



Communications and Digital Committee

Corrected oral evidence: Scaling up: AI and creative tech

Tuesday 10 December 2024

2.30 pm

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Members present: Baroness Stowell of Beeston (The Chair); Lord Dunlop; Lord Hall of Birkenhead; Baroness Harding of Winscombe; Baroness Healy of Primrose Hill; Lord Kamall; Lord Knight of Weymouth; The Lord Bishop of Leeds; Lord Storey; Baroness Wheatcroft.

Evidence Session No. 8

Heard in Public

Questions 107 - 129

Witnesses

[I](#): Sir Chris Bryant MP, Minister for Creative Industries, Arts and Tourism, Department for Culture, Media and Sport; Feryal Clark MP, Parliamentary Under-Secretary of State for AI and Digital Government, Department for Science, Innovation and Technology; Baroness Gustafsson OBE, Minister for Investment, Department for Business and Trade and HM Treasury.

USE OF THE TRANSCRIPT

This is a corrected transcript of evidence taken in public and webcast on www.parliamentlive.tv.

Examination of witnesses

Sir Chris Bryant MP, Feryal Clark MP and Baroness Gustafsson.

Q107 **The Chair:** This is the Communications and Digital Committee, and this is our final public hearing as part of our scaling-up inquiry. We are very pleased to have Ministers in front of us from a range of departments across Whitehall. We have Chris Bryant, I suppose today primarily with his DCMS hat on, representing the creative industries as their Minister. We also have Feryal Clark, the AI Minister from DSIT, and we welcome Baroness Gustafsson, who is a new Member of this House as well as a new Minister, in the Department for Business and Trade and in the Treasury. We are very pleased that we have all bases covered.

We have a range of types of questions that we want to cover. Before I get into the topic of scaling up specifically, can I come first to you, Ms Clark? What is the current timeline for publication of the AI opportunities plan, the consultation on the AI regulation Bill and the consultation on the copyright measures? I know that a lot of people have been waiting for those to be published, and I think the sense of delay reflects a concern about whether the Government really do grasp the urgency, given the pace of change in this area. Can you give us an update on those, please?

Feryal Clark MP: Thank you, Chair. It is an absolute privilege to be in front of the committee in my first appearance as a Minister before any Select Committee. As you said, I am the Minister with responsibility for AI, among other things. Since I took up the role in July, we have been very busy and working on the three areas that you mentioned.

The Government were very keen to kick-start an era of economic growth using AI, hence we were keen to identify those opportunities and the barriers. That is why we got Matt Clifford to undertake the piece of work that you mentioned, the AI opportunities action plan. That work has been completed, and we hope to come forward with it in due course.

As you will understand, I am not able to set out times, because timelines move and I do not want to be in a position where I give the wrong information to the committee. So that work is completed, and it will come forward soon.

On the AI regulation, you are absolutely right: we set out in the King's Speech our intention to legislate and bring new binding requirements on a handful of companies that develop the most powerful artificial intelligence models. We have been talking to stakeholders and civil society at a number of round tables, and we will hope that work will be announced in due course. We hope it will be soon, but unfortunately I cannot give you a timeline.

I will ask my colleague Chris to talk about AI and copyright, because we have been working very closely together on that piece of work. As you say, there is a huge sense of urgency. We know that there were calls on the previous Government to come forward with measures to clarify the confusion and uncertainty that existed over copyright and AI, and it was

one of the first things that Minister Bryant and I started working on as soon as we were appointed. Again, we have engaged with stakeholders over a number of months, and we have developed a number of measures that we are hoping to put to consultation soon. I will pass over to Chris to say a bit more, if that is okay.

The Chair: We do not need to get into the detail. We just want know when it will be published.

Sir Chris Bryant MP: I am really glad that you do not want to get into the detail. That is excellent news. The Secretary of State for Culture, Media and Sport told the DCMS Committee about an hour ago that the AI copyright consultation will be soon, if not very soon. So that stands: it will be soon, and it may be very soon.

To answer your specific question about urgency, we are very aware of the urgency. We want to act as fast as we can, not least because, as I know, there are people in your House who are looking at the data Bill and saying, "Maybe we should amend the data Bill to bear in mind some of the copyright issues". I see people nodding around the table. We hope that what we produce in the next short time will help people to focus their thoughts on that.

The Chair: Will any of the three things that I mentioned—the AI opportunities plan, the copyright consultation and the AI regulation consultation—be published before Christmas?

Sir Chris Bryant MP: The AI copyright one will be published soon, if not very soon. I cannot do any better than that. I know that "soon" means many things in the parliamentary lexicon. Sorry.

The Chair: All right. It is just a shame if the AI opportunities plan is completed but not yet published, because there is a lot riding on that, and I do not really understand the delay.

Sir Chris Bryant MP: I think it is fair to say that we want to make sure that all these things roll out in a sensible order, and to get sufficient attention for everybody to understand the significance of all of them.

Q108 **The Chair:** Ms Clark, specifically on scaling up, you will know, I am sure, about the long-standing challenge to scaling up in the tech area. Could you tell us why you think what you are proposing will succeed where previous efforts may have not?

Feryal Clark MP: We know that AI is likely to be the defining technology of our generation, and that for the full benefits accruing to the UK to be realised it needs government intervention. That is why we commissioned Matt Clifford to develop an ambitious AI opportunities action plan to identify how we can use AI to drive economic growth and deliver better outcomes for people across the country. The action plan will set out for us exactly how we will do that. It looks at how we secure the necessary infrastructure, talent and data access, as well as the steps we will take to support AI adoption across the country. Setting those areas out with clear recommendations will ensure that the UK remains at the forefront

of AI and across the world, ensuring that the UK remains competitive when it comes to AI. That is what I believe the AI action plan will deliver.

The Chair: Okay. Although we do not have the action plan, we will certainly want to come back to some of the specifics that we would hope to see in it. We will talk about unlocking capital growth and some of the government-sponsored schemes that are involved in scaling up. Is there anything beyond the opportunities action plan that you want to highlight yourself in headline terms that would be different from what has gone before?

Feryal Clark MP: As a country, we have spent several years honing just the safety aspects of AI and possibly not spending enough time on the opportunities that AI presents. That is the step change with this Government. Although we absolutely recognise that we need to take the safety aspects of technologies such as AI into consideration, we as a Government are very much concentrating on the opportunities and on how we realise those as a nation and remove some of those barriers, whether in financing, infrastructure or a number of other areas, to ensure that AI flourishes in the UK.

The Chair: Thank you.

Q109 **Baroness Wheatcroft:** We have heard repeatedly from people who have given evidence that start-up capital is not a problem and that the UK does that very well, but scaling up is a problem, and it is a problem right across every sector. Do you think it is particularly a problem for AI and creative tech and, if so, do you think that the government moves to unlock UK capital will make any difference? Are there too many initiatives and not enough substance? Baroness Gustafsson, you have come from the outside world into politics and you know about raising money. Is what is being offered enough?

