

Unlocking UK Innovation Districts to accelerate Industrial Strategy outcomes

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UK **Innovation**
Districts Group

CATAPULT
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The UK Innovation Districts Group (UK IDG) is a member-led network of Innovation Districts across the UK chaired by Emma Frost and supported by Connected Places Catapult. As the UK's community of practice for Innovation Districts our mission is to ignite inclusive urban growth by connecting pioneering Innovation Districts across the UK, enabling collaboration that accelerates productivity and prosperity. We do this by influencing policy, sharing best practice, filling research gaps and building shared tools and projects that help improve place-based innovation.

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Executive Summary

The UK is recognised globally for its leading research, emerging sectors and innovative companies. The Government's Industrial Strategy seeks to build on this strength to deliver secure, sustainable economic growth, reduce regional inequalities, and raise living standards nationwide. Central to this ambition is fostering innovative business environments focused on eight high-growth productivity sectors, supported by a commitment of £86 billion in public R&D funding by 2029/30. This investment, coupled with the development of both tangible and intangible infrastructure, will be vital in enabling innovators, entrepreneurs, researchers, creatives, and investors to collaborate, drive innovation, and enhance productivity. However, public funding will not accelerate the growth in these places to the level that is required to truly create a step-change in productivity.

This action paper, has been developed by the UK Innovation Districts Group in collaboration with industry, universities, local and regional Government. As well as setting out the role Innovation Districts play in national growth, this paper provides a set of pragmatic, fiscally neutral recommendations which could support the further growth of innovation hubs, with a particular focus on Innovation Districts. Innovation districts are compact, super connected, transit-accessible areas where cutting-edge organisations — from anchor institutions to start ups — cluster to collaborate and innovate. Characterised by a blend of physical, economic, and networking assets, these districts are proven productivity engines, outperforming average city districts by 25%. They play a vital role in translating research into commercial opportunities, scaling businesses, and fostering inclusive, sustainable economic development.

The recommendations in this paper focus on advancing investment and 'soft' infrastructure and partnership development to strengthen innovation and business growth generated in Innovation Districts. It calls for a step-change in partnership building; leadership and coordination among government, academia, industry, and investors to fully realise the potential of Innovation Districts as a form of strategic economic infrastructure.

We have intentionally omitted detailed coverage of critical interconnected themes such as skills development, social inclusion, and social innovation. These areas are fundamentally important to unlocking the full productivity and prosperity potential of UK districts, but they demand dedicated, focused attention beyond the scope of this paper.

We propose to develop separate action papers on skills, inclusion, and social innovation that will complement this work by addressing these vital dimensions comprehensively, ensuring that equity, skills, access to talent, workforce readiness and evolution and community engagement are fully integrated into the national innovation agenda.

Eight main recommendations are explored in this report, categorised under three themes and largely focused on encouraging more investment to the sector.

Crowding investment into innovation

- 1 Developing National Innovation Bonds
- 2 Enhancing Investment Advisory Support for public and academic partners
- 3 Recognising Innovation Districts as core economic infrastructure and strategic sites
- 4 Establishing a dedicated Match Funding Scheme for Innovation Districts similar to UKRPIF

Building pan-UK partnerships

- 5 Creating National Investor Mapping and Coordination
- 6 Forming cross organisational Regional Innovation Teams

Developing capacity and capability to unlock local partnerships

- 7 Implement a UK innovation partnership building programme
- 8 Producing an Innovation Readiness Framework

These recommendations provide a practical, action-oriented framework to help accelerate innovation-led growth, address regional disparities, and secure the UK's competitive position globally. Stakeholders are encouraged to engage in ongoing discussions to refine and implement these recommendations. The UK Innovation Districts Group (UK IDG) stands ready to further develop elements of these recommendations, support trial sites and detailed delivery plans, ensuring that this collaborative vision translates into concrete outcomes for the UK's innovation-led economic future.

Introduction

The UK is a thriving global economy, home to world leading sectors and companies. The Government's Industrial Strategy aims to build on these strengths and provides a plan to deliver secure, sustainable economic growth to reduce our regional inequality and boost living standards across the country. The strategy specifically identifies the need for more innovative business environments targeting high-growth productivity sectors to achieve long-term sustainable, inclusive and resilient growth that the nation needs. It makes a commitment to £86 billion in public R&D funding by 2029/30. This spending, alongside providing both tangible and intangible infrastructure for innovators, entrepreneurs, researchers, creatives, knowledge workers and investors to network and collaborate, will be critical ingredients in boosting investment, innovation and ultimately productivity.

In this context, this paper has been co-created with industry, universities and local and regional Government partners to suggest key recommendations that build on and develop existing policy commitments in supporting the growth of innovation hubs. These recommendations are intentionally pragmatic and fiscally neutral, in recognition of the emerging policy and current financial context. They have been developed in support of the Industrial Strategy and its effective delivery and are offered as an invitation for further constructive conversation with innovation hubs on achieving this. The paper is ultimately about how we turn strategy to action.

Innovation hubs are a collaborative environment - often a physical space but can be a virtual, where startups, researchers, established companies, and other innovators come together to exchange ideas, access resources, and develop new products, services, or solutions. The goal is to accelerate the application of innovations by providing a supportive ecosystem for creativity, networking, and business growth.

There are a range of different types of innovation hubs from; Innovation Districts, technology and science parks, incubator centres, innovation corridors, investment zones, R&D campuses etc. Regardless of the type, successful innovation hubs always share:

- An ecosystem promoting interdisciplinary collaboration and entrepreneurialism
- Strong networks and trust among relevant stakeholders
- Access to critical funding and resources including talent
- Robust and well-resourced support services
- Strategic vision and generous uniting leadership
- A culture that encourages creativity, experimentation, and open exchange of ideas.

In this paper, we focus on Innovation Districts as one of the prevalent types of innovation hub in the UK with high productivity. Research from The Business of Cities commissioned by UK IDG demonstrates that Innovation Districts are 25% more productive than the average across the cities they are located in¹.

¹ Business of Cities in a report to the UK Innovation Districts Group 2023

We must harness this potential to drive productivity, creating competitive businesses and rewarding high quality jobs that will boost renewal of key places across the country and support delivery of the Government's economic growth mission.

