HM Treasury

Entrepreneurship in the UK: Start. Scale. Stay.

Prospectus

October 2026

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Foreword

Starting a business means committing to something before you know it will work. Founders can spend years without a secure income, putting their savings into an idea that others doubt. As the company grows, they become responsible for the livelihoods of people who have chosen to join them.

We want more people to take that chance, and build their future, in the UK.

Britain's economic future depends on the success of people willing to take those risks. The businesses they build create jobs, develop new technologies, raise productivity and generate wealth that benefits communities across the country. They are central to how we grow our economy and improve living standards.

The UK starts from a position of strength. Our universities produce world-leading research. British entrepreneurs are developing technologies that could transform how we treat disease, produce energy and deliver public services. And successful founders are starting new companies, bringing experience and investment into the next generation of businesses.

Yet, too many barriers still stand in the way of turning a promising idea into a successful business.

Promising companies can struggle to find customers willing to buy their products. Innovative products can encounter rules that were not designed for new technologies. A successful business can find it easier to finance its expansion overseas. An experienced worker may face unnecessary restrictions when they want to move to a growing business or start one of their own. And a founder seeking a decision from government can spend months moving between departments, explaining the same problem to people who each control only part of the answer.

We need to change that.

At Budget 2025, our first *Entrepreneurship in the UK* prospectus set out our ambition to make the UK the best place in the world to start a business, scale it and stay here for the long term. [1] We have taken major steps towards that goal over the past year.[2] This prospectus sets out how we intend to go further.

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[1] '*Entrepreneurship in the UK.*' HM Treasury, November 2025. Available at: www.gov.uk/government/publications/entrepreneurship-in-the-uk

[2] As set out in the Annex: A year of delivery since November 2025.

Artificial intelligence and other frontier technologies are reshaping industries and creating new opportunities for growth. Countries around the world are competing to attract the entrepreneurs, investment and businesses that will shape their economic futures.

The UK has the foundations to compete. But we cannot assume that companies founded here will choose to build their futures here. We need to give them good reasons to do so.

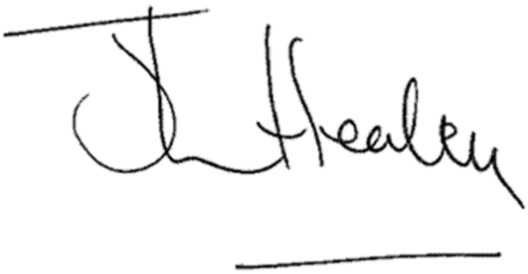
Government cannot create the companies of the future. Entrepreneurs do that. But government can help them succeed by opening up opportunities, improving access to finance and removing barriers that hold businesses back.

Founders should also expect government to match some of their urgency. That means making timely decisions, giving clear answers and taking responsibility for solving problems, rather than passing businesses between departments.

Building a successful company is hard enough. The UK should be a country where that effort is rewarded, where founders can share in the success they create, and where businesses have every reason to keep growing.

Government must earn that choice through what it delivers.

Start here. **Scale** here. **Stay** here.



RT HON JOHN HEALEY MP

Chancellor of the Exchequer

Chapter 1
The challenge now

1.1 The UK is already one of the best places in the world to start an innovative business. Our challenge is to make it an equally good place to grow one. Too many promising companies still find better conditions for expansion overseas, meaning the UK loses out when businesses founded here build their futures elsewhere.

1.2 Artificial intelligence and other frontier technologies are reshaping industries. The choices made over the next few years will help determine which countries become home to the companies that emerge, and where the jobs, investment and economic benefits are felt.

1.3 Our ambition is for discoveries made in the UK to become successful companies that grow and compete globally from a UK base. Keeping more of that growth here will support investment, skilled jobs and the reindustrialisation of the UK, building stronger industries and productive capacity across the country.

1.4 We have considerable strengths to build on. But too many innovative firms still encounter barriers as they try to grow. Finding a first major customer can take too long. Regulation can make it harder to test and deploy new technologies. Domestic growth capital can be difficult to secure, particularly as companies scale. Competition for experienced people is intense. And where government could help, businesses can find themselves navigating different departments without anyone taking responsibility for resolving the problem.

1.5 These barriers matter because a relatively small number of high-growth firms make a disproportionate contribution to economic growth and productivity. When they scale elsewhere, the UK risks losing the investment, jobs and future growth they create.

1.6 The Scaleup Institute estimates that fewer than 1.4% of UK businesses generate around 60% of SME turnover. [3] Similarly, companies meeting the OECD definition of high-growth represent fewer than 1% of UK firms, but account for around 7.5% of UK turnover and employment and generally achieve faster productivity growth than other firms. [4] Fewer than 100 "standout" firms accounted for around

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[3] ScaleUp Institute analysis of Office for National Statistics Inter-Departmental Business Register data (2024) and Department for Business and Trade Business Population Estimates. ScaleUp Institute, 2026 (forthcoming).

[4] '*High-growth firms.*' Competition and Markets Authority, 2026. Available at: www.gov.uk/government/publications/high-growth-firms/high-growth-firms

two-thirds of productivity growth in McKinsey analysis of around 8,300 large firms across Germany, the UK and the US. [5]

Turning innovation into growth

1.7 Government should focus on the barriers within its control. Procurement should give innovative businesses a credible route to a first contract and wider adoption. Regulation should enable new technologies to be safely tested and deployed. The tax system should support and reward the people building these businesses. Growing companies need better access to domestic investment and specialist talent. And where problems cross departmental boundaries, government must be better at resolving them.

