

THE PRIME MINISTER

29 November 2021

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Thank you for your letter of 23 September, setting out initial advice from the Council for Science and Technology on how to unlock scale-up investment for the UK's innovative science and technology companies. I am most grateful for the time and effort that the Council has put into examining this issue.

We know that the ability to access the right type of finance at the right time is critical to enabling innovators to develop their ideas, take these through to commercialisation and scale up their business. The UK already has a robust R&D funding ecosystem, boasting the most mature venture capital market in Europe. At least £8.8 billion was raised in 2020 to start and grow innovative businesses, more than France and Germany combined.

However, we recognise that UK companies can still struggle to access capital compared to their US counterparts, particularly at the later stages of their growth and for larger deal sizes. Science and technology companies tend to experience this funding gap even more acutely. A shortage of scale-up support can hold companies back, and can lead to some of the most innovative, high-potential firms relocating overseas to secure the growth capital they need. We want to see these companies remain in the UK and grow into market leaders, so that the economic benefits of innovation can be realised here.

The Government is already addressing this funding gap in a range of ways. We have backed the British Business Bank to crowd-in additional investment for growth-stage companies, through Future Fund: Breakthrough and the Life Sciences Investment Programme. The latter will be complemented by the ground-breaking £10 billion UK-UAE Sovereign Investment Partnership signed earlier this year. As part of this, Mubadala Investment Company will invest an initial £800 million in the UK life sciences sector over a five-year period.

We are working collaboratively with industry to remove barriers to making illiquid investments in the UK, to unlock institutional capital and drive long-term investment into innovative companies. The Chancellor and I look forward to hosting our Institutional Investor Roundtable, which will provide a platform for government and industry to come together and set out a clear path for taking advantage of the new opportunities created by these changes.

We are modernising our markets regulation by taking forward the recommendations from Lord Hill's UK Listing Review, with the aim of encouraging more innovative high growth companies to list in the UK. Finally, we have set out seven strategic technologies to prioritise and build on our existing R&D strengths, recognising that Government signalling has an important role to play in de-risking investment for private investors.

But we want to do more. That is why, following your advice, I have asked the new Minister for Science, Research and Innovation, George Freeman MP, to perform a hard evidence-based analysis of talent, procurement, and co-investment levers and barriers for scale-ups. I would welcome input from the authors of your advice (Saul Klein and Professor Fiona Murray) in particular. He will be in touch to follow up.

I look forward to receiving further updates as work progresses. Thank you, once again, for your helpful insights on this important issue.