

BIA submission to the Labour start-up review

August 2022



Summary

The life sciences and biotech sector plays a significant part in furthering many of the Labour Party's ambitions for the UK, including rebooting economic growth, providing high-wage jobs and levelling-up opportunities across all parts of the country, delivering Net Zero and improving the health of the nation. Our sector is reliant on innovation led by start-ups, which must progress through a long and expensive R&D and growth pipeline. Venture capital (VC) funding for the sector has grown in recent years to record levels, showing the strength of the industry, but it remains fragile and too reliant on overseas capital. This in turn stymies the development of a UK ecosystem that delivers economic and social benefits.

To address the market failures holding back life science and biotech start-ups, the next Labour government should:

- Maintain support for the British Business Bank and British Patient Capital but review their mandates to ensure they are able to be flexible and ambitious in supporting strategic industries of the future
- Expand the budget of Innovate UK and the Biomedical Catalyst to provide more innovation support to early-stage companies in strategically-important sectors
- Continue removing regulatory barriers to unlock pension funds to support the UK's innovative start-ups
- Increase the number and scale of UK-based VC funds, including encouraging UK financial institutions to allocate to the VC asset class, whilst continuing to support and attract foreign investors to the UK
- Maintain and enhance R&D tax credits by including capital expenditure within the scheme to incentivise pre-revenue companies to invest in capital equipment that would improve their productivity and anchor R&D and downstream manufacturing in the UK
- Maintain the Enterprise Investment Scheme (EIS) and Venture Capital Trust (VCT) reliefs to promote venture capital investment but refocus them on innovative and R&D intensive sectors that face the highest market failures for attracting investment
- Increase finance and business training in post-graduate courses to equip a new generation of entrepreneurs with the skills they need to start and grow businesses
- Standardise terms and conditions for technology transfer across the UK, mandate response times for deal making, and explore ways for Technology Transfer Offices (TTOs) to become matrixed to facilitate greater sharing of expertise across the TTO community
- Use public procurement to support start-ups by offering access to specific sub-projects, contracts and valuable data via competitions and tenders for parts of a new national offering to UK providers
- Enable start-ups across the UK, including in regions where they are under-represented, by using public investments in science and innovation to build on existing local strengths and capabilities
- Encourage UK institutions to invest in pre-revenue companies on the London Stock Exchange through engagement initiatives to ensure the UK public markets are a viable listing destination for UK companies
- Increase equality, diversity and inclusivity transparency in government funding and launch dedicated support programmes for women and people from ethnic minorities to start businesses

About the BIA

The BioIndustry Association (BIA) is the voice of the innovative life sciences and biotech industry, enabling and connecting the UK ecosystem so that businesses can start, grow and deliver world-changing innovation.

Established 33 years ago, BIA now has more than [490 members](#) including:

- Start-ups, biotechnology and innovative life science companies
- Pharmaceutical and technological companies
- Universities, research centres, tech transfer offices, incubators and accelerators
- A wide range of life science service providers: investors, lawyers, intellectual property consultants, and investor relations agencies

About the UK life sciences sector

We represent a growing industry of the future, one in which the UK truly leads the world, as noted in Keir Starmer's recent speech on the economy. Our members are largely focused on developing new medicines and improving healthcare, but many are applying the power of biology to other challenges, such as replacing fossil fuels and feeding the world without environmentally-damaging, intensive agriculture. The sector plays a significant part in furthering many of the Labour Party's aims, including rebooting economic growth, providing high-wage jobs and levelling-up opportunities across all parts of the UK, delivering Net Zero and improving the health of the nation. The strength of the sector is in part the result of the support received from successive governments over decades through well-targeted policy and regulation, including R&D tax credits and the Technology Strategy Board, now called Innovate UK, both introduced between 1997 and 2009.

There are 6,330 life sciences businesses in the UK, 85% of which are SMEs, employing 268,000 people, two-thirds outside London and the South East.¹ These companies combined generate a turnover of £88.9bn but many are pre-revenue, R&D-intensive businesses financed by venture capital.

