JUNE 2025
JAKOB MÖKANDER
JEEGAR KAKKAD
GUY WARD-JACKSON
CHRISTOS TSOUKALIS
JOSEPH BRADLEY
HENRY LI

# From Startup to Scaleup: Turning UK Innovation Into Prosperity and Power

TONY BLAIR
INSTITUTE FOR
GLOBAL CHANGE

# Contents

**Contributors:** Zachary Spiro, Tom Smith, James Browne, Brianna Miller, Harriet Coombs, Darcy Ward, Ilaria Calvello, Francis Glasspool, Cansu Deniz Bayrak

# Foreword

For more than 30 years I have invested in technology companies across Europe. This experience has taught me a clear lesson: while the UK excels at creating innovative startups, it consistently fails to grow them into global leaders.

Scientific strength spans the country, from Edinburgh's artificial intelligence to Southampton's photonics via Birmingham's clean-energy innovations. These hubs generate brilliant ideas and promising ventures, yet too few achieve their full potential within UK borders.

This is a systems problem. End-to-end reform is required, spanning talent attraction, university spinouts, tax policy, public investment and capital markets.

When promising UK companies seek growth capital, they face a gruelling obstacle course. Chief executives typically spend six to 12 months assembling each funding round needed to expand. Meanwhile, their international competitors secure larger investments in weeks and immediately focus on winning markets.

This matters for everyone, not just investors. When technology companies cannot scale from a domestic base, the UK loses high-quality jobs that could transform regional economies and forfeits tax revenue for public services. Most critically, the country surrenders control of technologies that increasingly determine the future of its economy and security.

The issue is not a shortage of money: UK pension funds manage more than £3 trillion, yet invest barely a fraction in growing domestic companies. Most Britons would be concerned to learn that their retirement funds deliver substantially lower returns than equivalent funds in Canada, Australia or the United States – a direct result of institutional risk aversion.

I see these consequences firsthand when meeting entrepreneurs nationwide. They begin with the same ambition and talent as their international counterparts, but quickly discover that raising £20 million in the UK takes longer than raising £100 million in the US or Asia.

Meanwhile, our European counterparts are taking decisive action. The European Investment Fund has committed €4 billion to scale venture funds to €750 million or larger, enabling substantial growth financing, and the European Investment Council has made £10 billion available to qualifying deep-tech companies. Post-Brexit, UK companies are excluded from this ecosystem, compounding the challenge.

In this paper, the Tony Blair Institute for Global Change offers a comprehensive approach to fixing the UK's scaleup ladder. Its recommendations address each critical phase of company development, from university-research commercialisation through to public-markets access.

The UK's future prosperity depends on building an economy where innovation can flourish and scale. The scientific foundation is in place; what we require now is the financial infrastructure and talent to convert that into scale. The time for incremental adjustments has passed; we need transformation if the UK is to secure its place in the technological future.

**Anne Glover, CEO, Amadeus Capital Partners; non-executive director, Court of the Bank of England**

# Executive Summary

When it comes to the technology sector, the UK's problem is not a lack of innovation but a lack of scale. A strong pipeline of world-class research and promising startups fails to mature into globally dominant firms rooted in the UK.

That shortfall hits both prosperity and power. Without large technology companies, the UK forfeits jobs, productivity growth, tax revenue, supply-chain influence and geopolitical weight. The momentum to tackle these problems is building in the government as part of its growth agenda, from the AI Opportunities Action Plan to Invest 2035. However, while promising, these goals can be achieved only if the UK has a dynamic tech ecosystem within which scale is possible.

There are two ways of launching a company: startups and spinouts. Startups spring from talented founders taking a risk on a new idea; spinouts emerge from commercialising university research and IP. Both are essential if the UK is to have a high-quality pipeline of scalable companies, but a long tail of startups is not enough to create jobs, prosperity and security. What is needed is the risk appetite to drive scale among investors, public institutions and founders. This paper argues that scale is a systems challenge: chokepoints appear at every rung of the growth ladder, from startups to exit. Institutional structures, capital mobilisation and investment culture are not conducive to scaling global behemoths and attracting frontier talent.

Policy interventions must be made at each stage: fixing spinouts and attracting talent at founding; making early-stage tax breaks more selective; crowding in bigger cheques at scaleup and reducing barriers for venture capital (VC); unlocking pensions for late rounds; rebuilding a competitive listing venue; and recycling capital and talent to invest in the next generation of companies.

There is currently a window of opportunity: geopolitical and economic volatility are incentivising global talent to relocate and capital to be reallocated. Cuts to federal research in the United States are leading to a

brain drain; the EU, China and other countries around the world have been quick to capitalise on this. The UK must fix its scaleup pipeline for the sake of both prosperity and national power.

# Recommendations

### FOUNDING STAGE: ATTRACT TALENT AND REFORM UNIVERSITY SPINOUTS

To ensure a strong pipeline of startups, the UK needs leading entrepreneurial and technological talent, and a spinout system that rapidly translates research into commercial intellectual property.

- **Expand eligibility for the Global Talent visa (GTV).** Currently the eligibility criteria for the GTV are too narrow and unfit for a rapidly changing technology landscape. The GTV should encompass the skills required for quantum computing, biotechnology, autonomous vehicles, advanced materials and other strategic tech sectors.
- **Technology transfer offices should create standardised terms for non-life-sciences spinouts and a target equity stake for non-patented, non-life-sciences projects should be set at 5 per cent.** Currently, spinouts suffer from slow processes and high equity stakes, disincentivising investors and putting spinouts at a disadvantage.

### EARLY GROWTH: REFORM TAX-BREAK SCHEMES

Early-stage (seed and Series A) tax breaks should focus on being selective, incentivising investors to concentrate financial resources on startups with the biggest potential. More selective public capital will mean a more competitive, dynamic startup ecosystem.

- **Target the capital gains tax (CGT) relief eligibility of the Seed Enterprise Investment Scheme (SEIS) and the Enterprise Investment Scheme (EIS) for investors with longer horizons, increasing the holding period from three years to seven.** The current three-year

holding period does not encourage the type of long-term, high-risk investment that deep-tech firms need. Increasing the eligibility holding period incentivises investors to hold shares for longer.

- **Introduce a new Scaleup Investment Scheme for investment in scaleup businesses.** This would support tech firms at a later stage than current schemes, precisely when access to capital becomes more difficult. We estimate that if this scheme were targeted at Series B companies, and its provision were half that of the EIS, it would cost the Treasury £230 million annually.
- **Create a digital ID for business to better track UK companies receiving government support, tailoring criteria over time to better target support for high-growth firms.** A digital ID would let the government track the full life cycle of firms benefiting from the SEIS and EIS, as well as venture capital trusts (VCTs) or, later, R&D credits (such as R&D expenditure credit).[1] This would link the initial relief to later-stage outcomes such as revenue growth, job creation and follow-on investment.

## SCALEUP STAGE: CROWD IN INVESTMENT AND REDUCE BARRIERS FOR VENTURE CAPITAL

To plug the scaleup gap (Series B+), the government should leverage the British Business Bank (BBB) and National Wealth Fund (NWF) to encourage high-risk later-stage investment and create a more favourable regulatory environment for new VC funds to create a more dynamic investment ecosystem.

- **Give the BBB and NWF clear, complementary mandates to deliver on the UK government's industrial strategy that suit their respective roles in the scaleup pipeline. This should involve crowding in capital for large-scale rounds: BBB at scaleup (Series B to C) and NWF at late stage (D+).** The BBB should continue to focus on being an indirect co-investor for scaleup-phase companies (Series B to C) in strategic areas, with its maximum investment cap raised to £25 million. Meanwhile, the NWF should be a more capital-intensive direct investor (minimum £25 million) into large-scale strategic assets. Both should focus on the sectors

outlined by the government's industrial strategy, and act as mobilising vehicles for institutional capital. This relationship should be coordinated via the newly announced UK Strategic Public Investment Forum,[2] which should be established on a statutory or at least a formal basis, whereby the CEOs of the NWF, BBB, GB Energy and other relevant bodies would meet regularly.

- **Streamline access to financial support via an integrated digital platform that consolidates offerings from the BBB and NWF, a well as Innovate UK and UK Export Finance (UKEF).** Businesses often struggle to navigate the UK's fragmented public financial ecosystem, leading to missed opportunities for support. The government should create an integrated digital platform that consolidates offerings from Innovate UK, BBB, NWF and UKEF.
- **Create a pilot next-gen fund programme to seed new managers with sector expertise.** Regulatory barriers should be reduced so that new, tech-focused VC managers can challenge incumbents, which would create more VC competition.

## LATE-STAGE SCALING: UNLOCK INSTITUTIONAL CAPITAL

Once companies reach the Series D+ stage, accessing global markets, the ability to raise rounds of £100 million or more becomes critical. However, companies cannot do this without institutional capital. The government needs to unlock pension funds to provide higher returns for individual savers and capital for late-stage champions. This should be done not via enforcement but by consolidation, benchmarking and disclosure to increase accountability and strengthen incentives to achieve higher returns.

- **Accelerate consolidation in the UK pensions ecosystem.** The UK pensions ecosystem remains too fragmented to benefit from longer investment horizons or investments that foreign pensions funds make in UK tech firms. To help fix this, the UK government should allow the Pension Protection Fund (PPF) to be a public-sector consolidator of defined-benefit (DB) funds (as called for in previous paper *Investing in the Future: Boosting Savings and Prosperity for the UK*).

- **Create an asset allocation benchmark for defined-contribution funds based on international standards.** This should set out how investment should be split between asset classes such as global equities, domestic listed and non-listed assets, real estate and bonds.
- **Promote new incentives to make pensions less risk averse.** This should include incentivising competition over returns rather than fees; shifting the norm from daily liquidity towards longer-term, higher-return illiquid assets to enable investment in private markets; and reforming the DB PPF risk-assessment model by recalibrating discount rates so that they are based on the cost of equity rather than the cost of debt.

### EXITS AND REINVESTMENT: STRENGTHEN THE LONDON STOCK EXCHANGE AND RECYCLE TALENT AND CAPITAL

To build powerful, productive technology companies and recycle capital and talent into the next generation, the UK must be an attractive place to scale – and stay.

- **Fully implement Lord Hill's UK Listing Review reforms and modernise UK public markets.** While listing abroad doesn't automatically drain value, a vibrant UK market for initial public offerings (IPOs) refreshes indices, deepens liquidity, gives savers and pension funds exposure to growth firms, and channels post-IPO wealth and talent back into the ecosystem.
- **Remove tax privileges from the UK's secondary listings, the Alternative Investment Market (AIM), to encourage direct listing on the London Stock Exchange (LSE) given the latter's failure to attract investment in scaling tech companies.** This would focus firepower on making the LSE as competitive as possible.
- **Increase the scope of Business Assets Rollover Relief to allow founders to sell one business and invest in another without triggering CGT liability.** Repeat founders are more likely to succeed than first-time entrepreneurs. The UK therefore needs to encourage first-time founders to stay, reinvest and start again, creating a flywheel effect.

01

# Introduction

The United Kingdom is not short of innovation: it is short of scale.

The UK is a powerful engine of ideas and it excels in academic research and startup creation. Yet despite these strengths, too few British companies grow into global leaders. Between 2012 and 2022, fewer than 1 per cent of UK companies achieved scaleup status.[3] Even sectors in which the UK supposedly has global strength – such as AI, fintech and biotech – follow a familiar pattern: domestic formation, foreign scale.

The ladder from startups (or spinout) to scaleup and exit is broken.

