Unlocking access to ecosystems

A deep dive of the UK's dynamic ecosystem clusters

December 2023

BARCLAYS | Eagle Labs | Funded by UK Government | Beauhurst

Executive summary

London boroughs continue to be a top destination for high-growth businesses in the UK, and encouragingly other large cities, such as Edinburgh and Manchester also boast budding high growth clusters, attracting firms and investment.

Since 2013 the number of high-growth companies (defined on page 29) in the UK has increased by 85.3%, reaching a total of 48,000 in 2023. High-growth companies in London's local authorities account for a combined 31% of high-growth companies within the UK. This is naturally related to London's large population, investor networks and range of existing business types. Edinburgh (1.44%) and Leeds (1.43%) are the cities outside of London with the highest proportion of high-growth businesses. Edinburgh, alongside other Scottish cities, benefits strongly from governmental support, through their Enterprise agencies. Leeds is emerging as a new UK tech hub, making it an attractive destination for high-growth businesses.

Between 2013 and H1 2023, UK companies received £141b in equity funding via 63,000 deals. Companies in Westminster secured the most equity investment during the period, receiving 13.2% of the total value and accounting for 9.54% of all deals, nationally. Equity investment naturally flows into local authorities, in addition to a large number of businesses, as well as those that host innovative, fast-growing businesses. Westminster-based companies have access to high-quality talent produced by world-class universities and are close to London's global financial and political centres.

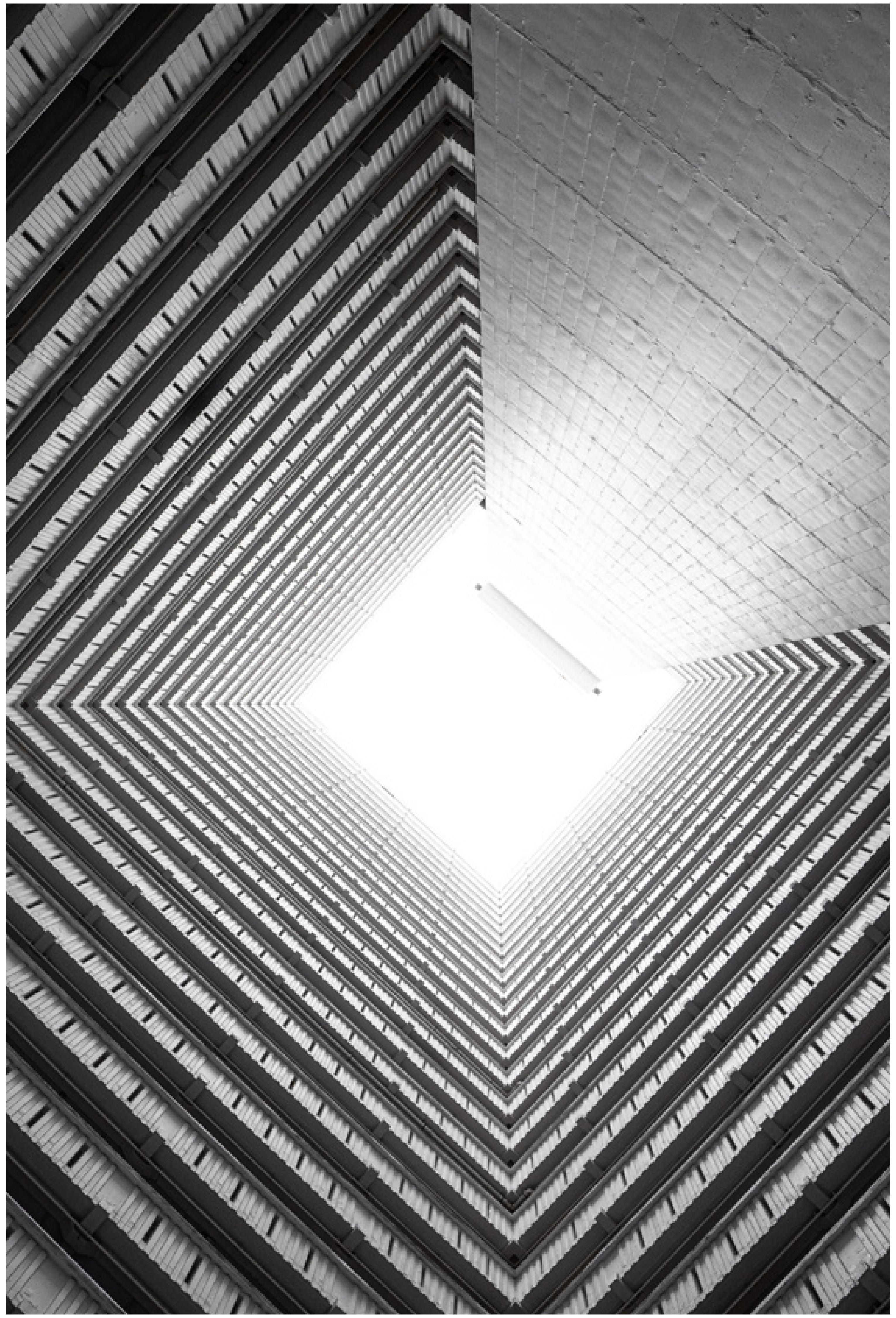
Companies located in Westminster received the highest amount of grant funding, as 3.57% of the total grant value provided in the evaluated period was awarded to businesses in this borough. Cities associated with world-class research universities, such as Edinburgh and Cambridge emerged when looking at grant funding, as these authorities are often locations that produce spinouts and younger-stage companies. Companies in Edinburgh were awarded 3.05% of the total value of grant funding, with Cambridge having been awarded 2.72%. Companies in Edinburgh may also benefit from the fact that Scottish Enterprise is such a prolific grant funder in the UK.

Introduction to the high-growth ecosystem

This report identifies high-growth businesses and highlights their various support nodes across the nation. A business is defined as high-growth if it has met one of Beauhurst's eight tracking triggers (listed on page 29). These include a company securing equity investment, spinning out of a university, or receiving an innovation grant. These characteristics often serve as strong indicators of a company's growth potential and trajectory.

However, several external factors can contribute to the success of high-growth businesses. With each company being unique in its make-up, successful local authorities are those that provide a range of support offerings. These can range from accelerators, which offer mentorship and resources to early-stage businesses, up to promotion of the availability of grant funding and facilitation of access to local, regional, and devolved support such as that available through Innovate UK, Scottish Enterprise, InvestNI and Growth hubs.

In February 2022, the UK government released the Levelling Up white paper, which suggests ways in which growth opportunities within the UK can be even spread, via targeted investment in local authorities across the country. This will work alongside the UK Innovation Strategy. Released in July 2021, this strategy aims to establish the UK as a global innovation hub by 2035. The proposition centres around promoting business innovation, attracting top talent, aligning institutions with the needs of businesses as well as regions and enhancing the country's capabilities in critical technology domains. This is designed to ensure the UK maintains its competitive position across the globe in future.



Company lifecycles

There are currently 48,000 active, high-growth companies in the UK at different stages of their lifecycles. Each company navigates the landscape of entrepreneurship with unique strategies and challenges. Resourceful, bootstrapped companies often launch with limited starting capital and rely heavily on their ability to generate customer traction and market opportunities. Meanwhile, equity-backed companies and Intellectual Property (IP)-rich spinouts often seek multiple fundraising rounds to develop their solutions and accelerate growth. The following lifecycles are illustrative examples and, as such, companies may progress via additional or different stages.

Bootstrapped companies

The lifecycle of a bootstrapped company
A bootstrapped company is one that has been started by an entrepreneur with little capital, often relying on their own personal finances or the revenue the company generates. Bootstrapped companies typically operate with little or no external capital or funding.

Incorporation
The founders formally establish the company, often with limited initial capital, relying on personal savings or funds borrowed from friends and family.

Product development
The company focuses on developing its product or service and building up a customer base. It will be reliant on revenue or small loans for funding.

Scaling
If profitable, the company may begin to expand, reinvesting its profits into its growth strategy.

Acquisition
As part of the company's growth strategy, it may choose to make strategic acquisitions to accelerate its growth.

Exit or continued growth
The founders continue to grow the company independently or explore exit opportunities such as an acquisition or Initial Public Offering (IPO).

Spinout companies

The lifecycle of a university spinout
A university spinout is a company set up to exploit intellectual property that has been developed by a university. The university must own the IP it has licenced and own shares in the company, with the option to purchase shares at a later date to be defined as a spinout. Spinout companies can progress through several different lifecycles and the cycle below highlights a common trajectory.

Technology development
The company is founded based on university research or intellectual property, typically with the support of university resources and expertise.

Spinning out
With help from the origin university's technology transfer office, the company formally spins out, with initial funding coming from the university.

Grant funding
The company may apply for, and receive, innovation grant funding from government agencies or private organisations to support its research and development activities.

Seed funding
The company secures its seed round from venture capital firms or angel investors.

Scaling and additional funding
With a proven product and market fit, the company seeks additional funding through later-stage funding rounds to scale and expand its operations.

Exit
Founders and investors may exit via an Initial Public Offering or acquisition.

Equity-backed companies

The lifecycle of an equity-backed company
Equity backed companies are those that have issued and sold news shares to fund their growth. Through the sale of new shares, the business is selling ownership in its company and receiving cash in return. Beauhurst only views the issuance and sale of new shares as equity investment.

Incorporation
The company is founded and may secure initial investment from friends, family, and the founders to kickstart operations.