This paper has been prepared by the UK Innovation Districts Group (UK IDG), supported by Connected Places Catapult (CPC) and Arup. The UK IDG represent leading Innovation Districts across the UK and works with public, private, academic and third sectors to ensure place-based innovation drives inclusive growth. Arup is a multi-disciplinary built environment consultancy, guiding planning and designing for the future of our built environment and is also an Associate member of the UK IDG.



What are Innovation Districts?

Innovation districts are geographic areas where leading-edge, innovative organisations, including both anchor institutions, micro businesses and SMEs, cluster and collaborate. Physically, they are compact – often walkable, transit-accessible, have reliable digital infrastructure and have an attractive mixed-use housing, office, leisure, cultural and retail offer. This is complemented by community assets and convening spaces for informal networking, civic engagement, and inclusive open-innovation.

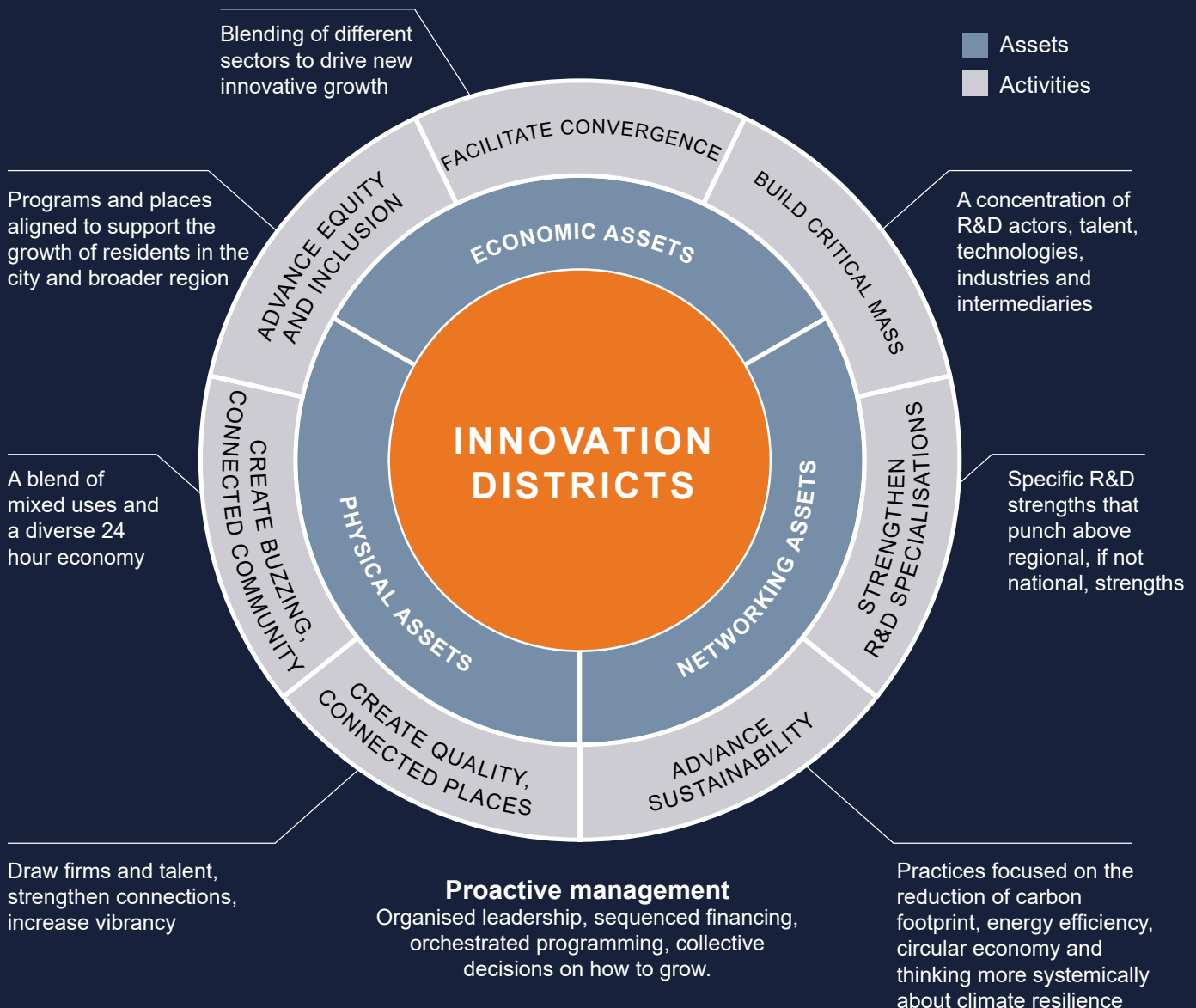
They also have ‘intangible’ assets that make them unique. This includes education and skill programmes, business networks, ‘accelerators’ and ‘incubator’s (programmes and services that help new businesses grow faster and smarter), strong leadership and collaborative governance.

The Brookings Institute first defined these characteristics in 2014 as economic, physical and networking assets.

Innovation districts can support a wide range of organisations to deliver their missions. They translate research from anchor institutions, such as universities, into solutions for industry and

applications to realise new opportunities – locally, nationally and globally, in emerging markets.

They help translate great ideas into commercially viable startups - by connecting budding entrepreneurs with investors, customers, testing facilities, mentors and buyers early on. Finally, they help established businesses scale. They do this by; accelerating relevant technology adoption, enabling diversification into growing national and international markets, attracting and developing a pipeline of talent, and linking businesses to complementary supply-chains that gives them a reason to stay and invest in the area.



This diagram combines sources from the UK IDG and the Global Institute of Innovations District

Innovation districts have the potential to catalyse productive, inclusive and sustainable economic development. They provide a foundation for the creation and expansion of firms and jobs by helping companies, entrepreneurs, universities, researchers and investors—across sectors and disciplines - co-invent and co-produce new discoveries for the market.

It is increasingly clear that Innovation Districts contribute to productivity growth. Research we commissioned from The Business of Cities in 2023 shows Innovation Districts are 25% more productive than the average city district where they are located. These innovation hotspots account for a relatively small share of the overall economy and a very small proportion of land

mass; but it is clear organisations in these areas punch above their weight.

This is a globally recognised phenomenon. Interdependent knowledge-based businesses that are intrinsically linked through common or complementary inputs, innovations, processes, or products dominate markets in every industrialised nation.

