

# Growth Engines:

## The UK scale-up playbook



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## Foreword

The UK is a global leader in start-ups: that is beyond doubt. With over 100 unicorn businesses and a tech ecosystem estimated at over £1tn, we are an international capital for innovative start-ups. From finance and creative industries, to edtech and medtech, their ideas are revolutionising how we live and work.

There is a looming gap, however, between big ideas and big business, and too many of our great ideas are still struggling to scale up into commercial powerhouses: the rapidly growing businesses that create the high-quality jobs and growth we need across the UK, while tackling some of the challenges we face.

Right now, although the UK is home to nine decacorns (£10bn-plus unicorn businesses) and many more scale-ups, too many younger scale-ups are still running up against a brick wall when they seek the finance, the skills, the support to expand. A funding gap, in fact, estimated to be as much as £15bn per annum.

With a new Labour government on a mission to reach the highest growth in the G7, this matters. The scale-ups of today are the commercial leaders of tomorrow, and unless we nurture them and create the environment for them to expand, we cannot hope to approach the level of growth and prosperity we need.

In the first 100 days of the new government we have already seen a spread of measures to help unleash the potential of UK scale-ups, from the announcement of a Regulatory Innovation Office, to the new National Wealth Fund. Yet, when it comes to making the UK the best place to start and scale a business it's absolutely essential to listen directly to businesses themselves – of all sectors and sizes.

To fill that need and help ensure government can get this right and deliver, the CBI spoke to dozens of our members across the UK. Building on our recent decacorns research, we worked with them to zero in on the system changes that can build the most competitive scale-up environment, from pro-innovation regulation and opening up talent, to unleashing investment and harnessing the UK's national assets.

With bright spots emerging in our economy and a new government geared towards change, this can and must be the time for growth: a moment when we turn from the short-term shock-absorption of recent years to the long-term, sustainable growth we so badly need. Seizing that moment starts with looking not just to the businesses of today, but of tomorrow: the scale-ups that will be the engines of our future growth and source of innovations that will help solve the problems of tomorrow.



**Rain Newton-Smith**  
CEO, CBI



# Recommendations

There are four areas to address to create the competitive environment needed to help more businesses scale and stay in the UK:



## Pro-innovation regulation

- Regulatory Innovation Office to establish competitive service level agreements between regulators and businesses.
- Regulatory Innovation Office to facilitate the adoption of outcomes-based regulation.
- Regulatory Innovation Office to move at pace to expand the use of innovative regulatory science approaches.



## Unleashing investment

- HM Treasury to continue working with pension funds to unlock the potential of the Mansion House reforms.
- HM Treasury to review limits or the need to create new follow-on venture capital and employee share option schemes to better support businesses to scale.



## Harnessing our national assets

- Department for Science, Innovation, and Technology to partner with business on the development of the National Data Library to harness data for growth and public good.
- Increase the use of Innovate UK's Contracts for Innovation across government departments, setting targets in line with Industrial Strategy and Mission goals.
- Department for Business and Trade to leverage the UK's research and technology organisations as core delivery partners in the Industrial Strategy.



## Access to the best talent

- Home Office to consistently deliver against service level agreements, providing support and compensation when they are not met.

## Pro-innovation regulation

A pro-innovation regulatory regime – based on proportionality, effectiveness, clarity and quick decisions – will ensure the UK is the best place for businesses to invest, grow and innovate.

The creation of the Regulatory Innovation Office (RIO) has the potential to cut the time it takes for businesses to bring their ideas onto the market. However, this initiative should be complemented by the move towards outcome-based regulation and the widespread adoption of innovative regulatory science approaches, such as regulatory sandboxes, to support greater innovation.

### **Regulatory Innovation Office to establish competitive service level agreements between regulators and businesses.**

Innovative businesses want to get their products quickly to market. However, the regulatory process can often be complex, costly and fragmented across regulatory environments, while decision-making can be slow, unresponsive and lack transparency. This misalignment impacts smaller businesses more as they typically do not have the experience, capacity and finances to navigate the regulatory process and absorb delays relative to incumbents.

