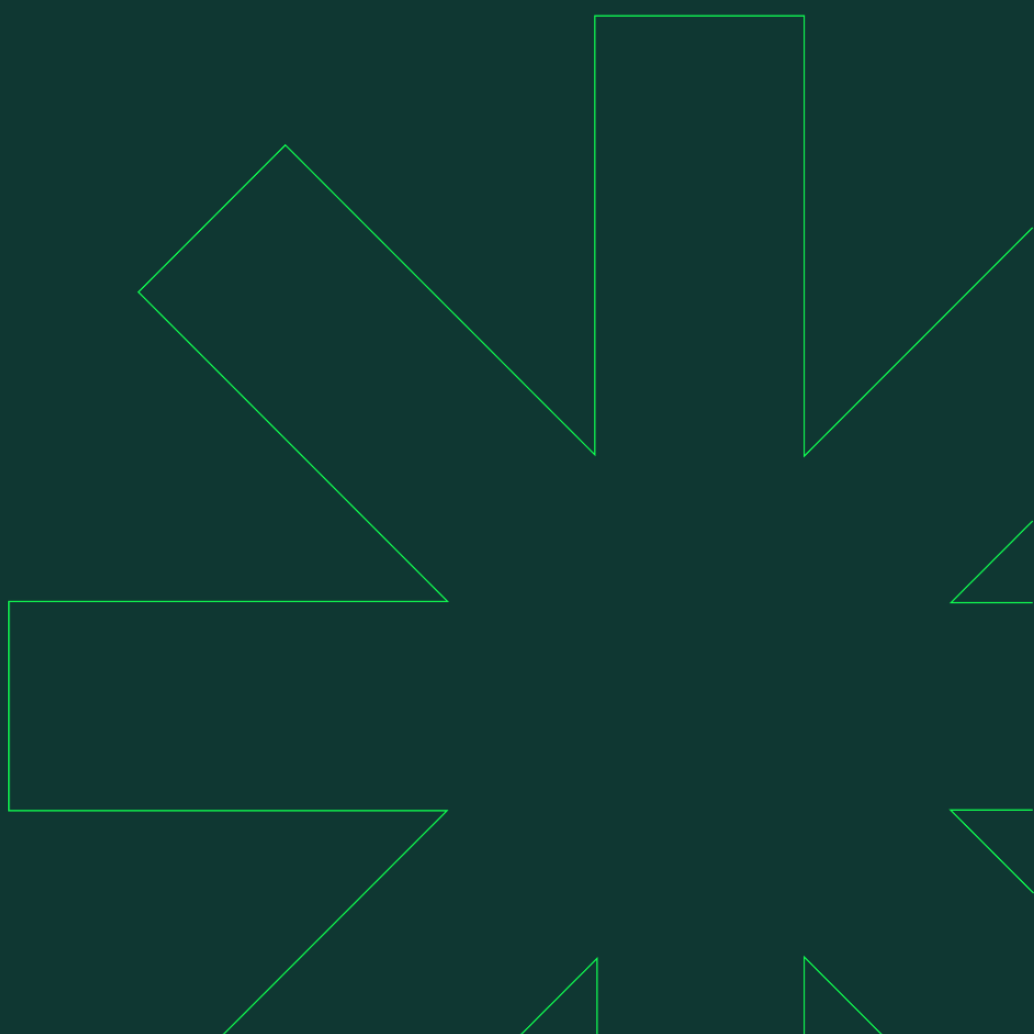


# A Modern Industrial Strategy

November 2024

STARTUP  
C\*ALITION



## About the Startup Coalition

Startup Coalition is an independent advocacy group that serves as the policy voice for technology-led start ups and scaleups in the UK. Startup Coalition was founded by entrepreneurs for entrepreneurs and fights for a policy environment that enables early-stage British tech companies to grow, scale and compete globally. We have over 4,000 startups in our network and have been instrumental in building proactive coalitions of businesses and investors on issues that are integral to the health of the UK's startup ecosystem.

## Executive Summary

The tech startup and scaleup ecosystem is crucial for translating technological advancements into economic growth. It is among the primary enablers of the UK's long-term growth objectives.

**A modern industrial strategy must position technology as the central growth engine, not just as a separate vertical. This approach is necessary to ensure technology is an enabler of growth across the economy, as well as ensuring that the industrial strategy is geared towards unlocking the large returns from scaling tech-backed businesses, rather than providing a strategic sticking plaster of the industries of the past.**

Startups differ significantly from traditional SMEs due to their foundation in technology and innovation, allowing for rapid scaling. They require specialised financial and policy support, particularly from venture capital, given their high-risk, high-reward nature.

This includes focusing on **software**, as well as **deep technology**, with both requiring different forms of government support.

Whilst long-standing historical industrial policy has led to a thriving early stage investment ecosystem (especially in software), which we need to protect, there is much more we can do to improve later stage investment and support deep technology developments to translate to the mission critical UK businesses.

Our response covers each set of questions in the green paper, with a focus on the areas that matter to startups: access to finance, regulation, access to talent and markets.

On access to finance, we recommend maintaining and improving existing investment incentives, such as EIS, SEIS and VCT. To ensure they work seamlessly and are fit for the challenges the sector faces today. We welcome the steps the government has taken on pensions and PISCES, and have provided further suggestions about how we can overcome the scaleup challenge. Additionally, we have called for the beefed-up OFI to be more bullish in its attempts to attract the burgeoning scaleups and startups in different jurisdictions.

It's important that other areas of government policy are not counter productive to the aims and ambitions of the industrial strategy. This is no where more important than on RIO and competition policy. We also highlight the unique opportunities presented by Smart Data and the releasing of public data. The UK could lead the world on this, which has the potential to unlock a whole new generation of innovative startups.

Our ability to attract the best and brightest to the UK has been a key asset, but if we do not take it seriously this talent will find other places to discover the biggest breakthroughs and build the most successful companies. Fixing visas and updating share option schemes could be quick wins to drive the human capital needed to make a success of the industrial strategy.

**Overall, the UK has the most successful startup ecosystem in Europe, supporting high growth with tech-focused startups responsible for numerous £1 billion+ exits. The industrial strategy must build on this, understand how the sector works, and guide government support to aid in its success.**

## Response to Green Paper

### Our Approach: A Modern Industrial Strategy

This section answers the following questions:

- How should the UK government identify the most important subsectors for delivering our objectives?
- How should the UK government account for emerging sectors and technologies for which conventional data sources are less appropriate?
- How should the UK government incorporate foundational sectors and value chains into this analysis?

**An industrial strategy that does not view technology as the core engine of growth will fail to support industries to thrive in the coming decades, and instead, simply provide a strategic sticking plaster to legacy industries of the 20th-century.** The integration of technology into the industrial strategy should not be confined to a single vertical strand, as is the current approach in the green paper, but instead be a central component of the entire strategy. **This is why startup technology companies must be central to the modern industrial strategy.**

**Startups are the vehicle through which technological developments translate into economic growth. If supported, they are a core enabler of the UK making a step change in its long-term growth trajectory, and the government achieving its growth mission.** When the Labour Party were last in government there was no real startup ecosystem in the UK. Now the UK has the most successful startup ecosystem in Europe, with almost half of all \$B+ exits over the past decade taking place in the UK, 1mn people now working in the technology sector (a 6-8x increase since 2015), and more VC funding than France and Germany combined.

**It's clear startups are the hidden sidekick to the government's economic growth ambitions - but they differ drastically from the traditional growth agents of the past.** Founders are the most mission-driven business leaders you will find. They understand the value which purpose, determination and focus can have on driving positive change and results. It's essential the government, through the industrial strategy, understands and supports these kinds of businesses.

