BVCA Submission to the Science, Innovation and Technology Select Committee Call for Evidence: Life Sciences Investment

October 2025

Summary

The UK's life sciences sector is a real UK success story, supporting high-value exports, global research excellence, and critical healthcare innovation. leading examples of UK companies include CMR Surgical, Oxford Nanopore Technologies and Grey Wolf.

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.

This will ensure private capital continue to invest in the sector, advancing medical research and producing strong returns for investors such as pension funds.

With a membership of 600 firms, the BVCA represents UK-based private capital, as well as the wider ecosystem of professional advisers and investors. Private capital consists of private equity and venture capital which makes long-term investments to grow British businesses and build a better economy. Private credit and venture debt also provide active and engaged debt finance to businesses.

The private capital industry backs 13,000 UK businesses, nine in 10 of which are small or medium-sized enterprises. Businesses backed by the industry employ 2.5 million people across the UK and contribute 7% to GDP.

In 2024, £29.4bn was invested by private capital into UK businesses in sectors across the UK economy, ranging from consumer products to emerging technology. This increased investment has fuelled the growth of businesses across the UK, with six in ten (58%) of the businesses backed in 2024, located outside of the capital. These investments are long term, with an average investment period of six years, in contrast to less than a year in public markets.

UK-based private capital specialists have raised £190bn of funds, known as dry powder, expected to be invested over the next three to five years.

How far the UK's life sciences sector is internationally competitive.

The UK's life sciences sector is a clear national strength, anchored by globally recognised universities, an NHS research infrastructure attractive for trials, and a growing policy framework that now includes the Life Sciences Sector Plan and the Modern Industrial Strategy. Recent measures strengthen the UK's competitive position, including the British Business Bank's expanded role with £4 billion of Industrial Strategy Growth Capital to support growth-stage investment as well as commitments to publish venture returns data to improve investor confidence. Additionally, actions to cut commercial trial set-up times towards sub-150 days,

improve regulatory and market-access streamlining through closer MHRA–NICE alignment and international reliance routes, and up to £520 million via the Life Sciences Innovative Manufacturing Fund to attract globally mobile manufacturing have also been notable.

While the UK remains globally competitive in research excellence and early-stage innovation, it lags behind the US and leading EU ecosystems in the speed and scale of commercialisation. Clinical trial start-up times in the UK have historically been longer than in comparator markets, although recent reforms under the O'Shaughnessy Review aim to reduce average timelines to under 150 days. Financing also remains a constraint: average Series B rounds in the UK are materially smaller than in the US, where comparable biotechs routinely raise $50–100 million at this stage, reflecting deeper domestic capital pools and more mature crossover infrastructure. R&D tax support, though valuable, is less generous than in markets such as Australia, where firms can claim up to a 43.5% refundable offset – significantly higher than the UK's effective rate. Bridging these structural differences through faster regulatory delivery, competitive fiscal incentives, and stronger growth-stage capital will be critical to sustaining the UK's position as Europe's leading life sciences hub and narrowing the gap with the US.

Private capital is central to building on this momentum. Venture and growth investors provide the patient, risk-bearing capital that allows early scientific breakthroughs to progress through translational research, clinical validation, and commercialisation. The sector's future competitiveness will therefore depend on the ability to sustain and expand its private capital base.

The Life Sciences Sector Plan and the Modern Industrial Strategy go some ways towards setting out a clear framework for growth-stage finance, manufacturing resilience, and a more agile regulatory and adoption environment. The direction of travel is strong: policy now recognises the structural funding gap, the need for domestic scale-up capital, and the value of faster clinical and commercial pathways. What matters next is delivery – ensuring that new funding vehicles are deployed effectively, that reforms at the MHRA and within NHS procurement systems translate into practice, and that public initiatives continue to crowd in private investment rather than substitute for it. With consistent execution, these reforms can enable the UK's world-class research base to convert innovation into global commercial leadership, cementing the UK's position as Europe's most competitive life sciences economy.

What steps, if any, the UK government should take to increase the competitiveness of the life sciences sector?

Across the UK, there is a diverse and dynamic base of entrepreneurs and founders building world-leading life sciences companies. The Governments recent strategies have recognised this strength, but continued partnership with private capital will be critical to sustaining competitiveness. The UK must now focus on the transition points where good science risks stalling – particularly between translational research, proof of concept, and early commercialisation.

