bvca
Invested in a better future

Manifesto for Growth

May 2024

Foreword

The forthcoming General Election will be framed against a backdrop of several years of challenging economic conditions. Whoever forms the next Government, their paramount mission must be to return the UK to economic growth, boosting incomes, and ensuring economic stability. Increasing investment in the UK economy, both for the short-term and sustainably over the long-term, will be central to this.

Private capital stands ready to help the UK economy grow. But we need the right policy environment. Investors support businesses over the long-term, helping to develop and build companies that are resilient and sustainable. To encourage investors to put more of their money in the UK, it is vital that whoever wins the next election shapes the environment. This BVCA Manifesto contains ideas both bold and simple that will unleash private equity and venture capital investment in the UK, injecting much needed capital and innovation into businesses across sectors and the nation.

Our calls to action are firmly guided by principles which will ensure that the UK policy environment is fit for purpose for investment. Investors and their portfolio companies must have confidence that the economic policy environment is stable and predictable.

The guiding principles of this Manifesto, and indeed the four 'investment tests' for the next UK government, are:

- **A stable economy**, with macro-economic conditions conducive to investment and growth.
- **World-class regulatory standards** which are applied proportionately and do not disadvantage businesses seeking private capital investment.
- **Support for an investment ecosystem** that attracts global investment talent and maintains the UK's competitive advantage in private capital.
- **Predictable policy frameworks** that provide confidence that investment in different sectors of the economy today will be supported and taxed consistently throughout the holding period.

These four principles frame our calls for action in this Manifesto. Through these principles, the measures set out in this document can help achieve stable foundations for growth and unlock innovation that allows businesses to grow and develop sustainable products and services for the future. They will help ensure that businesses across all nations and regions of the UK can access investment alongside the skills and talent they need to thrive.

The challenge facing whoever forms the next government is significant. We know there are no easy answers to the problem of delivering growth over the long-term. However, the prize for achieving it is substantial. With the right policy and economic environment, private equity and venture capital can be a major partner for growth in the UK. We look forward to working with government, policymakers and partners, and stand ready to play our part.

Michael Moore
Chief Executive, BVCA

Executive Summary

The private equity and venture capital (private capital) industry is a key partner for driving UK economic growth. Already backing businesses that contribute 6% of UK GDP, the industry has a stock of £145bn that is expected to be invested in the next 3-5 years. If we can attract this capital to the UK, we can drive economic growth.

As we approach the General Election, getting the right policies in place to maximise the industry's investment in UK businesses can help these businesses to grow, enhance productivity, and create the good jobs that the UK desperately needs.

These policies must be guided by overarching principles which promote the UK as an international destination for investment.

It is vital that policies and regulation are guided by the principles of a stable economy, world class standards that are proportionally applied, competitive advantages to maintain scale and breadth of talent, and predictable policy frameworks for growth sectors.

With an investment ecosystem guided by these principles, the private capital industry stands ready to help the UK achieve the growth it desperately needs. This Manifesto outlines six areas of opportunity for the next Government to bolster economic growth and attract inward investment through private capital in the UK.

Stable Foundations for Growth

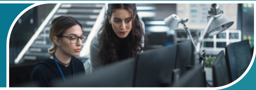
Investing Pensions for Growth

Future-proof the Economy for Growth

Innovation for Growth

Financial Services Sector for Growth

Workforce for Growth



The opportunities for reform offer solutions, guided by principles for competitive investment, that will benefit the UK economy, across regions and sectors by making the UK the best place in the world to start and grow a business. Ahead of the next General Election, this manifesto sets out the policies that the BVCA believes should be implemented by whoever forms the next Government.

Ten opportunities for an investment environment that is fit for purpose

This manifesto sets out the detail of a range of opportunities for the next government to improve growth in the UK economy.

1

A stable and competitive tax framework.