Accelerator attendance
The founders may attend an accelerator or incubator programme to expand their networks in the sector, meet potential investors, and further develop their commercial acumen.

Seed funding
To finance the company's market research, product development and hiring its initial employees, it may raise capital from angel investors or venture capital firms.

Further funding and expansion
Additional funding rounds may be required to support global expansion, entry into new markets and to solidify its market position

Acquisitions
The company may utilise its previous funding rounds to explore strategic mergers or acquisitions to accelerate its growth.

Exit
Founders and investors may exit via an Initial Public Offering or acquisition.

Scaleup companies

The lifecycle of a scaleup company
A scaleup company refers to a business that has seen at least 10% annualised average growth in turnover and/or headcount over the past three accounting years.

Incorporation
The company is established with initial funding from the founders' savings or borrowed money from friends and family.

Product development
The company focuses on developing its products and / or services by conducting market research to identify target customers.

Initial traction
The company gains its first customers and experiences early revenue growth driven by a small team.

Scaling up
The company consistently grows over multiple years, achieving scaleup status.

Management buyout (MBO) / management buy-in (MBI) or succession transaction
Recognising the need for a strategic shift or change of control, the company's management team may lead an MBO, buying out existing shareholders and gaining more control over the company's direction.

Ecosystem components

Within the UK's high-growth ecosystem, several components play pivotal roles in facilitating growth and innovation. Universities provide resources, assistance in commercialising IP and support to new entrepreneurs, while accelerators and incubators offer intensive support to early-stage startups.

Investors, from private equity and venture capital firms to angel investors and crowdfunding platforms, provide the necessary capital to support the continued development of these companies, whilst also offering commercial expertise. Finally, government support such as grant funding and initiatives including Innovate UK, Growth Hubs, Combined Authorities and devolved enterprise agencies support economic development and form comprehensive support networks for entrepreneurs.

Introduction to support nodes

Startups, scaleups and small businesses play a significant role in the UK economy via job creation and innovative products and services. Therefore, supporting these businesses at different stages of their lifecycles is important for local and national economic growth. By utilising support programmes, businesses can increase their likelihood of survival and growth through the challenging early stages. This support can take on varying forms, including financial assistance and access to resources such as mentorship, training, and networking opportunities.

Governmental bodies, the private sector, universities or local authorities often advertise the support available and their associated requirements. Support mechanisms are invaluable to entrepreneurs and can be provided free of charge, for a fee or in exchange for equity. This section of the report examines some support mechanisms within the UK's ecosystem.

Universities

Outside of their focus on education and research, universities and other academic institutions aid in innovation and economic growth by offering resources to businesses. It is estimated that UK universities will provide over £11.6b in support and services to small enterprises, businesses, and not-for-profit organisations over a five-year period (2021–2026).[1]

Spinout companies have strong connections to universities and many UK universities have established entrepreneur centres to provide support to businesses. These centres frequently promote events and resources tailored to a variety of business growth cycles. Universities play an important role in nurturing the ecosystem. By providing support to businesses and encouraging innovation, universities can aid in the development of the surrounding area / community they are based in.

Academic spinouts are companies that originate from within a UK university or higher education institution. Typically, the university or a connected venture fund will provide the business with seed capital in exchange for equity. Spinout founders are often post-graduate students, research associates, or other academics from the university. Dominant spinout sectors within the UK include pharmaceuticals, research tools and reagents, medical devices as well as software-as-a-service (SaaS).

Collaboration with universities can offer businesses access to expertise, talented individuals, cutting-edge equipment, and research facilities. Universities also offer high-quality office and lab spaces that can be leased by businesses at competitive rates. Academic incubators are held by universities and offer early-stage businesses valuable resources. These programmes are advantageous to entrepreneurs and can provide much-needed exposure to investors as well as academic resources.

Knowledge Transfer Partnerships (KTP) are grant-funded UK schemes in which businesses, graduates and universities liaise with the shared target of innovation. The scheme involves a graduate or postgraduate working within the business to embed expertise and encourage innovation. Participating in KTPs not only grants businesses access to government funding but also introduces new talent into their workforce. By engaging in KTPs, businesses can effectively distribute the risks associated with undertaking innovative opportunities.

It is important to note that some businesses also benefit from non-university institutions such as The Francis Crick Institute and the Royal Society. For example, the Royal Society of Chemistry offers grants and funding opportunities for researchers and early-stage businesses, to aid in growth and innovation.

[1] Universities and the UK's economic recovery: an analysis of future impact

Accelerators and incubators

Business accelerators are intensive programmes that provide early-stage business support through mentorship, access to investors, and other valuable resources. Some accelerator programmes are offered for free. However, the provision of resources,provision of resources, which may also include funding, is often provided for a fee or given in exchange for equity in the participating business. Accelerators are funded by venture capital investors, governments, public bodies or large corporations. Examples of accelerator providers within the UK are Techstars, Founder Institute, and Founders Factory.

These programmes are tailored towards businesses with the intention of 'accelerating' growth in a relatively short period. The programme duration can vary but is conventionally between three to six months. Once admitted, businesses undergo a formal curriculum involving seminars and workshops. To conclude the experience, accelerators hold "demo days" in which participating businesses can showcase their product and / or service to investors and industry professionals. This exposure can lead to other opportunities such as additional funding offers. To be suitable for an accelerator, a business is usually required to have a minimum viable product (MVP) and an accompanying validated business model.

Business incubators differ from accelerator programmes as they aim to "incubate" early-stage businesses and aid in the establishment of longer-term business concepts before entering the market. As such, these programmes can span a longer duration of several years and do not require a defined MVP. Incubators often work with entrepreneurs to develop suitable ideas for future launches. Resources offered include collaborative workspaces, training, and networking opportunities with investors. Incubators can be established by economic development organisations or academic institutions. These support programmes do not involve equity financing and are usually not-for-profit, unlike accelerators.

To be accepted on accelerator or incubator programmes, businesses must undergo an application process. Applicants may be required to define and outline their business plan and pitch. This is conventionally followed by an interview or demonstration stage. The admission to accelerators is usually cyclical, whilst incubators have rolling admissions. Accelerators and incubators are widely available to startups and may be focused on a specific industry, such as climate technology.

Due to the competitive and advantageous nature of these two programmes, receipt of a position in either can provide validation and credibility within the industry. Exposure to investors can also provide much-needed capital to early-stage businesses. The knowledge transfer encouraged by both types of programmes is invaluable to entrepreneurs and can help to prevent costly common organisational and financial challenges. Throughout these programmes, businesses are surrounded by other like-minded individuals, enabling collaboration, problem-solving, and peer-to-peer learning.

Investors

Angel Investors / networks

Angel investors are individuals, often successful entrepreneurs or high-net-worth individuals, who invest in startups in exchange for equity ownership. Angel investor networks are groups of angels who collaborate and consolidate resources as well as expertise. These networks can provide startups with access to a broader range of potential investors and a wealth of knowledge. Angel investing is often the first source of capital for early-stage businesses. Investing as an angel involves a high level of risk when compared to institutional investing and early-stage venture capital. Angel investment is advantageous to businesses as angels can provide guidance and direct access to networks, which can help increase a company's chances of success during the early stages of growth.

Crowdfunding

Crowdfunding is a funding method where entrepreneurs and businesses raise funds by selling small equity stakes to numerous investors, often via online platforms. Examples of these platforms include Crowdcube and Seedrs. Crowdfunding can expose entrepreneurs to a diverse pool of potential investors who support their business or project. The investors involved typically contribute small amounts of capital, collectively forming a significant source of funding. Crowdfunding can allow entrepreneurs to validate and refine concepts while generating early stage interest and support.

Crowdfunding services act as an alternative financing option that can fund activities such as product development, marketing, or expansion. This method of funding can also help businesses retain control over their projects and operations.

Private equity and venture capital

Private equity (PE) and venture capital (VC) are forms of financing where capital is invested into a business. PE firms typically invest into more established companies, intending to facilitate growth or profitability in exchange for a significant ownership stake in the business. VC focuses on startups and early-stage businesses with high-growth potential. Venture capitalists also provide capital in exchange for equity. This investment approach often involves more risk than private equity investment due to the early stage of the business' growth and unproven success. Both PE and VC can be important sources of funding for businesses at different stages of development, but vary in their target businesses and available funding amounts.

Corporate venture capital

Corporate venture capital (CVC) is a subset of VC involving the investment of corporate funds into startups or other growing businesses. CVCs provide investment in exchange for equity stakes in a business. Receipt of this funding can allow businesses access to industry expertise, partnerships, and acquisitions by the corporate investor. CVC is a type of strategic investing that can help the corporate and its portfolio companies to improve their competitivene nature.

University funds

University captive funds are pooled investment funds owned by universities and the associated specialist investment teams. These funds are used to invest in startups, as well as early-stage businesses associated with the university.

Grant funding

Grants are a form of financial support for businesses offered by government agencies or private organisations. They are intended to support projects, innovation, or operations. This type of funding is non-repayable and can provide businesses with a significant source of financial assistance for various purposes, including research and development. Grant funding is accessible to a wide range of industries and can be provided in different forms, such as direct grants, vouchers, or access to resources.

Direct grants can be either full fund provision or match funding. With match funding, the receiving business needs to contribute a portion of the total funding, in order to access the grant. Both funding mechanisms can reduce the financial burden and risks associated with innovation for small and medium-sized enterprises (SMEs) as well as entrepreneurs. Typically, governments and local authorities promote their available grants.

