

Investing in a better economy

July 2025



Contents

One year on: investing in Britain.....3

Economic contribution of UK private equity and venture capital in 2025.....4

Private capital’s role in the economy.....6

What private capital provides to the businesses it backs.....9

Putting policy into practice.....10

Improving access to capital.....11

Enabling growth through regulatory reform.....14

Skills and Talent.....16

Investing in critical sectors and across the nations and regions18

The innovative economy.....20

Life Sciences.....22

Defence.....24

Net Zero.....26

About the British Private Equity & Venture Capital Association.....27

One year on: investing in Britain

At the one-year anniversary of the Labour Government, we have seen progress on several policy objectives that are vital for driving growth across the UK economy.

Last year, the BVCA’s Manifesto for Growth set out ten opportunities to create an investment environment that is fit for purpose, and we are pleased to see that much of this has been reflected in policy from the new Government in their first year.

We called for a clear direction of policy, set out in a single ‘economic priorities programme’, with sectoral policy frameworks. The publication of the Industrial Strategy and eight sub-sector plans has given much greater clarity on this, and we look forward to working with the Government on its implementation.

We also called for improved public infrastructure and an efficient planning process. This year’s Spending Review saw considerably increased levels of capital investment and a new approach to geographical spending across the UK. The upcoming Planning and Infrastructure Bill is set to streamline planning processes to enable more speed and certainty for investors.

The Government’s ten-year Infrastructure Strategy and the Strategic Defence Review demonstrate a clear ambition to drive investment, which also reflects what our industry has been consistently calling for many years.

Lastly, the Pensions Investment Review and accompanying Pension Schemes Bill have been positioned to deliver the scale and consolidation needed to enable greater pension fund investment in private capital, which will enable better returns for pension savers and support the development of scale-ups across the country.

The UK’s private capital industry already invests heavily in Britain – private equity and venture capital support 2.5 million jobs and back businesses which make an annual economic contribution of nearly £200bn across the UK.

As of the end of 2024, UK-based private capital funds have £190bn of capital yet to invest, representing a huge opportunity for the sector to continue to deliver on its investment potential. Historically, around half of this funding, known in the industry as ‘dry powder’, is put to work here in the UK.

The challenge, however, is to make sure that the 50% that we would typically expect to be deployed in the UK, is invested here in practice. It is essential that the UK continues to be an internationally attractive destination for private capital investment, no matter the global economic backdrop.

That is why at the BVCA we continue to convene policymakers, politicians, academics, representatives from the private capital industry and the businesses that they invest in to explore opportunities for growing investment in UK businesses, policy solutions to boost the Government’s growth agenda, and the areas where private capital can play an important role in UK national renewal.

Michael Moore
Chief Executive, BVCA



Economic contribution of UK private equity and venture capital in 2025

In 2025, there are 12,900 UK private equity and venture capital-backed businesses who employ over 2.5 million people. This works out as 3,800 private equity-backed businesses employing 2.2 million workers, and over 9,100 venture capital-backed businesses employing 378,000 workers.


The direct economic contribution of our industry amounts to £199bn in 2025, equivalent to 7 per cent of GDP. Of this, businesses outside of London account for £117bn.



Backer: Two Magnolias

Belfast-based **Movetru** is developing the world's first on-field personalised performance tracker for movement assessment.


SportsTech



Backer: Palatine

Back2Work, based in Manchester, delivers intensive training programmes to help the long-term unemployed return to work, retrain, or reskill.


Training



Backer: GH0 Capital

Sterling Pharma Solutions specialises in complex small molecule synthesis, producing Active Pharmaceutical Ingredients (APIs) and High Potency APIs (HPAPIs).


Healthcare



Backer: LDC

Vista Technology Support is a leading UK and European IT services provider, delivering in-store technology support to major brands in retail, hospitality, and leisure.

