



# Department for Science, Innovation & Technology

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Dear Dame Angela and Lord Browne,

I am grateful for your invite for the Prime Minister and I to join the June meeting of the Council for Science and Technology. I thought the discussions on the UK becoming a science superpower, artificial intelligence, international partnerships, and innovation within DSIT were valuable. I will happily take up the offer from the Council to support our ongoing work on the Science and Technology Framework and in making DSIT the most innovative department in Whitehall.

I also thank you for the letters dated 14 June 2021 and 7 October 2022, which set out views from the Council on i) investment in innovative S&T companies; and ii) public procurement. I am replying on behalf of the Prime Minister and am grateful for the time and effort that the Council has put into examining these issues.

The recently published Science and Technology Framework outlined how financing innovative companies and procurement are two of the ten 'systems interventions' that the UK must make progress on in order for the UK to become a science superpower. We have been clear that taking a systems approach is necessary to reach our objectives to become a Science Superpower, as issues such as financing are a systems problem.

On financing, the Framework set out that the Government's vision is that there is sufficient supply of capital at all stages with increased participation from domestic investors, and an environment to grow and scale large globally competitive science and technology companies that drive growth in the economy and high-skilled employment opportunities for citizens. As set out in the Framework, HM Treasury and the Chancellor of the Exchequer, are leading work across Government to develop and implement an action plan to improve access to capital for innovative UK companies.

We are already taking steps under each strand to improve on the current environment. With respect to financing, the recent budget in March highlighted the Government's intention to support innovative companies. This included announcements on Long Term Investment for Technology and Science (LIFTS) and the extension to British Patient Capital for a further ten years.



- The LIFTS initiative will stimulate the creation of new vehicles for investment into science and tech companies, tailored to the needs of UK defined contribution pension schemes. A request for feedback closed on 28 April and the government received a large number of high-quality responses, underlining the appetite for investment into the UK's high-growth companies.
- Our extension of the highly successful British Patient Capital programme will provide at least £3 billion equity investment into the UK's key high-growth sectors including life sciences, green industries and deep tech. As well as the extension, government is increasing BPC's focus on R&D intensive companies.

I recognise that announcements made so far are not the full answer to the challenge, and the Government is working collaboratively under the Science and Technology Framework to consider how best to support companies that need financing to scale and succeed in the UK economy, including Government engagement and signalling alongside financing. We will consider your five recommendations in turn as part of this process, and I look forward to updating you on progress at an opportune moment.

On procurement, the Framework outlined that the Government's vision is that *Government departments create a demand for innovation that can catalyse their buying power into economic growth. Departments clearly articulate their technology needs through long-term strategies to give businesses confidence to invest and shape markets, with a proportion of departmental spend dedicated to procurement supporting innovation.* As set out in the Framework, the Cabinet Office, and the Chancellor of the Duchy of Lancaster, are leading work across Whitehall to develop an action plan to enable public sector organisations to embrace innovation more, including new legislation to allow public procurement to be undertaken in more flexible and innovative ways.

The Government is focussed on the successful passage of the Procurement Bill through Parliament, which aims to speed up and simplify public procurement processes, place value for money at their heart and create greater opportunities for small businesses and social enterprises to innovate public service delivery. The implementation of the Procurement Bill, supported by targeted learning and development, will empower contracting authorities to procure more innovative solutions to meet their needs. To provide just one example, the bill includes new procedures for awarding public contracts which allow for more negotiation with suppliers to deliver innovative solutions in partnership with the public sector.

I recognise that the Procurement Bill is not the full answer to the challenge, however, and the Government is working collaboratively under the Science and Technology Framework to consider what wider changes are needed in order to make the best use of procurement as a lever for innovation in the UK. We will consider your seven recommendations in turn as part of this process, and I look forward to updating you on progress at an opportune moment.

Thank you for your ongoing support and engagement and I look forward to a stimulating discussion at the next meeting of the Council later this month.

Yours sincerely,



Rt Hon Chloe Smith MP

**Secretary of State for Science, Innovation and Technology**