

# News story: New National Investment Fund to back innovative UK firms

A new National Investment Fund to help cutting-edge British start-ups become world-leading unicorns – innovative firms valued over \$1 billion USD – has been proposed today (1 August).

The [consultation](#), 'Financing growth in innovative firms', looks at ways to ensure start-ups have access to the finance they need and has identified a £4 billion funding gap between American firms and British firms. The National Investment fund will help address this gap and boost British business.

Currently, British businesses also rely on funding from the European Investment Fund. A new UK based fund would help ensure that firms still have access to the funding they need, should our relationship with the European Investment Fund end when the UK leaves the EU.

The [consultation](#) also looks at how these firms might benefit from investment originating from pension funds; and how to commercialise research from UK universities and drive investment in firms across the UK.

Chancellor of the Exchequer, Phillip Hammond said:

Britain is an innovation powerhouse and it's vital that we make sure our cutting-edge firms have the funding they need to meet their potential and conquer new markets.

Meeting this challenge will boost our productivity and enable us to create more well paid jobs across the UK.

The new fund could be set up as a public-private partnership or be placed fully on the government's balance sheet to be sold off once it has established a sufficient track record.

The [consultation](#) is part of the '[Patient Capital Review](#)' announced by the Prime Minister in November 2016, to strengthen the UK as a place where innovative firms can obtain the long-term 'patient' finance they need to scale up.

The Patient Capital Review has drawn on an advisory panel of industry experts.

Governor at the Wellcome Trust and chair of the panel, Sir Damon Buffini, said:

I have spent my career helping to build and grow businesses around the world and I know we have the entrepreneurs and the ideas across

the UK to develop globally successful firms. This consultation is asking the right questions to inform what the government and industry must do to enable businesses to access the patient capital they need, at the scale they need, in order to grow.

Since the Prime Minister launched this review, our panel of experts have worked hard to get to the core of the challenges and look forward to making recommendations for how we can act now to capitalise on the tremendous pipeline of UK scale ups and maximise the potential of British innovation.

Fewer than 1 in 10 firms that receive seed funding in the UK go on to get fourth round investment, compared to nearly a quarter in the US.

And while the UK leads Europe in the creation of Unicorns, it significantly lags behind the US which accounts for 54% of these £1 billion plus companies; and China which accounts for 23%. Just 4% are based in the UK.

Top US firms are also younger than UK firms, again suggesting the US is more effectively growing new businesses into large scale firms. 10 of the UK's largest 100 listed firms were created after 1975 compared to 19 in the US but only 2 in Europe.

## **Further Information**

The industry panel chaired by Sir Damon Buffini has provided input, advice and challenge to the HM Treasury review team.

In particular the review is considering:

- the long term root causes affecting the availability of long-term finance
- any barriers investors may face in providing long-term finance
- the role of market practices and market norms in facilitating investment
- how international best practices could inform recommendations for the UK
- what changes in government policy, if any, are needed to support the expansion of patient capital