It is essential to retain a tax environment which builds confidence and enables private capital investment to flourish. A consistent and competitive regime which incentivises this long-term capital investment in businesses must remain a cornerstone of the UK's tax regime.

2

Clear direction of policy set out in a single 'Economic priorities programme'.

Predictability across strategically important sectors makes it easier to plan. A single, easy to reference, programme which sets out overarching sectoral policy frameworks, alongside certainty in the implementation of the law, and fewer political fiscal events, is key for investor confidence.

3

A pensions investment roadmap for increased investment and higher returns for savers.

Harnessing productive UK assets and bolstering returns to pensions savers through mobilising pensions investment into private capital is vital. There should be a roadmap, published by Spring 2025, to build on the work of the BVCA's Pensions and Private Capital Expert Panel, and outline the steps expected from both pensions and private capital sectors to enable this.

4

Consolidation of fewer, larger pension schemes.

Government-backed action is needed to increase pension schemes' ability to deploy capital into UK businesses through UK private capital funds. This should involve the creation of Collective Defined Contribution Schemes, increasing the ability of UK pensions to allocate capital to regional funds, and implementation of a value-for-money framework to support UK-based venture capital and growth equity fund managers.

5

A clear Net Zero Blueprint.

Plans should include specific commitments and actions on public investment and policy including planning and fiscal arrangements in priority areas. This is vital to ensure that investors have confidence in the long-term financial viability of investments, but will also help coalesce funding around solutions that are key to the green transition.

Ten opportunities for an investment environment that is fit for purpose

This manifesto sets out the detail of a range of opportunities for the next government to improve growth in the UK economy.

6

Measures to address the scale up gap.

Government should increase funding for key investment funds that facilitate later stage funding, lift limits on tax relief schemes to enable VCs to invest in later stage regional funds, and unlock domestic institutional capital to invest in later rounds.

7

An R&D strategy that includes expanded R&D tax credits.

The next Government must help to strengthen the UK's domestic pipeline of businesses by providing a long-term R&D strategy, and expanding government incentives which support groundbreaking ventures. These incentives should include R&D tax credits that allow research-driven companies backed by private capital to reinvest in their future growth.

8

Increased resources for regulators.

Regulation must be able to keep up with the pace of technological change. Government funded regulators should have funding that is fit for purpose given changing economic, societal and technological demands, alongside a commitment to annual, inflation-linked budget increases.

9

Improved public infrastructure and an efficient planning process.

Investment opportunities, especially outside London and the South East of England can be bolstered through measures including stronger powers for the National Infrastructure Commission, reform of planning laws and building capacity in the planning workforce.

10

Ensure SMEs can recruit overseas talent alongside skilled UK workers.

The process for SMEs and start-ups to recruit overseas talent must be streamlined. Visa schemes and tax rules for recent arrivals need to be simple and attractive internationally. There should be clear criteria for recruiting talent into SMEs, that recognise the role of venture capital and growth equity.

Introduction

The private equity and venture capital (private capital) industry is an indispensable partner for UK economic growth, standing as it does at the unique intersection of deploying capital, investing for the long term and helping to shape the strategy of the British businesses it invests in. In 2023 alone, it directly supported 12,000 businesses, generating 2.2 million jobs and contributing 6% to GDP across all sectors.

From global capital firms that invest around the world in some of the largest businesses, to UK facing mid-market growth equity firms that help domestic businesses expand, and venture and early-stage investors who back the UK's most exciting start-ups, private capital efficiently allocates capital to solve new and established policy challenges, supporting innovation, talent, competitiveness and sustainability, while investing nationwide. Private capital firms support businesses across all sectors and in all regions of the UK; 140,000 people work in the private capital ecosystem in the UK, including in the wider legal and financial services sector.

As the UK General Election approaches, businesses, investors, and the public alike will be looking to the next Government to set out plans to instil confidence, provide prosperity through innovation and investment, and meet the challenges of the future.