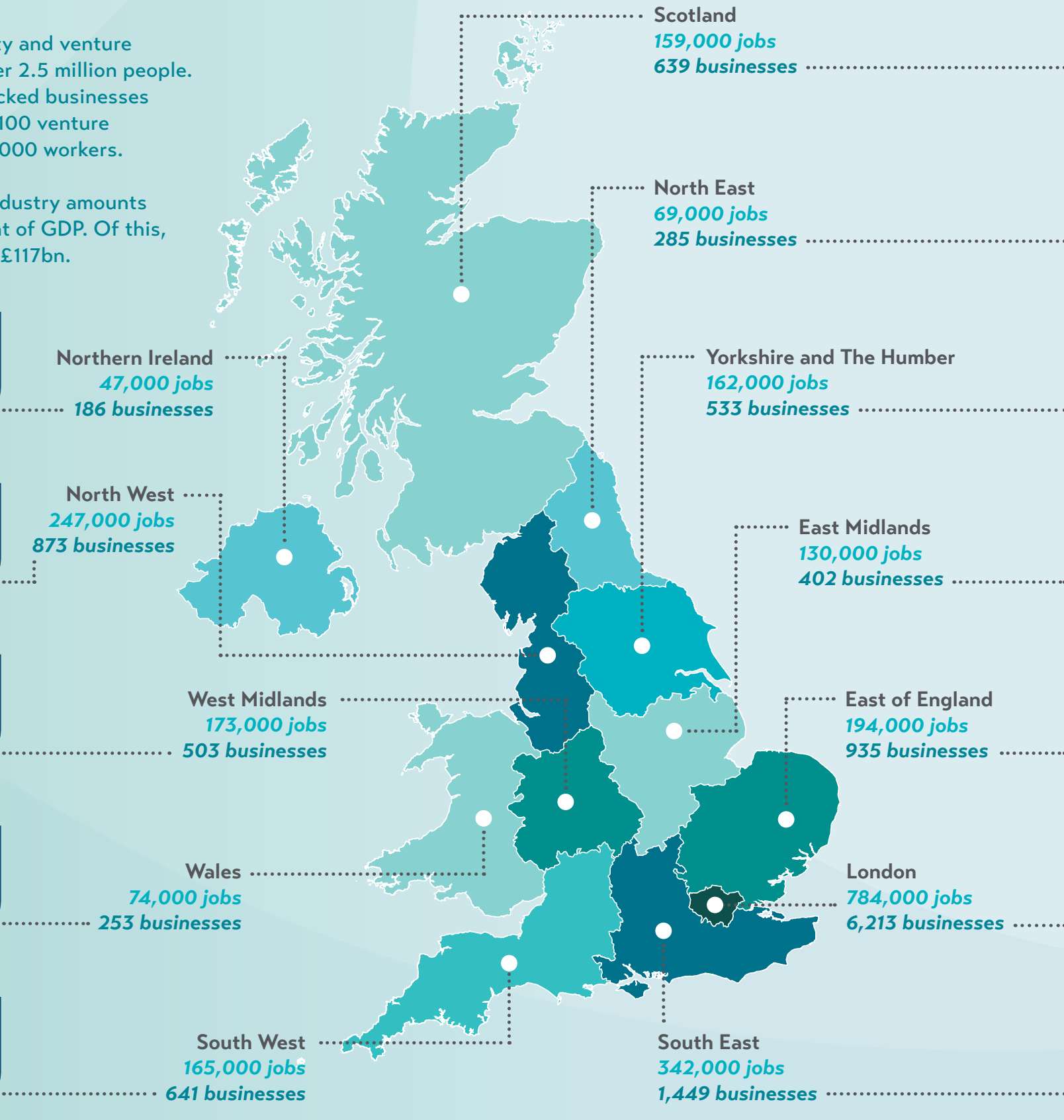
IT Services



Backer: Future Planet Capital

Attomarker is an Exeter-based company focused on nanophotonic biochemical testing.

Healthcare






Backer: Forres

Orbex provides low-cost orbital launch services and has developed a low-carbon, high-performance micro-launch vehicle for the small satellite industry.


Aerospace



Backer: Par Equity and Mercia

Nova Pangaea Technologies converts woody waste and agricultural residues into advanced biofuels and biocarbons for sustainable aviation and carbon removal.


Biofuels



Backer: Palatine

Sheffield-based **Cura Terra** is an environmental services group comprising EMS, Ecus, Enviro Technology Services, and Envirocare, offering a broad range of consultancy and monitoring solutions.


Environment



Backer: Mercia

Nuvison is a biotech company that has revolutionised high-quality and affordable ways to treat 'front of the eye' disease and ocular surface wounds.

Biotech



Backer: Cambridge Innovation Capital

CMR Surgical have developed Versius, a next-generation surgical robot that helps surgeons to perform complex surgical procedures.


MedTech



Backer: Blackstone

Merlin Entertainments is the second largest operator of visitor attractions and theme parks globally and the largest in Europe with 67m annual visitors across 130 attractions around the world.

Leisure



Backer: Hg Capital

Focus Group is one of the UK's leading providers of digital workplace solutions for SMEs.

Business Services

Private capital's role in the economy

In 2024 alone, the total amount invested by private equity and venture capital in UK businesses was £29.4bn – a 44 per cent increase on the £20.4bn invested in 2023. This increased investment has fuelled the growth of businesses across the UK, with six in ten (58%) of the companies backed located outside of the capital. Businesses backed by the industry employ 2.5 million people across the UK and contribute 7% of GDP.

As a model, private capital is a proven driver of sustainable business growth. This is achieved through operational expertise, supporting sound management and, importantly, through the close working relationship between the private capital backer and the company's management team. This 'active ownership' approach has a significant impact on business productivity. Private capital owners help to embed better management practices, provide access to technical expertise, business strategies and knowledge of supply chains. Public First analysis indicates that a private capital-backed portfolio company's productivity grows by 1.1% per year more than the business population as a whole.

The industry backs some of the UK's most-loved businesses, reviving and reinvigorating brands like Hovis and Merlin Entertainments. It also develops the companies of the future: The UK is the third largest venture capital hub in the world. The industry is key to backing the innovative UK firms developing sustainable solutions to the challenge of net zero and climate.



The path to Net Zero by 2050 presents one of the UK's most pressing challenges, but also one of its biggest economic opportunities. Private capital is uniquely placed to power this transition by providing the long-term, patient investment needed to scale the technologies, infrastructure and businesses that will deliver decarbonisation across the economy. This transformation is already underway. Private equity and venture capital are backing UK companies in renewable energy, clean tech, and low-carbon heating, alongside broader industrial decarbonisation.

Private capital is just as vital (if not more so than public markets) in driving the green transition, offering the flexibility, long-term vision and risk appetite needed to fund early-stage innovation, scale sustainable infrastructure and bridge financing gaps that public markets often cannot reach.



Investment in defence is now not only a matter of national security - it is also a source of economic growth, jobs, and innovation. Venture capital and private equity firms increasingly recognise defence - particularly in dual-use and emerging technologies - as an area where they can deliver impact and make positive returns for investors. UK-based defence tech companies raised £295 million in equity in 2022, up from £15 million in 2013, with strong growth continuing into 2024.



Artificial Intelligence is reshaping the global economy, and the UK is well-positioned to lead. With a tech sector valued at over \$21bn—the third largest in the world—AI accounts for a quarter of UK venture capital funding, and private capital is playing a pivotal role in fuelling that growth. From early-stage startups to scale-up infrastructure, private equity and venture capital are both investors in and adopters of AI, helping drive productivity across the economy.



In the life sciences sector, UK biotech firms raised £3.5 billion in capital, with venture funding accounting for over £2 billion in 2024 alone. Yet, while early-stage activity remains strong, the market thins significantly at growth-stage. This has left many companies dependent on US crossover funds, leading to a loss of domestic IP, talent, and scaling opportunities.

Private capital funds provide long-term equity or debt finance to private companies at various stages of their development, growing British businesses and building a better economy.

Private equity

Private equity investments typically support management buyouts and managing buy-ins in mature companies.

In contrast to publicly-listed companies, which can often have thousands of shareholders, private equity firms work alongside the company's management team to enhance the running of the business. This governance structure leads to much shorter lines of communication between the company's owners and management team, ensuring closer engagement between the two.

This approach means the private equity firm will work alongside the company management team to enhance the value in the business. This can involve all areas of operation, from the top-line growth, efficiency savings, cash generation and procurement, to supply-chains, marketing and sales, improving reporting and human resources.

Such an approach becomes self-perpetuating and ingrained within the company, ensuring that the business remains committed to creating value and increasing growth even after the private equity fund has sold its stake.

Private equity firms will typically look to hold investments for between four and seven years, at which time they will look to sell, or 'exit', their fund's stake, either on the stock market, to a corporate buyer or to another investor.

Venture capital

Venture capital provides finance and operational expertise for entrepreneurs and start-up companies, typically, although not exclusively, in technology-based sectors such as IT, life sciences and fintech. A key difference between private equity and venture capital comes down to the age of the company. Private equity will typically invest in a more mature company, one which is more established and may have been in operation for many years, sometimes decades.