Government grants are funded by governmental bodies and are often aligned with policy objectives and economic development. Research shows that grant funding positively impacts job creation and economic stimulation. Non-departmental public bodies, such as Innovate UK, also provide grant funding for businesses that meet certain eligibility criteria. Innovate UK not only offers financial support, but alongside it, access to expertise through its Innovate UK Edge and Catapult services, and specialist international support and facilities to aid the development of innovative products and services. Their funding range for eligible UK SME businesses is between £25k to £10m.[2] Grant giving entities like Innovate UK often provide wraparound business support to accompany funding to further enable businesses to overcome other barriers to growth.

The receipt of grant funding can be valuable to a business as it can increase its reputation and credibility within the industry. Obtaining a prestigious grant often increases the likelihood of the business securing additional grants in future.

Unlike equity finance, grants do not require new shares to be issued, allowing founders to retain their existing equity stake in the company. Grants can provide crucial cash flow for businesses, which is especially important for early-stage companies, that often struggle due to cash flow challenges. An injection of capital into the business can allow for growth opportunities and business expansion.

As this type of funding is highly advantageous, it is an extremely competitive field. To be awarded grant funding, businesses must conventionally undergo a detailed application process and meet specific eligibility criteria, stipulated by the funding body. The process may involve the production of proposals, evidence, and financial forecasts. Eligibility requirements could include factors like operating within a certain geographical area or industry sector. Additionally, grants might have the sole intended use outlined by the provider, limiting their applicability across other aspects of a business. Due to the time-intensive nature of the application process, many businesses may outsource their applications to consulting firms.

[2] UK Research and Innovation | Who we fund

Local government

Local Enterprise Partnerships (LEPs)
Local Enterprise Partnerships, often called LEPs, are partnerships between local businesses and local authorities. In England, there are 38 LEPs across 48 specific geographical enterprise zones. These partnerships aim to support economic growth and job creation in their respective local areas. This is achieved through collaboration involving the public sector, local businesses, and other important stakeholders. Specifically, LEPs work to allocate and secure funding from sources such as governments, private investment and international bodies.

The structure of LEPs can vary but their overarching aim will generally remain the same. LEPs are responsible for implementing strategies that result in economic growth, strengthen the business environment, and/or attract investment. LEPs often tailor their strategies to support specific sectors or industries within their local areas.

However, it is important to note that from April 2024, the government will no longer sponsor or fund LEPs. Instead, the functions currently performed by LEPs will be transferred to local and combined authorities.

Growth Hubs
Growth Hubs are valuable local initiatives driven by partnerships between the private sector and LEPs. They aim to provide comprehensive assistance to businesses looking to expand and develop. This support encompasses a wide range of services, including aid in crafting business plans, facilitating access to funding, and participation in specialised programs. Growth Hubs promote collaboration by offering opportunities like peer-to-peer interactions and sector-specific networking. The services offered are normally free of charge or at a low cost to the receiving businesses.

Across England, every region is associated with a Growth Hub, either operating independently or as part of a broader regional coalition, like the Northern Powerhouse covering the North of England. They often liaise with central government departments and agencies such as the Department for Business and Trade (DBT), the Department for Science, Innovation and Technology (DSIT), and Innovate UK to promote and implement policies, programs, and campaigns.

Devolved Nations
In Wales, Scotland, and Northern Ireland, the devolved Governments have established enterprise agencies responsible for promoting investment and growth within the local and regional business environments. These enterprise agencies, such as Scottish Enterprise and InvestNI, offer forms of assistance, both financial and non-financial, to support businesses. For example, Business Wales offers complimentary, expert guidance to entrepreneurs and businesses. Its services span across a wide spectrum, encompassing business planning and strategies for marketing and branding.

UK Tech Cluster Group

Katie Gallagher
Chair of the UK Tech Cluster Group

The UK Tech Cluster Group (UKTCG) brings together grassroots organisations, supporting regional digital ecosystems to thrive. Our mission is to foster tech sector growth, supporting digital innovation and strengthening our economies.

New digital technologies have the potential to drive business creation, increase productivity and promote social and economic inclusion for citizens. We support our local and regional digital ecosystems across four priority areas:

- **Start-Up and Scale-Up Tech Businesses** – enabling the creation of more digital businesses within our clusters and supporting our companies on their growth journey.
- **Skills** – working in partnership with businesses, schools, colleges, universities and other institutions to grow the digital skills base at all levels across our ecosystems.
- **Innovation in Technology** – harnessing R&D and business growth by ensuring digital tech assets and new and emerging technologies drive productivity in key sectors within our clusters.
- **Digital Adoption** – ensuring businesses across our regional economies are supported to absorb and benefit from digital technologies.

ScaleUp Institute

Irene Graham OBE
CEO of the ScaleUp Institute

The ScaleUp Institute is focussed on making sure the UK is not only the best place to start, but also to scale a business. We work across ecosystems, sectors and geographies, both in the UK and internationally, analysing how we're progressing our scaleup economy - working closely at national, regional and local levels, with private, education and public sector entities, to build local scaleup ecosystems to address local scale up challenges. We share good practice and learnings across the UK and the globe, through our Driving Economic Development course, case studies and wider regional initiatives.

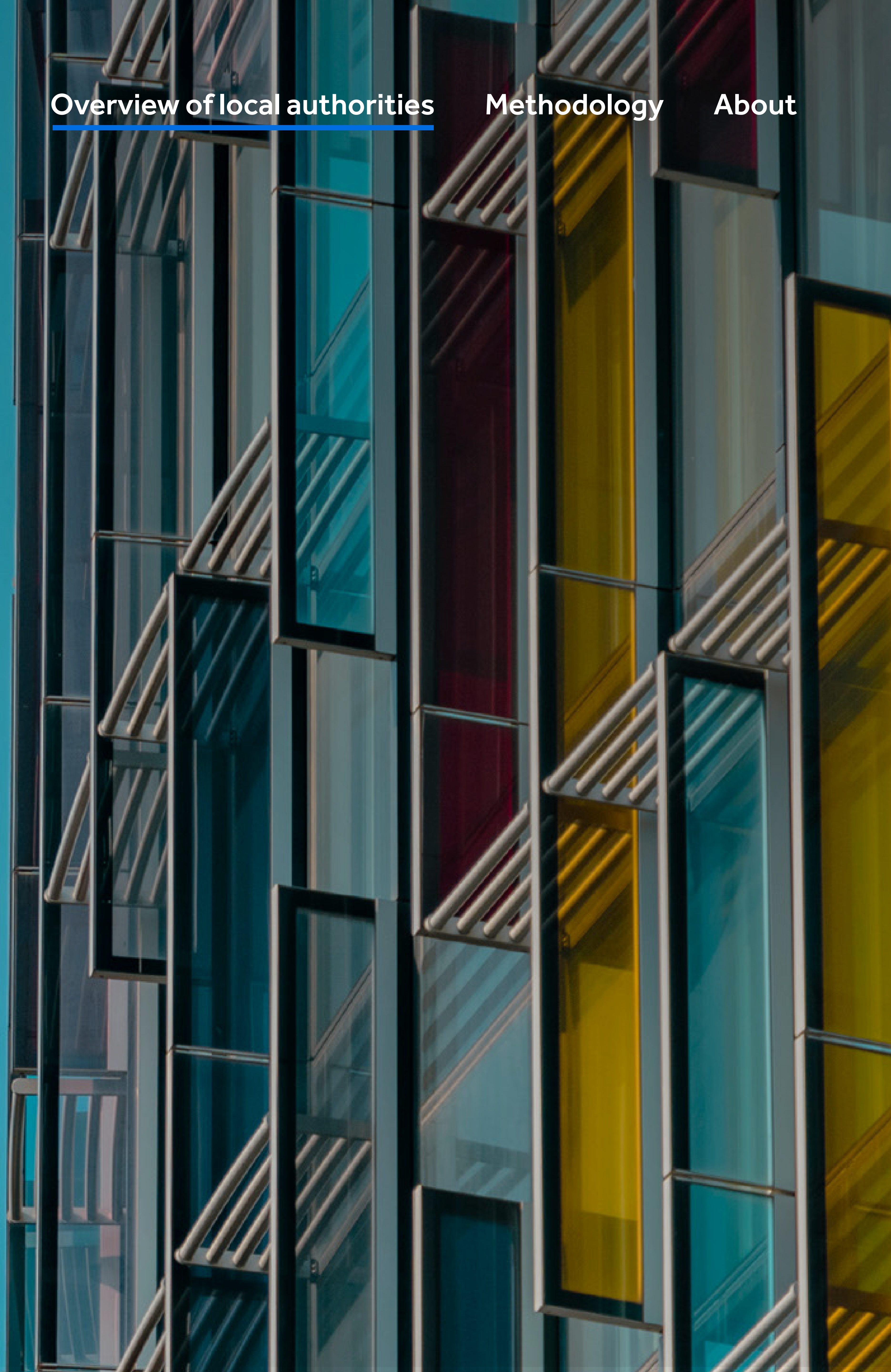
We know from our deep research that the key drivers of local scaleup growth are access to skilled talent; fostering of clusters and hubs; and local access to growth capital.

This report shines a further light on how our local clusters are developing in the Tech sector. The key now is how we continue to lean in locally to the needs of these high potential growth firms to smooth their scaling journey.

