

HMG Response to House of Lords Science and Technology Committee Financing and Scaling UK S&T Inquiry Report: *Bleeding to death: the science and technology growth emergency*

Summary

The UK is one of the best places to start a Science and Technology company in the world. We are home to four of the world's top ten universities and our venture capital market is the third largest globally, behind only the US and China and leading in Europe, with over £17 billion invested in innovative UK companies last year¹. We are world-leading in many technology sectors such as quantum, where we have the second highest number of quantum start-ups globally, and the sector has attracted the second highest volume of private investment globally.

Though the UK is a great place to start an innovative company, the government recognises the urgency of going further and improving support for science and technology companies to scale in the UK, something that has been a longstanding problem for the UK over several decades. This was most recently articulated at Budget 2025 through the Entrepreneurship in the UK prospectus, which sets out why founders should start, scale and stay in the UK and outlines a range of newly introduced measures to support innovators. We are already taking action across the areas outlined in the Committee's report and welcome and agree with most of the Committee's recommendations.

The financing and scaling of science and technology companies is of central importance for the government. As outlined in the Digital and Technologies Sector Plan within the government's Modern Industrial Strategy, these companies are foundational to our current and future economic growth, being responsible for £207 billion of UK GVA and 2.6

¹ Dealroom.co, UK Innovation Update Q3 2025, October 2025, Page 3, <https://dealroom.co/uploaded/2025/10/Dealroom-HSBC-Innovation-Banking-UKQ32025.pdf?x68687>

million jobs in 2023². Despite this, we could unlock much more growth and prosperity in this country if we supported these firms to realise the full extent of their potential; whilst science and technology companies account for around 16% of the value of UK main market listed companies, they make up approximately 50% of listed company value in the US³: if UK-listed science and technology companies reached a similar share, the associated market capitalisation would rise from about £435 billion to around £1.35 trillion⁴. It is likely that scaling these companies would also bring a benefit in terms of national security and resilience.

The aspiration to deliver higher levels of growth through science and technology lies at the heart of government's Industrial Strategy and the eight sectors the government is prioritising. In particular, these include Life Sciences, Advanced Manufacturing, and Digital and Technologies. However, all Industrial Strategy sectors present opportunities for using new technology to increase productivity and support innovative companies based in the UK.

To deliver the vision set out in the Industrial Strategy, the government is taking an integrated approach to supporting innovative companies, making sure companies can access the right support at different points in their growth journey, with funding complemented by access to other initiatives from across government on procurement, skills, infrastructure, and regulation. The government's Science and Technology Framework sets out how the government intends to take an integrated, systems-level approach to science and technology policy in order to deliver on its national missions.

² HM Government, The UK's Modern Industrial Strategy Digital and Technologies Sector Plan, Page 71, https://assets.publishing.service.gov.uk/media/6892104df15b237bf6610996/industrial_strategy_digital_and_technologies_sector_plan_accessible.pdf

³ HM Treasury, Entrepreneurship in the UK, November 2025, Page 24, https://assets.publishing.service.gov.uk/media/6925e64222424e25e6bc31b1/Entrepreneurship_prospectus.pdf

⁴ UK figure is based on the combined market capitalisation value of technology (3.32%), telecommunications (1.18%), and health care (11.61%) sectors in the FTSE All-Share Index, as at 31 October 2025. US figure is based on the combined market capitalisation value of technology (39.17%), telecommunications (1.91%), and health care (9.01%) sectors in the Russell 3000 Index, as at 31 October 2025. All figures use the ICB industry classification. Market capitalisation figures are estimates derived from the FTSE All-Share net market capitalisation of around £2.7 trillion, as at 31 October 2025. Sources: FTSE Russell, [Russell 3000](#) and [FTSE All-Share](#) factsheets.

The government is engaging proactively with our science and technology companies to support them to start, scale and stay in the UK. Ministers regularly meet with innovative scaleups and engage with hundreds of businesses across sectors, from AI to life sciences. In June 2025, the Prime Minister hosted an event at Chequers for high-profile tech founders and investors. During London Tech Week 2025, Ministers across all departments directly engaged with over 60 UK tech companies and hosted over 1000 international delegates and 100 venture capitalists. This all contributed to a raft of tech companies investing in the UK: InnovX AI, one of Europe's leading startup hubs, invested £14.7 million in a new London technology hub; Nebius, a Dutch AI infrastructure company, invested an initial £200 million in the UK; and Netcompany, a Danish IT consultancy, investing £2 million as it expands in Leeds and Edinburgh. We have also secured partnerships that will drive forward innovation, such as the December 2025 agreement with Google DeepMind which will help deliver new science breakthroughs, cleaner energy, and smarter public services – turning cutting-edge AI into real benefits for people. Engagements such as London Tech Week demonstrate the government's role as an active partner for the tech sector. The government is committed to building on these initiatives and will continue engaging with businesses, including at the most senior levels in government.

The government is also driving forward a cross-department approach to supporting scaleups, including tech companies, which will be rolled out by mid-2026. This will focus on identifying and unblocking barriers to growth at pace, including procurement, access to finance and regulation, and providing easier access for companies into government. As part of this, DSIT will take a proactive approach to identifying strategically important frontier tech companies across its growth, investment and sovereignty agendas and will actively engage with these companies to support them to stay, scale and invest in the UK. This includes developing strong relationships at Ministerial and Permanent Secretary levels.

Underpinning the government's vision is a record level of investment in R&D, which will drive innovation across the UK. Through the £86 billion R&D investment in the Spending Review and Industrial Strategy, we are backing

founders and innovators and prioritising the sectors with the highest potential for growth. Furthermore, business expenditure on R&D is strong, increasing by 5% to £55.6 billion, the highest on record under the updated ONS methodology. Central to delivering this will be reform of UK Research and Investment, which includes Innovate UK. Under new leadership, they will ensure that they support not just world-leading R&D but also identify and grow high potential businesses which have the potential to be world-leaders, investing £7.4 billion over the next 4 years to help companies scale and grow.

We have built upon the progress we made at the Spending Review and with the Industrial Strategy at Budget 2025. This was underlined in the publication of the ‘Entrepreneurship in the UK’ prospectus, which set out new measures to support businesses to start, scale and stay in the UK. These included doubling investment limits for the Enterprise Investment and Venture Capital Trust schemes, backing early-stage and growth companies, helping scaling firms raise larger funding rounds; setting out the British Business Bank’s ambitious five-year strategic plan, which increases the Bank’s risk appetite, direct investment capacity and annual deployment; launching £4 million a year Enterprise Fellowships and a £25 million doctoral training for entrepreneurship; and appointing procurement innovation champions in every department. These targeted actions show why founders should start, scale and stay in the UK.

The Committee’s report includes recommendations across a range of policy areas. The government’s response is summarised below:

Access to scale-up capital

Ensuring science and technology companies have access to necessary growth capital is a key priority for the government. The British Business Bank, as part of its increased permanent financial capacity of £25.6 billion, has set aside £4 billion for the Industrial Strategy Growth Capital programme to support scaling companies in the government's eight priority sectors. Through measures such as the Pension Schemes Bill, and a number of British Business Bank initiatives, including the British Growth Partnership and new Venture Link programme, the government is unlocking

more institutional capital into high growth science and technology companies. The sector is responding, with 17 of the largest direct contribution providers agreeing ambitious targets under the Mansion House Accord, and 20 large providers joining together under the banner of the 'Sterling 20', a government-backed group working together to identify investment opportunities. The Bank will also target over 60% of its venture and growth investment flow on scale-ups, investing at least £5 billion into growth-stage funds and scale-up companies, supporting at least ten new to market growth stage fundraisings over the next five years.

To make it easier for scale-ups to attract capital and talent as they grow, we are doubling the amount companies can raise through the Enterprise Investment Scheme and the Venture Capital Trust scheme, and significantly expanding the company eligibility limits for the Enterprise Management Incentive scheme.

It is essential that this support forms a coherent offer to businesses, and so we welcome and support the committee's recommendation for better join up between Public Financial Institutions. The recently launched UK Public Investment Roundtable will function as a single cross-government mechanism to enable join up between Public Financial Institutions, and organisations are already taking practical steps to improve join up, such as Innovate UK's recent launch of the 'Floww' platform for sharing opportunities to invest in innovative companies.

Procurement reforms

Recognising the importance of procurement for supporting the early growth of high potential companies, the government intends to publish pipelines for upcoming procurement and a set of unmet needs that require further innovation. To embed this approach, the Government is establishing a Commercial Innovation Hub as a centre for expertise to surface unmet needs, give practical help to pilot and scale outcome-based innovative solutions and spread proven approaches. The Hub will support new senior procurement of innovation champions across all departments, with responsibility for supporting innovation through procurement. The government will deploy advanced market commitments for the

procurement of next-generation semiconductors for AI inference and low-carbon concrete, and will expand this approach to other areas. The Strategic Defence Review and Defence Industrial Strategies announced the MOD will commit 10% of its equipment procurement budget to novel technologies, overhaul Defence procurement, and aim to increase the amount spent with SMEs by £2.5 billion by 2028. Through UK Defence Innovation the government has dedicated £400 million p.a. of investment focused on emerging technologies, and we will continue to investigate ways to encourage procurement of innovation throughout government. The MOD will lay out more detail in the upcoming Defence Investment Plan.

Skills and talent

Attracting talent globally and developing it at home is crucial for growing Science and Technology companies. Skills England will be a single authoritative voice on current and future skills needs in England, supporting the government's ambition set out in the post-16 Education and Skills White Paper, to create a world-class skills system that leaves no person or place behind. Through further improvements to the science curriculum, the government is working to strengthen science education for every pupil.