Life sciences and biotech R&D is a long and expensive process. It typically takes over ten years to develop a medicine and have it approved by regulators. Non-medical products, like bio-plastics and agri-tech face similar timelines. Start-ups require significant venture capital investments to finance this activity (debt is not a viable financing source due to the risk of R&D/company failure and lack of assets to secure the loan). Without this equity investment, the UK's world-leading science cannot be translated into world-leading companies and products that deliver economic growth and societal benefits. We therefore welcome the Labour Party's focus on start-up financing and are grateful for the opportunity to contribute to this review.

BIA's full response

1. What more can we do to ensure new and growing businesses have access to capital, and in particular patient capital?

Current gaps

The BIA publishes annual and quarterly figures for investment in the UK biotech and life sciences sector². A record £2.5bn VC was invested into private UK biotechs in 2021, comprising 55% of total equity investment in the sector that year (the rest was sourced from public capital markets). The £2.5bn represented a 79% increase on

¹ OLS (2021), *Bioscience and health technology sector statistics 2020*: <https://www.gov.uk/government/statistics/bioscience-and-health-technology-sector-statistics-2020>

² BIA (2022), *UK biotech financing in 2021*: <https://www.bioindustry.org/policy/finance-tax-and-investment.html>

the total raised in 2020, and the average round size also increased from £8.8m to £22m. In our latest figures, for Q1 2022, £453m was raised in VC, which itself is the best first quarter we have recorded. Overall, this signals a very healthy environment for VC-backed biotech and life science companies in the UK.

However, there are two important caveats to this positive picture. The first is that the public markets on both sides of the Atlantic have been suppressed since Autumn 2021, with company stock prices significantly down and companies unable to raise fresh capital. Our most recent investment update, published in July, showed a 48% drop in VC investment in the sector between Q1 and Q2 2022, and investment in the sector is 50% down compared to the first half of 2021.³ This demonstrates the fragility of capital markets supporting the life sciences sector and could impact VC investment in the coming months and years, as venture capitalists will be more reluctant to invest in private companies without a route to launch on the public markets (an Initial Public Offering), which is where they recoup their investment. It may also impact VC funds' ability to attract investors, meaning there will be smaller and/or fewer VC funds in the years ahead.

The second caveat, which is chronic and structural to the UK, is that much of this investment is coming from overseas sources, predominantly the United States. This is especially true for the larger later-stage investments required to scale-up companies; of the 140 investors named in the 40 life sciences VC deals valued at £20m or more in 2021, 54% were US, and 27% were in the UK⁴. Although these foreign investors and their capital is very welcome and we must ensure foreign capital continues to flow into the sector, it poses two challenges for the UK ecosystem:

1. Companies and their staff will be more likely to move to the US to be closer to their source of capital; of the 40 companies that raised over £20m+, 24% had a Chief Executive Officer or Chief Financial Officer in the US, and 12% had both their CEO and CFO in the US (so over a third have a CEO/CFO presence in the US)
2. The dominance of overseas capital means a positive feedback loop is less likely to form, in which UK investors see financial returns and reinvest in the sector. Wealth-creation will occur overseas and the long-term sustainability of the UK ecosystem will be undermined.

For these reasons, it is crucial that the policies of the next Labour government are focused on increasing the number and scale of UK-based VC funds, including encouraging UK financial institutions to allocate to the VC asset class, whilst continuing to support and attract foreign investors to the UK.

Current institutions

The British Business Bank and its subsidiary British Patient Capital (BPC) are crucial pillars in the UK's policy support for the UK's VC ecosystem. BPC provides capital to VC funds that invest in life sciences businesses and, through the £375m Future Fund: Breakthrough programme, BPC is now investing directly in deep tech and life sciences businesses. The BPS's £200m Life Sciences Investment Programme, which is targeted to VC funds that invest in later-stage financing rounds (scale-up phase), appropriately reflects the scarcity of UK-based investors participating in these scale-up rounds, as described above.