A good model for bridging this 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, enabling technology transfer offices to mature promising innovations before company formation. This type of targeted, public-private intervention exemplifies how modest early support can de-risk innovation and attract long-term institutional capital.

To address the persistent scale-up gap, alongside the much-needed Mansion House reforms - new programmes, such as the £4 billion Growth Capital Initiative should be implemented with a clear sector lens. This means ensuring accessibility for emerging and specialist life sciences fund managers, providing transparent application and assessment processes, and enabling co-investment alongside experienced private LPs. The Government should also support the development of large, UK-based life sciences growth funds, including models focused on clinical co-development. With the British Business Bank's expanded mandate, there is a real opportunity to anchor domestic capital, crowd in global investment, and reduce reliance on overseas crossover funds.

Increase limits on accessing EIS, and VCT schemes

The EIS and VCT schemes in particular are essential in unlocking private capital for early-stage, high-growth UK businesses - especially knowledge-intensive sectors such as life sciences. Success stories such as CS Genetics, with benefited from the schemes to advance genomic technology from spin-out to scale-up, demonstrate how these schemes can translate scientific innovation into commercial success. However, outdated rules around investment limits, company age and subsidiary ownership mean that these schemes have not kept pace with inflation or international standards, causing high-potential companies to fall outside of eligibility. For example single clinical programmes can cost tens of millions of pounds, with average Series B rounds in the UK still significantly smaller than in the US. It often takes 10–15 years for these companies to progress from spin-out to revenue.

These constraints are especially pronounced in the regions, where longer scaling timelines make the current 7–10-year age limit disproportionately restrictive outside London and the South East Reforming the regime would therefore boost investment into fast growing life sciences companies across the UK, supporting regional economic growth.

Targeted reforms, including raising thresholds and eligibility, would ensure EIS and VCT remain fit for purpose, maximise their effectiveness, and support entrepreneurship in the nations and regions. These reforms would be focussed on enabling British investors to adequately back the UK's most innovative companies at critical growth stages – not by creating new advantages or distortions, but by modernising the schemes so they work as intended. These changes would help to boost economic growth, boost regional opportunity, and make the UK the best place in the world to start and scale a life sciences business. Reforming these schemes will safeguard the UK's competitiveness in this context, helping more life science companies reach IPO or global scale, and strengthen the UK's position as a hub for investment – anchoring innovation, jobs and economic value in the UK.

To ensure EIS and VCT remain fit for purpose, the BVCA recommends the following targeted reforms:

Increase investment limits, particularly for Knowledge-Intensive Companies (KICs)

- Raise investment limits to £10m annual and £24m lifetime; and for KICs to £25m annual and £30m lifetime; with automatic inflation indexation and an updated Gross Assets Test.

Improve HMRC delivery and scheme administration

- Introduce a statutory 60-day advance assurance timeframe, simplify eligibility rules, and allow joint venture structures in capital-intensive sectors.

Extend company age eligibility

- Extend company age limit to 14 years for standard firms and 20 years for KICs, with flexibility for acquisition-led growth and major strategic pivots.

Remove constraints on Enterprise Management Incentive (EMI) options

Similarly, the EMI scheme has been extremely effective in allowing SMEs in the life sciences sector to compete with larger firms, by giving their employees a material interest in the company. However, the scheme is long overdue for reform: high growth companies are often unable to grant EMI options due to the constraints of the £30m gross assets and 250 employee limits. These limits have stayed the same since 2002 and 2008 respectively and should, in our view, be at least doubled.

The Government should also make EMI available to private capital-backed SMEs. This would boost precisely the type of business this scheme was designed to assist. There are also unnecessary costs around valuations, as well as complexity and uncertainty regarding the operation and tax status of EMI option plans. Updating the scheme to ensure it is fit for purpose should be a priority.

Increase the amount of support for Research and Development (R&D)

Research and & Development tax relief provides critically important support for innovative life science companies in their earliest stages, often before they have begun to generate revenue. Delays and administrative uncertainty continue to limit the effectiveness of the scheme and reduce the UK's relative competitiveness. Increasing the funding for this relief, particularly for KICs, and addressing unnecessary delays in processing claims would align with Government priorities to support science and technology scale ups and regional growth.