1.8 Innovation inevitably involves uncertainty. Some businesses will fail. Public investment must remain accountable, but seeking to avoid every loss risks passing over opportunities with substantial economic value.

1.9 **This prospectus is deliberately targeted at innovative, high-growth businesses with the potential to make an outsized contribution to the UK economy**. It complements wider support for businesses of all sizes, while focusing on the particular barriers that determine whether these companies start, scale and stay in the UK.

1.10 The chapters that follow set out what government is changing:

- **Start:** turning more ideas into innovative businesses, making regulation work and giving firms better routes to first customers.
- **Scale:** helping growing businesses access the capital, talent and support they need to compete globally.
- **Stay:** making the UK a place where successful companies, and the people who build them, choose to keep investing and growing.

1.11 For founders, the objective is straightforward: less time navigating government, faster decisions on regulation and procurement, and better access to the capital and talent they need.

1.12 **The test is whether these changes make it easier for founders to scale and stay in the UK.**

[5] '*The power of one: how standout firms grow national productivity*'. McKinsey Global Institute, 2025. Available at: www.mckinsey.com/mgi/our-research/the-power-of-one-how-standout-firms-grow-national-productivity

Chapter 2
Starting in the UK

2.1 This chapter sets out how government will strengthen the route from research to commercialisation, make regulation work better for innovative firms, become a better customer and help businesses access the talent they need.

Backing the research and innovation pipeline

2.2 The UK's innovation strength comes from world-leading businesses, entrepreneurs, universities and research institutions. Together they develop new technologies, create new companies and generate the ideas that will underpin the industries of the future.

2.3 But innovation alone is not enough. The UK must be better at turning research and new technologies into products, products into companies, and promising companies into economic growth. Government's role is to strengthen that pipeline by backing commercialisation, supporting innovative firms and helping places across the UK build on their distinctive strengths.

2.4 **The new UKRI Strategy and Innovate UK's prospectus** place a stronger emphasis on commercialisation, entrepreneurship and the growth of innovative firms, helping world-class research translate into new businesses, industries and economic growth.

Building world-leading innovation clusters

2.5 Innovation happens in places. The strongest technology ecosystems bring together research, entrepreneurs, investors and businesses, helping ideas reach the market and innovative companies access the skills, customers and capital they need to grow.

2.6 **The government will therefore identify and back a new generation of priority innovation clusters across the UK**, aligned with existing Industrial Strategy clusters, supporting places with the greatest potential to become world leaders in strategically important technologies and industries.

2.7 Working with UK Research and Innovation, **the government will invest £1 billion over the next four years into these priority innovation clusters.** Designed in partnership with local leaders, this will enable universities, businesses and investors to collaborate around areas of distinctive competitive advantage to create globally significant clusters.

Strengthening local innovation capacity

2.8 Local leaders, universities and businesses are often best placed to build on the distinctive strengths of their innovation ecosystems. Government will give places greater capability to build on those strengths.

2.9 This will be supported through **the devolution of the Local Innovation Partnerships Fund to established Mayors from 2028**, alongside broader place-based innovation support, putting more decisions closer to the businesses, universities and investors driving growth.

Turning breakthroughs into businesses

2.10 Many of the companies that will shape the UK's future economy begin as research projects, university spinouts or entrepreneurial ideas emerging from laboratories and research institutions.

2.11 Government is strengthening the route from research to commercialisation. **This includes £25 million for UKRI Venture Doctorates**, providing entrepreneurship-focused doctoral training, alongside **up to £16 million proof-of-concept funding** to help researchers develop promising ideas through prototyping, market validation and spinout creation.

2.12 Together, these reforms will help turn more of the UK's research excellence into new businesses, supporting the pipeline from discovery to commercialisation and company formation.

Making regulation work for innovative firms

2.13 Innovative, high-growth businesses need a regulatory system that keeps pace as they develop new technologies, products and business models. Regulation plays an essential role in protecting consumers and the public, but where existing rules were not designed for new technologies, they can make it harder for businesses to test new ideas, demonstrate that they work and scale them in the UK.

2.14 **The Regulating for Growth Bill will establish new cross-economy powers to enable innovative products and approaches to be tested, refined and scaled more quickly, while maintaining appropriate safeguards**. The powers will allow existing rules to be temporarily adapted, under strict controls, so that new technologies and approaches can be tested in practice. Where trials demonstrate that changes are safe and effective, the powers will provide a route to make those regulatory changes permanent.

2.15 **Regional leaders will have an influential role in shaping and directing trials, helping ensure they respond to local opportunities and growth priorities**. The Secretary of State for Business, Innovation, Science and Trade will set out further details shortly.

2.16 To ensure these powers can support innovation quickly, and in a targeted and proportionate way, the government is developing a

pipeline of potential use cases ready to deploy once the powers are in place. Potential use cases include:

- **Improving patient access to innovative medicines and medical devices** by working with the MHRA to enable faster, safe testing of cutting-edge products.
- **Enabling innovative defence capabilities** by creating clearer and simpler routes for uncrewed and autonomous systems to be developed and tested in the UK, working through the Ministry of Defence-led drone regulation taskforce.
- **AI Growth Labs**, enabling responsible innovation and adoption of AI-enabled products and services that our current regulation hinders, prioritising applications delivering strategic value for the UK.