In order for the UK to retain its global position as a home for investment, government policy and regulation must be guided by four key principles. Ensuring a stable economy, world class regulatory standards proportionally applied, competitive advantages to maintain scale and breadth of talent, and predictable policy frameworks for growth sectors. Through an investment ecosystem which abides by these principles, global capital will remain attracted to the UK and UK firms will be able to seize productive investment opportunities.

What unites private capital investors is their active ownership model: investing over the long term, growing businesses, delivering economic and social value to those employed and in wider economies and building stronger, more resilient operations. BVCA data shows that the average investment period is five and a half years, in contrast to 5.5 months in public markets. Over half of UK businesses backed by private capital firms in 2022 were receiving their second or subsequent investment, demonstrating an ongoing commitment and enabling these businesses to make acquisitions, invest in new infrastructure or expand overseas.

In 2022, private capital firms in the UK raised a record £70.2bn, which brings the stock of available capital managed from the UK to £145bn. This is known in the industry as 'dry powder' and is expected to be invested over the next 3-5 years to help businesses innovate and grow.

Capital is mobile. To drive economic growth, we must bring that capital here, both by encouraging the global investors to put their capital in UK funds and by ensuring that investors have the confidence to invest in UK businesses.

The private capital industry stands ready to help the next Government achieve the economic growth it desperately needs. Drawing on consistent and long-term engagement with our membership, we put forward our BVCA Manifesto for Growth which outlines six areas of opportunity for the next Government to bolster economic growth and attract inward investment through private capital in the UK.

Stable Foundations for Growth

To provide predictability and confidence for investors and businesses

Britain is a great place to invest, we could make it even better. When we surveyed BVCA members, just 3% of respondents said that it is harder to execute investments in the UK than in other countries they invest in, compared to 35% who said it is easier. The barriers investors face in finding investments and deploying capital are in large part the barriers the UK itself faces in achieving sustained economic growth.

Confidence in macro-economic conditions is paramount. Uncertainty and unpredictable changes of policy damage the confidence of investors and create problems for the UK businesses they invest in. Whoever wins the next General Election must make it easier for investors to plan with confidence by giving clear signals about their priorities and direction of travel. BVCA members do not need a government to 'pick winners', but they would welcome a single strategy that makes clear the broad direction of travel.

To provide predictability and confidence for investors and businesses, the BVCA calls for:

- **A clear direction of travel across strategically important sectors** makes it easier to plan. A single source document, such as an "Industrial Strategy" which sets out overarching sectoral policy frameworks and relevant timeframes, is key for investor confidence.
- **There should be fewer Budgets and fiscal events.** Political parties should commit to holding just one Budget per year with an exception for crisis situations (independently defined by the OBR). Regularly seeking to make significant changes to our tax system in order to grab headlines does not drive investor confidence.
- **Stability and certainty in the implementation of tax law.** Changes to policy and interpretation, as well as to the law itself, need to be clearly signalled, consulted upon, and never imposed retrospectively. The UK's reputation for consistency and fairness in our government institutions is one of our strongest selling points in the international business community, and we endanger this reputation at our peril.

Investing Pensions for Growth

To harness productive UK assets and bolster returns for pensions savers

To drive economic growth and improve the retirement prospects of UK savers in this uncertain economic climate, the UK desperately needs greater levels of investment by UK pension funds into private capital. This can then be invested into UK businesses, boosting economic growth whilst delivering higher returns for savers.

As a recent average, pension funds from around the world invest 16 times more capital than UK pension funds into UK private capital. BVCA data shows that the private capital industry has continuously provided stronger returns than the public markets. Investors in private capital have earned up to 41% more than an equivalent public equity investment since 2001 and this is net of any difference in fees. Overseas pension savers are reaping the rewards of UK private capital returns whilst UK savers continue to miss out. And UK businesses face significant challenges accessing funding, and often look overseas for expansion and growth capital.