This failure to scale tech companies is a foundational strategic question in a world where technological scale helps define economic prosperity and power. High-growth companies are engines of productivity, job creation[4] and export strength.[5] They anchor industrial clusters, generate tax revenue and create downstream productivity benefits for the whole economy.[6] In turn, high-growth companies that grow into global behemoths provide a stake in important global supply chains and reinforce geopolitical heft.[7]

The UK has a window of opportunity, in that geopolitical and economic volatility are creating conditions for global talent to relocate and capital to be reallocated. If the UK can fix its scaleup pipeline, it can capitalise on both.

The UK fails to scale because its institutional structures, capital mobilisation and investment culture are not conducive to the high-risk, high-reward approach required to scale national winners. Pension funds abstain from backing innovation because of institutional distortions, which means that capital – even though it exists – is not mobilised. Tax systems fail to incentivise long-term investment culture and visa systems are too inflexible to attract innovative founders.

As pointed out by Lord Jonathan Hill, “If we want more growth, we are going to have to accept more risk.”[8]

Tackling the scaleup problem demands an end-to-end approach: attracting founders to the UK, then supporting and retaining them once they are here – and fixing chokepoints across the lifecycle. Too often policymakers focus on isolated levers such as talent, pensions and spinouts, without recognising that these elements operate as part of an integrated system.

This report maps the journey that companies must take to become globally competitive firms; the lifecycle approach will help political leaders tackle this as a systems challenge. At each stage the report lays out the policy priorities for the government:

- Make the visa system more flexible for entrepreneurial talent and reform the university spinout system at founding stage.
- Adjust tax breaks to be more selective and incentivise targeted, confident investment from the private sector.
- Align government co-investment vehicles to drive high volume capital at the scaleup phase.
- Unlock institutional capital at the late stage.
- Fix exit infrastructure which is essential for recycling both capital and talent back into the system.

The imperative is clear: the UK must radically reform the startup-to-scaleup ladder for technology companies if it wants to create individual prosperity and build national power.

02

# The Scaleup Cycle

The UK's scaleup problem encompasses each stage of company development. Only holistic, systematic reform that encourages high-risk, high-reward scaling will work.

Scaling refers to the phase during which a company has found product-market fit and has a business model capable of achieving rapid growth.[9] Typically this involves:

- growing from tens to hundreds or thousands of employees
- transitioning from newcomer to assuming a leading position in global markets
- increasing revenue by orders of magnitude
- raising larger funding rounds (Series B and beyond)
- building specialised executive teams to manage complexity

## The Goal for Scaling

Large, productive firms power economic growth.[10] [11] Scaleups have a disproportionate impact on the economy: while the country's 63 unicorns collectively only turn over an average of about £28 million annually, the UK's 13 largest companies generate an average of £70 billion in annual revenue. Meanwhile, the 7,700 biggest businesses together employ 39 per cent of private-sector workers and account for nearly half of all corporate revenue,[12] and more than half of business investment is attributed to fewer than 0.5 per cent of businesses in the UK.[13]

The goal is therefore to build companies that scale globally while retaining value (jobs, head offices, tax revenue) in the UK. Doing this, and securing a stake at the frontier of technology, matters more than unicorn valuations alone.[14] Increasingly, technology firms are central to economic prosperity and security.

A good example is Octopus Energy, a UK-based energy company that was founded in London in 2015. It has grown to become the UK's largest household-electricity provider.[15] It operates in 18 countries across four continents; its economic centre of gravity remains in the UK, but it has scaled to become a global giant. It has a market cap of £387million,[16] but more importantly it employs 4,750 people in the UK.[17] These are the types of companies that the UK should be building at speed and scale.

Retaining value means keeping these firms – as well as their headquarters, intellectual property (IP) and tax base – rooted in the UK, while acknowledging and encouraging the global expansion of their operations in foreign markets. The aim is prosperity, not protectionism.

## The Journey of Scaling

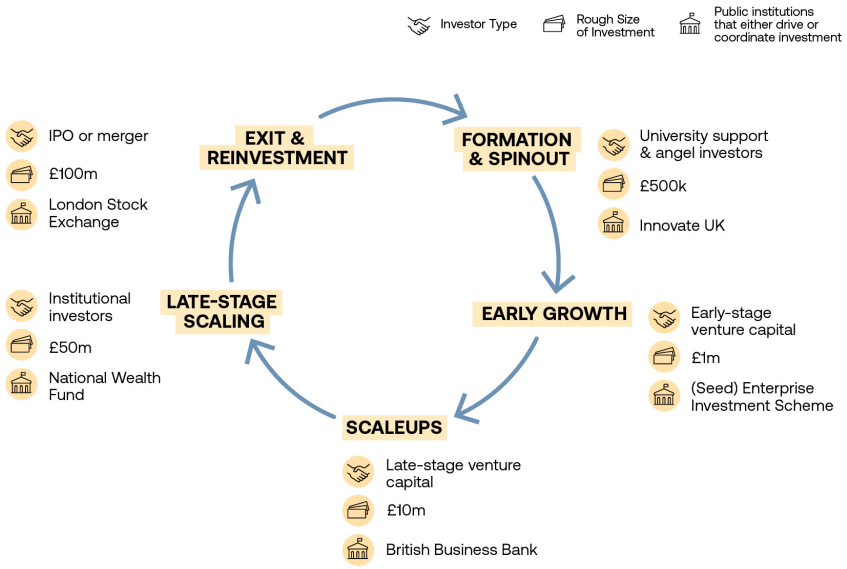
The journey from idea to scaled company (on which you can find more information in this downloadable PDF) requires the navigation of distinct stages, each demanding different resources and support.[18]

- **Spinouts and startups:** The point at which scientific or corporate IP is carved out into a new venture. Financing is almost always a pre-seed, with an average of £50,000 to £250,000. Capital comes from angels, the founders themselves, accelerator funds and/or family offices.
- **Early growth:** The seed-to-Series A phase during which founders validate product-market fit and build basic operations. Funding ranges from £1 million to £4 million at seed stage, and £4 million to £15 million at Series A, supplied by specialist seed funds and mainstream early-stage venture capital (VC).[19]
- **Scaleups:** With repeatable sales in hand, companies raise growth capital – about £15 million to £40 million at Series B and £40 million to £100 million at Series C – largely from late-stage VC. The money drives rapid customer acquisition, entry into new geographies and the recruitment of a full executive team.
- **Late-stage scaling:** Achieving global reach and strategic positioning, and preparing for exit. At this stage, institutional capital and sovereign wealth funds step in, with rounds of £100m to £250m+ at Series D and beyond.

- **Exit and reinvestment:** Liquidity arrives primarily via trade sale or flotation. Talent and capital recycle back into the ecosystem as new ventures, creating a flywheel effect whereby successful exits feed into the next generation of startups.

FIGURE 1

# The journey from formation to exit and reinvestment




If a thriving innovation economy is to emerge, each stage must connect seamlessly to the next, where investment at one stage provides quality assurance to investors for the next. When any stage breaks down, companies stall, move abroad or exit prematurely.

03

# How the UK Measures Up Against Global Leaders

This comparative analysis identifies the key problems and policy priorities at each scaling stage.

## Founding Stage

Startups and spinouts are the two types of company formation. The key drivers of company formation in the UK are entrepreneurial talent and the quality of university spinout processes that convert research into IP that can be commercialised.[20]

Talent, especially entrepreneurial talent, drives startup formation. The Startup Genome's 2024 report argued that talent and experience represent 20 per cent of an ecosystem's startup power.[21] Meanwhile, a 2022 survey found that access to talent was the most common barrier to high-growth SMEs in the UK.[22]

Repeat founders are especially important, since they keep experience in the ecosystem and have a higher chance of building successful companies. A study of 10,000 founders by Harvard Business School found that first-time entrepreneurs have an 18 per cent success rate, compared to 30 per cent for repeat founders.[23]

There is an opportunity here as a result of the fact that rapidly changing global politics is leading to the relocation of talent.[24] The UK needs to be able to compete with regions that are offering carrots to attract science and tech talent, such as China and Europe.[25,26]

However, the UK's visa system is not attracting these individuals as it should. The now scrapped Tier 1 entrepreneur visa used to grant an average of 183 visas per quarter; the current Scaleup Worker and Innovator Founder visas

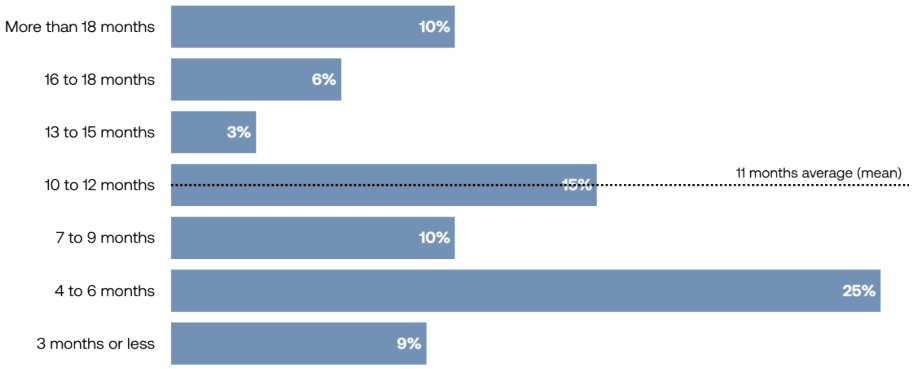
grant nine and 83 per quarter, respectively.[27] The visa system should have a more flexible framework to attract technological and entrepreneurial talent, especially given the rapid pace of technological change.

As an important subsection, spinouts account for about one in six deep-tech startups in the UK.[28] And the UK's research foundations are strong, producing 15 per cent of the world's most highly cited research with less than 1 per cent of the global population.[29]

The UK is a leader in Europe when it comes to commercialising university research, spawning more than 2,000 spinouts across its universities since 2011.[30] Yet there are signs of problems: the UK's share of deals has dropped to 15 per cent from 26 per cent a decade ago.[31] One key issue is significant delays to the spinout process in the UK.[32] Another is that spinouts typically give universities 16 per cent equity (2024),[33] which is down from 25 per cent a decade ago. That said, it is still higher than the global average and more than twice the equity that universities take in the US and the EU.[34]

FIGURE 2

# Almost one in five UK spinout processes takes more than a year to come to fruition




23% of respondents answered "Prefer not to say" or "Do not know"

Source: Department for Science, Innovation and Technology

This matters because long processes and high equity stakes tend to mean a lower likelihood of VC investment at later stages, because it crowds out space for founder and employee equity participation.[35] In other words, early burdens create long-term drag when it comes to the chances of reaching scaleup phase.

**Policy priority:** *Make the visa system more flexible for entrepreneurial and technological talent, and reform university spinout rules.*

## Early Growth

Although the UK creates a high volume of startups, a more competitive filtering process is needed to scale firms with real growth potential.

The traditional narrative that the UK is great at startups but bad at scaleups is backed up by the headline figures: UK startups raised 11 per cent of the total global capital invested at seed round in 2021,[36] which is a disproportionately large amount.[37]

This relative success is frequently attributed to generous tax incentives: the Seed Enterprise Investment Scheme (SEIS) gives investors 50 per cent income-tax relief on up to £200,000 a year and zero capital gains tax (CGT) on exit; the Enterprise Investment Scheme (EIS) offers 30 per cent income-tax relief on up to £1 million with the same CGT exemption; and venture-capital trusts (VCTs) allow investment of up to £200,000 in listed early-stage funds for 30 per cent upfront relief and tax-free dividends and gains after five years.

