

Lord Vallance speech at the BVCA Pensions and Private Capital Showcase

The Science Minister, Lord Vallance gave a speech at British Venture Capital Association (BVCA) Pensions and Private Capital Showcase on 2 October 2025.

[Department for Science, Innovation and Technology](#)

Thanks of course to the BVCA which has been a constructive partner to government including through its Pensions & Private Capital Expert Panel, led by Kerry Baldwin, and its work to launch the Investment Compact. I want to recognise your role, particularly in keeping this conversation practical and action orientated.

And I want to be clear, now is the time for action.



It is encouraging to see so many pension investors here. As someone said to me recently, Canadian pensioners have done very well out of investing in UK science and technology companies. We need to do the same for UK pensioners.

35 years ago in Cambridge, a small team at Acorn Computers created a revolutionary processor design. That innovation became Arm. From a handful of engineers, the business grew into a world leader whose designs power 99 per cent of the world's smartphones. Arm began in the UK, built on British science and ingenuity - but much of the capital that fuelled its growth came from overseas, and today its primary listing is on NASDAQ in New York.

There are many other examples of exciting, impactful UK companies doing fantastic work, to which UK investors are underexposed.

Arm's story captures both our strengths and our challenge: world-class research and innovation, home to 4 of the world's top ten universities, great talent, and now more startups than anywhere else in Europe.

But still too little domestic capital to take enough of our exciting innovation engines to global scale. Today's Showcase is about changing that.

We meet at an exciting time. The UK is Europe's leading destination for tech investment, and we are serious about commercialising and scaling our research. [Our Modern Industrial Strategy](#), with 8 Sector Plans:

- Advanced Manufacturing
- Clean Energy Industries
- Creative Industries
- Defence
- Digital and Technologies
- Financial Services
- Life Sciences
- Professional and Business Services

provides the framework.

And as many people have said to me - unlike previous industrial strategies you don't need to look in the appendix to find science and technology. It is woven throughout every part and every sector plan.

All underpinned by smarter investment from our public financial institutions, pro-innovation regulation, stronger procurement signals, an excellent talent and skills pipeline, and by deep partnerships with business and investors.

The UK ranks third globally for venture capital investment, behind only the US and China, yet has produced only 2 tech firms valued at over £10 billion in the last 50 years — Sage and Arm. But many many more UK inventions and startups have fed growth elsewhere.

I want to be clear. Unlocking more pension fund investment is central to our mission. This is not just about returns — although it will help deliver greater returns. It is also about fuelling the innovation that underpins UK competitiveness: boosting productivity, strengthening the NHS, advancing defence capability, accelerating the clean energy transition, and scaling

UK leadership in life sciences, AI, fintech and sustainability.

Of course, the UK has deep pools of institutional capital, yet only a fraction reaches our most promising growth companies. UK DC schemes allocate about 0.5% to private equity. By contrast, Australian superannuation funds invest up to 5% in private markets.

And we know that the proportion of UK capital invested in S&T companies drops dramatically from seed funding through to scale up.

But – and many thanks to many in this room – we are making progress.

The Mansion House Accord, the Investment Compact and the BVCA's Expert Panel's report have provided structure and ambition, and government has provided capital and support through initiatives such as the British Growth Partnership and LIFTS. Using LIFTS capital and co-investment from Phoenix Group, Schroders' UK Long-Term Asset Fund has already deployed capital into companies such as Draig Therapeutics working on next generation medicines for neuropsychiatric disorders.

We've seen strong venture inflows – over \$16 billion invested into UK start-ups and scale-ups last year, and more than \$8 billion raised in the first half of 2025, exceeding France and Germany combined. But IPO activity has fallen sharply: in H1 2025 just £160 million was raised via IPOs in London – a 98 per cent drop compared to H1 2021 and one of the weakest periods in 3 decades – while overseas investors continue to acquire leading UK technology companies, and benefit from the innovation we have developed here.

So, the challenge is clear: great science, fantastic people, strong early-stage funding – but still too many barriers at scale-up and sustainability.

That is why we are reforming the UK's capital markets to ensure high-growth companies can scale and stay here. We are streamlining listing and prospectus rules, removing outdated restrictions on follow-on capital, and have launched PISCES – a new stock-exchange model to help private companies scale and provide a stepping-stone to public markets.

It is beginning to work but we need to go faster. We get more spin outs and startups every month and every day we don't fix the scale up deficit we increase the lost opportunity.

We are pushing better regulation, including through the work of the Regulatory Innovation Office which has cleared away barriers in 4 technology areas and will expand its work over the next year.

We are reforming procurement to enable government to be a better customer for innovative SMEs and leveraging public capital through the National Wealth Fund and the British Business Bank.

- We have committed £670 million for quantum technologies; £500 million for the [Sovereign AI Unit](#); [AI Growth Zones](#); and invested in computing infrastructure for AI.
- The [Life Sciences Sector Plan](#) will be supported over the lifetime of the Spending Review by government funding of over £2 billion. Alongside the Wellcome trust we will invest £600M in creating the Health Data Research Service to utilise our extraordinary data resources to improve treatments, prevention and cures.
- Defence will commit a £2.5 billion increase in SME spend by 2028.
- In clean energy and sustainability we will double investment to £30 billion annually by 2035, including ambitious plans for new nuclear technologies

Today's Showcase represents the next phase of that work: connecting pension industry representatives with high-growth companies across defence, life sciences, AI and fintech, cleantech and sustainability.

Yes – there are good things to invest in, and plenty of them.

And to support that journey I'm pleased to announce that we have [published the second edition of the UK Innovation Clusters Map](#). This gives a clearer, more comprehensive view of our innovation clusters

across the UK and is a practical tool to help investors identify the strongest opportunities. We are pushing the rapid development of the extraordinary Oxford-Cambridge Growth Corridor and the opportunities of the Northern Growth Corridor.

Arm's story shows what is possible: a British idea, scaled to global impact.

Rather than rely solely on overseas capital, we want domestic investment to back the next generation of UK success stories. If we unlock more of our own long-term savings to support UK innovation, the next Arm, the next AstraZeneca, the next Rolls Royce, the next Oxford Nanopore can emerge and be sustainable. Investors and pensions will share in the returns, the NHS will get better treatments faster, and Britain will cement its position as the best place in Europe to scale a company.

That is the prize before us. But we need to move fast. If you didn't feel the weight of expectation on your shoulders before you entered the room, I hope you do now.