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Dame Chi Onwurah MP
Chair – Science Innovation and Technology Committee

26 August 2026

Dear Dame Chi,
Thank you for your letter dated 29 July, following the evidence session on 14 July. It was a pleasure to give evidence to the Committee. I thank you too for your words of support and interest in Innovate UK's renewed mission and strategic direction as set out in the Prospectus.

Since the Committee met in July, the Cabinet Office has published the Rewiring the State policy statement, outlining a new model for Government, including supporting mayors to foster local innovation systems and ensure regions are thriving places for people to live and work. Place-based and sector-focused growth go hand in hand: innovation is inherently rooted in place and thriving sectors rely on robust local ecosystems to sustain their growth. This principle is inherent in Innovate UK's own strategic direction, a point we'd like to assure the committee of given the evidence and your letter pre-date the paper.

In your letter, you have outlined a number of questions and points for clarity in your letter and asked for a response to the following points:

- Clarification on the timing of the sector plans and confirmation that the plans will include granular data detailing Innovate UK's allocations by regional cluster [innovation clusters].
- Metrics for increasing the return on investment (RoI) in companies across each of the Industrial Strategy sectors
- A year-by-year breakdown of IUK's budget allocation for the remainder of the spending review period

I have set out my response to each point in turn below.

Delivery plans
As Innovate UK (IUK) is part of UKRI, our sector plans are a subset of the UKRI delivery plans across the IS-8. This is right and necessary so that there is a full read across by sector of UKRI activities, regardless of the delivery council responsible for implementation.

Therefore, Innovate UK's plans are subject to internal governance processes at UKRI. My intention is to share with the Committee a collated set of our plans in the Autumn for the six Industrial Strategy sectors that Innovate UK supports.

The plans will include a sector-by-sector view of:

- Strategic objectives
- Objectives and key results (OKRs) and metrics
- Sector portfolio themes
- Overview of our interventions and initiatives
- Budget overview

Our sector approach depends on strong regional innovation ecosystems and clusters. The plans will therefore consider sector opportunities alongside the places, capabilities and innovation clusters that underpin them. Sector focus and place-based growth are mutually reinforcing: innovation happens in places, and successful sector growth depends on strong local ecosystems.

Reflecting the competitive nature of how our funding is awarded, we do not currently explicitly outline funding allocations by regional cluster. This means we can only confirm allocations by regional cluster once awards have been made through this process. Although funding is awarded competitively, the designs of our funding programmes are informed by regional strengths, innovation ecosystems and cluster capabilities across the UK.

Indeed, our work with regions over the last Spending Review focused on building regional capacity and capability so that businesses from all regions have equal opportunity to be successful in applying for IUK funding. We have seen the proportion of our funding to regions outside the Greater South East increase to 67% in 2023/24, the last period for which UKRI has published data. Internal analysis shows that the equivalent figure for 2024/25 is 63.5%. Whilst figures fluctuate each year, there has been a general upward trend from a figure of 56% in 2020/21.

Analysis of the Industrial Strategy growth sectors shows widespread regional strengths in each area. The analysis is being used in designing the sector support and interventions and will inform the plans to be shared in Autumn; this will include where relevant clusters yield UK strengths in each sector. Successful delivery depends on drawing on these strengths wherever they are located.

Metrics for increasing the return on our investment in companies across each of the Industrial Strategy sectors
Innovate UK has a strong track record in driving economic growth through our investment in innovation and innovative companies across the UK. Through our new strategic direction (as outlined in the Prospectus), we aim to go further: turning breakthrough ideas into the UK’s next industry leaders – industry giants that can compete globally and drive economic growth. Our assessment of return on investment is therefore rooted in seeing more companies scaling at pace in the UK, across priorities areas as set by the Government’s Industrial Strategy.

Our primary framework for assessing progress is rooted in UKRI’s published objectives and key results[1]. In particular, the Key Results for 2026/27 under Objective three include a focus on our work to introduce our new Velocity approach to identifying and supporting high potential businesses, and to embed investor-readiness pathways to connect businesses we back with follow-on private capital.

The aim is to increase the proportion of businesses we back that receive private capital to more than 55% of the active portfolio by 2031.