Baroness Gustafsson: That is an interesting question. Yes, my background is that I co-founded and led Darktrace, so forgive me: some of this will be based on my experience from that rather than my ministerial capacity. I am still relatively new to this, so forgive any missing of etiquette; it is just through clumsiness and naivety rather than any intentional disrespect.

Baroness Wheatcroft: We do not stand on ceremony.

Baroness Gustafsson: So are we doing enough? You are right in that the at-scale financing is the real key. We see that in the way businesses are staying private for so much longer; they are not turning to the public markets to reach that capital. So that pool of public money is not accessible in the same way, and these fast-growth businesses meet such a bigger scale so much faster that you need to fund that through much bigger pockets of capital.

Whether we are doing enough remains to be seen and will be tested, but we are definitely moving in that direction. Things like the pensions reforms, for example, are all about how we unlock these huge amounts of money and make them available for these organisations. So we have

done the pension reforms and have unlocked that. The next piece is how we make them available.

This is where things like the British Growth Partnership come in. As the Government, we acknowledge that we should not be the ones financing this at-scale money, but how do we seed and catalyse those pools of capital to cluster in and make that available? That is what the British Growth Partnership is all about. The Government will come in and seed 20p for every pound, with that remaining 80p coming from those pools of capital, the goal being that we can coalesce much more significant pockets of funding available for the at-scale businesses.

Baroness Wheatcroft: You said yourself that the money that is needed is exponentially larger in these fast-growth companies. Actually, the money that the British Growth Partnership is talking about is pretty small scale compared with what is available in the States, for instance. Do you think we are being ambitious enough?

Baroness Gustafsson: All big things start with small things. You need to start somewhere, and I think it is inappropriate to assume that the Government themselves will be the ones who are financing this at-scale funding. It is not the appropriate place for government to do that, but it is an appropriate place for government to send the signal that this needs to be done and catalyse the movement. That is what this partnership is a demonstration of. It is about the direction of travel and saying, "This is what we want. We want these pools of capital here. This is something that we want to see established". That is the message that is getting out there, and its success will hopefully be that that continues to grow but you will see further funds, whether through venture capital or private equity, coalescing here in the UK around that initiative.

Baroness Wheatcroft: In France, the encouragement was provided with the Tibi scheme. It seemed—indeed, we heard—that the Government were going to embrace an equivalent of that scheme. It seems to have gone quiet. Is it going to happen?

Baroness Gustafsson: I am not familiar enough with the French scheme to be able to comment on it. I do not know whether my colleagues would be able to.

Sir Chris Bryant MP: No. On a slightly different point, although it sits alongside it—I know that Minister Gustafsson has had a different experience from what I am about to relate—when I went to meet with young tech entrepreneurs at Leeds tech week, they said that there are two things that you need to be if you want to find finance for scaling up: number one, living in London; and number two, a man. Every person in the room cited this, including the men.

So there are structural issues that we need to look at. I also have responsibility for the creative industries, and tech is part of the creative industries. We need to look quite closely at how R&D finances are accessed—and, for that matter, how tax relief is accessed—by the creative industries. Some parts of the creative industries do this

remarkably well, but others, including very high-profile elements such as video games, film, high-end television and theatre, do it very poorly.

We need to think hard about how we make sure that that changes in future years if we are to grow this part of the economy successfully. Part of that lies in something that the previous Government did, which was the creative industries clusters, which has been a very successful project. We have just announced two more. However, we also need to look at mini-clusters. The advantage of the clusters is that you can bring academia, business, the private sector, every sector together in a community and have economies of scale, networking opportunities and so on, but we need to replicate that in some of the mini-clusters, some 700 of which we have around the UK.

The Chair: We will come back to clusters and R&D in more detail in a moment.

Q110 **Baroness Wheatcroft:** Can I take you back to the first point you raised about having to be male and based in London? You said there were structural things that needed to be dealt with. How on earth do you propose to deal with those two points?

Sir Chris Bryant MP: We are going to end prejudice in society.

Baroness Wheatcroft: Excellent.

Sir Chris Bryant MP: Part of what we need to do—this is more in Minister Gustafsson’s area than mine—is a degree of education about how valuable the creative industries are in general to our economy. If I have a criticism of the previous Government, it is that at times it felt as though they devalued them. Actually, they account for something like 2.5 million jobs in the UK and £125 billion worth of GVA, possibly more now. We take these for granted at our peril, and we need to feed that through into the financial community in the UK as well.

Q111 **Baroness Wheatcroft:** We have heard that there is money available in lots of different pots, but it is very difficult to access the different pots or even to understand where they are. The British Business Bank said that it is trying to get to grips with that, but can you speed it up?

Baroness Gustafsson: I was hot off the press a few weeks ago doing the Invest in Women Taskforce, which is doing just that. Whenever there is a problem, the first thing to do is to shine a light on the problem—that is government’s role—and to expose the fact that 1.8%, I think, of funding goes to female-led businesses.

The question then is how you move that focus into action. The Invest in Women Taskforce was an example of that. The Government brought together a selection of funders and said, “Here’s the problem we are seeing. A light was shone on it. How do we unlock it?” Its convening power brought together £250 million of capital that is now available to invest in female-founded businesses. The goal with that is to start catalysing a selection of further investments that are there to support that and unlock some of that capital.

Baroness Wheatcroft: That is very cheering. Could you write to us to let us know whether there is any news on the equivalent of the Tibi scheme? That would be helpful.

Sir Chris Bryant MP: One of us will.

The Chair: It was in your manifesto that you were going to use that model. It would be helpful to know why you are not and what has changed.

Sir Chris Bryant MP: We will make sure that we write to you. I should say that the creative industries will be part of the industrial strategy, which is a really important part of ironing out a lot of these issues of access to finance for scale-up.

Baroness Wheatcroft: When do we get the industrial strategy?

Sir Chris Bryant MP: We are putting together all our paperwork for it at the moment, and it will crack on in earnest in January.

Baroness Wheatcroft: I look forward to it. Thank you.

Q112 **The Chair:** Before we turn to Lord Knight, who will talk more about some of these schemes, can I just step back a bit? As much as I am all “Up the ladies” and everything, we have heard from witnesses that there is a lack of specialist skills among investors in terms of understanding the industry, whether it is AI scale-ups or creative tech. Baroness Gustafsson, are you conscious of that? How might the Government see a way to addressing that issue, which is about the actual skills among the investors, and that being a barrier to some of them, whether it is in the pension funds or even among some of the VCs?

Baroness Wheatcroft: Let me add, to speed things up, that there is also a lack of risk appetite.

Baroness Gustafsson: On skills, experience contributes to skills, and if we lack that experience, that is why we see a lack of skills there. To try to plug that gap we have the VC fellowship, which is all about how we introduce those skills. It is an initiative by the Government to provide those skills and that education, which will hopefully unlock some of that aspect.

I will also comment on my own experience of Darktrace and skills. We often saw, and this was my personal experience of scaling a business, that it was the skills required for running a business at scale and that came from scale that was not necessarily innovation and product-related—for example, finding a chief finance officer who has IPO-ed a company before, or a general counsel who has publicly listed before—that were not readily available, and we brought a lot of those skills over from the US.