Venture capital, by contrast, will invest in new companies. Many (if not most of which) will not yet be making a profit, have a disruptive business offering the potential of very fast growth. Businesses seek venture capital investment for a number of reasons, such as to grow their manufacturing and sales operations, enhance their product development and/or expand their business and hire new staff.

Many of the world's best-known companies began life with venture capital funding. In the UK, this includes the likes of Deliveroo, Revolut and Darktrace, and globally household names such as Google, Uber and Nvidia all received venture backing in their early stages.

Venture capital funds take minority stakes in businesses, very often alongside other venture funds and investors. Early-stage companies raise money in 'rounds' - Series A, B, C etc - which will see further investment from either the same investors and/or new ones to support the company as it grows. Many start-ups will also receive funding prior to Series A, via angel investment, crowdfunding, grants, incubators or even friends and family.

Together, these form an 'innovation ecosystem'. The funding chain that provides capital and business expertise to early-stage, fast-growing companies at different stages in a company's life. Venture capital firms typically hold their investments for between five and seven years, at which point the business will either be floated on the stock exchange, or acquired by a multinational corporation or another investor such as a private equity fund.

Private credit

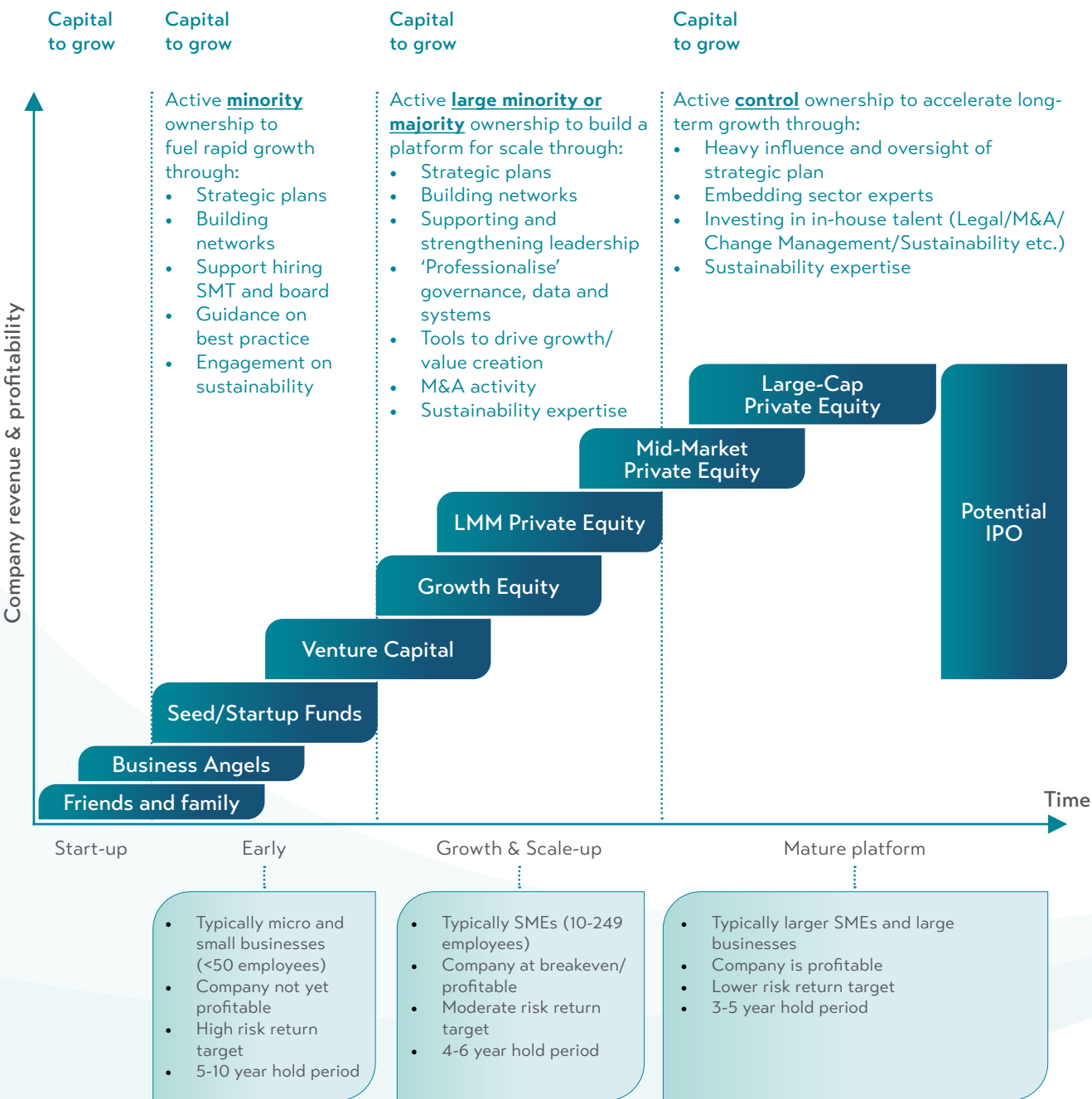
Unlike traditional bank lending, private credit comes from specialist investment funds that are not banks. This can provide advantages like flexibility in terms and faster decision-making. Private credit investment is specifically tailored to the needs of the borrower to support its growth and expansion, without significantly altering a company's ownership structure.

Private credit firms are similarly aligned with the active ownership model described above, have a similarly deep understanding of those businesses' growth models, and a share similarly patient and flexible outlook, aligned towards driving the companies' long-term growth. The private credit industry also includes specialist venture debt funds, which provide additional capital in venture funding rounds, help fuel fast-growing companies' growth between funding rounds, and in some cases support fast-growing companies independently of the venture capital ecosystem.

These are all types of private company lending that have grown significantly in the last 15 years, as regulation and commercial factors have made it harder for many banks to lend to various types of company, especially high growth companies and SMEs. These and other features have helped private credit become a critical part of the wider private capital fund investment ecosystem that drives growth in the real economy.

What private capital provides to the businesses it backs

Private capital investments support businesses' development at different points in their lifecycle from the point that they are founded through growth and into maturity. While no two companies' circumstances are the same, and not all companies seek to pass through each investment stage in sequence, this simplified chart outlines the different investment stages and how private capital firms support the businesses they back.



Putting policy into practice

The Government has been clear about the need for more effective policymaking and regulation to enable growth and have already taken steps to this end—by speeding up approval processes, updating planning rules, and giving clearer direction to regulators.