Regulators need to adapt to the needs of scaling businesses to harness their innovation. Clear expectations should be set, which will enable more stable planning and investment decisions. To do this, regulators need to be transparent on decision-making with targets set and monitored. As well as being accountable for delays and the impact this causes. An





understanding of why the delays occur needs to be obtained. This could be due to a lack of regulators' resources, in which case an investment in skills and capacity should speed up decision-making, however there may be other reasons.

The creation of the RIO is welcomed with its focus on improving the time and consistency of regulatory decision-making. Its function of setting and monitoring targets for regulatory approval timelines should create greater transparency on regulators' actions. By working with regulators, this may pave the way for establishing predictable service levels from regulators to businesses. However, the Office should also have the power to ensure these levels are competitive and support innovation by making regulators accountable. This could be in the form of recommending investments in regulatory skills and capacity, suggesting approaches to unblock regulatory decision-making, or enforcing regulators to comply.

### **Regulatory Innovation Office to facilitate the adoption of outcomes-based regulation.**

Innovative scale-ups are creating new solutions to tackle problems. This may be through scientific discovery or using existing technology in new areas. However, turning these into products in the market can be delayed and restricted by regulators.

Regulators' approach is typically designed around existing products and processes, rather than the outcomes they are seeking. This can make them resistant to the innovation scale-ups provide. The prescriptive input-based 'tick box' approach to compliance can hamper new ideas, by not being flexible to embrace alternative ways of working, manage trade-offs and consider the final impact on outcomes. A focus on outcomes will shift the attention to the final impact, rather than the process of activities. An outcomes-based approach typically involves setting high-level goals, outcomes, principles or standards for the regulator to deliver. There is a lack of prescription about how requirements are achieved. This allows business to take a flexible delivery approach, encouraging experimentation and alternative compliance approaches. It can also encourage those being regulated to take more responsibility, by thinking through the consequences of actions, being more adaptive to changes in the environment and market and allowing the regulator to tailor its approach to enforcement.

The UK could become a leader in the adoption of outcomes-based regulation. The proposed RIO should have the responsibility to facilitate this across all regulators. If this is outside the scope of the RIO, an Office for Future Regulation should also be established to deliver this work. The entity should start by identifying the most appropriate opportunities across emerging and existing areas of the economy to deploy outcomes-based regulation, this could be linked to priority areas in the Industrial Strategy. The Office should then work with specific regulators to implement changes in a phased approach across the regulatory landscape. This should build on the work of the Department for Business and Trade's Smarter Regulation programme and the Regulatory Horizon Council's work to transition towards outcomes-based regulation.

### **Case study: AIRTO & Alden Legal**

The space industry in the UK is a high growth and high innovation sector. Initially satellites were launched singly into space and the regulatory licensing regime developed to primarily regulate individual satellites. However over recent years the sector has changed rapidly due to the falling cost of building and launching satellites, which has meant that it is now much easier and more cost effective to launch a constellation of satellites, with the acceptance that some satellites may fail but the constellation can still operate. However, regulation, policy and insurance requirements have not fully adapted to this change.

Regulators inability to adapt to the changing space market, embrace innovation, focus on the outcomes and anticipate technological changes has inhibited the sector's growth. This has led to many companies leaving the UK and relocating abroad where regulation has been more flexible and government 'customer service' more effective. This has led to the UK losing out on the development and scaling of UK-based space research.

However, regulators have begun to work more closely with the sector and to understand their business plans, objectives and evolving industry landscape, as seen in the recent DSIT regulatory review. But change must now be implemented in the UK at a Department and regulator level.

## **Regulatory Innovation Office to move at pace to expand the use of innovative regulatory science approaches.**

Innovative regulatory science approaches, such as using regulatory sandboxes, digital twins, and synthetic data, can support innovative scale-ups to overcome regulatory challenges. These innovative approaches can test new ideas in a controlled environment and facilitate new entrants into a market. They can also enable regulators to understand the innovation in their markets, foster collaboration and lead to longer term improvements in regulatory frameworks. Regulatory sandboxes have been used positively by the Financial Conduct Authority, which contributed to the UK's success in fintech in the 2010's. However, these successes have not been replicated consistently across all regulators.

