

Business and Trade Committee

Oral evidence: Artificial Intelligence, business and the future of the workforce, HC 1794

Tuesday 14 April 2026

Ordered by the House of Commons to be published on 14 April 2026.

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Members present: Sarah Edwards (Chair); Dan Aldridge; Antonia Bance; Chris Bloore; John Cooper; Alison Griffiths; Justin Madders; Charlie Maynard; Mr Joshua Reynolds.

Questions 54 - 74

Witnesses

- Karim Palant, Director of External Affairs, UK Private Capital;
- Phill Robinson, Founder, Boardwave;
- Simon Menashy, Partner and AI Specialist, MMC Ventures.

Examination of witnesses

Witnesses: Karim Palant, Phill Robinson and Simon Menashy.

Q54 Chair: Welcome to the panel. This is the Committee's third panel of the day in our inquiry on AI, business and the future workforce. The UK is Europe's biggest market, of \$230 billion, but late-stage and scale-up capital are cited as an issue for UK AI firms. A third of all venture capital in the UK has been raised by AI start-ups. Data centres, as we heard in our last panel, can cost £500 million and take up to 15 years to get off the ground. The British Business Bank has earmarked £25.6 billion for start-up, scale-up and strategic investment.

I will be asking the panel to introduce themselves in a moment. Is this enough money or do we need more to retain firms and talent, attract investment and be more competitive here in the UK? Simon, perhaps you could start and introduce yourself.

Simon Menashy: My name is Simon Menashy. I am a partner at MMC Ventures. We are an early-stage venture capital fund. That means we back companies quite early in their lifecycle, typically within the first one, two or three years after founding. We work with them over maybe five to 10 years as they raise scale-up capital and hopefully become very big companies and expand abroad.

Phill Robinson: My name is Phill Robinson. I am a software guy. I have been in software for 38 years. I spent two terms in silicon valley, the second as CMO of salesforce.com—Salesforce. More recently, I have been CEO of three software companies, one venture-backed and two more significant PE-backed software companies in the UK and Netherlands.

I am here as the chairman of Boardwave, which is an organisation we set up four years ago deliberately to try to create the ecosystem benefits that exist in silicon valley in the UK and Europe. We now have 2,500 members. They are all CEOs and leaders of software companies in the UK and Europe, of which 1,650 are in the UK. They get the benefit of being part of a programme in terms of networking, personal development, coaching and sharing best practice across those companies to help them scale.

Karim Palant: I am Karim Palant. I am director of external affairs at UK Private Capital, which some of you may know as the BVCA. We represent the private capital industry in the UK. That is predominantly venture capital, which is early-stage investors such as Simon, and private equity firms that are acquiring majority stakes in more mature companies and growing those for the long term and investing for the future.

Private capital in the UK backs firms that employ 2.5 million people. It is 7% of GDP. There are 13,000 companies across the UK, including a couple in Tamworth, Calatherm and Experienced Energy Solutions, which are excellent.



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Chair: That is excellent work. Thank you very much.

Karim Palant: It is all right. I have more where that came from.

Q55 **Chair:** Thank you very much. I would be extremely pleased to hear more about them. I am going to go back to Simon Menashy. Where are we with funding and capital? How are businesses feeling? What is the state of play?

Simon Menashy: Today, if you are in the top 5% of exciting growth AI companies in the UK, there is an almost infinite amount of capital available to you. Most of it does not come from the UK. Once you hit the growth stage, about 85% of that capital is coming from non-domestic sources, but there is quite a lot of capital to grow.

At the very early stages, there is now a lot more capital than there was five years ago. Particularly, the expansion from the Government of the British Business Bank's mandate has been very helpful. We are seeing a real step change in the pace and urgency around funding, both funds and companies directly, in the early stages.

As our companies start to scale up and we look at emerging winners and the companies that are candidates for becoming the UK's best global businesses of the future, that score, which probably starts with a 10 out of 10 for talent and a seven out of 10 for early-stage funding, starts to drop quite quickly, in terms of both funding and the way that some of the other Government support schemes and different services available to start-ups start to fall off or get conflicted, which we can talk more about.

Right at the very large end, when you start to talk about IPO-ing a company or supporting very large private companies, the score drops quite a lot further. We have a fairly non-functional IPO market in the UK, for example.

Q56 **Chair:** Phill Robertson, what is your take on that?

Phill Robinson: We generally focus on scale-ups because that has been the issue for a generation. We have not created globally significant technology businesses for at least 20 to 25 years. Much of it, as Simon said, is around access to capital and, as a consequence of that, founder confidence and access to the single European market or the US market, which our colleagues have and we do not. There are a number of issues that mean there is this plateauing in our technology companies. They have great support for starting up and getting going. As they begin to scale and get some size, that support falls away.

That is the challenge. Access to capital is one thing, but they need a bunch of other things as well—which is one of the reasons we started Boardwave—including access to talent, capital and markets. Capital is one thing that the Government have done a lot of good work on, but there is more to do.