Government as a first customer

2.17 For many innovative businesses, one of the biggest barriers to growth is finding a first major customer. Government spends more than £400 billion a year on procurement, giving it significant purchasing power to help bring new technologies into use. A public contract can help a business prove its product, attract investment and scale, while giving public services access to new solutions.

2.18 But innovative firms can struggle to break into public procurement. Processes can favour established suppliers, and successful pilots too often lack a route to wider adoption. Government needs to make it easier for innovative businesses to win public-sector customers and, where their technologies work, move rapidly from trial to deployment at scale.

2.19 **If we want more innovative companies to succeed, government must become a better customer for innovation.** We will make this approach more systematic across government, creating clearer routes for businesses to demonstrate new technologies, secure customers and scale successful products.

2.20 That means improving the route from innovation to adoption: identifying the problems government needs innovators to solve; creating opportunities for businesses to test and demonstrate new technologies; deploying successful products at greater scale; and, in strategically important technologies, giving businesses greater confidence in long-term government demand.

Finding, testing and adopting new solutions

2.21 Building on the work of NHS England's Innovation Procurement Taskforce, **the government will invest £100 million to expand access and accelerate the adoption of robotic-assisted surgery (RAS) across England**, using the NHS' scale to test new procurement approaches, open up opportunities for innovative suppliers and support the growth of high-potential UK businesses.

2.22 The investment aims to support an increase in robotic-assisted procedures from 70,000 a year today to 500,000 by 2035, while diversifying the UK market and bringing new robotic platforms into the NHS. It will also support the world-leading national robotics registry, using data and AI to improve patient outcomes and productivity, and bring innovative surgical technologies into frontline care.

2.23 **Our ambition is to apply the same principle more widely**: giving innovative firms clearer opportunities to solve public-sector problems and creating stronger routes for successful technologies to move from demonstration to adoption.

2.24 **That is why we intend to appoint an external Chair for BIST's Commercial Innovation Hub (CIH).** They will use their experience to strengthen the role of the CIH in supporting departments to procure innovative solutions along with departmental Procurement Innovation Champions.

Creating new markets for frontier technologies

2.25 Earlier this year, **the government announced a £1 billion commitment to procure large-scale quantum computers**, helping develop domestic capability and anchor the economic and sovereign benefits of quantum technologies in the UK.

2.26 Building on this, **we will now go further with a world-leading £138 million Quantum Sensing and PNT Procurement Catalyst**, which will accelerate quantum adoption and scale UK companies.

2.27 **An additional £80 million will support Sovereign AI's R&D Procurement Scheme** to create more opportunities for innovative British AI companies to work directly on some of the government's most significant challenges across the health and care system and in AI security, assurance and safe adoption, as well as delivering innovative approaches to warfighting.

2.28 The government is also launching an **AI Challenge Prize to incentivise UK-based innovators and businesses to develop AI solutions to major frontline public service challenges**, supported by £15 million of funding and administered by DCMS. The first competition will focus on the NHS, with a top award of up to £2.5 million for the most promising solution to a priority healthcare challenge.

2.29 Together, these approaches can help government become an earlier and more effective customer for frontier technologies, giving innovative businesses opportunities to demonstrate products while building demand for technologies of strategic importance to the UK.

Using public demand to support strategic capability

2.30 Following the landmark UK–Ukraine AI deal announced in August, **the UK is set to become the first international partner to access Ukraine's Avengers AI Labs**. This is creating a faster route from innovation to deployment, giving British firms access to battlefield data

to develop and test new defence technologies against real operational needs. It demonstrates how defence procurement can help innovative companies move from capability need through testing to contract and deployment, while supporting investment in UK capability.

2.31 For innovative businesses, the goal is a clearer route from solving a public-sector problem to securing a first customer and, where a technology succeeds, deployment at greater scale.

Backing strategically important AI companies

2.32 The UK also needs to ensure its most strategically important AI companies can access the capital they need to scale.

2.33 Alongside the expansion of Sovereign AI's R&D Procurement Scheme, **the government will provide an additional £60 million for the Sovereign AI Fund (SovAI) from 2027-28**, expanding its ability to invest directly in the UK's most promising AI companies, including a new focus area of Physical and Industrial AI, capitalising on the UK's strengths, including world-leading robotics research.

2.34 The additional funding will help strategically important AI companies access the capital they need to scale and build their future here, while retaining critical capabilities in the UK.

Box 2.A Backing the next generation of AI companies

Callosum: making AI computing cheaper and more flexible

- Founded in 2025, Callosum's technology brings different AI chips and models together into complete systems, which improves performance and efficiency while unlocking new capabilities, and reduces dependency on any single model or chip technology. It has the potential to transform the AI infrastructure stack.
- **Callosum was the Sovereign AI Fund's first equity investment** in April 2026. It has also benefitted from Sovereign AI's compute scheme, and the **backing of the government's Advanced Research and Invention Agency (ARIA).**
- This summer, Callosum raised over $100 million in venture capital and, with Sovereign AI's support to unblock visas, is bringing top talent from across the world to London to develop its technology and scale its business.