I wanted to make that point, because sometimes when we think about skills we think about people building a product. That is a really useful skill, but, when it comes to running a business at scale, it is that broad range of administrative skills that is required.

Baroness Wheatcroft: What we are interested in at this stage is the

skills and knowledge of the investors.

Baroness Gustafsson: That is where the venture capital fellowship comes in, which is about how we contribute to that skills deficit.

Q113 **Baroness Wheatcroft:** Since you are talking about your experience, can you say why the company had to sell in the end?

Baroness Gustafsson: Ultimately, it is a decision for stakeholders. You have your status quo: this is the path where the business looks as it is and this is what we expect to be able to happen, this is the alternative path that is being offered, and you have a responsibility to provide that return to shareholders. You come to a point where you feel that path A is preferable to path B, and as soon as the offer tips over that point, your obligation is to make sure you are realising that money for your shareholders.

Baroness Wheatcroft: Is it because other countries put a higher value on companies than this country does?

Baroness Gustafsson: In this instance, the external private equity was putting a higher offer than was being recognised in the public markets.

Baroness Wheatcroft: That is what we have heard repeatedly too.

Sir Chris Bryant MP: Let me just say something about skills in video games. The videogames industry repeatedly tells me that it has a very large number of vacancies. They are not entry-level vacancies; they are people five or 10 years in, with some degree of managerial responsibility. Of course, in the end, that is mainly the responsibility of the industry itself, and it knows that it has to do a great deal more work in that area. We can convene and help, but in the end it is for industry to resolve those issues.

Q114 **Lord Knight of Weymouth:** I want to continue to explore, particularly with the noble Baroness—we are delighted to see her here—the numerous government-backed schemes and whether they are meaningful for AI and creative tech companies with high-growth potential. We heard from UKRI last week, and in its evidence to us it said that it was working to develop a more coherent pathway, and that government often tells it to stop doing things and suggests that more long-term thinking is needed.

How do you see that sense of a coherent pathway emerging between the grant finance, which at times feels really bureaucratic to access from Innovate UK or from others in UKRI, and the leap that is then made to loan finance from the British Business Bank and those within that orbit, before we get into accessing private finance for investment?

Baroness Gustafsson: It is a worthy challenge, because you do not want to drop the baton between the two, and I suspect there will be a number of examples of where businesses have fallen between the gap.

You have to see the hand-off between UKRI, for example, and the British Business Bank. At this point, this is definitely a challenge that has been identified. An MoU has been written between those two organisations to

say, “We’re acknowledging that this as a problem. How do we set out a process to try to minimise the risk of dropping the baton between those two?” That has just been done. We are yet to be tested on whether those procedures and what we have laid out will be sufficient to prevent that happening, but it is definitely an area that has been identified.

Lord Knight of Weymouth: Do you have any hunch as to how to resolve that? We have had some suggestion that Innovate UK might get into some loan finance as well as grant aiding. Is it that we just need to make the bureaucracy easier?

Baroness Gustafsson: I think it is just a consequence of greater collaboration between the two.

My nervousness, when I hear about whether to do investment financing in UKRI rather than just grant funding, is that you are just pushing the problem slightly further downstream. At some point, to unlock scale you will have to hand over to the British Business Bank, so you have to resolve the problem of how you hand off effectively.

Lord Knight of Weymouth: Do you think the British Business Bank is adding enough value for the amount of money that is going through it?

Baroness Gustafsson: Yes, I do. British Patient Capital, which is the part of the British Business Bank that is doing that, is commercially financing a lot of these investments and is creating returns that are marginally better than standard returns in the industry. So I feel like it is doing two things: good accountability for public money and making sure that that money is put into places that are driving sufficient economic return, and unlocking the problem of how we get the scale-up capital to businesses that are in need of it and are unable to source it elsewhere.

Lord Knight of Weymouth: How do you respond to some of the criticisms you might have heard, which is that, in the end, particularly with the work that it is doing with pension funds, it is just going with relatively safe investments in areas like biotech rather than in AI and creative tech, which is what we are focused on? Particularly in creative tech, there is a concern that the ROI is inevitably a little bit less, so it is slightly less attractive on conventional ways of measuring it, even though it is really important to our economy and to the country generally.

Baroness Gustafsson: We are historically risk averse—I think that is a cultural thing rather than necessarily a governmental one. But more growth requires more risk. We need to be able to take those measured risks, and I feel that government’s role in this is making sure that if the worst were to happen, you would protect people from that.

Q115 **Lord Knight of Weymouth:** We have also seen some discussion of Innovate UK’s partnership with the London Stock Exchange Group. You mentioned earlier in response to Baroness Wheatcroft unlocking access to all that private capital through listing. To an extent, you have touched already on whether we get the returns here in the UK through listing. Is not there a sense that, actually, if you want to IPO and get a really good return, you inevitably go to the United States, because it understands

the AI world far better than we do in London? Perhaps there is even your own experience at Darktrace, where you IPO-ed, the value fell pretty rapidly, and it ended up being bought up by foreign ownership for all the good reasons that you have identified.

Baroness Gustafsson: It is easy to look at this challenge and think that there is a silver bullet to fix this if only we look hard enough. The reality is that this starts with a cultural tone, and money and investment will follow confidence. Perhaps you could argue that there is a lack of confidence here in the investment community, and we need to address that. How do we instil that confidence back into the UK? There are so many great things happening here. How do we build on that success and create a little bit of a sentiment change around that?

The reality is that if you are a UK scaled-up computer games business and it is flourishing, you will not necessarily access the same returns by listing in the US by virtue of being an alien asset. So as a nation we have to make sure that there is a good path for businesses, once they have scaled, to reach the public markets. Otherwise, we are doing those British companies a disservice, because they cannot necessarily get the same valuation in the US by virtue of being an alien asset, and if we do not instil the confidence back into the UK investment infrastructure, you will not necessarily see that here either.

Sir Chris Bryant MP: It is just worth noting that Canal+, which is pronounced Canal "ploos", not Canal "plus"—

Lord Knight of Weymouth: Je comprends.

Sir Chris Bryant MP: —will be listing on the London Stock Exchange tomorrow. It has a £7 billion book value.

Baroness Gustafsson: It is very exciting.

Lord Knight of Weymouth: When we were in San Francisco, British founders who are now based over there essentially said to us, "You can get on a plane and access finance over here. You can register your company in Delaware, set up a US entity and off you go".

Baroness Gustafsson: Absolutely you can, or you can do that here. These are all options that are all available to us as international companies. But the UK has a special place. It has some seriously capable people coming out of some of the best universities in the world. I feel that there is a real opportunity for the UK to drive the data infrastructure to make it one of the best places in the world to be able to grow and scale a technology company. We just have to want it and set that level of ambition so that it coalesces money behind it.

Q116 **Lord Knight of Weymouth:** We are all at one with that. The digital growth grant that is currently run by Barclays is up for some evaluation. How will Ministers evaluate how well that is working and what impact it is really having?