The government is also attracting top international research talent to the UK, through measures like the £54 million Global Talent Fund, which is aligned to the sectors prioritised in the government's Industrial Strategy, and part of a wider £115 million package, which includes several fellowships targeting elite research talent. Through recent and future reforms to visas targeting global talent, such as the High Potential Individual and the Global Talent visas, the government is making it easier for the brightest and best to start, scale, and stay in the UK.

To further support scaling companies in their access to talent, we are expanding the Enterprise Management Incentives (EMI) company eligibility, doubling the employee limit and the company share option limit to 500 employees and £6 million respectively. It is expected to support around 1,800 of the highest growth scale-up companies over the next five years.

The Global Talent Taskforce has been established to secure top global talent by supporting scientists, researchers, innovators, entrepreneurs, investors, and creatives to relocate to the UK. It works closely with the UK's international network to build connections and create a strong pipeline of individuals who want to lay roots here and invest in the UK.

Regulation and standards

To improve the regulatory environment for the most innovative firms, the Regulatory Innovation Office (RIO) is working towards an agile and responsive regulation environment. We have had significant success already in achieving change for innovative sectors, using the RIO's convening power, ability to bring regulators and businesses together to address regulatory fragmentation or complexity. Key examples of measures include the Regulators' Pioneer Fund round 4, which focused on impact and alignment with government priorities, and the AI Capability Fund is investing £3.6 million to equip regulators with the expertise and tools to regulate AI efficiently. The RIO is also launching a 'front door' for businesses operating within its priority areas to raise regulatory issues with the RIO directly. Businesses in innovative sectors have already acknowledged the positive progress made in RIO's priority areas of focus in its first year of operation, which was set out in the RIO's 'One Year On' report published in October 2025. These highlighted changes made to support drones, novel foods, AI in medical settings and on space.

The importance of digital standards to the UK is well-recognised in the government's Industrial, Trade and National Security strategies released in 2025, with the Industrial Strategy specifically calling for the publication of a Digital Standards Strategy. Standards are an important driver of economic growth and employment. They help UK companies commercialise new and emerging products, provide confidence and choice to innovators, investors, businesses and consumers, and facilitate access to new and existing markets. Standards overall have boosted the UK's annual Gross Domestic Product (GDP) by £16 billion since 2000, with 23 per cent of all UK GDP growth attributable to standards, according to the British

Standards Institution (BSI)⁵. Standards are also a key tool to governing technologies. For these and other reasons, it is important that the UK actively participates in the shaping of international standards consistent with our interests.

Conclusion

Our ambition is high given the size of the prize, but we do not underestimate the scale of the challenge. Our focus is on delivering our commitments and ensuring they have the greatest impact possible. There are areas where we know we must go further and intend to, such as making progress on the Mansion House Accord to unlock £50 billion of additional institutional investment, and strengthening the join-up further across public finance institutions.

We also want to double-down on our strengths; for example, the UK is an international leader in quantum technologies, and we aim to enhance UK economic prosperity and national security through an ambitious long-term programme underpinned by over £1 billion of R&D investment.

The government will ensure the UK continues to back new innovators through one of the most generous R&D tax reliefs in the world, and will reform UK capital markets, with London as the largest capital market in Europe, to support science and technology companies to access the deep pools of capital they need to grow.

The remainder of the response will go into greater detail on the government's response to the report's recommendations. This response is accurate as of 23 January 2026, and its contents reflect the wide range of policy announcements made since the government submitted written and oral evidence to the committee in 2025.

⁵ Cebr, The contribution of standards to the UK economy, April 2022, Page 6, <https://www.bsigroup.com/siteassets/pdf/en/about-us/bsi-the-economic-contribution-of-standards-to-the-uk-economy-uk-en.pdf>

Chapter 2: Failing to scale in the UK

Recommendation:

- *We recommend that a National Council for Science, Technology and Growth, modelled on the National Security Council, should be empowered to tackle the growth mandate, with a particular focus on science and technology and the scale-up issue. It should include the Prime Minister, Chancellor, DSIT, DBT, the Home Office, MoD, DHSC, DESNZ, DWP, and Department for Education, and the public investment institutions. It should meet frequently to drive through reforms that will support technology for growth and the scale-up of UK companies. We return to this further in Chapter 6 and set out reforms it should implement in the remainder of this report. (Paragraph 31)*
- *A continued lack of coordination demands a new and more robust structure to provide leadership, which is needed from the top or there will be no progress. It should be coordinated by the National Council for Science, Technology and Growth, a newly-established body that includes the Prime Minister, Chancellor, and Minister for Science, Research, and Innovation as well as principals from the Department for Education, Ministry of Defence, Home Office, DHSC, DESNZ and Department for Business and Trade. While we welcome the Department's suggestion that the Science and Technology Cabinet sub-committee could perform this role, such a body needs to meet frequently. It must be used as a proper forum for driving growth, resolving conflicts between departments and coordinating on strategic decisions, for example around technological sovereignty, rather than as a rubber-stamping forum. It would also benefit from the ad-hoc inclusion of key non ministerial figures, such as the heads of the British Business Bank and National Wealth Fund, and the ability to meet responsively in a crisis situation. (Paragraph 271)*
- *We therefore recommend that the Council be given similar prominence, resources and working practices to the National Security Council. Leadership and a sense of urgency at the highest levels is needed to stop the bleeding and drive growth. (Paragraph 272)*

Government Response:

- We **partially agree** with this recommendation. We remain committed to ensuring that activity relating to science and technology is co-ordinated across all interested departments, with multiple levels of governance and lines of communication in place beyond the Cabinet itself. However, we do not commit to adopting the specific structures outlined in the report.
- With this importance in mind, the Prime Minister has recently revised the Science and Technology Committee to become the Digital and Technology Committee (DTC). The DTC will continue to consider science, research and innovation while also driving decision making on

digital transformation across government. The Prime Minister will continue to chair the DTC. To ensure agility in its decision making, it has a core membership of the Chancellor of the Exchequer, the Chief Secretary to the Prime Minister, and the Secretary of State for Science, Innovation and Technology, with other Ministers invited to attend as needed. We also expect that important discussions on supporting the future growth of UK science and technology companies will be covered by the Growth and Living Standards Committee, co-chaired by the Prime Minister and Chancellor of the Exchequer.

- This work is complemented by the Prime Minister’s Council for Science and Technology (CST), an expert advisory body comprising of leading figures from academia, industry and technology. The CST provides independent challenge and impartial advice to the Prime Minister and Cabinet, ensuring that government policy reflects cutting-edge scientific insight and long-term strategic opportunities.

Recommendation:

- *The incentive structures holding back innovation must change. The Government should explore ways to incentivise and reward experimentation with technology, particularly that which supports the growth of UK science and technology companies. It should celebrate successes and provide more direct incentives for risk-taking. Ministers should explicitly encourage innovation within their departments, giving time, space and political cover for officials who innovate and setting up structures in which fear of criticism does not hinder considered risk-taking. (Paragraph 40)*

Government Response:

- The government **agrees** with this recommendation; experimentation and risk-taking are key parts of innovation, and the government is taking steps to address this.
- The government does already take on risks on emerging technology, such as through the National Security Strategic Investment Fund (NSSIF), the government’s corporate venture arm, focused on dual-use advanced technologies that are vital to national security and defence. NSSIF exemplifies how government can take calculated risks on emerging technologies and adopt innovative procurement approaches.

By taking minority stakes in early-stage companies developing primarily cutting-edge pre-commercial technology and connecting them with National Security and Defence end customers, this creates value for the company, enables the development of tailored solutions and facilitates the sharing of insights across government.

- The government is working to identify priority departments to lead the way on innovation projects, including determining where the use of AI solutions will best deliver improvements to public services. This includes the creation of 'AI hit squads' to drive digital transformation of government departments. We are also doubling the number of digital experts in government, to use and build the technology needed to bring public services into the 21st century.
- At the recent Budget, we announced that departments would appoint Procurement Innovation Champions. These will be senior officials in the department responsible for identifying the department's unmet needs and sourcing innovative solutions to them. Departments will be held to account for developing effective plans to take managed risks on buying innovative solutions to meet these needs.
- In addition, we have recently published plans to reform the internal spending control and accountability framework to reduce the burden on departments, giving them more flexibility to innovate.
- The government is also working with the National Audit Office and Public Accounts Committee to identify appropriate ways to publicise the government's risk appetite, so committees scrutinise in light of this and do not automatically equate failure with waste.
- One example of where the government is incentivising experimentation with technology is through the AI Capability Fund (AICF), the RIO is investing £3.6 million to equip regulators with the expertise and tools needed to regulate AI effectively, and harness AI for better outcomes. It supports regulator-led research and experimentation to build capacity across sectors, ensuring the UK remains at the forefront of safe and pro-innovation regulation.
- More broadly, through UKRI the government is investing £14.5 billion into curiosity-driven research, which underpins the UK's R&D strength and creates the foundation for long-term economic growth.

Recommendation:

- *Behaviour in the Treasury must change if it is to deliver long-term economic growth. The Treasury must take responsibility for driving growth across the economy, supporting the aims of our proposed National Council. As an example, the review of the Green Book provides an opportunity, which should be seized, for the Treasury to expand its work on understanding R&D and its impact on growth, particularly for investments where the long-term benefits are not captured by standard analysis of project-level value for money.*
(Paragraph 42)

Government Response:

- We **agree** with the Committee's recommendation on expanding work to understand the role and impact of R&D in driving growth.
- The Treasury is working with DSIT to develop cross-government R&D appraisal guidance in order to deliver recommendation 4 of the [Lord Willetts review into R&D business case processes](#). This will build on the findings of the [2025 Green Book Review](#) and showcase how to use a variety of methods for the monetised and unmonetised impacts of R&D policies and programs. This will enable higher quality analysis for business cases and reduce the number of R&D interventions that are blocked for lacking quantified impacts.