OLIX: Building the infrastructure for frontier AI

- OLIX is a British AI hardware company, headquartered in London, with a new chip-design centre in Bristol and teams in the US and Canada.

- Founded by James Dacombe in 2024, OLIX is solving the most consequential problem in the deployment of frontier AI and has rapidly grown into one of the most ambitious deep tech start-ups.
- In August 2026, **the Sovereign AI Fund participated in a $312 million Series B funding round, valuing OLIX at $3.3 billion.**

Helping talent and ideas move

2.35 **The UK should be a place where talent can move, ideas can spread and every generation of successful businesses helps create the next.**

2.36 Some of the most valuable knowledge in an innovation economy sits with people who have built products and companies at the frontier. When they move between businesses, or start companies of their own, they spread expertise and entrepreneurial experience, helping create the next generation of successful firms.

2.37 The UK is already developing these networks. DeepMind is a leading example: former staff have gone on to found companies including Isomorphic Labs, Inflection AI, Mistral AI, Reflection AI and Ineffable Intelligence. But many of the best-known companies created by its alumni are headquartered overseas. The challenge is to ensure more of the next generation are built and grow in the UK.

2.38 A dynamic labour market is therefore particularly important for innovative, high-growth businesses, allowing them to recruit experienced people and prospective founders to take their skills into companies of their own. Disproportionate restrictions on people moving between businesses can slow that process, particularly in frontier sectors where specialist experience is scarce.

2.39 Non-compete clauses in employment contracts affect millions of people, from tech employees to care workers. Workers trapped by these clauses are often held back and unpaid, missing out on opportunities and forced to spend time out of their chosen field, sometimes threatening their financial security. That also stunts innovation and inhibits the energy and dynamism our economy needs.

2.40 **This Budget confirms that the government will legislate to make sure that non-compete clauses will no longer be a barrier to hiring for our most promising startups and scaling firms**, and ensure that workers in the everyday economy are not prevented from moving jobs. These reforms will apply across the whole economy.

2.41 **The government will also consult shortly to understand the wider use of restrictive practices**. The government is keen to work with industry to ensure the action it takes is proportionate, evidence-based and supports both the dynamism of the UK economy and protection of intellectual property.

2.42 **We will then set out a detailed government position on all these issues in early 2027, in advance of legislating.**

2.43 This will help ambitious businesses recruit the people they need, while giving experienced workers greater freedom to take their skills to growing companies or build businesses of their own.

Attracting international talent

2.44 Innovative businesses compete globally for specialist talent. Access to the right people can determine whether a company chooses to start, scale and stay in the UK.

2.45 Since Budget 2025, the Global Talent visa endorsed funder pathway has been expanded, giving more than 100 R&D-intensive businesses the ability to support the world's best scientists and engineers to come to work in UK industry. **At this Budget, the government will go further by expanding the High Potential Individual visa to the top 150 global universities.**

2.46 To strengthen the UK's position as the best place in the world to build an innovative business, **the government will introduce reforms to make the UK's migration system the most pro-business in Europe for high-skill workers.**

2.47 It is also reforming visa salary thresholds to ensure that visa criteria better reflect labour market conditions across the UK, supporting employers across the entire country. The government will also work towards allowing the most highly skilled workers to access a visa curtailment period of up to six months, allowing these highly skilled sponsored workers longer to find a new job. This will enable employers to locate and bring on board highly skilled employees before they have to leave the country.

Widening access to entrepreneurship

2.48 Entrepreneurial talent is found across the UK, but not everyone has equal access to the support, investment and networks needed to turn an idea into a successful business. The government is therefore taking wider action to help more people start and scale businesses.

- **Supporting young entrepreneurs:** The government will shortly pilot a **Young Entrepreneurs Allowance**, providing successful applicants with support towards their living costs during the first year of their business.
- **Backing women in technology and women-led businesses:** New **Tech Forward** and **Inclusive Investment** standards will promote more inclusive employment and investment practices, alongside a new **scale-up women's programme** to help women founders overcome barriers to fundraising and growth.

Chapter 3
Scaling in the UK

3.1 As businesses scale, they need larger pools of capital, experienced talent and customers at home and overseas. The UK's challenge is to connect its strengths in capital and financial services more effectively with the companies that have the potential to grow.

3.2 This chapter sets out how government will strengthen the conditions for companies to scale, including by recognising and rewarding successful founders who build and grow businesses in the UK, and improving access to the capital businesses need to finance their next stage of growth.

Strengthening support for entrepreneurs

3.3 Many of the businesses with the greatest potential are also among the hardest to build. They may be developing unproven technologies, opening new markets and competing globally from the outset. Not all will succeed.

3.4 In fact, PitchBook analysis finds that roughly one-third of venture-backed seed companies fail outright.[6] In innovation-driven industries, success is often concentrated in a small number of firms, but those that do break through can create entirely new markets, industries and sources of growth.

3.5 If the UK wants more people to take that leap, the tax system should support founders, employees and investors at every stage of building a successful business.

3.6 **At Budget 2026, the government published its response to the Call for Evidence on Tax Support for Entrepreneurs**, setting out significant action to improve existing tax support, offer more certainty for founders and investors, and reduce administrative barriers.