Connectivity between universities, business schools and scaling firms is vital, along with harnessing private and public sector support towards them, such as tailored growth and international oriented programmes; Innovate UK services; growth hubs, and investment zones. These ingredients, coupled with the work currently underway to build out and develop UK growth capital options are critical if we're to ensure our UK businesses can start, grow, scale and stay here.

Overview of local authorities

London boroughs feature heavily amongst the top-ranked local authorities for several metrics, from equity and grant funding up to active spinout populations, which is naturally related to the areas' high concentration of businesses. Similarly, many of the UK's growing tech hubs, such as Edinburgh, Manchester and Cambridge, feature prominently when considering funding metrics, due to their robust networks of resources, opportunities and talent.

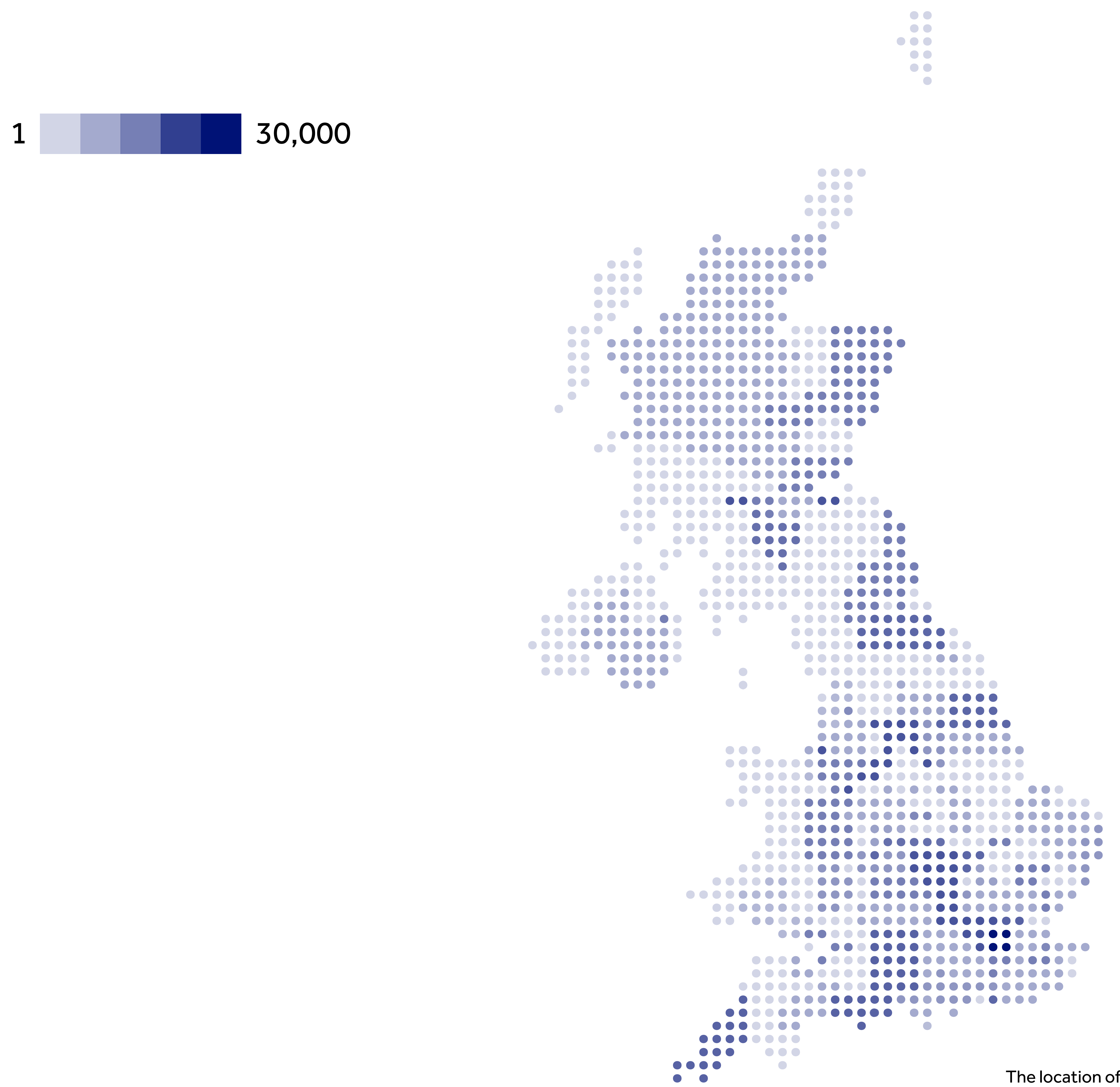


Map of company population

Within the UK, there is a clear concentration of companies in London. There are 165k companies based in the London Borough of Camden specifically, the highest proportion of any local authority in the UK (3.17%). Part of Camden's specific attractive nature can be attributed to its connectivity via rail links and proximity to major financial and political centres.

The top local authorities outside of London by company population include some of the larger UK cities, such as Birmingham (1.83%), Manchester (1.20%), Leeds (1.13%) and Edinburgh (1.12%). The allure of these areas to entrepreneurs can be, in part, attributed to their growing reputations as tech hubs in the UK and subsequently the networks associated with this status - such as the potential for collaboration, skilled talent pools and specialised facilities in the areas.

Distribution of the total company population in the UK by local authority (September 2023)



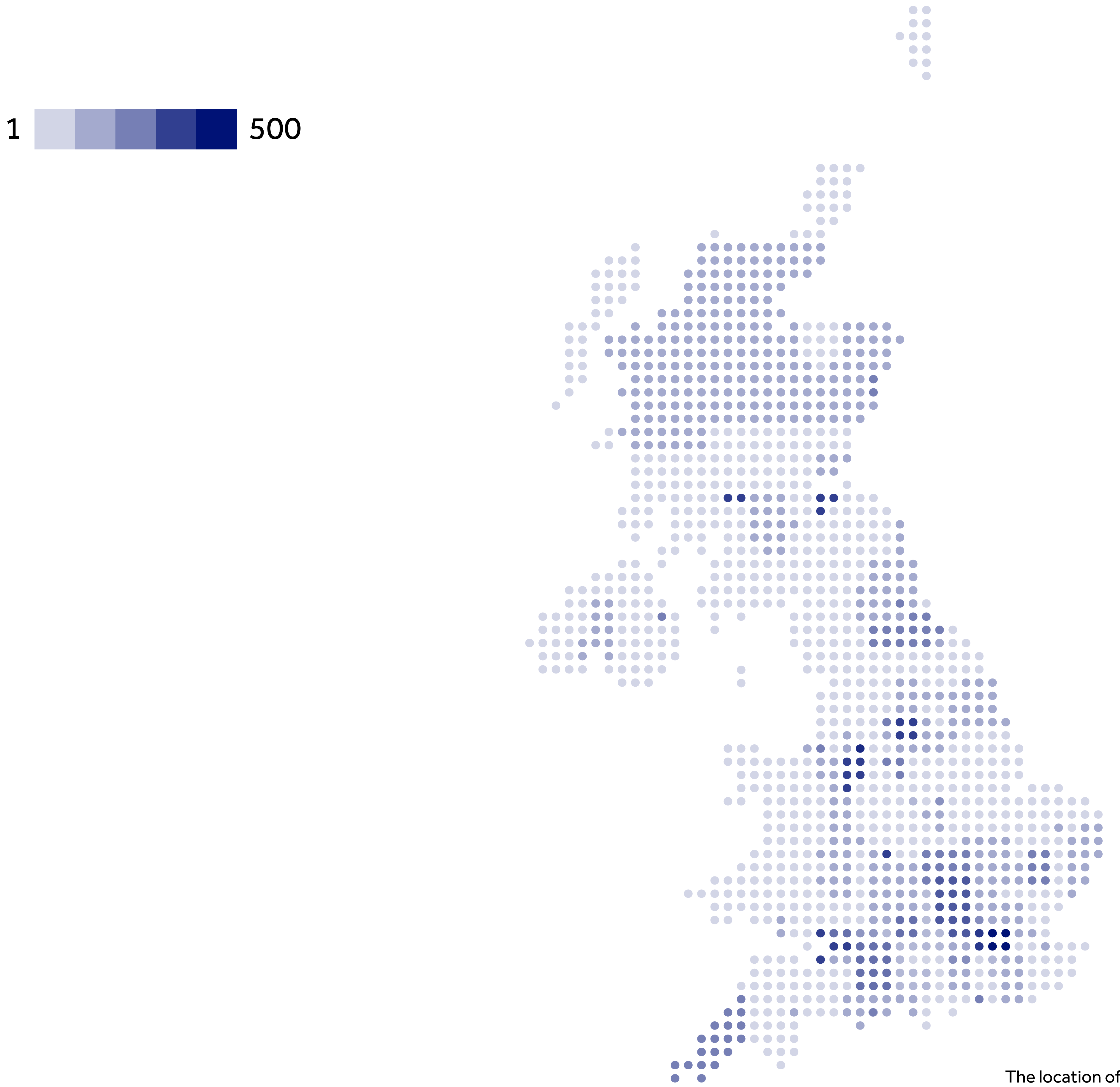
The location of the company has been determined utilising the head office address.

Map of high-growth company population

Westminster is the most populous authority in terms of high-growth companies. It may attract this level of interest, due to the high-concentration of world-class universities in the area. Proximity to these institutions provides businesses with access to the highly skilled talent pools that these universities produce, as well as access to their specialised facilities.

Despite having a population of just over 500k people, Edinburgh ranks 8th in the UK for high-growth business population, likely due to its position as a national tech hub. This can be attributed to the presence of its world-class research institutions and the support of government initiatives such as the Edinburgh and South East Scotland City Region Deal, which has allocated £751m to research, development and innovation within the region.