However, behind the headline figures there are issues with the early pipeline: it is not just the quantity but also the quality of startups that matters. The structure and targeting of these schemes therefore needs improvement. The relatively short time horizons incentivise immediate tax relief rather than ambitious ventures.[38] Some have argued that capital flows into companies with limited commercial potential, and tax-relief availability allows weak firms to survive far longer than market forces would permit.[39] Despite government efforts to encourage investors to invest in risky assets,[40] the wider environment still allows stagnant firms to survive.[41] Meanwhile, VCTs tend to underperform relative to other VC funds in the UK,[42] despite charging higher fees.[43]

The government must be more selective and focus on supporting high-growth, R&D-intensive tech firms that fit with its industrial strategy, not companies that simply qualify administratively. The aim should be to increase dynamism and competition at early stage, not support a long tail of companies.

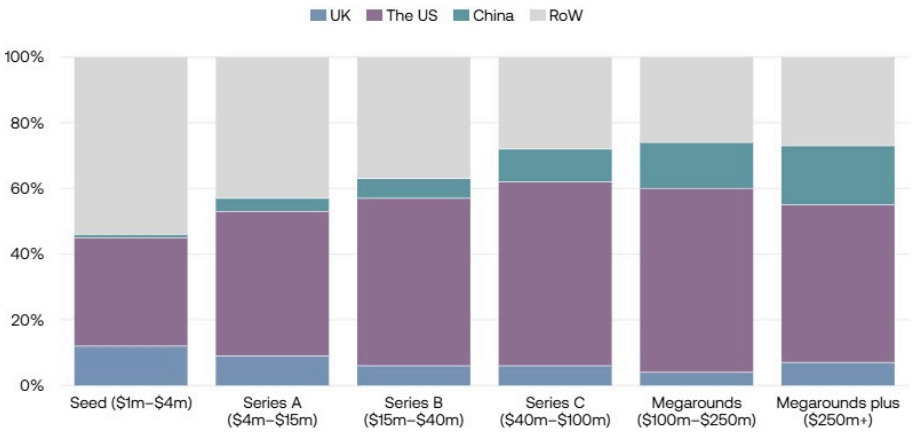
**Policy priority:** *Reform early tax-break schemes to incentivise long-term investment culture, as well as focusing on strategic high-growth tech companies and not supporting weak, low-growth firms. This will create a higher-quality pipeline of startups on which investors can take risks.*

## Scaleup Stage

At scaleup stage (Series B+) the UK attracts relatively less capital (most of which is foreign capital) and what it does raise is slow and fragmented. While foreign capital is a good thing, overreliance on it can make it more likely that UK companies end up moving their operations abroad. Though capital volume and structural barriers such as market size play an important role in this, the key issue is risk appetite and capital mobilisation.

FIGURE 3

# As UK firms grow, they attract a diminishing share of global capital




Source: Council for Science and Technology

UK companies are much less successful in raising capital as they grow: at the earlier stages the US attracts 3.7 times more capital than the UK but by later stages this increases to more than nine times.[44] The UK economy is about eight times smaller than the US's, implying that the UK significantly overperforms at early stages but then underperforms later. If the UK were as successful in attracting scaleup funds as it is in founding companies, we

calculate it would have secured more than £7 billion of additional capital per year.[45] The key is to increase the round size and the speed at which money is raised at the scaleup stage.

There are four possible explanations for the UK's relative lack of success at converting startups to scaleups.

### MARKET SIZE

Companies struggle to scale in the UK because of market-access constraints; 74 per cent of scaleup leaders say that access to markets is a challenge.[46] Additionally, both the UK's share of spinout deals and the share of spinout global capital peaked around the time of the Brexit referendum and have substantially declined since.[47] However, small market economies such as Israel and Singapore have clearly succeeded in scaling companies domestically.[48],[49] Singapore has successfully pitched itself as a trusted and stable base, outperforming Seoul and Tokyo in terms of the number of high-growth companies it is home to.[50] For the UK, this underscores that market size isn't an inevitable destiny.

### STARTUP QUALITY

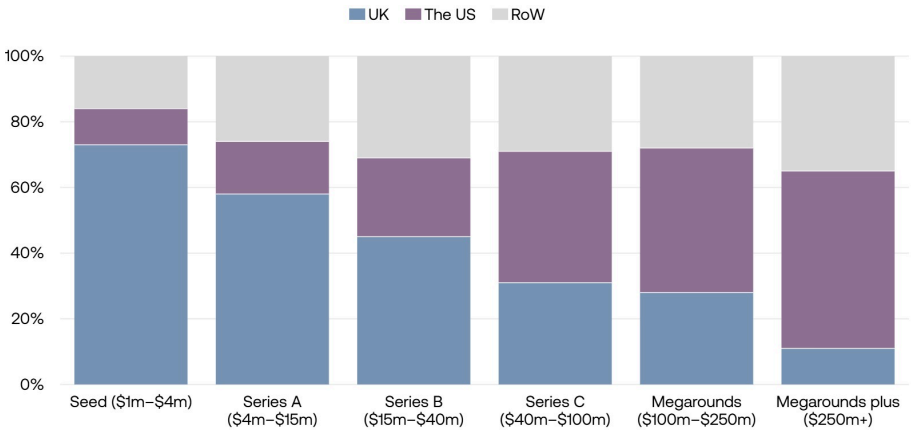
The UK's scaleup gap may partly reflect the quality of its startups:[51] while strong foreign investment[52] and a high level of company takeovers (see *Transparency, Accountability, Predictability: Protecting National Security Through the UK's Foreign-Takeover Regime*) signal underlying value, anecdotal evidence from our stakeholder interviews suggests that the lack of scaling potential may be part of the story. Scaling capital is only effective if companies have the fundamentals to grow. This implies that improving scaleup outcomes may require policy focus earlier in the startup pipeline.

### FAILURE OF INVESTMENT ECOSYSTEM TO MOBILISE CAPITAL

Domestic markets fail to supply companies with the capital that they need to scale; the result is that dependence on foreign capital skyrockets in the later stages.[53] Seed-stage companies attract almost three-quarters of their funding domestically, but this falls to less than one-third at the scaleup stage.

FIGURE 4

## Domestic UK capital is a diminishing share of the total capital that UK firms raise as they grow




Source: Council for Science and Technology

Although foreign capital is essential for a midsize economy such as the UK and a sign of an efficient global capital market, overreliance leads to significant relocation of the UK's most successful companies; for example, one in ten investments from the US lead to relocation.[54] Yet at the scaleup stage, this is likely to be even greater: anecdotal evidence suggests that foreign-investment funding can sometimes be made explicitly conditional on firms listing abroad. Analysis suggests that this reduced domestic

investment may not be matter of insufficient capital; [55] in fact, the UK VC system is similar in volume to the US relative to size,[56] and existing capital is deployed slowly.[57] Furthermore, UK institutional investors – including pensions and insurers – hold more than £5.5 trillion in capital, most of which is deployed in less productive assets such as government bonds.[58] Rather than size of capital, the key is capital mobilisation and investment culture.

**SPEED OF INVESTMENT**

Raising capital takes a disproportionate amount of time and effort, meaning that the speed and size of investment are essential. UK companies seeking growth capital often spend six to 12 months assembling fragmented rounds of £10 million to £30 million.[59] This again speaks to issues with capital mobilisation and risk appetite.

Therefore, while structural factors are part of the picture, scaling up in the UK is a story of weak capital mobilisation and allocation. This indicates that investment culture is critical to the UK's scaleup cliff edge. In turn, this risk-averse investment culture is mirrored by a risk-averse company culture: 77 per cent of firms agreed that they would prefer slower growth over borrowing to grow faster, while only 7 per cent disagreed.[60] On both sides of the coin there is a widespread reluctance to take on financial risk.

The US approach to risk is very different: power laws mean that a tiny share of investment produces the overwhelming share of the gains. In the US VC system, just 6 per cent of deals generate roughly 60 per cent of the gains.[61] UK investment funds must therefore tolerate failure in order to win big.

**Policy priority:** *Remove barriers to VC funds and focus institutions (particularly the British Business Bank and National Wealth Fund) on anchoring late-stage rounds, in order to encourage greater risk-taking and bigger round sizes.*

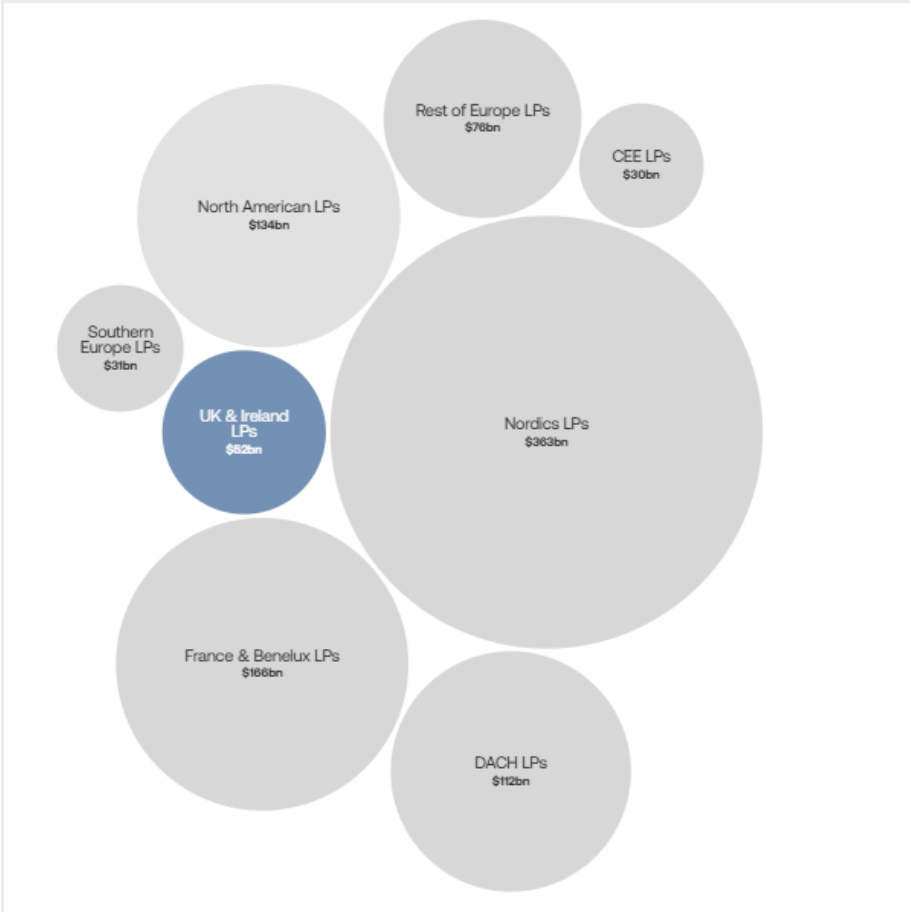
## Late-Stage Scaling

Late-stage scaling in the UK is impossible without unlocking more institutional capital into the system.