Making it easier to access R&D support

3.7 Administrative burdens can divert time and resources from developing a business. **Today, the government is going further to make it easier for innovative businesses to access R&D support by simplifying the administration of R&D tax relief and reducing unnecessary burdens on claimants.**

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[6] *'Should Seed Investors Ride the High and Pay the Price?'* PitchBook, November 2025. Available at: files.pitchbook.com/website/files/pdf/Q4_2025_PitchBook_Analyst_Note_Should_Seed_Investors_Ride_the_High_and_Pay_the_Price_20593.pdf

3.8 **The government will also remove the Claim Notification Form from April 2027, ending the need for companies to notify HMRC in advance of making a claim**. From Autumn 2027, HMRC will also simplify and rationalise the Additional Information Form, making its requirements clearer and more proportionate while retaining the information needed to assess compliance risk.

3.9 Together, these changes will make the R&D tax relief claims process more straightforward and allow innovative businesses to focus more of their time and resources on growth.

Giving more employees a stake in success

3.10 Growing companies must be able to attract and retain exceptional people. Employee share schemes and the suite of tax reliefs they provide help high potential companies to compete for talent by giving employees a meaningful stake in the value they help create.

3.11 The UK is home to the Enterprise Management Incentive (EMI), a world-leading tax-advantaged share scheme that helps smaller, higher-risk companies attract and retain talented employees. In 2024–25, around 4,840 companies used EMI and approximately 42,000 employees were granted tax-advantaged options, underlining the scheme's central role in supporting the UK's growing companies.

3.12 **The government is significantly strengthening the share scheme offer for larger scaling companies**. It will double the individual share option limit under the Company Share Option Plan (CSOP) from £60,000 to £120,000 from April 2027.

3.13 The current £250,000 combined limit for EMI and CSOP options is also being removed. Eligible employees can therefore hold up to £250,000 of EMI options and up to £120,000 of CSOP options, giving a total limit of £370,000 across both schemes.

3.14 **CSOP will also be rebranded as EMI2, providing greater clarity about its role as the intended follow-on scheme to EMI**. This will give scaling companies a more generous and flexible way to attract, retain and reward talented employees.

Helping founders raise capital

3.15 The Seed Enterprise Investment Scheme, Enterprise Investment Scheme and Venture Capital Trusts help growing companies secure the capital they need by encouraging investment into innovative and higher-risk companies.

3.16 **The government will strengthen these schemes, so they work more effectively for growing businesses**. Technical improvements will make them simpler to use, while HMRC will work with industry to modernise Advance Assurance and give founders and investors greater certainty when raising capital.

3.17 **The government will also act on excessive fees, helping ensure that more tax-advantaged investment reaches the businesses it is intended to support**. It will strengthen HMRC

guidance and compliance activity and work with industry and the Financial Conduct Authority to improve transparency on fees.

Backing founders for the long-term

3.18 The UK competes internationally for founders capable of building businesses with exceptional growth potential. The government recognises that founders with a great idea, or a business with the potential to succeed, can often choose where to establish and grow it.

3.19 Tax is only one of several factors influencing those decisions, but we know from founders themselves that they want to stay and scale here and that a competitive tax system is an important part of our offer to them. That is why we have taken action to help companies raise capital through the Venture Capital Schemes, attract talent through EMI and EMI2, and innovate through the R&D tax credits.

3.20 Founders' Relief will go further. **From April 2027, eligible founders and early investors of high-growth, innovative companies will benefit from a 10% rate of Capital Gains Tax on lifetime gains of up to £10 million.**

3.21 This competes with the best offers internationally and shows that the tax system will incentivise founders to grow their start-ups into global success stories and, when the time comes, reinvest into the next generation of founders.

3.22 **The government has launched a technical consultation on the operation of the relief, ahead of its introduction in April 2027.**

3.23 In line with our wider approach to tax policy, the government will monitor the effectiveness of the relief, including against its contribution to UK business growth and whether it influences founders' decisions to establish, scale or expand their companies.

Connecting pension capital with UK growth

3.24 The UK has one of the largest pools of long-term savings in the world, with pension assets of around £3 trillion.[7] Yet too little of this capital is connected to the UK's growing innovative companies. At the same time, innovative British companies are increasingly reliant on overseas investment as they scale: in 2025, 74% of UK venture capital investment by value came from abroad, rising to around three-quarters for rounds of $100 million or more. [8]

3.25 **The UK should not have to choose between attracting global capital and mobilising domestic capital. We should do both.** Foreign investment is a major strength and will remain so. The opportunity is to

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[7] '*Pensions Investment Review: interim report*'. HM Treasury, November 2024. Available at: www.gov.uk/government/publications/pensions-investment-review-interim-report

[8] '*UK startups & VC landscape evidence pack*'. Council for Science and Technology, July 2026. Available at: www.gov.uk/government/publications/letter-to-the-prime-minister-on-investment-in-innovative-science-and-technology-companies/uk-startups-vc-landscape-evidence-pack-html

enable more UK investors to participate alongside it, giving growing companies access to deeper pools of domestic capital and savers greater exposure to productive assets, including venture capital.

3.26 This must remain focused on delivering good outcomes and long-term returns for savers. Government analysis suggests exposure to private markets can improve diversification and deliver modestly better risk-adjusted returns, while recent British Business Bank analysis shows UK venture capital fund performance becoming increasingly competitive internationally. [9] [10]

From commitment to deployment

3.27 There are encouraging signs of change (Box 3.A). Through the Mansion House Accord, 17 of the UK's largest workplace pension providers, representing around 90% of active defined contribution savers, have committed to invest at least 10% of their main default funds in private markets by 2030, with at least half invested in the UK.