Baroness Gustafsson: Could you just repeat the name of that one?

Lord Knight of Weymouth: There is a complexity of them, is there

not? It is quite difficult. The digital growth grant, which is currently being run by Barclays Eagle Labs, is predominantly focused on supporting founders and start-ups. It is a £12.2 million fund. You can always write to us if that is easier.

Sir Chris Bryant MP: We will have to.

Baroness Gustafsson: It is not something I am familiar with.

Feryal Clark MP: Can I comment on the confidence about AI as part of the UK economy? At the recent International Investment Summit, £23 billion of the £63 billion of investment that was announced there was in AI. We can see that there is huge interest from international companies in the UK at the moment, and we remain the largest tech ecosystem in Europe, so we can continue to be proud. Yes, absolutely, there are huge barriers, which have been highlighted by a number of the witnesses who have come before you, and it is our role as a Government to ensure that we remove those barriers one by one. But there is definitely a change of attitude when it comes to confidence in the UK's AI sector.

Baroness Gustafsson: This is my passion subject. In the UK, we are so good on AI because we have some of the skills coming out of university, but also the AI regulation here is seen to be very pragmatic, allowing people to experiment and innovate while being protected by really strong data regulation. It is a real asset to us in the UK that you can use this tech to figure out how to unlock complicated problems, but the consumer is really protected and our data regulation is world-class.

Q117 **The Chair:** Picking up on what Ms Clark said about the inward investment, I think we acknowledge that as a committee, but we are also concerned about the UK not becoming a sort of incubator economy for the US and others to benefit from. That is the challenge here.

While we are talking about the British Business Bank and the different schemes that it is responsible for, in addition to the one that Lord Knight asked Baroness Gustafsson about, could you tell us more generally, Ms Clark, how you plan to hold the British Business Bank to account and satisfy yourself that the various different schemes that it is running are delivering in the way you as the Government would want them to?

Feryal Clark MP: As has been said by a number of your witnesses, the landscape of different pots of funding can be quite confusing for businesses. Whether it is regulation or funding, it is a huge landscape and we need to make sure that we streamline that and make it easier for businesses to access. We are working with colleagues in the Department for Business and Trade on that, and we are looking at how well the various schemes are doing. I have not had the opportunity to look at the performance of the various schemes, but we will do that going forward.

The Chair: It would be reassuring to know that they are being looked at.

Feryal Clark MP: For someone coming in and looking at it, as I am, it is a complete minefield, and I can only imagine how it must be for small businesses. It is the same with regulation. That is why we set up the Regulatory Innovation Office, which will support small businesses and

take them through the regulatory issues. We need to do that for the different pots of funding for businesses as well.

Q118 Baroness Harding of Winscombe: Ms Clark, you referenced a couple of times other barriers to scaling, so I want to start by asking what steps you are taking to remove those existing barriers—steps such as tax incentives, better procurement opportunities, more flexible regulation. What other steps are this Government taking?

Feryal Clark MP: We know that access to talent and skills is an issue, as has been raised by other witnesses. Access to compute and to good data is an issue. These are all things that have been raised as barriers by those in the sector who we spoke to while we were putting together the AI opportunities plan.

Baroness Harding of Winscombe: Those are the barriers, but I am trying to understand what steps the Government intend to take to remove the barriers.

Feryal Clark MP: As I said, we have the AI opportunities action plan identifying the barriers, and the plan will have attached to it a set of recommendations, whether on compute, the infrastructure this country needs to be able to support its AI sector, or talents and skills and how we will work with Skills England to ensure that we identify and deliver against that. When the action plan is announced, we will very quickly come forward with a set of deliverables against the recommendations that are set out in the action plan.

Q119 Baroness Harding of Winscombe: One of my colleagues will ask about compute in a while. I want to ask about the tax incentive schemes, and I suspect this question will be for Baroness Gustafsson. I should have said that I have to leave to catch a train when I have finished asking questions. It will not be as a result of your answers. It will just be that I have another commitment.

Sir Chris Bryant MP: The train might be delayed.

Baroness Harding of Winscombe: I was not going to say you can hope, because that is a bad answer. I want to ask about the SEIS and EIS initiatives. The *Start-Up, Scale-Up* report recommended reviewing whether the scope and scale of those two incentive programmes are sufficient. What steps have you taken on this?

Baroness Gustafsson: In terms of reviewing those specifically, I have not looked at the change of that, other than that I acknowledge that they are a real asset to us. They are really valued, along with the R&D tax relief. This is a great example of where we sometimes feel that we should have another initiative and unlock a different pool of capital, but actually there are some schemes here that work really well, are really valued and make a big difference. We just have to keep them going. This is a good example of something we do really well.

We started this committee session by talking about the fact that seed capital is not the challenge. The challenge is the scale-up problem, which

is probably connected to the fact that we have some really good seed investment schemes available. I would love to see us retain them, hold on to them dearly and celebrate them as a really beneficial thing that we have in the UK.

Sir Chris Bryant MP: Perhaps the most important thing that a Government can do is provide fiscal, regulatory and political stability so that people are able to make secure investments for the future. One area that Minister Clark and I have been working on very closely, which was referred to earlier, is that AI companies, as so many of them have told us, have no legal certainty at the moment about how they operate in the UK. They want that degree of legal certainty, and we hope that we will be able to provide it for them. It will take us a while to get there, and it is a difficult knot to untie, but that is the kind of area where government has a very specific responsibility.

Similarly, in relation to political stability, I have various different bits to my portfolio, and I have found so often that whenever a new Minister comes in, they come up with a new scheme. You multiply all the schemes and they do not add up to anything, really, so I have a self-denying ordinance, which is: no new Bryant schemes. Let us all just try to consolidate, and sometimes keep things going, because one of the big problems for the creative industries in access to finance is that they simply do not know where to turn. They do not have the faintest idea of where the right place to apply is, so the more we can maintain continuity, the better.

Baroness Harding of Winscombe: Does that mean that we do not need to develop some form of scale-up equivalent of EIS?

Sir Chris Bryant MP: It is probably more in Minister Gustafsson's or Minister Clark's area than mine, but of course we always need to review everything, just like we need to review all the tax credits to make sure they are doing what we think they should be doing. There are some issues with some of the tax credits that we already have but, as the Treasury will always say, we always keep everything under review.

Feryal Clark MP: Just on that, companies doing quality R&D can claim relief of up to 20%, and this represents the joint highest uncapped headline rate of R&D tax relief for large companies in the whole G7. That already exists.

Sir Chris Bryant MP: I have remembered another problem with scale-up. This is me very much from a creative industries angle. It is a contested figure, but let us go with it: 50% of people who work in the creative industries are freelance. They have no desire to scale up, other than to earn more money and to have more projects. Is that sustainable for the creative industries in the long term if we really want them to grow? There is an argument to say that we would prefer, in five or 10 years' time, to have fewer people freelance, more people employed and more people engaged in the long-term success not just of an individual project but of the whole of that sector and industry.

