

# INNOVATION INVESTMENT:

## Key recommendations summary for policymakers

Business innovation, from cutting-edge R&D for CO2 removal to harnessing AI to boost productivity in sectors like law, lies at the heart of the UK's competitiveness and growth. By accelerating the development and adoption of new products and services and driving up productivity, innovation delivers wide-ranging benefits across the economy. Higher levels of innovation are closely linked to growth, both for individual firms and for the country as a whole.

But too often businesses feel held back from investing more in innovation: fewer than half of the businesses we surveyed believe they are investing optimally in innovation; and over half said that the UK was a less competitive site for innovation investment now compared to three years ago.

### This report brings together business insights from



**three  
roundtables**



**30 in-depth  
interviews**  
with CTOs

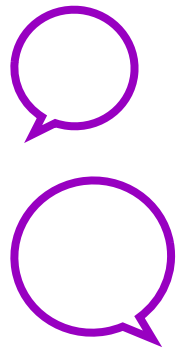


**a survey of more  
than 360 firms**  
across business sizes,  
sectors, and levels of  
innovation intensity.

It first sets out how businesses are thinking about innovation investment today in a rapidly changing technological environment, and then outlines three policy shifts to help unlock business investment.

### 1. Make innovation for growth a whole-of-government responsibility

Business innovation decisions are shaped by policy far beyond DSIT or DBT: from tax to planning, to skills or public procurement. A whole-of-government approach, alongside more joined-up, end-to-end support for innovators, would build confidence that the UK is serious about growth.



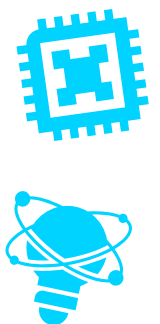
### 2. Shift gear from strategy to delivery, fast

Business values the government's innovation strategies and policies, but friction in the system is pulling against policy intent. HMRC delays undermine the value of R&D tax credits. Innovate UK's processes remain administratively burdensome. And regulatory reviews lag behind international competitors'. The government should be laser-focused on removing friction in the innovation support system and delivering committed policy at pace.



### 3. Build the UK's market for innovation

Market demand is the single biggest driver of business innovation investment. But UK public procurement too often fails to scale promising technologies. And private-sector adoption, especially among SMEs, lags behind international competitors. A step-change is needed. The government must expand challenge-based public procurement and deploy business support for adoption of new technologies across all sectors.



The government has valuable work underway in many of these areas, from reform of public R&D investment by UKRI to the Commercial Innovation Hub's Innovation Marketplace. The full recommendation list below sets out where the CBI believes government can work with business to move further and faster. These actions would give businesses and investors confidence to invest in innovation in the UK, ultimately driving business and economy-wide growth.



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## Headline recommendation

## Detailed recommendations

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### 1. Make innovation for growth a cross-government responsibility

**1.1** Embed innovation for growth as a cross-government responsibility, sending clear consistent signals on the importance of business innovation for growth.

**1.1.a** HMT should embed impact on business investment, including innovation, into policy impact assessments across government.

**1.1.b** The Science and Technology Committee and Business and Trade Committee should compile a tracker of major government policy decisions and their anticipated impact on business innovation investment. Policies with a negative impact should be scrutinised through an annual joint committee evidence session.

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**1.2.a** Develop end-to-end support for innovators, beginning with the R&D Missions Accelerator Programme. Establish a joint DSIT-DBT unit with responsibility for providing a clear route from R&D to market in the UK for publicly supported innovation. This should include engagement from R&D funders, regulators, and public sector customers. Focus initially on a small number of priorities in line with the Modern Industrial Strategy, beginning with the R&D Missions Accelerator Programme.

**1.2.b** The Office for Investment's Strategic Investment Opportunities Unit (SIOU) should partner with Mayoral Strategic Authorities (MSAs) to identify and prioritise regional projects most likely to unlock innovative-led growth. Dedicated SIOU resource should be provided to MSAs to ensure they can work in partnership across the public sector to ensure prioritised projects deliver maximum impact as part of a joined-up approach to supporting business investment.