Together we need to create the supportive environments, the coordinated systems and the curated place-based programmes, that maximise the levers in the Industrial Strategy and deliver a positive step change in economic outcomes.

This increase in productivity within Innovation Districts happens through six main ways:



1

Reducing innovation friction

iterative testing and faster routes to market



2

Boosting capabilities

skills growth and transfer within and between organisations



3

Accelerating spillovers between sectors

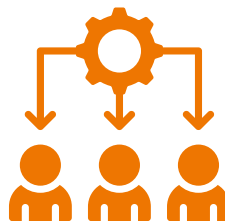
driving current managerial and operational efficiencies and improvements
– Incremental innovation



4

Enabling technological convergence

cross sector breakthroughs and transformation into future productivity frontiers
– Radical innovation



5

Supporting workforce adaptation

skills development of all types
– informal learning, retraining, future proofing, new skills etc



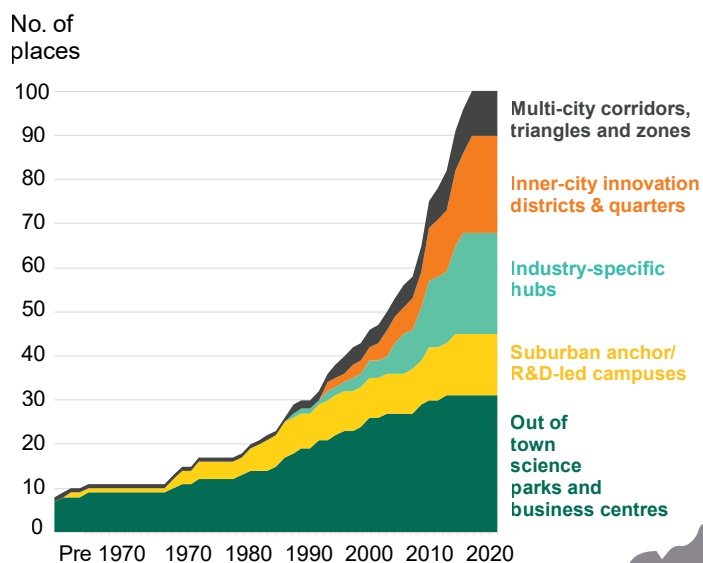
6

Aligning capital and coordination

public and private investment flows into innovation capacity building platforms

Where are they?

Innovation hubs across the UK (including Innovation Districts – shown on this map in orange) are largely concentrated in our Capital and Core Cities. This concentration aligns with the City Regions and Combined Authorities identified in the Industrial Strategy alongside corresponding ‘Sector Plans’. Government policy promotes a welcome emphasis on placed-based growth with areas defining and delivering their own local growth plans alongside increased strategic decision making, powers and accountability.





Case for change

We believe that Innovation Districts will be critical in delivering the UK's Industrial Strategy. The Government has selected eight sectors with the highest potential for growth (IS-8), including those directly related to the innovation economy; Advanced Manufacturing, Life Sciences, Digital and Technology and Clean Energy. Seven of the eight 'Sector Plans' have been published and set out the most important city regions and clusters for each sector.

The Sector Plans are an important step in generating a 'turbo charge' for key sectors. They are important in prioritising focus sectors and usefully highlight the key cities and regions where existing or emerging work is taking place across the IS-8. However, there is also a need to recognise Innovation Districts, which intentionally work across sectors, often stimulating growth between sectors, as we know just how much cross-disciplinary working can benefit radical innovation. As such, Innovation Districts should be seen as engines of growth and a key part of our national economic infrastructure.

A business-as-usual approach will mean the potential of places and the IS-8 sectors is not maximised, growth will be stagnated and slow. If the UK is to deliver on the strong, stable and sustainable economic growth that is required and remain competitive on a global scale, Government and the sectors must be primed to support Innovation Districts to grow and truly flourish. This is an on opportune moment for Government and all stakeholders to work together on a shared good growth mission.

Our recommendations are broken down into three key themes. The majority of our recommendations are focused on crowding more private investment into innovation, given the significant impact and growth potential this could unlock.



Crowding investment into innovation

The Industrial Strategy highlights that the UK must focus on becoming the best place for investors (both foreign and national) to allocate capital. Whilst there is clearly a role for grant funding in unlocking projects, if we are to deliver the hard and soft infrastructure that the UK needs to maximise innovation-led growth, we must consider how to attract more private investment and direct this appropriately. And, as the Industrial Strategy states, we must move quickly, investors are reassessing where they invest their capital in response to geopolitical uncertainty.

Right now, there's a serious problem: it's very expensive to build new places for innovation. A combination of high build costs, borrowing costs, reducing exit yields are leading to investor nervousness. This has meant many investors are reluctant to take the risk, especially outside London, Cambridge and Oxford, and is leading to places across the UK missing out on chances to grow.

There is a need to explore different investment mechanisms (including the potential for National Innovation Bonds as cited below), to get more R&D and commercial space and infrastructure built and to invest properly in the human capital that makes the critical difference in supporting innovation-led growth.

Our key recommendations to develop this approach are:

- Develop National Innovation Bonds to get more high-quality commercial space built
- Expand the existing National Wealth Fund Local Advisory Service to develop "Investment Aid"
- Recognise Innovation Districts as 'Industrial Strategy' sites alongside Investment Zones and Freeports, and ensure better coordination between these
- Introduce UKRPIF for Innovation Districts
- Innovation Districts to partner with Community Development Finance Institutions (CDFIs) alongside the BBB Enable programme.

Develop National Innovation Bonds to get more high-quality commercial space built

An Innovation Bond could provide a safe way for the Government, Local Authorities, and universities to team up and raise money to build spaces where they're needed most. If universities and Local Authorities own valuable land or buildings, they could use those as security to borrow money against more easily. This means public partners can use the value of property (or other) assets they already own - like campus sites, labs, or council offices - as security to take out loans or issue bonds. Much like taking out a mortgage: the borrower promises to repay the money, and if they can't, the lender has a claim on the property. In a similar way to mortgages, these bonds could take a long-term approach. Innovation Bonds could be more beneficial than regular prudential borrowing because:

Asset Backing and Cost Efficiency

Innovation bonds would be directly backed by the university's or local authority's physical capital assets (like land and buildings). This asset-backed nature can often allow for potentially lower borrowing costs compared to prudential borrowing, which is not typically secured by specific assets but is based on the council's overall credit and borrowing limit set by regulations.