An example would be the Mansion House compact: 5% of funds go into UK private investments. I would like to see what progress they have made so far against their deadline of 2030. They are at 0.6% right now. It is also not targeted. I would love to see the ability to target some of that money into AI and technology, but it is broader at the moment. Things such as that are making a big difference, but there are things that we can do to improve too.

Q57 Chair: That is great. Karim Palant, you started off by saying that Tamworth was an AI growth zone and leading the way. Perhaps you could elaborate a bit on that and then go further.

Karim Palant: Unfortunately, I do not get to announce those. It is the Minister, Kanishka, who gets to announce those. Outside of the US, the UK is one of the largest hubs of venture capital and growth-stage private equity investment in the world. We should be hugely proud of that. Across the UK, around 140,000 people work in that private capital ecosystem. The majority of those are in London, but they are spread across the UK. That is a huge asset to the UK. It has a big impact on the early-stage capital that we are talking about.

When we are talking about the 8,000 or 9,000 venture capital firms that are invested in that exist in the UK currently, those have often been backed at the early stages by UK venture capital firms. Once a firm needs a cheque size of maybe £50 million to grow, start to commercialise its business and internationalise itself, almost 95% of those cheques are coming from international venture capital funds, predominantly in the US.

The reason for that is, while we have a great early venture capital ecosystem that is showing returns for the people who are investing in that asset class, it is not getting the capital from UK domestic capital sources, from UK pensions. I have mentioned before that we think that about 16 times more pensions capital—forget all the other types of capital—goes into UK venture and growth equity and private equity from international pension funds than from UK pension funds. International pension savers represent about 22% of all the investment in UK venture and growth equity. UK pension savers represent between 1% and 1.5%. We are massively missing out and people who have pensions in the UK are massively missing out. We are missing out on those returns from those great companies that we have talked about already and are going to talk about more.

That capital would allow funds such as Simon's to grow and become larger funds that are going to invest at that later stage. That means we are not going to get 95% of those cheques coming from US and other international venture funds.

Q58 Chair: Do you have a view as to why there is more capital coming from abroad into the private markets than there is from pension funds here in the UK?



Karim Palant: The previous Chancellor announced the first Mansion House compact three years ago. There has been the Mansion House compact, the Mansion House accord and the Sterling 20. We have spent three years talking to the pensions industry.

We did something called the expert panel, which ran for two years. That was a deep dive into what was causing that mismatch between UK pension investors and the private markets. There were a whole range of practical solutions that came out of that. There are regulatory barriers, such as the requirement on pension funds to cap the prices at which they are able to pay fees. Active investment in growing businesses costs more in terms of fees but, when you net the fees away from the returns, it is still a much better deal for the pension saver. Those kinds of regulatory barriers are in place.

You have other things, such as the way the market competes. At the moment, it competes on cost. If I am an employer and I want to get a pension firm to run the pension scheme for my employees, I am looking at cost; I am not looking at what is the best outcome for my retired savers. I have private sector pensions that were agreed for me by an HR person at a former employer of mine. I would not even know who that person is. When I retire and my income is not sufficient, how am I going to find them and say, "Hey, that wasn't right. You made the wrong decision"? It is never going to happen. If they go for an expensive up-front cost, someone is going to turn around and say, "Well, that looks expensive."

That is the problem that we have right through the system. A swathe of reforms have been put in place. In the pensions Bill, which is going back to the Lords next week, the Government have—we think this is very welcome—pushed back on some of the amendments from the Lords and are continuing to make progress there. We strongly support that. That is hugely important because scale within the pension sector is such a vital part of getting this right. Those pension funds do not have the expertise they need to invest in this kind of stuff.

Q59 **Chair:** Would you like to add to that?

Simon Menashy: I would. If you split the UK pension industry into the defined benefit and defined contribution parts, DB is almost a lost cause from the perspective of investing in innovation and venture capital because of the switch away from equities and risk into bonds and fixed income. That is partly appropriate as the average age of a holder of those pensions has risen. That is the largest part of our pension universe, as you know.

Defined contribution is the great opportunity in our universe. You have a flow of capital every year into those pension schemes. A lot of the holders are in the parts of their life where they should be getting exposure to riskier assets that should have a longer-term higher return. We are now seeing sign-up and the right language from the managers of these



pension schemes. The oil tanker is beginning to turn, but it is turning quite slowly.

There is a lot of “wait and see” happening in that market. Part of that is waiting to see what the leading lights in the market are doing. We are seeing pension scheme operators such as Phoenix and Aviva that are now flowing hundreds of millions into our sector.

A lot of the “wait and see” is waiting to see whether the measures will be watered down or delayed: “Can we just not do anything for a while? Do we really have to bring in that expensive expertise into our teams?” Part of the job of Government at this stage is not necessarily to launch new schemes and mandate different things; it is to keep that pressure up and reiterate constantly that it is a policy objective and an imperative for the country that pension schemes are investing more in innovation.