However, the UK lags its peers in mobilising institutional capital.[62] Fourteen times more capital is raised by UK funds from pensions abroad than from the UK.[63] UK pension funds allocate less than 1 per cent of the funds they manage to venture and growth equity, whereas US endowments typically allocate 5 to 15 per cent and leading Canadian and Australian models deploy 10 to 20 per cent.[64] This impacts the scale of VC too: 72 per cent of the US VC system is made up of pension money, compared to 10 per cent in the UK.[65]

FIGURE 5

# UK and Irish pension funds make up just 6 per cent of pension capital committed to European VC




Source: State of European Tech

This is largely an issue of risk aversion, driven by a combination of poor institutional incentives (such as DC funds competing over upfront fees rather than long-term returns)[66] and minimal transparency.[67]

But the problem is not just the asset classes that UK pensions invest in: it is also the fragmentation of these pensions (see *Investing in the Future: Boosting Savings and Prosperity for the UK*). There remain about 5,100 private-sector defined benefit (DB) pension schemes in the UK – with £1.2 billion under management – and 920 non-micro private-sector defined contribution (DC) schemes, with £200 billion under management.[68,69]

These factors not only make it harder for UK companies to scale, but also provide lower returns for UK savers. Over the past five years, the average large pension fund in the US, Canada or Australia has delivered annual growth that is 56 per cent higher than their UK equivalents, with the UK averaging 4.4 per cent growth per year compared to an international average of 6.9 per cent.[70] Analysis by think-tank Onward shows that unlocking DB and DC pensions could inject £20 billion into UK equities every year.[71]

**Policy priority:** *Unlock pensions in order to inject more institutional capital into UK equities for late-stage growth.*

## Exits and Reinvestment

The UK stock market is waning and as a result, UK companies are listing abroad; since 2018, the majority of UK unicorns underwent an initial public offering (IPO) in the US.[72] While foreign listing does not automatically lead to relocation and value loss, having a strong domestic exit is important for anchoring firms – and in turn recycling talent and capital.

In 2024 alone, 88 companies delisted or shifted their primary listing away from the London Stock Exchange (LSE), which is the UK's primary market. The same year saw just 18 IPOs on the LSE – the lowest number since 2010.[73] Moreover, the LSE is dominated by legacy companies. Only three FTSE 100 companies are technology companies, making up a tiny share of market capitalisation: 4.57 per cent.[74] Compare this to the S&P 500, which boasts a 30.7 per cent total market cap of tech-company listings.[75] Nvidia alone has a larger weight[76] in S&P 500 than the entire tech sector in FTSE.

By failing to close the loop, the UK misses out on recycling effects. Studies show that, after an IPO, employees who hold stock often receive a windfall that gives them the financial cushion to take on startup risks or secure funding.[77] Successful exits therefore lead to founding the next generation of startups.

Furthermore, major tech companies that have scaled – such as Google, Amazon and Microsoft – regularly buy or invest in innovative firms. Scaleup success stories such as Monzo depended on investment from large corporates such as General Catalyst and Stripe. Yet the UK is missing these benefits: only 8 per cent of UK VC funding comes from corporate venture capital (CVC), compared to 30 per cent in the US and 35 per cent in China.[78] Scaling domestic tech champions thereby recycles capital into the system.

**Policy Priority:** *Reform public markets to increase endgame incentives and recycling effects, ensuring that the LSE builds its relevance for technology companies.*

## Analysis Summary: Capital Mobilisation, Investment Culture, and Distorting Institutional Incentives

The most conspicuous "cliff edge" in the UK's scaling cycle is within the scaleup (Series B+) and late-stage (Series D+) investment phases, which is precisely when companies should be accessing foreign markets, expanding global operations and becoming global sectoral leaders. The immediate cause is poor mobilisation of long-term VC, public co-investment funds and institutional capital.

However, this cliff edge is also fed into by other stages of the pipeline; it is a symptom, not just a cause. The startup pipeline – shaped by spinout terms, access to talent and poor investment culture – and a lack of exits are key contributors.

That is why scaling up presents an end-to-end challenge rather than an isolated problem. And underlying these specific chokepoints are continual structural failures.

The issue is not simply the size of capital available, but the piecemeal mobilisation of that capital. This is, in turn, downstream from a poor investment culture that prevents capital from being deployed with the same speed and conviction as US firms. Far from the high-risk, high-reward "power-law" approach in the US, the UK has a systemic preference for modest returns and minimal risk.

This investment culture failure also stems from distorting institutional incentives, such as technology transfer offices (TTOs) delaying spinouts, tax breaks that can be used as shelters and pension incentives that discourage illiquidity. Unless these incentives are rewired, the UK will go on nurturing breakthrough ideas only to watch them scale somewhere else.

The UK must confront the fact that the biggest risk is not taking enough risk.[79] The rest of the report outlines specific policy recommendations to build companies at scale, enhance prosperity and create national technological power.

FIGURE 6

# Comparing the scaleup lifecycles of the UK, US and Europe

| Lifecycle stage | United Kingdom | United States | European Union |
|---|---|---|---|
| Research & IP | World-class science – 15 per cent of the world's most highly cited research with less than 1 per cent of the global population. | Top-tier educational institutions (Stanford, MIT, NIH). | Strong base, regionalised centres, but less successful at spinouts than the UK. |
| Spinouts | High friction, aggressive university equity stakes. Spinouts give universities 16 per cent equity, more than twice the equity universities take in the US and even in the EU. | Founder/investor-friendly IP norms. Standard stake among big universities is 5 per cent non-dilutive plus a license deal. | Varies — Nordics are more liberal, Germany/France are improving. One German university is in the TenU/USIT programme. |
| Seed funding | Strong due to SEIS/EIS and an active angel market. But (S)EIS and VCTs encourage short-term investment and perform poorly in the long run. | Deep capital pool, strong accelerators (YC, Techstars) that can reinvest experience and capital. | Improving via EIC, national tech-transfer schemes. |
| Series A | Reasonable fund base, but underpowered. UK companies take three to six months to raise Series A. | Quick rounds, large cheques, deep LP support. Takes one to three months. In the US venture-capital system, just 6 per cent of deals generate roughly 60 per cent of the gains. | Growing via EIF co-investment, pan-EU syndication. |
| Growth capital | Major bottleneck, limited domestic follow-on. Fewer than 1 per cent of the 600,000 companies registered in Britain since 2012 have achieved the status of "scale up". | Dozens of $500mn–$2bn+ funds lead and follow. At scale-up stage, the US attracts nine times more capital than the UK. | EIF scaling funds to €500mn–€750m+ via €4bn programme. Europe generates 36 per cent of all funded startups yet only 14 per cent of the world's unicorns, according to McKinsey. |
| Pension participation | Virtually absent; fee and liability-driven investment barriers. UK pension funds, managing more than £3trn assets, allocate less than 1 per cent to venture and growth equity. | Significant via endowments, foundations, pensions. US endowments and state pension plans typically allocate 5–15 per cent. | Moderate but rising: InvestEU and EIF are engaging pensions. |
| Exit market (IPO/M&A) | Weak IPO venue, few large acquirers. Minimal analyst coverage, leading to under-pricing and limited liquidity. | NASDAQ/NYSE dominance; active corporate acquirers. Deep analyst coverage. | Fragmented IPOs; M&A improving with state champions. But a European cyber-security company with £13mn revenue, valued at £14mn, was acquired by a US competitor that had raised $400mn at launch. |
| Reinvestment loop | Weak; talent and capital often exit. Only 8 per cent of VC funding comes from CVCs. | Strong; serial founders and LP reinvestment. First-time entrepreneurs have an 18 per cent success rate compared to the 30 per cent success rate of repeat founders. 30 per cent of VC funding from CVCs. | Improving through EIF, EIC and strategic national funds. |

04

# Founding Stage: Attract Talent and Reform University Spinouts

There are two ways of launching a company: startups and spinouts. Startups spring from talented founders taking a risk on a new idea; spinouts emerge from commercialising university research and IP. Both are essential if the UK is to have a high-quality pipeline of scalable companies.

To make the UK's founding stage as strong as possible, two things need to happen. First, the UK has to be able to attract and retain leading talent. Second, UK universities have to ensure that the spinout process is efficient, so that university-based founders can focus on building products and attracting early investors.

## Attracting Entrepreneurial Talent

The most important driver of startups is entrepreneurial talent. Recent changes in global politics have made research and tech talent more mobile. Cuts to federal research in the US are leading to brain drain;[80] the EU,[81] China[82] and other countries around the world[83] have been quick to capitalise on this.

The UK government has made important steps – including a £50 million global programme to attract research talent[84] – and the government is rightly balancing this with needed reforms to the broader immigration system.[85]

Yet a balance must be struck between controlling immigration and keeping the system flexible enough to attract the best talent.[86] Without this, the government's plans to be a leading force in emerging technologies such as artificial intelligence will be difficult to achieve.[87] To this end, the government must make sure that the Global Talent visa (GTV) remains fit for an ever-evolving technology landscape.

**Recommendation:** *The government should expand eligibility for the GTV to technology workers more generally. The government should take this broader definition into consideration when allocating endorsement responsibility after the contract from Tech Nation – the existing body – has come to an end. The UK should also consider fast-tracked endorsement processes if candidates meet certain key criteria – especially for repeat founders with a strong track record.*

As a sponsorship-free route, the GTV is a better means of procuring talent for startups than the Skilled Worker visa, which disproportionately benefits established companies that are able to meet salary thresholds and administrative burdens. However, at present the GTV's "digital-tech" eligibility criteria struggles to encompass the range of skills that the UK will need in the future, such as quantum computing, biotechnology, clean energy and advanced materials.

Further, not only are the costs of UK visas very high (increasing by 58 per cent since 2021)[88] but the endorsement process is also slow and complex.[89] The model of using endorsement bodies such as Tech Nation to verify talent rightly puts the task in the hands of experts – but it also introduces a burdensome two-stage process and opaque criteria. To address this, the UK should streamline its approach to the GTV.

Critically, repeat founders are more likely to be successful; the aim is to attract talent and, importantly, recycle it. As we set out later, this can only be done by building a scale-and-exit ecosystem that reinvests capital and know-how into a flywheel of new ventures.

These reforms would put the UK in line with countries such as Singapore, whose taxonomy for the Tech Pass visa is broader, with faster processing times.[90]

In addition, the government needs to consider how to compete for talented individuals and globally mobile investors,[91] given that a number of prominent high-net-worth individuals are leaving the UK because of changes to non-dom rules. At the same time, other countries are making efforts to attract investor talent: the US is already piloting a £5 million "gold card" to

supersede the EB-5;[92] Singapore has a Global Investor Programme,[93] and Saudi Arabia has introduced an investor residency.[94] The global race for capital and talent is on.

## Fixing the Spinouts System

The UK's world-class research must flow into scalable tech firms. This means spinouts are essential, given that they constitute more than one-sixth of deep-tech startups.[95] However, there is a large gap between research and commercialisation. UK universities' TTOs – which secure IP rights, find industry partners and negotiate licensing agreements – suffer from institutional problems; a lack of standardisation leads to complexity[96] and slow spinout processes.[97] These early disadvantages inhibit the later potential for scale.

**Recommendation:** *TTOs should create standardised terms in the style of university spinout investment terms for spinouts beyond life science and software,*[98] *reducing the delays that disadvantage spinouts early on. Furthermore, the target equity stake for non-patented, non-life-sciences projects should be benchmarked at 5 per cent.*

Universities could turbo-charge spinout formation by bringing their technology-transfer deals into the open. Publishing standard term sheets and anonymised data on how equity splits correlate with later funding would result in instant benchmarks, slash weeks of negotiation and build a living dataset regarding which clauses actually help deep-tech scale. The government, for its part, should lift subsidy-control constraints[99] on technology-transfer activity and pass a UK version of the US's Bayh-Dole Act, granting universities automatic ownership of publicly funded IP.[100]

Not only would lower equity stakes make VC investment more likely,[101] but companies might also see greater returns for TTOs in the long term.[102] US experience demonstrates that taking only a token slice of equity can potentially generate far more returns per company than the double-digit positions in the UK. In 2019, the Massachusetts Institute of Technology formed 25 new startups and received £25.8 million ($34.9 million) in

licensing income – roughly £1.04 million ($1.4 million) for every spinout created that year.[103] Meanwhile, Harvard's Office of Technology Development received £43.5 million ($58.7 million) across just 14 ventures in 2020.[104] Both offices typically take up to 5 per cent of dilutable equity.