These changes create a stronger, more reliable environment for attracting private investment. The ten-year Infrastructure Strategy also clearly indicates to industry the Government’s priorities, which is vital for those global businesses that are seeking to invest here over the long-term. These reforms therefore demonstrate the Government is steering a course towards a more predictable, efficient regulatory environment that supports growth—especially in capital-intensive, innovation-driven sectors.

Encouragingly, the Government’s Industrial Strategy is clearly aligned with private capital’s existing strengths. The eight core growth-driving sub-sectors—ranging from clean energy and life sciences to advanced manufacturing and creative industries—map closely to where private capital funds are already investing heavily. As the BVCA’s latest [Report on Investment Activity](#) highlights, digital and technology, professional and business services, and financial services alone accounted for a substantial share of the £29.4 billion invested by the industry in 2024.

This alignment of policy intent, investment activity and long-term infrastructure planning represents a unique opportunity. But the next step is critical: policy proposals must be translated into concrete, implementable action. That means reducing regulatory friction in real time, ensuring that initiatives are not only well designed, but also well executed. It means ensuring that the reforms promised are delivered at pace, so that the UK remains internationally competitive and attractive for capital and talent alike.

Equally, government must work in close partnership with investors to co-create delivery models that are agile, evidence-led, and responsive to emerging opportunities. If properly enacted, these reforms will not only sustain the momentum behind private capital investment, they will amplify its impact across every region of the UK.

With the foundations now in place, the focus must shift from strategy to execution. The BVCA and its members stand ready to work with government and other stakeholders to ensure that private capital continues to be a driving force behind the UK’s economic growth and renewal.

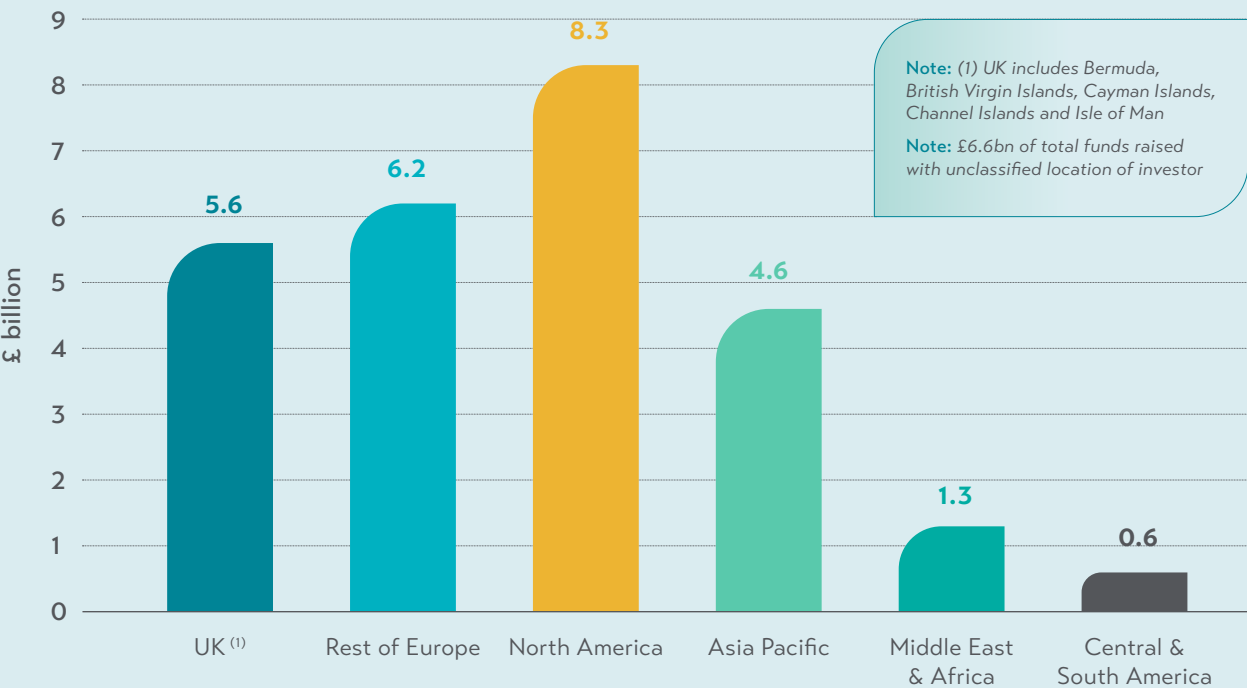


Improving access to capital

The UK private equity and venture capital market continued to lead Europe in 2024, with UK-managed funds raising £33.1bn to be invested globally, representing around a third of the total private capital raised in Europe. Of the £33bn raised, just 17% came from UK based investors.

All PE and VC - Funds raised by location of investor

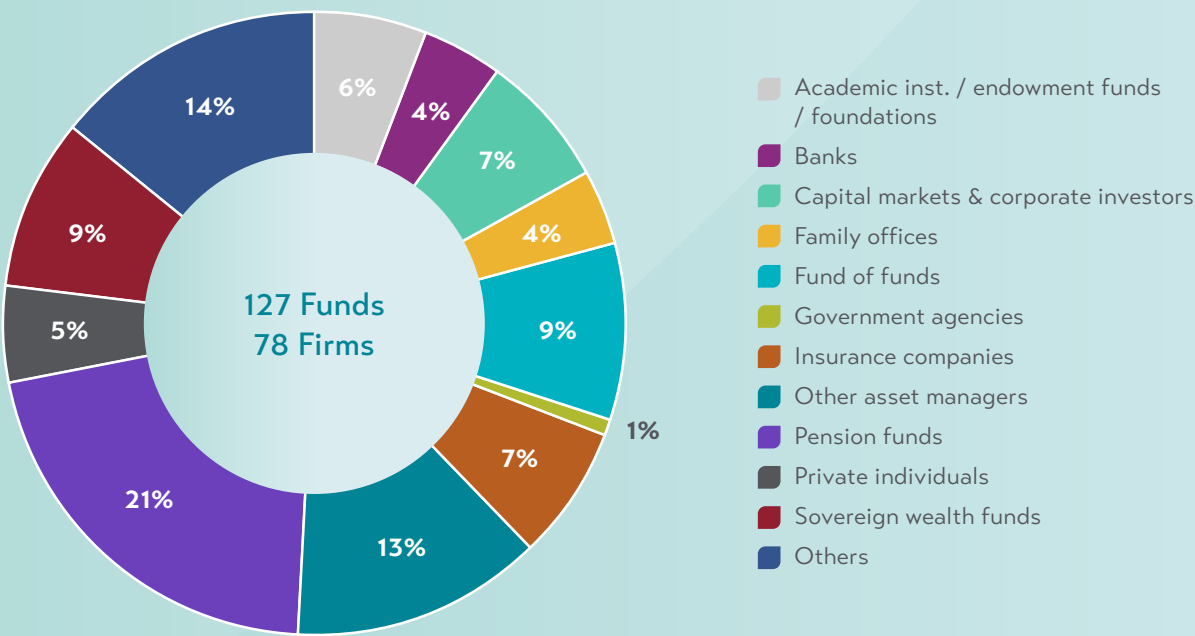
2024 - Incremental amount raised during the year