**Startups are not synonymous with SMEs, and require different industrial policies.** Unlike SMEs, startups are grounded in technology and innovation and have the ability to scale quickly into high growth companies. With this reward comes added risk for investors. Therefore, they require different forms of financial support to SMEs at each stage of their journey. This is usually provided by venture capital (VC) - capital allocation which takes a portfolio approach to these kinds of businesses, with the hope of making outsized returns on their successful investments. VC portfolios follow a power law, rather than normal distribution.

The **power law** is a relationship between two quantities where one quantity varies as a power of another. In venture capital, this manifests as a scenario where a small percentage of startups (let's say 20%) deliver disproportionately large returns (often 80% or more of the total returns). The rest of the portfolio might deliver moderate gains, small losses, or, fail.

The success of the US economy over the past few decades has not been because it increased investment from traditional investors or legacy companies, it's because it has created the largest number of tech unicorns and decacorns (a decacorn is a privately held company that has a valuation of more than \$10 billion). In this year alone, the US has minted 76 of the 130 unicorns, with China at 15, and the UK at 6.

**The UK's modern industrial strategy must support the economy at large, but must also focus significant resources and attention on where it can have disproportionately larger returns for UK growth - technologically backed startups.**

**Historically, traditional productivity metrics and data have not reflected the economic impact made by venture-backed technology companies.** This is because economic analysis used by the government does not fully reflect the international mobility of modern technology businesses. For example, the BioIndustry Association highlighted HM Treasury economic analysis for R&D tax credits which does not consider the direct and indirect effects of the extensive margin.<sup>1</sup> This is the effect of policy on firms who would not have been conducting activity in the UK without the relief. These sorts of analysis also over index on turnover, which can be nil for a startup with a long journey to commercialisation. Over index on profit, which scaling companies can not make for decades. For example, Deliveroo reported its first profit in the first six months of 2024, more than a decade after its launch in 2013. And under index on the effects that policy and tax can have on increasing the flow of investment and recycling of innovation in existing companies.

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<sup>1</sup><https://bioindustry.org/static/4999e41c-3d2b-4fe7-9d11b5c3d8c03f0c/Improving-the-evidence-base-for-RD-tax-relief-in-the-life-sciences-sector.pdf>

## Our Growth Driving Sectors

This section answers the following questions:

- What are the most important subsectors and technologies that the UK government should focus on and why?
- What are the UK's strengths and capabilities in these subsectors?
- What are the key enablers and barriers to growth in these subsectors and how could the UK government address them?

**To build an industrial strategy that truly supports innovative tech startups, nailing four key areas is non-negotiable: access to finance, talent, regulation, and markets.** Without capital, startups can't fund groundbreaking R&D or scale up quickly enough to make a difference. Talent is the lifeblood of innovation - skilled, creative people drive tech forward and turn ideas into reality. Smart, streamlined regulation is critical to give businesses the freedom to innovate while maintaining fair play. And without access to markets, startups can't grow or compete on a global stage. Get these four elements right, and you create a powerhouse ecosystem that fuels innovation, attracts investment, and propels tech startups from concept to global success.

**Different types of technology companies have different needs across these buckets, that is why it's helpful to distinguish at a high level between software technology and deep technology.** The former being the success story of recent decades that has transformed the foundational economy. Simply put, these are computer and app-based technologies which do not require intensive capital investment, but rely heavily on attracting the best talent. The latter being the translation of scientific and innovation breakthroughs into the mission critical technologies of the future. This is something that the UK, and others, have made less progress on, and where new government intervention is most needed due to the longer development cycles. It is where you find the most significant technology for national security (i.e. quantum, AI and green technology), and where the greatest sustainable growth opportunities reside.

### *Software*

**For software, the government must defend and extend the moat.** The UK has been a world leader, and the European leader, when it comes to the development of fast growing software companies. The likes of Revolut, Deliveroo and OnlyFans have positively transformed the foundational economy.

**This success has been a result of the UK's "invisible" industrial strategy - one that has not been written down in a formal document, but has been developed and maintained over time and across governments of different colours.** For example, the creation of world-leading and long-lasting tax incentives such as EIS and SEIS. EIS introduced by a Conservative Government in 1994, SEIS added in 2006 by the Labour Government, further finessed by the Coalition Government, and recently extended by the Chancellor Rachel Reeves. Or the Enterprise Management Incentives (EMIs) which have helped attract the best and brightest to the UK, but need reform does not reflect the scale and speed of today's technology companies. And also the competitive Capital Gains Tax and Entrepreneurs Relief, which

were weakened at the recent Budget. **It is essential we consider, as part of the Industrial Strategy, how we ensure the UK's entrepreneurial tax incentives reflect the current technology sector and remain the most competitive in Europe.**

#### Consistent government support and updating to reflect changing technology sector

- **1994:** The EIS was launched to encourage investment in SMEs by offering tax incentives to investors.
- **1998:** The eligibility criteria for companies and investors were broadened.
- **2001:** The annual investment limit for individuals was increased and the range of eligible companies was expanded.
- **2004:** The annual investment limit for individuals was increased from £150,000 to £200,000.
- **2006:** The Seed Enterprise Investment Scheme (SEIS) was introduced to support early-stage startups.
- **2011:** The annual investment limit was increased to £1 million for knowledge-intensive companies.
- **2012:** The maximum annual investment that companies could receive through EIS was doubled to £5 million.
- **2015:** Adjustments were made to benefit knowledge-intensive companies.
- **2018:** Amendments were made to focus EIS on growth investments.

#### *Deep Technology*

**In the past decade the UK has built a vibrant software ecosystem, but we can't seem to replicate that success for the harder deeptech sectors.** The contrast with other competing nations is increasingly clear: France is heavily investing into its AI ecosystem, the US is executing its Inflation Reduction Act and the CHIPS Act, and the EU is spending tonnes on its Green New Deal.

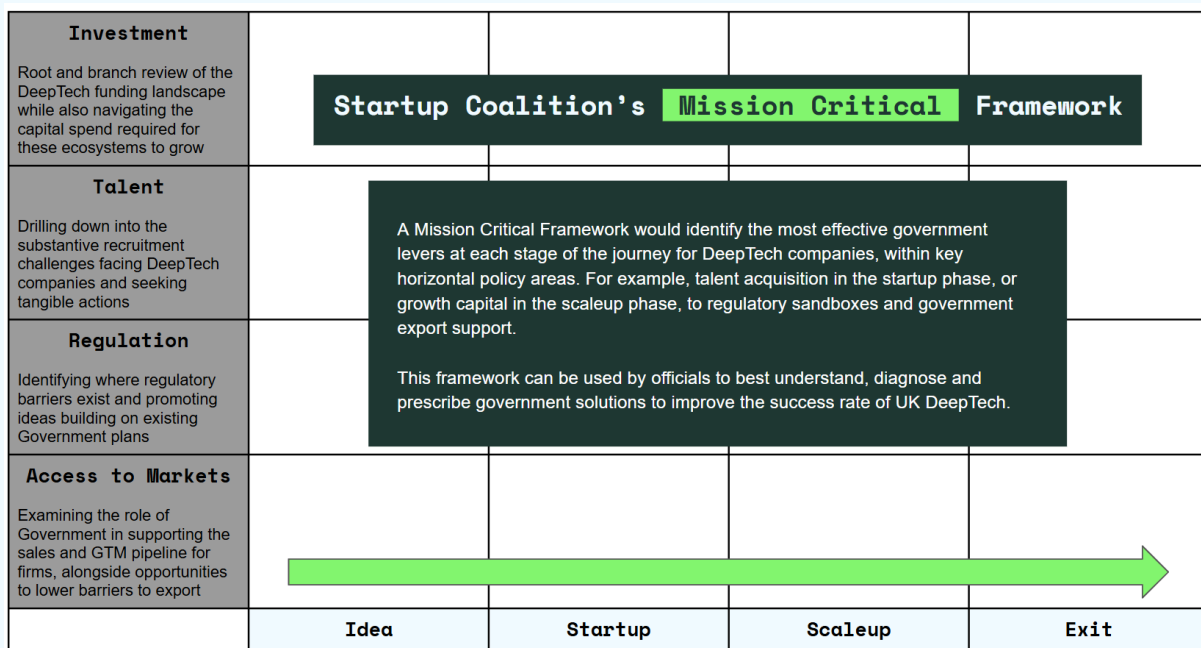
With other nations focusing on how to develop national superstars in deeptech, the UK needs to do the same — that's why we want to work with the government to map the journey of a deeptech company and identify exactly where current interventions are less effective and where we could better spend our marginal pound. For example, UKRI is well-financed, but the funding is not being efficiently distributed to best support the commercialisation of deep technology into mission critical British businesses.