By contrast, the UK still averages a 16 per cent university stake at formation,[105] yet UK universities combined only realised £86 million from spinout shares in 2021–22.[106] UK universities are thus taking a bigger chunk of a smaller pie.

Common debates around non-dilutive versus dilutive stakes[107] miss the core problem: oversized, dilutive stakes deter seed capital (killing spinouts before dilution even becomes an issue) while letting universities enjoy a risk-free upside because investors absorb the early risk.

Of course, for TTOs to see greater returns, the rest of the scaleup cycle has to be functioning correctly to enable scale and returns. Nonetheless, only by providing startups with early advantages – in terms of access to talent and efficient spinouts – can the UK build a strong pipeline of tech companies that are attractive enough to investors to reach scale.

05

# Early Growth: Reform Tax-Break Schemes

Early-stage companies need investment to build teams, develop products and prove market potential; tax-incentivised angel investors, seed VC firms and government programmes drive this phase. Although the UK appears to have a promising tech-startup ecosystem,[108] quality is more important than quantity when it comes to attracting investment and scaling.

A healthy ecosystem supports these early-stage companies – especially in R&D-intensive tech sectors, which have long product cycles and demand more upfront investment – and maintains competitive pressure that filters out weaker companies. This filtering gives investors the quality assurance they need to take risks and encourages a "power-law" approach to investment: high risk, high reward.

The SEIS and EIS, as well as VCTs, are HMRC-approved VC schemes that cut an investor's income-tax bill, encouraging funding for UK startups and small businesses. They have been credited with much of the UK's early company success; it is welcome news that the government has extended them to 2035.[109] However, these schemes that were designed to be de-risking sweeteners are in danger of failing to encourage real risk-taking on the part of private investors, which could potentially weaken competition dynamics.[110] Between 2022 and 2023, the SEIS and EIS subsidised roughly 17 new ventures every working day.[111] The government should be taking a more selective approach to tax incentives.

There are several problems with the SEIS and EIS schemes:

- **These schemes incentivise short-termism.** The SEIS and EIS require investors to hold their assets for just three years to get tax relief. This is far less than comparable schemes overseas, incentivising a short-term investment culture and the risk that investors use the schemes as a tax shelter rather than to fund growing firms.[112]

- **There is no equivalent incentive for later-stage investments.** This means that tax relief is tilted towards early-growth companies, where the UK is already strong, rather than the later stages where UK companies struggle.
- **The danger of supplying money to weak firms.** As with all tax reliefs, these schemes suffer from some degree of misallocation: anecdotally, some firms that qualify for relief have limited growth potential and only survive because of these tax incentives.

These schemes must encourage dynamism rather than short-termism. That means targeting deep tech and encouraging long-term investors.

**Recommendation:** *Target the eligibility of EIS and SEIS CGT tax relief for investors with longer horizons, increasing the holding period from three years to seven.*

Increasing the eligibility holding period incentivises investors to hold shares in successful firms for longer, while also narrowing the number of investors that qualify for relief. This would reduce the cost of the scheme at the margin and moreover, longer-horizon tax breaks align better with deep-tech gestation times (for biotech, quantum and advanced materials, for example), thereby targeting strategic tech sectors.

This would bring UK tax-break schemes more in line with the European standard. The equivalent scheme in France requires at least five years before relief qualification, and in Germany five to seven years.[113]

**Recommendation:** *Introduce a new Scaleup Investment Scheme (SIS) for investment in scaleup businesses. We estimate that if this scheme were targeted at Series B companies, and its generosity were half that of the EIS, it would cost the Treasury £230 million annually.*[114]

This scheme would encourage investment at the crucial Series B stage, during which UK companies start to struggle. More broadly, to make such schemes more selective, their metrics for success need to be adapted to focus on real-world economic impact, rather than simply the volume of

companies receiving support. This would help make the allocation of government money more strategic and mitigate companies gaming the system for tax reliefs.

**Recommendation:** *The government should create a digital ID for business to better track the UK companies receiving government support and tailor criteria over time to target support towards high-growth firms.*

For early-growth policy in the UK, an anti-fraud tool such as this would also be an "evidence engine". A digital ID would allow the government to track the full life cycle of firms benefiting from the SEIS and EIS, as well as VCTs and/or later R&D credits (such as RDEC).[115] This would link initial relief to later-stage outcomes such as revenue growth, job creation and follow-on investment. For example, Singapore's CorpPass system already gives businesses access to more than 130 government services through a single login, tied to a verified business identity.[116] Longitudinal datasets would also give policymakers the opportunity to refine reliefs on the basis of performance. A digital ID (see *A Pro-Growth Roadmap for Business-Tax Reform*) would also make it possible to shift the culture of tax support from volume deployed to value delivered.

These reforms would drive the growth of deep-tech startups and inculcate a better private-investment culture among early-stage investors. A sharper filter would give investors greater quality assurances for those companies that do reach scaleup phase – and make them more willing to take higher risks. Further, restructuring tax incentives would support only those investors who are in it for the long game, rather than those investing solely for the sake of tax relief. This would drive greater risk appetite among high-quality investors.

This requires much more than tinkering with public spending: the government should push for a mindset shift towards higher-risk, higher-return investment at an early stage. Returns to the economy are not made by a long tail of small and medium-sized enterprises (SMEs), but by the ones that truly scale.

06

# Scaleup Stage: Crowd In Investment and Reduce Barriers for Venture Capital

Once a company has validated its product and market fit, it enters the most capital- and execution-intensive stage: hiring, market entry, product scaling and revenue acceleration. Late-stage venture capital is especially important at this point.

It is here that the data point to a major funding gap.[117] However, as explained earlier, there are misconceptions as to why this scaleup gap emerges:

- Market size is a structural limitation, but not the only constraint. Though the UK's market size limits UK businesses, there is still unrealised scaling potential.
- The scaleup gap is not an anomaly: it is also a symptom of early pipeline quality that reduces risk appetite.
- The issue is not just about the volume (or stock) of capital but its ability to be mobilised (flow) quickly, which is in turn a symptom of investment culture and risk appetite.[118] This is where having a competitive VC ecosystem with tech-specific expertise is critical.

Two policy-related factors are important at the scaleup stage. The first is that the public institutions that invest alongside the private sector need to take high-risk, high-reward bets. This is the primary means by which the government can signal a strategic focus to the market in key technological areas that need scale. Second, the private-investment system – in this case, primarily VCs – must be dynamic and competitive to meet the risk appetite required for scale. Recent changes to UK fiscal rules and the reaction of investors to policy changes ushered in by the US provide a unique opportunity for the UK to establish a much larger, more dynamic VC ecosystem.

# Institutional Reform: The British Business Bank and National Wealth Fund

At the scaleup stage, bigger sums of money that can be provided quickly are needed in order to move the dial. Whether a sovereign wealth fund or government-backed co-investment vehicle, public investment needs to be focused on taking big bets, not sprinkling. By setting a precedent for taking risk, the government – where it does invest – can increase private-sector risk appetite and signal key strategic areas, outlined in Labour's upcoming industrial strategy, Invest 2035.[119]

However, to do this, UK public-investment institutions need to do three things:

- **Focus:** A clear mandate is needed for the size of companies, and type of sectors, that public institutions are investing in – with a clear market failure that public money is addressing.
- **Coordinate:** There needs to be minimal overlap between remit (company size, for example) and modality (such as the means of investment). This is important for coherence and as a clear signal to private co-investors.
- **Prioritise:** The approach has to be high risk, high reward – rather than spreading investment too thinly.

The European Investment Fund (EIF) is a strong example of public money being used to anchor large-scale rounds.[120] Rather than distributing smaller investments broadly it provides cornerstone commitments enabling funds to reach £500 million to £750 million scale, large enough to lead significant growth rounds without requiring US co-investment. However, since Brexit, the EIF has left a gap.

When it comes to scaleups, the UK has two important institutions: the British Business Bank (BBB) and the National Wealth Fund (NWF). The BBB generally acts as an indirect co-investor: it uses guarantees, debt facilities and minority co-investments to crowd in private capital to UK SMEs and later-stage funds; it operates at arm's length under Treasury control. The newly founded NWF is a sovereign-investment vehicle: it aims to deploy a

far larger, centrally financed balance sheet to take long-term equity stakes in strategic industries and infrastructure projects, hold those assets on behalf of the state and generate a commercial return while advancing national-industrial goals.

These institutions are important for addressing the UK's scaleup pipeline and delivering on the government's new industrial strategy. They will be successful if they have a clear focus and coordinate effectively, but they currently have unclear mandates. The NWF's "Statement of Strategic Priorities" outlines very broad objectives but leaves to management discretion questions regarding ticket size, stage of investment and sectoral balance. Meanwhile, the BBB is stretched too thinly across early-stage and scaleup companies.[121]

Further, a lack of cohesion – and high overlap[122] – between the BBB and NWF means they might fail to address the scaleup gap. BBB loans are generally (though not always) capped at £10 million and the NWF has a minimum threshold of £25 million, resulting in a possible gap in public finance at the key scaleup stage (Making UK Industrial Strategy Work: A Hard-Headed Approach Guided by Green Industry). This lack of clarity is an issue in itself, but more importantly it weakens the catalytic potential for crowding in venture capital in the scaleup phase and institutional capital when it comes to the late stage. Dynamism risks being lost in incoherence.

**Recommendation:** *The BBB and NWF should be given clear, complementary mandates to deliver on the government's industrial strategy that suit their respective roles in the scaleup pipeline. This should involve crowding in capital for large-scale rounds – BBB at scaleup (Series B to C) and NWF at late stage (D+).*

The BBB has successfully acted as an indirect investor in UK VC funds, especially through programmes such as the Enterprise Capital Fund. It should continue to focus on this, but increase its ticket sizes to take bigger bets, forcing VC syndicates to compete and increase risk appetite. That means focusing specifically on the scaleup phase (Series B to C) and reaching up to £25 million.

Meanwhile, the NWF should be a more capital-intensive direct investor (minimum investment £25 million) in large-scale strategic assets. Both should focus on the sectors outlined by the government's industrial strategy and act as mobilising vehicles for institutional capital. This relationship should be coordinated via the newly announced UK Strategic Public Investment Forum, which should be established on a statutory or at least formal basis, whereby the CEOs of the NWF, BBB, GB Energy and other relevant bodies meet regularly.

This way the BBB and NWF can work together, but focus on addressing different market failures. The BBB would address the classic market failure in early-stage finance, whereby recently formed, innovative SMEs struggle to obtain finance due to information asymmetry and lack of VC risk appetite. Meanwhile, the NWF would focus on the late-stage capital gap, increasing market-risk appetite for investing in strategic national winners.

The BBB should also maximise its attractiveness as an indirect vehicle, removing aspects that limit its appeal, including:

- **Fee layering:** Limited partners investing via British Growth Partnerships or co-investment vehicles often pay multiple fee layers. This makes the economics unattractive, especially for pension funds.
- **Profit-centre mentality:** Each BBB programme is expected to cover its costs. This leads to risk-averse structuring and no cross-subsidisation between early-stage risk and later-stage returns.
- **Anchoring too many rounds:** The BBB should anchor first rounds for investors, not fifth rounds for legacy syndicates.

