



FUNDING ROUTES OVERVIEW

A plain-English map of SME finance options — from first idea to investment readiness
GUIDE 02

Every business need has more than one route to fund it.

This guide gives you a clear, practical map of the main funding routes available to businesses at different stages. It is designed to be read alongside Guide 01 (Business Finance Fundamentals) and is best used after completing the Investment Readiness Self-Assessment. For each funding route we tell you what it is, who it suits, how much you can typically access, and what the key requirements are.

GUIDE 02 | Business Lincolnshire Finance Accelerator

Who this guide is for: any business trying to work out which type of finance — debt, equity, or grant — actually fits their situation.

YOU'LL GET

- Plain-English guidance tailored to Greater Lincolnshire businesses
- Practical steps, checklists and decision points
- A clear route into Accelerator support and adviser conversations

START: Use this guide alongside the Finance Accelerator resources and book a fully funded Funding Diagnostic Session when you are ready to discuss your options.

ABOUT THIS GUIDE

This guide gives you a clear, practical map of the main funding routes available to businesses at different stages. It is designed to be read alongside Guide 01 (Business Finance Fundamentals) and is best used after completing the Investment Readiness Self-Assessment. For each funding route we tell you what it is, who it suits, how much you can typically access, and what the key requirements are. At the end, a quick-reference table helps you match your situation to the right route.

How to use this guide

Start with the Quick Finder table below to identify the 2–3 routes most likely to suit your situation. Then read the relevant sections in detail. If you are unsure which routes apply to you, book a fully funded Funding Diagnostic Session with the Accelerator.

Quick Finder — match your situation to a funding route

My situation	Most likely routes to explore
I'm just starting out with an idea	Start Up Loan · Start-up grants · Personal savings · Friends & family
I've been trading 0–2 years and need cash to grow	Start Up Loan · Bank loan (if trading) · Overdraft · Small business grants
I need to buy equipment or vehicles	Asset finance — hire purchase or leasing
My customers pay slowly and I have cash flow gaps	Invoice finance or factoring
I want to develop a new product or technology	Innovate UK grant · R&D Tax Credits · Angel investment (SEIS)
I want equity investment to scale quickly	Angel investment (LBA) · MEIF II equity · Venture capital (larger businesses)
I've heard about the Midlands Engine Investment Fund	MEIF II — debt or equity depending on your stage
I want to fund growth without selling equity	Bank loan · Asset finance · Invoice finance · Grant (if eligible)
I'm a graduate founder with an early-stage idea	University enterprise funds · SEIS angels · Start-up grants · Graduate Track
I need to refinance or restructure existing debt	Bank refinancing · MEIF II · Corporate finance advice
I want to acquire another business	Acquisition finance · MEIF II · Private equity — take specialist advice

PART 1 — DEBT FINANCE ROUTES

Debt finance means borrowing money you agree to repay — usually with interest. You keep full ownership of your business.

	Start Up Loan	Bank Loan
What it is	Government-backed personal loan of £500–£25,000 at a fixed 6% interest rate, for new or early-stage businesses.	A fixed sum borrowed for a set term (typically 1–10 years), repaid in regular monthly instalments.
Who it suits	Businesses trading under 36 months, or pre-start. Sole traders, partnerships and limited companies can all apply.	Established businesses (usually 2+ years trading) with a clear purpose for the funds and demonstrable ability to repay.
Typical amount	£500–£25,000 per applicant (co-founders can each apply)	£10,000 to several million, depending on lender and business
Key requirements	Business plan, cash flow forecast, personal credit check	2–3 years' accounts, forecast, business plan, credit history; larger loans often need security
Watch out for	It is a personal loan — it appears on your personal credit file	Arrangement fees, early repayment charges, personal guarantees

	Overdraft & Revolving Credit	Asset Finance	Invoice Finance
What it is	Flexible borrowing attached to your bank account — pay interest only on what you use	Finance to acquire equipment, machinery, vehicles or technology — the asset secures the lending	Releases cash tied up in unpaid invoices — a provider advances 70–90% of the value immediately
Who it suits	Businesses managing short-term cash flow gaps	Any business needing expensive physical assets	B2B businesses with slow-paying customers, usually £100k+ turnover
Typical amount	Often £5,000–£100,000 for SMEs	Broadly matches the cost of the asset	A service fee plus a daily discount charge on advanced funds
Watch out for	Repayable on demand — not for long-term borrowing	Under hire purchase you are not legal owner until the final payment	Long contract tie-ins; customers may be contacted by the provider (factoring)

PART 2 — EQUITY FINANCE ROUTES

Equity means selling a share of your business in exchange for investment. No repayments — but the investor owns part of your future success.