Targeted Innovation Investment

Innovation bonds are usually designed to fund innovation-focused projects, including research facilities, technology commercialisation, or infrastructure upgrades aimed at fostering economic and social impact. In contrast, prudential borrowing is a broader financing tool councils use for a wide range of capital expenditures, not specifically tied to innovation or growth sectors.

Flexible Capital Use and Matching

Innovation bonds might attract additional private or public co-investment focused on innovation, creating a multiplier effect on Government or institutional funding. Prudential borrowing lacks this mechanism of linked match funding and targeted sector growth incentives.

Long-Term Strategic Asset Leveraging

By leveraging tangible capital assets, innovation bonds enable universities and councils to unlock trapped value in their estates without immediate asset sales. Prudential borrowing is generally limited by statutory borrowing limits and may not fully capture the value tied up in capital assets.

As Innovation Districts combine a range of long-term anchor institutions, they provide an ideal framework for these institutions to work collaboratively to determine good long-term innovation investment priorities; rather than a series of 'white elephant' developments. They also understand the soft infrastructure (the human capital or network assets) that need to be invested in and how best to provide this.

In short, innovation bonds such as this would differ from prudential borrowing (which Councils can already access from the Public Works Loan Board) as they would allow borrowers to use their capital assets more strategically to fund innovation and growth projects at potentially lower cost and with additional investment leverage.

It is worth noting that recently changing accounting regulations for UK universities (particularly those coming via the new Statement of Recommended Practice (SORP) for Further and Higher Education) could make it harder for universities to borrow money based on the theoretical value of their capital assets. The regulation changes focus on how universities report their finances, especially around the valuation and use of capital assets like buildings and land. The updated rules require more caution and tighter definitions of what can be counted as a usable asset.

A concern is that this could unintentionally limit the investment appetite of universities and borrowing models they have access to. Therefore, we would recommend exploring the specifics of the regulation updates to understand if and how exemptions for innovation infrastructure and asset investment could be developed – given the shared UK growth agenda and innovation capacity this could help unlock.

For innovation investment, this approach is especially useful because:

Unlocks Capital: Universities and Councils own valuable land and buildings but may not have extra cash for new projects. By borrowing against these assets, they can raise significant funds up front to build or refurbish innovation spaces (like offices, labs, or R&D hubs) without having to wait years to save up.



Reduces Risk for Investors: Properties are generally seen as safe, long-term investments. When a university or local council borrows against its land or buildings, lenders are more willing to provide money - even when private



investment is scarce - because the property acts as security.

Speeds up Development: Ready access to finance means new innovation and commercial spaces can be built more quickly, helping regions outside the Golden Triangle grow their local economies and support new ventures.



Enables Partnership: Central Government, Combined Authorities, Universities, and Local Authorities can pool assets and borrowing capacity, working together (potentially supported by a fund like the NWF) to create more effective and sustainable Innovation Districts.



Addresses Market Failure: In places where private investors are nervous due to high build costs or slower returns, public bodies can step in - using their land and buildings to borrow, build, and operate until the market becomes more attractive.



To move forward, UK IDG welcomes further exploration with the National Wealth Fund to understand what supporting role they could potentially play in this.

Expand the existing National Wealth Fund Local Advisory Service to develop “Investment Aid”

A common challenge faced by many areas nationwide is ensuring there is enough capability and capacity within project development to advance investment-ready proposals. Local Authority teams (and now universities) have been increasingly stretched as a cumulative consequence of austerity, and many have cited this as a critically limiting factor in progressing investment deals. Borrowing from the principle of Legal Aid, the NWF should continue to develop an equivalent Investment Aid model to help support Local Authorities with development finance and specialist expertise as they work through deals; in much the same way that funding and expert support is made available through the courts via Legal Aid.

The NWF already runs a Local Authority advisory service which provides an independent and free service that helps local authorities and mayoral strategic authorities develop and deploy deals for strategic investment projects. This includes four recently announced Strategic Partnerships (with West Midlands Combined Authority, West Yorkshire Combined Authority, Greater Manchester Combined Authority and Glasgow City Region) to provide enhanced, hands-on support with tailored commercial and financial advice to help regions develop and secure long-term investment opportunities and private and public finance.

We support this and recommend that the support service is extended to assist Universities as well as Local and Combined Authorities. This could be done in the first instance by encouraging Universities to partner with Local Authorities to access the support service. Developing an expanded and effective triage, referrals, pooled capacity and direct local support service could

be very beneficial. This could include two complimentary strands as part of the service offer;

- 1 Disseminate learning (sharing role models, project examples, investment models and support tools – such as a needs mapping framework; that plots the capability and capacity requirements to deliver investment pipelines in each region)
- 2 Direct support (the Investment Aid concept – which includes project development finance and expert resource) as well as finance investment training and capacity building for public and academic sectors (which could potentially be delivered to pro-bono via free-to-access online learning tools and communities of practice).

To move forward, UK IDG and CPC would like to work with NWF to explore options for enhancing the already valuable Local Advisory Service along these lines. This could include working with universities and other lead innovation partners within Innovation Districts, alongside Local Authorities.

Recognise innovation Districts as ‘Industrial Strategy’ sites alongside Investment Zones and Freeports, and ensure better coordination between these

There is good ambition in the complimentary funds announced as part of the Industrial Strategy. The Accelerator Fund opens up and services strategic sites, Local Innovation Partnership Fund (LIPF) will deliver business growth and innovation programmes within them, and the Mayoral Funds support larger-scale or riskier interventions, recycling returns to maintain momentum. However, by including Innovation Districts as ‘supported sites’ for these funds, the UK could give a clear focus to innovation and business growth, stimulating IS-8 sectors. By supporting these alongside Investment Zones (with tax and planning flexibilities) and Freeports (trade-focused), the UK will focus investment in rich, maturing innovation-led communities (predominately in the core cities) across the country, critical for supporting local livelihoods and addressing regional inequalities.

This will ensure that national funds work together to combine infrastructure, partnership, and long-term investment required to support innovation hubs. It would also help enable greater co-ordination between existing Innovation Districts and Investment Zones, ensuring a joined up regional innovation offer. Where, as in many cases (see Table 1), Innovation Districts are already close to newly designated Investment Zones - it is crucial that these two economic platforms have a close and complementary interface.