The prize is absolutely enormous. We could be doubling the flow of capital into not just venture capital, but infrastructure financing that is relevant to our space and other forms of private capital that are lending and investing in start-ups through pension schemes in the UK alone.

Q60 John Cooper: If a pension scheme came to you and said, “We want to put money into AI,” which areas of AI would you recommend that it look at? Where do you think the biggest potentials for growth are? Is it the frontier companies, the big players? Is it vertical solutions that are very nuanced and task-specific? Is it the infrastructure? Is it the data centres? Where would you say the growth is going to come from?

Simon Menashy: If the pension schemes are doing their asset allocation job properly, they will already have an allocation into big global technology companies. That will cover foundational models run by Google, OpenAI and so on.

Within the UK innovation and UK private capital allocation, I would be recommending that they think about the adoption of AI within enterprise in both the UK and other western markets, and how we can be the premier seller of those solutions into that sector. That means AI companies that are focusing on the financial services sector, the health sector or the life sciences and biotech sector. It means the cyber-security companies that are making sure that, as all of that happens, we do not all get caught out by the problems that AI is going to introduce into our digital systems.

Q61 John Cooper: Karim, what are your thoughts? Where are you placing your bets?

Karim Palant: In specific answer to the question around pension funds, we would say that part of the skills and expertise that pension funds need to invest in within this space is the ability to diversify and bet on an asset class rather than individual funds too specifically. Selecting funds and diversifying across different types of strategies within that asset class is a really important part of the expertise.



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It is not just about picking a fund that is going to invest in a particular type of really cutting-edge AI upside, although it is super important to select managers who are in that space. It is about investing in mid-market private equity, across the range of early-stage growth companies, and some of the later-stage series C and larger funds as well as those seed and early-stage funds.

Q62 John Cooper: You are spreading the bet. Phill, what is your thought on that sort of spread bet? Is that the idea?

Phill Robinson: If you were to ask me, "Where should we be focusing our AI strategy in the UK?" I would say, "Not on frontier AI." That ship has sailed. The cost of compute and the cost and availability of power make it incredibly difficult. There are areas where we are strong that are not on that bleeding edge.

Going back to Simon's point, this is in the area of applied AI or the orchestration of agents with AI. That might be in fintech, biotech or pharma, so specific sectors where we have domain expertise, where we understand the regulation and local customs. These are the global markets that are not big enough or do not have a big enough total addressable market for Anthropic to try to undermine us. We have real expertise and skill in building industrial software and business software in individual niche markets. We are really good at that.

"What is an AI company?" is a question that I wanted to tease out. We talk about AI companies. We have an entire industry of software businesses that have been around a while. They are scaling nicely and doing pretty well. They have moved to the cloud over the last five or 10 years. They have great expertise in some of these things, but they are not considered AI.

They have to transform and migrate to being AI-first companies because otherwise they will be disrupted. We have to make sure we protect the software industry we do have, which has been around for a while and has revenue, customers, credibility and success, and help it to migrate to AI. Otherwise we will have only the fledgling start-ups at the beginning of that journey.

We know there is a mortality rate as these companies get bigger and bigger. Eventually, as we say, there is a plateau. There is a whole industry of companies that have the ability to take advantage of AI, if we give them that opportunity. That is AI-first companies and software companies that could become AI first.

Karim Palant: On the venture side, the scale-ups are coming in very much on the applied AI side. The UK is extremely strong at that application level.

I was speaking to a few venture investors ahead of this session. One of the things that we have in the UK is an understanding of some of the



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regulatory complexities of working within a different market from the US, for example. We have a bit of a moat there in terms of the way the UK understands the EU regulatory space.

If you go back 10 years, for example, the FCA sandbox created a real opportunity for fintech in the UK because of that understanding of the regulatory landscape. You are building tools that you want businesses to use day to day. Those businesses want to have the assurance that this tool fits with the broader culture and regulatory oversight in the UK. That is a real opportunity, especially given the regulatory history between the UK and the EU. That market is there for us, if we get that right too.

If you look at the Government's research on tech adoption and AI adoption for mainstream businesses, one of the major barriers is that sense that an AI tool is not going to have regulatory support or it might get you into some kind of trouble, whether it be data assurance or whatever. Knowing that gives us a real market. It also gives us a challenge around tech adoption within the UK, which is a separate question.

Phill Robinson: We are, in this country, in UK plc and the private sector, addicted to American software. If you think about financing or supporting UK AI, we spend something like £20 billion a year on technology in the public sector. Nearly 90% of that is on American technology. In private sector, it is about £110 billion, of which 60% to 70% is on American technology. We have to find a way to prefer our own technology because funding a company through its revenue line is much better and easier than funding as an investor. There is a lot of money on the table there. If we had the right policies in place, we could really help those businesses to grow and be successful, if we preferred our own technology.

