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Dame Chi Onwurah MP
Chair
Science, Innovation and Technology
Committee,
House of Commons,
London, SW1A 0AA

17th December 2025

Dear Chi,

Budget allocations for UK Research and Innovation

I am writing to inform the Committee that UKRI has today published an explainer, setting out how it plans to allocate its budgets over the coming years. This follows my letters on the 24th November and 2nd December around the UKRI growth summit, with today's publication providing more detail on UKRI's allocation to the UK R&D sector. The UK is a world leader in R&D, and under this government we will continue to be. That is why we have committed a record £86 billion investment over the next Spending Review. This record investment will drive new scientific breakthroughs, help create new industries and grow businesses faster, delivering the growth we need for good jobs and better lives.

DSIT has previously announced that UKRI will deliver an expected £36.8 billion of R&D investment from 2026/27 to 2029/30, rising to nearly £10 billion per annum by the end of the period. Today's publication provides further detail on the headline UKRI allocations announced at the UKRI Growth Summit. It also sets out the new outcome-focussed approach to allocations, which includes a pivot to targeted programmes to deliver on government priorities.

This marks the most significant change in how UKRI allocates funding and manages its budgets since the organisation was established. The new approach emphasises strategic, outcome-focused investment and dynamic budget management, and is underpinned by the following key principles: greater transparency in decision making, clearer capital allocation, a stronger focus on growth, and a sharper alignment with societal and government priorities.

Today's publication sets out more detail on UKRI's investment over the next Spending Review period which will be divided into three priority 'buckets':

1. £14 billion for curiosity-driven, foundational research – a unique national asset and a significant source of comparative advantage for the UK.
2. £8 billion for targeted R&D on national and societal priorities, including net zero, health, and defence.
3. £7 billion for commercialisation and scaling of 'high potential' businesses – backing breakthrough ideas to become global industry leaders.

A further £7 billion will be for the enabling investment that supports priorities across all three 'buckets', including key infrastructure and talent spending. Within this framework, UKRI will, for the first time, map its investments against priority sectors.

Across buckets 2 and 3, there will be £9 billion of direct support for the Industrial Strategy, including £4.5 billion for innovative UK firms. This approach ensures that public R&D funding is strategically aligned with areas of greatest economic potential, driving growth in high-value sectors and helping UK businesses scale globally. The direct support for Industrial Strategy sectors does not represent the totality of support for that sector, rather it is a subset which has been designated for direct investment in sector priorities. There will be overlap between sectors like Advanced Manufacturing and Defence, and investment on critical technologies will benefit multiple sectors. There will also be wider UKRI spend that benefits Industrial Strategy sectors in programmes like the R&D Missions Accelerator Programme and the Local Innovation Partnerships Fund.

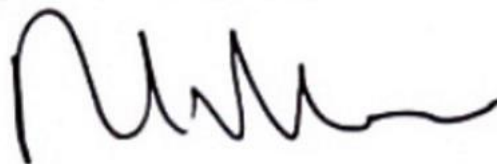
Universities will be key beneficiaries of UKRI's record funding for R&D, with universities receiving the majority of funding from UKRI. Their core block grant and commercialisation funding from DSIT will grow in line with expected inflation over the Spending Review period, reflecting the vital role the sector plays in our world leading research.

I want to note to the committee that a breakdown by research council is only possible for curiosity-driven research because of the new cross-disciplinary, outcome-focused, and programmatic approach being applied across the rest of UKRI's portfolio. Research councils will continue to play a crucial role in the governance, policy formulation, investment decisions, and delivery across the rest of the portfolio.

I also wanted to note that budgets set out here should be treated as a guide as UKRI intend to manage their budgets more dynamically over the SR period to respond to and capture emerging opportunities. The new approach also means that it is not possible to directly compare these allocations to previous budgets or explainers. This includes comparisons with historic sector or research council investment levels. While this change of approach means there is no direct comparison with previous years, the Higher Education sector will benefit from an overall funding increase, and curiosity driven research being the biggest area of investment amongst the three R&D priorities.

If you or your committee members have any further questions regarding these allocations or our research on the economic return of R&D, my officials would be happy to respond.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'N. Vallance', written in a cursive style.

Lord Vallance
Minister for Science, Innovation, Research and Nuclear