However, this data also highlights areas where the economy could better harness the benefits of private capital investment. Pension funds represented 21% of total capital raised for UK-managed funds, yet only 6% of this pension capital came from UK pension funds. Policy should facilitate an ecosystem that encourages pensions investment in the growth of UK businesses. If regulation and structure of the pensions market allows it, this investment is in the interests of savers, and the market should deliver it – as it does around the world.

The BVCA’s latest [Performance Measurement Survey Report](#) highlights private capital’s strong returns and continued outperformance when compared to UK and European listed equity benchmarks. The report, which was produced in association with PwC, finds that over a 10-year horizon to the end of 2024, UK private capital funds delivered an IRR of 15.8% p.a. compared to 6.2% p.a. for the FTSE All Share and 8.0% p.a. for the MSCI Europe Index.

All private equity and venture capital funds



The Pensions Investment Review and accompanying Pension Schemes Bill will drive much needed consolidation across the DC and LGPS pension landscapes. This will mean larger schemes with more assets under management and a greater ability for them to build capability in their investment teams to invest in private capital funds. This is something that the BVCA has been calling for some time, and we are pleased to see specific references to venture capital funds, private market assets and fast-growing businesses in the government documents.

The review rightly identified that there has long been an ‘excessively narrow’ focus on cost that is detrimental to saver outcomes, and noted that improvements to the supply of domestic capital will improve the attractiveness of the UK as a place to start and scale-up.

The BVCA welcomes the recent announcement of the Mansion House Accord - a new voluntary commitment made by 17 of the UK’s largest DC pension funds to expand their default allocation target to “private markets”.

Signatories to the Accord will pledge to invest 10 percent of their workplace default funds in assets that boost the economy such as infrastructure, property and private equity by 2030. At least 5 percent of will be ringfenced for the UK, which the Government expects will release £25 billion directly into the UK economy by 2030.

These reforms are long overdue. Countries like Canada and Australia show that when pension schemes invest in private capital funds, they help the national economy providing greater access to capital for UK businesses, especially those fast growing firms operating in sectors of the future.

While this progress is very welcome there remains more to do to ensure businesses can get the finance they need to grow.

Government should continue to reform the pensions system at pace, to help DC schemes meet their Mansion House Accord commitments to channel more funding to high-growth businesses.

Government should focus especially on accelerating the shift from cost to value and delivering the Value for Money framework, as well as fostering greater clarity around the charge cap and cost disclosures.

Government should ensure reforms to the Local Government Pension Scheme are geared towards supporting regional business growth throughout England and Wales by better enabling investments in smaller, lower mid-market private capital funds.

The Government should draw on existing initiatives, including overseas examples such as the French Tibi scheme. The cross-industry Pensions and Private Capital Expert Panel proposed the creation of ‘NOVA’ (New Opportunities for Venture and growth Acceleration), informed by Tibi, which would create a market of private capital funds specially accredited for DC schemes to facilitate investment in strategically important sectors.

Government should also facilitate a new Fund of Funds investment vehicle as part of a series of further initiatives to build on the British Business Bank’s (BBB) British Growth Partnership, which will enable access to returns generated by smaller private capital funds.

The BBB should use its recently enhanced funding and remit to more effectively direct support to companies at the scale up stage.

The right support would help to secure more high growth firms’ future in the UK, so they can continue to contribute to the nation’s economic growth over the long-term.

Showcase a wider range of lending options to SMEs seeking capital to grow.

Government should clearly signpost to the range of schemes and support available for the different stages of growth and activities in a business’ lifecycle, including private credit and venture debt providers. Initiatives to achieve this could be tailored to the life stage of the given business or by key demographics.

Lifting the EIS Knowledge Intensive Company upper limit from £20 million to £30 million so R&D intensive IP rich companies in sectors such as biotech and deeptech can continue to raise capital.



Enabling growth through regulatory reform

There are many aspects of the UK that make it the world's second largest hub for private capital fund investment and give it a reputation as a world-leading location for businesses to start up and grow.

Yet, this potential is often constrained by a regulatory environment that is outdated, duplicative, and slow. Prime Minister Sir Keir Starmer has spoken of the need for a “decade of national renewal”, powered by business investment, while Chancellor Rachel Reeves has committed to “economic growth as our national mission” and warned that “growth cannot be held back by slow, uncoordinated regulation.” For the UK to compete globally, deliver its Industrial Strategy, and attract more of the £190 billion in deployable capital held by UK-led private funds, regulation must evolve from a brake on investment to a bridge for economic growth.

The current regulatory landscape frequently delays deals, introduces risk, and dampens investor confidence. Excessive bureaucracy - such as protracted FCA change-of-control approvals or unpredictable National Security and Investment Act (NSIA) reviews - slows capital deployment and undermines the UK's appeal as an investment destination. In high-growth sectors such as advanced manufacturing, life sciences, and clean energy, slow or unclear regulatory processes act as a drag on expansion, innovation, and job creation.

Across four key themes impacting private capital and how the UK compares to key competitors, we have identified the issues where there is more to be done to maintain or improve UK competitiveness. These are:

1. Access to capital to harness and develop productive assets in the UK.
2. Access to talent to ensure the best people can drive growth of private sector companies.
3. Effective regulatory frameworks to facilitate capital flows into and through the UK economy.
4. Support for innovation and entrepreneurship to harness brilliant ideas and fuel growth.

There is a clear opportunity to do things differently - and some areas are already showing how. The Medicines and Healthcare products Regulatory Agency (MHRA) is pioneering faster clinical trial approvals, and the Government's reforms to planning processes and digital market regulation signal a willingness to shift towards more pro-innovation frameworks. In financial services, the Government has a real opportunity to make the UK's alternative investment fund managers regime more competitive, in the knowledge that the European Commission is also seeking to make its own regulations less onerous.

Progress needs to accelerate in this and other areas. Unlocking private capital to drive productivity and fund national priorities requires a regulatory system that is clear, coherent, and built for growth. The following cross-cutting and sector-specific reforms would help supercharge investment:

Streamline regulatory approvals.