**For deep tech, the industrial strategy must maximise the impact of government support and go further.** Addressing critical funding gaps, such as the "valley of death" in climate tech, and providing tailored support for sectors within deep tech with longer development cycles. This requires a holistic approach to government support that connects R&D funding with market access and international trade initiatives. A coordinated and unified strategy across government departments and agencies is crucial to avoid fragmented efforts and ensure alignment towards a common mission. The industrial strategy should serve as a central plan, uniting resources and efforts to drive impactful outcomes in this area.

For deep tech in particular, there is a need for clear prioritisation of key technologies, from ideation to business growth. The Science and Technology Framework did a good job at identifying key technologies using a repeatable eight-criteria process to identify the technologies that are most critical to the UK. But the key is developing a framework through which the government can make best use of its marginal pound, to support critical technologies. Diagram 1 below is a mock of the approach the government, namely DSIT, should take to help deep tech companies make the journey from ideation to UK unicorn, which should be the fundamental end goal of any successful industrial strategy.

Other avenues to support deep technology are UKRI reform and improvement to the procurement system - see more below.

Diagram 1:



Additionally, whilst the Science and Technology framework covered the national picture well, it fails to identify and back key technologies that reside around specific regional clusters. The industrial strategy should look to identify other emerging technologies that reflect the unique expertise within specific areas. For example, aerospace innovation in South Yorkshire, ClimateTech in the North East, or nuclear fusion around Oxfordshire.

## Creating a Pro-Business Environment

### Investment

This section answers the following questions:

- What are the most significant barriers to investment? Do they vary across the growth-driving sectors? What evidence can you share to illustrate this?
- How can investment into infrastructure support the Industrial Strategy? What can the UK government do to better support this and facilitate co-investment? How does this differ across infrastructure classes?
- What are the main barriers faced by companies who are seeking finance to scale up in the UK or by investors who are seeking to deploy capital, and do those barriers vary for the growth-driving sectors? How can addressing these barriers enable more global players in the UK?
- The UK government currently seeks to support growth through a range of financial instruments including grants, loans, guarantees and equity. Are there additional instruments of which you have experience in other jurisdictions, which could encourage strategic investment?
- Which international markets do you see as the greatest opportunity for the growth driving sectors and how does it differ by sector?
- What are the main factors that influence businesses' investment decisions? Do these differ for the growth-driving sectors and based on the nature of the investment (e.g. buildings, machinery & equipment, vehicles, software, RDI, workforce skills) and types of firms (large, small, domestic, international, across different regions)?

**The key type of capital raising for startups is venture capital - and the UK's Venture Capital ecosystem runs laps around its European competitors.** As was rightly highlighted in the green paper, the UK draws in the third most venture capital investment in the world after the US and China, as well as the most in Europe - raising more than \$100B in funding between 2015 and 2024.<sup>2</sup> In the single month of May 2024, the amount raised in equity and debt by British tech companies (just over £5bn) is more than the whole year of 2014.<sup>3</sup> Additionally, London retains its status as Europe's venture capital powerhouse, home to seven of the 10 largest funds in Europe. **We may have left the EU – but when it comes to VC, the UK and particularly London remains at the heart of European tech.**

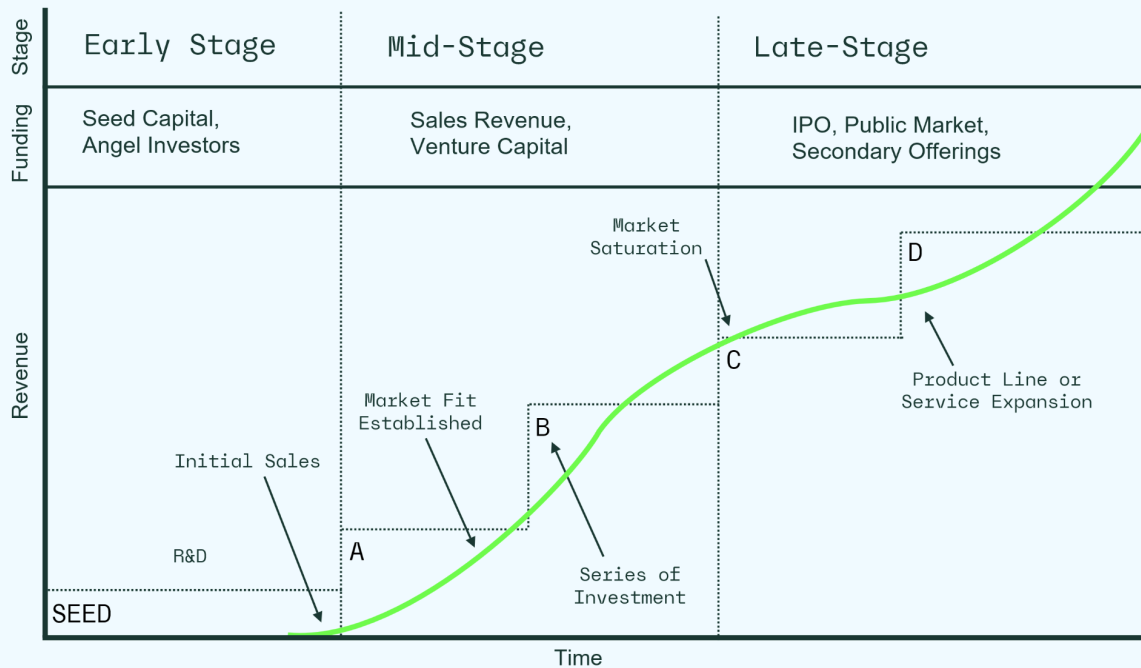
**The overarching challenge of the UK startup ecosystem is that we are good for the early stage, but struggle more when startups are looking to scale.** For example, London now ranks second best VC hub, behind San Francisco, for check sizes less than \$15m, but this falls to fourth for checks larger than \$15m, with New York and Beijing overtaking. Whilst Diagram 2, shows a high level startup journey, challenges are felt differently by different types of startup technology businesses.

<sup>2</sup> <https://www.stateofeuropantech.com/>

<sup>3</sup> Ibid.



Diagram 2:



Source: Boltgroup

*Early stage startups*

**As mentioned above, the UK has done a superb job at encouraging seed and angel investment into early stage startups due to long-standing tax incentives such as EIS, SEIS and VCTs.** Therefore, we were delighted to see your confirmation of the extension of these schemes until 2035.

Whilst these schemes have been the bedrock of the UK taking an early lead in the technology sector compared to European counterparts, other countries are now catching up quickly. In France’s 2024 Finance Act they introduced a scheme similar to EIS and SEIS, targeting early-stage investments in “high-growth” (JEIC) and “disruptive” (JEIR) startups.