Recommendation:

- *Too often, in recent years, a laissez-faire approach by the Government and reliance on foreign investment to plug gaps in domestic investment has hurt the UK's long-term interest. This must change if we are, in the Minister's words, to 'cherish' our companies. The new fiscal rules introduced in 2024 provide an opportunity to revitalise domestic investment and correct chronic underinvestment. As part of this:*
 - *The Office for Investment, when seeking foreign investment, should make a clear distinction, between foreign direct investment that supports the creation of new infrastructure and that which involves a transfer of ownership, control, and management to overseas owners. ONS reporting should more clearly distinguish between these two types of foreign direct investment.*
 - *When science and technology companies are listed on an overseas stock market or acquired by foreign investors, the Department for Business and Trade should*

conduct an ‘exit survey’ of those companies and ‘exit interviews’ of the founders, to establish the reasons why this was done and whether any interventions could have prevented it.

- *Our proposed National Council for Science, Technology, and Growth should have a view about which technologies the UK needs sovereign control over and intervene to ensure that this is the case. The Government should examine other countries’ policies to retain domestic ownership of strategically important science and technology companies. For example, it should use public investment bodies, like a scaled-up National Wealth Fund, to take meaningful equity stakes in companies, as overseas sovereign wealth funds have done. (Paragraph 56)*

Government Response:

- The government **partially agrees** with this recommendation. The government recognises that different types of foreign direct investment (FDI) have different implications for the UK’s science and technology ecosystem.
- Regarding the recommendation relating to ONS reporting, the classification of FDI is a matter for the independent statistical authorities. Nevertheless, DSIT will engage with the ONS to understand what is possible with existing data, and any options to change data collection in the long-term.
- Overseas listings and acquisitions reflect a range of commercial considerations, and do not automatically result in loss of capability; in some instances, they can generate new inward investment and employment. The Office for Investment (OFI) is engaging with UK scale-ups to support their continued growth in the UK.
- The government has already delivered an ambitious set of reforms to boost the UK’s capital markets to ensure the UK is the best place for firms to start, scale, list and stay. Alongside this, the Listings Taskforce is a UK government-led initiative, driven by the Office for Investment and HM Treasury, to strengthen London’s position as a leading global destination for IPOs by attracting high-growth companies and promoting UK capital markets through targeted engagement. In November 2025, we announced the UK Listings Relief, exempting companies’ shares from stamp duty reserve tax for the first three years of their listing on the UK market.

- The government already engages closely with firms to gain insights into the factors influencing listing decisions and identify opportunities to improve the UK's competitiveness. The government will continue to assess where sovereign control or strategic influence is necessary to safeguard capability in technologies critical to the UK's long-term security, prosperity and competitiveness. We remain focussed on ensuring that high-potential UK companies have strong domestic financing options, including via the BBB and NWF.
- The government agrees with the specific recommendation for the need to have a view on which technologies the UK needs sovereign control over and intervene to support this. This is of an increasing importance in critical technology sectors like Quantum and Engineering Biology where accessing capital will be central to companies scaling and staying in the UK and developing sovereign capabilities. The government will use the full range of existing levers, including public investment bodies, to support the development, scaling and anchoring of strategically important technologies in the UK. DSIT works closely with the National Security Strategic Investment Fund, BBB and NWF to identify priority technologies and support the deployment of targeted investment interventions that crowd in private capital and strengthen critical domestic capabilities.

Chapter 3: Enabling private sector financing

Recommendation:

- *We welcome the Mansion House reforms as essential measures to accelerate growth. It is critical that they result in capital flows to the next generation of growing UK science and technology companies. If not, those companies will be forced to seek funding and likely relocate abroad. The Government should:*
 - *Insist on the consolidation of DC pension schemes, and lead by example with the consolidated Local Government Pension Scheme pools, making significant allocations to domestic science and technology funds, including the British Business Bank's vehicles and approved private funds to crowd-in institutional investor money;*
 - *Use its convening power with the major institutional investors to encourage them to invest in UK technology companies. Support transparency and disclosures as part of the Mansion House Accord, and track the amount invested in UK science and technology companies as one of its key progress metrics;*
 - *Encourage transparency between providers and pension-holders, setting out the returns of different DC pension schemes and what proportion of their assets are in UK companies or infrastructure. Following the provision of this information, pension funds should survey their members, asking what percentage of assets they would like to be invested in the UK, and incentivised to act on any desire to see increased investment in the UK. The Government should set out that pension fund investment in the UK benefits everyone's quality of life;*
 - *Maintain the reserve power to mandate pension funds to follow their Mansion House commitments in the Pension Schemes Bill. The Government should set targets for the percentage of assets allocated under the Mansion House reforms overall by the end of 2027, as well as for the scale-up capital allocated to UK technology companies, and reconsider mandation if these targets are not met;*
 - *Explore possibilities short of mandation—for example, a clawback on tax relief for pension schemes that do not invest enough capital in the UK, or additional incentives for leading pension schemes;*
 - *Support and expand training schemes like the Venture Capital Fellowships scheme that bring science and technology experts together with VCs to enable the creation and sharing of investment expertise. (Paragraph 91)*

Government Response:

- The government **partially agrees with** this recommendation.
- The government set out ambitious pension reforms and its approach to driving pensions investment in the final report of the Pensions Investment Review on 29 May 2025. These are being legislated for in the Pension Schemes Bill. Together with commitments from industry via the Mansion House Accord, the reforms will secure over £50 billion of

investment for infrastructure, new homes and fast-growing businesses, such as science and technology companies. The reforms include:

- Driving scale and consolidation in the workplace defined contribution pensions market, through a minimum scale test for workplace DC pension providers; and
- Requiring the pooling of LGPS assets into professional vehicles that can take advantage of larger pools of capital.
- Through the Bill, the government is also legislating for a Value for Money Framework. The Framework will introduce new disclosures that will enhance transparency around pension fund asset allocation, including geography. The Bill also contains reserve power that would allow for the government to specify asset allocation requirements for workplace DC scheme default funds. This power is time limited and is only intended as a backstop to the Mansion House commitments, and contains several safeguards.
- Delivery against the Mansion House Accord will be reported once commitments begin to convert into committed capital flows. The second annual progress update on the Mansion House Compact (16 October 2025) shows that, by February 2025, signatories doubled their unlisted equity investment in DC default funds from £0.8 billion to £1.6 billion. Further progress included eight new asset manager partnerships and five new closed-ended vehicles focused on unlisted equities. However, the progress update reported that key barriers remain, including a culture of cost-minimisation, limited client appetite for unlisted equities, charge cap rules and performance-fee treatment.
- Through coordinated work across DSIT, HMT, and DBT, the government is ensuring that science and technology firms are positioned to benefit directly from government and industry-led reforms. To drive this, the government is supporting pension fund participation in BBB initiatives, including LIFTS and the British Growth Partnership. As set out in the [Entrepreneurship in the UK prospectus](#), over 60% of the BBB's venture and growth investment will target scale-ups which will help channel institutional investment into deep-tech and R&D-intensive businesses. On 20 November 2025, the BBB announced that they are targeting a first close of £200 million by the end of the financial year for the British

Growth Partnership Fund, enabling the initial fund to begin investing into high growth UK companies. The government has ambition for future British Growth Partnership vehicles to raise larger amounts of capital from domestic pension funds which could then be invested into UK venture funds, sending strong commercial signal to pension funds.

- On 20 November 2025, the government also announced the VentureLink initiative which has the goal of catalysing institutional investment into private markets. Through the scheme, the BBB will work with pension funds to help them navigate the UK venture capital market. This will include supporting them to develop their strategy; guiding them on how to assess potential funds or deals; and supporting them to build capability in their teams.
- Additionally, the Science and Technology Venture Capital Fellowship has just launched cohort 2 of its programme. The Fellowship is designed to help ensure that the UK has the capability required to ensure that pension fund investment flows into Science and Technology, in particular deep-tech and life sciences. DSIT is considering the initial results from the Fellowship as it plans future support for investor skills.
- The government continues to explore further measures - including incentives and targeted guidance - to strengthen domestic investment, while maintaining a proportionate and flexible approach that encourages long-term, sustainable capital flows into the UK's innovation economy.

Recommendation:

- *The Minister for Pensions, CEO of the British Business Bank, and Minister for Science and their teams should co-ordinate to identify ways to ensure that the Mansion House reforms benefit innovative UK science and technology companies in addition to other asset classes.*
(Paragraph 92)

Government Response:

- The government **agrees** with this recommendation.
- The government is already taking coordinated action across departments and public financial institutions to achieve this. Steady progress has been made towards achieving Mansion House

commitments, and the government recently announced a series of additional measures across departments and public financial institutions to further help galvanise greater investment into science and technology companies. We will continue to work to identify opportunities to support investment into Science and Technology.

- Through the Mansion House reforms, the expansion of the British Business Bank (BBB), and the establishment of the National Wealth Fund, we are increasing the supply of patient, long-term domestic capital. These institutions operate independently but work closely with government to ensure that their programmes support the UK's priority sectors, including science and technology, alongside other productive asset classes.
- Recent investments - such as NWF and UKEF's support for AESC's gigafactory and NWF and BBB's investment in Pragmatic Semiconductor - illustrate how institutions can work together to mobilise investment, support expansion, and crowd in private capital at different stages of growth, including when moving from innovation support to equity finance.
- The BBB is also collaborating with HMT and the OFI's recently established Sterling 20 group to design its offer to pension funds, aiming to increase investment into the innovation ecosystem.
- As set out in the government's recently-published [Entrepreneurship Prospectus](#), the government has an ambition for the UK to be the best place for businesses to start, scale and stay, backed by deep pools of domestic capital. Ahead of the next Budget, the government will explore options beyond current reforms to unlock further sources of growth capital. This includes work to facilitate greater corporate venture capital and venture debt, recognising their role in financing R&D-intensive and capital-hungry firms, as well as further measures to enable domestic institutional investment into UK venture capital, building on VentureLink.