Improving the spin-out ecosystem & driving commercialisation

The UK's world-class universities are a key reason for the UK's life science strengths, consistently producing cutting-edge research and high-potential innovations. However, the process of spinning out life sciences companies remains constrained by complex internal procedures, inconsistent technology transfer office (TTO) practices and a fundraising environment that can discourage private investment. These challenges contribute to uneven

outcomes across institutions and holds back the significant potential the UK's globally leading scientific research has for commercialisation.

The Government's 2023 Independent Review of University Spin-outs set out clear recommendations to address these issues. The recommendations, including the adoption of market-standard deal terms and the use of TenU's University Spin-out Investment Terms (USIT) Guide as a baseline –typically 10-25% university equity depending on deal structure and contribution. Universities are already delivering strong outcomes with the resources they have, but increased proof-of-concept and translational funding, alongside structured entrepreneurship support for academic founders, will help bridge the gap between research and investable company formation.

The Life Sciences Sector Plan builds on this by recognising the importance of consistent, transparent, and efficient spin-out processes. Its implementation now needs to focus on embedding performance benchmarks for TTOs and strengthening collaboration between universities, investors, and regional innovation clusters to accelerate commercialisation.

Finally, addressing the leadership gap remains critical. While early-stage scientific and technical talent is considered a UK strength, there is a shortage of experienced executive and commercial leadership at the scale-up stage. Targeted visa reform, modernised share incentive schemes, and structured leadership pathways would help attract and retain the senior talent needed to take the UK life sciences companies from spin-out to global scale.

How effective the Life Sciences Sector Plan is

The BVCA welcomed the Life Science Sector Plan, which firmly positions Life Sciences as a national growth priority under the UK's Modern Industrial Strategy. The Plan provides a coherent framework for aligning public and private capital, with significant additional capital allocated to the BBB and £4 billion earmarked for Industrial Strategy Growth Capital. Together, these measures establish an expanded platform to crowd in private capital and support the scale-up of Life Sciences companies across the UK.

While it is too early to fully assess the Plan's impact, its direction of travel is positive. The policy actions on growth capital, regulatory streamlining, and manufacturing investment address many of the barriers previously raised by industry. The test of effectiveness will be in implementation – how rapidly and transparently new funding is deployed, how well MHRA and NICE reforms translate into faster market access, and whether regional clusters outside the Golden Triangle see tangible benefit. Continues partnership between Government, private investors, and universities will be critical to ensuring these reforms deliver measurable improvements in scale-up finance, patient access, and inward investment over the coming years.

The biggest barriers to pharmaceutical, biotech, and medtech companies increasing investment in the UK.

As the industry body for venture and growth capital in the UK, the BVCA does not take a view on the barriers pharmaceutical, biotech, and MedTech companies face when investing in the

UK, but does take a view on the barriers faced by venture and growth capital firms that invest into these companies, enabling their growth.

Improving access to finance

One of the main barriers, especially for venture capital and growth equity investors is translating research, development and innovation into life sciences companies that grow and remain in the UK at the 'scale-up' stage of investment, Currently, UK companies often seek investments from the US and elsewhere to continue their growth, and this often leads to UK companies relocating to these jurisdictions. This increases the UK's exposure to geopolitical risk and fluctuations in global capital allocations.

UK DC pension schemes have huge potential to invest, through private capital, into these 'scale-up' stage up stage businesses. This greater level of investment from UK pension schemes into private capital funds could then increase economic growth and improve the retirement prospects of UK savers.

Currently, 16 times more capital from pensions around the world goes into UK private capital than from UK pension funds. Canadian pension schemes most active in private capital investment typically allocate on average 21% of their capital to private equity, and major US schemes average around 14%. UK pension funds are investing less in private markets than comparable asset managers. If this is not addressed, UK businesses will continue to miss out on investment, notably scale-up capital, and UK pension savers will not benefit from the returns generated by these innovative businesses.

The BVCA welcomed the launch of the Mansion House Compact in July 2023. This marked a commitment by many of the largest UK DC schemes to increase the proportion of their allocation to unlisted equities. The May 2025 Mansion House Accord established an expanded ambition for 17 UK DC schemes to allocate 10% of their default funds across all to private markets, with 5% of this total to UK private markets, by 2030.