In the public sector, we make it very difficult for local suppliers to bid. They basically opt out because they think that some large American company has more feet on the street, more lobbying power or more ability to win the bid, so they do not bid. It is a sort of repeating cycle. We have to find a way to break that because there is a lot of money at stake, which is not just investment money. It is revenue.

Q63 **Chris Bloore:** First of all, I need to declare an interest: I know Karim from a previous life. I just wanted to put that on the record. We have heard from the previous witnesses about the infrastructure constraints on AI growth moving forward. From the investment side, what are the constraints on AI growth in the UK? I will start with you, Karim.

Karim Palant: It is good to see you again, Chris; I do not know whether you are still doing the goalkeeping after 20 years. The energy cost question, which was also a topic in the last panel, is huge. There is also the regulatory piece. We have the Regulatory Innovation Office, and the Digital Regulation Cooperation Forum, which has been around for a while now. They are attempts to avoid some of the overlapping regulation that



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you might find when you are trying to build a company, so that you know who is going to judge whether you are causing an issue or whatever.

We have decent infrastructure in place within the UK, but it continues to be a challenge. For software and technology, market access is less of an issue because ultimately software is fairly global. It is definitely the case that knowing where you are going to be able to sell to is a massive part of growing a business.

That piece about Government as customer is huge. In the UK, we definitely have a challenge where early-stage investors are taking on a certain amount of risk. You are accepting that the product may not work at a very early stage. You are accepting that there may be another competitor that emerges and does well within that sector, and in the end you may lose out. There is an element of risk that is baked into early-stage investing. You have to make an assessment as to whether there is a market for this capability full stop.

If Government are your customer, that can often not be clear at all. You do not even know whether there is going to be a market for this in future, never mind whether you are going to win out or whether your product is going to work in the end. Those extra layers of uncertainty apply to Government procurement. That plays out within life sciences, defence and tech. There are large areas where Government are going to be a big customer. That puts a ceiling on some of that ambition.

Fundamentally, though, it is about capital. It comes back to the scale of the venture funds that are saying, "I'm going to put \$50 million, \$100 million or \$500 million into this company and we are going to go global." That is the point at which a lot of UK businesses start to look at their options.

Phill Robinson: One of the points that I wanted to tease out is this idea of access to market. For the last number of years, US software companies have won out because they have a single local market to sell into before they ever think about the complexities of international, which allows them to scale quickly.

In Europe, there is a very fragmented market. We have to go sequentially from one country to the next and scale like that. If you look at our members, a good US software company takes about 10 years to get to \$100 million of revenue turnover. In the UK right now, it is 15 years. That is a combination of some capital issues and the market.

With no doubt, the UK is the best place in Europe to build an AI business today but, at the same time, there are a lot of initiatives going on in the EU to make that more attractive. There is EU Inc. There is the 28th regime, which really removes the legislative barriers for setting up a company. They also have a very large scale-up fund, which we do not participate in.



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I would encourage us to try to find ways to participate in those programmes. If we do not, we could find some of our AI companies and our technology businesses moving headquarters to that environment because it is a better place to be because it is a bigger market. We need access to markets as well.

Simon Menashy: The key thing that I would emphasise on access to market is that we sit in this fantastic place as a two-way bridge between the US and Europe. We are of Europe, broadly defined. When I speak to pension funds, if they are thinking about allocating capital, they do not think about allocating capital to the UK or to UK AI. They think about allocating capital to the US, to Europe or maybe there is a third category. It used to be China; it is not any more.

We are selling Europe, including the UK, all the time. Part of the sale there is that we have this fantastic talent base, amazing universities and all the other advantages that we have talked about, but companies are not quite as highly valued as they are in the US. The market for venture capital and growth-scaling is not as mature. That is attractive to these pools of capital. The opportunity to invest in UK companies that are going to have access to the European markets, but are also going to expand to and potentially win in the US, is really attractive to sources of capital.

A problem that we have is that the various schemes that we have in the UK, whether it is tax policy, visa policies or other support for start-ups, sees that act of expanding into the US, if you are successful, as a hostile thing. It sees it as the point at which to withdraw, challenge and maybe even treat as fraudulent some of the things that we would have done in previous years to support those companies.

The companies that have raised capital under the EIS start to get a letter from HMRC saying, "You're not a UK company any more. We're going to invalidate that thing we did three years ago." The Home Office starts to say, "Hang on a minute. You can't access this particular type of talent visa because you look like a US company. Set up a UK subsidiary." HMRC says, "Hang on a minute. If you have a UK subsidiary, you can't issue shares under the EMI scheme"—that is the options that we are able to incentivise employees with.

Each of these schemes starts to break down the minute you take a start-up that is here and you make it mostly here and a little bit over there and winning. That is not a law or policy problem. It is a problem with enforcement and the HMRC and Home Office stance.

