

# **Demand-side innovation support through dedicated instruments and programmes in the UK**

**Dr Ian Brotherston, Deputy Director for Innovation Funding Products**

**ENCONTRO NACIONAL DE COMPRAS PÚBLICAS DE INOVAÇÃO: A ADMINISTRAÇÃO PÚBLICA COMO MOTOR DA INOVAÇÃO? (National Meeting on Public Procurement for Innovation: Public Administration as a Driver of Innovation)**

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**The UK's innovation agency**

# Our purpose

We drive **productivity and economic growth** by supporting businesses to develop and realise the potential of new ideas, including those from the UK's world-class research base.

We **connect businesses to the partners, customers and investors** that can help turn these ideas into commercially successful products and services, driving productivity, and supporting business growth.

**Our mission is to enable the creation and adoption of innovation across the UK.**

A typical Innovate UK backed business raises

**>30%**

**more money**  
from the  
private sector



Than similar businesses. Since 2007

**Direct  
business  
benefit**



**£3.61**

**For every £1 invested**

Over a seven-year period. Based on the most recent independent evaluation.

# What is innovation?

OECD Oslo Manual defines innovation:

“.... innovation as the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organisational method in business practices, workplace organisation or external relations”



# What isn't innovation!



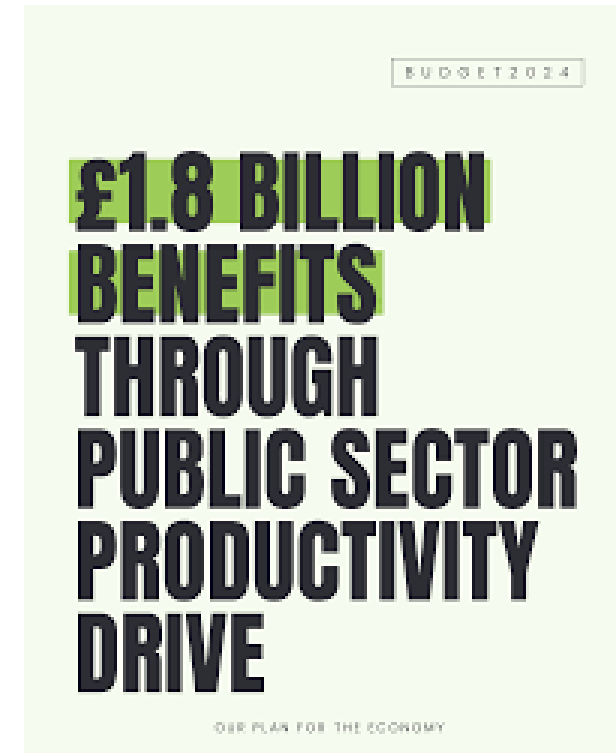
Innovation  $\neq$  Improvement

Improving existing processes or products is essential for growth but should not be confused with innovation. While innovation focuses on producing something new or radically improving the status quo, improvement focuses on making something better, faster, or cheaper.

# Why would you want to procure innovation? The Public Sector Incentive!

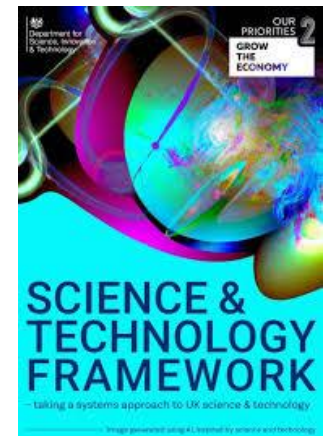


- Need different / better outcomes.
- Increase efficiency / efficacy.
- Increase Public Sector Productivity.
- Increase the widespread adoption and diffusion of innovation.
- Stimulate private sector innovation.
- Delivery of Government policy.



# Brief History of Procurement of Innovation

- 2001: The UK government established the SBRI as a pre-commercial procurement program, adapting the successful US Small Business Innovation Research (SBIR) programme. 2024 renamed to Contracts for Innovation.
- Relunched in 2009 with Technology Strategy Board (now Innovate UK) as responsible body.
- Innovate UK support set-up of Innovation Procurement Empowerment Centre (PPI support).
- Continued long term policy support – most recently UK's 'Science and Technology Framework' and 2023 Procurement Regulations.
- 2025 – Creation of the 'Commercial Innovation Hub' / Letter from Cabinet office to all UK Government departments (mainly PPI and policy)
- Imminent publication of the 'Procurement of Innovation Playbook',



# PPI and PCP– when and why?

## Public Procurement of Innovative solutions (PPI)

is used when challenges can be addressed by innovative solutions that are nearly or already in small quantity in the market and don't need new Research & Development (R&D). The public sector can act as an early adopter for innovative products and services that are new or just arriving on the market and thus helping launch the product or service.

## Pre-Commercial Procurement (PCP)

can be used when there are no near-to-the-market solutions yet and new R&D is needed to de-risk and to compare and validate the pros and cons of different alternatives. PCP can then compare the pros and cons of alternative competing solutions. The most promising innovations are developed step-by-step via solution design, prototyping, demonstration and first product testing. It encourages innovation and facilitates the development of new solutions to directly address the needs of the public sector.