Q120 **Baroness Harding of Winscombe:** One of the other barriers that is

often cited is smaller companies struggling to access government procurement. How much of a role should government play as a customer for innovation? Specifically, how will you implement the Procurement Act 2023 to improve the opportunities for scale-ups? This is probably Baroness Gustafsson's brief.

Baroness Gustafsson: Can I come at this from my old experience rather than my ministerial one? If you are relying on scaling a business, and your key access to growth and your key market is selling to the UK Government, that is a very narrow, addressable market, and I question your opportunity to scale beyond that. I believe that government procurement has a role in leading by example, but not necessarily being the first to procure technology that is still in its earlier stages.

For example, I would love to see the Government as a big procurer of technology, demonstrating the benefits that can be achieved by having a consistent technology platform across all its departments, and benefiting from the efficiencies and productivity that AI can provide. But I would not necessarily expect to see the Government as an early adopter of some of these emerging technologies that are still finding their way. I do not think government moves at the pace that these innovations move at, and the role of taxpayers' money should not be to take that consumer risk. Other businesses are better placed to be able to come and do that. With procurement, showing that you are leading by example and showing the behaviours that you wish businesses to exhibit is where government plays a role.

Sir Chris Bryant MP: But government, in its many forms, does of course procure an awful lot of technology. One of the things that we have done in a new part added to the data Bill since the general election is to enforce a degree of standards across IT that is bought by any element of the NHS in England. That seems absolutely basic, and I do not know why we did not do it a long time ago. I also sometimes wonder whether the MoD, for instance, needs to find a better way of procuring from smaller companies. Every MP in the land probably has a company in their constituency that has tried to get MoD procurement and has struggled. In the end, my little company, MFC Survival, did remarkably well out of the MoD, but it took a great deal of heavy lifting.

Q121 **Baroness Harding of Winscombe:** I am working my way through the potential ways of supporting and driving scale-up—so maybe a little bit on incentives but not a lot, and something on procurement but not a lot. The third area I wanted to explore is upskilling and balancing the behaviour of regulators. I think you mentioned this, Baroness Gustafsson. It seems to me to be quite a difficult needle to thread when it comes to also protecting the vulnerable. I have done a lot of work on online safety, and I would argue that we have been way too slow in other emerging technologies like social media. In this committee, we have done a detailed report into large language models, looking at the challenges of how to consider regulating without stifling growth. How are you thinking about how to set up regulators to ensure that they are enabling rather than hindering innovation, while at the same time doing

their core role as regulators?

Baroness Gustafsson: There have been great examples of where regulation has unlocked innovation. Think about the banking sector and the regulation that came in on open banking. We see a sudden wave of challenger banks emerging, many of which are very successful, and that is a consequence of forward-thinking regulation that has unlocked a lot of that. So there is a real opportunity there.

For regulators, it is difficult to be both an accelerator and a brake in the same conversation. They are walking a fine path. But there is a consistent narrative around growth, and I know that all the regulators have been written to to say, "You are part of our growth-enabling environment. How are you looking through your organisation through the lens of growth and ironing out any obstacles that may be in the way?" We cannot let perfect regulation get in the way of practical regulation, but still allow innovation to happen.

Feryal Clark MP: To add to that, as I mentioned, the Regulatory Innovation Office was set up to do precisely that: to remove barriers to opportunity and to increase the speed at which transformative technologies and innovation can get safely to market, but also to enhance regulators' capacity to meet the Government's ambition. We know that it can be a minefield for businesses trying to navigate the regulatory world. There are also engineering tech companies, for example, that are being set up and which produce weird and wonderful things and do not know what bit of regulation applies to them or maybe are wrong in thinking that a bit of regulation applies to them.

It is not that the Regulatory Innovation Office will get rid of regulation, but it will smooth the process and support businesses to make sure that they are not being held back by unnecessary regulation that does not apply to them. That office is being set up in DSIT, and we are in the process of recruiting a chair for it at the moment.

Baroness Harding of Winscombe: I am glad you mentioned that. One of the topics that we explored when we were looking at large language models was the critical central support function that the last Government were proposing to build to support regulators so that we had a distributed model of regulation for AI but with central expertise. How are you getting on with that? Are those central support functions being built, how many people do we have working in it so far, and what are they doing?

Feryal Clark MP: I am not aware of the body that you mentioned. The Regulatory Innovation Office, which is supposed to do what you have set out, is in the process of being set up at the moment in DSIT. I cannot tell you the capacity of the team, but I am happy to write to you with more information.

Baroness Harding of Winscombe: Yes, please, and please explain the difference between the Regulatory Innovation Office and the central support functions. It is the equivalent of the funding challenge of lots of small groups doing overlapping but not identical things.

Baroness Gustafsson: And all with three-letter acronyms.

Baroness Harding of Winscombe: Indeed. Always, in government.

Feryal Clark MP: RIO, the Regulatory Innovation Office, is supposed to incorporate the functions of the previous regulator, the Regulatory Horizons Council. Is that the one you mean? No. It is another one. Point made.

Q122 **Lord Knight of Weymouth:** In the same area, and perhaps you can add this to what you send through, I am interested in the relationship between the Regulatory Innovation Office and the Digital Regulation Cooperation Forum, which is a voluntary forum set up by the four main digital regulators. Will some of the functions it has set up voluntarily to co-operate with each other now be subsumed by the RIO?

Feryal Clark MP: I do not want to give an answer that may not be correct. I suspect that it will incorporate some of the work that has been done, the co-operation, but I am not 100% sure, so I will not answer that.

Q123 **Lord Hall of Birkenhead:** This question is mainly for Sir Chris, because it is about the creative industries. It is difficult getting innovation and scaling up in the creative industries, for lots of reasons. You mentioned one earlier, which is the number of freelancers. Creative tech companies are often small or micro, and you are covering a very broad front—everything from broadcasting to fashion and all sorts of fascinating and wonderful things in between. From the point of view of innovation and growth, do you think this needs a tailored approach to growth? If so, what might that be?

Sir Chris Bryant MP: Actually, I think this is an ecosystem, and it is quite dangerous when you start splitting up the individual sectors. Of course you can say about publishing that we export more books than any other country in the world, that we are the third largest art market in the world, and all the rest of it. You can point to all the individual ones. You can say that videogames are probably growing faster than any others, new offshoots from videogames are coming online, and so on.

But even videogames, in the main, rely on books or films for their original intellectual property. They will have actors doing voice-overs, many of whom will not own up to it on their CV but who none the less will be grateful for the income. But they will probably be in a difficult space, because there are not contracts in the same way as there are in traditional broadcast. There will be music, there will be artists, there will be design, as well as the pure tech of designing a programme and so on. I visited Ubisoft in Newcastle, and they were talking about billion-pound investments for products that will not come on the market for many years, for "Triple X".

So I think it is better to think of this as a single ecosystem. And I make the point that you do not get a successful film industry in the UK without a successful theatre industry, and you do not get a successful

commercial theatre industry without a successful subsidised theatre industry.