Introduce fast-track mechanisms for FCA authorisations and approvals, NSIA screenings, planning permissions, and clinical trial approvals. Statutory timeframes and service standards should be set to reduce uncertainty and transaction risk.

Reduce duplication and fragmentation.

Improve coordination across regulators - particularly in financial services, digital, data, and AI - by establishing joint guidance and common principles across the FCA, ICO, CMA, Ofcom, and DSIT and an understanding of where businesses are impacted by multiple regulators.

Encourage regulators to take a more balanced approach to risk.

Embed a more tailored and proportionate approach to risk during the development of regulatory policy, based on a foundation of transparency and trust with industry and with clear political support.

Deliver predictable, pro-innovation regulation.

Create long-term regulatory roadmaps in capital-intensive sectors like energy, manufacturing, and life sciences, helping investors plan and commit with confidence.

Modernise local planning.

Digitise planning systems, introduce clear approval deadlines, and prioritise infrastructure and energy-related applications to unlock regional investment and growth.

Champion the UK as a hub for smarter regulation.

Ensure that ESG, competition, and data frameworks support - not block - investment in key sectors. Develop international alignment and establish the UK as a jurisdiction that combines high standards with agile, investment-friendly oversight. The upcoming AIFM regulation is a clear example of where the UK can introduce more competitive, investment-friendly regulations.

By reforming regulation with growth in mind, the UK will send a powerful message that it is open for business, committed to innovation, and ready to lead in the global competition for capital. A smarter regulatory system will not just benefit investors - it will unlock jobs, scale innovation, and help fund the economy of the future.



Skills and Talent

The UK's private capital industry is a driver of productivity, innovation and growth—but the ability to develop and access the right talent is crucial. Whether backing fast-scaling tech firms, advancing life sciences, or building world-leading investment platforms, success ultimately relies on the skills and capabilities of people. However, both domestic and international skills shortages remain a persistent barrier to continued growth.

The challenge is two-fold, with portfolio companies across sectors consistently reporting difficulty accessing specialist talent, particularly in STEM fields, and private capital firms themselves needing to compete for globally mobile professionals in a fast-moving financial services environment. In both cases, the UK's ability to train, attract and retain highly skilled individuals is central to its long-term economic competitiveness.

With the right policy environment, the UK can become a magnet for top talent and a global leader in talent-intensive sectors. Private equity and venture-backed firms not only hire skilled workers but also invest in upskilling, apprenticeships and regional workforce development.

To continue to close the gap and ensure the UK is able to continue to develop and attract talent, the following reforms should be considered:

Streamline and modernise the UK visa system.

Introduce a more efficient, user-friendly process for high-skilled visa routes such as the Global Talent, Innovator Founder, and High Potential Individual (HPI) visas.

Ensure visa decisions are made in days—not months—to prevent the UK losing top talent to more agile jurisdictions.

Create specialist visas for sectors critical to national security and innovation, aligned with the UK's Industrial Strategy.

Promote STEM and enterprise education.

Support initiatives to increase uptake of data science, engineering, and enterprise skills at school and university level.

Prioritise programmes that help build a pipeline of female and minority entrepreneurs, addressing long-standing DEI gaps in the innovation ecosystem.

Improve regional skills infrastructure.

Skills England should work with the private capital industry to support the delivery of Local Skills Improvement Plans and formulate a national understanding of the current skills gaps and how this can be addressed.

Invest in universities, Further Education colleges and Institutes of Technology as anchors for regional workforce development.

Support DEI and leadership pipelines.

Continue improving representation within the industry while championing inclusive recruitment and leadership development.

Highlight successful role models to encourage broader participation in finance and entrepreneurship careers.

Investing in people as well as capital can help the UK unlock long-term growth, innovation, and resilience. An evolving skills strategy, designed in partnership with industry, will ensure the UK remains globally competitive, economically secure, and enables the UK to opportunity-rich for the next generation of talent.



Investing in critical sectors and across the nations and regions

Private capital has fuelled the growth of businesses in every region of the UK, with six in ten (58%) of businesses backed in 2024 located outside of London. Businesses backed by private capital which are located outside the capital generate more than half of portfolio companies’ direct GDP impact.

Direct gross domestic product (GDP) of UK private equity and venture capital backed businesses by nation and region, 2025

Nation/Region	GDP (£ billions)	Share
London	82	41%
South East	27	13%
North West	16	8%
East of England	13	7%
Scotland	11	5%
South West	11	5%
West Midlands	11	5%
Yorkshire and The Humber	10	5%
East Midlands	8	4%
Wales	4	2%
North East	4	2%
Northern Ireland	3	1%
United Kingdom	199	100%

Note: Figures are rounded / Source: EY Analysis

Through the BVCA’s work engaging with policymakers and industry figures across the UK, we have identified strengths and barriers in the investment ecosystems of different nations and regions. The barriers to people investing beyond London and the South East include:

- Difficulties in access to capital for businesses at different stages of development and different sizes.
- A policy and regulatory approach at a regional level that has not been geared towards supporting a thriving investment ecosystem, particularly at the mid-market growth investment level.
- A lack of infrastructure and transport connections in some areas. This will include broader issues such as available housing for potential employees and digital infrastructure.
- Access to a workforce with the right technical skills needed in high-growth businesses.
- Attracting global talent with the right skills to locate outside London.
- A lack of access to networks and connections, to connect businesses to investors and others who can help them grow, such as non-executive directors or mentors.
- The ability of world-class universities across the UK to spin out innovative companies is hindered by complex internal procedures and investor processes.

The Government’s commitment to devolving significant powers to Mayoral Combined Authorities across England is a welcome development, giving them the tools they need to grow their sectoral clusters, improve the local business environment and support sectoral strengths. New British Business Bank funding to support its Nations and Regions Investment funds will also bring welcome investment capital to high potential firms in City regions including Belfast, Cardiff and Glasgow.

The following policy would help to unlock further opportunities for investment and growth across the UK’s nations and regions, particularly outside London and the South East:

Ensure Pensions reform encourages private capital investments by UK pension funds at local, regional and national levels.

It is essential that the Government ensures reforms support regional business growth throughout England and Wales by enabling investments in smaller, lower mid-market private capital funds. These funds disproportionately invest in business growth outside of London.