Distribution of the high-growth company population in the UK by local authority (September 2023)



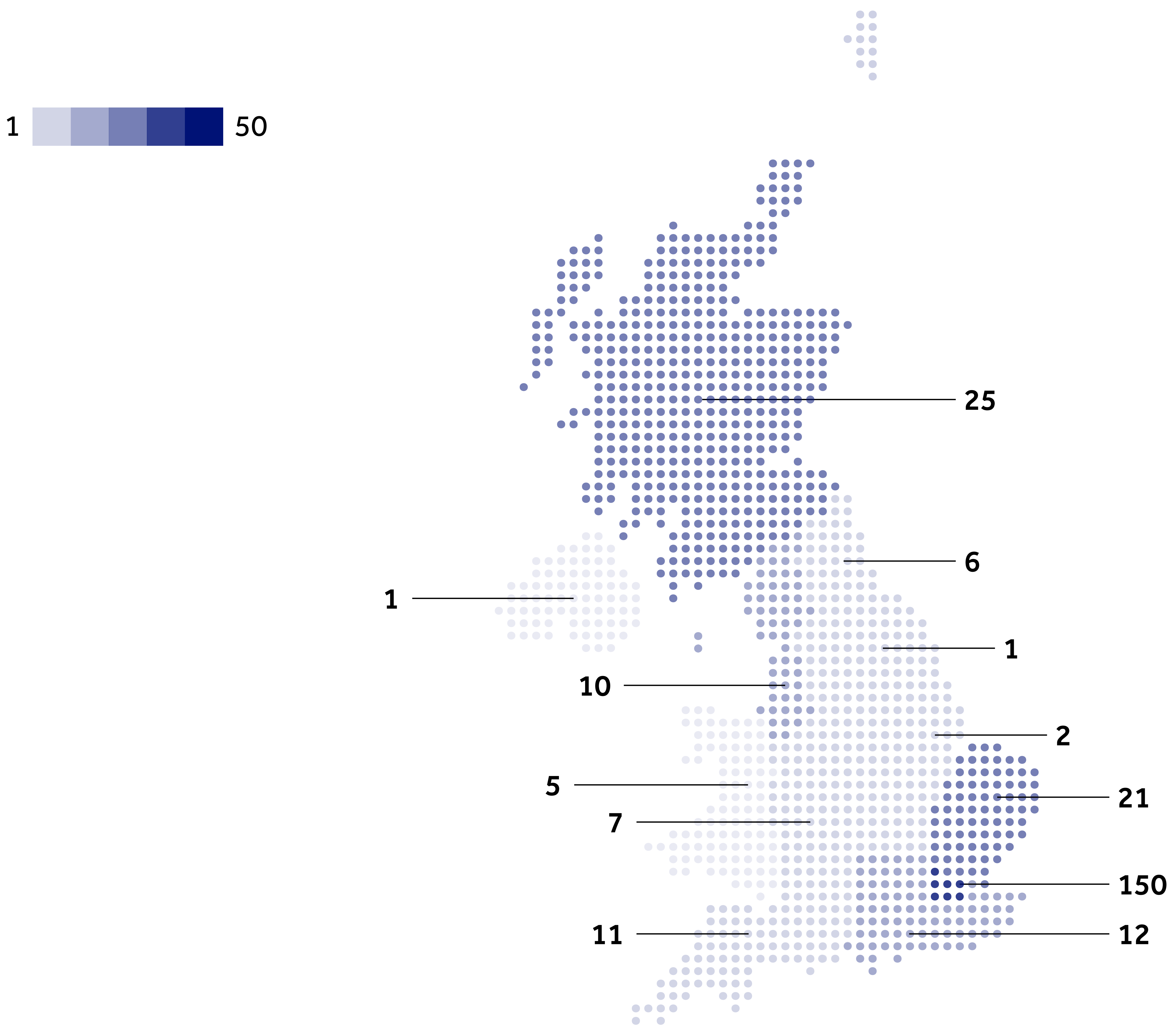
The location of the company has been determined utilising the head office address.

Regional map of accelerators

London is the top location for accelerator programmes in the UK, with 150 (59.8%) programmes based in the capital as of September 2023. This is reflective of London's thriving ecosystem and collaborative environment, which is further supported by its co-working spaces, networking opportunities, and diverse talent pool.

Outside of London, Scotland is the next biggest region for hosting programmes, with 25 accelerators based there. Meanwhile, regions such as Yorkshire and The Humber, East Midlands (2) and Northern Ireland (1) have significantly fewer accelerator programmes. This may suggest that these regions outside of the UK's established hubs in the high-growth ecosystem lack some of the necessary infrastructure, to support local entrepreneurs and early-stage businesses. However, it is important to note that there are other nodes of support and only accelerators have been mapped.

Distribution of accelerator headquarters by local authority (September 2023)



Accelerator spotlight: Grow London Global

Established as the Mayor's International Business Programme in 2016 and launched by London & Partners; in 2023 it entered its eighth year of operation and has rebranded as **Grow London Global.** Endorsed in 2017 by the Scale Up Insitute (SUI) for its impact, it focuses on London-based scaleups who are looking to expand their operations internationally. To be eligible for this programme, firms need to employ between 10 to 249 workers and generate at least £1m in revenue, annually. If a business is selected to join the 12-month program, it will receive tailored guidance and support to help aid it with international expansion. The program has many successful alumni, including prominent digital banks Starling, Monzo and Revolut, as well as online florists Bloom & Wild, and Checkout.com— all hailing from established companies.

Accelerator spotlight: Unlocking Ambition

The Unlocking Ambition (UA) Challenge was launched by the Scottish First Minister and then implemented by Scottish Enterprise. Entrepreneurs across Scotland are selected based on their innovative ideas and their potential to impact the environment, economy, and overall society. UA provides support to both startup pioneers and high-growth potential businesses, with a primary focus on those capable of playing a pivotal role in Scotland's Net Zero commitment. The programme includes an accredited module in partnership with Babson College based in the US, alongside sessions led by global industry leaders hailing from established companies such as Apple, LinkedIn, and Netflix.

Accelerator spotlight: Creative Enterprise: Evolve

Creative Enterprise Evolve is designed to help screen-based companies who are seeking investment for business growth. Evolve is designed by investors in partnership with the British Film Institute and the UK Business Angel Association. It's intended to prepare and challenge businesses before potential investment rounds. The programme is for small businesses outside of London that work in "moving images" for storytelling purposes - encompassing different media types, including film, television, gaming, and technology.

Accelerator spotlight: Barclays Black Founder Accelerator

In collaboration with social enterprise Foundervine, Barclays Eagle Labs has developed the **Black Founders Accelerator programme**. This programme is designed to foster diversity in entrepreneurship and promote Black Founder-led businesses. Businesses are eligible to apply if they use digital technology as part of their company operations and are ready to scale. Alongside this, the company must have at least one founder who self-identifies as Black or of Black heritage at C-suite level and above. Included in the programme are 12 broad masterclasses, ranging from hiring talent to understanding intellectual property. The accelerator also provides access to networking events and dedicated Barclays mentors.

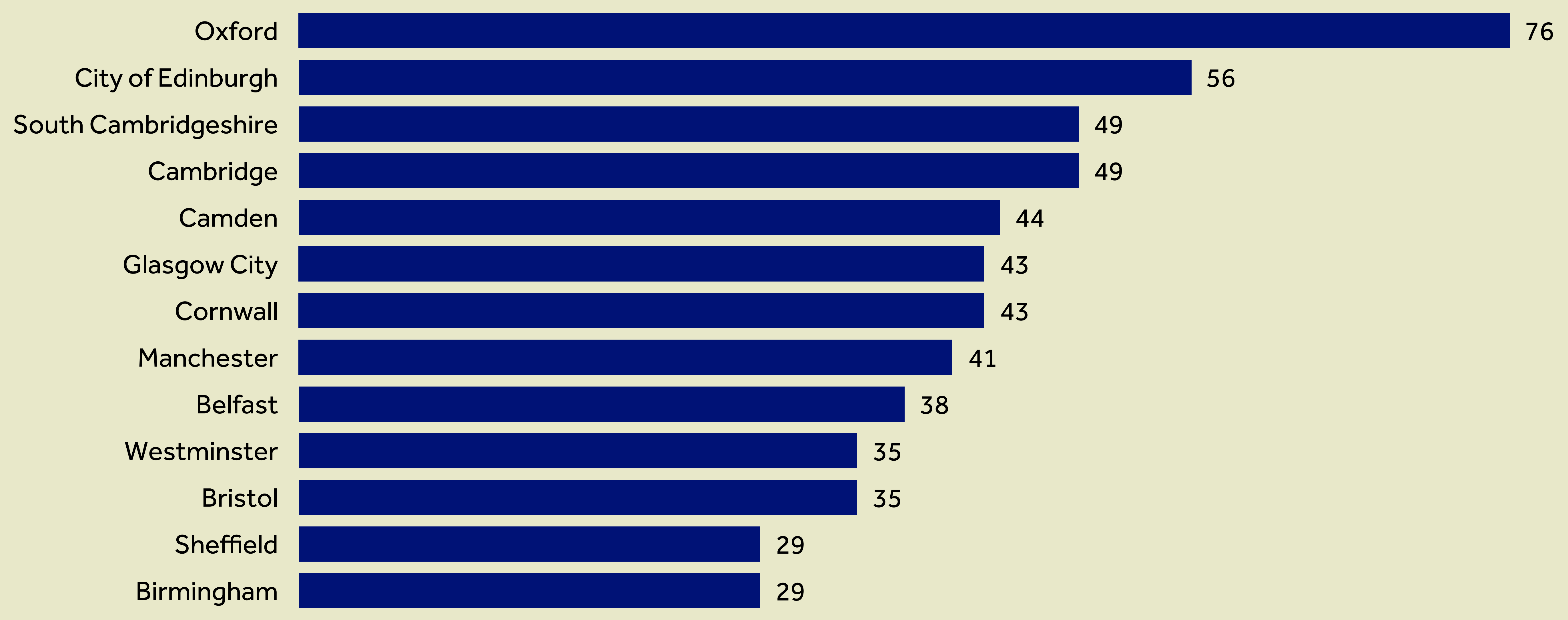
Active spinout population by local authorities

Unsurprisingly, Oxford (6%) and Cambridge (3.84%) rank highly among the top local authorities by active spinout population, with their respective universities being the top producers of spinouts each year. Alongside these top university cities, our list includes other large UK cities that are often home to multiple universities. This includes cities such as Birmingham and Glasgow, which host five and six universities respectively.