**It’s important we do not rest on our laurels - there are several tweaks to the EIS and SEIS schemes which could improve how it operates and ensure it remains the most effective entrepreneurial tax support in Europe.** These include:

1. Introducing pre-Approved Contractual Language for SEIS to make the application process more efficient and lower barriers to firms accessing the scheme.
2. Reinstating Pre-2018 Speculative Applications to HMRC for SEIS Eligibility (“Advanced Assurance”) to tackle the ‘chicken and egg’ situation whereby investors seek SEIS eligible-startups, while startups must have investors locked in to understand if they qualify for SEIS.

3. Extending the Advanced Subscription Agreement Longstop for EIS & SEIS to at least 12 Months so that firms do not have to rush valuations.
4. Ensuring all Fintech firms are eligible for SEIS & EIS by changing the eligibility criteria to permit regulated fintechs to apply.

### *Later stage scaleups*

**We need to create a scaleup finance environment that allows Britain to move from building £5bn companies to £50bn companies.** Without addressing increasing the pools of capital available, the UK will continue to grow a large number of startups but fail to benefit from their full economic impact. This is because while the UK ranks high in global tech investment, our startups struggle to secure the necessary funding and look elsewhere, primarily the US, to scale further. For example, ARM decided to raise capital on public markets in the US rather than the London Stock Exchange (LSE). If we were able to remedy our scaleup finance and increase the level of turnover generated by scaleups by just 5%, we could add £65bn to the UK economy.<sup>4</sup>

**We are supportive of your plans to increase the pools of capital available to unlisted assets via pension schemes, but it's also imperative to ensure UK pension savers do not miss out from higher returns.** Currently, international investors remain a major force in investment activity, making up 30% of Europe's unique investor pool in 2024.<sup>5</sup> Also, pension funds in the UK and Ireland only allocate 0.007% of AUM to VC.<sup>6</sup> We strongly backed the Labour Government's recent Mansion House reforms on consolidation, which is why we coordinated a letter in support from the tech ecosystem. We must continue to drive forward this agenda across the parliament.

**As scaleups are predominantly private companies, another opportunity to increase investment available is by improving public markets.** Despite London being the European leader across almost every relevant metric, it falls down when it comes to IPOs, with the Amsterdam and Paris Euronext exchanges and the XETRA Trading Platform in Germany ahead in the rankings. We are supportive of the new Private Intermittent Securities and Capital Exchange System (PISCES) as a way to improve the sale of secondary shares and dynamism of the LSE - but recommend the government acts fast to create a more ambitious plan to allow scaleups to also raise capital (on top of trading) on the platform.

**With the beefed up Office for Investment, there is a role for the office to play in attracting burgeoning international startups and scaleups to locate their offices in the UK.** This could include being armed with a suitcase of tax breaks, financial support and concierge services to aid companies to move. We hear from founders that countries, including France, Germany and others, are cold calling our most promising startups to offer a package of support to move their operations. We are in a global competition for the best and brightest, we should ensure we have the underlying regulatory, policy and business environment - but also not be afraid to roll our sleeves up and actively pursue the companies of the future.

### *Climate Tech*

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<sup>4</sup> Using ScaleUp Institute 2023 statistics for overall scale up turnover in the UK economy.

[https://www.scaleupinstitute.org.uk/wp-content/uploads/2023/11/SUI\\_AR23\\_Highlights\\_-\\_Website-Version-FINAL-v2.pdf](https://www.scaleupinstitute.org.uk/wp-content/uploads/2023/11/SUI_AR23_Highlights_-_Website-Version-FINAL-v2.pdf)

<sup>5</sup> <https://www.stateofeuropeantech.com/>

<sup>6</sup> Ibid.

Earlier this year, Startup Coalition published an analysis of the 1000 best funded UK based ClimateTechs and their fundraising journey from over a decade. The Index is valued at £26bn today, has raised over £15bn, and employs over 24,000 people. Despite a trebling in value since 2019, 2023 saw overall and average funding drop, and the highest number of firms fail. There is also a pronounced valley of death at the Series A stage, with only a third of firms in the Index having obtained later stage funding and more firms failing at this stage than at any other. The significant regional disparities highlighted in the report between London and the South East and the rest of the country is also a driver of regional inequalities.

**Startups essential to delivering the government's green industrial revolution face significant challenges, particularly in securing investment and scaling innovative technologies.** Energy innovations happen in legacy systems like reservoir hydro, nuclear fission, and hydropower, as well as nascent novel solutions like fusion, tidal, and advanced solar and wind technologies. Many of these First-of-a-Kind (FOAK) solutions require substantial R&D and upfront capital.

**We strongly support government programs like the Net Zero Innovation Portfolio (NZIP), which have been essential for early funding.** A number of energy startups we have spoken to often applaud the help they have received from NZIP and some claim that they would not be surviving today without that government support. We should ensure there is funding for smaller-scale projects that improve efficiencies in legacy systems, such as advanced PV panels, batteries, and voltage regulation technologies.

**The National Wealth Fund (NWF) core mission must be to de-risk investment into high growth potential opportunities.** NWF is a great opportunity for the government to tackle this private investment gap, but it will fail if it focuses on corraling rather than crowding-in investment. This means reducing the risk for FOAK and scale-up funding, complementing NZIP. It should collaborate with GB Energy to identify scalable technologies and integrate them into projects like clean power for the UK by 2030.

### *Disparities in investment*

**It's still too hard to raise investment for venture-backed startups if you're a woman, working-class, an ethnic minority, or if you're based outside of London and the South East.** Startup Coalition is working with colleagues across the industry to identify barriers to investment for underfunded groups, and will be publishing more on this in due course. More details on our regional recommendations can be found below.

### **Talent and skills**

This section answers the following questions:

- Where you identified barriers in response to Question 7 which relate to people and skills (including issues such as delivery of employment support, careers, and skills provision), what UK government policy solutions could best address these?
- What more could be done to achieve a step change in employer investment in training in the growth-driving sectors?

**We are a world leader in tech and have the largest startup ecosystem in Europe, but we need to make sure the UK stays a competitive place for talent if we want to stay on top.** This means supporting young people and ensuring they have the skills they need to get into employment, while also addressing immediate talent needs. We also need better funding and support for the tech ecosystem more widely to ensure that we're able to retain the pool of talent that we have - and are building - across the UK.

**Founders regularly tell us that difficulty finding the right talent with the right skills is a barrier to growth.** Hiring and training at startups can be tough, as founders typically are seeking talent with advanced skills in a niche area, and broadly lack the capacity to train up more junior staff. Paradoxically, their inability to pay a senior level wage often means they hire younger, less experienced talent who have the opportunity to work at a higher level and progress more quickly than they could in a more traditional workplace.

**This is felt acutely in regions outside of London, where brain drain continues to create major talent issues for startups.** Too often, top graduates of local universities move to companies based in London, when staying and working at a local startup - or founding one - could boost the regional economy and tether the university and the local business ecosystem. With lower funding amounts and round sizes, regional startups can't compete with those in London on salary.

#### *Attracting the best talent*

**We must bring down the costs and complication of the UK immigration system for startups.** Visa fees and associated costs are currently a huge barrier for startups looking to sponsor workers. Analysis from the Royal Society shows that upfront immigration costs in the UK are six to eight times higher on average than 17 other leading science nations, including the US, France and Israel. Occupation-based salary requirements for skilled workers, changed under the previous Government, now require foreign workers to be paid in the top 50% of wages for their role to qualify for a Skilled Worker visa. These senior-level salaries can fall above what startups are able to offer their employees - especially for startups based outside of London. Lowering these thresholds and/or allowing stock options to count towards meeting the salary requirement would make a substantial difference for the ecosystem.