The Mansion House Accord and Compact present opportunities for DC to diversify into a wider range of regional investments. The Government should ensure that the programmes being set up, for example the British Growth Partnership, are designed to meet the needs of DC investors and growing the UK’s most successful businesses. The BVCA backed ‘NOVA’ scheme is based on the successful French ‘Tibi’ scheme, and could be successful in directing UK DC investments to those areas most in need of investment.

Develop networks and a strong regional investment ecosystem.

Enhance support measures such as high-quality entrepreneurship training and improved collaboration between academia and investors to ensure spin-outs can translate research into commercial IP.

Build networks such as University spin-outs and catapults, and technology innovation clusters, to ensure support for businesses to scale, such as mentoring and access to non-executive directors.

The refocusing of the Office for Investment announced in the Spending Review needs to deliver a world-class concierge support for foreign investors to navigate the UK government landscape and local economies. The Office should leverage its status to showcase flourishing investment ecosystems that exist across the UK to international investors.

Tackle infrastructure and planning issues.

Use the UK Infrastructure Strategy to improve infrastructure and accelerate planning processes to boost investment potential in the regions.

Ensure the National Infrastructure and Service Transformation Authority (NISTA), announced in the UK Infrastructure Strategy, builds on the powers of the National Infrastructure Commission to provide a clearer and more authoritative roadmap for major projects.

Reform greenfield restrictions where appropriate—ensuring that limitations on greenfield development do not prevent the delivery of major manufacturing and job-creating sites where brownfield land is unavailable.

Simplify and expedite planning laws to make it significantly quicker and easier to build new facilities and the infrastructure that supports investment and job creation.

Invest in planning capacity by training and hiring more planning officers, reducing delays in the approval process caused by capacity constraints.

The innovative economy

Private capital firms are increasingly adopting AI technologies to streamline processes, expand existing capability and capacity to enhance productivity. The private capital industry also backs high-growth, innovative companies developing technologies such as AI to provide solutions to national challenges—from autonomous cybersecurity at Darktrace (Balderton Capital), to ESG compliance platforms like Atlas Metrics (MMC Ventures), and AI-powered code generation at Diffblue (Parkwalk). These are just a few examples of how investors are helping UK-based innovators scale globally.

Government has set out an ambitious intent to implement a pro-innovation agenda to build and deploy the UK's technology capability including utilising innovative technology to transform medical diagnostics, improve productivity across the economy, and ensure that the UK is an AI maker rather than an AI taker.

The Government commitment to fund the UK's most powerful supercomputer in Edinburgh, establish a new UK Sovereign AI Unit, working with the BBB with funding of up to £500 million to support national AI champions, all demonstrate that the Government understands there is real opportunity for the UK to be a leader in this field. But our position can be further strengthened.

To capitalise on the UK's position as a world-leading innovation and tech ecosystem, the UK must:

Implement the recommendations of the AI Opportunities Action Plan.

The creation of AI Growth Zones will be important to this objective and will require the development of infrastructure, local talent, and both compute and energy capacity.

Take forward the Action Plan's key recommendation to scale up the UK's AI Research Resource capacity twenty-fold by 2030, ensuring that researchers and startups can access the infrastructure needed to drive new breakthroughs.

Deliver a flexible, innovation-friendly regulatory environment.

The launch of the Regulatory Innovation Office and its cross-sector review of 46 emerging technologies is welcome and must keep pace with technological developments. In addition, the UK must ensure its regulatory framework across the financial services industry keeps pace with technological advancements to support innovation.

Develop innovation and investment ecosystems through regional tech innovation hubs.

Establishing innovation hubs will assist in developing skills across the regions, widening the pool of resources and skills and making them more attractive for private capital to invest.

Help the wider SME population become as productive as private capital-backed businesses.

Ensure long-term funding of management team support networks such as the Help to Grow Management programme, to help small businesses utilise tech and innovation to boost productivity.

Support SME-focused organisations to work with private capital firms to identify and share best practice of high performing innovative businesses through their specialist networks, programmes and campaigns.

Support the development of spin-outs focused on tech, innovation and productivity through the following Spin-out Review recommendations, which are yet to be fully implemented:

Deliver innovation-friendly university policies for all parties, including investors. This should be built on guidance developed between investors, founders, and universities.

Reduce the need for universities to cover the costs of technology transfer offices (TTOs) from spin-out income through HEIF support.

Enhance the support available to founders from individuals and organisations with experience of operating successful high-tech start-ups, across the UK and throughout different sectors. This support should be consolidated and expanded, to provide founders with advice particularly during negotiations with universities and investors.



Life Sciences

The UK's life sciences sector is a national strength—supporting high-value exports, global research excellence, and critical healthcare innovation. Private capital is central to scaling these breakthroughs, but there is a need to redress persistent funding gaps, target global investment and develop key innovation corridors to fulfil the sector's full potential.

One model for bridging the early-stage investment gap is UCL's Therapeutic Acceleration Support (TAS) programme. Backed by the Medical Research Council, TAS provides non-dilutive grants of up to £80,000 to help academics validate targets and generate early-stage IP. It enables technology transfer offices to mature promising innovations before company formation, making them investable by institutional capital. This is a clear example of how targeted, public-private intervention can de-risk early-stage science and attract long-term capital.

A more targeted partnership between Government and private capital is essential. This includes:

New support programmes designed with life sciences in mind

New programmes, such as the £4 billion Growth Capital Initiative, must be designed to ensure participation by emerging and sector-specialist life sciences fund managers, including those focused on early growth-stage equity. This should include clearer guidance on application windows, assessment criteria, and opportunities for co-investment with experienced private sector LPs.

Support the development of large, UK-based life sciences growth funds, including models focused on clinical co-development. The British Business Bank is well-positioned to play a catalytic role in this process.

Modernising R&D Tax Credits to Support Capital Intensive Life Sciences Startups.

R&D tax credits are a cornerstone of the UK's innovation finance system, but delays and uncertainty are undermining their effectiveness for early-stage life sciences companies. Government should establish a 30-day fast-track processing channel for pre-revenue, early-stage companies.

Learning from other jurisdictions.

Government should benchmark UK R&D tax credit impact against life sciences leaders such as Australia and adjust support levels where needed.

Developing stronger support systems to help turn scientific discoveries into practical advances that improve health and drive economic growth.

As mentioned above, government should implementing the conclusions of the 2023 independent review of spin-out companies.

This includes the recommendation for all parties to agree spin-out deals on market terms, avoiding unnecessary negotiations. Equity splits identified via TenU's University Spin-out Investment Terms (USIT) Guide can be used as a starting point for life sciences spin-outs (10-25% university equity) with exact terms varying depending on the wider commercial deal.