A classic instance of this is probably the most successful musical in our history: *Les Mis*. The first night was, I think, on 2 October 1985. I was there manning the barricades. It was at the Barbican, it was paid for by the City of London Corporation and it was a Royal Shakespeare Company production. I actually think that in this sphere, and this is the argument I am making in the industrial sector discussions, we need to think of this as an ecosystem rather than as individual specificities. Of course, the art market has issues in trying to get a Monet from Paris to London and back again, when you sell it at Christie's or whatever, but it is better to think of it as an ecosystem.

Lord Hall of Birkenhead: I will just add to your ecosystem thought with a quotation from the Council for Science and Technology's report of a year ago. I paraphrase horribly, but it said, "The Government should try to grow our creative industries in a similar way as the French have grown their luxury goods market. This would help ensure that the creative businesses capitalise on the tech opportunities of the fourth industrial revolution and scale up to become global leaders". Does that attract you as a thought?

Sir Chris Bryant MP: It completely does. Some areas, such as theatres, have done better at sustainability than many other tech industries, because they realised that the single biggest problem they have is heating their buildings and paying their electricity bills. They wanted to get rid of incandescent lighting, so they produced the theatres book, which is now being used by other places all around the world because they innovated. Nobody applied for R&D support in that process, because quite often some of the creative industries simply do not think of themselves as being in that sphere, and that is one way we need to change how the creative industries see themselves.

Also, and I am sorry to witter on in this way, we have to big up the creative industries and not denigrate them all the time. We have to really celebrate the fact that they are part of our soft power around the world. I think you have had a relationship with the BBC over the years. It is one of the brands that every single person in the world knows. If we do not support the BBC adequately, we will not get strong enough creative industries in the UK and we will not get economic growth in the UK.

Lord Hall of Birkenhead: Apart from willing it and talking about it, what else needs to happen to get us in this country to realise that our creative industries are like the French and their luxury goods? What changes need to happen?

Sir Chris Bryant MP: Part of it is that we all need to champion them far better than we perhaps have recently. Then there is a piece of work that I am engaged in at the moment. If you look at how the creative industries were funded back in 2010, it was a mixture. A large chunk actually came from local government. A tiny amount comes from local government today. Some of it used to come from the EU. None of it comes from the EU any more. We now have regional mayors who are

very committed to this, because of their devotion to the concept of place and economic growth within their region. That feeds into the creative industries cluster process which the previous Government started. I think that is the way for us to build into the future. I also link this very closely with the tourism industry in the UK.

Q124 Lord Hall of Birkenhead: I want to ask about creative clusters and come on to something you mentioned earlier. We had Professor Smith, executive chair of the AHRC, before us last week. In a previous report we were doing, we were quizzical and found it odd that the creative clusters programme was not continuing in the same way and with the same clusters as before. What lessons from the first round of the creative clusters programme do you think should be applied; for example, to the new ones that you announced recently?

Sir Chris Bryant MP: We have not done that job of work yet, and we need to as part of feeding into the industrial strategy which is coming in the new year. I am really delighted that Baroness Vadera is doing a chunk of that work for us, with Peter Bazalgette. I think that is a really good combination of people with hard commercial nous and very strong understanding of how the creative industries work across the UK.

Lord Hall of Birkenhead: As you know a lot about these clusters, what is your instinct about things that pop out as important things to learn?

Sir Chris Bryant MP: Sometimes, some of the problems they have faced have related to real problems with local government. Sometimes, there is not as clear an adoption as they would want from local government, and that may be because of the financial problems that local government has faced over the last few years.

I remember being told in Dundee, for instance, that the relationship between the video games cluster and the university has been very successful. Who knew that Dundee would be known for video games today? But sometimes it has relied on specific teachers in the local university, and when they have moved on, it has not done as well as it might. Again, that speaks to the need for us to have a universal, UK-wide skills approach in all these industries. As I say, I am being a bit tentative, because these are thoughts off the top of my head, rather than concerted work that we have done in the department as yet.

Lord Hall of Birkenhead: Last week, Professor Smith—I hope I am not getting this wrong—seemed to suggest that we should not worry too much about the original creative clusters, because they are now getting funded or part-funded elsewhere. We have clocked that the Creative Industries Clusters Programme is one form of funding, CoSTAR is another, there is the Create Growth Programme and Creative Catalyst. I know you said that Bryant’s law is “no new schemes”; do you think that Bryant’s law might also be to bring things into a simpler way, co-ordinate more and give focus to help clusters in a more direct and simple way?

Sir Chris Bryant MP: If I might be allowed an anecdote, the very first speech I gave, which I was persuaded to give by a Whip when I was elected in 2002, was on was on the Ofcom paving Bill. I said it would be

great because we were going to get rid of five different organisations and bring them into one. That would be more coherent, more consistent and, to use a Valleys word, it would be tidy. Unfortunately, *Hansard* rendered this as “to use a valet’s word, it would be tidy”. We do not have many valets in the Valleys. But it is an important point: the more consistency and clarity we can provide, the better.

Some of these programmes are in UKRI, some of them are in DCMS and others are in the ministry for local government. We need to bring all that into a single space.

Lord Hall of Birkenhead: Give it focus and maybe cut down on the number.

Sir Chris Bryant MP: Yes, much more so. As we did with Ofcom, let us bring greater clarity and singularity.

Lord Hall of Birkenhead: You mentioned mini-clusters earlier. We heard from Professor Smith last week that he had his eye on a couple of new clusters—one in north Wales and I cannot remember where the other one was. Describe for us what your idea of a mini-cluster would be.

Sir Chris Bryant MP: It is a small cluster.

Lord Hall of Birkenhead: Thank you so much for that.

Sir Chris Bryant MP: I am not sure I have much more insight to bring than that. A cluster needs to bring together a large enough university, a large enough number of businesses that are already in existence to be able to provide that breadth of opportunity, in a large enough conurbation. One of my anxieties about the way we run the UK at the moment is that everything is focused on cities, and actually an awful lot of people live in towns or villages, certainly in my patch. Somehow, if we are going to achieve levelling up in a proper sense, we will have to release that energy in different places.

If I might commend the committee, I think it was really helpful that you produced a report on digital exclusion—the only part of Parliament that did it for 10 years. We intend to build on that in government in the new year, with another piece of work that I hope we will be able to publish fairly soon. How can you set up a creative business if you do not have gigabit-capable broadband?

Lord Hall of Birkenhead: A creative cluster in north Wales—does that seem to you to be a good idea?

Sir Chris Bryant MP: I have read the evidence as well and I thought, “A-ha”.

Lord Hall of Birkenhead: You also mentioned tax relief for R&D in the creative sector and whether there is more breadth possible there than the rather narrow way in which it is focused at the moment.

Sir Chris Bryant MP: It is certainly true that many people in the creative industries do not feel that it meets them. Whether that is because we need to change the language or because there is a job of work to explain it better is a moot point. I know that the Treasury closed

that conversation down about a year ago, but it is still very live among the creative industries. That conversation will be part of our discussions as we build towards a set of proposals for the Creative Industries Council, which will meet for the first time in January, and for the industrial strategy. What is the best route? Overall, the creative industries do far better than other sectors in getting R&D support, but that is focused almost entirely in two or three parts of the creative industries rather than the wider generality.