3.28 **The first annual progress update shows capital beginning to move, but also the scale of the opportunity still ahead**. As at 31 December 2025, Accord signatories held £22.1 billion in private markets, including £11.1 billion in the UK, with a further £10.7 billion contractually committed and awaiting deployment. However, £8 billion of current UK private-market investment is in property.

3.29 **More progress is therefore needed against both Accord targets, including by broadening investment and increasing allocations to venture and growth capital.**

Box 3.A New investment vehicles and allocations

- **British Growth Partnership Fund I**, established and managed by the British Business Bank, has **raised £200 million** including investment from Aegon UK, Cushon Master Trust and M&G to channel UK pension capital into high-growth UK businesses.
- **The UK Scale-up Fund,** being developed with major pension providers LGPS Central, Nest, Local Pensions Partnership Investments, Railpen, West Yorkshire Pension Fund, Border to Coast and USS, alongside the British Business Bank, is expected to

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[9] '*Pension fund investment and the UK economy*'. Department for Work and Pensions, November 2024. Available at: www.gov.uk/government/publications/pension-fund-investment-and-the-uk-economy/pension-fund-investment-and-the-uk-economy

[10] *'UK Venture Capital Financial Returns 2026'*. BBB, September 2026. Available at: www.british-business-bank.co.uk/about/research-and-publications/uk-venture-capital-financial-returns-2026.

[The report finds that UK VC funds achieved a pooled TVPI of 1.78x across 2002-21 vintages, compared with 1.78x for the United States and 1.67x for the rest of Europe. Note: this is measured by Total Value to Paid-In Capital (TVPI) which includes unrealised value and therefore does not represent cash returned to investors.]

raise **over £1 billion** to help successful British businesses access domestic capital as they scale.

- Nest announced a **£200 million venture capital allocation** in September 2026 and has indicated this could reach around £1 billion by 2030, subject to the availability of high-quality opportunities.
- Aviva, L&G and Standard Life have all launched **Long-Term Asset Funds (LTAFs)** that include venture capital within broader private market mandates.
- Confidence is spreading beyond pension funds and Accord signatories. Scottish Widows have also launched an LTAF, and NatWest has made its first investment in a venture capital fund, alongside the British Business Bank, joining HSBC and M&G in backing Phoenix Court.

Moving to investment at scale

3.30 **The next challenge is to move from commitments and individual successes to investment at scale**. That means creating the right regulatory environment, and building the expertise and investment vehicles needed to connect institutional capital with high-quality venture opportunities. For scaling businesses, a deeper domestic investor base would mean more UK investors able to participate alongside international capital as funding requirements grow.

3.31 That is why, on 12 November 2026, **the FCA will launch its consultation on the treatment of performance fees within the charge cap, considering changes that could support greater investment in private markets.**

3.32 The government, working through the Minister for Pensions, will continue to work with pension providers, asset managers and the wider industry to build on existing commitments, support effective investment vehicles and accelerate deployment into innovative, scaling businesses.

3.33 **We will work across a range of fronts to drive this priority forward.** The focus will remain on enabling investment that delivers good outcomes and long-term returns for savers, while helping build a deeper and more established market for investment in innovative, scaling UK businesses.

Backing growth through the BBB

3.34 High-growth businesses need capital at a scale that the UK market does not always provide. The British Business Bank has a central role in addressing those gaps and crowding in private investment.

Since Budget 2025, the Bank has significantly expanded its support for innovative and high-growth businesses (Box 3.B).

3.35 At Budget 2026, **the government is therefore uplifting the Bank's total financial capacity by a fifth to £30.6 billion,** significantly increasing its firepower to support innovative businesses and crowd in billions of pounds more in private capital.

3.36 This uplift includes **a targeted £2 billion expansion to back innovative and growing businesses across the UK**:

- **£1.4 billion of additional capacity for the BBB to invest in equity funds**, giving the Bank greater flexibility to back high-growth businesses and cornerstone growth-stage funds, particularly in strategically important sectors.
- **£450 million to establish a new venture debt product,** filling a gap in the UK's financing landscape for innovative scale-ups and providing finance at the scale high-growth companies need, without requiring founders and existing shareholders to give up further equity unnecessarily.

3.37 The government has also asked the Bank to take the next step in **strengthening its regional offer by working in partnership with Mayoral Strategic Authorities and Devolved Administrations** to design the next generation of Nations and Regions Investment Funds.

3.38 These successor funds will build on the Bank's existing place-based debt and equity offer, with the Bank and local leaders working together to ensure they respond more directly to local growth priorities and strengthen regional finance ecosystems.

3.39 The Bank's new Local Growth Team will work with leaders and ecosystem partners across all regions and nations to better connect businesses with appropriate sources of capital, tailoring its approach to each area's economic strengths, challenges and priorities and working closely with MSAs and Devolved Nations.

3.40 **The objective is simple: more businesses able to access the finance they need to invest and grow in the UK.**

Box 3.B British Business Bank in action

Since Budget 2025, the Bank has significantly expanded its support for innovative and high-growth businesses:

- Approximately **£400 million committed directly to fast-growing science and technology companies**, and almost **£1.5 billion invested via equity funds**, the majority of which has gone to supporting Industrial Strategy priority sectors.
- Recent investments and commitments include Oxford Quantum Circuits, Kraken Technology Group, Apposite Healthcare Growth I and IQ Capital Fund V.