Investment Zone proposals were selected to ensure proximity to R&D and innovation resources, with the intent to create regional “knowledge-intensive growth clusters”. They also aim to support priority sectors like advanced manufacturing, life sciences, green industries,

digital, technical, and creative industries. Given the role of Innovation Districts as engines of research, development and enterprise within wider regional clusters and supply chains, recognising them as core economic infrastructure and linking them to Investment Zones is fundamental to industrial and regional development policy.

Investment Zone	Innovation Districts
Liverpool City Region	Knowledge Quarter Liverpool, Sci-Tech Daresbury
West Midlands	Birmingham Knowledge Quarter, Wolverhampton Green Innovation Corridor
West Yorkshire	Leeds Innovation District
South Yorkshire	Sheffield City Region Innovation District, Advanced Manufacturing Park
North East	Newcastle Helix, Newcastle Health Innovation Neighbourhood
Greater Manchester	Innovation District Manchester, Atom Valley
Tees Valley	Teesside Advanced Manufacturing Park, Middlesbrough Innovation District
East Midlands	Nottingham Innovation District, Derby Infinity Park

Table 1

Including Innovation Districts as recognised Industrial Strategy sites will mean they could be supported by the forthcoming £600m Strategic Sites Accelerator Fund (due from 26/27) which aims to help “de-risk” and prepare sites for fast-track investment; such as land remediation and infrastructure intervention, as well as streamline planning.

Additionally on the Strategic Sites Accelerator Fund, experience from many Innovation Districts suggests that the sticking points for investment often come further downstream, after some initial public investment in pre-development site preparation. Therefore, it would be beneficial to explore using some of the £600m fund to better understand the blockers to ‘spades actually being in the ground’ (which often come further downstream in Innovation Districts) and the types of mechanisms that could be piloted to tackle these.

There is an opportunity for HM Treasury (HMT) to play a coordinating role in leveraging investment into Innovation Districts. Working across Government, PUFINS², pension funds, UK Business Angels Association (in context of Mansion House reforms). There would be clear value in adopting a more concerted and synchronised approach to leveraging Innovation Districts across risk capital, and investment in property and other capital assets.

To move forward, UK IDG welcomes a conversation with HM Government, in particular HM Treasury.

² PuFins are Public Finance Institutions (PuFins), some operating in England and some UK wide

Introduce UKRPIF for Innovation Districts

A UK Research Partnership Investment Fund (UKRPIF) style scheme for Innovation Districts would see the UK strengthen its innovation infrastructure; just as the successful UKRPIF, run by Research England, has done for university research infrastructure.

Under the UKRPIF fund, universities bid for large-scale capital funding for research facilities (typically £10–50 million per project), but to qualify they must secure at least double that amount from non-public sources—such as private sector partners, charities, or philanthropic donors. This “double match” model means for every £1 awarded by UKRPIF, £2 must be levered in from other sources, significantly amplifying total investment. UKRPIF funding can be spent on new buildings, upgrades to existing facilities, or high-cost equipment that supports world-leading research.

A remodelled UKRPIF scheme for Innovation Districts would expand beyond supporting university research facilities, moving into commercialisation by backing the full range of infrastructure required for vibrant, commercially successful innovation ecosystems. The core mechanism would still be match funding, but instead of focusing solely on research labs and university-driven projects, the fund could support spaces that facilitate innovation (collaborative workspaces, scale-up and prototyping facilities, creative studios, testbeds and demonstration zones, upgrades to and retrofits for existing buildings).

Elements of this recommendation are similar to the recent draft guidance issued for LIPF. We welcome the development of LIPF and the direction much of the guidance is taking. This

recommendation differs in that it suggests a proactive, flexible Government match funding pot where innovation partners are encouraged to present investment schemes on a rolling basis. In so doing, it would stimulate private investment by putting public match funding on the table without creating a potentially competitive and restrictive framework (in much the same way that in the charitable sector UK Aid Match programme works (run by UK Government) and UK Small Charity Week works (run by The Big Give)).

For innovation investment, this approach is especially useful because it:

Promotes collaboration, and embraces flexible, partnership-led governance:

Projects could be led by consortia of universities, Local Authorities, NHS Trusts, anchor businesses, civic or charitable organisations, enabling the creation or expansion of managed Innovation Districts, not just individual university estates.

Anchors projects in place-based strategy:

Funding decisions would prioritise projects that clearly address local market failures - such as lack of scale-up space in less investor-attractive regions outside London and the “Golden Triangle” - and which demonstrate clear links to local skills, talent pipelines, and inclusive growth.

Promotes economic and civic outcomes:

Assessment would reward schemes that promise not just academic or scientific outputs, but crucially commercialisation, business growth, job creation, business formation, industry partnerships, and wider civic engagement.

To move forward, UK IDG welcomes a conversation with UKRI to explore this further.



Innovation Districts to partner with Community Development Finance Institutions (CDFIs) alongside the BBB Enable programme

This would support more innovation adoption and translation from anchor research institutions across smaller SMEs and vis versa. CDFIs are small, regional lenders that operate in the social impact sector, providing debt finance and support to smaller businesses that can find it difficult to access finance from mainstream lenders. Through the British Business Bank (BBB) Enable programme (a programme encouraging and supporting lenders to provide more lending to smaller businesses) more funding is being made available for CDFIs over the next few years. This could potentially be complemented by additional innovation adoption support (similar to initiatives like [Innovation in Action](#) at Sheffield's Advanced Manufacturing Innovation District) for relevant SMEs working in the IS-8 sectors that align with local Innovation Districts' R&D focuses.

To move forward, UK IDG welcomes further exploration with the British Business Bank.





Building pan-UK partnerships

The physical scale of the UK means it is imperative regions work together to compete with other global clusters. In a competitive global environment, connectivity across the country is a critical part of the UK's place-based offer and attractiveness to investors. Better connectivity, through density of assets, access to resources and talent across the supply chain, would create the conditions and integration that increase innovation, expand access to markets and talent, and strengthen productivity.