The RIO should proactively expand the use and implementation of regulatory science approaches across regulators. This would align with a move towards outcomes-based regulation and support the delivery of the Industrial Strategy. Lessons learnt from more established schemes should be adopted. There should also be a clearer pathway of using insights from sandboxes to improve regulatory frameworks, with learnings also being shared across regulators. This builds on the recommendation by the Regulatory Horizon Council on scale-ups to “ensure that regulators are empowered with the tools and resources to better support innovative startups and scaleups.”<sup>1</sup>



<sup>1</sup> Regulatory Horizon Council, 'The Role of Regulation in Supporting Scaling-Up' (2024).



# Unleashing investment

A supportive funding environment can enable businesses to successfully scale and grow in the UK. This will enable them to develop their technology and product, grow in new markets and compete internationally.

The new government has increased the focus on unlocking pension fund capital and creating new initiatives, such as the National Wealth Fund, to support more businesses to scale. This activity is positive and the focus on timely delivery needs to be maintained to ensure scale-ups benefit. Consideration should also be placed on whether the supportive tax environment for start-ups, such as venture capital schemes, that has helped create a thriving eco-system could be extended to scale-ups.

## **HM Treasury to continue working with pension funds to unlock the potential of the Mansion House reforms.**

Scale-ups experience funding gaps, which restrict their growth and ability to maximise opportunities. The growth funding gap is estimated as £15bn per annum, with most of the gap impacting those at later-stage funding rounds<sup>2</sup>. Other gaps include funding outside of London and the Southeast, and in R&D intensive sectors.

Unlocking pension fund investment for productive capital could increase the flow into UK scale-ups. Currently UK pension funds invest less in productive homegrown and high growth businesses compared to Canadian or Australian counterparts. This leads to many UK businesses being reliant on overseas investment to scale, which could result in some relocating in the future. The Government should use its institutions such as the British Business Bank or the National Wealth Fund to reduce the risk and costs of investments through developing co-investment funds. This should help plug current scale-up funding gaps and generate stronger and diversified returns for savers.

The government should also continue reforms to improve the liquidity and competitiveness of listed equity markets in the UK. While scale-ups are typically unlisted, it is important that the UK remains an attractive destination for them to grow to maturity, particularly with strong international alternatives. Liquid and competitive listed equity markets are critical to this.

HM Treasury's commitment and progress towards unlocking pension funds into scale-ups needs to continue. Pension funds have committed to investing more into productive assets as part of the Mansion House Compact, however government and business cooperation is needed to remove barriers. The Pensions Review and upcoming Pension Schemes Act can understand the barriers faced and maximise the potential of using pension assets for productive capital, while also providing higher returns for savers. New investment vehicles

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<sup>2</sup> Deloitte, Innovate Finance, Scaleup Institute, 'The Future of Growth Capital' (2020).

emerging from the British Business Bank, such as the Long-term Investment for Technology and Science (LIFTS) and the proposed Growth Fund, can also enable the low-cost co-investments that many pension funds seek. These initiatives need to be delivered for the benefits to be felt by scale-ups.

### **Case study: Power Roll**

Power Roll is pioneering the development of solar film that is lighter and more flexible than traditional solar photovoltaic (PV) modules. They have successfully tested their research and are advancing through later development stages, but they are finding it challenging to bridge the funding gap often characterised as the 'valley of death,' which is particularly pertinent to 'deeptech' innovators. A key hurdle is that they do not yet have a product on the market earning revenue. Further investment is needed to make this happen, but the UK and European investment culture can feel more risk averse to 'deeptech' than their American counterparts. Government support has proved vital, such as Innovate UK funding to support their research, and the British Business Bank funds to crowd in and help deploy private capital, however their scale of investment is insufficient for Power Roll's needs. The Enterprise Investment Scheme has also proved important, but they are at the end of their Knowledge Intensive Company cap.

As they prepare to build a factory and commercialise their product, they are actively fundraising, though the process has taken longer than anticipated. The necessary funding to break through to the revenue-from-product stage has yet to be secured.