Through these activities, BPC leverages additional private VC activity and also provides a source of capital uncorrelated with market conditions, which can be particularly valuable for innovative businesses when capital market conditions worsen (as we are currently observing). VC firms have reported to us a lack of responsiveness from BPC but our member companies have reported a positive experience with Future Fund: Breakthrough, to date. However, we do perceive a lack of flexibility and risk-taking in BPC's investment decisions and recommend

³ BIA (2022), *Biotech financing update, March 2022 – May 2022*: <https://www.bioindustry.org/policy/finance-tax-and-investment.html>

⁴ Unpublished BIA analysis of Pitchbook, available on request

Labour evaluates BPC's mandate to ensure it is appropriately aligned with an industrial strategy focused on supporting highly-innovative and disruptive businesses.

Most importantly, it is vital that a future Labour government maintains long-term support for BPC. Investing in life sciences requires specific expertise; BPC must be appropriately resourced to be able to operate with the knowledge and speed of private investors if it is to be an effective and complementary player in the UK VC ecosystem.

Another key institution for life sciences and biotech start-ups is Innovate UK. It provides R&D grants and guidance and support to companies to ensure they are able to innovate and bring their products to market. The UK's innovation agency provides grants intended to address market failures by supporting R&D that is too risky to be commercially viable for an SME. By de-risking pioneering technologies in the life sciences sector, grants plays a vital role in attracting much needed private investment and fostering growth. In the first 12 years since being established by the Labour government, Innovate UK generated up to £16 billion in Gross Value Added (GVA) for the UK economy and 70,000 jobs from investing £2.2 billion.⁵ The creation of the Advanced Research and Invention Agency (ARIA) is an exciting new and differentiated way to support the translation of research into public benefit by supporting R&D too risky for the private sector to develop alone.

Sector-specific grant funding from Innovate UK is a valuable tool for the government to support sectors identified as critical in an industrial strategy, without 'picking winners' by favouring specific technologies, approaches or companies. Unlike other funding streams, Innovate UK's Biomedical Catalyst (BMC) programme is only available to SMEs and funds ideas that companies have come up with themselves, regardless of what aspect of improving health they are aiming to target. This complements mission-based funding streams and provides a unique benefit to start-ups looking to fund their own ideas. It also targets the earliest phase of R&D, including translation of academic research, where there remains a funding gap. Recent independent analysis from IPSOS Mori showed the BMC, which has been operating with varied budgets for almost a decade, generates £4.72 in business value for money for every £1 invested. The programme leverages £5 of private investment for every £1 of public expenditure, vastly outperforming other public funding programmes which, on average, leverage £1.40 of private investment for every £1 of public investment.⁶ The next Labour government should commit to increasing the budget of both Innovate UK and specifically the BMC to support both mission-led and business-led innovation within start-ups.

Regulatory and policy changes

As already noted, it is crucial to the long-term growth and sustainability of the UK biotech and life sciences sector, as well as other innovative sectors reliant on VC, to increase the number and scale of UK-based VC investors. To do this, new pools of institutional capital must be unlocked to invest in new UK VC funds. Unfortunately, UK institutional investors, including but not limited to pension funds, in general are not attracted to riskier, high-growth industries. This is despite the returns it can deliver: a study by the British Business Bank found that a 5% allocation to VC could increase a 22-year old's retirement savings by 7-12%.⁷

Pension savers should have the opportunity to gain exposure to sectors that produce health and social benefits *and* deliver real asset value growth for their savings to provide a comfortable income in retirement. There is an added injustice here, as taxpayers are funding a welcome and unprecedented increase in government R&D spending, to create a science superpower, but those same taxpayers are not being given the opportunity to

⁵ Innovate UK (2019) 'Delivery Plan 2019', p.2: <https://www.ukri.org/wp-content/uploads/2020/09/INUK-250920-DeliveryPlan2019.pdf>

⁶ HM Government (2019) 'Biomedical Catalyst impact evaluation': <https://www.gov.uk/government/publications/biomedicalcatalyst-impact-evaluation>

⁷ Oliver Wyman and British Business Bank (2019), *Future of DC Pensions: Enabling Access to Venture Capital and Growth Equity* <https://www.british-business-bank.co.uk/research/the-future-of-dc-pensions-enabling-access-to-venture-capital-and-growth-equity/>

benefit from the financial upside of this science through their State-mandated defined contribution (DC) pension. As a result, much of the wealth created is being accumulated by overseas investors and the lack of a positive financial feedback loop will hamper UK start-ups' and scale-ups' ability to grow in the UK and create jobs and economic growth.