One of the ways in which the AI opportunities plan was very good was in saying, "There are certain categories of potential winners that we should be supporting in different ways." The trouble is that we have antibodies of the state in the implementation layers that actively do the opposite. One of the opportunities, under the opportunities plan, is to start to figure out how we can give the best companies a smooth path through that complexity and how we can unwrite some of the implementation



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detail that causes all these problems. That is a cross-Government Department issue, but it is not necessarily one for which we need new laws and new policies.

Q64 **Chair:** Karim, did you want to come back on that?

Karim Palant: Yes, I would echo everything that Simon just said about those particular pinch points. I wanted to pick up on Phill's point about the European project. Historically, pre Brexit, the UK was predominant when it came to this sector and to venture investment. We remain easily the leader within Europe when it comes to this type of investment, but our lead is under pressure.

The reason why it is under pressure is twofold. First, we have made decisions that have made us less competitive in various ways or cut ourselves off from various things. In particular, Europe is getting its act together. It is seeking to get its act together on some key things.

Phill mentioned the scale-up fund. It has a scale-up fund of €15 billion, which is all for scale-up businesses, so later-stage businesses. Until quite recently, the British Business Bank was not even allowed to play in that space. We can choose to participate in that. We can choose to try to match it. We can get involved. It is hugely important that the BBB has the renewed mandate from the spending review because it at least puts us at the races. That is important.

The second thing is about the 28th regime. At the moment, something that insulates us from competition, to some degree, from the European Union is that, if you are a start-up in one of the 27 member states, you still have 26 other regimes to deal with. For start-ups that are set up here in London, the disadvantage from being outside the European Union is lessened. If that regime becomes a reality, that is great news for the European tech ecosystem. As Simon says, that is great news for our industry because people see it as a European industry, but for the UK specifically it is potentially an issue.

Q65 **Mr Reynolds:** The question about growth capital and late-stage capital is one that we have touched on already. When you are looking at a direct comparison with the US, where do we need to get better at late-stage growth capital in the UK? How can resources such as the British Business Bank—we have talked about pensions already—and others look to help impact that?

Phill Robinson: When you look at the amount of venture money that is raised in the UK, of the funds that we raise, 20% is invested in late-stage scale-ups. In the US, it is an order of magnitude more—it is 33%. From my numbers, in scale-up land, for the UK's software companies and technology businesses, about 43% of the scale-up money has come from the US.

It is great that we can attract that inward investment, which is fantastic, but often they will then say to the founder, "Will you now move to the



States? Will you move your business?" We then become the exporter of the skills, the talent, the value and the tax to the US. It is gone. Yes, we would like their capital and we are happy for them to invest, but the challenge is how we make it an environment where they do not expect to just grab the asset and move it to the US.

Q66 **Mr Reynolds:** What is the answer to that question, then?

Phill Robinson: If you look at the British Business Bank, it is an anchor LP in UK VCs. Could it be an anchor investor in US VCs in return for not requiring that the UK companies that they invest in move domicile? That is just an idea.

Karim Palant: The scale of fund that the BBB had a mandate to back was for a long time effectively capped. Since the spending review, that has been removed. It is backing bigger funds, which is really important. Essentially, we have to get into the UK the flywheel that the US has had for much longer than we have had.

As you build a software business, you exit the software business or you realise some of the gain from your investment, then you use your experience of building that business to build another one or you use it to invest in or build a VC fund to invest in others. That flywheel effect has been playing in the US for much longer. We have seen bigger later-stage funds emerge with experienced founders and investors in them.

In the UK, we have used things such as the BBB to help generate a really strong ecosystem. Our financial services strength has allowed us to build a great ecosystem in the UK, but it will take time for that flywheel to kick through. The longer that it takes for us to get the people in those giant companies exiting and reinvesting, the harder it is.

We have a tax regime in the UK that makes it harder, relative to the US and other places, for people to stay, exit their business in the UK and reinvest that money. We have made things such as capital gains tax or business asset disposal relief, entrepreneurs' relief, less generous for people who are exiting those businesses over quite a long time.

We think that there are things that you could do without necessarily relitigating those broad issues for all entrepreneurs and so on. If you are reinvesting that money into UK venture capital, reinvesting it into UK scale-ups and start-ups, or putting it into your own second business once you have exited your business, could you defer or reduce your requirement to pay some of that capital gains tax in order to reinvest it into the UK ecosystem?

That is something that the Swedish and the Estonians do. It is something that we could do here in the UK. As part of the consultation on entrepreneurship that the Treasury ran post the last Budget, we strongly advocated for that. That will be a really positive signal.



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Narrative is so important for the UK. There has been a sense of the UK falling behind. We have great opportunities and everything is in place, but we are falling behind. If we can almost send a shockwave into the system to say, "No, the UK is here and it is open for business," that would be a really good way of doing it.

Phill Robinson: The flywheel effect is real. It is really important. I lived in silicon valley twice. The density of talent and their ability to share knowledge and experience is super important. Once a company has been successful and leaves, we lose the talent, the experience and the people. We do not build the flywheel. The reason we created Boardwave in the first place was to create this experienced group of people who could help each other. Do not underestimate that flywheel effect. It is super important.