Recommendation:

- *The Government should therefore undertake reforms to encourage capital flows into the UK markets. This could include changes to the ISA limits, such as reducing the cash limit in favour of stocks and shares, taxation such as the proposed stamp duty holiday for IPOs, or creating additional savings vehicles and incentives for UK savers to invest in domestic science and technology companies. The Government should encourage financial literacy campaigns to encourage investors and pension holders to shift their allocation away from cash where this makes sense for them. (Paragraph 106)*

Government Response:

- The government **agrees** with this recommendation.
- At the Budget in November, the government reduced the cash ISA limit to £12,000 for under-65s, with the higher limit of £20,000 for stocks and shares being maintained, to encourage savers to put their money into investments.
- In addition, companies listing on a UK regulated market will now enjoy full relief from Stamp Duty Reserve Tax charges on share sales for the first three years following listing.

Recommendation:

- *Companies are best placed to decide how R&D money should be spent and tax credits efficiently allocate this funding. They must be maintained at current levels. While fraud remains a concern, the answer is to tackle that fraud rather than to recast the scheme. Money recovered by the elimination of error or fraud could be reused for other schemes for instance grants and initiatives to support scale-up funding. This would diversify government support while maintaining the amount of funding used productively through the tax credits scheme. (Paragraph 116)*

Government Response:

- The government partially agrees with these recommendations. The government agrees that the R&D reliefs should be maintained at current levels.
- At the Autumn Budget 2024, the government committed, through the Corporate Tax Roadmap, to maintaining the generosity and competitiveness of the merged R&D Expenditure Credit (RDEC) scheme and the Enhanced Support for R&D Intensive SMEs (ERIS).
- The reliefs will continue to provide between £15 and £27 for every £100 spent on qualifying R&D, ensuring stability for investment decisions. The

merged RDEC rate of 20% represents the joint highest uncapped headline rate of R&D tax relief in the G7, and the ERIS scheme will provide around £1.3 billion per year to roughly 20,000 R&D-intensive SMEs.

- To strengthen the administration of the reliefs, HMRC will also pilot a targeted advance assurance service from Spring 2026. This builds on the responses from the 2025 Advanced Clearances Consultation and will enable SMEs to gain clarity on key aspects of their R&D tax relief claims before submitting them to HMRC.
- Nevertheless, in recent years the level of non-compliance in the schemes has been unacceptable, and HMRC is taking proportionate steps to reduce the levels of error and fraud. [HMRC's Annual Report and Accounts 2024-25](#), published in July 2025, set out the latest error and fraud estimates. The report showed a £578 million reduction in the level of non-compliance in 2022-23, following the changes implemented by HMRC, compared to the 2021-2022 estimate.
- The government does not hypothecate tax revenue protected by HMRC compliance action.
- The government is increasing direct spending on R&D to £22.6bn per annum by 2029/30.

Chapter 4: Public sector investment and procurement

Recommendation:

- *Public sector procurement practices need to change; this needs explicit political commitment from the top of government and action across departments. We recommend that:*
 - *The Government should set a target for each department and local authority for a mandatory percentage of procurement budgets to be spent on innovative, UK-based SMEs. This should rise over time to 3%, around the US SBIR level. A cross-government committee that brings together the Minister for Procurement in the Cabinet Office with the Minister for Science, the Department for Business and Trade, and delivery departments should oversee the development of this innovative procurement function. The Government must monitor and publish annually progress towards these targets.*
 - *The UK should increase the amounts allocated through Contracts for Innovation (formerly the Small Business Research Initiative, SBRI), and create a central database for these contracts that is easier to navigate for SMEs.*
 - *Departments should signal further in advance and in more detail precisely the kinds of outcomes they need.*
 - *Outcome-based procurement, where departments specify what their end goals are, rather than setting onerous requirements on the product, should be used to provide flexibility with SMEs. Stage-gated procurement can support smaller companies with funding in stages to develop and scale up their processes. An expanded Contracts for Innovation scheme could be used to support these more innovative and less bureaucratic processes.*
 - *Ministers should celebrate and reward public procurement that has supported innovative companies. The Government should back ministers and officials who procure innovative domestic solutions even if not all of the goals are delivered: failure is a necessary part of innovation. There is no reward without some risk: ministers need to specify appropriate risk profiles for their projects and take clear accountability for doing so. Civil servants will not be empowered to take risks without explicit political cover from ministers from excessive auditing. There should be cross-party consensus on this issue and on the importance of a healthy appetite to risk.*
 - *The UK should consider a presumption in favour of buying British, especially when it concerns new and emerging technologies, even if narrow value-for money considerations would not allow this. It must take the wider benefits to the economy of domestic procurement into account.*
 - *For critical frontier technologies, particularly where there is a desire for UK sovereignty and control over the technology, the Government should consider using Vaccine Taskforce-style procurement to ensure they can be developed in the UK.*
- (Paragraph 132)

Government Response:

- The government **partially agrees** with this recommendation.
- The government will keep exploring how to support and spend more on innovative ideas through procurement. We have already done this in defence; at least 10% of the MOD's equipment budget will be ringfenced for novel technologies. UK Defence Innovation, with an additional £400 million of investment, will focus on emerging technologies. MOD have also set a target to increase spending with UK SMEs by £2.5 billion by 2028, enabled by Defence Reforms which will make procurement processes more SME and innovation friendly. We will explore similar approaches where appropriate in other departments.
- We do not think the US SBIR approach is easily copied to the UK policy landscape; the SBIR scheme is ringfenced to agency *research and development* spend, not procurement spending as the report claims. In the UK, the same policy goal of SBIR is delivered primarily through Innovate UK, dedicated to supporting the start and scale-up of innovative companies. The government will continue to encourage procurement of innovation, including where Contracts for Innovation can help.
- To support companies supplying the public sector, the government intends to signal in advance more of its needs. This includes publishing pipelines of upcoming procurement, and from summer 2026 publish a set of unmet needs that further innovation is needed to solve. The Procurement Act 2023 moved from "Most Economically Advantageous Tender" (MEAT) to "Most Advantageous Tender" (MAT), signalling that value, not just the lowest price, should guide selection and rewarding proposals that champions innovation. The National Procurement Policy Statement (NPPS) outlines that contracting authorities already make use of output-based specifications, "defining challenges to solve rather than solutions to buy, and engaging early with the market to consider innovative products and services". The government is continuing efforts to embed this approach within the commercial profession.
- The Government is establishing a new Commercial Innovation Hub to act as a centre for expertise, helping departments adopt innovative procurement practices, share best practice, and accelerate the adoption of new technologies across the public sector.

- Alongside this, the government is reforming procurement processes to make them more accessible to innovative businesses. The government will establish a new Innovation Marketplace to fast-track innovative solutions. Departments will appoint Procurement Innovation Champions to identify opportunities and ensure innovation sits at the heart of procurement decisions. Internal controls will be reviewed, with a concrete list of recommendations published in early 2026 to remove common barriers to buying from innovative scaling companies. We will explore changes to the procurement system to make it more friendly to innovative firms, including where direct awards could support sectors aligned to government goals and expanding the scope of mid-contract variations.
 - The government will deploy advanced market commitments (AMCs), similar to the vaccines taskforce, where appropriate. We have announced intentions to use this for next-generation semiconductors for AI inference, and low-carbon concrete, we will explore the suitability of advanced proposals in other strategic sectors where government could play a role in acting as an early customer.
 - The government will take deliberate, justified risks in pursuit of innovation where appropriate. For the government to take more risks, institutions of scrutiny must also adapt to accept this. The government is working with the National Audit Office and Public Accounts Committee to identify appropriate ways to publicise the government's risk appetite, so committees scrutinise in light of this and do not automatically equate failure with waste. An example of government taking an innovation approach to procurement is through the National Security Strategic Investment Fund (NSSIF), the government's corporate venture arm, exemplifies an innovative approach to procurement by taking minority stakes in early-stage companies and connecting them with national security and defence (NS&D) end-customers. This strategy has resulted in a 41% technology pull-through rate to mission, as measured by contracts signed between NS&D customers and companies receiving NSSIF investment.
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Recommendation:

- *To provide a clear pipeline of support, Innovate UK, the British Business Bank and the National Wealth Fund must at the very least work together much more closely, aligning on priority sectors and companies with direction set by the Industrial Strategy. The Strategic Public Investment Forum provides an opportunity to deepen this coordination. The demarcation of responsibility between these bodies must be made clear to industry to avoid a 'leaky pipeline' where co-investment stops at a certain funding size or technology readiness level. Each of the organisations should track successful referrals (for example, from a successful Innovate grant to scaleup funding via the British Business Bank) as a key performance indicator. They should each continue to work on simplifying and scaling up the offers they have and providing clear guidance. (Paragraph 147)*

Government Response:

- The government **agrees** with this recommendation.
- The government is strengthening coordination across Public Financial Institutions to ensure innovative UK companies can access the right support at each stage of their growth. Following the publication of the Industrial Strategy, all Public Financial Institution activity is being aligned to the eight priority sectors it identifies. To support this, the UK Public Investment Roundtable (PIR) has replaced the Strategic Public Investment Forum, creating a single cross-government mechanism that enables clearer join-up, smoother company handovers, and more effective collaboration across UKRI, the British Business Bank (BBB), the National Wealth Fund (NWF) and other partners.
- The PIR is improving communication, clarifying institutional roles, and helping companies navigate between innovation support and growth finance. This includes work to develop shared pipeline visibility and referral mechanisms so companies can progress more easily from grants to equity and late-stage capital. For instance, Innovate UK's deal flow will be connected to the British Business Bank, NSSIF and the National Wealth Fund, building on the 700+ companies who have already received investment from the BBB and Innovate UK.
- A practical example of this more coherent approach is the April 2024 Memorandum of Understanding between Innovate UK and the BBB, which strengthens collaboration and sets out clearer pathways for

firms moving from early-stage innovation support to later-stage capital. This was built upon in September with a commitment between Innovate UK and BBB to expand upon their collaboration, and underscored in the BBB's recently-published [five year strategic plan](#). Similar coordination mechanisms will be developed with the National Wealth Fund.