Power Roll is committed to developing and commercialising their innovative solar technology in the UK, even though other countries offer incentives for solar companies to relocate and scale operations. While some competitors have moved abroad to commercialise their products, Power Roll is keen to remain in the North East of England. Although their investors and board members have discussed the possibility of relocating, Power Roll's leadership continues to explore all opportunities to secure the necessary funding and maintain their UK base.

## **HM Treasury to review limits or the need to create new follow-on venture capital and employee share option schemes to better support businesses to scale.**

Venture capital schemes such as Enterprise Investment Schemes (EISs) and share option schemes such as Enterprise Management Incentives (EMIs) have helped to create the UK's world-leading start-up ecosystem. Venture capital schemes make it financially attractive for investors to fund high-risk loss-making companies. This is particularly beneficial to R&D-focused Knowledge Intensive Companies (KICs) who need more finance to cover their complex and longer product development stage. Share option schemes allow smaller businesses to offer competitive benefits packages that attract high quality talent, especially with the prospect of the company increasing its future valuation. However, they focus on the earlier stages of scale-ups' growth journey, with a £20m per company cap for KIC EIS investments and a £3m limit for the maximum value of shares that can be granted under EMI options by a company at any given.

Tax incentives should also support start-ups to scale their businesses. Access to finance is a key barrier to growth and some scale-ups struggle to attract the capital they need to develop and commercialise their product. This is often referred to the 'valley of death' - the "gap in investment between technologies at the very early stages of development, and those which are mature, late-stage technologies"<sup>3</sup>. This is particularly prevalent to 'deeptech' businesses that have longer and more expensive development stages. At the limits of EIS and EMI, many businesses are still developing their product and need highly skilled team members, but are yet to earn revenue. They are therefore still at risk of failure and at a critical stage of their growth journey.

HM Treasury should explore the options to better support our start-ups to scale. While the options may involve fiscal support at a time when difficult choices are being made, this needs to be balanced with the benefits from growing and keeping our scale-ups in the UK and delivering against the government's growth mission. With the UK now not needing to be compliant with EU State Aid rules, there is an opportunity to be more ambitious in supporting UK scale-ups. This should include reviewing the current limits and potentially creating a follow-on 'scale-up' scheme. As well as ensuring monetary limits are not diminished due to inflation. Greater weight should be placed on scale-ups' needs, particularly those who are KIC and need specialist talent. This builds on the Patient Capital Review recommendation to extend limits for venture capital schemes.

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<sup>3</sup> Chris Skidmore, Mission Zero, (2023).

### Case study: CREO Medical

CREO Medical is a medicine technology company who create minimally invasive devices, which support the shift in patient pathways away from surgical intervention. These devices use novel technology and CREO undertook significant development, such as testing, trials, and overcoming regulatory compliance before the product became available for patients. This investment involved substantial costs, at a time when they were yet to receive revenue, so they needed patient capital which could appreciate their potential and make a high-risk investment.

The tax support from the Enterprise Investment Scheme (EIS) proved vital for raising investment. It helped de-risk investments in their company. However, they used their £20m per company limit before they developed their product, with the development of their first product costing £100m and a further eight products totaling around £250m. Attracting investment to develop their product outside of EIS has been harder, especially as they are still in the risky pre-profit phase. They have had to spend more time attracting new investors, which has diluted the initial investors' equity and managing many investors has become a harder task. This could have been avoided, as the original domestic investors were keen to fund follow-on investments beyond the £20m cap, but only if they could benefit from EIS-type tax advantages.



## Harnessing our national assets

The UK has invested and developed world-leading national assets. From public data, government procurement and the UK's world-leading research base and universities, these levers could be better harnessed to support innovation and maximise their returns to the economy and society.

### **Department for Science, Innovation, and Technology to partner with business on the development of the National Data Library to harness data for growth and public good.**

The government collects and holds data that could be better harnessed to support innovation and the public good. Data is collected from people, businesses and public resources across a range of sectors and activities across government. Often this data is not publicly available, and when it is, it is not structured, regularly updated and supported by the appropriate data infrastructure. This does not maximise the public investment in the data collection and misses the potential for public good and the economy.