- **British Growth Partnership Fund I**, established and managed by the British Business Bank, has raised £200 million including investment from Aegon UK, Cushon Master Trust and M&G to channel UK pension capital into high-growth UK businesses.
- The Bank has also made available **£500 million of ENABLE Guarantee capacity to support lending to intellectual property-rich businesses**, helping innovative firms access debt finance that might otherwise be unavailable.
- And, to strengthen ecosystems beyond London and the South East, **the Bank has committed up to £150 million to support a new Northern Scale-up Fund**, providing larger-scale growth capital to innovative businesses across the North. It is expected to support high-growth firms, including university spinouts, while attracting additional private investment into the region.

Export finance for growing businesses

3.41 UK Export Finance (UKEF) supports businesses to grow through exporting, ensuring they can win and deliver overseas contracts. Since Budget 2025, the government has increased UKEF's total financial capacity to £130 billion. Budget 2026 confirms enhancements to UKEF support for small and medium-sized businesses through:

- **Increased eligibility for UKEF's existing General Export Facility working capital guarantee product**, ensuring support is available to more businesses and decisions are faster.
- **Expanded access to export support for smaller exporters**, including for the first time those that plan to export but are yet to do so, through a new product delivered jointly with the BBB.

3.42 **Budget 2026 also confirms a new UKEF flexible finance product** that will encourage overseas buyers to increase what they procure from the UK, supporting UK businesses in high-growth markets around the world.

Chapter 4
Staying in the UK

4.1 The final test is what happens when a company succeeds: whether the UK remains the place it chooses to keep building. Staying is not a single decision. It is a series of choices about where a company raises capital, locates its headquarters, develops intellectual property, hires people and makes its next major investment.

4.2 Everything that helps a company start and scale here shapes those choices. This chapter focuses on two further parts of the UK's offer: making government easier for high-growth businesses to navigate and ensuring our capital markets continue to meet their needs as they mature.

More coherent support for high-growth firms

4.3 Companies competing internationally make decisions about where to invest and grow based on the whole environment around them: access to capital and customers, talent, regulation, infrastructure and the ability of government to meet their needs. Yet support for innovative and fast-growing businesses is spread across government and navigating it can be complex.

4.4 The government already has significant support in place, including: Innovate UK's new national scaling support and funding system, Velocity; targeted regulatory support through the Regulatory Innovation Office; public investment through organisations including the British Business Bank, National Security Strategic Investment Fund and Sovereign AI; and Office for Investment levers like the Venture Capital Unit, Global Talent Taskforce's bespoke concierge service for top international talent and the Listings Taskforce, supporting leading companies looking to list.

4.5 We are bringing these support routes together into a clearer cross-government approach for innovative, high-growth UK businesses, with 'no wrong door'.

4.6 **Scale UK will offer a single access point where businesses will be able to better understand what support is available to them.** [11]

4.7 Behind this approach, a central coordinating team will improve join-up across government, and work to address systemic barriers to growth. Rather than replacing or duplicating existing programmes, teams will continue to apply their own eligibility and decision-making

[11] Available at: https://www.business.gov.uk/scale-uk/

processes, working with local authorities and agencies across the UK to improve connectivity.

4.8 We are also developing new offers**. Today, we are launching the Scale UK Connect pilot**, **giving 200 high-growth firms across the UK expert advice, investor connections and international opportunities**. The pilot will be delivered by a network of local partners in Greater Manchester, the West Midlands, Scotland, Yorkshire and the South West, led by London & Partners.

4.9 Government procurement and the work of the Commercial Innovation Hub are also important parts of this picture, and **from spring 2027, the launch of the Innovation Marketplace will make it easier for innovators to sell to government.**

4.10 Government cannot solve every issue for every business, but where a high-growth company is strategically important to the UK, government aims to be better able to direct it towards the right support. A whole-of-government endeavour will better identify significant barriers and make sure these companies don't fall between institutional boundaries.

4.11 The 'no wrong door' approach of Scale UK will complement the wider reforms set out across this prospectus.

4.12 Together, these reforms will create a more coherent environment in which innovative companies can start, scale and choose to build their long-term future in the UK.

Box 4.A Backing innovative companies to scale

Kraken Technology Group

Government support is helping Kraken Technology Group scale through both **access to customers** and **growth capital**.

Commercial X supported Kraken Technology Group to access defence procurement through a rapid and flexible commercial route, reducing barriers and accelerating contracting. This led to Commercial X's first procurement through a Dynamic Market and has enabled the Royal Navy to field training and trials capability on up to 20 vessels. Kraken has also worked with industry partners to deliver the world's first airdrop of an uncrewed surface vessel.

The **British Business Bank has invested £27 million in Kraken Technology Group,** as part of its Series B funding round, providing growth capital to support the company's continued expansion.

Capital markets in the UK

4.13 Strong capital markets are an essential part of the UK's offer to firms at all stages of their growth. As businesses stay private for longer, companies need more flexibility to access liquidity, while also providing founders and early investors with opportunities to realise the value of their shares.