Australian and Canadian pension funds have structured themselves to be able to invest knowledgeably and successfully in innovative life science opportunities in the UK and Europe in the last decade. They have learnt how to invest in innovation and scaled to employ in-house experts to understand emerging areas of science and technology. It is the outdated UK pensions industry that is holding back the allocation from Britain's investors and savers into British growth companies to support the science superpower ambition and drive economic growth. Since the State now mandates citizens to invest in the UK pension industry for their retirement, the State has a duty to ensure that that industry is innovating to deliver the financial return citizens need, rather than passively taking a rental percentage from its State-guaranteed income. Teachers in Ontario and Brisbane invest in UK biotech stock as part of their diverse and growing pension portfolio, teachers in Ormskirk and Birmingham should be able to benefit from the same opportunity.

Multiple reports have pointed to regulatory barriers that prevent pension funds - especially DC schemes, which are fast becoming the main way most workers save for retirement - from investing in illiquid assets like VC⁸. The Financial Conduct Authority (FCA) and other regulators are making welcome progress changing regulation or providing clarity where misunderstanding of regulation was found to be a barrier. The Department for Work and Pensions (DWP) has also committed to amending the charge cap for DC pensions, which may be preventing allocations to VC funds, but progress is unacceptably slow. The charge cap and other regulatory barriers have been held up by the pensions industry as the reason they don't invest, so the Government's elimination of them is helpful to move us forward. There is also a need for greater transparency in pension funds' allocations to different asset classes, so that consumer choice can drive change. We welcome the DWP's recent consultation on increasing disclosure and believe a high level of granularity should be required from pension funds⁹.

Another barrier to unlocking institutional capital is that lack of interaction and understanding between large UK institutional investors and the UK's relatively under-developed VC industry. Even if regulatory barriers were removed to allow or even encourage UK pensions funds to invest in VC, they may choose to invest in the larger and more established US VC industry.

The BIA has studied the French Tibi Scheme and believe a similar approach could be taken in the UK to increase the interaction of institutional investors and VC funds, and channel any unlocked capital into the UK VC ecosystem.

The French government launched the Tibi Scheme in 2020 to address the lack of willingness among its own institutional investment community to invest in the French tech industry. The scheme, championed by President Macron, secured the commitment of institutional investors to invest €6bn into French tech companies by December 2022. It was delivered through strong political involvement and the appetite of French institutional investors to support the country's strategic interests. Crucially, government spending was not required.

Institutional investors agreed to allocate a small proportion of their funds to VC firms accredited through the scheme. The institutions were then brought together with accredited VC firms and allowed to make their own decisions on which VC fund to invest in. We believe that by creating this opportunity for conversation between the UK's institutional investors and VC funds, both can adapt their investment strategies to suit each other's

⁸ See for example: <https://www.bankofengland.co.uk/financial-stability/working-group-on-productive-finance>

⁹ BIA (2022), *BIA submission to the DWP consultation on facilitating investment in illiquid assets*: <https://www.bioindustry.org/resource-listing/bia-submission-to-the-dwp-consultation-on-facilitating-investment-in-illiquid-assets-pdf.html>

requirements and overcome the non-regulatory barriers to enable greater investment in VC. Such a scheme will need to be championed at the highest levels of government.

To date, 56 accredited investment funds have raised €3.5bn directly from Tibi investors, and a further €15bn from non-Tibi participants, demonstrating its success in facilitating large capital raises at speed from institutional investors within and outside the scheme. A similar approach in the UK could unlock even more, given the growing assets under management of the DC pensions industry.

2. Do we have the right incentives for growing businesses in the UK, and how do they compare to other countries?

R&D tax reliefs, introduced by Gordon Brown when he was Chancellor, are often cited by BIA members as the most valuable form of support for start-ups. Tax credits provide a minimal-bureaucracy system that rewards and amplifies companies' own investment in R&D, and leverages additional VC investment. Continuing them and ensuring they function as intended is critical to maintaining the UK's attractive fiscal environment for start-ups.