Simon Maneshy: I would echo those points. We have lots of soft advantages here. A lot of our CEOs who expand into the US and move to New York or to Austin to grow their businesses do not really want to live in the US for the next decade. In some cases, they would be quite happy to be there for a period and come back. We make it really difficult for companies to hold on to wealth that is being gained here by the founders or by employees and not move it elsewhere.

Portfolio companies of ours, such as Synthesia, are actively extracting AI talent from silicon valley and elsewhere and bringing it to London. We want to have a tax regime that allows those people to succeed, along with the companies that they are helping to build here, and then stay here and not, as soon as they leave those companies, feel like they need to move back out of our jurisdiction.

We just have not had time for that flywheel effect to happen, but it will not happen on its own with this much friction in the system.

Q67 **Antonia Bance:** I was struck by the comments about the potential for the UK to focus on applied AI in specific sectors where we have expertise. That was your point, Phill. I wanted to ask more broadly about the availability of finance for those companies that need to bring AI into their existing operations. Mr Palant, I wonder whether you wanted to start.

Karim Palant: I am thinking in particular of the likes of Purity Soft Drinks in your constituency, for example, which has private capital backing. You want to see that kind of mainstream investment in established businesses, in that case in soft drinks, and turning around those companies.

I looked this morning at the Government's research into tech and AI adoption within mainstream businesses. It was said that it was updated in 2026, but some of the data looked like it was from 2025. It suggested that one in six mainstream businesses in the UK had in some way implemented some kind of AI within their system. There was some PwC



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data that puts us at something like 12th out of 19 of the countries that it looked at for AI adoption within mainstream businesses within the UK.

The Chancellor in her Mais lecture talked about wanting to be the fastest at tech adoption and AI adoption within the G7. To get that to happen, we are going to have to have capital going into mainstream businesses, expertise going into mainstream businesses, and access to some of the best technology. They are going to have to have access to guidance and information.

The research showed that businesses were saying that not knowing what a use case is for the technology was one of the major barriers: "It might cost me money; it might get me into regulatory trouble; and I don't quite know what it is going to do." For those companies that had done it, productivity was the massive benefit that they found. That is a big challenge for the UK economy.

When we surveyed our private equity members—so a slightly different group of people from the venture members—around 60% of them said that within the first 100 days of acquiring a business, they put in place a tech adoption and AI strategy for those businesses. They did an assessment of those businesses for that strategy. If you think about that—100 days from acquisition—compared with the majority of those companies that had adopted AI in the Government research who said they had been considering it for a year. Many of them said they had been considering it for three, four or five years.

If we want to get to that fastest in the G7 number, we are going to have to move quite quickly. That is going to need us to take those lessons from those companies that have adopted it, whether they are private equity-backed or not. It is going to be about signposting where the use cases are, where the productivity impact can be and what options there are for you as a small and medium-sized business to access business support, whether it is targeted by sector or region.

There is a huge need to get out there some of that basic information for mid-sized businesses that do not necessarily have that information to hand or even understand the use case. Our private equity members see the value and the productivity impact straightaway. They are going in and doing it. Learning those lessons is going to be hugely important. It is not something that the UK has historically been particularly strong at.

Phill Robinson: In terms of mainstream businesses in the UK, from the Government research that I looked at, around 80% have no plans to implement AI at all. Maybe that is a little older than the data you have, but it is a huge number. The Government have done a lot of work on education, building programmes to educate people and free training. We have to find a way to incentivise them to invest in AI because they will become more productive and it will generate innovation and growth.



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I do not know whether it is politically astute for me to say this, but you used to have R&D tax credits. Whether it is a system like that or not, something that incentivises people to invest in AI for productivity and innovation might be the stimulus you need to get small and medium-sized businesses to use AI to give them lift-off.

Simon Maneshy: There is a question about who will do the AI-ification in this conversation. By and large, it is going to be the AI-native software companies and the software companies of the last 10 years that are adopting AI quickly, which we were talking about before.

Fundamentally, we heard in the first panel that there is a lot of self-adoption happening. You can have someone right on the frontline building an app, and we can all speak into Claude and have it create something for us. There will be a lot of that but, once you get to a certain complexity of business, it will require AI vendors that come in and say, "We have this vertical applied application that we have built for you as a buyer, for your industry and your particular use case."

Those are the companies that the UK, to reiterate, is very good at founding and supporting. We have a decent base of scale-ups even from the previous generation that are becoming AI leaders. Those companies, if we support them, are going to do the AI transformation within the wider economy. It is probably not just going to be the big consultancies or a self-build.