- The government has also expanded the role of the Office for Investment (OFI), which now provides a single front door for international investors. OFI works closely with Public Financial Institutions - including the NWF, BBB, UKEF, Homes England and UKRI - to help companies and investors navigate the UK's public finance landscape, unblock complex processes, and accelerate high-value investments.
- In addition, reforms to the BBB have increased its flexibility to invest and co-invest with other Public Financial Institutions, helping to reduce gaps in provision.

Recommendation:

- *At a minimum, the British Business Bank should be put on a statutory footing alongside the National Wealth Fund to help ensure permanence and both operations should be significantly scaled up. But to achieve a properly integrated, diversified and well-resourced public investment landscape, the various government lending and investing bodies such as the NWF and BBB should be consolidated. There is a strong case for including Innovate UK in this structure. This would allow them to act more strategically, benefit from diversification and risk aggregation, and provide pooled expertise and continuity of support, reducing the overall complexity of the system. (Paragraph 149)*

Government Response:

- The government **disagrees** with this recommendation.
- The government has conducted a review of the Public Financial Institution landscape to assess potential overlaps and inefficiencies. The review found that, overall, these institutions are largely effective within their respective remits, with each addressing specific market gaps. Because of these distinct roles, confusion about the landscape does not currently pose a significant barrier to investment.

- Investment in science & technology is highly specialist, often requiring deep sector expertise, tailored investment approaches and sustained engagement with innovative firms. It is therefore right that the BBB is developing strong specialist capability in this area to support innovative businesses from early-stage to scale-up.
- Alongside this, the NWF brings complementary expertise through its broader remit to support strategic investment across the economy, including in science and technology as well as infrastructure and other productive assets. This complementary specialisation strengthens the overall system and ensures each institution deploys their capabilities where they can have the greatest impact.
- Rather than pursuing consolidation or mergers, the government is prioritising streamlining its offer for businesses and improving the effectiveness of each institution. Our review concluded that merging institutions at this stage could risk disrupting delivery, particularly as reforms are embedded and capacity is expanded.
- The government is significantly scaling up both the NWF and BBB and providing them with new flexibilities to address key challenges. The NWF's economic capital limit will be increased from £4.5 billion to £7 billion, giving it capacity to take up to five times more risk than commercial banks. Its Statement of Strategic Priorities also directed the organisation to take a wider approach to additionality, with a focus on crowding in of investment at a sector level and targeting market weakness.
- The government's major reform package for the BBB aims to modernise governance and financial frameworks, giving BBB greater flexibility to reinvest returns and operate more commercially. These flexibilities include moving away from a programmatic approach for investments, allowing the Bank to make direct investments of up to £60 million and investments into funds of £150 million. The government has additionally increased the BBB's total financial capacity to £25.6 billion, and has updated the Bank's objectives to reflect the government's desire to support Growth.
- Innovate UK will also remain part of UKRI. Whilst there are overlaps with public finance institutions, Innovate UK's core role is as part of the

public R&D system. Innovate UK performs important roles building strong connections with the research base and understanding where the greatest market failures are in supporting business R&D. As a part of UKRI, Innovate UK is also key to commercialising the UK's world class research and ensuring it translates into real world impact, creating jobs and building new industries. Moving it out of UKRI would harm these and cause unnecessary disruption that would distract from efforts to improve Innovate UK's support offer.

- As outlined above, Innovate UK is also an active participant in cross-Public Financial Institution work to develop shared pipeline visibility and referral mechanisms so companies can progress more easily from grants to equity and late-stage capital.

Recommendation:

- *Public sector investment bodies can make more use of debt and guarantees to unlock private capital. The UK should recognise that other countries, such as France, Germany, and Singapore, have more established public development financing and the Strategic Public Investment Forum should study in detail what lessons can be learned from international comparators. (Paragraph 150)*

Government Response:

- The government **agrees** with this recommendation.
- The government recognises the role that public investment bodies can play in mobilising private capital through a range of instruments, including debt, equity and guarantees. Recent reforms — including the creation of the National Wealth Fund and the expansion of the British Business Bank (BBB) - have strengthened the UK's ability to deploy these tools where they address clear market gaps and support the government's growth and clean energy missions. The government is also exploring options to broaden the range of innovative finance available to scaling firms, including venture debt models and the potential use of the BBB's existing financial guarantee capacity to support IP-back lending, as set out in the Autumn Budget 2025. Public Financial Institutions are able to deploy a range of financial instruments to achieve this goal, including funding growth debt.

- As part of its work, the Public Investment Roundtable (PIR) will consider international approaches to public investment and identify where global best practice may inform the UK's approach, while ensuring decisions remain appropriate for the UK's institutional and market context.

Recommendation:

- *The rebuilding of Innovate UK's grant allocations provides an important opportunity to streamline, simplify, consolidate, and speed up the delivery of grants. Fewer but faster programmes would benefit everyone and the Government should resist the temptation to task Innovate UK's funding with too many subsidiary goals. Innovate UK must work to make eligibility for different grants clearer—for example, through a simplified online portal with a questionnaire. It must continue to work on reducing the turnaround time for its grants. (Paragraph 160)*
- *Innovate UK should aim to become a 'due diligence' body with grants that are widely respected. It must play a more active role in identifying the highest-potential technologies and companies. It should increase its referrals to the British Business Bank and other sources of scale-up finance. The number of referrals, as well as the long-term private scale-up funding raised by the companies supported by Innovate UK, should be tracked as key performance indicators as part of a shift to outcome based reporting. It should publish an annual report which sets out more details around the sectors and businesses it supports in line with the Industrial Strategy. (Paragraph 164)*

Government Response:

- The government **agrees** with these recommendations. Since joining Innovate UK as Executive Chair in April 2025, Tom Adeyoola has been working to develop a new strategic direction for the organisation.
- Going forward, Innovate UK will shift its focus towards high potential businesses, which have the potential to be world-leaders, in priority areas set out in the government's Industrial Strategy. As a first step, Innovate UK will launch a new Growth Catalyst programme worth £130 million, offering grants and tailored support to frontier companies that have already attracted investment, giving them the capital to accelerate growth while protecting founder ownership. Alongside a clearer focus, Innovate UK is also re-designing their application process to keep up with ongoing technological developments through underpinning their system with AI tools. This will speed up applications, and modernise the

application process in a world where AI can draft applications of a reasonably high quality.

- Innovate UK will also become an ‘early due diligence’ body where its support should be a mark of quality. As outlined in greater detail above, Innovate UK is increasingly working with the British Business Bank, which includes making and tracking referrals to the BBB and to private investors, who will continue to also carry out their own due diligence. This mark of quality will also help other government bodies seeking to procure from innovators or regulators looking to work with companies pushing the frontier.
- Innovate UK recognises the importance of rigorous due diligence in building investor confidence and unlocking private capital, and Innovate UK plays a vital role in this regard. However, its impact goes far beyond. Innovate UK provides integrated support that combines funding with expertise, networks, and strategic guidance - helping businesses navigate regulation, develop talent, and access global markets. This holistic approach is essential to transforming breakthrough ideas into scalable successes and positioning the UK as a global leader in innovation-led growth.

Recommendation:

- *The Government should use its convening power to encourage more institutional investors to take part in funds that provide scale-up capital into UK science and technology companies. The Bank should publicise the success of these funds as they become established. Its additional funding could be used in part to increase the scale of the Bank’s investment in these funds. The Bank should also have targets to create follow-on funds for LIFTS and the British Growth Partnership to expand their size over time. (Paragraph 172)*

Government Response:

- The government **agrees** with this recommendation.
- Through the Mansion House reforms, the expansion of the British Business Bank (BBB), and the creation of the National Wealth Fund (NWF), we are already strengthening the pipeline of institutional investment into UK private markets.

- The BBB operates independently and on a commercial basis, and its programmes, such as LIFTS, are designed to crowd in institutional investors and support the development of larger, repeatable fund structures over time.
- The British Growth Partnership, while building on the insights from pension funds and market interest generated through LIFTS as its follow-on fund, is a fully commercial vehicle marketed separately from the BBB. As such, it is not subject to the same reporting standards as BBB-run programmes, though it will continue to engage with the market in line with standard commercial practice.
- The government's ambition is that future British Growth Partnership vehicles will be larger and play an increasing role in managing pension fund capital, helping to grow institutional allocations to UK venture and scale-up funds.
- The government will continue to use its convening power to support a strong investment environment and encourage greater institutional participation in UK science and technology scale-up capital.

Recommendation:

- *The National Wealth Fund should have a specific target for the number of late-stage (Series C+) scale-up funding rounds for UK science and technology companies it will support during each Parliament. It should consider ring-fencing some of its annual fund commitment target to this goal. Innovate UK, the British Business Bank, DSIT, and private sector venture capital should help the National Wealth Fund identify companies that are suitable for scale-up financing in sectors identified by the Industrial Strategy. Secondments between these organisations should be established to bring scientific and technological expertise into the National Wealth Fund. The NWF should also deepen its relationship with private sector venture funds. (Paragraph 179)*
- *The National Wealth Fund should assess its return on investment in science and technology venture equity on a sufficient time horizon to avoid risk aversion. It should continue to explore ways to ensure that its late-stage scale-up finance supports companies with a serious commitment to scaling up in the UK. It should have an important role in assisting with the sharing and reducing of risk, for example through guarantees and loans as well as equity investments. (Paragraph 183)*

Government Response:

- The government **partially agrees** with these recommendations.

