



Department for
Business & Trade



HM Treasury

Policy paper

Statement of strategic priorities to the British Business Bank (HTML version)

Published 21 October 2025

Contents

Mission and objectives

Objective 1: support our most promising businesses in the Industrial Strategy priority sectors to scale and stay here

Objective 2: make finance markets work better for smaller businesses

Objective 3: unlock the potential in people and places

Objective 4: mobilise institutional capital at scale

Financial objectives and principles

Delivery

Measuring performance

Operating principles

Louis Taylor CBE
Chief Executive Officer
British Business Bank
Steel City House
West Street
Sheffield
S1 2GQ

20 October 2025

Dear Louis,

At the recent Spending Review, the government expanded the British Business Bank's financial capacity by approximately two-thirds to £25.6 billion, including £3 billion of additional capacity to issue guarantees. We are now writing to communicate the government's strategic priorities for the bank over the next 5 years.

Growth is this government's top priority. Ensuring smaller businesses have the finance they need to start and scale in the UK is central to the growth mission, delivering jobs, improving living standards and fuelling the country's long-term economic prosperity.

The bank is at the heart of this agenda and over its first decade has built capacity and expertise, becoming the UK's largest domestic investor in venture capital funds. Since 2014, it has supported more than 200,000 businesses to start, prosper and grow, deploying £6.3 billion of public funding and £10 billion of lending guarantees. The bank has successfully used its position to crowd in a further £16 billion of private sector capital. This has led to an additional 250,000 jobs and £43 billion of gross value added.

We are now challenging the bank to deliver a step change in the finance that it makes available to smaller businesses across the UK. Through a two-thirds increase in its annual investments, the bank will crowd in tens of billions of pounds of private capital with a particular focus on ensuring that our most promising scale-up businesses can access the capital they need to realise their ambitions here in the UK.

This includes a new £4 billion Industrial Strategy Growth Capital Initiative which for the first time will focus the bank's investments on our 8 priority growth sectors, alongside continuing programmes for start-ups, loan guarantees, and the Nations and Regions Investment Funds supporting businesses across all sectors and in every part of the country.

You have told us that current arrangements, such as ringfences around programme budgets and restrictions on the use of investment returns, would

hinder the effective deployment of this capital. We are putting in place new freedoms to enable the bank to invest efficiently and flexibly, responding to market conditions and the needs of individual sectors.

In turn, we expect the bank to respond promptly and with agility to market opportunities, using the new, streamlined operating model that you are putting in place to deliver agility, quicker decision making, and a clearer proposition for the bank's delivery partners and individual businesses alike. The bank should work closely with other public financial institutions to deliver a clear collective offer to the market and to strengthen strategic coordination between organisations.

This statement of strategic priorities sets out the outcomes the government expects the bank to deliver over the next 5 years, providing the long-term clarity and stability the institution needs to deliver. We look forward to working closely with you over the coming years to deliver this critical agenda.

Yours ever,

Rt Hon Peter Kyle MP

Secretary of State for Business and Trade

Rt Hon Rachel Reeves MP

Chancellor of the Exchequer

Mission and objectives

The British Business Bank is the government's national economic development bank. Its mission is to drive economic growth by helping smaller businesses get the finance they need to start, scale and stay in the UK.

The bank's success will be measured by the overall economic impact that it generates, as well as by the return that it makes for the taxpayer.

The bank will fulfil its mission by delivering on 4 strategic objectives:

- support our most promising businesses in the Industrial Strategy priority sectors to scale and stay here
- make finance markets work better for smaller businesses
- unlock the potential in people and places

- mobilise institutional capital at scale

Objective 1: support our most promising businesses in the Industrial Strategy priority sectors to scale and stay here

The Industrial Strategy identifies 8 priority sectors (Advanced Manufacturing, Clean Energy Industries, Creative Industries, Defence, Digital and Technologies, Financial Services, Life Sciences, and Professional and Business Services) that will be key to the long-term growth and prosperity of the UK. Ensuring that businesses in these sectors with the potential for growth can access the capital they need will be crucial for ensuring the UK leads the way in the race for new jobs, industries and technologies.

The bank should:

- increase the total financing available for smaller businesses in the priority sectors, with a particular focus on addressing late-stage funding gaps. The bank should do this by:
 - narrowing the scale-up financing gap, especially for R&D intensive and deep tech companies
 - crowding in private finance alongside the bank's investments
 - implementing tailored approaches where there is a need to address financing challenges specific to the Industrial Strategy priority sectors
 - supporting specialist fund managers and investment strategies focused on specific sectors and technologies
- help anchor strategically significant companies in the UK, including through use of the bank's direct investment capabilities to target priority sectors and technologies
- support government national security and environmental sustainability objectives

Objective 2: make finance markets work better for smaller businesses

Supporting the growth of smaller businesses across the UK is critical to driving economic growth. Most businesses state that they would prefer not to use external finance, even if this means foregoing an opportunity to grow. Those that do seek finance often struggle to access it due to structural market failures, high costs and lack of collateral or track record. Many businesses also lack awareness of the range of finance options available to them, including equity finance, or an understanding of how to access the right finance option for their needs.