Opening up data can spark waves of innovation that can benefit society and the economy. For example, publicly collected data on company registrations and house transactions have created innovative new companies, who have been able to analyse, connect and make this data usable. Technological advancements, such as artificial intelligence, are increasing the potential returns from harnessing data. It is estimated data sharing can generate social and economic benefit worth 0.1-0.5% of GDP for public sector data, but this increases to between 1-2.5% of GDP when public and private sector data are combined<sup>4</sup>, a potential £55bn prize<sup>5</sup>.

The Department should embrace the opportunity to partner with businesses to harness the potential of data and maximise its benefits. The mission to harness data for public good has the potential to use artificial intelligence to transform the economy and public sector. To support this mission, businesses are best placed to partner with the government to deliver these aims in the most efficient and timely manner. With the government setting the appropriate data security, privacy and ethical framework to operate within. The areas of focus should be based on where the greatest societal and economic benefits lie and align with the AI Opportunities Action Plan. This should also include opening up access to public data, where appropriate, through the proposed National Data Library to ensure commercial innovation is maximised.

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<sup>4</sup> ODI / Frontier Economics, Economic Impact of Trust in Data Ecosystems (2021).

<sup>5</sup> Using 2023 Gross Domestic Product figures (£2.27 trillion).



### **Case study: Transport for London**

Transport for London (TfL) operates the public transport network in London. TfL made the decision in 2009 to make all non-personal data openly available, unless there was a commercial, technical or legal reason not to do so. The economic benefits and potential innovation were hard to predict and unknown. However, they believed that as a public sector organisation, opening up the data they collected was the right thing to do and could enable the private sector to develop transport navigation apps, rather than themselves. TfL estimated the cost of publishing open data at around £1m annually in 2016<sup>1</sup>.

The release of open data by TfL has supported the growth of London's technology economy to the value of £14m per annum in GVA in 2016. The data is used by established brands such as Google and Apple and have helped grow newer businesses such as Citymapper. TfL open data is estimated to directly support around 500 jobs that would not have existed otherwise, in addition to a further 230 indirect jobs in the supply chain and wider economy. These solutions are widely used, with 42% of Londoners using an app powered by TfL data. Opening up data has also created a host of benefits to its users, from the ability to plan their journeys better and adjust to delays in real-time, which is estimated to save users between £70m and £90m per annum, as well as supporting healthier and sustainable travel options. TfL also imagine a new wave of innovation may occur as artificial intelligence maximises the potential of their current and historic open datasets.

### **Increase the use of Innovate UK's Contracts for Innovation across government departments, setting targets in line with Industrial Strategy and Mission goals.**

Government contracts are a large market for businesses. The government spends over £300bn annually, which makes them a regular and consistent customer, which can be a lever to pull innovation and develop new products. Through procuring innovative products the government can deliver a range of high-quality services that benefit the public. This also benefits suppliers, as they can signal their superior credentials, which can generate more customers.

Small and medium-sized enterprises (SMEs) and scale-ups' limited involvement in government procurement is constraining their growth. Scale-ups account for 1% of government procurement spending<sup>6</sup> and SMEs, many of whom are seeking to scale, account for 20%<sup>7</sup>. This lack of involvement is denying organisations the market to expand and grow. The procurement process can feel slow, bureaucratic and take too long to

<sup>6</sup> CBI, Creating the competitive environment for scaleups to thrive (2023).

<sup>7</sup> Tussell, SME Procurement Tracker (2024).

complete. Procurement criteria often disadvantage smaller organisations with a focus on risk aversion, past performance and established processes. Social value considerations could counter these issues, however there are no standard criteria and navigating the requirements can require substantial resources. There are positive initiatives in the Procurement Act which should support greater involvement from SMEs, however the change needed extends beyond legislation and needs a mindset shift over the potential of procurement and embracing innovation.

Government can be a partner that helps innovative scale-ups develop and commercialise their products. The government invests heavily to support the UK's world-leading research ecosystem. However, innovative businesses often lack a customer to help fund the development of their research and create a ready for market product. This means that the UK's investment in research does not develop into a product, or the development occurs abroad. By embracing innovation, the public sector can develop better products and services for the public good.