- The National Wealth Fund (NWF) can play a critical role in this by using a broad set of tools – including debt, guarantees and equity – where there are clear market gaps to mobilise private investment into the sector. Digital and technologies is one of the NWF’s priority sectors. The NWF will publish their strategic plan early in 2026, setting out how they will deliver the government’s ambitions as communicated in the Statement of Strategic Priorities.
- The NWF does not ringfence its finance or set targets based on the number of deals, recognising that such metrics can incentivise poor investment decisions. Instead, it focuses on the catalytic impact of its investments and deploys finance flexibly according to market conditions and analysis of sectoral need, including the £5.8 billion earmarked for priority subsectors identified in the manifesto.
- The NWF regularly engages with government departments and other Public Financial Institutions to support effective pipeline development, share sectoral insight, and ensure alignment with wider growth objectives.
- The NWF’s long term return target is below that of commercial banks, allowing them to prioritise transactions where there is an undersupply of private sector finance. This includes providing patient capital that the private market is unable or unwilling to.
- A healthy risk appetite is a major part of NWF’s offer. The government has increased the NWF’s economic capital from £4.5 billion to £7 billion, giving it the capacity to take on risk at roughly five times that of commercial banks.

Chapter 5: Non-financial barriers to scaling

Recommendation:

- *The Government should urgently use its new Global Talent Taskforce and significantly increased funding for the Global Talent Fund to seize this unique opportunity to attract the scientists and entrepreneurs of the future to the UK. It is critically important that the recently hinted abolition of fees for certain global talent is not blocked by Home Office intransigence. (Paragraph 196)*
- *In addition, the Global Talent Taskforce must find creative and flexible ways to address the high up-front visa costs more generally for those it attracts. Independently of other measures, the Government must change its policy on the Immigration Health Surcharge, allowing it to be repaid over time. The Home Office should embed the mission to attract more global talent as a primary goal alongside reducing net migration. The Scale-up Worker Visa is in need of review as uptake has been very limited. (Paragraph 197)*

Government Response:

- The government **partially agrees** with these recommendations. Attracting and retaining top international research and innovation talent in the context of increasing global competition is an ongoing priority for this government.
- The Global Talent Taskforce, reporting to the Prime Minister and Chancellor, leads efforts to attract and embed elite talent in the UK. In addition to the Taskforce, the new £54 million Global Talent Fund sits within a wider £115 million package dedicated to attracting the very best international scientific and research talent to the UK. This includes £5 million for expanded Encode AI for Science Fellowships, £25m for Turing AI Global Fellowships, and £30 million for the Royal Society's Faraday Discovery Fellowships and Royal Academy of Engineering's Green Future Fellowships.
- The government will work with UKRI to evaluate the Global Talent Fund before considering further expansions, starting with an initial review in Spring 2026. The first 4 world-leading researchers relocating to the UK through the £54 million Global Talent Fund were announced on 24 November. These lead researchers are expected to also bring up to 10 individuals to support their research projects from abroad. The Fund aims to attract a total of around 60-80 individuals, including top researchers and their teams, to the UK this financial year. We will

announce further successes of researchers relocating to the UK through the Fund in early 2026.

- In November 2025, the government introduced a range of reforms to attract top talent, as set out in the Immigration White Paper. These include:
 - a capped expansion of the High Potential Individual visa route to graduates from the top 100 global universities;
 - an expansion of the Global Talent fellowship fast-track pathway to include institutional fellowships awarded by UK higher educational institutions;
 - an expanded list of prestigious prizes on the Global Talent visa route; and
 - changes enabling young entrepreneurs to move from Student to Innovator Founder visas.
- In January 2026, the government will also expand the Government Authorised Exchange Future Technology Research and Innovation scheme to enable more research organisations access to international researchers and work experience placements.
- Further Global Talent visa reforms are due in 2026, and DSIT is working closely with the Home Office to ensure future reforms continue to enhance our offer to top international talent.
- DSIT's work on talent attraction is further bolstered by an additional £773 million to UKRI to deliver research and talent schemes, and over £160 million to the four globally prestigious National Academies to deliver fellowships and professorships, all of which are open to international talent.
- Regarding visa costs, it is difficult to make exact like-for-like comparisons between different countries' immigration fees and costs as immigration systems are complex. However, the Home Office keeps visa fees, including the Immigration Health Surcharge (IHS), under review. The government's principle is that those who use and benefit from the immigration system should contribute towards the cost of operating it.
- Many countries require migrants to have private health insurance as a visa condition, which can be more expensive and offer less coverage

than the IHS. Introducing instalments for the IHS would be complex to administer, create enforcement challenges, cause uncertainty for migrants seeking treatment, and place additional burdens on the NHS.

- To mitigate the impact of visa costs on R&D talent attraction, UKRI allows visa costs, including the Immigration Health Surcharge, to be claimed on grants, as do many other research organisations. Visa costs are also allowable costs on Horizon Europe grants.
- The Scale-up visa is only one part of the UK's wider visa offer, with many firms also using the Skilled Worker route. While uptake has been low, applications are steadily increasing. A Scale-up sponsor licence is a one-time offer, so businesses should weigh options before registering. The Home Office continues to review immigration routes for top talent and works across government to ensure they remain effective.

Recommendation:

- *The Government should ensure that the training it funds as part of the Industrial Strategy is commensurate with the skills needs identified by Skills England. It should accept that investment in the UK workforce will be an ongoing and growing requirement in this decade and is key to any technological productivity gains. (Paragraph 208)*

Government Response:

- The government **agrees** with the recommendation.
- In 'the UK's Modern Industrial Strategy' we set out our approach to skills, including the role of skills England. We also committed to developing 'jobs plans' (referred to as Workforce Strategies) for sectors facing skills shortages. These plans will be supported by the new Labour Market Evidence Group which includes Skills England.
- The Industrial Strategy also includes specific measures to support digital and technologies skills, including the TechFirst programme to reach up to one million young people and provide over 4,500 undergraduate bursaries, Masters' placements and PhD opportunities for domestic students; and the Semiconductor Skills, Talent, and Education Programme which is developing a strong talent pipeline for the UK industry.

- Skills England was established to be the single authoritative voice on England's current and future skills needs, aligning national with regional skills needs. Working closely with industry, strategic authorities, and other key stakeholders, it will also support the development of key skills for the national workforce required to drive economic growth and enable people to access better jobs more quickly. As an executive agency, Skills England plays a central role in delivering the government's *Plan for Change* and Industrial Strategy. It will support the government's ambition, set out in the *Post-16 Education and Skills White Paper*, to create a world-class skills system that leaves no person or place behind, guided by the ethos *Better Skills for Better Jobs* and underpinned by the government's growth and opportunity missions.
- The government is transforming the apprenticeships offer into a new growth and skills offer, which will offer greater flexibility to employers and learners and support the industrial strategy. The offer will be informed by the results of Skills England's analysis and engagement with employers and industry representatives. From April 2026 we will introduce new short courses (apprenticeship units) as part of this offer. They will be available in critical skills areas such as artificial intelligence, digital and engineering, and further detail will be set out in due course. Related to this, Skills England's recent [AI Skills for the UK Workforce report](#) detailed AI upskilling needs, barriers and opportunities across 10 growth sectors including Life Sciences.
- The government has also announced a partnership with TechFirst to train 7.5 million UK workers in essential skills to use AI by 2030—equivalent to around 20% of the UK workforce. Leading technology companies including Google, Microsoft, IBM, SAS, Accenture, Sage, Barclays, BT, Amazon, Intuit, and Salesforce have signed up to the partnership. They have committed to making high-quality training materials widely available to workers in businesses – large and small - up and down the country free of charge, over the next five years.
- In Local Authority areas where the government is implementing AI Growth Zones, the government will provide £5m to boost business adoption and invest in the skills of local workers to support the development of skills required to support the AI industry. In addition,

- A number of policies aimed at improving and simplifying the skills system were outlined in the [Post-16 Education and Skills White Paper](#), including our plans to deliver a third, vocational pathway at level 3, creating V Level qualifications, and two new pathways at level 2, simplifying the current offer and providing a clear line of sight to both further study at level 3 and skilled employment through the Further Study pathway and Occupational pathway. We have proposed a range of subject areas for delivery at level 3 and level 2 in the consultation, including science. Our consultation closes on 12 January 2026.
- We recognise the importance of giving every pupil a strong science education and, following the publication of the independent *Curriculum and Assessment Review*, we are making science more relevant and rigorous for every pupil, streamlining content, strengthening practical work, and embedding climate science to prepare young people for the future and to unlock future technological productivity gains.
- We are committed to working with schools to support them to develop a triple science offer for all pupils, ahead of introducing a statutory entitlement. We are working to understand barriers, like staffing and timetabling, and to provide support to help schools offer triple science before committing to a timescale for creating an entitlement.