Q68 **Dan Aldridge:** Albeit pre Brexit, when Demis Hassabis sold DeepMind to Google, a big selling point of keeping it in London was proximity to European talent. How do we take advantage of some of the options that we have now with a potentially uncertain US environment? You alluded to some people potentially wanting to be here. What do the UK Government need to do to make sure that we take advantage of that and continue to attract the best talent that we can to the UK?

Simon Maneshy: Given the structural advantages that we have in a lot of ways and the fact that people want to come and live in London, we could do with a bit more banging of the drum. Macron is very good at standing up and saying, "Come to France. Build your AI company here. We are going to give you this and support you like that. We are going to champion everything." We are a little bit embarrassed to do that in this country.

We have a lot of the schemes, as we talked about. There are a number of global talent schemes, the innovator founder visa scheme and so on. Start-ups and SMEs often do not know how to access them. Because of the barriers that I talked about, even when they do know that those things exist, it is quite hard to channel those visas and the schemes to the companies that are creating the most jobs and the most growth in those spaces.



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The Government already have a number of policy levers, through which they are picking which start-ups to support, which growth companies are going to be the champions of the future and which venture funds to fund through the BBB. Those things are not necessarily joined up with how we funnel the already existing tax incentives, visa routes and R&D tax credits—which are quite hard to access, but already exist—to those companies backed by those funds or to the companies that we are supporting. That is one of the things, together with a bit of drum banging, that we could be doing. It is not necessarily that we lack the visa routes.

A lot of the talent—this is your world, Phill—that we have brought over the last 15 years into our growth company sector in AI and in software has been American executive talent. We have got all kinds of talent, but particularly technical talent, from Europe and we have got a lot of technical and engineering talent from Asia and elsewhere. The balance is not that bad in terms of different sources of talent, but we need to get it into the right companies quickly, without overly complicated schemes and overly high rates to pay on all sorts of small things. That is where the gumming up happens.

Q69 Dan Aldridge: When we were in India with the Committee, the vibe was very different. We have got the vibe a bit wrong.

Phill Robinson: I totally agree with some of the marketing points. We need to bang the drum a lot harder in terms of the environment that we have in the UK. We have done a really good job of that in the last few years.

Talent has come from India, Asia, Europe and the US as well as stuff that is home-grown. My concern is geopolitics. Does that get threatened? If the EU gets its act together, will the Europeans go back to Europe? If the Asians go back to Asia and the Americans go back to the US, will we end up with something less than what we have today? That is a threat as well. We need to hold on to the people we have as well as being an attractive place to work. Some of the marketing would really help.

There are lots of policies and schemes in place. Some firms do not know how to use or access them. Making that more obvious would be good. We are doing a pretty good job with Government support, but we should be helping them to understand it, banging the drum and making sure that these people stay in the UK.

Karim Palant: Is the UK an attractive place to come and grow a business? Relative to many places, clearly, yes, because a lot of people do it and have done it over many years. Has that changed over time? Relatively, our lead has eroded over time for all sorts of reasons, but there are loads of really strong reasons why you might want to do it. That includes the EIS and VCT scheme, the EMI reforms that have come through, the talent, the universities, the legal system and the regulatory certainty. There are loads of good reasons to do it.



The vibe at the moment is more negative. Some of that is a bit about the speculation around where the future might have gone at various points over the last few years and the fiscal challenges. If we can get the tone and the mood music right, that can shift. That is one of the reasons why, for example, getting the big bang pensions reform right, getting the scale-up reinvestment relief that we talked about, and getting a sense that there is momentum here and that the Government are really focused on this, could have a real impact quite quickly. That is extremely important.

The AI opportunities action plan really did send a signal, but there is then a pressure to deliver and to be seen to be delivering. Energy costs is just such a big challenge.

Q70 Charlie Maynard: I want to ask a different question to each of you. Simon, Professor Neil Lawrence was pretty active earlier in saying how he did not much like the Government's encouragement of the CMA regime, which has been widely reported as basically going easy on big tech. If that is indeed the case, is that good news, bad news or indifferent for the UK tech sector?

Simon Maneshy: I do not have a strong view. A lot of the changes there have been shaped by tech, interpreted as big tech. The start-up scene does not really get much of a say in the way that policies change in that area and the way that the CMA operates.

When we think about the arc of funding start-ups, helping them to grow, raising money and becoming large, what happens right at the end is very important. Is there an exit opportunity for that company? France did a great job, 20 years ago, of killing its nascent start-up scene for quite a few years by squashing a few potential acquisitions on the grounds of national sovereignty, competition and so on. We have managed not to do that yet, although there has been some danger with things such as the AI sovereignty requirements around certain selling companies that might be considered sovereign AI capability or where there might be national security issues.

Around the question of IP ownership, we published some research earlier this year on the balance between the opt-out and opt-in regimes around tech companies being able to use data to train their models. We are seeing a change in that area right now, where a third way is emerging. A number of tech infrastructure providers are creating the opportunity for people to create different kinds of gates to sell, to monetise and to create selective access.