The private capital industry is doing our part to address these issues through the BVCA Investment Compact for Venture Capital & Growth Equity (the "Compact") signed by over 100 UK venture capital and growth equity fund managers who have committed to developing a constructive working relationship with UK pension investors.

To begin investing pensions for growth, the BVCA calls for:

- **A new pensions investment roadmap to be set out by Spring 2025**, outlining the steps expected from both pensions and private capital sectors to enable increased investment and higher returns for savers. This should build on the work of the BVCA's Pensions and Private Capital Expert Panel which is likely to lead to proposals for legislative and regulatory reform.

- **DC schemes to increase their focus on overall performance rather than purely cost.** Alongside the PLSA and ABI we believe that helping DC decision makers to look at overall performance would encourage investment in higher performing private capital funds. This includes ensuring that the existing Value for Money (VfM) requirements for trustees are appropriately scrutinised and that the new VfM framework applies to both TPR and FCA regulated firms in the same way.

Investing Pensions for Growth

To harness productive UK assets and bolster returns for pensions savers

- **Government backed action to encourage consolidation in the pensions industry** into fewer, larger schemes to increase pension schemes' ability to deploy capital into UK businesses through UK private capital funds:
  - Legislative and policy changes, including further consolidation of DB, LGPS and DC pension schemes, the creation of Collective Defined Contribution schemes and the rapid implementation of an effective VfM framework.
  - The Government should facilitate investment structures that help UK DC pension funds invest in private capital, enabling them to diversify, address operational challenges and to allow schemes to partner with experts in illiquid fund management and VC manager selection. The pensions investment roadmap should clearly set out steps needed to create a fund of funds vehicle, focused on venture and growth capital investment.
  - Protect and increase the ability of UK pensions, LGPS especially, to allocate capital to smaller, regional private capital funds, backing a growing eco-system of strong UK based venture capital and growth equity fund managers.
  - Enable further diversification of capital investment by introducing more flexibility in capital requirements and unit linked investment rules, to unlock capital for long-term investment in UK growth companies.
- **Facilitating access to UK private capital funds for retail investors.** Sophisticated investors such as entrepreneurs and family offices often prefer to invest in EU or US rather than UK structures. The UK should make legislative and regulatory improvements to help attract such retail investors into UK private capital funds.
- **Increase investment opportunities through expanded Government support for the British Business Bank**, with new vehicles for pension investment and more funding for programmes that support emerging managers, growth deals and growth funds, as well as expanding its remit to invest in growth equity funds which take a majority stake in a business.

Future-proof the Economy for Growth

To realise a sustainable and prosperous future for all UK nations and regions

Nine out of 10 businesses supported by BVCA members are SMEs, making private capital well placed to both drive the transition towards Net Zero and encourage regional economic development in areas of the economy that public markets cannot reach. The private capital model allows BVCA members to play a leading role in ensuring firms adapt to global climate realities, embedding environmental and social considerations into businesses across the UK.

Simultaneously, UK companies need to be competitive regardless of their size and location, and policies which seek to encourage regional development and prompt the energy transition must consider competitiveness at every juncture, alongside how to incentivise capital allocation and expertise. The UK needs proportionate sustainability regulation that supports private capital investment and its portfolio companies, retaining our position as a world leader on green finance and the Net Zero transition.

Similarly, SMEs, whose primary focus is to grow their business, must not be overburdened. Resources that enable SMEs to understand and execute decarbonisation will be crucial to this process. Current guidelines and reporting remain elusive with lengthy time-horizons, instead of catalysing meaningful change.

The length of time it can take to get planning permission for facilities such as factories and laboratories adds further uncertainty for those looking to invest across the UK's nations and regions. In many cases, their plans are also vulnerable to planning delays affecting other necessary infrastructure, from the grid to transport to housing. Although over half the UK businesses invested in by the private capital industry are based outside London and the South East, investment in regional businesses could be even higher with improvements to infrastructure and planning decisions.