The government should set, monitor and enforce a target to pull innovation across government departments. This should focus on the government's missions and be a key lever in delivering them within an Industrial Strategy. The government should utilise and expand on Innovate UK's Contracts for Innovation programme. This programme and its predecessor, the Small Business Research Initiative, has been consistently under-utilised and could play an essential role in developing pre-commercial innovation. The government should also play a role as an early adopter of technology to use them for public good and support innovative companies to grow.

A spending target that supports the government leading the G7 in R&D intensity should be adopted across all government departments. To ensure this target is met, a change of culture and mindset shift is needed. Procurement teams need to focus on the outcome they want, rather than being overly prescriptive, to foster innovative ideas. There also needs to be greater pre-market engagement to make it easier to identify the appropriate companies and prepare them for the process. Crucially, the innovation process needs to be embraced, which includes greater trust from businesses and the government and a greater acceptance of risk.



### **Case study: Keela**

Keela is a family-run clothing manufacturer that has consistently innovated to meet national needs. During the conflict in Afghanistan, the Ministry of Defence recognised the need for improved equipment and turned to Keela to provide enhanced solutions for special forces. This partnership spurred innovation, enabling Keela to deliver technologically advanced solutions while significantly reducing weight. These solutions have also been deployed in Keela's retail products.

In comparison during the COVID-19 pandemic, Keela expanded its UK workforce to manufacture NHS gowns and other essential items, ensuring a reliable domestic supply chain. Post-pandemic, the move towards cost-driven procurement is troubling for many UK manufacturers such as Keela. Prioritising cheaper, lower-quality options can undermine resilience and stifle innovation. This can restrict our innovation-focused SMEs, like Keela, in scaling and reduce the quality of government products.

### **Department for Business and Trade to leverage the UK's research and technology organisations as core delivery partners in the Industrial Strategy.**

The UK has a strong foundation in research across a range of science and technology disciplines, however there is a real opportunity to focus on building on this platform to pull ideas through to value. To do this we need the later stage development facilities to test, trial and demonstrate products. In R&D-intensive 'deeptech' sectors this can require large facilities with expensive equipment and high running costs. For new companies, this can require large investments which can be hard to fundraise and can make them riskier propositions. Research and Technology Organisations (RTOs), such as Catapults, can offer cost-effective access to expensive innovation facilities and expertise to allow scale-ups to develop, demonstrate and test their products. They can help foster regional clusters between universities, businesses and local institutions, and unlock investment through these collaborations.

The Industrial Strategy will need new and tested technologies to accelerate delivering its missions and grow its 'future successes'. RTOs will be crucial to developing these technologies at pace and scale and should be a key partner in delivering the Industrial Strategy. The UK already has an excellent network of RTOs, which should continue to be supported financially and aligned to the Industrial Strategy where relevant. While strategic expansion should be considered to fill innovation gaps relevant to delivering the Strategy. This would build on the Nurse review's recommendation "to optimise translational research organisations by increasing their number, widening access and promoting the benefits of

translational research capability”<sup>8</sup>. RTOs should ensure they increase their engagement and promotion, so that they meet scale-ups’ needs and their services are more widely known. Any new facilities will also need the enabling infrastructure to support them, such as the appropriate and timely grid connectivity, which is currently lacking.

### **Case study: Centre for Process Innovation**

The Centre for Process Innovation (CPI) is a member of the UK’s High Value Manufacturing Catapult. It provides access to the innovation infrastructure needed for businesses to develop, scale-up and demonstrate their products. This includes £220m worth of capital infrastructure and over 700 specialist staff. The CPI works with a range of innovative companies working across Pharmaceuticals, Healthtech and Food & Agritech industries, of which 60% are SMEs. Companies benefit from the use of open-access capital infrastructure and people at CPI, which means they do not have to invest their own funds in re-creating them, thus creating capital and resource efficiencies. Based in the North East of England and Scotland, they have helped to develop regional clusters of highly productive businesses that support well-paid jobs, which provide a range of spillovers benefits. The CPI has also delivered substantial economic impact, including helping to leverage private investment of up to seven times their public investment, and unlock over £3billion of investment into UK SMEs.