**In addition to lowering these costs, the government should take steps to make the visa system more accessible and more clear for businesses, and make existing visa routes more flexible and open to people whose skills can benefit our tech ecosystem.** Based on our conversations with startup founders and employees, there are a number of areas where the immigration system could be improved. One common complaint is that there are a wide range of visa options available to the tech ecosystem, each with different qualifications, but they have not been well communicated to employers. Founders need to know what their options are, and to be able to seek support when they need it. Founders have also expressed support for expanding eligibility for visa routes like the High Potential Individual visa and Youth Mobility Scheme, which allow companies to employ young people without needing to immediately sponsor their visa.

**It's essential the Enterprise Management Incentive (EMI) scheme is updated to keep it accessible for startups.** Introduced in 2000, EMI has been a cornerstone of the UK's startup ecosystem. It enables small, high-growth companies to attract top talent by offering tax-advantaged share options. However, the current EMI criteria—limited to companies with fewer than 250 employees and £30 million in assets—is outdated, as rapidly growing tech startups now quickly exceed the scheme's limits.

Meanwhile, international competitors like France, Israel, and Canada have implemented more startup-friendly stock option policies, leaving the UK at a disadvantage. To maintain its competitive edge in European tech, the UK government should expand EMI's eligibility to firms with up to 1,000 employees and £250 million in assets, as recommended by the government-commissioned UK Tech Competitiveness Study in 2021. This would support startups in attracting and retaining talent, align employee and investor incentives, and promote greater employee ownership, ensuring the UK remains a leader in fostering innovative, high-growth companies.

### *Building the pipeline of UK talent*

**The government should create financial incentives for young people entering university or those already in work to take up study of in-demand subjects.** For example, Austria offers government funding to university students to encourage takeup of engineering and other courses that will build the workforce necessary to fill gaps in the labour market. Funded courses also include short, specialised qualifications for those who want to upskill quickly. The UK could adopt a similar strategy to encourage take up of STEM study, aligned to the core component of its industrial strategy. This could come in the form of grants, automatically distributed to students upon enrolment, or direct funding to universities on the condition that they offer lower tuition rates for courses in IT and Engineering - areas that are currently highly dependent on migrant labour - as well as courses focused on emerging technology and green skills.

**We should engage in public-private partnerships to create opportunities for recent graduates, early-career workers, and career-switchers to work in tech startups.** Founders and young people alike have benefitted from programmes that help connect recent graduates or career-switchers with startups. For example M-SParc's Skills Academy is a paid five month placement into a tech startup for students and graduates to de-risk hiring and training for startups while providing industry experience to young people. Jumpstart is another such programme, which brings together graduates and early career tech workers with startups.

### *Retraining in a fast moving economy*

**We need to create a better system for supporting upskilling and reskilling to ensure no one is left behind as the nature of work changes.** From [skills bootcamps](#) to [free courses for jobs](#), the DfE offers a range of courses available to support reskilling at no cost. We need more of this, at different education levels, and more financial support for learners to derisk reskilling and encourage take-up. There also needs to be better collaboration between Government and industry to ensure people who pursue reskilling through these avenues are getting the right skills to thrive and have easy access to future employment.

**The government must also create more ease of access to upskilling and reskilling opportunities provided through remote learning.** Adult learners often need more flexible ways of learning. Remote learning options can be a key enabler of access to upskilling and retraining for people - especially those who have caring responsibilities, have disabilities, or those who have been previously excluded from education. Edtech providers offer opportunities for adult learners to prepare to take or retake their GCSEs, but because Ofqual requires candidates taking GCSE exams to do so at the registered address of their provider, remote learners can be forced to travel far distances at high costs to sit their exams.

### Technology adoption and diffusion

This section answers the following questions:

- Where you identified barriers in response to Question 7 which relate to RDI and technology adoption and diffusion, what UK government policy solutions could best address these?

#### *Adoption*

**The UK has always been a successful early adopter of new technology, and the way our nascent ecosystems have grown proves that, including fintech and the adoption of applications for foundational economy services.** This adds to the attractiveness of the UK as a destination for consumer technology startups.

**Whilst on the consumer side tech adoption of startup technologies has been successful, there is a lot of scope to improve broader tech adoption by and within UK businesses.** The main progress made on business digital adoption has been in the field of tax, where the businesses have been mandated to comply with HMRC. We should not slow down progress on Making Tax Digital, as this drives forward broader digital adoption.

**But software to help business owners do their taxes makes up only a fraction of the benefits that the near limitless availability of digital tools offer with running a business.** E-commerce and customer relationship management (CRM software, among others, can also enable businesses to process more sales, speed up workstreams, and generally boost productivity.

This was precisely the aim of Help to Grow: Digital, a £296m digital adoption scheme which was the flagship of the then Chancellor, Rishi Sunak. After launching in January 2022, the scheme was intended to ramp up technology adoption and SME productivity by offering free advice and discount vouchers of up to £5,000 for small businesses looking to adopt digital accounting or CRM tools for the first time. But the scheme came under fire from its inception, with accounting and business groups, including AAT and ACCA, warning it was destined for failure. **We need the government to take another bite of the cherry on this agenda - bad design and implementation does not mean the policy was wrong.**

**Startup Coalition produced a thorough assessment of the scheme and how it could have been better designed.** One of the main failings of Help to Grow: Digital was that it bypassed these trusted networks in favour of speed of delivery. A voucher scheme is simple for HM Treasury to commit funds to, since it is an easy vehicle to administer, set targets and cap costs. But the inherent problem with these schemes is that awareness will always remain low without large, nationwide, marketing campaigns.

If they had paid attention to research, listened to industry criticism at the time, and extrapolated lessons learned from successful policy interventions, it would have made much more sense to structure the voucher as a tax relief. This would have brought accountants into the scheme's orbit, who could have relayed both the tax and business benefits of purchasing productivity-enhancing software to small business owners. They have played a crucial role in preparing their clients for MTD and recommending accounting software, and they are integral to alerting businesses to take advantage of business investment tax reliefs like the super-deduction and R&D tax credits. Structuring a digital adoption scheme this way can ensure widespread coverage without needing a large marketing budget.

**We recommend that the government pursues a wider digital adoption drive, and takes inspiration from the Australian Tax Office, which introduced the Small Business Technology Investment Boost in 2023 to increase the productivity and digital uptake of SMEs.**

### *Procurement*

**Procurement is one of the biggest levers the government has to support growth into the economy, but so far it has been a barrier rather than a catalyst.** The government must get serious about deploying the state apparatus strategically, to support startups and emerging technologies which are critical for the UK's national capacity.

**The Government can play a major role in being an early adopter of novel technology, or through guaranteeing offtake of first-of-a-kind products.** This is important where the Government can uniquely de-risk novel technologies which are not yet cost-competitive with incumbents. For example, as part of Startup Coalition's recent report *Built Different*, we heard that low carbon concrete is not yet cost competitive with conventional incumbent equivalents. Through demanding early offtake, the UK Government could narrow this price gap, accelerating the growth of innovative UK companies, and its decarbonisation agenda.

**The government does not make it easy for startups or new-to-Government businesses to deliver their innovations or win bids.** Successful technology procurement and digital transformation require a knowledge of what is available on the market. But, when we surveyed SaaS founders, 54% of SaaS founders and executives were not confident that civil servants understood digital trends and emerging technologies.<sup>7</sup> Unfortunately, this lack of understanding in commercial teams is compounded by little to no effective pre-market engagement. 78% of those we surveyed did not know who to approach with a question about Government procurement.<sup>8</sup> The result is tenders that lock out the most innovative vendors through narrow or overbearing specifications.