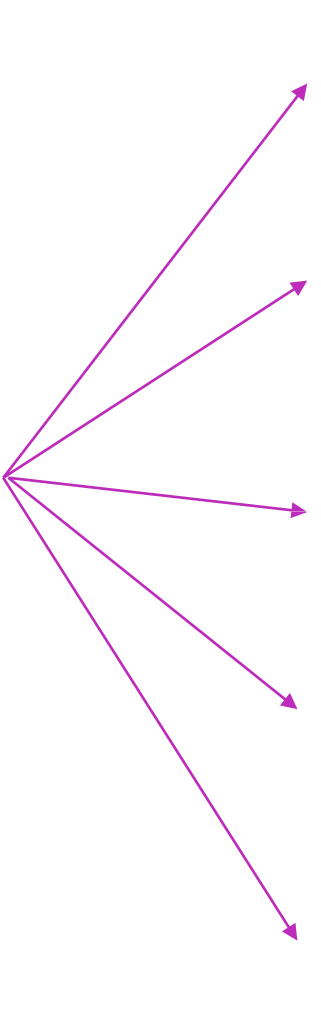
*By developing a forward-looking innovation procurement strategy that uses PCP and PPI in a complementary way, public procurers can drive innovation from the demand side. This enables the public sector to modernize public services faster while creating opportunities for companies gain leadership in new markets.*

# Contracts for Innovation background

- Contracts for Innovation was previously SBRI (the small business research initiative)
- Pre-commercial procurement (PCP), was previously exempt from Procurement Regulations 2015.
- Contracts for Innovation now falls within the remit of The Procurement Act 2023 and is either run using the R&D exemption, or the Competitive Flexible Procedure.
- Innovate UK is the custodian of Contracts for Innovation, which is used across government and has been used across the UK Public Sector since 2009.



# What are Contracts for Innovation?



100% funded procurement contract for the provision of R&D services awarded to a single lead organisation

Requires a lead customer/Public Sector challenge owner

Focus on outcome-driven solutions and well-defined challenges

Payment made on successful delivery of milestones

Open to all organisations worldwide that can meet the competition criteria

# When can Contracts for Innovation be used?

*When a commercially available solution to a specific challenge does not exist*



TRL 2-8



Any size or scale of challenge



Public sector challenge owner



Wider systems thinking



Funder looking to procure a solution

# Historically has it gone well?



Spend through Contracts for Innovation - **£1.9Bn**. This is pre-commercial procurement.



IUK support multiple public sector organisations either through advice, or a managed programme. More than 100 public sector organisations supported. Many independent programmes, i.e. SBRI Healthcare, Welsh Government centre, Ministries, etc.

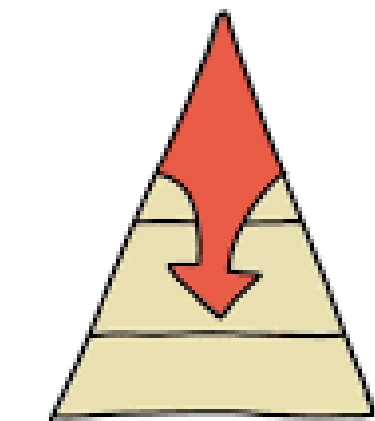


[Independent evaluation](#) published 2022 which confirmed benefits, highlighted areas for improvement and advocated for wider use.

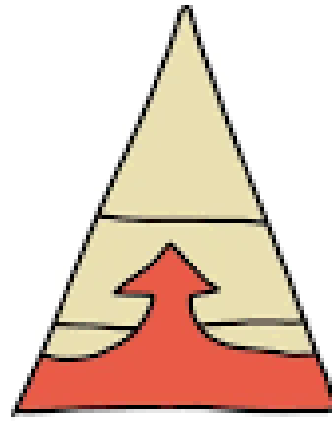
The benefits to the businesses awarded the funding amount to around **1.5 to 4 times the cost** \* of the public sector investment



# So, what are the problems?



top-down



bottom-up

- Despite initially impressive numbers it is a vanishingly small % of R&D spend (£20Bn p/a), let alone procurement spend (£400Bn p/a)
- No official targets and tracking difficult – PPI and PCP.
- No decent data for PPI (some for PCP).
- Whether PPI or PCP widely misunderstood and questioned.
- Improvements rather than innovation?
- **Has too often been bottom-up and niche, not top-down and strategic.**

# Innovation is change

- Innovation = change.
- Change can be difficult.
- Change management often poor.
- Business As Usual (BAU) vs project pressures.



# Who owns the risk?

- Risk remaining a huge factor.
  - Fear of service interruption.
  - Fear of change / unknown.
  - Fear of being the first mover.
  - Budget fears.



# It's a team game

- Who needs to be involved?
  - Subject matter experts.
  - Innovation experts.
  - Change experts.
  - Operatives.
  - Commercial.
  - Procurement.
  - Senior Management.
  - Other teams who will be affected.
- Everyone needs to be involved with clear roles



# Thoughts

- Observation suggests local authorities etc. more flexible to procuring innovative products/solutions (PPI).
- Smaller scale and niche.
- Bottom-up 'works'.
- But without top-down approach suboptimal.
- Resource intensive.
- May lose political backing.



# Thank you



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