Ranking just outside of the top 12, Vale of White Horse has 24 active spinouts operating within its jurisdiction despite being responsible for producing just one. With its proximity to the city of Oxford, Vale of White Horse is in a prime location for businesses to attract talent, whilst removing some of the space constraints businesses may face being based in the city.

Vale of White Horse is also home to the Science Vale UK, whose facilities are likely an attractive feature for research-intensive spinouts.

Top local authorities by active spinout population (September 2023)

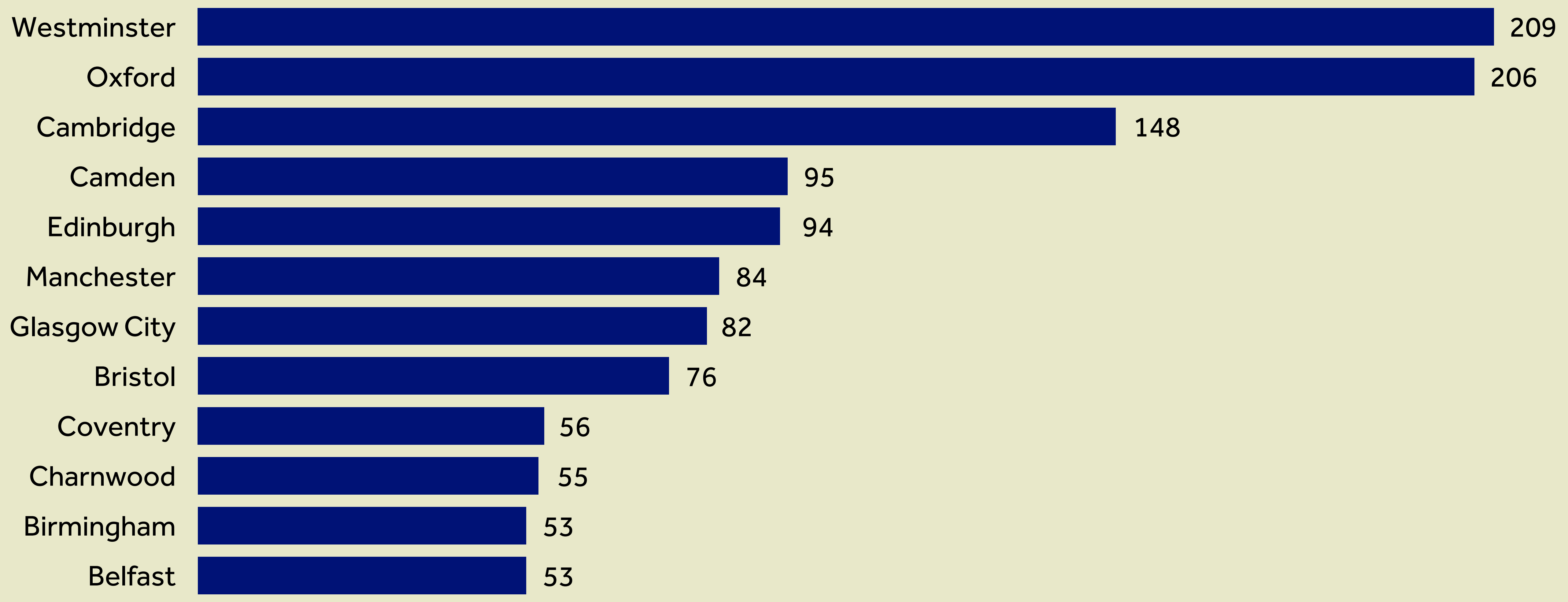


Spinouts created by local authorities

Spinout companies are the result of the commercialisation of university research or intellectual property. This explains why local authorities such as Oxford, Cambridge, and Westminster rank so highly, since they host world-class research institutions. These institutions have produced companies such as Osler Diagnostics, a biotechnology company that spun out of the University of Oxford in 2016. The company develops a portable diagnostic device that can test for a range of disease biomarkers. The Oxford-based firm has now raised £144m in equity investment via five fundraising rounds and has also been awarded £2.12m in grant funding.

The presence of all the local authorities in this list can likely be attributed to the universities that are located there. For example, Charnwood is home to Loughborough University and Manchester hosts five universities, which would have contributed to its high ranking status among UK local authorities. Spinouts are likely to emerge from universities with a strong research focus since these institutions are more likely to produce intellectual property that has the potential to become commercialised.

Top local authorities by number of spinouts created (September 2023)

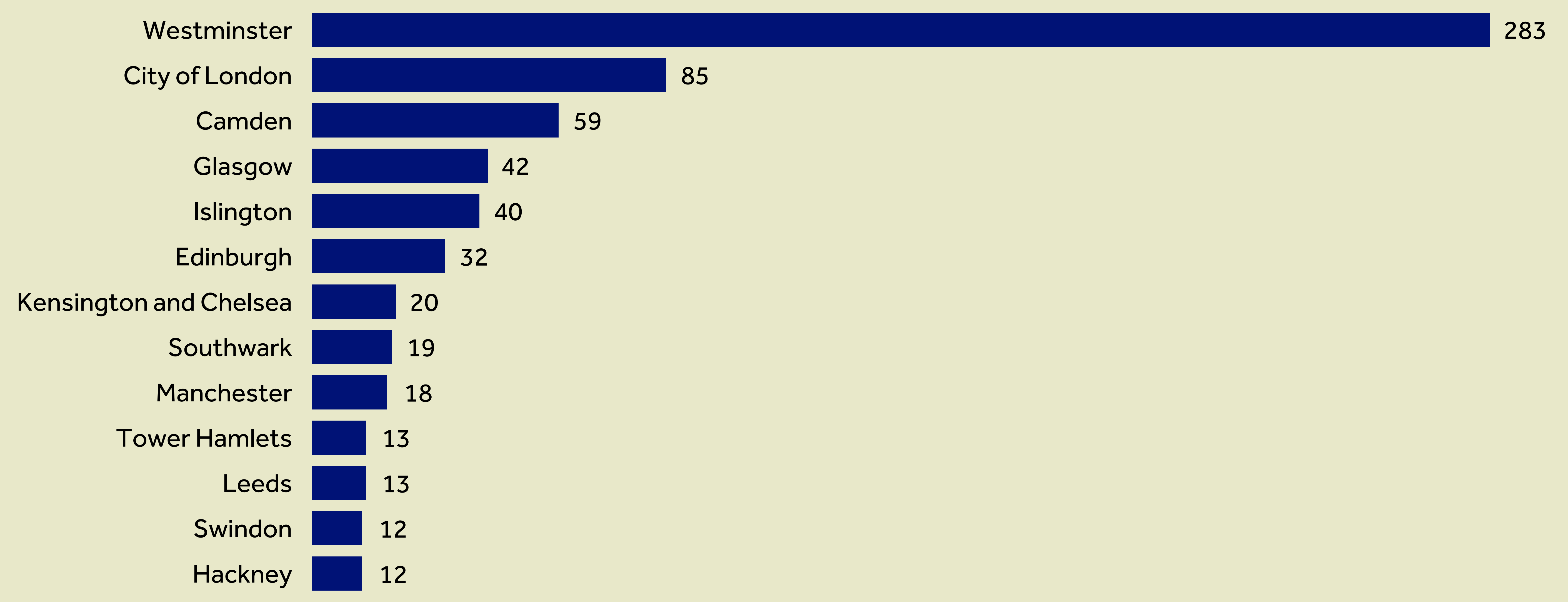


Investor headquarters by local authorities

By looking at the top local authorities for investor headquarters, we can identify the sources of equity fundraising rather than the destination. Westminster is home to more than three times as many investor headquarters (283) as the next highest-ranking UK local authority. The reason for this is likely linked to the fact that Westminster, as a local authority, is home to the highest population of high-growth companies in the UK. Investors may choose to locate here to be close to these companies, to build relationships with them and to better understand these businesses. Westminster has good transport connections linking it to the rest of London and across the UK. It also sits within London's political and regulatory hub. All London boroughs benefit from the fact that London is a global financial hub, which attracts foreign investment that can benefit domestic firms.