This way the BBB can double down on the powerful role it is already playing and catalyse private investment, rather than being the investor of last resort.

**Recommendation:** *Streamline access to financial support via an integrated digital platform that consolidates offerings from the BBB and NWF, a well as Innovate UK and UK Export Finance.*

As argued in our previous paper, *Making UK Industrial Strategy Work: A Hard-Headed Approach Guided by Green Industry*, businesses often struggle to navigate the UK's fragmented public financial ecosystem, leading to missed opportunities for support. The BBB has already introduced helpful tools, such as its "one-stop finance model" and "finance-finder tool", to improve access. Building on this, the government should create an integrated digital platform that consolidates offerings from Innovate UK, BBB, NWF and UKEF. This digital shop window would provide businesses with a single entry point for support, guiding them through funding stages from R&D grants to export finance.

Coordinated effectively, the BBB and NWF should be the two centres of gravity for investment in UK tech, mobilising private and institutional capital at scale.

## Injecting Dynamism Into the VC System

The government can play a role in signalling strategic investment, but a thriving domestic, private-investment ecosystem is what makes or breaks companies at this stage. While the UK has a mature VC ecosystem, it is not as competitive, dynamic and expert-driven as it could be. As highlighted earlier, this leads to heavy dependence on foreign capital and often leads to relocation.

Evidence shows that the volume of domestic capital is not the only problem. The UK VC system is often characterised by static syndicates and state-backed capital that reinforces the position of legacy players.[123] In addition, too few fund managers are ex-founders with sector expertise, which is especially important for information symmetry in deep-tech sectors. More than 60 per cent of Silicon Valley's top funds have former founders or executives as partners, versus just 8 per cent in Europe.[124]

A lack of VC dynamism risks reducing the speed and scale of private investment at the scaleup stage. The government should remove barriers that prevent new, tech-specific VC managers from challenging incumbents.

**Recommendation:** *Create a pilot next-gen fund programme to seed new managers with sector expertise. Allocate BBB capital to co-invest with new venture managers, particularly those with deep domain knowledge in strategic sectors.*

The UK has yet to meaningfully follow suit with other countries in seeding new fund managers. Germany has a dedicated Emerging Manager Facility,[125] while France's Bpifrance fund of funds invested 57 of its 77 commitments in 2024 (out of a £12.6 billion pot) into new funds.[126] Most notably, the Biden-Harris administration improved the accessibility of the Small Business Investment Company programme, loosening fund-manager eligibility requirements to diversify its group of investment teams.[127] This proposal would help embed more sector-specific and entrepreneurial expertise in the investor system, resulting in entrants willing to take more risks.

The government should consider creating lighter reporting requirements for small-scale venture funds to encourage entrepreneurs to set up their own funds. Currently even a first-time fund manager with £10 million must find a compliance officer, run monthly reporting and pay for annual external reviews. Meanwhile, the tightened Appointed Representatives rule has pushed costs higher still.[128] Lowering the barrier to entry would help encourage smaller, sector-specific fund managers – and prior founders – to compete, and bring sectoral expertise into the UK investment system. This would in turn increase investor confidence.

The combination of clear investment mandates for the BBB and NWF, as well as increased VC competitiveness by reducing barriers to entry, will increase risk appetite and mobilise capital at scaleup stage.

07

# Late-Stage Scaling: Unlock Institutional Capital

Once companies reach the stage where they are accessing global markets, the ability to raise rounds of £100 million and more becomes critical. However, companies cannot do this without institutional capital.

In the UK there are two main types of pensions. DB pensions guarantee a salary-related income in retirement and combined steward about £1.2 trillion of assets, whereas DC pensions accumulate individual investment pots that total roughly £270 billion of capital across workplace schemes.[129] Unlocking pension capital is a critical lever for scaling the next generation of UK tech companies and to do this, the government must take a four-pronged approach:

- Consolidate pension funds
- Set asset-allocation benchmarks against international standards
- Use urgency, transparency and accountability as a tool to get things moving
- Rewire the distorting institutional incentives that make UK pension funds risk-averse

The government's Mansion House agreement was an important start and there has already been major progress in consolidating pension funds.[130] But there is a need to go harder and faster.[131]

**Recommendation:** *Accelerate consolidation in the UK pensions ecosystem*, which is *too fragmented to benefit from longer investment horizons or investments that foreign pensions funds make in UK tech firms. To help fix this, the government should allow the Pension Protection Fund (PPF) to be a public-sector consolidator of DB funds (see Investing in the Future: Boosting Savings and Prosperity for the UK).*

Also needed is a clear direction set by the government, leading to increased accountability. UK DC funds benchmark themselves below international standards[132] so even if those funds were meeting their own standards, UK savers and scaling companies would still lose out. The UK should set the bar higher.

**Recommendation**: *Create an asset-allocation benchmark for DC funds based on international standards. This should set out levels of investment in asset classes such as global equities, domestic listed and non-listed assets, real estate and bonds.*

The above recommendation would provide clarity to trustees and regulators while avoiding the problems of outright enforcement. To complement this, more transparency should be required from UK pensions, as set out in the final report of the Pensions Investment Review.[133]

Part of the issue is that most UK citizens are not aware of where their pensions invest because transparency is weak. The UK is an outlier in this. Australia, for example, already mandates those managing pension schemes to disclose the split of investments in terms of Australian shares, international shares, property, infrastructure, private equity, fixed income and cash.[134] The government's proposed public disclosure as part of the wider value-for-money framework would help drive progress through public pressure.

However, though consolidation, asset-allocation benchmarks and transparency are all necessary, they are not sufficient to drive pension investment. The underlying incentives that create risk aversion need to be rewired.

**Recommendation:** *Promote new incentives to make pensions less risk averse. This should include incentivising competition over returns rather than fees; shifting the norm from daily liquidity towards longer-term, higher-return illiquid assets; and reforming the DB PPF risk-assessment model by recalibrating discount rates so that they are based on the cost of equity rather than the cost of debt.*

New norms and incentives must be set to encourage long-term investment in productive UK assets. These should include:

- **Incentivising competition over returns rather than fees:** The 2005 investment regulations for pensions should be updated to clarify that the trustees' "best-interests" duty includes long-term returns, not just minimising charges.[135] This would encourage DC pensions to compete over returns rather than upfront fees for employers, increasing returns for savers and encouraging DC funds to invest in productive assets. Regulators should also allow exceptions for the 0.75 per cent fee cap so that pension managers are not punished for investing in productive assets via more expensive funds.
- **Liquidity norms:** The Department for Work and Pensions found that two-thirds of master-trust providers hold no illiquid assets in their defaults;[136] the government should encourage a shift away from the norm of daily liquidity. The UK should follow a similar precedent to Australian industry funds, which have a return objective as well as a risk objective.[137]
- **PPF risk assessment:** Currently the PPF values DB liabilities using a near risk-free gilt rate. Those liabilities look larger when gilt yields fall, so schemes pile into low-return bonds and shun growth assets. If the PPF instead used a long-run cost-of-equity rate, schemes would have room to hold a healthier mix of equities, credit and real assets that better matches their long-term horizon.

In all, Onward estimates that unlocking pensions could release more than £20 billion annually into UK equities.[138] The BBB and the NWF should serve as the key public vehicles, co-investing alongside VC and other managers, to channel part of this pension capital into longer-term productive assets.

That said, the pension question has to be addressed in the context of a broader attempt to tackle the scaleup problem. If pulled as an isolated lever without increasing talent density, strengthening startup quality, injecting dynamism into the VC ecosystem and having clear investment vehicles such as the BBB and NWF, two risks could emerge. First, pension-fund managers might remain risk averse, despite reformed incentives and new transparency

requirements. Second, and worse, capital could be flooded into an immature ecosystem – and pension trustees will be sceptical of investing in productive UK assets in the future.

However, if pensions are unlocked as one part of a broader systems approach to tackling the UK's scaleup problem it would be an unparalleled supply-side lever, providing better returns for UK savers and channelling capital into technological power.

08

# Exits and Reinvestment: Strengthen the London Stock Exchange and Recycle Talent and Capital

If the UK is going to build powerful tech companies it needs to be an attractive place not just to scale, but to stay. As such, a strong primary listing market and powerful incentives for talent and capital to be recycled domestically are crucial.

## Exits

UK companies listing abroad does not automatically lead to relocation and value loss. However, having a strong domestic exit—the moment at which founders and investors realise their gains via an IPO, trade sale, secondary sale or other liquidity event that converts paper value into cash – is important for a few reasons.

First, healthy capital markets need a pipeline of new names; regular IPOs refresh indices, sustain analyst coverage and deepen liquidity for all listed firms. Second, it creates an underlying incentive for founders and investors across the scaleup pipeline. Without a clear exit, institutional and late-stage investors will be more reluctant to part with their money, which dries up the gains for VCs. This in turn makes VCs more risk averse when investing in scaleups, which dries up the returns for angel investors. Like a relay race, each investment stage passes the baton on to the next – but if there is no finishing line, the system fails to reach its full potential.

Third, a strong domestic listing market provides an investable universe for UK savers and pensioners. If the UK wants its assets to benefit from institutional investment, it needs a place for those assets to list. Finally, and most crucially, a domestic listing market recycles wealth and talent back into the ecosystem. For example, despite the negative coverage of Deliveroo, its

alumni have gone on to found roughly 80 other startups.[139] Where an exit happens geographically is where second-time investors and founders tend to stay. The 'Paypal Mafia', for example, made about 1,005 investments across 646 companies, primarily in the Bay Area.[140]

A "leaky" UK IPO pipeline starves the local tech flywheel of oxygen and pushes talent and capital out of the UK.

**Recommendation:** *Fully implement the reforms outlined in Lord Hill's UK Listing Review and modernise UK public markets.*[141]

The government has already made significant progress in areas such as lowering the minimum free float, allowing founders to maintain more control.[142] It should continue to build on implementation, including matching dual-class share provisions to global best practices. The goal should be to make the LSE the strongest listing market in Europe for tech companies but to achieve this, the UK needs to double down on its primary market.

**Recommendation:** *The government should consider removing tax privileges from the UK's secondary listings, the Alternative Investment Market, to encourage direct listing on the LSE.*

As argued in TBI paper *Capital Issues: Reforming the UK's Capital Markets to Boost Science and Tech*, the AIM has failed in its intended purpose to attract investment in scaling tech companies.[143]

## Recycling Talent and Capital: The Flywheel Effect

A stronger listing market will do more to anchor UK firms, but the UK also needs targeted incentives for capital and talent to stay. In this respect, the real value is created not from a linear scaleup ladder, but a circular scaleup ecosystem.

Mature ecosystems such as Silicon Valley treat reinvestment as the norm. Successful founders are expected to back new ventures, mentor early-stage teams and create angel syndicates or their own funds. Repeat founders are also more likely to succeed than first-time entrepreneurs. Once

major tech companies scale, and stay, they play a vital role in this cyclical flywheel process. Companies such as Google, Amazon and Microsoft regularly buy or invest in innovative firms, often through CVC arms.

The UK needs to mimic this human- and financial-capital recycling effect.