To future proof the economy for growth, the BVCA calls for:

- **Unlocking private capital for the energy transition and social agenda.**
  - Develop a Net Zero Blueprint, setting out clear commitments and actions on public investment and policy including for sectors with clear planning and fiscal arrangements in key areas. This is vital to ensure that investors have confidence in the long-term financial viability of investments but will also help to coalesce funding around the technology best able to drive the green transition.
  - Provide public backed guarantees and blended finance approaches to help derisk and crowd in private investment into nascent green technologies.
  - Support the flow of capital into UK businesses by helping to define the UK as a Centre of Excellence for Impact Investing.
  - Incentivise private capital to invest in sustainable solutions and services which increase public well-being and improve the quality and capacity of public services.

Future-proof the Economy for Growth

To realise a sustainable and prosperous future for all UK nations and regions

- **Incentives and support for SMEs to work towards Net Zero targets while allowing them to grow.**
  - Define what Net Zero means for SMEs and what 'good' looks like, and establishing a 'one stop shop' for the resources, skills, guidance, and approaches needed.
  - Incentivise decarbonisation progress through mechanisms such as tax breaks for those that make meaningful progress to the global race to Net Zero.
  - Shorten time-horizons and implement voluntary targets set for SMEs to enable businesses to decarbonise step-by-step.
- **The implementation of proportionate, interoperable, and principles-based sustainability regulation**, working in tandem with industry.
  - Ensure Sustainability Disclosure Requirements continue to be implemented in an 'interoperable', proportionate fashion that focuses on materiality and facilitates accurate disclosures, rather than encouraging 'green-hushing'.
  - Ensure sustainability regulation sets the required guard rails to prevent 'green washing' but not encouraging box ticking and immaterial data reporting.
  - Introduce materiality thresholds within sustainability regulation and disclosure legislation to reduce the burden on smaller business and prioritise areas that will have the greatest impact. Even regulation designed for larger companies can impact SMEs by filtering through the supply chain.
  - Build on private capital industry-developed best practice and guidance on decarbonisation and climate change, to standardise approaches and increase meaningful, data quality and transparency.
- **A commitment to improving public infrastructure and speeding up the planning process** to bolster investment opportunities, especially outside London and the South East.
  - Give stronger powers to the National Infrastructure Commission to ensure a clear roadmap around projects like HS2.
  - Remove greenfield status as a block on major manufacturing and other job-creating sites where there is insufficient suitable brownfield land.
  - Change planning laws to make it significantly quicker and easier to build both the facilities and the supporting infrastructure that enable investment and job creation.
  - Invest in training and recruiting a significant number of additional planning officers so that a lack of basic planning capacity is no longer a constraint on approvals.

Innovation for Growth

To encourage entrepreneurship and strengthen the SMEs who make up the backbone of the economy

The stronger the UK's domestic pipeline of promising businesses, the more the country will attract private capital firms to invest.

While the UK has a strong funding ecosystem at the early stage, the 'scale-up' stage of VC investing often prompts UK companies to seek investments from the US and elsewhere. Innovative UK businesses need this capital to create large-scale, independent, businesses, but relying on foreign investment to scale-up UK companies exposes the UK to geopolitical risk and fluctuations in global capital allocations.

The UK should be the best place to both start and scale a business. That means protecting our world class universities, having investor support for spin-outs and encouraging a greater appetite for risk taking at later stages to ensure companies can scale in the UK.

The UK has a strong track record in science and technology research but loses out on opportunities when companies move overseas, taking intellectual property, quality jobs, and innovation with them. Other issues related to lack of infrastructure further inhibit the UK from being a global scale-up destination for the largest tech companies.