**The government was also reluctant to buy off-the-shelf technologies, and would rather spend significant amounts of additional money to larger organisations who can add a few extra features.** This is not only a waste of public money, but also squeezes out more innovative and better technology options from procurement processes. The UK should take inspiration from the US's Build America Buy America programme, which prioritises the buying of national products in the procurement process.

**Startups further into the procurement process often find themselves struggling to compete during lengthy trials and assessments — ie. Government procurement processes are too long for the average startup's cash flow.** Many founders feel traditional public sector procurement approaches are slow and favour large incumbents because larger companies are more likely to be able to eat large costs for a Government bid while smaller companies have fewer resources to dedicate to the process and more pressing cash flow requirements. Larger companies are also able to wait through the procurement processes and push forward a technology that is likely to be outdated once made live. Startups are less able to put their innovations in stasis and wait — and are thus more likely to prefer the rare Government approaches that focus on pilot tests as quickly as possible.

**We are imminently publishing a report for our vision for tech procurement — that sets out how the UK can buy into tomorrow. The paper focuses on how the UK can strengthen competition to create lasting value for money; use digital to create modern commercial processes; drive technology procurement across the local public sector; and harness the potential of social value — and how this all plays into the future of procurement through the Procurement Act.**

### **R&D spending**

<sup>7</sup> <https://coadec.com/wp-content/uploads/2022/12/Procurement-Report-Final-Resized.pdf>

<sup>8</sup> <https://coadec.com/wp-content/uploads/2022/12/Procurement-Report-Final-Resized.pdf>

This section answers the following questions:

- What are the barriers to R&D commercialisation that the UK government should be considering?

**If harnessed effectively, R&D funding can be a key catalyst of growth through commercialisation of research into successful startups and scaleups.** This is particularly true for deep technology companies which are more R&D intensive, and those areas with longer development cycles such as in the life sciences.

That is why we welcomed the Government's commitment to introduce 10-year budgets for key R&D institutions, replacing the typical three-year funding cycles - as well as your announcement at Budget £20.4 billion investment into R&D over 24/25. **However, these vast sums of money are not leading to the proportionate levels of commercialisation and startups driving forward economic growth.**

**The government should consider other ways it can better align programmes with venture capital and startups.** For example, the need to simplify the application process and ensure they reflect the reality of startups - i.e. not requiring applicants to commit to detailed five year plans, reducing the need for expensive grant-writing consultants, increasing transparency in the application process or even introducing a New Zealand-style lottery-style grant to speed up processes.

**Most importantly though, startups currently feel ill-served by InnovateUK.** Founders frequently tell us they waste time, effort and resources applying for bids, often, then, to be assessed by a reviewer that does not understand their idea or gives incoherent feedback. Many feel like they are messed around by a system that tells startups to contort to fit it, rather than it reflect their growth journey.

**To make matters worse, a cosy ecosystem of bid consultants and writers has sprung up, often charging thousands to help startups navigate the byzantine bureaucracy.** Decisions can take too long and startups can struggle to access actionable and timely feedback. And, once a startup has a decision in their favour they often tell us it can take too long for InnovateUK to deliver the grant. These issues are especially concerning for the UK's many deeptech startups for whom grant funding is often critical because of their long timelines.

**That is why the shining example of R&D spend in the UK apparatus is the Advanced Research and Innovation Agency (ARIA).** Whilst it's too early to judge its impact, its approach reflects the best in class of de-risking technological development for breakthrough technologies. The government has clearly already taken lessons from this, with ARIA being the first UK R&D institution to receive a 10 year budget. The government should consider how it can incorporate more ARIA principles within its R&D spend, for example:

- **ARIA emphasises maintaining a high level of ambition and risk appetite.** The organisation was designed to pursue projects with a significant chance of failure, aiming for transformative breakthroughs rather than incremental advancements. Success was defined not by short-term wins but by long-term potential impact.
- **ARIA adopts a model that empowers scientists and engineers, granting them the flexibility to pursue bold, speculative projects.** This approach centred around identifying and supporting



talent first and projects second, focusing on unique and high-impact opportunity spaces unlikely to be addressed through traditional funding.

- **The organisation utilises an adaptive funding approach, allowing projects to pivot or be discontinued based on progress and outcomes.** Program directors had the autonomy to manage their respective programmes and make necessary adjustments, embracing failure as a part of the innovation process.
- **ARIA aims to act as a catalyst for broader systemic change rather than solely focusing on delivering direct outcomes.** The goal was to inspire and activate a network of researchers and institutions, both nationally and internationally, to tackle critical challenges. Success was defined by the potential to change global conversations and create new technology platforms, industries, and ecosystems centred in the UK.
- **The selection of focus areas and specific projects was rigorous.** It was based on a fourfold criteria: the potential impact, differentiation from existing efforts, clarity of goals, and responsible design considering regulation and ethical implications. Programmes were scrutinised internally to ensure alignment with ARIA's transformative mission.
- **ARIA maintained a high degree of independence in decision-making, as mandated by its foundational legislation, which was crucial for fostering innovation without undue influence.** It also emphasised the importance of partnerships with universities, start-ups, and private industry, leveraging existing strengths and creating a diverse research ecosystem.

**We recommend raising ARIA's budget to the same % level as the organisation which inspired it, the US Defense Advanced Research Projects Agency (DARPA).** ARIA's overall annual budget is only 1.2% of the UK government's 2022 spending on research and development. By comparison, DARPA's, at \$4.2 billion, represents 2.2% of the US federal government's 2022 spend.

**Additionally, the government should learn lessons from its thesis on pension funds, where it is taking measures to consolidate funds, and undertake an intensive rationalisation and consolidation exercise of its R&D funding.** This includes reviewing UKRI funding streams, Innovate UK pots, interactions and synergies with the BBB, as well as assessing whether long-standing programmes such as the Digital Catapult are delivering outcomes.

## Data

This section answers the following questions:

- How can the UK government best use data to support the delivery of the Industrial Strategy?
- What challenges or barriers to sharing or accessing data could the UK government remove to help improve business operations and decision making?

### *Public Sector Data*

The UK has historically been viewed as a leader in making public sector data accessible. Startups have benefitted from the beginning of standardisation of metadata in public sector data, as well as the

introduction of open licences to make data sets more easily accessible and reusable. Startup innovation has moved on in leaps and bounds since - and founders can now achieve more with public data sets than previously thought possible with AI - if they can access the right data.

**However, startups still need consistent access to a variety of publicly-held data that is available, harmonised, and findable by default.** Many of the country's startups and scaleups aim to rely on public data sets for a variety of uses, including testing the viability of their products and services, tackling real-world problems efficiently and effectively, and creating updates that work better for the consumer.

**We advocate for better data access in Government and this could be made possible if there was a £50m pot created that all departments could bid into to clean up their data sets before release to ensure they remain continuously available, continuously harmonised and continuously findable.** This is because existing data is oftentimes unusable. Many founders – including many AI founders – complain they can't successfully tap into government data because the data lacks the granularity – ie. the level of detail – necessary for today's data analytics, is not updated enough or does not get measured along regular time intervals, and is hard to find in the first place because it is only partially accessible to the public.<sup>9</sup>

**In addition, according to founders, two critical departments which could hold the key to accelerating the innovative use of public sector data are HMRC and the Home Office.** Founders are calling for these agencies to open up their data in general as they hold the most valuable data when anonymised and are the hardest to access due to a lack of data sharing – even with other public sector institutions. We understand that HMRC and the Home Office have been trying to open up their data as quickly as possible but have struggled to do so. We and many startup founders appreciate the Government's efforts to open up this data and hope the issues they face in releasing data are resolved soon, including the issues faced by the Making Tax Digital programme and the digital transformation of HMRC.

