



# Department for Business & Trade

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Dame Meg Hillier MP  
Chair of the Public Accounts Committee  
House of Commons  
London  
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Dear Chair,

## PUBLIC ACCOUNTS COMMITTEE: SUPPORTING INVESTMENT INTO THE UK

Following the Public Accounts Committee hearing on Monday 6<sup>th</sup> March on supporting investment into the UK, I am writing to follow up on some of the points raised. The enclosed annex includes supplementary information requested by the Committee, and clarification on a figure used in the session.

Sincerely,

GARETH DAVIES

## **Annex A:**

- Question 20: Ceri Smith said he would write to the Committee about what DBT does to avoid flipping and would call upon British Business Bank colleagues.

Since the Patient Capital Review in 2017, the government has delivered a series of reforms to increase investment into innovative scale-up companies and enable those companies to grow while remaining in this country. The UK's venture capital financing gap to the US has halved in this period. One of the key outcomes of this review was the creation of British Patient Capital (BPC) as a subsidiary of the British Business Bank. BPC is playing a key role in the evolution of the UK Venture Capital (VC) market and is now the largest domestic investor in UK VC with over £3 billion of assets under management. Total commitments, including capital from other institutional investors, now total more than £10 billion.

An external evaluation of the first five years of BPC, published in February 2023, concluded that BPC-backed investment funds had supported the creation up to 5,000 jobs in underlying companies and that BPC-backed firms were more likely to be later-stage growth companies than those backed by the wider equity market. BPC disproportionately supports R&D-intensive companies, with 11% of the firms receiving BPC-backed investment being academic spinouts, compared to 2% of all equity backed companies, and 92% of companies surveyed for the evaluation report using the equity investment to fund R&D activities. Since 2021, BPC has launched two new programmes: the Life Sciences Investment Programme, its first sector-specific fund for Life Sciences fund managers, and Future Fund Breakthrough, its first direct investment programme, to specifically target the challenges faced by later-stage R&D-intensive companies. As a result, BPC has become the most active late-stage direct investor in UK R&D intensive firms in investment rounds above £30m.

At Budget, the Chancellor announced the extension of British Patient Capital's mandate until 2033 and agreement in principle for BPC to recycle the proceeds from earlier investments, providing certainty for BPC and its co-investors to plan for the future. The government also launched the £250 million Long-term Investment for Technology and Science (LIFTS) initiative, which will act as a stimulus for the finance sector to create the structures needed to mobilise DC scheme investment into cutting-edge companies. The government is currently inviting feedback on the design of this initiative before a Call for Proposals is launched by the British Business Bank later in 2023. These significant new commitments will help ensure that innovative scale-up companies can access the growth capital they need to scale and stay in the UK.

- Question 23: Ceri Smith said he would write to confirm whether his recollection was correct around the methodology of 'scoring' job creation.

As the government department responsible for the promotion and facilitation of inward investment, DBT aims to record and report information on all FDI projects successfully landing in the UK. This includes projects assisted by the DBT network teams (involved projects) and

those which land without the DBT network's involvement (non-involved projects). DBT aims to capture all those FDI projects which meet DBT definitions and standards and those that can be verified as having landed in the financial year. New jobs created and safeguarded are estimates over a three-year period. Safeguarded jobs include those jobs which were retained as a result of the additional/new inward investment.<sup>1</sup> Previous research has estimated that 1-1.5% of supported investments drop out in the first 12 months of concluding. This will have an effect on the job estimate for the three year period.

- Question 52: (Evaluating projects) Daniel Gieve suggested he could write to the Committee on how they conduct lessons learnt of their work.

The Office for Investment (OfI) conducts a lessons learnt exercise for every project win and loss. The purpose of completing these are twofold: to improve internal operational effectiveness, and to systematically record data that can be used to inform decision and policy making across government. Each session brings together stakeholders from across government to perform deep dives into what went well, what could be improved, and discuss how HMG can improve its support offering to high value, high impact investors.

The OfI works alongside teams in DBT and across Whitehall to deliver investments in the UK and is subject to the Department's monitoring and evaluation framework and reports to DBT's performance governance forums. The OfI reports on its performance quarterly and annually to senior officials and Ministers and has an Operations function that records data to monitor performance against each of its ambition areas (Net Zero, Science and Technology, Levelling Up and Sovereign Investment Partnerships). These processes were reviewed by the Government Internal Audit Agency in 2022, and as part of the NAO's recommendations, the OfI/DBT will be conducting a lessons learnt exercise to inform the next stages of Investment Transformation Programme.

- Questions 87-88: The Committee asked Ceri Smith for a more specific note on the number of vacancies in the digital team.

As was mentioned in the hearing, the recent merger will increase some of the pressures on DBT's digital support, something the department is very mindful of. DBT will take this into account when considering the department's resourcing. As of 13<sup>th</sup> March 2023, the former DIT DDaT directorate had an establishment of 371 roles. Of these 200 are filled with permanent Civil Servants, 4 Fast Streamers and 62 contingent labour contractors. This leaves 105 roles vacant. This marks the highest level of roles filled with permanent Civil Servants since DIT was established. DDaT staff work across all the department's priorities including the Investment Transformation Programme.

- Question 93: Gareth Davies said he would write to the Committee with more granular information regarding the specific areas that support levelling up.

DBT is committed to demonstrating the value of investment promotion and foreign investment as part of the Government's Levelling Up ambitions. DBT recognises the important role foreign

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<sup>1</sup> [DIT Inward Investment Results 2021-2022, Technical Annex](#)

investors play in strengthening the quality of jobs and value chains across the whole of the UK. Recently, DBT published investment data as part of the Official Statistics to Local

Enterprise Partnership level for England.<sup>2</sup> DBT is continuing to expand on the granularity of these statistics as far as the data permits.

DBT have already taken important steps to build the department's approach to Levelling Up. This includes establishing dedicated teams in the North, Midlands and South of England, alongside Wales, Scotland and Northern Ireland, whose role is to work with local partners to identify, articulate and raise awareness of the key strengths, priorities and opportunities in those areas to ensure DBT's investor-facing teams in the UK and overseas are able to effectively present them to potential investors. Since DBT's Northern Powerhouse and Midlands Engine Investment teams were created, there has been a 12 percentage point increase in the share of DBT-involved investments going into those regions, as a share of England's total (28% to 40%).<sup>3</sup>

The Permanent Secretary would like to flag to the Committee a correction to the statistic he mentioned in Question 6, page 4 of the transcript. In response to Sir Geoffrey Clifton-Brown's question on CPTPP, he said "It is an 11-state free trade area, with a GDP of \$9 trillion". He should have stated 9 trillion pounds not dollars.

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<sup>2</sup> [DIT Inward Investment Results 2021-2022](#)

<sup>3</sup> [DIT Inward Investment Results 2021-2022, Technical Annex](#)