This has the potential to support fast-growing companies operating in sectors such as life sciences, clean tech and defence. CMR Surgical, backed by Cambridge Innovation Capital, has developed a robotic technology to assist surgical procedures which has been deployed in the NHS. The development of this technology and innovation through increased investment from UK DC pension schemes has far-reaching benefits across the UK.

It is critical that UK pension schemes are able to engage with the private capital industry to assess the investable pipeline of opportunities available in the UK. The BVCA held its inaugural Pensions & Private Capital Showcase where portfolio companies covering life sciences, defence and clean tech set out the impact that UK DC pension scheme investment could have on the UK economy.

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. The review also rightly identified that there has long been an 'excessively narrow' focus on cost that is detrimental to saver outcomes. We need to ensure that the Value for Money framework changes this.

The LGPS has a track record of supporting the UK's innovative growth companies by investing in private capital funds managed by firms based around the nations and regions, thereby enhancing nationwide economic development. The new LGPS pooling proposals should open new avenues for UK investment, and so the BVCA welcomes them.

However, more could be done to ensure that the plans do not inadvertently exclude small private capital fund managers from investment. In contrast to investing in infrastructure projects or large funds with global mandates, investing in private capital funds that support the growth of these life sciences companies will require the pools to make relatively small individual investments of £10-50m into funds. It will also require that pools are able to take a flexible approach to "local" investment, or otherwise embed a focus on investing that drives UK SME growth.

The returns generated in the UK's high-growth and lower mid-market segments are often very attractive, but accessing these smaller opportunities, alongside larger investments in infrastructure or global private capital funds, will also require the pools to develop specific expertise and programmes targeting smaller private capital funds that have a track record of deploying capital, exercising active ownership and delivering strong returns from UK SME growth.

These priorities align closely with the direction set by the Life Sciences Sector Plan and the Modern Industrial Strategy, both of which recognise access to growth capital as a foundational enabler of UK competitiveness. The expansion of the BBB's remit and the creation of the £4 billion Industrial Strategy Growth Capital facility mark a significant step towards mobilising domestic institutional investment and anchoring life sciences scale-ups in the UK.

NOVA as a new marketplace to facilitate UK pensions investment into venture capital and growth capital funds

The BVCA is supportive of the steps taken to reform pensions within the Pension Schemes Bill. We have also undertaken significant work to understand the barriers to pension funds investing into private capital, including the formation of the Pensions & Private Capital Expert Panel which made a number of recommendations aimed at industry, Government and regulators. However, we take the view that many of these reforms may take some time to take effect, and that bold action is required to increase investment in the short to medium term.

Despite the Mansion House commitments, the active deployment of capital from DC pensions to private capital funds has been slow. The BVCA has therefore explored how the UK could successfully implement NOVA, an initiative which draws on the French 'Tibi' scheme to boost

the scale and pace of DC investment into UK private capital funds, specifically venture and growth capital funds. This was a recommendation of the BVCA-convened Pensions & Private Capital Expert Panel and is supported by several stakeholders across the pensions landscape. Given this was also a key recommendation from Labour's Start-Up, Scale-Up review, the BVCA is eager to work with Government on this.

With support from key stakeholders and industry leaders, including the City of London Corporation and the British Business Bank, and with government facilitation at its core, NOVA would help address the current gap and support investment leading up to 2030 and beyond. NOVA would give DC schemes access to investment opportunities via a trusted initiative and the chance to build relationships and expertise. The BVCA's full NOVA proposal can be found here.

Continued support for public finance institutions

The BVCA welcomed the enhanced funding and changes to the remit of the British Business Bank. The BBB should use its enhanced funding and remit to more effectively direct support to life science companies at the scale up stage. This would help to secure more high growth companies' futures in the UK, so they can continue to contribute to the nation's economic growth over the long-term.

It is important that the BBB, and other public finance institutions such as the National Wealth Fund and UKRI have sufficient resource to support the growth of life science companies and to ensure funding schemes are adequately funded over the long term.

It is important that the BBB is able to continue to build on existing initiatives to support growth and innovation, in particular to provide long-term support for SMEs in the life sciences space to secure debt finance, alongside the BBB's equity finance programmes. A broader increase to the Growth Guarantee Scheme's budget is needed, alongside an extension to the current expiry date in March 2026.