To encourage UK innovation for growth, the BVCA calls for:

- **Supporting the appetite to grow truly global businesses**, by:
  - Increasing funding for programmes such as British Patient Capital and Future Fund: Breakthrough, which have already been successful in scaling later stage funding rounds for UK tech companies.
  - Lifting the EIS Knowledge Intensive Company upper limit from £20m to £30m so R&D intensive IP rich companies in sectors such as biotech and deeptech can continue to raise capital after hitting the current ceiling.
  - Raising limits placed on EIS and VCT funds to access the schemes because regional funds take longer to reach the stage when they are able to receive institutional investments from VCs. Regional EIS and VCT funds in particular are often constrained by restrictions such as the 7-year rule.
  - Unlocking domestic institutional capital (from DC pension schemes and insurance companies) for investment into UK funds and later investment rounds, and addressing issues around investment culture.
- **A comprehensive, long-term, properly funded Government R&D strategy with expanded R&D tax relief to incentivise genuine innovation and pioneering investment in the UK.** R&D tax credits allow research-driven companies backed by private capital to reinvest in their future growth, but the UK's regime isn't as attractive as those of international competitors, and the process for obtaining these credits is too slow. The UK must strengthen and solidify its offer by including long-term public funding commitments and intensity targets.

Innovation for Growth

To encourage entrepreneurship and strengthen the SMEs who make up the backbone of the economy

- **Reform of the tax rules that treat PE-backed SMEs as large companies.** Many tax rules treat businesses differently depending on their size, for instance corporation tax (CT) quarterly instalment payments, the CT small profits rate, R&D tax credits, the annual investment allowance and the apprenticeship levy. PE-backed SMEs are agglomerated with other businesses backed by the same fund for these purposes, putting them at a competitive disadvantage and disincentivising businesses from seeking PE investment. This issue should be looked at as a whole to determine an appropriate policy response.
    - Similarly, incentive schemes such as EMI and CSOPs should be made available to PE-backed companies. This would enable SMEs backed by private capital to compete with larger firms for high-skilled employees and retain key members of staff.

- **Expansion and simplification of Government programmes and incentives which deliver predictability and support to groundbreaking ventures and innovative companies.**
    - Increase the scope of the Enterprise Capital Fund Programme (ECF). The ECF has been successful in backing first time and emerging VCs; however, it has been limited to backing one to two funds a year. The government corporate venturing model, which has successfully been deployed by the National Security Strategic Investment Fund (NSSIF), should be expanded to other strategic sectors such as healthcare. This will help increase collaboration between Government, VCs and innovative companies, to improve procurement processes and access to the latest technologies.
    - Clarify the future of grant and match-funding schemes like the Future Fund: Breakthrough and consider further extension and expansion.
    - Introduce new Government-backed vehicles for investment pooling or co-investment in strategically important sectors. These should support minority and majority stake investment in growing businesses across the business life cycle and have a conscious goal of building fund scale and expertise in the UK.

- Full implementation of the **findings of the Independent Review of the UK's University Spin-out Ecosystem** by:
    - Ensuring the rapid adoption of best practices outlined by the TenU initiative by all university stakeholders, in particular university tech transfer offices.
    - Expanding the £20 million translational fund as UKRI funding often falls short in advancing technology to the commercialisation stage. Further funds and expertise should be provided for UKRI, Innovate UK and early stage university funds in the nations & regions, to help build a national pipeline of high growth companies ready to scale.

Financial Services Sector for Growth

To make sure the UK remains the international destination for investment

It is vital that the UK retains its place at the centre of the global financial ecosystem so that private capital continues to choose to invest in the UK and help UK businesses thrive. This requires regulation which takes a common-sense approach, is applied consistently, and equally balances incentivising growth with upholding world-class standards. Regulatory frameworks must be flexible, proportionate, and clear enough to allow capital to flow efficiently and predictably through UK structures.

Many tech startups work with innovative technologies, from AI to medical devices to quantum technology to fintech. It is of course right that regulators take a view on new technology to protect consumers and the wider economy, however in many cases rules have not kept pace with what is now technologically possible. This makes it much more difficult for investors to understand what their return on investment is likely to be and whether a product has a reasonable path to market, if at all.

