INNOVATION NATION: THE REGIONAL ENGINES FOR NATIONAL GROWTH

SISTER

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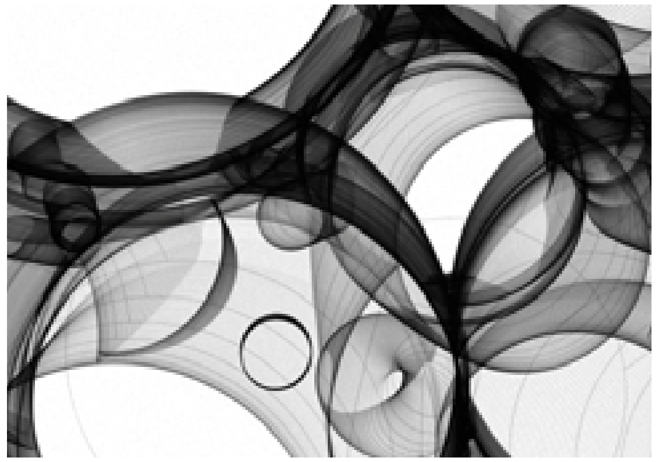

EXECUTIVE SUMMARY

The UK stands at a critical moment in the evolution of its innovation economy. For decades, national growth has been driven by the concentration of research institutions, capital and high-growth companies within the 'Golden Triangle' of London, Oxford and Cambridge. While this cluster remains one of the most powerful centres of scientific discovery globally, it is no longer sufficient to sustain the UK's long-term innovation and economic performance on its own.

This report argues that the UK's future competitiveness will depend on its ability to unlock, connect and scale innovation across its regions. This is not solely a question of redistributing capital, but of strengthening the underlying systems that enable regions to collaborate, build and grow. The country does not lack ideas, talent or research excellence. Rather, it lacks a system capable of consistently translating that strength into commercial outcomes at scale. A system in which collaboration, infrastructure and capital operate in alignment.

The analysis draws on quantitative data developed by Beauhurst for Sister, alongside insights from roundtables with founders, investors, academics and policymakers in Manchester, Birmingham and London. Regional perspectives are complemented by national and international insight gathered through engagement during the inaugural SXSW London conference, providing a comparative view of how global ecosystems approach innovation, risk and scale.

THE NATIONAL CHALLENGE

The Chancellor of the Exchequer, Rachel Reeves, has positioned innovation as the UK's primary engine of growth, yet the Beauhurst findings point to a structural imbalance at the heart of the UK's innovation system. The UK remains a global leader in research quality and academic output. However, this strength is not matched by equivalent commercial performance. Business investment in research and development has declined in recent years, and the number of companies successfully scaling into globally competitive firms remains limited. While the UK produces a high volume of start-ups, it consistently underperforms on scale-ups.

At the same time, access to capital remains highly concentrated. Venture investment continues to flow disproportionately into the Golden Triangle, creating a system in which ideas are often generated in regional laboratories but commercialised elsewhere. As companies seek access to funding, specialised expertise and infrastructure, intellectual property, talent and economic value frequently migrate towards the capital.

However, this imbalance cannot be explained by capital flows alone. In many regions, the conditions required to support scale – including coordinated networks, access to specialist facilities, and the density of relationships between institutions – remain underdeveloped or unevenly connected.

THE REGIONAL SOLUTION

A second trend is now emerging. Across the UK, regional ecosystems are maturing. Cities such as Manchester, Edinburgh, Birmingham, Leeds and Bristol are developing increasingly sophisticated environments that combine research excellence, entrepreneurial capability and sectoral specialisation. Research from Beauhurst shows that Manchester alone now hosts 1,088 innovative businesses, the second highest volume outside London.

In several regions, there is growing evidence of embedded investor networks, stronger collaboration between institutions, and the development of innovation districts designed to support companies through early-stage experimentation and scale. This momentum is reflected in growth across regional clusters, with Beauhurst data showing that cities such as Bristol (+65% growth), Edinburgh (+43%) and Manchester (+37%) are among the fastest-growing innovation economies in the UK.

Taken together, these developments suggest that the UK's innovation economy is shifting from a single dominant cluster towards a more distributed and interconnected system of regional ecosystems.

This shift is not simply desirable; it is necessary. Where regional cities were once required to justify their relevance within the national economy, they are now essential to its future growth. The question is no longer whether innovation can happen outside London, but whether the UK is prepared to build the systems required to support it. Systems that prioritise connectivity, enable shared infrastructure, and support the flow of capital within and between regions.

