

**Rt Hon Jeremy Hunt MP**

Chancellor of the Exchequer  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

24 January 2024

Dear Chancellor,

**Re: Supporting life science scale-ups in the Spring Budget 2024**

It was immensely encouraging to hear the pride with which you spoke of the UK life sciences industry when making your Autumn Statement announcements in November – highlighting, in particular, that British-discovered vaccines and treatments saved more lives across the world during the pandemic than those from any other country. It was even more pleasing this was backed up with concrete commitments to support research & development and help our industry to continue to drive growth for the UK economy.

More recently, I was delighted to hear Michelle Donelan outline the Government’s ambition to enable the scale-ups of the future through long-term planning and greater access of finance, specifically by matching US venture capital investment as a share of GDP by 2030.<sup>1</sup>

Recent data from the British Business Bank shows that all tech sectors except life sciences already match US levels of venture funding.<sup>2</sup> Despite the UK’s recognised strength in life sciences and some world-class life science venture capital firms like SV Health Investors and Syncona, our domestic financial sector – notably City institutions – is failing to invest sufficiently.

Addressing the funding gap for life sciences is where the Government should focus its efforts. Your ambitious Mansion House Reforms and initiatives announced by the Science Secretary, all underpinned by a stable and internationally competitive tax policy, can bring together the financial firepower of the City of London with the ingenuity and innovation of British science for the good of our nation’s health and wealth. These efforts must be focused to deliver impact and the life sciences provides the opportunity to achieve meaningful and demonstrable positive news in the year ahead, with companies developing cures for cancer and dementia ready to scale up if new private investment can be unlocked.

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<sup>1</sup> [Science, Innovation and Technology Secretary Michelle Donelan's speech at Plexal - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/speeches/science-innovation-and-technology-secretary-michelle-donelan-s-speech-at-plexal)

<sup>2</sup> [Small Business Equity Tracker 2023 \(british-business-bank.co.uk\)](https://www.british-business-bank.co.uk/small-business-equity-tracker-2023)

## **Pension fund reform and investment in science and technology: home grown scale ups fuelled by home grown funding**

Matching the US for levels of VC investment as a share of GDP by 2030 is the right goal, and we understand further announcements on pension fund reform are being prepared in support of this objective. We believe these reforms are important, and that maintaining momentum is key. As such, we would encourage you to continue to push, together with pension funds, venture capital investors, trustees, intermediaries and others, to deliver on the promise of the Mansion House Reforms. We have worked extensively with leading institutional investors, venture capital firms and representatives of other industries, such as the BVCA, to help shape the agenda and build momentum. Given the shortfall in VC investment is driven by an underinvestment in life sciences, it is imperative that life sciences – as a key driver of UK growth and an industry requiring significant investment expertise – continues to be central to your Mansion House agenda, in particular in the following areas:

- **The British Business Bank UK Growth Fund:** Here, speed and focus are key. We need to deliver quickly on the commitments made to capitalise on momentum and reassure existing and prospective market participants. It is also important to ensure that efforts are directed at the areas of greatest market failure: it is noteworthy that despite significant progress in the last 5 years, the UK underperforms in Life Sciences Venture Capital relative to the size of the economy – receiving only 60% of the investment of US comparators as a share of GDP.<sup>3</sup> This is despite figures for other sectors being closely comparable.<sup>4</sup> As such, continued engagement with life sciences investment experts is essential to ensure that this gap is bridged and that the UK's significant strengths are put in the service of UK growth.
- **Investment Compact for Venture Capital & Growth Equity:** We were delighted to see this second Compact announced with Treasury support ahead of the Autumn Statement. The BIA, through its chair and UK Government Life Sciences Investment Envoy Dr Dan Mahony, has played a key convening role in support of Government and industry activity. This has involved bringing together leading experts in UK life sciences VC, sharing insights and experience with one another, with Government officials from the Office for Life Sciences and Treasury, and with institutional investors to aid in building mutual understanding. The industry has specific characteristics, challenges and opportunities, which are best understood and articulated by those familiar with investment in the

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<sup>3</sup> The UK still underperforms in Life Sciences VC relative to its research capability, and on a GDP-adjusted basis only receives 60% of US VC [Small Business Equity Tracker 2023 \(british-business-bank.co.uk\)](https://www.british-business-bank.co.uk), p.52

<sup>4</sup> Over the period 2020-22, (Life Sciences) VC investment in the UK was equivalent to 0.15% of GDP, whereas in the US this figure was 0.26%. Therefore, on a GDP-weighted basis, the UK receives 60% of the Life Sciences VC investment raised by US companies. This gap also drives the overall difference in VC investment as a proportion of GDP between the two countries – across other sectors UK VC investment equated to 0.82%, in line with the US' proportion of 0.81% [Small Business Equity Tracker 2023 \(british-business-bank.co.uk\)](https://www.british-business-bank.co.uk), p.63

industry. As such, we believe it is critically important that the life sciences investment community is specifically and formally involved in the continuing efforts to deliver on both Compacts.

- **Venture Capital Fellowship Scheme:** The BIA fully supports the VC fellowship scheme and has been pleased to input to its design. The BIA, through its work with the Life Sciences Scale-Up Taskforce, has long been an advocate of such a programme. As noted above, our sector is currently underrepresented amongst investors, and yet offers an outsized opportunity for returns for the UK economy. Structured support for mid-career level VCs is a critical next step, building on the engaged and connected community we have been building. Led by Dan Mahony, we have a core group of expert investors on hand to ensure that the life sciences sector plays its part in nurturing the next generation of UK VC talent.
- **Long-term Investment In Technology and Science (LIFTS):** BIA and the Envoy have been encouraged by the progress made since the launch of the LIFTS competition, and look forward to the announcement of winners at the Spring Budget. This initiative has succeeded in concentrating minds on the unlocking and deployment of institutional capital into innovative tech and science companies, and the announcement of winners is an opportunity to build further momentum. We hope Government can use the successful vehicle as an exemplar of what can be accomplished, and actively encourage others to follow suit in the short term, building the critical mass required to drive market-based solutions to the UK's scale-up challenge.

## **R&D tax relief**

The UK's R&D tax relief regime underpins private investment in scaling life science companies. By retaining the research-intensive rate at the conclusion of the review into the R&D tax relief regime, you have continued the good work of successive governments in recognising that this relief is an effective way for government to co-invest in and support innovative industries of the future.

We continue to appreciate the engagement of your dedicated teams in Treasury and HMRC in ensuring that clear and timely guidance is made available to help companies plan; it is clear that we are in a significantly better position than a year ago. I would urge you, however, to again consider the headline rate in the research-intensive scheme.

The BIA is investing significant time and resources into building the evidence base for the economic case for this investment, and we look forward to presenting our work to your teams in the near future. In the meantime, however, it remains the case that the enhanced rate of 27p for every £1 invested in R&D is significantly lower than the 33p enjoyed pre-April 2023, and not as competitive as Australia (45p) or France (30p), which are seeking to attract our companies to their

shores. As such, in order to deliver on your ambition and provide effective, targeted support to highly innovative and R&D-intensive businesses that are building the industries of the future in the life sciences, biotech, AI, and engineering biology, we urge the reinstatement of the previous relief rate of 33p for R&D-intensive SMEs.

Yours sincerely,



**Steve Bates OBE**

Chief Executive, BIA

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CC: Rt Hon Michelle Donelan MP, Secretary of State for Science, Innovation and Technology  
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Kevin Hollinrake MP, Minister for Enterprise, Markets and Small Business  
Rosalind Campion, Director, Office for Life Sciences