Q71 Charlie Maynard: That was not so much on the CMA aspect. Karim, Dame Wendy made the point that there are so few women in AI, tech and private capital—QED. What can UK Private Capital do about that? What do you see as some of the solutions there?



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Karim Palant: I have written to the Committee about this before. It is something that we are very concerned about and focused on as well. We absolutely share that concern.

I will draw three different groups of people. One is founders and those who are setting up companies; one is VC investors; and one is the investors in the VC funds. Those are three different groups.

The numbers in the VC funds started, when we first looked at the numbers in the late 2010s, extremely low. They remain very low, but they have at least moved somewhat in a better direction in terms of seeing those who are at a more junior level move up the chain within the ecosystem. We still see a preponderance of men running VC funds. That is driven by a massive range of factors, but it is clearly not sustainable.

Through the Government's investing in women code, which we very much support, there is a fund of funds designed to invest in and back women-led venture funds, which we think is hugely valuable and positive. We think that is a very good step. We take the responsibility to measure, survey and publish this data regularly to hold the industry to account on it. There is a suite of mentoring and training that you need to put in place. It is a very challenging area and one that we are very focused on.

Another area that we have published on since I wrote to the Committee is limited partner investors, the institutional investors. Again, it is a slightly better picture but still not a great one around the institutional investors that invest in funds and make those decisions as to which funds to invest in. Again, there is a big skew there, albeit slightly less than at the venture end. We would be very happy to follow up with that data. That is something we collate as part of the investing in women code data.

We also find, by the way, that the investment in women-backed founders is much higher among signatories of the investing in women code. They are often firms that have engaged with the mentoring and other programmes. We would be keen to promote that to as many people as possible.

Q72 **Charlie Maynard:** Phill, on the UK AI opportunities action plan, I am quite intrigued that the Government very naturally are talking about UK AI opportunities. Is there enough discussion and interest in the threats?

Phill Robinson: Is there enough discussion on threats? No.

Q73 **Charlie Maynard:** What should we do about that?

Phill Robinson: We need to engage more comprehensively with these companies than we have so far. We have not heard enough from them. Some of them are fledgling AI companies that are just starting—maybe Simon has been supporting them; some of them are scale-ups.

I have 1,650 members in the UK. By the way, 550 of them have women founders. We have a real focus on supporting women in business and



women in software because, frankly, the technology industry is terrible at it. They need support.

Anyway, we need a better dialogue or a deeper dialogue with the people who are running these companies. They are all running relatively small companies compared with US big techs. They do not have access and the capital to spend money lobbying Government for policy changes. They do not have the time to spend in these sorts of offices. We need to make it really easy for them to tell you what the issues and challenges are. It needs to be much easier than it is today.

They all say to me, "It's really difficult. I'm not sure we can do this. It's going to take too much time. We're too busy with our heads down running the business." If we can find forums and ways to do that, that would be really helpful.

Q74 Dan Aldridge: Startup Coalition has been doing a great job. It came to Weston-super-Mare and did a roundtable on this very issue. It was fantastic. It is in that space. That was awesome. We have talked about specific policy levers, such as tax incentives and R&D support, so you have probably answered some of this question, but which policy levers would have the greatest impact on scaling UK AI firms? Are there any things that we should be pushing Government to do better on?

Phill Robinson: An R&D tax credit system for AI investment would make a big difference across all industries and specifically in the software industries that are migrating. Software companies migrating their technology base to AI have to make a significant investment to make that shift. If they do not do it quickly, they will not be here any longer. We will lose the software base in the UK, which is so important to us. For me, that is the most important one.

Karim Palant: I have talked about scale-up reinvestment relief, which is about that flywheel effect where people who have exited businesses reinvest into private capital and scale-ups here in the UK. We would say that is a targeted and relatively small fiscal impact that is going to drive quite a big behavioural change in terms of exited founders and those exiting investments going back into the ecosystem and reinvesting into the flywheel. That is really important.

Plantforce Rentals in Weston-super-Mare has been backed by BGF. That is the kind of mainstream normal business that you would want to incentivise, motivate and support to adopt more of that technology in the mainstream economy. Getting investment into that sort of mid-market PE to invest in them and to support the broader business ecosystem to adopt that technology is also really important. The ideas that Phill and others have put forward are really important there.

Simon Maneshy: It is about keeping the shoulder to the wheel on the Mansion House reforms and getting pensions funds to invest in this space. It is about trying to figure out how to keep channelling the



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schemes, incentives and visas that already exist to the companies that are creating the most growth and jobs in this part of the economy and ungumming the problems that exist.

It is about Government getting more specific about how they can participate in that by becoming a bigger customer, thinking about procurement requirements and so on. That is part of the AI opportunities action plan, but there is quite a lot of fleshing out to do before it becomes really impactful.

Chair: Thank you very much for your time today and for your incredibly insightful information. It is going to help us to build our inquiry as we gather more information over the coming sessions. Thank you for your contributions and your time. That concludes this session.