Lord Hall of Birkenhead: So it is an open issue, as far as you are concerned. As far as the Treasury is concerned, it is not.

Sir Chris Bryant MP: I am trying my best not to disagree with the Treasury, while at the same time keeping the question as interesting as possible.

The Chair: Before we move on, Sir Chris, it is music to my ears that you do not want to set up new schemes, but have you explored a creative technology-focused fund under the British Growth Partnership? That was raised with us in evidence.

Sir Chris Bryant MP: Not that I am aware of. The only space where I have heard it talked of is in relation to what we are thinking of submitting to the creative industries part of the industrial strategy.

The Chair: If you could include that in your follow-up, that would be helpful.

Sir Chris Bryant MP: I am happy to do that.

Q125 **Lord Kamall:** In opening this session, Baroness Stowell talked about some of the criticisms we have heard about the Government's speed and how seriously they take this—translating your plan for this into action. Minister Clark, I shall ask a few specific questions. One issue that was raised with us was the question of how seriously the Government take the issue of compute. We know that the Edinburgh exascale project has been cancelled, which has left many in the entrepreneurial community, but also those who really want compute, deeply unimpressed. On that, how can you reassure those who have been critical or will be concerned about the cancellation of exascale?

Feryal Clark MP: Thank you for your question. I want to be clear that the Government did not cancel the exascale project. When we came into government, one of the first submissions I was sent was about the non-existent funding for exascale at Edinburgh. I was asked how and when I was going to bid for the funding. The Government of the day had made an announcement on exascale, but no funding was put against it. We had either to find cuts elsewhere to fund this or go to the Treasury to get funding in excess of £1 billion for it, and those two options were not viable at the time, because the Treasury was finding many such issues. That is why we were unable to take forward the Edinburgh exascale compute. However, we are, as part of the AI opportunities action plan, looking at the requirements of Britain around compute and we will come forward with a plan for compute, the infrastructure we will need and how

we will fund that. I must emphasise that exascale was not cut, but the funding was non-existent.

Lord Kamall: On that, following that line of argument, you said you are doing a review. Do you have any idea of the timescale?

Feryal Clark MP: We have been working really closely on the report, on the regulation and on identifying the opportunities and the barriers, and we hope to come forward with the action plan very soon, I suspect.

Baroness Gustafsson: One of the big barriers around technology adoption and things such as compute is just the bricks and mortar of data centres. Wading through planning is a huge frustration, getting all the forms filled in, and that is a criticism that I feel is being heard quite loudly and clearly. There has been a big investment in how we get through this and how we bring on more planners. I know we have intervened in a couple of data centre planning requests: there has been personal intervention to try to unlock some of that, which is encouraging.

Q126 **Lord Kamall:** That is very helpful and it brings me to my next question so it saves us all time. Clearly, this brings up issues of the UK's broader infrastructure. You talked about data centres; people will know about telecoms networks and about bandwidth; we all know about connectivity and about energy, not just in this sector but elsewhere. Back to Minister Clark—but please intervene, the other two witnesses—what do you see there as perhaps fundamental barriers to AI growth? How do you address those who say, “We need this infrastructure”—data centres, for example, better bandwidth, et cetera—for AI growth? How do you answer those questions as to whether you are taking this seriously and what you are doing about infrastructure?

Feryal Clark MP: As I said earlier, as part of the International Investment Summit we had huge investment announcements in AI and predominantly around data centres. Of course, when we are looking at data centres, we need to look, as you said, at energy, so close working with our colleagues in DESNZ will be essential. Baroness Gustafsson mentioned the speed at which these bits of kit can come online. I remember watching one of your witnesses talk about a US company that was able to build a data centre in 16 days. I am not saying that we are going to compete with that—

Lord Kamall: We would be very impressed.

Feryal Clark MP: But I was incredibly impressed. Those are the sorts of barriers that we want to remove: the requirements around compute, but also data centres. All that will be set out as part of our opportunities action plan because, as has been said, it is not just an issue for DSIT; we will need to work across government, with colleagues from MHCLG around planning, with colleagues from DESNZ around energy requirements, and they have all fed into the AI opportunities action plan, which I promise will be announced soon.

Lord Kamall: Interestingly, we were talking before this meeting began and one of my colleagues, who may or may not prefer to remain

nameless, said that he was having dinner with some people who built data centres and asked why the UK was bothering to build data centres. Why not just rent capacity or get someone else in? Why are the Government allocating this money or trying to encourage this investment? We are always challenging ourselves at the same time. What would you say to that argument?

Feryal Clark MP: That is fine when you are making use of data centres in countries with which you have good relationships and everything is stable politically, but when things go wrong, you need to make sure that your data and your access are protected. So, there is a need for a level of sovereign access to data compute capacity. Of course, a huge number of companies already make use of cloud access in other areas, but it is important that we, as a nation, have access to sovereign compute and sovereign data centres.

Sir Chris Bryant MP: Oddly enough, I am the Minister for data in DSIT as well. I think that most members of the public simply have no understanding about what a data centre is, why we need data centres, what role they play in our daily life, and all the rest of it. I think we need to do a better job of explaining that. There are other challenges, which we were discussing in our ministerial team meeting earlier today, about rolling out more data centres, which we know we are going to need. Do we have enough people to build these things—electrical contractors and all the rest? Yet again, there is a skills gap, and the Department for Work and Pensions is the other department that Minister Clark might have mentioned, which we know we are going to have to work with very closely if we are going to be able to roll out this kind of strategy.

Lord Knight of Weymouth: The point that was made to me was that it is very difficult and very expensive to connect to the national grid at the moment. So just the cost makes it pretty much impractical in this country and you might as well rent it.

The Chair: Okay. Let us not get into a discussion about our own personal views on that.

Lord Kamall: Have a think about that and then maybe write to us. Did you want to come in here, Baroness Gustafsson?

Baroness Gustafsson: I think there are three reasons to have a data centre here. First, as a business you want resilience across multiple geographies, in case there is an earthquake or something. The second is latency: you get the data much faster when it is closer. The third is that there is such good data protection here in the UK and you want to fall under that.

Sir Chris Bryant MP: Especially if you get the data Bill through the House of Lords. I am afraid I have to do a Westminster Hall debate, so I have to leave you.

The Chair: I know you have to leave early, so please go. I know you will ensure that you follow up on the issues we have discussed.

Sir Chris Bryant MP: I am sure you would not let me not.

Q127 **Lord Kamall:** I have one last question, and if it is a long answer, you can always write to us as well, Minister Clark. Can you explain the Government's plans for a national data library, including any timelines?

Feryal Clark MP: Minister Bryant has just left but I will happily write to you with the details of that. Ultimately, we have a wealth of really high-quality data in this country and it is about making sure that that is available. At the moment, it is really difficult to get information for research purposes or for a whole host of other reasons why people might want to access it. There is plenty of data, so it is about centralising that and making sure that we give access to it, but I am happy to write with more detail, or Minister Bryant will.