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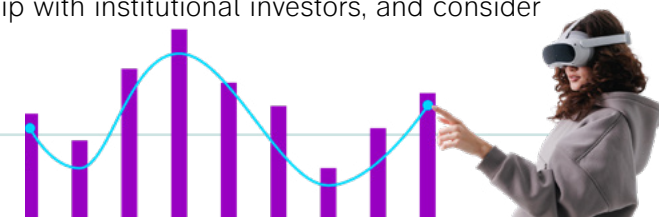
## Headline recommendation

## Detailed recommendations

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### 2. Shift gears from strategy to delivery: Maximise value from existing policy by accelerating delivery

- 2.1** Use DSIT's Science and Technology Framework to drive innovation policy, both within DSIT and for collaboration where policy levers are owned by other departments. Publish an annual scorecard, starting in 2026, setting out tangible progress and impact against each of the ten items in the framework.
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- 2.2.a** Unlock the potential of the Growth and Skills Levy to fund the scale of training needed for an AI-enabled economy. Expanding the Growth and Skills levy to fund short AI and digital courses is welcome. But to support the scale of training needed, it is critical that government takes steps to reduce competing pressure on the Growth and Skills Levy, ensuring the full funding raised through the Levy and the Immigration Skills Charge are spent on skills and training.
- 2.2.b** Make apprenticeships more flexible and responsive to employer needs so training keeps pace with technological change and evolving business demand. Skills England and the Department for Education (DfE) should make the process for updating apprenticeship standards more agile, enabling training content to keep pace with emerging technologies. This includes modularisation of apprenticeship standards and allowing businesses to adjust a proportion of approved training content as technologies evolve.
- 2.2.c** Co-create AI-focused micro-credentials and hybrid qualifications that keep pace with evolving AI capabilities and sector demand. The DfE, working with Skills England and DSIT, should convene employers, universities, further-education and independent training providers to deliver a new generation of AI-focused micro-credentials and hybrid qualifications. These qualifications should blend technical AI learning with applied domain expertise.
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- 2.3** Remain laser-focused on delivery of the Mansion House reforms. HMT should monitor and publish progress and impact of the reforms annually, beginning in Q2 2026, in close partnership with institutional investors, and consider further reforms if the impact does not match the ambition of the policy.



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## Headline recommendation

## Detailed recommendations

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### 3. Shift gears from strategy to delivery: Remove friction from the system

- 3.1** HMRC must address administration issues with the R&D tax credit system at pace to avoid eroding the value of the scheme further, to ensure the UK remains an attractive destination for business R&D, and to align their approach with the policy intent of the scheme.
    - 3.1.a** HMRC should commit to reducing standard service timelines back to 28 days by the end of 2026. As an interim milestone, HMRC should meet the current 40-day timeline for at least 95% of applications by mid-2026.
    - 3.1.b** Implement an expanded training programme to upskill R&D tax credit caseworkers by mid-2026. HMRC should draw on the expertise of the Expert Advisory Panel to design a training programme to rapidly upskill new caseworkers to give them sufficient technical understanding to support innovative businesses make accurate claims and report back accurately to HMRC decision makers. Caseworkers should be upskilled on the role of the scheme to drive business innovation investment, and engagement with low-risk businesses (including R&D intensive sectors, university spin-outs, and businesses receiving public innovation funding) should focus exclusively on supporting businesses to make accurate claims, rather than on hostile investigations.
    - 3.1.c** Use digital approaches to reduce fraud in the system, improve processing times, and reduce business and HMRC burden. This should include both the introduction of an online an online customer ticketing system by mid-2027 to enable taxpayers to track the progress of enquiries and administration requests, and collaboration with broader government on digital verification approaches.
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**3.2** Innovate UK should review their administrative processes by the end of 2026, significantly reducing burden for innovators. As Innovate UK reshapes its work programme to deliver against updated priorities, Innovate UK, UKRI, and DSIT should redesign administrative processes around principles of proportionality and pace, while maintaining appropriate governance. Innovate UK should collaborate with other government departments on digital verification processes, aiming for applicants to use a single online profile to apply for, track, and monitor grants by the end of 2027.

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**3.3** Accelerate regulatory reviews of innovation in the UK, both at the level of individual products and services, and by deciding regulatory approaches to new technologies or sectors

**3.3.a** Reduce regulatory review service level timelines for new products and services by 25%, in line with government ambitions to reduce overall business regulatory burden by 25%. Regulators should receive increased funding to meet this target. This should include resource for implementing digital approaches, increasing regulatory capacity, and supporting regulatory staff to remain at the forefront of emerging tech and innovation in their sector, for example through conference attendance or participation in fellowship programmes.

**3.3.b** The Regulatory Innovation Office should expand the cluster model for regulators to accelerate sharing of good practice on regulation of innovation. This should build on the example of the Digital Regulation Cooperation Forum and focus on sharing lessons from Regulators Pioneer Fund projects, projects, as well as upskilling and resourcing smaller regulators.