### *Smart Data*

**A further way in which the Government can harness the innovative use of data as part of an industrial strategy is through the targeted and strategic application of Smart Data.** Smart Data gives individuals and businesses control to share their real-time data and harness it for practical needs like optimising grocery purchases or anticipating energy bill spikes. Without Smart Data, customers' data is trapped with heritage service providers, limited to what they are willing to offer. But with Smart Data, consumers will be able to better choose if, when, and how they share their data and opt into services that prioritise convenience and unique personalisation.

**Today, Smart Data “schemes” are rare, and the lack of them forces innovators to rely on third parties to bring their ideas to market.** The best-known Smart Data Scheme — Open Banking — was introduced under the CMA's Retail Banking Competition Order in 2017 and through the Payment Services Regulations in 2019. Open Banking has delivered clear benefits for over 11 million UK consumers and countless innovators developing solutions. The Open Banking regulations have also supported the exponential growth of a £4bn startup sector creating use cases built on the regulation. Extending similar frameworks to other sectors could truly position the UK as a digital leader.

**The government should fast-track the Data Bill to pave the way for individuals, businesses, and the broader economy to reap the rewards of the UK's data-driven future.** The Data Bill which was tabled in October 2024. This legislation will empower Secretaries of State across Government to drive data-enabled growth and innovation in their sectors.

**To ensure that the potential of Smart Data is maximised, particularly for a “mission-driven” government it is, firstly, vital that Ministers across the Government are aware of the existence of**

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<sup>9</sup> <https://techmonitor.ai/comment-2/uk-government-data-tech-startups-sharing>

**the new powers. Secondly, it is critical that there is a strategy for deploying priority sectors to maximise economic growth and consumer value, with a simultaneous drive to maximise the potential of interoperability and interconnectedness of across schemes.**

For instance, expanding Open Banking to other financial services datasets (known as Open Finance), could unlock the ability to accelerate the property purchasing journey, which could, in turn, support efforts to decarbonise homes through the innovative use of property-linked finance.<sup>10</sup> Further, the decarbonisation potential of Smart Data is huge, starting with unlocking energy use data through a Smart Data scheme for Smart Meter data, which we anticipate DESNZ will be consulting on in early 2025.

### **Infrastructure and energy**

This section answers the following questions:

- Where you identified barriers in response to Question 7 which relate to planning, infrastructure, and transport, what UK government policy solutions could best address these in addition to existing reforms? How can this best support regional growth?
- What are the barriers to competitive industrial activity and increased electrification, beyond those set out in response to the UK government's recent Call for Evidence on industrial electrification?
- What examples of international best practice to support businesses on energy, for example Purchase Power Agreements, would you recommend to increase investment and growth?

### **ClimateTech**

Whilst Startup Coalition supports efforts to accelerate building and planning decisions across the economy as a critical catalyst for economic growth, there are also specific ways in which infrastructure and planning can limit the adoption of technology to accelerate decarbonisation.

#### *Agtech*

Startup Coalition has engaged extensively with startups involved in food production, supporting UK farmers to maintain or increase production, whilst reducing their environmental footprint. Examples of these types of technologies include the use of robotics in conventional agrarian agriculture, technology to increase the production of crops, including controlled environment agriculture, and novel food production, such as cultivated meat or precision fermentation.

**Across all of these technologies, there is a lack of Government support for farmers to harness the potential of technology, and the planning system presents a barrier to increasing diversification of use of farms.** For instance, over the Summer of 2023, Defra consulted on easing the planning burden on farms seeking to diversify the building-footprint on their farm, in a move we can

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<sup>10</sup> See the [Open Property Data Association's](#) work on using data portability to streamline the house-buying process; See Startup Coalition's "[Built Different](#)" report for insights on property-linked finance.

almost directly attribute to Amazon Original show Clarkson's Farm. This was a missed opportunity to also consider barriers to changing buildings to intensive controlled environment agriculture or fermentation. Planning can be one of the key barriers to the adoption of these technologies.

### *Energy Production*

A second example is where startups are involved in energy production. Here, the delays to onboarding onto the grid, and lack of grid connection infrastructure, present significant barriers to entry for novel renewable technology generators. Earlier stage startups that are deploying generation assets directly have to navigate grid connectivity without the wealth of resources and finance available to larger energy generation firms. Additionally, the regulatory infrastructure has not kept pace with innovation in and demand for decentralised energy production. Whilst the Ofgem regulatory sandbox has been a useful step forward in increasing the adoption of decentralised energy production, to date this has only had a handful of successful users. Further, the lack of ambition and coordination in increasing novel decentralised energy production will only increase in importance as the demand for electricity to power compute assets increases.

### **Data centres**

**Compute is incredibly expensive and demand outstrips supply.** AI startup founders told us that cost and access to compute power and data sets are two of their most significant drains on resources. TBI research estimates that the average GPU costs around \$20,000, while a more cutting-edge GPU, the NVIDIA H100, averages \$30,000.<sup>11</sup> This cost is so significant that Andreessen Horowitz's research estimates that some companies spend up to 80% of their total capital raised on compute costs.<sup>12</sup>

The availability and cost of compute affect both established players and pre-seed AI startups though it has an outsized impact at the earlier stages. Sam Altman, CEO of OpenAI, described the computational costs of running ChatGPT as “eye-watering” – and it is estimated to cost approximately \$100,000 per day or \$3 million per month – to run on Microsoft's Azure Cloud.<sup>13</sup>

**The UK's public compute is not regarded as a competitive option for startups: we are falling behind.** According to the government's research: the UK went from third in global compute capacity in 2005, to 10th by 2022.<sup>14</sup> The UK did propose a few options that increase our compute power like the plans to achieve exascale compute capacity through the national AI Research Resource in Bristol and Dawn in Cambridge — but has also axed £1.3b in compute investment, including in Edinburgh.<sup>15</sup>

**We must improve the foundations which enable AI startups to thrive - data and compute.** Sifted put the need for compute best — “AI startups may be gobbling up capital... but they are even more hungry for compute power and data centres.”<sup>16</sup> Overwhelmingly, startups wanted one thing more than

<sup>11</sup>[https://www.hpcwire.com/2023/08/17/nvidia-h100-are-550000-gpus-enough-for-this-year/#:~:text=The%20flagship%20H100%20GPU%20\(14%2C592,based%20supercomputer%20called%20Shaheen%20III](https://www.hpcwire.com/2023/08/17/nvidia-h100-are-550000-gpus-enough-for-this-year/#:~:text=The%20flagship%20H100%20GPU%20(14%2C592,based%20supercomputer%20called%20Shaheen%20III)

<sup>12</sup> <https://a16z.com/navigating-the-high-cost-of-ai-compute/#:~:text=Again%20calculating%20only%20the%20compute.to%20reduce%20the%20training%20time>.

<sup>13</sup> <https://www.reuters.com/technology/booming-traffic-openais-chatgpt-posts-first-ever-monthly-dip-june-similarweb-2023-07-05/>

<sup>14</sup><https://www.gov.uk/government/publications/future-of-compute-review/the-future-of-compute-report-of-the-review-of-independent-panel-of-experts>

<sup>15</sup> <https://www.epcc.ed.ac.uk/whats-happening/articles/uk-exascale-comes-biq-step-closer>

<https://bmmagazine.co.uk/in-business/uk-government-cancels-1-3-billion-ai-and-tech-funding-amid-economic-tightening/#:~:text=In%20a%20significant%20policy%20shift,efforts%20to%20stabilise%20the%20economy>.