CPI relies on a mixture of funding from government and industry sources. Government funding is set out on relatively short cycles, which hampers the CPI’s ability to anticipate, plan and support the industries of the future. The R&D intensive ‘deeptech’ businesses the CPI typically support also have long development phases, which typically range from four to twelve years. Longer term stability would enable them to better support their current and future scale-ups and deliver the R&D needed for the Industrial Strategy.

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<sup>8</sup> DSIT, Independent Review of the UK’s Research, Development and Innovation Organisational Landscape (2023).

## Access to the best talent

The UK has traditionally had a strong story to tell about talent. We have a strong university system with a high number of STEM graduates and the foundations as an attractive place for talent. However, labour shortages brought on by demographic change mean that the labour market is now a drag on UK competitiveness and growth. UK scale-ups are typically more reliant on highly skilled science and technology skillsets than other companies and need to recruit faster to meet their demand. Domestic talent is the main source for filling this need<sup>9</sup> and their skills are developed further in a scale-up environment. However, their pace of growth means that training cannot keep pace with their need for more people, which means immediate access to trained workers, including from overseas when necessary, is also needed.

Information Technology and Engineering professionals have consistently accounted for a large share of UK skilled worker visas granted (1 in 6 in the year to March 2024)<sup>10</sup>. The current Migration Advisory Committee review of why this is the case is welcomed because we believe that the evidence will reveal the strong commitment of businesses to training and an increasing prevalence of firms struggling to recruit candidates to training schemes. As well as showing the importance of a competitive immigration system to attract the talent that is needed for growth.

### **Home Office to consistently deliver against service level agreements, providing support and compensation when they are not met.**

Scale-ups need to hire at pace to grow. They require a variety of skillsets, depending on the nature of their business, across commercial and science & technology skillsets. Hiring the workers needed to grow is becoming increasingly difficult despite the UK's excellent university system and high number of STEM graduates. Shortages are particularly acute for science & technology skillsets in frontier technologies. Overseas talent has helped to fill these gaps and enable businesses to scale at pace and meet demand.

The recruitment of global talent is restricted by the pace and cost of the visa process, which impacts on scale-ups' ability to grow. There is a selection of visas options that can support a targeted inflow of global talent into the UK. However, visa application times can often be too slow, with no transparency on the process, or support when delays occur. This can apply to the priority and standard service. This is coupled with the high charges, which can cost up to 17 times more than international comparators<sup>11</sup>.

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<sup>9</sup> Scaleup Institute, ScaleUps building inclusive workforces – What more do they need? (2022).

<sup>10</sup> Home Office, Immigration system statistics (2024).

<sup>11</sup> Royal Society, Summary of visa costs analysis (2024).



The Home Office needs to prioritise making the UK immigration system competitive to attract the high-skilled talent needed for economic growth. Where the UK government has recognised the importance of international talent, such as across skilled occupations, it should ensure that it provides a competitive and compelling offer to attract the best and brightest. This should include monitoring processing times to match international standards. Service levels for processing times should align with the high costs and compensation should be available when they are not met. The UK Visa and Immigration should map out the current visa application journey with businesses to understand their perspectives and deliver a customer-focussed experience that provides greater transparency. Consideration should be given to invest in the process's capacity and systems, particularly given the high price paid by customers.

### **Case study: Ekimetrics**

Ekimetrics is an international data science and artificial intelligence business. With around 70 people based in the UK, they have recently grown by around 60% year on year and have had to rapidly recruit talent across data engineering and data science skillsets to meet demand. They have positively recruited UK graduates, particularly those who had practical experience of working in industry. However, there is a limited supply of these specialist skillsets, so they have also recruited from outside of the UK to meet demand.

They have had mixed experiences of using the visa system. On some occasions the system has worked efficiently and effectively. However, at other times they have experienced delays, with no warning or support to clarify the new completion date. This has also affected them when they have used the 'priority service,' with delays of up to four months beyond the expected processing time. The lack of transparency and support is their biggest problem, as it means they cannot easily manage and plan when problems occur, which has put them and their new employees in precarious positions. The delayed timeframes have also impacted their ability to operate and meet their growing demand.

To share your views or to find out more, contact:



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October 2024

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