The Chair: Lord Dunlop, you have a supplementary?

Lord Dunlop: Coming back to the Edinburgh project, we have talked today about the need for urgency and pace. Obviously, other countries are continuing to invest in their super-compute capacity. The Edinburgh project was oven ready: once the AI action plan is resolved, is it possible that that project will come back on to the agenda?

Feryal Clark MP: I do not want to set out what projects will be funded, but a lot of work had been done by the university, and it would have been an incredible resource for our research community to have access to. Unfortunately, at the cost it was coming in at, without the funding, it was impossible. All our compute needs and how they will be funded, whether it is for the private sector or for research use, will be set out in the report.

Q128 **Lord Dunlop:** I am conscious of time so I will move quickly. Obviously, DSIT has prime responsibility for innovative scale-ups, but the policies of other government departments will impact on the operating environment for those scale-ups. What are you doing, Ms Clark, to ensure that those departments are helping and not hindering the growth of those companies?

Feryal Clark MP: We work very well with our colleagues across DBT, and there are also interministerial meetings on AI. We have very close collaboration with our colleagues from DESNZ, as we discussed, looking at removing some of the barriers to building infrastructure where we have high energy needs. We are working very closely with our colleagues from MHCLG, as well as other departments, to identify and work through how we can utilise AI across different government departments to improve the productivity and efficiency of our public services. There is huge excitement around the deployment of AI, but also close collaboration on how we work to ensure that we remove barriers to building AI infrastructure and deploying AI.

Lord Dunlop: Looking at specific departments, we have already heard about R&D tax credits and the issue around the creative industries, but during our inquiry we have heard concerns about some of the other challenges of the regime, including frequent changes that cause uncertainty and whether tax definitions have kept pace with AI developments. I know we have had reference to the Treasury, but what

specific discussions are you having with the Treasury to address these concerns?

Feryal Clark MP: As part of the public sector reform interministerial working group, I work very closely with Treasury colleagues and colleagues from Cabinet. There is cross-government recognition and acceptance of the importance of AI, as I said earlier, in kickstarting economic growth, as well as in transforming our public services. There are discussions around that and we are also in the process of getting ready for the second spending review. Any proposals that come out of our action plan will be set out and proposed to colleagues in the Treasury, so there are conversations in those areas.

Lord Dunlop: Do you recognise some of the concerns I mentioned? Are those the sorts of issues you are raising with the Treasury?

Feryal Clark MP: I have had numerous round tables with colleagues from the industry and many issues have been raised, but I have not heard many issues relating to the Treasury. I know that colleagues from the Treasury and from No. 10 are incredibly interested in and very supportive of the work we are doing in DSIT, around the AI opportunities action plan and the setting up of the regulatory innovation office.

I hear there is a Division in the Commons. May I take five minutes to vote and come back?

The Chair: Do you want to finish your answer to that question?

Lord Dunlop: I was going to ask a question about talent. Do I have time to ask that?

Baroness Gustafsson: Can I comment on the collaboration point?

The Chair: Is there anything you want to finish saying before you go and vote?

Feryal Clark MP: I will be very keen to hear the comments that have been raised in relation to colleagues from other departments. So far, in the four or five months I have been in post, I have had nothing but support and enthusiasm from across government departments, including No. 10, which is incredibly interested in the work we are doing.

The Chair: As we are nearing the end—Baroness Gustafsson will be able to stay a little longer—is there anything more you wanted to direct to Ms Clark? Then we can let her go.

Q129 **Lord Dunlop:** Very quickly, another aspect we have discussed is attracting and keeping the best talent. What interaction are you having with the DWP, in terms of the Employment Rights Bill, and the Home Office, in terms of attracting the best talent from across the globe, to make sure that there are no barriers in that regard?

Feryal Clark MP: The UK remains one of the best places to work if you are in the AI sector: that is what I hear from the sector. When it comes to attracting international talent, there are numerous specialist routes aimed at enabling that talent to come over. There is a whole host of visas, including the innovator founder visa and the scale-up visa, that

enable people to come over to work in the sector. There is also huge investment from UKRI in the PhD programmes within AI, which train around 200 individuals, and we are also working with colleagues across FE to look at how the Skills England programme can identify some of the skills gaps and ensure that they can be filled. We need to secure not just the workers we need now but the workers of the future, making sure that our curriculum review reflects the tech and science requirements in the curriculum. It is looking at the future workforce as well.

The Chair: I suggest, Ms Clark, that we relieve you so that you can go and vote. I think we are just about done. There are a couple of things that we can follow up with Baroness Gustafsson. We may send a couple of questions that we have not been able to get to which you can deal with alongside the other follow-up answers that you have promised to provide.

Feryal Clark MP: Absolutely. Thank you, Chair, for this opportunity. We look forward to seeing you guys again.

The Chair: Thank you, and thank you for being here. Baroness Gustafsson, did you want to add anything in answer to Lord Dunlop's question about talent? In particular, as somebody who has worked in the industry, what are your views on the potential additional pressures that some of these businesses might face with the employment Bill that will come through shortly? We heard from some of our witnesses about the need for flexibility in the start-up world to hire and fire much more than you might see in other industries, and that the challenge of that will be compounded further in the face of that new legislation.

Baroness Gustafsson: I just want to reiterate the point that, when we talk about skills for scale-ups, our minds always go to the technical skills. Those technical skills are a really important aspect, but there are many other things that come with scaling a business, whether it is finance, marketing, commercial skills, the legal. We need to make sure that those skills are here too and that we retain them.

We have initiatives under way. We have the Global Talent Network, which is a government initiative to try to bring about a lot of those necessary skills and how to support the entrepreneurs to drop in and support those businesses, give them the skills and ask them the questions to help them to access those networks. It is a great initiative and is really valuable.

So there is work happening there. My caution with innovation is that it moves so quickly. We talk a lot about computer science and computer science skills, but, with innovation coming at the pace it is coming at, a lot of the programming can be done almost by the programs themselves, so for the next generation of skills that we will see in 10 years' time we will be looking for a different level of skills.

So we need to think about how we mobilise the education system to provide those skills. The key thing is that it has to be flexible and adaptable, so retraining and reskilling is as important as starting with the five, six, seven year-olds and thinking about STEM. It is moving at such

a fast pace that it would be clumsy of us to think that the answer is just more computer science skills. It is not. In 10 years' time, I think we will be regretting the lack of a different kind of skill that we cannot yet see. Adaptability of skills will be really important.

The Chair: That is the probably the point at which to conclude this session. We can let you escape too. Thank you for being here, and for being the last man standing.

Baroness Gustafsson: This was my first Select Committee. It was great.

The Chair: Well, there you go. Select Committees in the House of Lords are a rather different experience from Select Committees in the Commons, but I am glad that you have enjoyed your first outing before us as a Minister. I will bring this to a close. Order, order.