**Recommendation:** *Increase the scope of Business Assets Rollover Relief to allow founders to sell one business and invest in another without triggering CGT liability. This involves deferred revenue for the Treasury; we estimate that this would cost the Treasury £435 million in the first year, mostly recovered in the long term. This would look similar to the US's Section 1045 rollover and Australia's Small Business Rollover.*[144,145]

CGT is triggered on the realisation of a capital gain (selling an asset for more than it was bought for). Many people hold on to assets, even if they spot a better investment, because delaying the sale also delays the tax. This lock-in hits founders especially hard: once they have grown a successful company, the tax bill that would come with selling makes them think twice about moving on to start their next venture.

A "rollover relief" solves the problem: it lets founders sell an asset and invest the money straight into another one without triggering CGT. The UK already offers Business Asset Rollover Relief, but it only works for swapping one business asset (say, a building) for another, not for selling an entire business to back a new one.

Only by closing the exit loop can the UK ensure that talent and capital is recycled back into a self-sustaining ecosystem.

09

# Sectoral Levers

Though this paper has tackled the scaleup question as an end-to-end issue, there are important horizontal, sector-specific challenges that cut across the distinct financing phases.

These sector-specific problems tend to fall on the demand side. At the point of late-stage scaling, globally competitive companies need access to markets to build out revenue, ultimately leading to more capital, jobs and talent in the UK. Access to markets broadly falls into three categories:

- Access to foreign markets, which in specific tech sectors such as biotech relies on global alignment on regulation.
- Access to the domestic market, which depends on the early adoption of technologies in the UK.
- Access to the "government market" via rapid procurement in sectors such as defence innovation and biotech, where the public sector is the primary purchaser.

Once a UK company has reached global scale, it is essential that it can access foreign markets and distribute its operations abroad. In deep-technology sectors, that means sector-specific alignment and coordination over technology regulation, from AI to biotech. Our paper *Exploring EU-UK Collaboration on AI: A Strategic Agenda*, outlined the need for coordination on AI regulation between the UK, US and EU.

The UK market is fixed in terms of size, but it is not fixed in terms of quality and efficiency. Market size is too often flagged as a structural barrier for the UK. While this is true, there is still much that can be done to make the market more efficient. Encouraging tech diffusion by building an economy of early technology adopters is essential in providing a domestic base of revenue for deep-technology companies – and in creating incentives for companies to stay and scale in the UK.

However, while the UK excels at innovation, it struggles with adoption. According to the 2024 Global Innovation Index, the UK ranks fifth out of 133 countries in IP (innovation), but 31st in knowledge absorption (adoption).[146] This is linked to the fact that R&D spending across UK companies has fallen off dramatically in recent years.[147]

Technology diffusion and scaleup are mutually reinforcing: rapid technology diffusion expands market opportunities, while a thriving scaleup ecosystem provides firms with the necessary incentives and resources to integrate new technologies and innovations. Without effective diffusion, innovative UK firms often seek growth abroad in markets that are better positioned to absorb and leverage new technologies. The UK government is currently undertaking a Technology Adoption Review.[148]

For sectors such as defence and biotech, the government acts as the primary market. The UK has taken some steps to reform procurement, especially with its new defence innovation body,[149] but more needs to be done. Our paper *Reimagining Procurement for the AI Era* proposes an Advanced Procurement Agency to transition new and emerging technologies into public institutions faster.

In short, the UK needs to fix each stage of the scaleup ladder. But it should also address the horizontal, sector-specific policy levers that cut across the cycle: regulation, tech adoption and procurement.

# Conclusion

The global landscape is shifting. As some leading economies turn inward – politicising capital, constraining talent and distorting innovation – the UK has a rare chance to offer an alternative: a stable, open and credible home for the next generation of globally ambitious companies.

But the UK is not yet ready to take that chance. There is no system in place to attract and retain the world's top talent, nor to deploy capital at the speed and scale that global founders need. Poor investment culture, institutional failures and low capital mobility all create (and reflect) a risk-averse approach in private and public capital. The result is that value slips quietly out, pulling companies away before they reach their full potential.

This moment will not last; others are moving with intent. If the UK is serious about turning early promise into enduring advantage, it must urgently build a full-spectrum scaleup system – one designed not just to start companies, but to keep and grow them.

The capability to scale multibillion – and even trillion-dollar – tech companies has become a necessity. In the 21st century, technological scale will determine individual prosperity and national power.

# Acknowledgements

The authors would like to thank the following experts for their input and feedback (while noting that contribution does not equal endorsement of points made in the paper).

- Lena Afeyan, Flagship Pioneering
- Andrew Bailey, Rathbone
- Dr Junaid Bajwa, Flagship Pioneering
- Dr Ruairidh McLennan Battleday, Harvard
- Anastasia Bektimirova, The Entrepreneurs Network
- Hans Bishop, Altos Labs
- Stan Boland, FiveAI
- Alex Burton, Alchem Technologies
- Sam Cash, Entropy Industrial Capital
- Alex Chalmers, Works in Progress
- Deanna Emeny, Founders Forum Group
- Carl Benedikt Frey, Oxford University
- Peter Glover, Montreal Park
- Charles Hall, Peel Hunt LLP
- Nooman Haque, Sofinnova Partners
- Richard Hebdon, LifeArc
- Veronica Humble, NatWest Cushon
- Barney Hussey-Yeo, Cleo
- Lucas Johnston, Umber and Lettermark Partners
- Rishi Khosla, OakNorth
- Josh Lerner, Harvard Business School
- Jeremy Lilley, RELX
- Piers Linney, Implement AI
- Jacylyn Mason, Tony Blair Institute
- Ramana Nanda, Imperial Business School
- Christian Owens, founder of Paddle
- Rodolfo Rosini, Vaire Computing
- Sutha Satkunarajah, Flagship Pioneering
- Luke Stanley, Office of William Hague
- Claire Thorne, University of Surrey

- Steve Watson, NatWest Cushon

# Endnotes


1 https://www.gov.uk/guidance/corporation-tax-research-and-development-tax-relief-for-large-companies

2 https://www.gov.uk/government/publications/launch-of-the-uk-strategic-public-investment-forum/launch-of-the-uk-strategic-public-investment-forum

3 https://www.ft.com/content/86273604-07e2-11e6-a623-b84d06a39ec2

4 https://www.nber.org/system/files/working%5Fpapers/w16300/w16300.pdf

5 https://doi.org/10.1007/s40821-019-00126-9

6 https://www.ons.gov.uk/economy/economicoutputandproductivity/productivitymeasures/datasets/outputperhourworkeduk/current

7 https://inferencemagazine.substack.com/p/the-masters-of-our-destiny

8 https://www.bloomberg.com/news/articles/2023-06-15/former-eu-commissioner-warns-regulators-are-stifling-uk-economy

9 https://www.gov.uk/scale-up-worker-visa/your-job#:~:text=Eligible%20scale%2Dup%20businesses

10 https://www.smf.co.uk/wp-content/uploads/2023/11/Scale-of-the-opportunity-Nov-2023.pdf

11 https://www.mckinsey.com/mgi/our-research/the-power-of-one-how-standout-firms-grow-national-productivity?stcr=C76B5B9653694A5DA6597D49E0EB5064&cid=other-eml-alt-mip-mck&hlkid=a51c072599e44ec7aa55d9f4854bc652&hctky=3172522&hdpid=853aa9d6-5aca-4f3a-948d-c0b2c4be01d7

12 https://www.thetimes.com/business-money/entrepreneurs/article/why-we-should-be-taking-bets-on-thoroughbreds-instead-of-dreaming-on-unicorns-enterprise-network-rh0xg90md

13 https://www.productivity.ac.uk/wp-content/uploads/2024/06/PIP036-Business-Investment-FINAL-180624.pdf

14 https://www.bayareaeconomy.org/files/pdf/TechnologyAndInnovationInTheUK2025.pdf

15 https://www.ft.com/content/5b3c6e89-ddff-4296-9a14-d818bf25161b

16 https://markets.ft.com/data/investment-trust/tearsheet/summary?s=ORIT:LSE

17 https://pitchbook.com/profiles/company/232533-46

18 https://www.joinarc.com/guides/funding-round

19 https://www.gov.uk/government/publications/letter-to-the-prime-minister-on-investment-in-innovative-science-and-technology-companies/innovation-finance-evidence-pack-html

20 https://www.imperial.ac.uk/media/imperial-college/about/leadership-and-strategy/public/

ImperialCollegePathwaystoImpact.pdf

21 https://startupgenome.com/article/methodology-gser-2024

22 https://www.smf.co.uk/wp-content/uploads/2023/09/Full-Scale-September-2023.pdf

23 https://www.nber.org/papers/w12592

24 https://www.nature.com/articles/d41586-025-00938-y

25 https://www.business-standard.com/world-news/china-woos-us-scientists-researchers-amid-funding-cuts-trump-125051500734%5F1.html

26 https://www.eetimes.eu/choose-europe-for-science-eu-pledges-e500m-to-attract-researchers/

27 https://www.burnesspaull.com/legal-insights-news-events/insights/popular-uk-entrepreneur-visa-options-for-attracting-foreign-entrepreneurial-talent-past-and-present/

28 https://www.beauhurst.com/blog/fastest-growing-deeptech-companies/

29 https://www.universitiesuk.ac.uk/what-we-do/policy-and-research/publications/features/uk-higher-education-data-international/research-and-innovation-data

30 https://www.ft.com/content/70ba190d-5c11-4bed-8bf3-77759d77e8e6

31 https://globalventuring.com/university/spinouts-double-fundraising-in-ten-years/?utm%5Fsource

32 https://www.ft.com/content/70ba190d-5c11-4bed-8bf3-77759d77e8e6

33 https://raeng.org.uk/news/average-university-equity-stakes-in-spinouts-fall-sharply-amid-competition-for-investors

34 https://www.spinout.fyi/blog/data-launch

35 https://dx.doi.org/10.2139/ssrn.4416303

36 https://www.gov.uk/government/publications/letter-to-the-prime-minister-on-investment-in-innovative-science-and-technology-companies/innovation-finance-evidence-pack-html

37 https://www.economist.com/britain/2022/06/21/britain-is-a-great-place-to-start-a-company-but-a-bad-one-to-scale-it-up

38 https://www.thetimes.com/business-money/economics/article/start-ups-should-not-escape-the-chancellors-beady-eye-d3kg265w3

39 https://www.chalmermagne.com/p/a-parody-of-venture

40 https://www.ft.com/content/04e9cb34-ff96-11e8-aebf-99e208d3e521

41 https://www.bis.org/publ/qtrpdf/r%5Fqt1809g.pdf

42 https://papers.ssrn.com/sol3/papers.cfm?abstract%5Fid=394581

43 https://www.ftadviser.com/investments/2021/10/26/vct-firms-making-millions-from-extra-fees/

44 https://www.gov.uk/government/publications/letter-to-the-prime-minister-on-investment-in-innovative-science-and-technology-companies/innovation-finance-evidence-pack-html

45 https://dealroom.co/guides/united-kingdom#:~:text=The%20UK%20startup%20ecosystem%20is,most%20valuable%20startup%20ecosystem%20globally.&t

46 https://www.accuracast.com/news/scaleup-business-challenges/

47 https://globalventuring.com/university/spinouts-double-fundraising-in-ten-years/

48 https://startupnationcentral.org/hub/blog/from-startups-to-scale-ups-israel-is-redefining-growth/

49 https://startupnationcentral.org/hub/blog/from-startups-to-scale-ups-israel-is-redefining-growth/

50 https://www.ft.com/content/6e67b720-2397-423c-b1cc-765faa774d66t

51 Qualitative evidence from stakeholder interviews.

52 https://assets.publishing.service.gov.uk/media/655f62310c7ec8001195bd5f/231123%5FHarrington-Review-Report-FINAL-2%5F%5FHH%5FGlobal%5F.pdf