	Angel Investment (LBA)	MEIF II	Venture Capital
What it is	Individual investors using their own money, typically for equity. Angels often bring experience and networks too.	A publicly backed investment fund covering the Midlands including Greater Lincolnshire, via specialist fund managers.	Professional funds managing institutional money, investing for significant returns within 5–7 years.
Typical amount	£25,000–£500,000 per round (angels often co-invest)	Smaller loans (£25k–£100k) · Debt (£100k–£2m) · Equity (up to £5m)	£500,000 upwards — most VCs have a minimum deal size
Key requirements	Credible pitch deck, financial forecast, clear ask, strong team	Viable business plan, financial forecasts, evidence of market opportunity	Proven revenue traction, large addressable market, ambition to scale
Tax incentives	Most qualifying investments attract EIS or SEIS relief	—	—
Greater Lincolnshire	Lincolnshire Business Angels (LBA) is the regional network; the Accelerator works directly with LBA	The Accelerator maintains direct links with MEIF II's appointed fund managers	Typically post-angel investment; the Accelerator can advise on readiness

PART 3 — GRANTS & NON-REPAYABLE FUNDING

Grants are funds you do not repay — but they come with conditions, competition, and often match-funding requirements.

	Innovate UK	Local & Regional Growth Grants
What it is	Competitive grants from Innovate UK (part of UKRI) for businesses developing new technologies, products or processes	Grants from local authorities and government-backed programmes targeting growth, jobs and capital investment
Who it suits	Innovation-led businesses, tech start-ups, and established businesses investing in R&D	Businesses creating jobs, investing in premises or equipment, or in priority sectors
Typical amounts	£25,000 feasibility grants up to multi-million-pound collaborative projects	£1,000–£100,000 depending on scheme; most require match funding
Watch out for	Applications are competitive — align language to HMRC/UKRI definitions	Reporting requirements and clawback provisions if conditions are not met

R&D Tax Credits

Separate from grants: if you spend on qualifying R&D, you can claim a tax credit from HMRC regardless of grant status. See Guide 11 for full detail.

Start-up & sector-specific grants

Smaller grants for new businesses or specific sectors — agriculture, creative industries, hospitality, digital and more. Examples include the Farming Investment Fund, Creative Industries clusters, low-carbon and sustainability grants, and social enterprise funds. Typical amounts run £1,000–£25,000. Use the GOV.UK business finance finder to search current grants, and sign up for Business Lincolnshire newsletters for local scheme alerts.

PART 4 — OTHER & SPECIALIST FINANCE ROUTES

	Crowdfunding	Friends, Family & Bootstrapping
Types / what it is	Reward crowdfunding (Kickstarter-style) · Equity crowdfunding (Crowdcube, Seedrs) · Debt / peer-to-peer lending	Using personal savings, or informal investment from people you know, to fund the early stages
Who it suits	Consumer-facing businesses with strong brand appeal, or growth businesses (equity platforms)	Very early-stage businesses not yet ready for formal finance
Watch out for	Failed campaigns are public; platform terms and fees vary significantly	Always document informal investment in writing, even with family

Mezzanine finance

A hybrid of debt and equity, typically a loan that includes equity 'warrants' or converts to equity if not repaid. MEIF II does not offer mezzanine finance directly — specialist mezzanine lenders operate in this space for established businesses undertaking significant growth, acquisition or buyout (£500,000–£5m+). Take professional corporate finance advice.

PART 5 — CHOOSING & COMBINING FINANCE

Most businesses use more than one type of finance. Understanding how routes can be combined — and what funders expect from each other — is important.

Combination	When it works well
Grant + loan	Fund the R&D or capital element with a grant; use a loan for working capital or equipment that doesn't qualify for grant
Angel investment + Start Up Loan	Angel provides growth capital; Start Up Loan covers early-stage working capital or founder salary
Asset finance + overdraft	Buy the asset on hire purchase; use the overdraft for day-to-day cash flow
MEIF II + bank loan	MEIF II fills the gap where bank lending alone is insufficient — often used together for growth investments of £200k–£2m
Invoice finance + bank loan	Invoice finance addresses cash flow timing; the bank loan funds a one-off capital investment
Angel + MEIF II equity	Angel invests first (SEIS), MEIF II follows in a subsequent round (EIS) — a common structure for scale-up businesses

Your next step

Not sure which route is right for you? Book a fully funded Funding Diagnostic Session with the Accelerator. Our advisers will review your situation, help you identify the most suitable funding routes, and build a practical action plan.

Useful resources from the Accelerator

Resource	What it helps with
Guide 01: Business Finance Fundamentals	In-depth explanation of debt, equity and grants
Investment Readiness Self-Assessment	Understand where you stand before approaching investors
3-Year Financial Forecast Template (Excel)	Build the forecasts funders expect to see
Cashflow Forecast Template (Excel)	Manage your cash position and demonstrate viability
Investment Pitch Deck Template (PowerPoint)	Structure your investor presentation
Investor One-Pager Template	Create a concise summary for initial investor introductions

START YOUR JOURNEY TODAY

Visit our website to learn more and access support

Ready to move forward?

The Business Lincolnshire Finance Accelerator gives you the knowledge, tools and expert support to understand your options and prepare to access funding at the right time, in the right way.

FIND OUT MORE

- Book a fully funded Funding Diagnostic Session
- Access Finance Accelerator tools and templates
- Speak to an experienced Business Lincolnshire adviser

FIND OUT MORE



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