’t engage unless a business is already generating at least £2-3 million in revenue. That level of traction is critical.

“What I think is really needed across the ecosystem is better education around when debt is the right instrument. Too often, companies approach us because they’ve struggled to raise equity or found it too expensive, and in those situations, debt is rarely the right answer. It leads to disappointment and wastes time on both sides.

“We’re backed by institutions such as the British Business Bank, among others, and I do think there’s an opportunity, collectively, to improve understanding of where debt fits within the funding journey. If we can do that, it would be hugely beneficial for founders, investors, and the broader ecosystem alike.”



I'd be really interested to hear from any VCs in the room about what you're currently seeing in the market. Are you seeing the right types of businesses coming through, or is there still a gap? Do you think there's more to be done in supporting companies to engage with VCs at the right stage and at the right time?

Mark Yallop, Co-Founder and Deputy Chair, QantX stepped in here to give the VC perspective: “When we started out, one of our primary concerns was whether there was enough high-quality IP coming out of the South West to support a strong pipeline of investable businesses. At that time, capital was relatively easy to access, so the challenge for us as VCs was finding the right opportunities.

“Three years on, the situation has shifted quite significantly. With rising interest rates, strong returns in public markets, and a general decline in risk appetite, the dynamic has effectively reversed. Today, we have no difficulty identifying high-quality IP or promising businesses in the region. We've invested in 15 companies so far, and our forward pipeline includes around 400 potential businesses across the South West over the next five years. The strength of university spin-outs and the support we receive from academic institutions and their networks has been excellent.

“The real issue, in my view, is not the quality of opportunities, it's the availability of capital. There is a clear and, I think, under-discussed constraint around access to risk finance. We're seeing a broader institutional reluctance to take on risk, and that spans both commercial organisations and, in some cases, government-backed bodies. It's a systemic challenge.

“Part of this stems from the UK's relatively underdeveloped long-term VC culture, but it's also a function of the current macro environment. When investors can achieve strong, liquid returns in public markets or money markets, the case for locking up capital in illiquid venture investments for 10, 15, or even 20 years becomes much harder to justify.”

“If we're serious about supporting this ecosystem, then both the industry and government need to focus on unlocking these bottlenecks in the provision of risk capital. This isn't a regional issue; it's a national one. We're seeing the same challenges across Cambridge, London, the Midlands, and the North; it's widespread”
Mark Yallop, Co-Founder and Deputy Chair, QantX

Is the bigger challenge here the risk appetite or the lack of access to funding, so actually finding capital?

Eli Krieger, Investment Analyst, Lansdowne Partners picked this up: “I think this challenge is very naturally interrelated, in that we are seeing some improvement in the capital environment, but still some limitation in risk appetite – which I think just takes a little longer to shift

“While the UK has historically faced cultural constraints around risk, this is gradually improving, and definitely supported by initiatives like the British Business Bank and other policy momentum too. Most encouragingly, we are starting to see some early moves from a number of well-established UK institutions too, who are signalling very meaningfully here as well. At the same time, the quality and volume of Series A and B companies is steadily increasing, with a stronger pipeline of high-potential businesses emerging.

“Perhaps the most meaningful constraint and opportunity is making the case for UK investment to the much larger international pools of capital, who are most used to deploying this type of risk capital in the USA.

“Encouragingly, I personally think the trajectory is very positive. With more standout companies coming through and structural support improving, the ecosystem is approaching an inflection point, where, if momentum continues, the funding landscape could look markedly different over the next decade.”

Adam Thomas-Brown continued: “The issue is less about a lack of capital in absolute terms and more about how effectively it is deployed.

“Initiatives like the Mansion House reforms have the potential to be a genuine catalyst, unlocking significant pools of domestic capital and redirecting them into growth opportunities. But their impact will depend entirely on execution. If implemented effectively, they could materially shift the funding landscape.

“The imbalance is clear when you look at regional data. In Wales, for example, local authority pension funds hold around £25 billion in assets, yet only a fraction, approximately 0.7%, is invested locally. This

highlights a systemic disconnect between available capital and regional growth opportunities. By contrast, more proactive models demonstrate what's possible: Manchester allocates closer to 7–8% locally, while Australia stands out globally, with around 40% of pension assets invested in its domestic market.

“The takeaway is that capital exists, but the real challenge and opportunity is mobilising it. If policies like Mansion House can successfully drive that shift, they could play a pivotal role in closing the funding gap and accelerating local and national growth.”

Adam Thomas-Brown, Founding Partner, Mentra Ventures



Lauren Crawley-Moore added her own perspective here: “Over the past two decades, UK pension funds have sharply reduced their exposure to domestic assets, falling from around a quarter of portfolios to low single digits today. The exact figures are debatable, but the trend is undeniable: a significant retreat in backing for UK growth.”

Adam Thomas-Brown continued: “In Wales, the challenge is not just capital availability but the capacity to deploy it effectively. Pension assets of over £20 billion are now pooled, yet scaling local investment, even to levels seen in places like Manchester, would require deploying billions into the regional economy over a relatively short period.

“That raises a deeper issue: beyond infrastructure, there are only so many traditional assets to fund. Sustained deployment at that scale demands a shift into private markets, requiring greater expertise, stronger pipelines of investable opportunities, and a higher tolerance for risk.”



The group concluded that after two to three particularly challenging years, there is a growing sense that the UK is beginning to turn a corner. While many of the pressures have been global, the UK has been actively responding, through regulatory reform, initiatives like the Mansion House Compact, and efforts to unlock institutional capital.

At the same time, market infrastructure is evolving. The London Stock Exchange's move to develop a stronger bridge between public and private markets has the potential to improve liquidity for earlier-stage investors and give companies greater flexibility to scale on their own terms.

Taken together, these shifts point to cautious optimism. The challenges are real, but so too is the progress. If momentum continues, the foundations now being laid could meaningfully reshape the UK's funding landscape in the years ahead.