53 https://www.gov.uk/government/publications/letter-to-the-prime-minister-on-investment-in-innovative-science-and-technology-companies/innovation-finance-evidence-pack-html

54 https://portal.fis.tum.de/en/publications/venture-capital-and-the-international-relocation-of-startups

55 https://press.airstreet.com/p/funding-gaps

56 https://www.gov.uk/government/consultations/invest-2035-the-uks-modern-industrial-strategy/invest-2035-the-uks-modern-industrial-strategy

57 https://carta.com/uk/en/data/vc-fund-deployment-q2-2024/

58 https://www.newcapitalconsensus.org/

59 Based on stakeholder interviews.

60 https://www.bankofengland.co.uk/quarterly-bulletin/2024/2024/identifying-barriers-to-productive-investment-and-external-finance-a-survey-of-uk-smes

61 https://a16z.com/performance-data-and-the-babe-ruth-effect-in-venture-capital/

62 https://2023.stateofeuropeantech.com/reading-tracks/slush-reading-track

63 https://www.bvca.co.uk/resource/bvca-report-on-investment-activity-2024.html

64 https://www.pensionspolicyinstitute.org.uk/media/xfybvxtq/20230926-the-dc-future-book-9-2023.pdf

65 committees.parliament.uk/writtenevidence/131002/html/

66 https://www.gov.uk/government/consultations/incorporating-performance-fees-within-the-charge-cap/outcome/government-response-improving-outcomes-for-members-of-defined-contribution-pension-schemes

67 https://www.ukonward.com/wp-content/uploads/2023/11/Pensions-Final-PM.pdf

68 https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/occupational-defined-contribution-landscape-2024

69 https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/occupational-defined-benefit-landscape-in-the-uk-2024

70 https://www.ukonward.com/wp-content/uploads/2023/11/Pensions-Final-PM.pdf

71 https://www.ukonward.com/wp-content/uploads/2023/11/Pensions-Final-PM.pdf

72 https://www.scaleupinstitute.org.uk/wp-content/uploads/2024/11/ScaleUp-Institute-Annual-Review-2024-website-2.pdf

73 https://www.independent.co.uk/news/business/london-stock-exchange-companies-just-eat-b2674473.html

74 https://research.ftserussell.com/Analytics/FactSheets/temp/f408e4cc-43ac-44b7-b48a-3c316f82d9be.pdf

75 https://www.marketwatch.com/story/these-stock-market-sectors-are-dominating-the-s-p-500-so-far-this-year-as-investors-play-defense-d0ffacd8

76 https://www.wsj.com/finance/stocks/how-nvidias-monster-rally-broke-your-tech-etf-4bed78ff

77 https://papers.ssrn.com/sol3/papers.cfm?abstract%5Fid=2924633

78 https://medium.com/included-vc/why-the-uk-startup-party-often-ends-before-the-unicorns-arrive-45bdd5f6ae7b

79 https://www.bloomberg.com/news/newsletters/2025-05-17/the-big-risk-of-not-taking-on-enough-risk-merryn-talks-money

80 https://www.foreignaffairs.com/united-states/trump-universities-war-america-coming-brain-drain

81 https://www.innovationnewsnetwork.com/eu-launches-bold-plan-to-attract-global-talent-for-research-in-europe/57757/#

82 https://www.science.org/content/article/generous-funding-and-top-tier-jobs-china-seeks-lure-science-talent-abroad

83 https://pubs.acs.org/doi/10.1021/cen-10310-feature4

84 https://www.ft.com/content/d1ce6077-fabc-4fc0-b6a4-53bd9fbccbaa

85 https://assets.publishing.service.gov.uk/media/6821aec3f16c0654b19060ac/restoring-control-over-the-immigration-system-white-paper.pdf

86 https://www.ft.com/content/8e2fcfef-e6da-45ec-88a2-638a648538f0

87 https://www.gov.uk/government/publications/ai-opportunities-action-plan/ai-opportunities-action-plan/

88 committees.parliament.uk/writtenevidence/135757/pdf/

89 https://www.gov.uk/government/publications/global-talent-visa-evaluation-wave-2-report/global-talent-visa-evaluation-wave-2-report

90 https://www.edb.gov.sg/en/grants/incentives-and-schemes/tech-pass.html

91 https://www.bloomberg.com/news/articles/2025-05-14/uk-mulls-new-investor-visa-targeting-key-strategic-industries

92 https://www.businessinsider.com/elon-musk-says-trumps-5-million-gold-card-plan-trialled-2025-5

93 https://www.uglobal.com/en/investment/posts/singapore-quadruples-investment-amount-for-global-investor-program/

94 http://saudivisa.com

95 https://www.beauhurst.com/blog/fastest-growing-deeptech-companies/

96 https://www.ifm.eng.cam.ac.uk/research/uci-policy-unit/uci-news/legal-complexities-of-university-spinouts/.

97 https://www.ft.com/content/70ba190d-5c11-4bed-8bf3-77759d77e8e6

98 A group of universities called the TenU group launched the University Spin-out Investment Terms (USIT), a standard contract framework for life sciences and software spinouts. This has standardised equity stakes and streamlined the spinout process.

99 https://www.gov.uk/government/collections/subsidy-control-regime

100 https://www.cogr.edu/sites/default/files/COGR%20Bayh%20Dole%20V.2.pdf

101 https://dx.doi.org/10.2139/ssrn.4416303

102 https://globalventuring.com/university/us-and-canada/us-university-spinouts-investing

103 https://tlo.mit.edu/sites/default/files/2023-11/TLO%5FFY2019%5FFactsheet.pdf

104 https://otd.harvard.edu/impact/productivity-highlights/

105 https://raeng.org.uk/news/average-university-equity-stakes-in-spinouts-fall-sharply-amid-competition-for-investors

106 https://www.hesa.ac.uk/news/04-04-2023/higher-provider-data-business-and-community-interaction-202122

107 https://www.ifm.eng.cam.ac.uk/research/uci-policy-unit/uci-news/uci-report-on-university-approaches-to-spinout-equity/

108 https://www.economist.com/britain/2022/06/21/britain-is-a-great-place-to-start-a-company-but-a-bad-one-to-scale-it-up

109 https://www.gov.uk/government/news/boost-for-uk-growth-as-start-up-investment-schemes-extended

110 https://www.chalmermagne.com/p/a-parody-of-venture

111 https://www.gov.uk/government/statistics/enterprise-investment-scheme-seed-enterprise-investment-scheme-and-social-investment-tax-relief-may-2024/enterprise-investment-scheme-seed-enterprise-investment-scheme-and-social-investment-tax-relief-statistics-2024

112 https://www.thetimes.com/business-money/economics/article/start-ups-should-not-escape-the-chancellors-beady-eye-d3kg265w3

113 https://hackernoon.com/the-10-best-tax-break-schemes-for-new-startups-in-europe-661o63ykh

114 Using the cost of the EIS (https://www.gov.uk/government/statistics/main-tax-expenditures-and-structural-reliefs) and data kingdom#:~:text=The%20UK%20startup%20ecosystem%20is,most%20valuable%20startup%20ecosystem%20globally.&t we calculate the cost of a scheme similar to EIS but with half the generosity corresponding to Series B (instead of seed and Se

115 https://www.gov.uk/guidance/corporation-tax-research-and-development-tax-relief-for-large-companies

116 https://statrys.com/guides/singapore/company-formation/what-is-corppass

117 https://www.gov.uk/government/publications/letter-to-the-prime-minister-on-investment-in-innovative-science-and-technology-companies/innovation-finance-evidence-pack-html

118 https://img1.wsimg.com/blobby/go/b9888137-4c18-4451-b306-3cf005cdac6e/downloads/6fcab087-3a6d-4977-98ac-d6dd0da07c6a/Reviving%20UK%20Investment%20Flows.pdf?ver=1740670440659

119 https://www.gov.uk/government/consultations/invest-2035-the-uks-modern-industrial-strategy/invest-2035-the-uks-modern-industrial-strategy

120 https://www.eif.org/index.htm

121 https://www.business-money.com/announcements/british-patient-capital-full-year-results-for-the-period-ending-31-march-2024/

122 https://www.gov.uk/government/publications/launch-of-the-uk-strategic-public-investment-forum/launch-of-the-uk-strategic-public-investment-forum

123 https://www.british-business-bank.co.uk/news-and-events/news/british-patient-capital-commits-e25m-to-nauta-capitals-fifth-fund

124 https://www.ft.com/content/e3e23aea-eb4d-42dd-a9ea-9ae267b8f507

125 https://www.kfw.de/About-KfW/Newsroom/Latest-News/Pressemitteilungen-Details%5F783424.html

126 https://www.bpifrance.com/2025/03/26/press-release-2024-business-review/

127 https://www.sba.gov/article/2023/07/17/biden-harris-administration-establish-reforms-transform-public-private-investment-program

128 https://www.deloitte.com/uk/en/Industries/financial-services/blogs/the-fca-s-new-appointed-representatives-regime-what-it-means-for-the-insurance-sector.html

129 https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/

occupational-defined-benefit-landscape-in-the-uk-2024/occupational-defined-benefit-landscape-in-the-uk-2024-annex

130 https://www.bbc.co.uk/news/articles/c4gve4d8jljo

131 https://www.ft.com/content/c4e04b84-f135-4021-8a5a-6723b339165d

132 https://www.ukonward.com/wp-content/uploads/2023/11/Pensions-Final-PM.pdf

133 https://assets.publishing.service.gov.uk/media/683971d8e0f10eed80aafb3a/27.05.2025%5FPM%5F-%5Ffinal%5Freport.pdf

134 https://www.apra.gov.au/superannuation-heatmaps

135 https://www.ukonward.com/wp-content/uploads/2023/11/Pensions-Final-PM.pdf

136 https://www.gov.uk/government/calls-for-evidence/pension-trustee-skills-capability-and-culture-a-call-for-evidence/pension-trustee-skills-capability-and-culture-a-call-for-evidence

137 https://handbook.apra.gov.au/standard/sps-530

138 https://www.ukonward.com/wp-content/uploads/2023/11/Pensions-Final-PM.pdf

139 https://www.thetimes.com/business-money/companies/article/deliveroo-will-shu-takeover-doordash-uk-jdn0vxd6q

140 https://venturebeat.com/entrepreneur/a-look-at-the-paypal-mafias-continued-impact-on-silicon-valley/

141 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment%5Fdata/file/966133/UK%5FListing%5FReview%5F3%5FMarch.pdf

142 https://www.traverssmith.com/knowledge/knowledge-container/london-landing-reform-of-uk-capital-markets/h

143 https://www.ft.com/content/51f5632a-b28e-4d46-9064-32944809dead

144 https://accountinginsights.org/understanding-rollover-relief-in-capital-gains-management/

145 https://www.ato.gov.au/businesses-and-organisations/income-deductions-and-concessions/incentives-and-concessions/small-business-cgt-concessions/small-business-roll-over

146 https://www.wipo.int/web-publications/global-innovation-index-2024/en/

147 https://www.ft.com/content/8f7614b4-1a4a-4214-9af0-cbb08482d224

148 https://www.gov.uk/government/calls-for-evidence/technology-adoption-review/technology-adoption-review

149 https://www.gov.uk/government/news/government-to-turbocharge-defence-innovation

TONY BLAIR
INSTITUTE FOR
GLOBAL CHANGE

# Follow us

facebook.com/instituteglobal
x.com/instituteGC
instagram.com/institutegc

# General enquiries

info@institute.global