Strong evidence of the positive impact on business behaviour that R&D tax credits can drive has been found in the results of a quasi-experimental study by the Saïd Business School at the University of Oxford¹⁰. Before 2008, SMEs were identified as having 250 employees or less, but in 2008 this limit was raised to 500. This provided a cohort of companies (with a headcount of between 250 and 500) that overnight became eligible for the more generous SME scheme. In theory, nothing else should have changed, meaning the change in scheme was an isolated variable. Comparing the newly-classified SMEs on the more generous scheme to the companies that continued to be classed as large, the researchers found that those now in receipt of a more generous R&D tax credit increased their R&D investment by 33%. The more generous R&D tax credit reduced the cost of doing R&D for the company by 22%, so the increase of 33% investment represents incentivised behaviour change, not just reallocation of funds. Furthermore, companies invested £1 for every £1 foregone in tax to the Exchequer, so the policy was cost neutral. R&D-intensive companies and young firms responded most strongly to the tax change. The next Labour government should maintain and enhance R&D tax credits, for example, by including capital expenditure within the scheme. The UK currently has no incentives for pre-revenue companies to invest in capital equipment that would improve their productivity and anchor R&D and manufacturing in the UK. Including capital expenditure within R&D tax credits would address this.

The tax-advantaged Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCTs) have underpinned the increase in early-stage venture investment across a range of sectors in the past decade. Changes in 2015 to introduce the Knowledge Intensive Company (KIC) definition appropriately targeted these incentives to sectors like the life sciences that face higher barriers to attracting investment.

Due to the £20m cap (for KICs) on the company lifetime fundraising amount that is eligible for tax relief, these schemes support the earlier stages of VC financing in the life sciences sector. The long and expensive R&D and regulatory process for medicines means the life sciences sector uniquely requires much greater sums of capital before reaching market and generating revenues than other sectors. As such, the £20m limit places a limit on the usefulness of EIS and VCT for life sciences compared to other less capital-intensive sectors. Increasing it, to perhaps £50m, would help drive more capital into the sector.

¹⁰ Irem Gucer and Li Liu (2019), *Effectiveness of Fiscal Incentives for R&D: Quasi-experimental Evidence*, American Economic Journal: Economic Policy 2019, 11(1): 266–291 <https://pubs.aeaweb.org/doi/pdf/10.1257/pol.20170403>

There is currently a sunset clause in place in relation to EIS and VCT, which means that without UK Government and EU approval¹¹, this relief will cease to exist from 6 April 2025. These schemes must be continued past this point and Labour could take this opportunity to review whether they are appropriately targeted to sectors that face the greatest market failures for availability of capital and whether sector-specific limits should be increased.

3. Do universities have the right skills, structures and incentives to allow them to successfully spin out and grow businesses?

The UK's world-leading universities are an asset that the next Labour government must nurture. They provide the bedrock of science that innovative industries like life sciences are built upon, driving the creation of high-wage jobs and economic growth.

The UK has historically lacked the entrepreneurial culture seen in the United States, which saw university researchers kick-start the biotech industry in California and Massachusetts in the 1970s and 80s. However, there has been a significant change in mindset within UK academia, especially among early-career researchers, who are excited by the prospect of setting up their own company or working for a start-up.

Unfortunately, many are not being equipped with the right financial and business skills through their academic training. University post-graduate courses should place greater emphasis on this, and Innovate UK and other government agencies can also play a role in providing leadership training and support to those looking to start businesses. Crucially, these should be sector-specific, as generic programmes fail to provide the skills needed to succeed in fast-moving industries. This can be tied to an industrial strategy to support growth in strategic sectors.