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## Headline recommendation

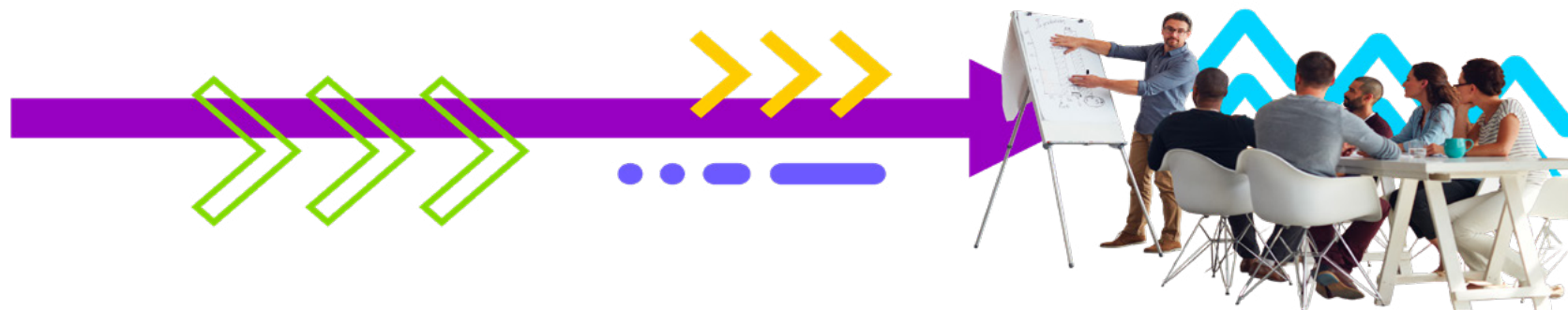
## Detailed recommendations

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### 4. Build the UK's market for innovation

- 4.1** Rapidly improve public procurement of disruptive innovation to tackle government priorities.
    - 4.1.a** Procurement Innovation Champions should publish departmental commercial problem statements. These should lay out problem statements in line with departments' procurement plans and budgets to prioritise resources to tackle policy or delivery challenges. These could be developed similarly to departments' areas of research interest. Publish annual progress against the statements, championing how innovation is helping tackle government challenges.
    - 4.1.b** Increase funding for the DSIT Commercial Innovation Hub (CIH) to rapidly scale up their work, learning and iterating from pilots as they progress, and ensuring sufficient resource to support all Procurement Innovation Champions effectively procure innovation against commercial problem statements.
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- 4.2** Cabinet Office should prioritise implementation of the Procurement Act at pace, setting expectations of significant culture change in public procurement.
    - 4.2.a** Publish an annual impact statement of the Procurement Act. This should report on delivery against the Act's aims, including delivering improved public benefit and support for SME participation.
    - 4.2.b** Publish the Commercial Innovation Playbook, and use the expanded CIH team to support public sector procurement teams to use it.
    - 4.2.c** Establish a new 'Innovation for growth and value' award at the Government Commercial Function Awards from 2026. This should recognise and celebrate the procurement of innovative solutions to tackle public sector priorities and improve public services.
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- 4.3** Grow government support for private sector technology adoption.
  - 4.3.a** Set out a National Technology Adoption Plan with clarity on where the government sees its role on technology adoption, on clear lines of responsibility and accountability within DSIT, and on government's plans for intervention informed by recent reviews, implementation timelines, and mechanisms for review.
  - 4.3.b** Deliver at pace on commitments to support business technology adoption, including expanding the Made Smarter Programme to Professional and Business Services (PBS), creating AI adoption hubs, and expanding the BridgeAI programme. The Northern pilot of Made Smarter in PBS should be operational by mid-2026.
  - 4.3.c** Expand the Made Smarter programme to all sectors of the economy, allowing all businesses to access the support they need to adopt productivity-enhancing technologies. This should build on the successful elements of the Made Smarter programme, which combines expert advice with financial support, alongside opportunities to network with peers and share use case examples.
  - 4.3.d** Explore the potential for a tax incentive to accelerate the broad adoption of technology across the economy. HMT should work with business to explore whether a new or expanded tax incentive could support businesses to invest in new technologies to accelerate productivity and growth, beyond the reach of targeted funding through programmes like Made Smarter.
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## Headline Recommendation

## Detailed recommendations

### 5. Grow the pool of business innovation champions in the UK

- 5.1.a Promote, and expand access to, opportunities for business innovation leadership training, including through the Help to Grow Management programme for small businesses.
- 5.1.b Innovate UK Business Connect should work with the Growth Hubs to develop an Innovation for Growth mentorship scheme that pairs high-performing innovation leaders from successful scale-ups or corporate innovators with boards or executives of mid-size firms that want to strengthen innovation culture or capability. This could work with the Help to Grow Management Alumni programme to share learnings and good practice in mentorship support.

[Read the full report and recommendations.](#)  
And find suggested AI prompts to tailor insights for you.