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Our physical size means we are primed to be attractive on these fronts, but our regional collaboration and connectivity is currently fragmented and not harnessing this potential. Just as the Netherlands outperforms on innovation economy activity relative to its landmass (driven by its density of innovation networks and close collaboration between research institutions) the UK must do the same if it is to truly compete on a global scale.

Better partnership working is also critical in addressing regional (and localised) inequality so that the breadth of population can benefit from the jobs generated from the creation and development of new ideas and businesses.

When thinking about connecting between Innovation Districts and regions across the UK it's important to assess the geographic spread of different stages of innovation as well as the sector strengths. Broadly, innovation is fragmented into four distinct stages:

- 1 Novelty
- 2 Design/prototype development and production engineering
- 3 Second-generation product and component innovation, and
- 4 Production and assembly (Breznitz 2021).

Each of these four innovation stages has a different blend of spatial, skills, service and supply chain needs for them to flourish. Therefore, identifying strengths across the innovation stages (as well as sectors) would help map and network complementary innovation capabilities across the value chain and the across the UK. This will enable greater innovation diffusion, increasing our regional economic growth and our global competitiveness.

Our key recommendations to develop this approach are:

- Creation of a live, publicly available UK investor map and prospectus with a clear 'owner' and 'promoter'
- Join-up between different partners to form regional innovation teams, that work together as a chain of pearls across the UK.
- Extension of the Knowledge Transfer Partnership (KTP) model to encompass knowledge transfer and partnership working between places (as well as between academia and industry).

³ https://ec.europa.eu/assets/rtd/eis/2024/ec_rtd_eis-country-profile-nl.pdf



Creation of a live, publicly available UK investor map and prospectus with a clear ‘owner’ and ‘promoter’

Building on the Bussiness.gov.uk work to support and navigate investment across nations and regions, we suggest publically mapping investor opportunities. This would target national and international investment, providing a valuable source of information combining; sector strengths, strengths in innovation stages, existing clusters and Innovation Districts, connectedness between innovation clusters, innovation governance structures, investment ready projects, innovation readiness levels and key contact details. It could be overlayed with different filters that show for example, the cluster mapping the British Business Bank is undertaking on business analytics and the Higher Education Statistics Agency (HESA) / Research England spin out register; providing accessible information in one place. This interactive map should also link to the National Infrastructure Pipeline tool, which shows real time updates on the 780 planned projects over the next 10 years and will help give more planning and investment certainty.

To move forward, UK IDG welcomes a conversation with HM Government, particularly the Department for Business and Trade and Office for Investment.

Join-up between different partners to form regional innovation teams, that work together as a chain of pearls across the UK

There is increasing policy focus on regional clusters and place-based innovation networks which is helpful. It requires depth of work, partnerships and connections to activate an Innovation District (as covered in the next section), but these networks also need to be outward looking as well as internally deep and strong.

Multiple regional initiatives already exist such as;

- IUK's Regional leads network and business support programme – Business Growth
- CPC's Regional partnerships model to intensify local innovation support
- BBB's Cluster programme, introducing a cluster champion embedded in 10 regions
- The Crown Estates' (TCE) plan to grow a chain of regional hubs, focusing on supporting VC investors to invest across the UK.

Each of these regional initiatives are welcome as they seek to address a specific angle. However, there is an opportunity to increase the impact of the various place-based initiatives from across the different organisations (such as those listed above) to form a single regional collective; ensuring they work as one multifaceted innovation team in service of the places that they are part of. This would help maximise resources, reduce potential duplication and confusion and work more effectively with devolved authorities' innovation boards in relation to the forthcoming Local Innovation Partnership Fund and similar opportunities.

Place leaders across the country can build capability by learning from each other, sharing what works in creating the conditions for innovation and business growth. Partnerships that drive growth come in lots of shapes and sizes, which is why CPC supports national initiatives like the UK IDG, 'Joining the Dots' (UK and Irish cities) and the Freeport Innovation Network. These sorts of platforms are important for sharing best practice and supporting better impact and outcomes from place-based innovation across the UK.

To move forward, UK IDG members in every region welcome a conversation about the ideal roles a cross organisational virtual innovation team in their region could help support.

Extension of the Knowledge Transfer Partnership (KTP) model to encompass knowledge transfer and partnership working between places (as well as between academia and industry)

There is broad acknowledgment that KTPs as a model have had a positive transformative effect on universities' outward facing industry engagement. KTPs are collaborative projects that link UK businesses with universities or research institutions via a research associate. The aim is to help businesses innovate and grow by accessing academic expertise and fresh talent whilst also helping universities connect with live industry dynamics and challenges. The partnerships typically last 12–36 months, during which the research associate works on solving a business challenge while being supervised by an academic advisor. The scheme is part-funded by the government (usually via Innovate UK), with businesses contributing a share of project costs.

We recommend iterating this model to focus on partnerships and live business challenges between Innovation Districts (that may be led by university anchors but intentionally extend to wider local innovation ecosystems beyond the university 'walls').

This would be helpful in influencing future Manchester – Cambridge style partnerships between universities to ensure that such partnerships are able to operate on Innovation District-to-Innovation District level not just a university-to-university level. Another potentially useful evolution of this bilateral university partnership could be the ability to bring more university partners into the same partnership agreement, which should focus on applied research capable of supporting innovation-led growth through start-ups and scale-ups.

To move forward, UK IDG members in each region welcome a conversation with IUK about the role they can play in developing these partnerships.





Developing capacity and capability to unlock local partnerships

We know that innovation doesn't happen in isolation; it is rooted in people and place. Innovation thrives when diverse players collaborate to build trust and develop effective networks.

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Various place partners all bring complementary strengths, but it's genuine collaboration, a shared vision, aligned goals and effective generous leadership which creates the 'glue' that holds the ecosystem together. In fact, this 'soft infrastructure' or human capital is the single biggest determinant of an Innovation District's success. By harnessing this, districts can better;

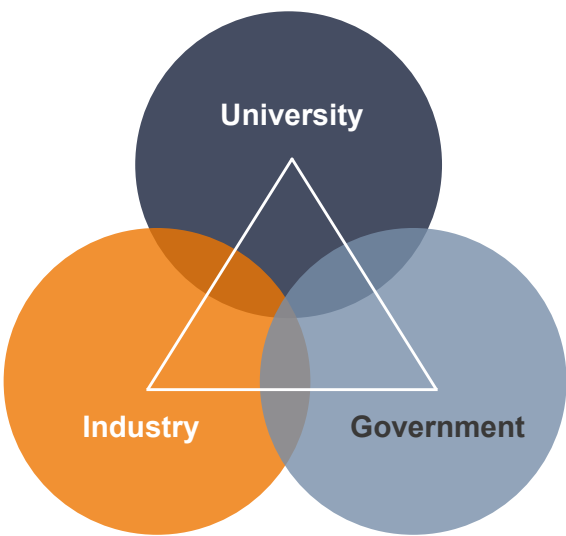
- 1 Leverage local knowledge,
- 2 Unlock resources and investment and
- 3 Support community buy-in and inclusion to ensure more equitable growth.