Technology transfer is the vital process of turning scientific research into products and services for economic and social benefit. It is also a key part of generating a return on investment for governments who fund research, through the creation of tax-paying companies and jobs. Prior to legislation in 1985, management of intellectual property (IP) originating from publicly-funded research and technology transfer was, to a large extent, centralised through government agencies. Through the 1980s, institutions gained responsibility and established their own technology transfer offices (TTOs). Specific funding was subsequently awarded from central funds to such transfer activity (currently via Research England). Since the change in legislation, TTO numbers have grown rapidly with individual offices becoming sizeable and sophisticated. Many leading centres have matured to the point of having linked (or their own) venture funds that invest in university spin-outs.¹²

However, there is significant variability in the way TTOs operate and their effectiveness. There are some positive performers in the UK, with great expertise and business-like approaches to licensing and contracts, ensuring the spin-out process is collaborative and proceeds with minimal friction between parties. However, others can make the spin-out process or licensing transactions costly and drawn-out affairs, which in turn puts off entrepreneurs and investors alike. Universities and their TTOs over-valuing IP – by not appreciating the significant downstream investment required to commercialise IP – is a common problem. This may be down to a lack of scientific, technical or legal expertise, a lack of resources, and aggressive demands for equity and control in companies for fear of losing out on potential future profits, should the IP prove immensely valuable in the future. Our members report that UK universities make more unreasonable demands, including taking more equity in spin-outs, than their US counterparts, and this is supported by the data¹³. At worst, the drive for TTOs to become self-fulfilling

¹¹ EIS and VCT reliefs are notified EU State Aid due to their UK-wide application. Under the Northern Ireland Protocol, the UK Government must seek approval for any State Aid provided in Northern Ireland.

¹² For example, Imperial Innovations and Cambridge Innovation Capital

¹³ Oxford Insights (commissioned by the Department for Culture, Media and Sport) (2022), Understanding UK AI R&D commercialisation and the role of standards: <https://www.gov.uk/government/publications/understanding-uk-ai-rd-commercialisation-and-the-role-of-standards>

profit centres, rather than facilitators of innovation, risks wider social and economic benefits of research never being realised.

TTOs are currently arranged, in the main, by institution. There should also be a standardisation of terms and conditions, and requirements on response times, to create consistency and speed up the spin-out process. Labour should explore potential routes for TTOs to become, not centralised, but matrixed. There could be greater sharing of expertise across the TTO community; if there is expertise in one technology in one location it should be made available to others needing help in that technology area. All this should be done with the aim of ensuring the societal and economic benefits of taxpayer-funded research are not held back due to the limits imposed by individual institutions. UK Research and Innovation (UKRI), which is already bringing together a complete picture of research and IP within its funded institutions, would likely play a key role in providing a more consistent approach across the UK and in the interests of the whole UK.

4. How do we improve access to public procurement for start-ups?

The public sector has a powerful shaping role to play in the development of key strategic industries for the UK, including life sciences and biotech. While it is right that public sector procurement opportunities should be open to companies from around the world, many of our smaller members feel they are not equipped with the capacity to compete on a level playing field and that they do not get the same access to key decision makers and contract opportunities as large multinational businesses. Additionally, in some cases, competition comes from the UK public sector itself – either via weaker academic offerings, non-profit subsidised spinouts or a fabric of national infrastructures promoted worldwide as competitive to one another and domestic industry alike.

The next Labour government should use public procurement to support start-ups by offering access to specific sub-projects, contracts and valuable data via competitions and tenders for parts of a new national offering to UK providers. In doing so they should:

- avoid high-risk, high-cost public sector re-creation of existing industry class products and services
- increase the global profile and capability of UK SMEs
- leverage national and international investment in contracted UK SMEs
- anchor SMEs and their technologies in the UK
- show the value of UK data as a Sovereign asset
- actively measure successful engagement with SMEs and translational output
- engage directly with SMEs when setting the strategy and conceptualizing new initiatives and establish SME advisory boards for government agencies, such as NHS Transformation

5. How do we ensure we have a better geographical distribution of start-up high-growth businesses across the UK?

The UK has clusters of scientific and technological strengths across the country from which start-ups emerge. This is true for life sciences and biotech, as well as many other industries. London, Oxford and Cambridge play host to world-leading universities that have created new companies and attracted others to co-locate. But after London and the South-East, the North West is the third most concentrated area for life sciences jobs. Pioneering efforts by Eli Lilly in the early 80s resulted in large scale production of recombinant insulin and human growth hormone there, and, the past decade, the region has witnessed significant investments, including Allergan's Biologics R&D Centre of Excellence. In the North East, Fujifilm Diosynth Biotechnologies manufacture complex

biological molecules in Stockton-on-Tees. During the pandemic, life science companies from Wrexham to Stirling were involved in the production of vaccines.