Within Innovate UK, we are building a more granular internal reporting framework underneath this, which focuses on three Objectives and associated Key Results:

1. Make the UK the #1 place for innovative businesses in priority sectors to scale

Our approach is centred on strengthening the UK's position as a global leader for innovation-driven businesses to start, grow and scale. We aim to improve access to high-quality support for ambitious businesses, accelerate the growth and commercialisation of innovative firms, and strengthen confidence in the UK's innovation ecosystem among investors and other partners.

If we are successful in doing this, we will see companies we back scaling more often and more quickly, and attracting private investment to enable this and ultimately change the trajectory of their journey to be industry leaders.

This is what will be at the heart of our metrics to measure progress and success in supporting high potential, innovation-driven businesses.

[1] Our objectives and key results: How we will measure our success

Our key results for this objective are:

i. More companies achieving scale milestones, faster
ii. Innovate UK backed companies are progressing through Velocity tiers – our holistic approach to supporting businesses to grow and scale
iii. More Innovate UK backed companies are achieving exceptional growth

For the Autumn, we are identifying the appropriate data, baseline, and benchmarks to use for defining these key results.

2. UK to be a global leader in prioritised Industrial Strategy subsectors

By focusing our support on priority sectors and subsectors, as identified through the Government's Industrial Strategy, we aim to have sector-level impacts as well as seeing high potential businesses flourish. Our approach is based on prioritising technologies and sectors where the UK has the right to win, based on scientific, industrial and place-based strengths.

To achieve this, we are focusing on the areas where we can have a truly transformational impact – for businesses, technologies, sectors and the economy.

Our key results for this objective are:

i. Growth sectors are progressing towards global leader status
ii. Innovation fundamentals and infrastructure are underpinning sector performance

We recognise that the opportunities, barriers, and economic circumstances in each sector and subsector will vary, and we will build up the measures and metrics for tracking progress accordingly. We expect these to include a focus, where appropriate, on spin out, start up and scale up rates, commercialisation, private investment leverage, and global market share. These will be built into sector plans.

3. Deliver national leadership that strengthens and coordinates innovation in the UK

Alongside this, Innovate UK plays a national leadership role in shaping and coordinating the innovation system. This includes bringing together regional partners, businesses, investors, regulators, research organisations and government to maximise the impact of innovation, attract greater private investment, and enhance the visibility and reputation of UK innovation both domestically and internationally.

We will build a stronger investment pipeline across the innovation system, improve awareness and perception of the innovation support available to high potential businesses, and ultimately, in the long run, improve the UK's standing in international innovation indices.

Our key results for this objective are:

i. Improved innovation ecosystem health
ii. Improved standing in international rankings
iii. Improved perception of Innovate UK

Monitoring progress

We are already collecting consistent data on outcomes from all beneficiaries of Innovate UK funding through our Impact Management Framework, as part of internal governance and our learning and design process. This includes data on employment, turnover, and investment arising from our support, and will inform the baseline as well as ongoing progress in achieving our objectives.

A year by year breakdown of IUK's budget allocation for the remainder of the spending review period

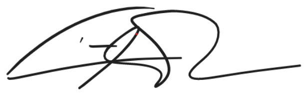
The breakdown of Innovate UK's allocation over the remainder of the Spending Review period is shown below, extracted from the UKRI publication on allocations. This allocation will be awarded through our Growth Sector Programmes, which will ultimately determine the subsector and regional breakdown of funding flows over that period. This data will be made available through our regular transparency data reporting and accompanying analysis. UKRI breaks its SR allocation down into three buckets, of which Innovate UK delivers against 'bucket three' which focusses on innovative companies[2]. For each financial year, we publish our annual report and accounts[3] which provides our yearly actual spend, budgets, delivery milestones, and achievements against our corporate plan.

Table 7: Investment in supporting innovative companies

Supporting innovative companies	FY 2026 to 2027 (total in millions)	FY 2027 to 2028 (total in millions)	FY 2028 to 2029 (total in millions)	FY 2029 to 2030 (total in millions)	Total (in millions)
Industrial Strategy sectors	979	1,141	1,183	1,197	4,502

Thank you again for the opportunity to give evidence to the committee and I will respond again in Autumn to share further information outlined in this letter.

Kind regards



Tom Adeyoola,
Executive Chair, Innovate UK

[2] UKRI Allocations Explainer
[3] UKRI Annual Report and Accounts