Tax, legal, and regulatory structures affect the day-to-day operations of both investors and their portfolio companies. Uncertainty and inefficiency around corporate governance and audit reform, the national security investment regime, and future regulation of innovative industries is costly, time-consuming, and adversely impacts investor confidence and appetite.

To support a financial services sector for growth, the BVCA calls for:

- **A competitive and proportionate tax regime for private capital.** The treatment of carried interest in the tax system needs to continue to reflect the risk investors take when making long-term capital investments without guaranteed returns. As part of a competitive regime which incentives long term capital investment in businesses it is vital that this continues. To ensure stability and certainty, any changes to policy, interpretation and to the law itself need to be clearly signalled and consulted on.
- **A review of the VAT treatment of fund management services.** VAT costs incentivise funds to set up outside the UK, and we would encourage the Government to consider options that would attract funds to this country.
- **The introduction of proportionate governance and audit reforms,** setting out a clear strategy and timeline for implementation. With the recent non-financial reporting reviews and increase in thresholds, reform should go further to remove red tape around reporting requirements and corporate governance.
    - Inclusion of the FRC Ethical Standard private equity carve out in proposed corporate governance and audit reform legislation to allow for sufficient competition and choice in the non-audit services marketplace.

Financial Services Sector for Growth

To make sure the UK remains the international destination for investment

- **Improvement in the functioning and approach of National Security Investment Screening.** Lack of communication from the Investment Security Unit combined with too wide a scope from the National Security & Investment Act have resulted in delaying and disincentivising investments.
- **A cross-cutting Government review of regulation of innovative technologies,** focused on areas where regulatory capacity is holding back innovation and growth, and where legislation has not kept up with technological possibility.
- **Increased resources for regulators** that face particular challenges keeping up with technological change.
    - For regulators financed at least in-part by the government, the Treasury should permanently uplift funding to restore their 2021 budgets in real terms to recoup core, 'business as usual' capacity, and also commit to annual, inflation-linked budget increases to accelerate new efforts. Both could be funded via the £15bn R&D budget.
    - Expand the Regulatory Pioneers Fund to £50m initially, in time rising to £100m+, to provide dedicated surge capacity for regulatory innovation projects on top of core funding increases.

Workforce for Growth

To cultivate and upskill the UKs talent pool

The cornerstone of the UK's competitiveness as a business and investment destination lies in its talent pool, and lack of access to such entrepreneurs and innovators remains an obstacle for companies seeking to scale their business. Meanwhile, labour shortages in crucial sectors such as retail and manufacturing, alongside certain technical skills, hinder the viability of investments in small companies which fuel the everyday economy, therefore impacting broader economic growth.

Our education and training system must be set up to meet the needs of employers and reflects industry developments. This would make it easier for businesses to be confident that they can recruit and train the workers they need from within the UK, and for investors to back them.

While the UK is an attractive place for highly talented individuals to come to lead a business, they cannot do this without the right immigration rules. Specific visa restrictions make it difficult for the UK to attract highly talented individuals, while European visa schemes for science and tech talent are more generous in length and affordability.

The UK must also ensure opportunities in employment and investment reflect the diversity of the UK's talent pool. The Rose Review found that up to £250bn of new value could be added to the UK economy if women started and scaled new businesses at the same rate as men. Government initiatives to diversify funding and leadership in the UK investment ecosystem are essential for both equality and the economic growth opportunities they present.

