



Department for
Business, Innovation,
Science and Trade



Department
of Health &
Social Care

Chris McDonald MP

Minister for Science, Innovation and Investment
Department for Business, Innovation, Science
and Trade and the Department of Health &
Social Care

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Stuart Anderson MP

By email: stuart.anderson.mp@parliament.uk

Dear Stuart,

Thank you for your email of 25 August on behalf of the Shropshire Chamber of Commerce regarding the operation of public innovation funding and the challenges that some small and medium-sized enterprises (SMEs) face in accessing grant support.

The government recognises the important contribution that SMEs make to innovation, productivity and economic growth across the UK, including in rural areas such as Shropshire. We are committed to ensuring that innovative businesses can access support to develop and commercialise new products, services and technologies.

Innovate UK, the UK's national innovation agency, provides support to businesses across all sectors and regions through a range of grants, loans, investor partnerships and business growth programmes. A significant proportion of Innovate UK's funding has been awarded to SMEs. Over the last two years, Innovate UK has awarded £3.4 billion in funding to more than 6,700 businesses, of which 82% were SMEs, reflecting the important role they play within the UK's innovation ecosystem.

I appreciate the concerns raised regarding cash-flow pressures associated with grant funding, including requirements for match funding, the reimbursement of eligible costs, and the administrative demands of project delivery and reporting. The current grant funding arrangements are designed to balance support for innovation with the need to ensure effective stewardship of public funds, in line with HM Treasury's Managing Public Money guidance and the government Functional Standard for Grants. However, we recognise that these requirements can present particular challenges for some smaller businesses.

Most Innovate UK grants are paid in arrears against eligible costs, after eligible expenditure has been incurred and evidenced through quarterly claims submitted. This provides assurance that public funds are used appropriately. While this means businesses must initially finance project expenditure, applicants are informed of these funding conditions before accepting an award.

It is important to recognise that Innovate UK funding is intended to stimulate innovation investment rather than fully replace private investment. Match funding demonstrates business

commitment and allows government support to reach a wider range of innovative firms. Smaller businesses typically benefit from higher allowable grant intervention rates than larger organisations, recognising their different capacity to finance innovation activities.

Innovate UK may retain a final proportion of funding until project completion and receipt of required assurance evidence. This helps confirm that public money has been used appropriately and that agreed outcomes have been delivered. While Innovate UK recognises that this may affect working capital, it is an important safeguard for public funds.

Innovate UK continually reviews the design and delivery of its funding programmes to ensure they remain effective and accessible. The specific suggestions put forward by the Shropshire Chamber of Commerce, including the potential use of bridging finance, support for match funding, shared compliance services and supplier arrangements, are useful contributions to the wider discussion on how innovative businesses can best be supported. While decisions on local economic support are a matter for local partners and relevant funding bodies, I welcome continued engagement from business representative organisations on opportunities to improve access to finance and innovation support.

Yours sincerely,



Chris McDonald MP

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