

# First-time funding rounds in the UK fall for the second consecutive year

*The number of first-time funding rounds into UK seed-stage startups has declined in 2020, for the second consecutive year. The data, commissioned by the UK's most active seed-stage investor, SFC Capital, has revealed that the number is now 36% below the 2018 peak for such rounds.*

Temps de lecture : minute

---

20 July 2021

The number of first-time seed-stage deals completed in 2020 has also fallen by a further 17% from 2019 to a total of 1,427.

The data also points to reductions in both the amount of money available for first-time rounds and the number of funds equipped to make such investments. SFC Capital is now calling for urgent action to reinvigorate seed-stage investment and secure the future of the next generation of companies that will drive the UK Government's "levelling up" and "science superpower" economic agendas.

## The Seed Enterprise Investment Scheme

The data also revealed the Seed Enterprise Investment Scheme to be both a vital incentive and limiting factor in the growth of seed-stage funding.

The scheme has transformed the landscape of seed-stage funding, incentivising individuals to turn themselves into early-stage investors.

SEIS has helped a total of 14,921 businesses raise £5.8B since its inception in 2012.

But the data suggests that changes to the scheme in 2018 introducing stricter requirements for applicants, combined with the impact of COVID-19, is responsible for the initial decline in first-time seed-stage deal volume.

While an effective incentive for investors, the scheme has also had an unintended limiting effect on the size and timing of first-time seed-stage deals. Since its introduction, both the average size of a first-time seed round and the average time taken to raise it have hovered just below the limits imposed by the scheme.



Read also

The most active pre-seed investor in Europe, a profile of SFC Capital

Responding to the data, SFC Capital, the UK's most active seed-stage

investor has now issued a call to arms to the Government, focused on SEIS reform, increasing the amount of public money allocated to seed-stage funds, and simplifying bureaucracy for early-stage fund managers.

Stephen Page, founder and CEO of SFC Capital said, “Some of this decline can be attributed to the impact of COVID-19 in 2020, from dented confidence to changes to the investment landscape and founders’ priorities caused by the Government’s introduction of the Future Fund and other financial relief programmes. But only some.”

*“The biggest shock is the low number of early-stage businesses seeking SEIS funding.”*

“More needs to be done to incentivise angels to take the risk of investing in innovative early-stage companies, in greater numbers and at larger volumes.”