4.14 That is why the government introduced PISCES, a new type of stock exchange for private companies to scale, and to support the UK's IPO pipeline. The government has backed PISCES with measures to make it an attractive market for companies, investors and employees. Trades on PISCES are exempt from Stamp Taxes on Shares, while employees in companies with EMI or CSOP schemes can be rewarded by selling their shares on PISCES while retaining the tax benefits those schemes provide.

4.15 The first PISCES events in 2025 have shown how the framework can support companies across the growth journey, from VC-backed scale-ups to unicorns. The first in March 2025 involved QPlay, a popular UK gameboard manufacturer, on JP Jenkins Private Market, and July 2025 saw over £100 million worth of shares traded across Moneybox and Wayve's auctions on the London Stock Exchange's Private Securities Market.

4.16 While the government has strengthened the UK's private market offering to companies, the UK's public markets remain a major strength. The government has heard industry feedback that cutting Stamp Taxes on Shares could further boost UK capital market competitiveness. The government recognises the potential economic benefits of such a change, and will keep this under review, with appropriate regard to the fiscal implications.

4.17 Recent changes to the UK's listing rules and prospectus regimes have already reduced unnecessary barriers to raising capital and going public, and UK Listing Relief is supporting newly listed firms to achieve higher valuations, improving their long-term growth prospects.

4.18 These initiatives build on the UK's existing strengths as a global centre for capital, with London consistently ranking among the world's top exchanges and with more equity capital raised in London than on any other European exchange in 2025.

4.19 Over the past five years, more than £112 billion has been raised for UK companies, supporting growth and investment across the UK and its regions. Since the start of January 2025 alone, over £28 billion has been raised through IPOs and follow-on issuances, demonstrating UK capital markets' ability to provide continued access to capital as companies grow and scale in the UK.

Chapter 5
Conclusion

Delivering: Start. Scale. Stay.

5.1 The UK's future prosperity depends in part on whether we can turn more of our best ideas into successful businesses and give those businesses good reasons to keep growing here. This prospectus sets out how government will help, from research and commercialisation through to finding customers, attracting talent and securing the capital needed to scale.

5.2 **The test is what changes for founders.** They should spend less time navigating government, find it easier to test new technologies and win customers, and have better access to the people and finance they need. We will judge delivery by those practical outcomes, and change our course where measures are not working.

Building the world's best environment for innovation

5.3 **The measures in this prospectus are not the end of our ambition.** As we develop our 10-Year Plan, we will go further to make the UK a place where innovative companies can become global leaders and choose to remain. That requires sustained attention to four areas.

5.4 Our priorities will be:

- **Customers**: using government procurement more effectively to support innovation, including clearer long-term signals about the technologies and capabilities government will need.
- **Capital**: deepening the supply of growth capital and examining what more is needed to bring institutional investment into innovative UK businesses.
- **Talent**: making the UK a more attractive place for exceptional founders and technical talent, including through our tax, visa and regulatory system.
- **Regulation**: making it easier to develop and bring new technologies to market, including wider use of sandboxes and faster routes to authorisation.

5.5 Founders make decisions and put their own money at risk without knowing whether they will succeed. Government should bring the same urgency to the decisions it controls.

5.6 **Ultimately, we will be judged by whether more ambitious businesses choose to start here, scale here and stay here.**

Annex: A year of delivery since 2025

Since Budget 2025, the ambitions set out in the first *Entrepreneurship in the UK* prospectus have been put into action:

Starting in the UK

- **committed £14 billion for curiosity-led research, £8 billion for national priorities** and **£7 billion through UKRI for innovative companies**, strengthening the pipeline from research to commercialisation; and
- backed the next generation of entrepreneurs and spinouts, including over **£1.5 billion for university spinouts through UKRI and new Enterprise Fellowships.**

Scaling in the UK

- **strengthened the British Business Bank,** including through plans to invest £5 billion in growth-stage funds and scale-ups and support at least ten new-to-market growth-stage fundraisings;
- **taken action to unlock more domestic institutional capital,** including through the British Growth Partnership which has started to deploy capital, and launched Venture Link;
- expanded support through **the Enterprise Investment Scheme, Venture Capital Trusts** and **Enterprise Management Incentives**;
- set out reforms to make government a better customer, including: developing an **Innovation Marketplace** which will launch in Spring 2027, **Advance Market Commitments** including £150 million (up from £100 million) to purchase novel, high-performance AI inference chips with procurement launched this summer, and appointed **Procurement Innovation Champions** in every department;
- awarded **£130 million through Innovate UK's Growth Catalyst, which is being transitioned into Velocity**, Innovate UK's new national scaling support and funding system for the UK's most promising innovative businesses;
- **provided support for scaling Financial Services firms**, via the joint FCA and PRA Scale-up Unit; and
- **made it easier for innovative businesses to navigate regulation** with the Regulatory Innovation Office's targeted support accessible via a 'front door' to provide a regular and predictable pathway for companies to raise regulatory barriers to innovation.

Staying in the UK

- **supported the launch of PISCES,** strengthening the UK's offer to maturing companies and giving private companies new opportunities to provide liquidity to investors and employees; and
- **introduced UK Listing Relief –** exempting transfers of shares from Stamp Duty Reserve Tax for the first three years after listing on the UK market, supporting higher valuations and improving firms' long-term growth prospects.

HM Treasury contacts

This document can be downloaded from www.gov.uk

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