Although some local partnership programmes do already exist, our recommendations below focus on specific, tangible actions that take these further. These recommendations are;

- Implement a UK innovation partnership building programme
- Develop an Innovation Readiness Levels framework, similar to Technology Readiness Levels (TRLs) that creates a common progress pathway for Innovation Districts to assess themselves against and work through
- Develop links between business investment and innovation ecosystem investment.

Implement a UK innovation partnership building programme

This would allow cross sector leaders to commit to working together in a formalised partnership that represents the triple helix or quadruple helix model. This would be a multi stakeholder team-based action learning programme designed to help regions grow their innovation ecosystems by building partnership working capacity. It would formalise governance arrangements which would in turn increase co-investment and innovation translation through start-ups and spin-outs.

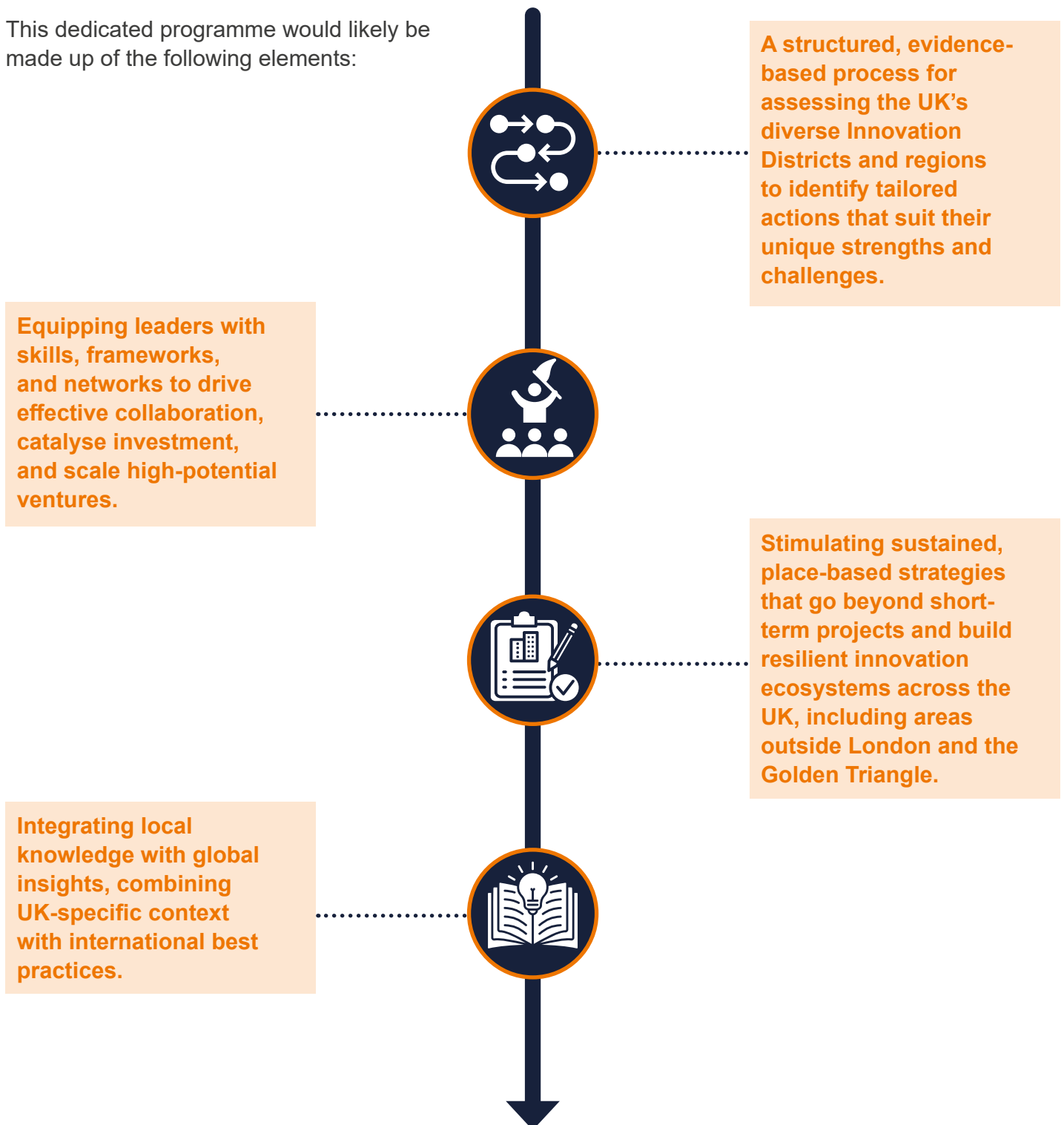


Triple helix model

This partnership capacity building programme will be specific to the UK culture and context with a clear emphasis on developing entrepreneurialism and investment readiness in participating places. It would align to the triple or quadruple helix funding criteria for the new Local Innovation Partnership Fund and help ensure that local Innovation Districts are ready and able to make the most of such private and public investment opportunities. Furthermore, as investors look for partnerships between universities and private and public sectors, they are more likely to invest when they can see that partnerships are mature and formalised, through clear governance arrangements.

To move forward, UK IDG welcomes further exploration with IUK, Connected Places Catapult and organisations like the Crown Estate to co-develop such a programme.