Procurement reform and access to NHS contracts, especially for innovative startups and scaleups.

The NHS needs to make it easier for innovative startups to successfully engage with procurement processes. Phased approaches based on pilots and trials ahead of full procurement awards would support this and give investors confidence in the opportunities available to smaller players in the market.

Private capital also brings more than just funding. It supports executive leadership, improves commercial discipline, and offers exit routes for recycling investment into the next generation of health innovation. But to scale this impact, policy action is needed.

With clearer regulatory frameworks, better alignment with academic institutions, and long-term capital commitments, the UK can cement its status as a life sciences powerhouse. Private capital is not just a funding source—it is a critical partner in turning UK research into global health solutions.



Defence

Geopolitical instability, the war in Ukraine, and rising global threats have redefined the defence sector as a strategic investment priority. The UK Government has responded by increasing defence spending, targeting 5% annually on core defence requirements as well as defence-and security-related spending by 2035, and naming defence as one of eight growth-driving sectors in its Industrial Strategy.

The recent Strategic Defence review included welcome recognition of the role private equity and venture capital play in supporting the Nation's defence. The private capital industry's experience of investing in innovation and growth can support the Government's efforts to build up security capacity in the UK.

Private capital is already co-investing with public actors such as the National Security Strategic Investment Fund (NSSIF), and new structures like the UK Defence Innovation fund and NATO's DIANA accelerator signal greater alignment between government and capital markets.

Yet, despite this momentum, investors face barriers. Regulation, reputational and governance choices of firms, and a lack of clarity around exit opportunities - and regulatory obstacles that may endanger exits - have made many cautious. The perception - real or not - that ESG frameworks prohibit investment in defence still deters capital, even though the FCA and UK ministers have clarified that such investment is not incompatible with ESG principles.

The case for increased private capital investment in defence is strong. The sector needs funding for innovation, particularly among SMEs and start-ups that develop the kind of deep tech and frontier capabilities - cyber, AI, autonomous capabilities - that will underpin future national resilience. Private capital can also help consolidate fragmented supply chains and modernise manufacturing capacity. Crucially, it offers speed, flexibility, and expertise to support scaling in ways public finance alone cannot.

To unlock this potential, clear policy action is needed:

A regulatory framework and approach that gives private investors "permission to invest" in defence.

The Government has announced that it will review the NSIA to clarify the sector definitions and make amendments to ensure that the regulatory requirements are targeted and proportionate. The BVCA welcomes this move as a more targeted and transparent approach under the NSIA will give more certainty and confidence for investment and growth, while still protecting national security.

Industry involvement in the Defence Investors' Advisory Group and the Defence Investment Plan.

This should align private markets with MoD priorities and ensure the sector is empowered to shape funding models and policy levels for capital mobilisation.

Protection from overreach in allied regulatory regimes, including opposition to the US expanding outbound investment rules.

Provision of industry guidance and Government-signalling to support investors to invest in defence responsibly.

The Strategic Defence Review and the Defence Industrial Strategy support dual-use innovation and crowd-in capital through a clearer responsible investment narrative. This now needs to be reinforced by practical Government support and implementation.

Procurement reform and access to government contracts, especially for mid-market and scale-up investors.

This needs to involve clearer and much quicker routes to market, particularly for SMEs. Phased approaches based on pilots and trials ahead of full procurement awards would support this and give investors confidence in the opportunities available to smaller players in the market.

The private capital sector is increasingly engaged, raising new funds, assessing risks, and partnering with government. But greater coherence across policy, regulation, and messaging is needed to scale their impact. With the right conditions, private capital can play a pivotal role in strengthening the UK and Europe's defence capabilities, accelerating innovation, and supporting national security in an era of continued uncertainty.



Net Zero

Private capital stands ready to help deliver a greener, more resilient economy. With the right policy architecture, the UK can lead the global transition—unlocking innovation, creating jobs and driving growth on the road to Net Zero. But there are several barriers that impede the industry from playing an even greater role in supporting this agenda.

To unlock further capital at pace and accelerate progress, there are a number of policy actions that could be taken. These include:

Setting out clear sector net zero strategies which include governance frameworks, investment support and policy clarity.

This should include direction on innovative finance topics, harmonisation of reporting between fund managers and investors and tailored regulation for different sectors.

For SMEs and early-stage ventures—the backbone of the green economy—this certainty is critical. A third (33%) of investors surveyed for the BVCA's Investment Commission said that a clear Net Zero policy roadmap would make it easier for them to invest in a UK business.

Encouraging innovative finance mechanisms to attract capital.

Blended finance and co-investment structures help to unlock private capital investment through initial funding from public finance institutions. This acts to de-risk investments that the private capital industry may not otherwise consider. This can be particularly important for emerging green technology businesses that require longer investment horizons.

Harmonise incoming UK sustainability reporting standards with global frameworks ensuring interoperability, and that they are proportional for SMEs, ensuring that any required reporting creates valuable, decision-useful data for companies.

Support R&D, infrastructure, and early adoption of low-carbon technologies, with incentives for sustainable sourcing (selecting suppliers and materials based on environmental, social, and economic criteria), clean manufacturing, and consumer adoption.

The National Wealth Fund and GB Energy should align with the BBB to support the broader supply chain, including innovative, high-growth businesses, typically backed by venture capital. These companies are often responsible for developing the next generation of clean technologies, materials, and services that underpin major projects.

It has been estimated that to deliver on the UK's net zero ambitions over the next 10 years, an approximate £50- £60bn additional capital investment will be required each year (2023). There is a strong imperative for the Government and the private capital industry to work together to create investable markets for green growth.

About the British Private Equity & Venture Capital Association

The British Private Equity & Venture Capital Association (BVCA) is the voice of private capital in the UK.

We have been advocating for the UK's private equity and venture capital industry for 40 years, helping it to uphold its vision and achieve its goals. We actively represent this diverse community of long-term investors, enabling them to speak with one clear and consistent voice to society, including the Government, media and MPs. We connect institutional investors, fund managers, companies, advisers and service providers together, with our membership currently comprising more than 600 businesses from across the private capital ecosystem.

This includes more than 260 private equity and venture capital firms, 100 institutional investors and over 190 professional services firms. The BVCA supports its members to help companies grow and achieve their long-term ambitions, creating value for the country, both economically and socially.

Together we are invested in a better future.

3rd Floor, 48 Chancery Lane, London WC2A 1JF
+44 (0)20 7492 0400 / bvca@bvca.co.uk
www.bvca.co.uk

Find us on