The bank should:

- ensure the availability of suitable debt finance for smaller businesses in the UK throughout their growth journey
- support increased demand for finance, including by improving businesses' awareness and understanding of their external finance options and what is required to access them
- support and grow the diversity and scale of alternative finance providers in the market, particularly at regional and local level, to ensure a variety of finance options are available to smaller businesses
- increase the resilience of small business finance markets and play a countercyclical role by continuing to provide support through the economic cycle
- collaborate with other public financial institutions, government departments, and other relevant bodies to develop and implement innovative solutions to the gaps in small business finance markets

Objective 3: unlock the potential in people and places

Businesses in under-served parts of the UK often struggle to access finance, stifling business growth and holding back the development of promising clusters that can drive growth in the nations and regions. Entrepreneurs from diverse or under-represented groups also face distinct obstacles in raising finance to start and grow their business. These issues are compounded by under-representation of these groups among venture capital fund managers and investors and by a lack of funding at scale for community-focused lenders that serve these demographics.

The bank should:

- reduce the finance gaps faced by smaller businesses in under-served areas of the UK, in particular by helping to grow the capacity of community development finance institutions
- support high-growth and high-potential firms through the development of small business finance ecosystems and creation of investment opportunities in innovation clusters wherever they occur
- increase the availability of all types of finance for under-represented groups including women, disabled entrepreneurs and those from an ethnic minority background. In pursuing this, the bank should increase the diversity of active investors and deploy non-financial levers such as research and convening power

Objective 4: mobilise institutional capital at scale

UK companies struggle to access scale-up capital that they need to expand and grow here, often moving overseas to secure the scale of capital required. The UK has deep pools of institutional capital, for example in pension funds and insurance companies, little of which is currently invested into our most promising growth companies despite the attractive returns that such investments can potentially offer. Tackling this will benefit savers, support UK companies and drive economic growth.

The bank should:

- increase the flow of capital from institutional investors into UK companies, particularly via venture capital and growth equity
- catalyse a change in culture among UK institutional investors to increase the percentage investing into UK scale up companies

Financial objectives and principles

As a designated public financial institution, the bank will follow controls set out in the Financial Transaction Control Framework.

The bank should have a positive fiscal impact by making an overall financial return at least in line with the government's cost of borrowing. The bank should work with government to agree an appropriate financial returns target.

The bank should be confident in taking on investment risk in pursuit of its objectives and should manage its risk exposure through a limit defined under the new economic capital approach. The strategic plan should articulate how the bank will manage risk appropriately to deliver government policy and ensure value for money for the taxpayer.

Delivery

The bank should develop a strategic plan responding to this statement of strategic priorities and submit it to government for approval.

The bank will have a permanent total financial capacity of £25.6 billion to support the delivery of its strategic plan, comprising of £17.6 billion funded capacity, and £8 billion of contingent liability or guarantee capacity.

The bank will be operationally independent in its day-to-day activities, investment decisions and processes, within its delegated authority. This will include drawing flexibly on its core capabilities in its investment and banking businesses. The bank will also benefit from flexibility in determining the optimal design of its activities, and the allocation of capital and resources across these activities, to deliver on the strategic objectives set out above. It will exercise this flexibility in line with delegations from the Department for Business and Trade.

The bank should also maintain a service arm capable of delivering activity directly on behalf of government, in line with the Financial Transactions Control Framework.

The bank should submit annual business plans for approval by government, setting out its approach to delivering its strategic plan in the year ahead. These annual plans should take account of in-year ministerial priorities.

If the bank considers that a ministerial priority goes beyond the scope of this statement or is likely to have a material impact on its ability to deliver the strategic plan, it should set out the potential implications and arrive at a resolution as specified in the shareholder framework. This may include delivering the priority through the service arm.

While focusing on scale-up businesses in our priority sectors, the bank should continue to support smaller businesses across all sectors, including those noted in the UK's Carbon Budget Delivery Plan, to seize the opportunities of the transition to a climate resilient, nature positive and net zero economy. This includes addressing the access to finance challenges experienced by smaller

businesses transitioning to net zero and implementing environmentally sustainable business practices.

The bank should continue to manage the Future Fund and the COVID loan guarantee schemes efficiently, to optimise the level of recoveries from these programmes.

Measuring performance

The bank's performance will be assessed in relation to two overarching Key Performance indicators (KPIs):

1. The overall impact of the bank's activities on economic growth in the UK, measured by the additional gross value added (GVA) created.
2. The bank's financial return across the combination of its commercial and subsidised activities.

In developing its strategic plan, the bank should propose appropriate bases for calculating these KPIs and for setting targets in each case.

The bank should adopt a strengthened accountability framework. As part of this, the bank should propose measures and targets across each of its strategic objectives that will indicate how effectively that objective is being delivered and should set out how progress on the objectives will be assessed and independently validated.

Operating principles

In delivering this strategic mandate, the bank should act according to the following principles:

- **impactful**: all investments and transactions made by the bank should be aligned with the objectives set out above and with the overall mission to drive economic growth
- **catalytic**: the bank's activities should be additional, taking greater risk where this is necessary to crowd private capital into underserved parts of the market
- **agile**: the bank should use the additional flexibilities granted to it to respond

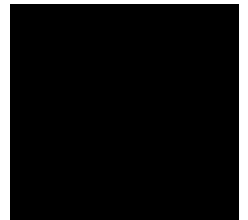
promptly and with agility to market opportunities. Internal governance and decision-making processes should facilitate this, while enabling the bank to manage risks appropriately and ensure value for money for the taxpayer

- **expert:** the bank should maintain a robust evidence base to support, inform and evaluate its activities, and should continue to act as government's centre of expertise on small business access to finance issues
- **collaborative:** the bank should collaborate with other public financial institutions and government departments to deliver a coherent and impactful support offer for both businesses and investors
- **responsible:** in accordance with the internationally recognised Principles for Responsible Investment, the bank should take account of material environmental, social and governance factors in its investment decisions and ownership practices



OGL

All content is available under the [Open Government Licence v3.0](#), except where otherwise stated



[© Crown copyright](#)