To support a workforce for growth, the BVCA calls for:

- **Streamlining the process for recruiting overseas talent for SMEs and start-ups.** There should be clear criteria for recruiting skilled talent into portfolio companies: securing a defined level of funding over a defined period should be sufficient to demonstrate that a company is looking to scale.
- **Industry to be a partner in identifying and addressing skills gaps while promoting education in STEM, data science, technology and entrepreneurship.** The UK is a leader in tech, life sciences and financial services innovation, but all of these industries need a strong talent pool with STEM skills to capitalise on global investment.
- **Simplification of visa schemes for top global talent** so investors and the companies they invest in can access the talent required to grow.

Workforce for Growth

To cultivate and upskill the UKs talent pool

- **Competitive tax rules for recent arrivals to the UK.** Tax incentives which apply to new UK tax residents from April 2025 need to be attractive when compared with equivalent rules in other jurisdictions. The proposed new regime, requiring ten years of previous non-residence and providing benefits for four years after arrival in the UK, compares unfavourably with the equivalent international offerings.
- **More support for businesses to provide lifelong learning and training to employees.** To help combat the skills crisis, the Apprenticeship Levy should be opened up to fund specific non-apprenticeship training programmes, such as skills bootcamps.
- **Measures to drive inclusive behaviour** to ensure female founders and those from diverse backgrounds can access funding to grow and scale businesses. This should include those outlined in the Women-Led High-Growth Enterprise Taskforce Report:
  - Government should use its convening power to increase signatories to the Investing in Women Code.
  - Create regional Growth Boards that bring together groups of local public and private sector stakeholders to deliver change in the ecosystem, using Female Founders Dashboards to monitor data in the region.
  - Ensure that “women-led high-growth enterprises” are truly led by women: that they hold at least one of the top three positions in the organisation and have at least 25% of founder and employee equity share.

Our work

About the BVCA

As the industry body and public policy advocate for the private equity and venture capital, the British Private Equity & Venture Capital Association (BVCA) has been the voice of private capital in the UK for over four decades.

With a membership of over 630 firms, we represent the vast majority of all UK-based private capital firms, as well as their professional advisers and a large base of UK and global investors. The private equity and venture capital industry has a vital role to play in driving national and regional growth.

The BVCA seeks to demonstrate how private capital is uniquely positioned as a partner for growth to the Government and wider stakeholders, while helping inform a policy ecosystem which enables the industry to effectively invest in the economy.

We engage with decision-makers through roundtables and contribute policy submissions to government, regulators, and international bodies on behalf of the industry.

Our work

This Manifesto brings together and builds upon our daily work representing the private capital sector, spanning in-house research, policy work, and advocacy to external stakeholders.

Investment Compact
for venture capital and growth equity

The BVCA, with the support of the Government, has launched the Investment Compact for Venture Capital & Growth Equity (the "Compact"), a commitment by UK venture capital and growth equity fund managers to develop a long-term and constructive working relationship with UK pension investors. With over 100 signatories, the Compact represents some of the UK's leading venture capital and growth equity fund managers, with over £100bn of Assets Under Management.

- The Pensions & Private Capital Expert Panel
- PwC Report to the Pensions & Private Capital Expert Panel

Investment Commission

The BVCA worked with the policy and research consultancy Public First to run the Investment Commission, which drew insights from our members from the investor community and of experts from academia, business organisations, think tanks and elsewhere, focusing on three areas of particular importance: green transition and clean energy, the UK tech sector, and investment in the nations and regions of the UK. The Investment Commission Report offers practical and workable policy proposals which can be implemented early in the life of the next government to make a tangible impact on the UK's ability to attract investment and therefore support economic growth. A report will be published this summer.

Research and Policy Submissions

- Creating Sustainable Growth: Private Capital at Work (2nd Edition)
- Annual report on the performance of portfolio companies, XVI
- Report on Investment Activity
- Performance and Public Market Equivalent Report 2022
- BVCA Budget Submission 2024
- BVCA consultation response to FCA on D&I in the financial sector
- BVCA Feedback to the National Security and Investment Act Call for Evidence 2023

Invested in a better future

**British Private Equity &
Venture Capital Association (BVCA)**

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

Find us on