This dedicated programme would likely be made up of the following elements:



Develop an Innovation Readiness Levels framework, similar to Technology Readiness Levels (TRLs)

There is general appreciation for the way that TRLs create a consistent progress ladder for technology testing and product development. The clarity provided through the steps to take new ideas through a series of recognised stage gates which support robust testing and refining before taking it to market, is helpful in what can be a 'messy' process. Similarly in addition to TRLs there are also Capability (or Commercial) Readiness Levels (CRLs), and Enterprise Readiness Levels (ERL) all of which are frameworks used to evaluate different aspects of innovation progress. Put simply;

TRL = technical development (the product fit)

CRL = commercial or capability adoption (the market fit)

ERL = enterprise or organisational preparedness (the organisation fit)

We recommend a similar progress pathway for Innovation Districts, helping them to understand and develop the essential components, capacities and capabilities that accelerate innovation-led growth in an area. In essence, TRLs with a place lens. An important dimension of this will be recognising the testbed role that Innovation Districts can play by offering an ideal real-world environment to trial things and move up the TRLs.

IRL = innovation maximisation through the place-based network (the place fit)

Demonstrable progress through the IRLs framework could be linked to Local Innovation Partnerships Fund allocations by CAs and other similar funding pot criteria. This would help identify places with the capacity and expertise to supercharge innovation output and outcomes as well as providing a support framework for those places committed to developing their innovation capabilities further.

To move forward, UK IDG has started exploring this model with Connected Places Catapult, building on the previous Hubs of Innovation playbook 2021.

Develop links between business investment and innovation ecosystem investment

Often investing in a single innovative business is easier than investing in an innovation ecosystem. An Innovation District represents a collection of innovative business and organisations working together to share resources and skills to maximise innovation outcomes – an innovation ecosystem. One of the many conditions for success in such an innovation ecosystem is an active entrepreneurial culture and network of business founders, scalers and investors. Linking programmes like the British Business Bank's Strategic Investment Fund (which seeks to identify and back high priority growth businesses in line with the Industrial Strategy) with reinvestment criteria that see's business beneficiaries "pay it forward" by investing in their local innovation ecosystems could be a useful win-win. For example, with business beneficiaries who have received Strategic Investment Funding;

- Helping to develop local business angel groups and founder networks
- Acting as mentors for early stage and scaling businesses in their region

To move forward UK IDG would like to explore this further with British Business Bank and UK Business Angels Association.



Conclusion

The UK stands at a critical juncture to capitalise on its globally recognised strengths in research, innovation, and entrepreneurship. Compared to other G7 economies, UK investment in R&D is low. However, there is now a strong aligned agenda from national, regional and local Government to drive investment in research and innovation to support growth.

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Innovation districts are proven engines for productivity, economic renewal, and the creation of high-quality jobs, consistently outperforming average city districts by 25% in productivity terms. These districts thrive on well-coordinated, collaborative ecosystems that unite industry, academia, Government, and investors to accelerate the development and commercialisation of new ideas and business growth. The Industrial Strategy's clear commitment to driving investment into innovation sectors is a welcome foundation for growth; however, realising the UK's full potential requires that these Innovation Districts become strategic assets—supported by leadership, connectivity, and targeted investment.

Our recommendations have been co-created with industry, universities and local government and focus on building on existing initiatives and policies. They aim to be fiscally neutral and are practical actions that will support delivery of the Industrial Strategy. We believe the recommendations put forward in this paper would significantly shift the dial in allowing both our emerging and established Innovation Districts to grow and thrive, driving the productivity that the UK desperately needs.

This paper is however, by no means the complete works. It is intended as an invitation for collaborative action to further shape and refine the detail for delivery of these (and other recommendations).

We are also acutely aware that, in the interest of brevity, this paper does not cover other critical related elements underpinning the innovation-led growth agenda such as skills, inclusion and social innovation. These areas deserve and demand focused attention as they are fundamental to releasing the productivity and prosperity gains that the nation is striving for. As such, we have not attempted to include them in a light touch way as part of this paper. Instead, we would like to develop dedicated action papers, similar to this, which examine key recommendations for skills, inclusion and social innovation in relation to the Industrial Strategy and other economic development policies.

Throughout this paper, we have explored eight main recommendations which we welcome further feedback and discussion on.



Key Recommendations

National Innovation Bonds

Create asset-backed borrowing mechanisms for universities and councils, allowing them to leverage their capital assets to fund innovation infrastructure and unlock private investment. Explore exemptions in regulations so innovation investments can benefit from financial flexibility.

Expand National Wealth Fund Support

Broaden existing advisory and “Investment Aid” service to include universities alongside local authorities, improving capacity and capability across the project development cycle and enabling more investable propositions to be realised.

Include Innovation Districts as Strategic Sites

Support Innovation Districts alongside Investment Zones and Freeports via the Industrial Strategy, coordinating funding and planning to maximize synergies between these local and regional economic platforms.

UKRPIF-Style Match Funding for Innovation Districts

Introduce a targeted match funding scheme that encourages diverse partnerships, attracts private investment, and supports innovation ecosystem infrastructure—not just research facilities

Pan-UK Partnerships and Investor Mapping

Develop a publicly available national investor prospectus map, establishing clear ownership and coordination responsibilities to drive investment and support connectivity across regional innovation clusters.

Regional Innovation Teams and Navigators

Form joined-up regional innovation teams from across different organisations, maximizing resources and reducing duplication, with dedicated navigators to strengthen engagement between Innovation Districts and devolved authorities.

Extend the KTP Model

Adapt Knowledge Transfer Partnerships to foster collaboration and live problem-solving between Innovation Districts themselves as well as between academia and industry.

Build Innovation Readiness Frameworks

Create an Innovation Readiness Level (IRL) progress pathway for districts, based on TRL/CRL/ERL models, to support strategic self-assessment and targeted investment for place-based innovation.

Next steps

To advance these recommendations, the report invites all stakeholders—from Local Authorities and universities to industry leaders, government, and investors—to participate in roundtable discussions designed to refine and prioritise actions. This process begins with the UK Innovation Districts summit on the 23rd September. The UK Innovation Districts Group (UK IDG) and Connected Places Catapult, are keen to offer trial sites for new initiatives and a commitment to work collaboratively on detailed implementation plans. By embracing these suggestions and deepening engagement, all parties can help create the coordinated, well-resourced ecosystems necessary for the UK's innovation-led growth mission.

The time to act is now

With strategic partnership, targeted investment, and collective leadership, UK Innovation Districts can fulfil their potential as drivers of national prosperity and inclusive economic transformation.

UK **Innovation**
Districts Group

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