<sup>16</sup> <https://sifted.eu/articles/ai-startups-infrastructure-europe>

anything else when it comes to compute: access to cost-effective and readily available versions of compute infrastructure.

And they did not care who provided it – government, private companies, or otherwise – so long as the agreements were equitable. A market for compute exists, but some of the UK’s AI startups feel they need much more to compete internationally. **As such, we recommend and wait in anticipation for a “Multi-Year Compute Strategy” — which we believe needs to provide competitive and affordable access to compute so startups can playtest their ideas with updated infrastructure and capabilities.**

### **Regulation and competition**

This section answers the following questions:

- Where you identified barriers in response to Question 7 which relate to competition, what evidence can you share to illustrate their impact and what solutions could best address them?
- How can regulatory and competition institutions best drive market dynamism to boost economic activity and growth?
- Do you have suggestions on where regulation can be reformed or introduced to encourage growth and innovation, including addressing any barriers you identified in Question 7?
- How can international partnerships (government-to-government or government-to-business) support the Industrial Strategy?

### *Competition*

**Startups thrive on competition.** Startup Coalition surveyed investors on tackling anti-competitive behaviour with 80% either concerned or very concerned about incumbent companies making it harder for new entrants to break into markets.<sup>17</sup> But critically, this wasn’t just tech incumbents – most investors said that their companies were more likely to be competing with analogue incumbents, so it’s important that competition changes address challenges across the whole economy.

**Additionally, on acquisitions and exits, an overwhelming majority of surveyed investors felt regulators didn’t understand the importance of M&A to the startup ecosystem.** 90% of investors agreed that the ability to be acquired was very important to the health of the startup ecosystem. 50% of investors said they would significantly reduce the amount they invested in UK startups if the ability to exit was restricted, a further 22.5% said they would stop investing in UK startups completely.<sup>18</sup>

**Exit opportunities are essential to liquidity and the recycling of capital (through reinvestment) and talent across the ecosystem.** This ensures that there is more active human and funding capital available for the next wave of potential scale-ups. Many startup founders in the UK use exits with M&A to create two or three businesses or become investors in the ecosystem themselves. Alex Chesterman, for example, has used M&A exits to found Lovefilm (which exited to Amazon), Zoopla (which exited to private equity) and Cazoo. Therefore, rules around listings and competition policy at the CMA have a tangible impact on the scaleup ecosystem.

<sup>17</sup> [https://coadec.com/wp-content/uploads/2021/09/On-the-Side-of-Startups\\_-1.pdf](https://coadec.com/wp-content/uploads/2021/09/On-the-Side-of-Startups_-1.pdf)

<sup>18</sup> [https://coadec.com/wp-content/uploads/2021/09/On-the-Side-of-Startups\\_-1.pdf](https://coadec.com/wp-content/uploads/2021/09/On-the-Side-of-Startups_-1.pdf)

**The CMA crackdown on exits and transactions risks a real chilling effect on investment in the ecosystem - but just as critically could leave talent and capital tied up in companies instead of being put to their most efficient use.** The option of exit by M&A also appears to encourage initial investment into high-risk, or otherwise fledgling, startups: one study found venture capital activity grew by 40 to 50 per cent in countries that enact pro-takeover laws.<sup>19</sup> Additionally, M&A at the right time can be the precise reason a company is able to scale up and compete with powerful incumbents as well as access a larger market share, new talent or IP. Many in the community feel the CMA, in its interpretation of public interest, fails to factor in the consumer benefits of deals that make it possible to invest in infrastructure or scale to compete internationally. This has incentivised poor decision-making when it comes to tech.

### *Regulatory Innovation*

**The Regulatory Innovation Office is a make-or-break opportunity — it could become another layer of regulatory sludge that holds back industrial policy, or it could become an effective tool to whip our market into shape and incentivise innovation.**

**In order for it to truly succeed, RIO needs to be the portal for emerging technologies – a quasi-independent authority that feels entirely dissimilar to anything we have on offer.** Similar to how Ofsted grades education, RIO needs to be able to tackle startups' concerns, grade regulators on their effectiveness, and provide credible and effective policy steers for regulators. It cannot feel like another Digital Regulation Cooperation Forum, but rather a portal for nascent sectors to enter and thrive in the UK market sans regulatory hiccups.

Traditionally, startups have seen regulators and their enforcement as a hindrance to innovation, with complex, outdated, and inflexible processes — the RIO could flip that narrative and become a beacon for both the ecosystem and economic growth. **Following extensive engagement with startups, we will shortly be releasing a full set of recommendations on how to create a successful RIO, ensure it affects change, and future-proof it.**

### Place

This section answers the following questions:

- Do you agree with this characterisation of clusters? Are there any additional characteristics of dimensions of cluster definition and strength we should consider, such as the difference between services clusters and manufacturing clusters?
- What public and private sector interventions are needed to make strategic industrial sites 'investment-ready'? How should we determine which sites across the UK are most critical for unlocking this investment?
- How should the Industrial Strategy accelerate growth in city regions and clusters of growth sectors across the UK through Local Growth Plans and other policy mechanisms?
- How should the Industrial Strategy align with devolved government economic strategies and support the sectoral strengths of Scotland, Wales, and Northern Ireland?

<sup>19</sup> [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3072665](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3072665)

We support regional clusters that are focused on sectoral strengths, and see BBB playing a key role in this, alongside Local Growth Plans and better support for university spinouts. We will be releasing a report in December looking more deeply at access to finance for regional startups.

**We want to see Government funding and supporting successful programmes that are already being delivered by local groups involved in building startup ecosystems in the regions, rather than trying to recreate existing ones.** Local Growth Plans represent a unique opportunity for places to support their regional startup ecosystems by bringing together existing programmes under a local strategy. However, many places already have well developed plans for regional economic growth - the government should not make them replicate this with the addition of their stamp of approval, unless they have something to offer them. This could include additional data, synergies with the national industrial strategy, and policy that encourages investment into areas.

**We also need better rules around university spin-outs.** At present, spin-outs from the 'Golden Triangle' of Oxford, Cambridge, and London dominate when it comes to funding, but improving the way research is spun out in universities can be hugely beneficial for regional startup ecosystems. UK universities often retain ownership of a large percentage of the spunout company's equity - sometimes over 50% - leaving spinouts struggling to access the private investment they need to grow.

Now, 49 universities - around half the unis in the UK - have adopted standards allowing University technology transfer offices (TTOs) to still take up to 25% of a business. This is not good enough - because the percentage of stakes taken is still too high and because the terms that come with these agreements are swayed in the university's favour.

### Partnerships and Institutions

This section answers the following questions:

- How can the Industrial Strategy Council best support the UK government to deliver and monitor the Industrial Strategy?
- How should the Industrial Strategy Council interact with key non-government institutions and organisations?
- How can the UK government improve the interface between the Industrial Strategy Council and government, business, local leaders and trade unions?

**The Industrial Strategy Council (ISC) must reflect the businesses key to the success of the government's growth mission - startups.** The council must reflect the variety of technology businesses in the UK, whilst the chair Clare Barclay, CEO of Microsoft UK represents an important international tech company, she must be supported by some of the most successful UK startup founders who understand what it is like to grow a business and will be the drivers of growth into the coming decades. For example, we are encouraged by the appointment of Poppy Gustafsson as the Investment Minister. She should have a key role on the council given her governmental position, and her private sector experience leading Darktrace.

**Startup Coalition can support this engagement via our Unicorn Project which acts to ensure Unicorns are front and centre in the UK policy making process.** We will soon be releasing further information about the details and would be keen to ensure this can be complimentary to work of the ISC and dock in where appropriate. For example, producing regular updates for the council on the lived experience of UK unicorns, to be discussed during meetings.