Recommendation:

- *The Government should also consider whether there are sufficient entrepreneurial skills in the science and technology research community. Undergraduate courses and PhD training should include entrepreneurial training, and particularly placements with business, wherever possible in order to ensure every student is exposed to industry. Universities must make better use of links with their business schools. (Paragraph 209)*
- *The Government, universities and research funders should encourage and incentivise careers that involve moving in and out of the civil service, academia, and industry, work to align incentives and improve the availability of temporary secondments. The Government and research funders should create more secondments, fellowships, and placements with business, and set targets to increase the number of these opportunities substantially. Initiatives like the Venture Capital Fellowships should be expanded. (Paragraph 217)*

Government Response:

- The government **agrees** with these recommendations. The government is working to improve entrepreneurial skills amongst researchers, technologists, and civil servants
- UKRI-funded postgraduate studentships all include training on creating impact from research, including entrepreneurship. UKRI Fellows also have access to entrepreneurial training, and UKRI's fellowship investment framework sets out how fellowships should support diverse career paths.
- The government announced new academic entrepreneurship programmes at Autumn Budget 2025. This includes new Enterprise Fellowships, funding up to 100 world-class researchers over the next four years. Fellowships will require participating universities and research organisations to enable important flexible secondment and entrepreneurial leave policies. The government will also launch a call for organisations to develop new entrepreneurship-focused doctoral training, backed by up to £25 million. These new Enterprise fellowships and doctoral training schemes are designed to give researchers the time, funding, and support they need to turn ideas into businesses.
- The Knowledge Transfer Partnerships (KTP) programme has recently passed its 50th year of operation and is now supported at the highest level ever, with over 800 live projects connecting academics to industry, with recent graduates embedded in the businesses; for the 2025-2026 KT all projects must align with the Industrial Strategy's eight sectors, which we interpret as the application of technologies, for example, a business using AI, as well as developing AI tools.
- Innovate UK's Innovation to Commercialisation of University Research (ICURe) programme supports university researchers to commercialise their research, building their entrepreneurial skills, helping them to find market opportunities and shape their business plan.
- Skills England works with employers to ensure that apprenticeships meet the needs of employers. This process has, for example, led to the inclusion of entrepreneurial content in the [Research Scientist apprenticeship](#).

- The government has several initiatives aimed at broadening opportunities for top scientific talent to work within the Civil Service. These include:
 - piloting a leadership development scheme and developing a recruitment scheme to offer a new route to bring people into SCS roles.
 - Launching a new careers page to raise awareness of opportunities for experienced scientists and engineers to undertake secondments and placements in the civil service.
 - Actively signposting opportunities for engagement between academia and policy making through the [Routes for Academic Engagement with Government](#) website.
- DSIT run a range of initiatives aimed at encouraging top scientific talent into the department. Since 2023, 131 experts have been placed into DSIT to work on key policy areas including AI, Quantum and other departmental priority areas. One key initiative set up via the Expert Exchange Programme is the DSIT Fellowship. This, in partnership with the Royal Society, Royal Academy of Engineering, Tech UK and others, is now in its third year bringing experts from industry and academia on placements. To date, DSIT has welcomed 31 Fellows into the department with another 9 set to join before the end of 2025.

Recommendation:

- *To attract young professionals, the civil service should consider whether its pay offer delivers the highest calibre officials and benefits to the wider economy. This could include rebalancing the total compensation away from pensions, providing more performance-based pay and flexibility in pay scales and developing incentives to retain specialist talent and expertise. A greater approach to flexibility in careers that allows greater movement between academia, industry and government will also help in recruitment and retention for top talent. This could result in fewer but better-paid civil servants. (Paragraph 218)*

Government Response:

- The government **partially agrees** with this recommendation. However, the specifics of future reward reform are yet to be determined.
- Options to reform reward in the Civil Service have been discussed at the Civil Service People Board throughout 2025. This work is in active development with the long-term transformation ambition currently being tested with Cabinet Office ministers alongside taking forward work on agreed nearer term priorities including on Senior Civil Service, Specialists and Operational workforces). The focus is on developing a sustainable pay and reward framework to enable the Civil Service to attract and retain the best workforce possible. This is to put the government in the best place possible to deliver on its priorities and deliver for the public.
- The ambition is to deliver reform within this parliament. The government will be holistic in its approach, covering early careers through to the most senior roles.
- One of the key focuses is how to reflect specialism and respond to an increasing need for specialist workforce across a range of areas. We are proactively working with departments and functions across government, including the Government Office for Science and the Government Digital Function, on the needs relating to science and technology specialisms. Solutions focused on pay and reward include considering: the total reward package; incentives including links between performance and delivery, how pay should be structured to retain specialists, and incentives to retain specialist talent and expertise.
- The Government Science and Engineering (GSE) profession, led by the Government Chief Scientific Adviser and Head of Profession, Professor Dame Angela McLean, is developing a new reward framework to strengthen the attraction and retention of scientists and engineers across government. Key outputs include a structured reward framework with targeted pay proposals for critical roles. Scheduled for delivery in mid-2026, success will be measured by effective implementation, stakeholder satisfaction, and a demonstrable reduction in skills shortages.

Recommendation:

- *There is a clear role for a ‘concierge service’ to identify high-potential science and technology companies and refer companies on a fast-track basis to decision-makers in bodies, such as regulators, the Regulatory Innovation Office, public sector investment bodies and the Office for Global Talent, and to guide them through the scaling up process. The concierge service must not only provide advice but also be empowered to intervene swiftly to clear blockages. The Government could choose to deliver this through DBT’s business growth service or its proposed Life Sciences concierge service. The key is that the concierge service must be authoritative and have the power to intervene and speed up processes and decision-making. (Paragraph 230)*

Government Response:

- The government **partially agrees** with the recommendation.
- As an overall approach, the government is working to ensure the right support reaches companies when they need it – whether that means accessing additional finance, talent or regulatory support. Building on commitments in the Industrial Strategy and the Plan for SMEs, the government is developing a new scale-up offer to provide specialist support for fast-growing companies. Further details will be released in due course.
- We have identified strategically important companies across our frontier tech sectors and will actively engage with these companies to support them to stay, scale and invest in the UK. This includes developing strong relationships at Ministerial and Permanent Secretary levels, and working to unblock barriers faced by these companies at an accelerated pace. We are supported in this work by the Office for Investment.
- As referenced by Lord Vallance in oral evidence to the Committee, the government’s Life Sciences Sector Plan set out a commitment to establish a dedicated service to support high-potential UK companies to scale, attract investment and remain headquartered in the UK. The Office for Life Sciences now have a team dedicated this mission, who are working with industry and across government to

capture new opportunities emerging from the sector, and unblock barriers preventing UK companies from realising their full potential in the UK.

Recommendation:

- *The Government must strengthen the density and connectivity of the UK science and technology network, particularly in specific clusters. These networks need a concentration to reach critical mass; it is better to focus on a smaller number of them. This could include creating start-up campuses like France's Station F, fostering its own network of 'scale-up champions', which could be venture capital investors or technologists, or hosting regular convening events. (Paragraph 231)*

Government Response:

- The government **agrees** with the recommendation.
- We are expanding our support for clusters of innovation excellence across the UK. We are building stronger partnerships with mayors and local authorities, empowering local decision-making and delivering our English Devolution Framework commitments.
- We have set UKRI a new organisational objective to ensure that its investments maximise regional economic impact. Where areas can evidence clusters with the potential to lead in Europe or globally, UKRI will align its investments behind those clusters through its grant, talent and infrastructure levers.
- DSIT and UKRI are taking a new approach to empowering local leaders to grow innovation clusters in their regions through the £500 million Local Innovation Partnerships Fund (LIPF). The LIPF will enable partnerships of local businesses, universities and civic leaders to decide how to target R&D investment in their regions to unleash their full innovation potential and create jobs. UKRI will convene an innovation network for partnerships funded through the LIPF. This will enable knowledge sharing, exchange of best practice and encourage collaboration across clusters and regions.
- We are establishing AI Growth Zones as part of the AI Opportunities Action Plan. The programme aims to attract billions of pounds in

private investment into AI data centres and drive economic growth through job creation. The programme will create opportunities for skills development and apprenticeships, forge research and development partnerships with local universities, and enable British businesses to participate in major AI projects. We have announced four AI Growth Zones so far in Culham, the North East and two in Wales. Data centres in our AI Growth Zones will also get significant discounts on their electricity bills if they are located in areas that could help to reduce the pressures on the energy network.

- The Regional Tech Booster will help share best practice and learning to improve the effectiveness and reach of business support and strengthen collaboration across different tech ecosystems through a National Best Practice Forum for the 2025-26 financial year. Learning from the programme will inform future regional technology policy.
- We launched a major update of our published Innovation Clusters Map, which helps businesses and investors to better understand, engage with and invest in the UK's innovation ecosystem.
- In January 2025, the Chancellor announced the government's commitment to unlock growth in the Oxford to Cambridge Growth Corridor and the high potential sectors within it, particularly in life sciences and deep tech.
- Lord Vallance is the champion for the Corridor, ensuring this work sits at the heart of the government's ambitions on science and technology. To unlock this potential, we are working across government to ensure that the right foundational infrastructure is in place to enable further transformational growth.
- This includes focussing on delivering new transport connectivity through East-West Rail, building two new reservoirs, and delivering new homes across the region. In October 2025, we announced £500m further funding to support this work, including a £15m grant for the Cambridge Innovation Hub where corporate R&D, start-ups and scale-ups can come together.
- We are committed to working with the private sector to capitalise on these investments, and our recently launched Investment

Prospectus for the Corridor showcases a wealth of opportunities across the region.

Recommendation:

- *We welcome the establishment of the RIO, but its role, intentions, and powers need to be set out and clarified. There is a clear demand in the system for additional resources for regulators to engage with innovative technologies. The Government should investigate the best way to provide this, perhaps through an expanded Regulators' Pioneer Fund available to the RIO. The efforts of the RIO need backing from the centre of Government if it does not have powers over other regulators; it should be aligned with the pro-growth regulatory reform agenda led by the Treasury. (Paragraph 247)*

Government Response:

- The government **partially agrees** with this recommendation.
- The Regulatory Innovation Office (RIO) has already set out its role, intentions and powers in the recent publication of 'One Year On', a report on the RIO's progress in its first year of operation. The government recognises the need to strengthen regulators' ability to engage with innovative technologies
- The RIO has already demonstrated early success in its priority areas. In drones, the RIO has helped the CAA amend policies which have cut NHS blood delivery times from 30 minutes by van to under 2 minutes by drone. In Engineering Biology, RIO has provided funding to build capability at the FSA, cutting approval times for novel foods by 50%, and in Space RIO is supporting a sandbox that is enabling safe testing of new mission types to help unlock a £2.7 billion market by 2031.
- Building on lessons learned from previous rounds, the Regulators' Pioneer Fund round 4 (RPF4), introduced a sharper focus on demonstrable impact and long-term benefits, alongside alignment with government priorities. By prioritising projects with clear pathways to measurable outcomes and sustainability, this ensures that funded initiatives not only remove barriers to innovation but also deliver tangible benefits for businesses and consumers.