Many small businesses, including life sciences firms, are aware of finance offered by banks, but there is limited awareness of alternative finance which has different lending criteria to banks and can offer more bespoke and flexible options. For example, some venture debt members of the BVCA note that low levels of awareness on the type of funding available is particularly evident amongst investee company management teams who are often averse to take on debt at a relatively early stage of a company's life due to the risks involved.

Clear signposting 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. This could help to address the lack of awareness and underutilisation of external sources of finance to support growth, helping to tackle barriers to accessing to finance.

Address the domestic skills shortage and ensure the UK remains attractive for international talent

Whether private capital is backing fast-scaling tech firms, advancing life sciences, or building world-leading investment platforms, success ultimately depends on access to the right skills and leadership. However, both domestic and international skills shortages remain a persistent barrier to growth and deter investment. Investors consistently cite difficulty recruiting senior executives with commercial and operational experience, particularly in science-based sectors, as a major barrier to scaling UK businesses.

For life sciences in particularly, the UK has deep scientific and technical expertise but an undersupply of experienced C-suite and commercial talent capable of taking firms through clinical development and international expansion. Addressing this requires a dual approach – investing in domestic talent pipelines and ensuring the UK remains an attractive destination for global expertise.

To address domestic skills shortages, the BVCA recommends:

- The expansion of the Apprenticeship Levy, to fund specific non-apprenticeship training programmes, including leadership, commercialisation, and regulatory skills programmes for high-growth sectors.
- Develop structures leadership pathways to help academic founders and technical specialists transition into commercial roles, building on existing initiatives in translational research
- Reform visa routes for experienced executives in science and technology to improve responsiveness, flexibility and retention.

These measures would align with the Modern Industrial Strategy's emphasis on high-value skills and the Life Sciences Sector Plan's focus on scaling and manufacturing excellence. With the right policy environment, the UK can strengthen its domestic capacity while remaining a global magnet for life sciences talent and investment.

How recent shifts in US policy – including potential tariffs and most-favoured-nation pricing – impact this sector in the UK.

The longstanding zero tariff arrangement with the United States continues to provide a competitive advantage, particularly as the US accounts for over half of the global life sciences market. It is essential that this arrangement is preserved and that any new tariff or pricing policies are carefully monitored to avoid disadvantaging UK-based exporters and investors.

Access to US investors and capital remains critical to sustaining the UK's position as a global hub for life sciences innovation. While recent US trade and investment policy has increasingly prioritised domestic capital deployment, the UK's trade and regulatory framework should actively counterbalance this by promoting openness, cooperation, and cross-border investment flows in high-growth sectors.

The UK's new trade agreement with the US includes welcome initiatives on innovation and cooperation, developing the bilateral framework and presenting an opportunity to strengthen joint research partnerships and expand access to capital.

However, to remain globally competitive, the UK must ensure that its domestic investment environment presents a globally attractive offering. This requires:

- Maintaining zero-tariff trade for life sciences goods and inputs;
- Safeguarding pricing autonomy under NHS and NCIE frameworks to prevent downward pressure from most-favoured-nation (MFN) models
- Using domestic reforms – including the Life Sciences Sector Plan, British Business Bank growth capital initiatives, and Mansion House reforms – to unlock more UK pension and institutional investment into life sciences, reducing reliance on overseas funds

By aligning trade, tax and financial policy with the UK's innovation objectives, Government can ensure that the UK remains both a partner to and a competitor with the United States – signalling clearly that Britain is open for business, committed to innovation, and ready to lead in the global competition for capital.

What steps the NHS could take to improve implementation of innovations.

The NHS should continue implementing reforms that make it easier for innovative startups to navigate procurement and adoption pathways. Building on the Life Sciences Sector Plan, which introduces the Rules-Based Pathway (RBP) and Innovator Passport for MedTech a more standardised and transparent route from pilot to procurement models – where pilot performance informs scaled contracts – would help de-risk innovation adoption while accelerating patient access to new technologies. Greater consistency across NHS trusts and clearer engagement points with innovators would further strengthen the UK'S reputation as a launch market for life sciences innovation.