One perhaps surprising authority on this list is Glasgow. Glasgow appears to be a growing tech hub, which could be one of the reasons investors are attracted to the area. It has recently created three innovation districts, each of which has been designed to garner entrepreneurship and also provide accelerator programmes to support innovation. Investors may see the potential for high-growth tech firms to emerge from these innovation districts and so may wish to establish themselves there to take advantage of this in the future. The city is also delivering the Glasgow Business Growth Programme, which is funded by the UK Shared Prosperity Fund. The aim of this is to provide businesses with access to consultancy support to facilitate growth. Support of this kind will help grow Glasgow's business ecosystem thrive and may encourage firms from outside of the city to relocate there in the future.

Top local authorities for number of investor headquarters (September 2023)



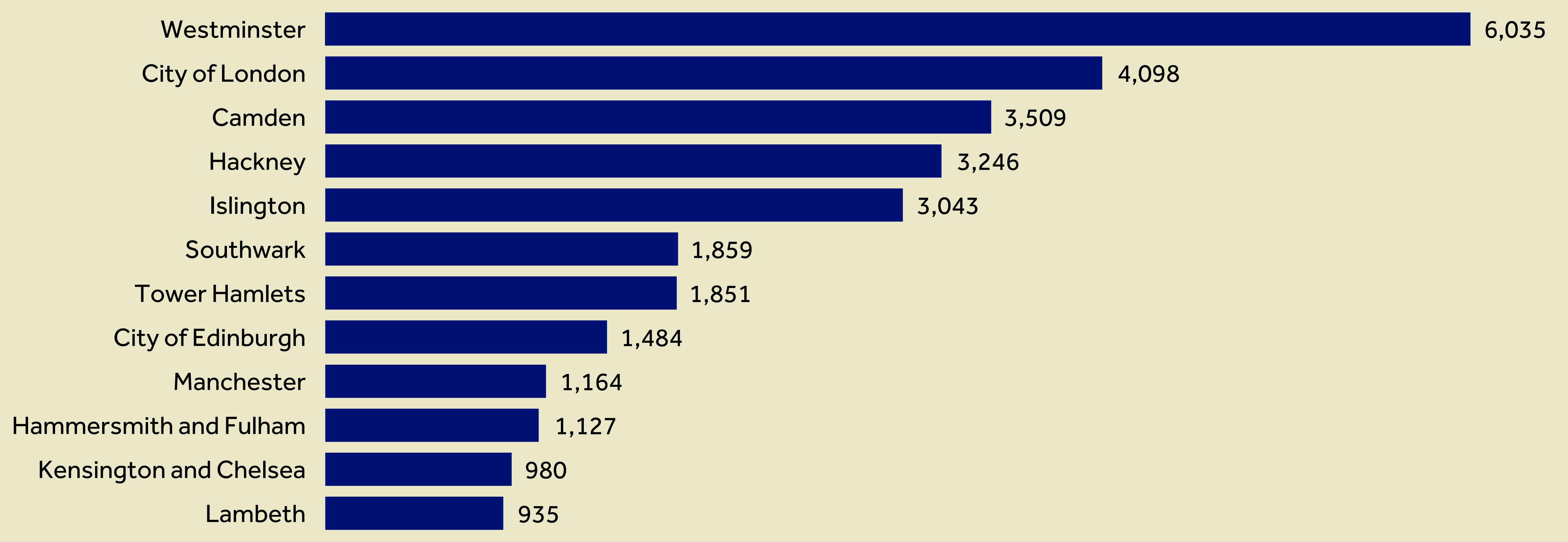
Number of investment deals by local authorities

The same five local authorities appear at the top of the equity fundraising metrics, both in terms of the amount raised and number of deals completed (Westminster, City of London, Camden, Hackney, and Islington). Naturally, this is related to the high number of companies based in these areas and the accessibility of local investors.

Some local authorities have also received large portions of their equity investment from a single fundraising. In 2022, Hackney-based online payments solutions firm Checkout.com, raised £730m in one equity finance deal, which contributed to 35.8% of Hackney's 2022 total and 9.39% of the borough's investment since 2013.

Companies in South Cambridgeshire and Oxford are also attracting large amounts of equity investment through relatively few investments. For example, South Cambridgeshire saw £4.41b worth of investment between 2013 and 2022, marginally more than Southwark, but did so with 1,000 fewer deals. This may be due to the significant number of spinouts in the area, which will benefit from the cutting-edge intellectual property they have developed or will be developing.

Top local authorities by number of equity fundraisings secured (2013–H1 2023)

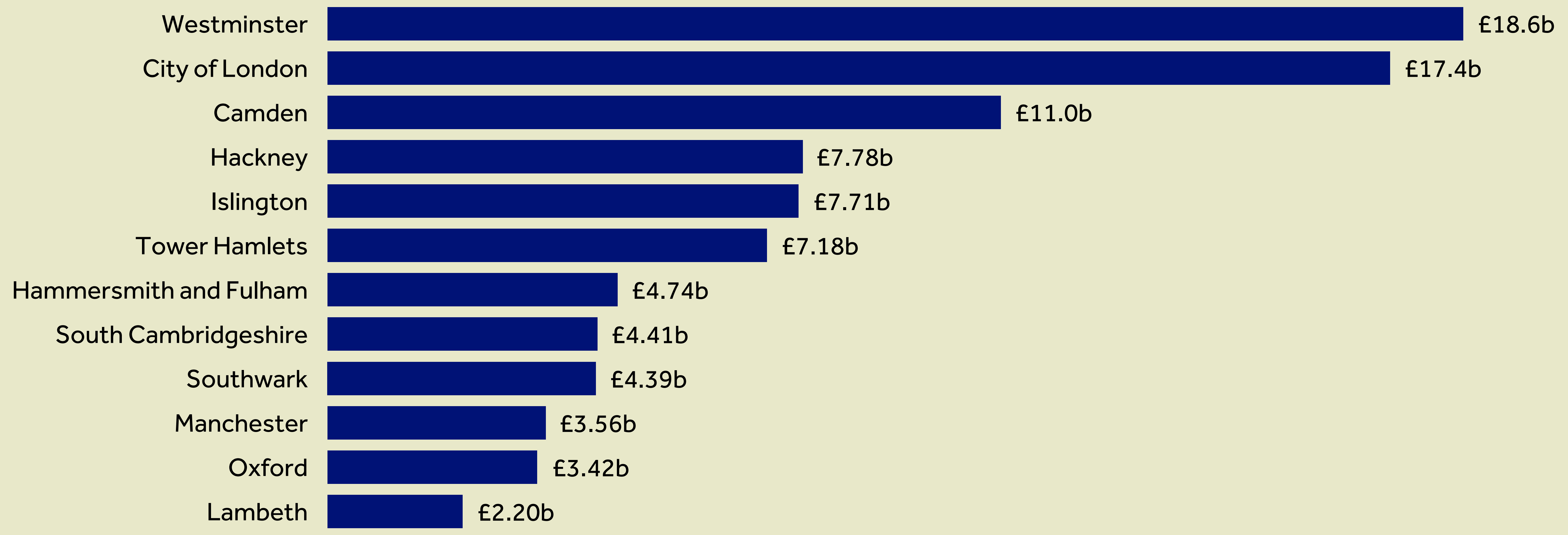


Investment value by local authorities

Since 2013, Westminster-based companies have received the highest proportion of equity investment among UK local authorities, securing 13.2% of all equity funding in the UK, followed closely by those in the City of London at 12.3%. Westminster-based provider of digital asset custody and portfolio management software, Copper, raised £191m in equity investment in 2022.

Various factors contribute to the large volumes of equity investment in London-based companies. This includes but is not limited to, readily accessible human capital due to its large population and talent from its many universities. London is also a top location for investor headquarters, meaning companies within its boroughs are close to investors, which may help boost their investment prospects. Other notable local authorities include South Cambridgeshire (3.12%), Manchester (2.52%) and Oxford (2.42%). The reason these authorities may gain higher levels of equity investment may be due to both their high spinout populations and their wider high-growth company populations, which naturally make them attractive investment opportunities. Tech companies have been popular investments over the past decade since companies within this industry often perform well, are innovative and can provide top returns on investment.

Top local authorities by total value of equity fundraising secured (2013–H1 2023)