- The AI Capability Fund (AICF) is investing £3.6 million to equip regulators with the expertise and tools needed to regulate AI effectively, and harness AI for better outcomes. It supports regulator-led research and experimentation to build capacity across sectors, ensuring the UK remains at the forefront of safe and pro-innovation regulation.
- The RIO is also working closely with HMT and DBT to support the pro-growth agenda, as outlined in the recent update to the Regulatory Reform Action Plan. This includes the government's ambition to reduce administrative burden of regulation on businesses by 25%. The RIO will continue to explore further opportunities for collaboration to support innovation in regulation.

Recommendation:

- *The Government should establish a ‘front door’ for innovative companies to contact to understand the regulatory implications of products and services they might develop. This could be a function of the RIO but it will be unable to perform these functions with its current resources. The task could alternatively sit with the Business Growth Service, or another body such as a concierge service as described above. (Paragraph 248)*

Government Response:

- The government **has already acted on** this recommendation.
- This is why the RIO is launching a ‘front door’ for businesses operating within its existing priority sectors and any new priority sectors announced in the future. The RIO’s current priority sectors are - AI in Health, Space, Drones & Autonomous Technologies, and Engineering Biology.
- Through its website, the RIO will provide a route via a webform for businesses operating in one of the RIO’s priority areas to raise regulatory issues to the RIO directly. The RIO publicly announced this initiative in the RIO’s One Year On report in October 2025. The route will be launched very shortly.

Recommendation:

- *The Government urgently needs to set out a long-term plan to restore financial sustainability to the university sector, particularly when it comes to research. Introducing an international student levy is likely to be self-defeating, robbing universities of both talent and funds, even when coupled with the reintroduction of grants. (Paragraph 255)*

Government Response:

- The government **partially agrees with** this recommendation. The government agrees that there is a need for a long-term plan to improve the financial sustainability of the sector, and we are determined to work with the sector to transition to sustainable research funding models.
- Universities are one of the UK's greatest strategic assets, and this government is clear that research lies at the heart of our mission to drive growth, foster innovation, and deliver world-leading science and technology.
- This is why in October 2025, we published the Post-16 Education and Skills White Paper, setting out a joint vision between DfE and DSIT for a world-leading and financially sustainable higher education sector that delivers better value for students, local growth, and the skills needed in the labour market.
- To provide long-term certainty over future funding for the sector, so that it can focus on reform, we will increase tuition fee caps for all HE providers in line with forecast inflation in 2026/27 and 2027/28 and then legislate when parliamentary time allows to increase tuition fee caps automatically for future academic years.
- DSIT will also reform research funding to improve cost recovery and reduce bureaucracy, alongside working with the sector on more sustainable research funding models. UKRI has already updated their terms and conditions to improve the sustainability of their grants. Together with UKRI, we are carrying out research into lower-than-expected cost recovery for other funders of research grants and PGRs, so that we can understand their drivers. The sustainability of research is a responsibility shared with the sector, and it is vital that

institutions commit in turn to cost grants accurately, avoid overcommitment, and manage cost control and efficiency.

- To support our world-leading research, DSIT will deliver through UKRI an expected £38.6 billion of R&D investment from 2026/27 to 2029/30, rising to nearly £10 billion per annum by the end of the period. Core flexible funding from DSIT for research and commercialisation activity will also grow in real terms over the SR period, a cumulative increase of over £425 million.
- Moreover, the DfE are working together with the OfS to review and reform the Strategic Priorities Grant (SPG). The SPG provides support for high-cost subjects, including medicine, dentistry; science, engineering and technology, and the reform will ensure that high-cost subject funding is more effectively targeted towards priority provision that supports future skills needs and the Industrial Strategy. The DfE are working closely with the OfS to understand the impact of any changes to funding methods and will ensure that providers are given an opportunity to feedback on proposals ahead of possible implementation over the course of the SR period.
- This government's position on international students has been clear. We welcome genuine international students who make a positive impact on the UK's HE sector, our economy and society as a whole. The system must, however, ensure that international students make a positive contribution to the communities in which they study. The UK will remain a highly attractive study destination. Our world-class HE sector can offer a fulfilling and enjoyable experience to international students from around the world.
- Higher education providers will pay a simple flat fee of £925 per international student per year. This is broadly equivalent to a 4.5% fee, which is a reduction from 6% level initially proposed in the Immigration White Paper. The levy will not be introduced until academic year 2028/29 and providers will be given an allowance for the first 220 international students per year. The income raised by this levy will be fully reinvested into higher education and skills,

including the reintroduction of targeted maintenance grants for priority courses at Levels 4, 5 and 6.

- Furthermore, the aforementioned inflation-linked tuition fee uplifts will provide a strong and sustainable funding stream for our universities. Over the next five years, these uplifts are currently projected to generate around £6 billion - significantly outweighing the currently projected less than £1 billion cost of the International Student Levy over the same period. This approach ensures the sector benefits from compounding annual increases, delivering growing resources to support quality education and innovation, whilst also ensuring that the benefit of income from international students is clearly linked to new opportunities for disadvantaged domestic students.

Recommendation:

- *Government funders of research such as UKRI should incentivise and track the number of patents that their funding has supported as a key performance indicator, as well as using their register of spin-out companies to monitor progress in this area. The Government and universities should continue to work on implementing the recommendations of the Independent Review of University Spin-out Companies. (Paragraph 261)*

Government Response:

- The government **agrees** with this recommendation. The UK excels at translating promising research into spin-out companies, with UK universities produce approximately 170 spin-outs per year, which employ an estimated 40,000 staff. Cities like Manchester and Bristol have shown significant growth in spinout populations, with Manchester hosting 58 spinouts and Bristol 47.
- The first university spin-out register has already been used to confirm that [UK university spinouts raised £2.8 billion](#) in venture capital investments in 2024, a level that remains significantly higher than levels seen pre-pandemic.
- UKRI already tracks the number of patents produced by their funding, and UKRI and DSIT both monitor the overall number of invention disclosures and patents produced by universities through data

produced by the Higher Education Statistics Authority producing [annual analysis](#) on system health.

- As set out in our response to the committee’s call for evidence, implementation of the 2023 spin-out review recommendations on deal term best practices has led to reductions in university equity stakes in spin-outs, and spin-out investment rose last year against a backdrop of reduction in venture investment.
- The academic entrepreneurship fellowships mentioned above fulfil a remaining unmet recommendation of the 2023 review. As part of the government’s response to the Spinout Review, UKRI has awarded £9 million to 48 academic proof of concept projects (as part of a £40 million proof of concept funding programme) to further the commercialisation of their research. These projects spanning all academic disciplines will deliver both technical and commercial validation along different commercialisation pathways including via licensing.

Chapter 6: Leadership, cross-government coordination and delivery

Recommendation:

- *The Industrial Strategy commits DSIT to establishing a “monitoring and evaluation framework” for its ambitions around the technology sector. This should track metrics including:*
 - *The amount of scale-up funding at different rounds that UK science and technology companies are receiving, quarterly, including investments by the British Business Bank and National Wealth Fund and from institutional investors via the Mansion House process;*
 - *the ratio of foreign to domestic capital in late-stage funding rounds and valuations of technology companies (for example, the number of unicorn companies);*
 - *the number of spin-out companies, patents, and research publications supported by UK Government funding;*
 - *the total value and speed of Innovate UK grants awarded;*
 - *business R&D expenditure, foreign direct investment in R&D and greenfield infrastructure;*
 - *the value of innovative procurement contracts or procurement contracts with UK-based SMEs, broken down by Government department and measured relative to SBIR targets;*
 - *the numbers of people enrolled in STEM skills training and the number of STEM and digital visas issued; and*
 - *the number of domestic initial public offerings of companies or acquisitions versus the number of technology companies sold or floated overseas.*

(Paragraph 269)
- *The Government should commit to regular public reporting of these metrics, every six months, illustrating the progress of its overarching mission to improve scaling up for technology companies. Critically, this must spur action: the metrics should feed into the cross-government committees (including the Industrial Strategy Advisory Council and the Strategic Public Investment Forum) to spur further policy actions when one or more indicators is lagging behind. (Paragraph 270)*

Government Response:

- The government **partially agrees** with these recommendations. We agree with the need for strong monitoring and evaluation. In the Digital and Technologies sector plan published in June 2025 we committed to establishing robust monitoring and evaluation

arrangements to measure the impact of the sector plan. We also agree that the monitoring and evaluation should include a range of metrics and have set out an initial set of monitoring and evaluation metrics in the sector plan. They include many of the Committee's suggestions and include a broad range of sources collected and published across government, public financial institutions and the research system, covering areas such as business R&D, investment flows, Innovate UK activity, spin-outs and capital market trends. DSIT is also working to improve the definition of the Digital and Technologies sector and its underlying evidence base, using innovative methods that better capture the complex relationship between digital and technology companies and economic growth. We agree with the Committee on the value of regular public reporting on progress. We already report progress on the Digital and Technologies sector plan through the published Quarterly Update on the Industrial Strategy and input to updates for the Industrial Strategy Advisory Council. We are developing plans for further sector-specific reporting annually on DSIT-owned data. For data owned by other Departments e.g. skills training data owned by the Department for Education, it is their responsibility to determine reporting cycles.