Our sector's heritage shows that when done well, public investments in science and innovation can deliver long-term prosperity in regions if it builds on existing local strengths and capabilities.

6. Should we be encouraging more firms to list in London? If so, how?

As the UK life sciences sector matures, scale-up capital is becoming more critical and a lack of it is holding back growth and global expansion of UK businesses. Public markets are traditionally where companies can access large amounts of capital to scale-up. As described in answer one, investment is largely coming from overseas, which is a vulnerability for our domestic sector and means value is not being captured in the UK. Companies are increasingly looking to NASDAQ in New York for capital or being sold to larger business before their full potential can be realised, adding a further pull to move operations across the Atlantic, to the possible detriment of the UK science base, societal benefits and our economy.

Increasing the availability of UK-based VC for start-ups and scale-ups should be Labour's primary objective. However, creating a well-functioning public market, that is attractive for life science companies to list on, should be a long-term goal to secure a sustainable UK ecosystem for innovation and commercialisation.

We do not recognise the London listing rules as the reason companies look to NASDAQ. Life science companies require large sums of capital and AIM is not able to provide that currently, meaning they must go to NASDAQ. London does not have a large enough community of investors willing to back pre-revenue life science companies nor the analyst coverage to drive trading, resulting in poor liquidity and unfavourable fundraising conditions. This is the result of UK financial institutions not investing in the UK's life sciences sector. Our most recent analysis of investor activity on the London Stock Exchange found that North American and European investors were the largest net buyers of life sciences stocks in 2021 (with a combined net inflow of £854m), whereas UK institutions were net sellers (outflow of £415m).¹⁴ Increasing the appetite of UK institutions for innovative and pre-revenue companies will increase the quantum of capital through the London Stock Exchange and thus its attractiveness as a listing location. The approach modelled on the Tibi scheme proposed in our answer to question one is intended to have this effect, primarily to drive venture capital investment but also through the public markets.

7. How do we ensure that women and people from ethnic minorities can access the finance, support, and networks necessary to successfully start businesses?

The BIA is currently undertaking a quantitative and qualitative benchmarking exercise to determine the levels of equality, diversity and inclusion within our industry, but we know that it is not as good as it should be. Like many industries, the founders and leaders of life sciences businesses are overwhelmingly white and male.

Industry associations have an important role to play in providing networks and support for women and people from ethnic minorities interested in starting businesses and rising to leadership positions. The BIA has been running our Women in Biotech series¹⁵ for over ten years, providing inspirational events and networking opportunities, and we are about to launch a mentoring programme. We also have a partnership with

¹⁴ Radnor Capital Partners (2022), *UK Listed Biotech & Life Sciences 2021 Review – A game of two halves*: <https://www.bioindustry.org/static/6f98cc20-7c6d-4178-b7b235f0380b977d/RCP-BIA-Review-January-2022.pdf>

¹⁵ <https://www.bioindustry.org/skills/women-in-biotech.html>

in2science¹⁶, which is a charity that aims to increase opportunities for young people from disadvantaged backgrounds to access careers in Science, Technology, Engineering and Maths (STEM); we encourage our member companies to offer work placements to their network.

Through the British Business Bank, Research Councils, Innovate UK and many other agencies, government provides valuable financial and other forms of support to people of all backgrounds to start and grow their businesses. Access to these and application review may not always be on a level playing field. The next Labour government should encourage consistent collection and reporting of diversity data for funding schemes across government agencies to facilitate transparency and allow improvements to be made. Additionally, competition funding panels should include a diverse cross-section of expertise. It is then also necessary to implement specific programmes, or streams within programmes, targeting under-represented groups, which can give prominence to the support available and encourage engagement.

For any further information on the contents of this submission please contact Dr Martin Turner, Head of Policy and Public Affairs, by emailing mturner@bioindustry.org

¹⁶ <https://in2scienceuk.org/>