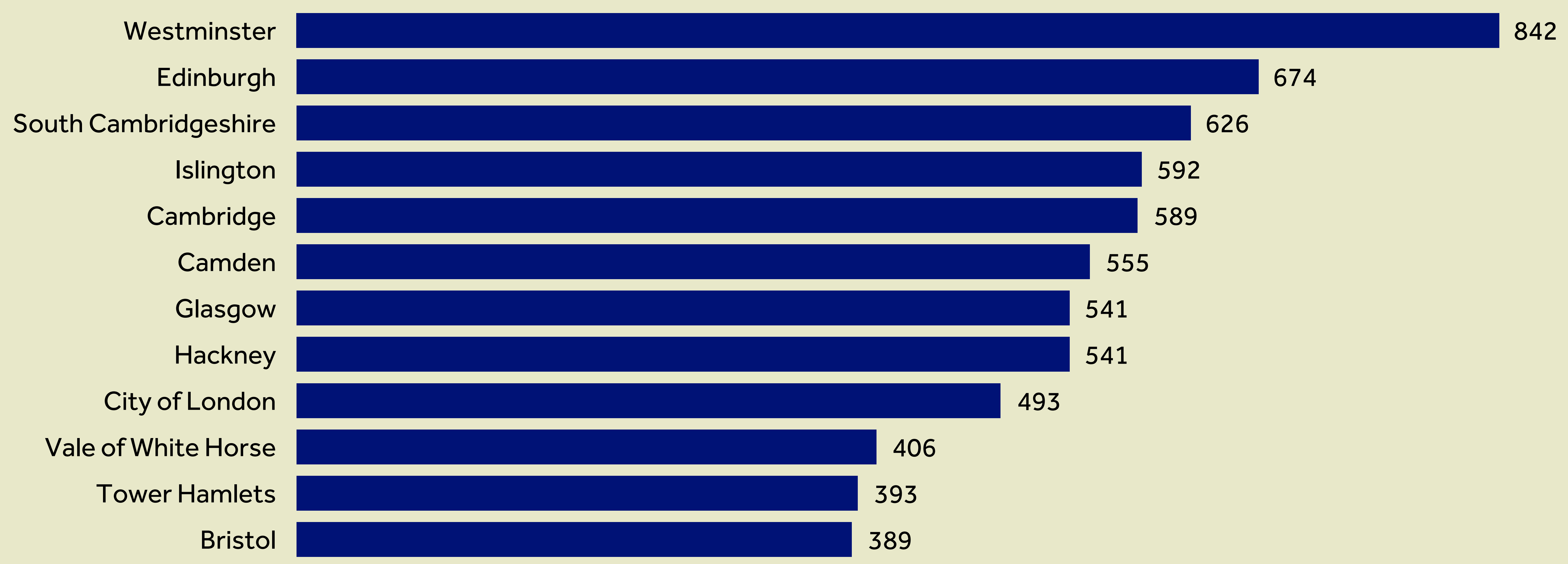


Number of grants by local authorities

Some local authorities rank very highly for grants received due to the the presence of a small number of prominent companies, that receive a large number of grants. Taking the London borough of Tower Hamlets as an example, it ranks second for the overall amount of funding received but 11th for the number of grants. This can be attributed to the presence of Starling Bank, a mobile-based current account provider, which aids users in budgeting and tracking finances, through the use of visualisation tools. These are all available via their mobile app.

In 2019, Starling received a £100m job creation grant, with the purpose of creating 398 new jobs. This single grant contributed to 48.7% of the total value of grant funding awarded to companies based in Tower Hamlets since 2013.

Top local authorities by number of grants received (2013–H1 2023)



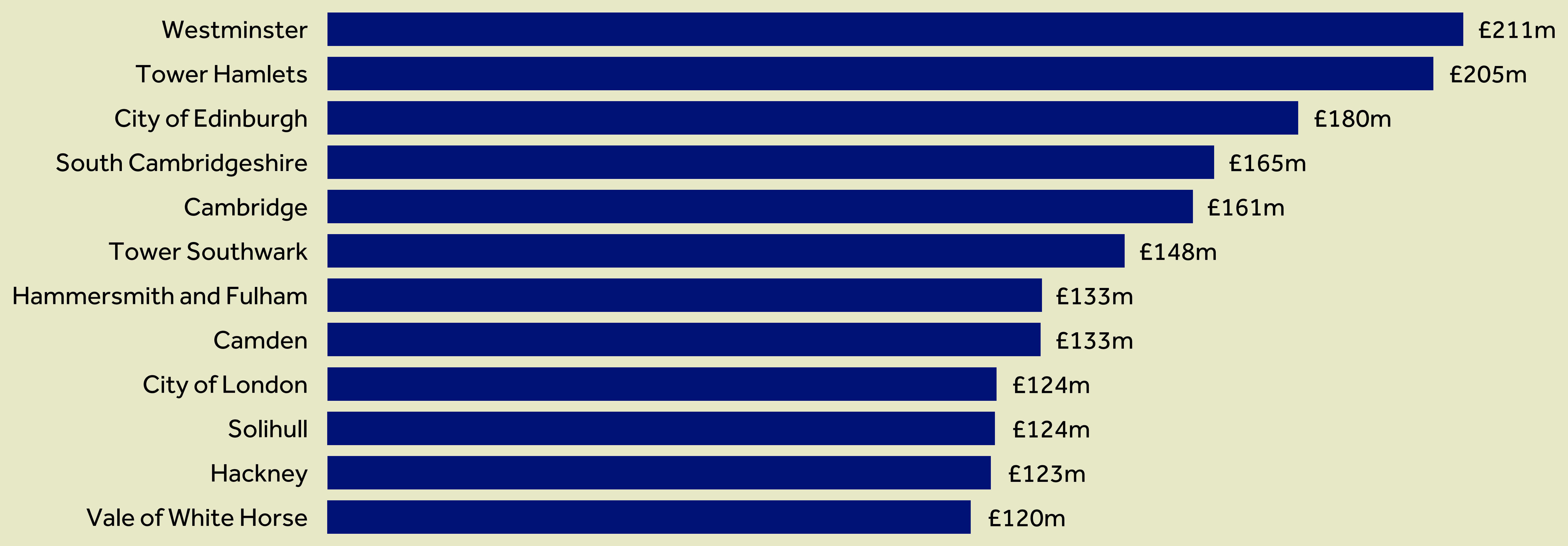
Grant value by local authorities

Of the top 12 local authorities in the UK for grant funding received, seven are London boroughs. When combined, these seven boroughs were awarded 18.2% of the total value of grant funding between 2013 and H1 2023. This continues the trend of London local authorities being top headquarters locations for companies. In this case, those that also attract significant amounts of grant funding.

In this ranking, we can see some other large cities, as well as local authorities with ties to universities. The latter may be popular destinations for grant funding due to the innovative nature of the companies that are established there. Additionally, these companies tend to be in the newer stages of development, with seed and venture-stage businesses being awarded 28.6% and 28.3% of the value of grants, respectively.

Solihull ranks 10th overall in the amount of grant funding received since 2013 but ranks 54th in the number of grants received. This has occurred because GNKN Aerospace's headquarters is in Solihull. GKN develops components and software which help to improve the efficiency of aircraft. Since 2013, GKN Aerospace has received 38 grants, totalling £112m. The top 14 grants received by Solihull-based companies went to GKN Aerospace, representative of 17.9% of the total grant funding awarded to companies within the local authority.

Top local authorities by total value of grants received (2013–H1 2023)



Methodology

Beauhurst identifies high-growth startup companies using eight triggers (outlined on this page) that it believes suggests a company has high-growth potential. More detail on Beauhurst's tracking triggers is available via its website.

Equity investment

To be included in our analysis, any investment must be:

- Some form of equity investment
- Secured by a UK company
- Issued between 1 January 2013 and 30 June 2023.

Announced and unannounced fundraisings

An unannounced fundraising is an investment made into a private company that is completed without press coverage or a statement from the recipient company or funds that made the investment. These transactions are an integral part of the UK's high-growth economy, accounting for around 70% of all equity transactions.

Grant funding

A company that has met our innovation grant trigger is one that has formally accepted a grant offer for a specific innovation project. The project's primary focus must be fostering 'New to the market' innovation, as opposed to other aims such as job creation. The grant must have been received between 1 January 2013 and 30 June 2023.

Academic spinouts

We define an academic spinout as a company that meets condition 1 and at least one condition out of 2-4:

1. The company was set up to exploit IP developed by a recognised UK university or research institution (this is broadly in line with the Higher Education Statistics Agency's (HESA) definition of a spin-off)
2. The institution owns IP that it has licensed to the company
3. The institution owns shares in the company
4. The institution has the right (via an options or warrants contract) to purchase shares in the company at a later date.

Scaleup

We class a company as a scaleup if it meets the Organisation for Economic Co-operation and Development (OECD)'s definition of a scaleup—20% average yearly growth in employee headcount or turnover, over a three-year period. We also track those growing by 10% or more, aligned with small high-growth firms' OECD / Eurostat definition. The 10% and 20% scale-up triggers are two separate triggers.

High growth triggers

- Equity investment
- Academic spinouts
- Scaleups
- High-growth lists
- Accelerator attendances
- Major grant recipients
- Management Buy-outs/ Buy-ins
- Venture debt

Barclays Eagle Labs

Barclays Eagle Labs is a growing national network that provides business incubation, dedicated growth programmes, mentoring, as well as co-working and office space for ambitious high-growth businesses.

By cultivating a community of like-minded entrepreneurs and providing a collaborative work environment, access to peers and opportunities to maximise growth through digital connections and growth programmes, curated events and funding opportunities, Eagle Labs is able to help startups to grow at pace.

Eagle Labs also specialises in positively disrupting key industries by bringing together key corporate players, industry bodies, leading universities and startups to enable rapid innovation and investment by asking them to collaborate and currently have dedicated lawtech, healthtech, energytech and agritech industry-aligned programmes.

With various Eagle Labs dotted all across the UK and many more in the pipeline, our focus is to help to connect, educate, inspire and accelerate ambitious UK businesses and entrepreneurs.

Find out more at labs.uk.barclays.

Beauhurst

Beauhurst is a searchable database of the UK's high-growth companies.

Our platform is trusted by thousands of business professionals to help them find, research and monitor the most ambitious businesses in Britain. We collect data on every company that meets our unique criteria of high-growth; from equity-backed startups to accelerator attendees, academic spinouts and fast-growing scaleups.

Our data is also used by journalists and researchers who seek to understand the high-growth economy. It also powers studies by major organisations—including the British Business Bank, HM Treasury and Innovate UK—to help them develop effective policy.

For more information and a free demonstration, visit beauhurst.com

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Before you go

Get in touch if you would like to find out how we can support you and your business. We'd love to hear from you.

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