Despite this momentum, significant barriers remain. These include the continued concentration of venture capital, limited access to patient capital for deep-technology sectors, fragmented regional coordination, and gaps in infrastructure, particularly in relation to specialist facilities, transport connectivity and housing required to attract and retain talent.

The evidence presented in this report shows that successful innovation ecosystems are not defined solely by the presence of capital or research excellence. Instead, they are built on the sustained interaction between institutions, infrastructure, and investment. Specifically, success depends on three interlocking conditions: connected networks, accessible infrastructure, and the availability of capital. Regions that combine dense collaboration, embedded capital, and supportive policy frameworks are far more likely to scale companies locally while retaining both talent and intellectual property.

A CALL TO ACTION

The final chapter sets out a series of practical recommendations for policymakers, investors and the innovation ecosystem. These focus on three priorities: enabling place-based innovation through devolved R&D incentives, expanding regional investment capacity, and creating the physical and institutional infrastructure required for intellectual property to remain and grow where it is created.

The UK already possesses the core ingredients of a world-leading innovation economy. The challenge now is to organise them more effectively. If the UK can align capital, policy and infrastructure around its emerging regional ecosystems, it has the opportunity to build a more resilient, productive and globally competitive economy – one defined not by a single geography, but by a network of places working together.

FOREWORD

Bradley Topps
Project Director,
Sister

For too long, the story of British innovation has been told through a narrow lens – one that suggests the country's greatest potential sits exclusively within a single corner of the country. But anyone who spends time in Manchester's innovation districts, Birmingham's emerging tech corridors, or the growing start-up clusters taking shape across Liverpool, Leeds, Sheffield, Bristol and beyond, knows that this narrative no longer reflects reality.

This report was born out of a simple belief: that the UK's future growth will depend on whether we choose to recognise, connect and invest in the full breadth of innovation happening across the country. The UK's future will not be driven by one region alone. It will be powered by a constellation of city-regions. Because if we want to grow as a country, every part of the country must be equipped to grow. As Andy Haldane, former Chief Economist at the Bank of England, makes clear: "There is no national growth without local growth."[1]

Manchester has been on this journey for more than a decade. Formerly a textile and manufacturing powerhouse, its recent history has been defined by the growth of pioneering firms, world-class research and a belief that innovation should be at the heart of the city's development. Today, with an annual growth rate of 3.1%,[2] Manchester's economy has grown at twice the rate of the UK as a whole and now hosts more than 1,000 innovative businesses, the second highest concentration outside London.[3]

Sister was created to accelerate that journey. Not simply as a place for innovation, but as a demonstration of what becomes possible when a city invests in the right conditions for growth – when talent, infrastructure and capital are brought together with intent. What we have seen is clear: when regions are given the tools to lead, they do.

But Manchester is not alone, nor should it be. Liverpool is redefining health innovation and materials science. Birmingham is establishing itself as a powerhouse in advanced manufacturing, robotics and next-gen mobility. The North, the Midlands and the East of England, and Scotland are developing the kind of industrial diversity, population density and research excellence to rival many capital cities. These places are not peripheral to the UK's economic future. They are right at the heart of it.

What became clear in shaping this report is that the barriers to growth are no longer about potential, but about systems.

Too often, innovation in the UK is fragmented – disconnected between institutions, constrained by infrastructure, or concentrated in ways that limit wider impact. The challenge now is not whether the regions can succeed, but whether the system around them enables that success.

While this report covers a broad range of insights, one idea stands out. Growth comes from creating the conditions that allow ideas to stay, scale and succeed in the places they are created. That means building environments where collaboration is natural, where infrastructure supports experimentation, and where capital flows with confidence beyond traditional centres.

When these foundations are in place, the potential is extraordinary. We see this every day at Sister. And we want to see it in more city-regions as they are connected and empowered to take ownership of their economic futures.

The time has come to unlock the strength of our regions. To trust them, invest in them and match their ambition with national intent. If we do this, the UK can build an innovation economy that is not only competitive globally but genuinely transformative for the country. Manchester has provided the beginnings of a blueprint. It's time for the rest of the UK regions to create their own. Working together, the UK's regions represent the most credible path to long-term national renewal. The opportunity is here. The regions are ready. Now, it is time to realise their ambition.

OUR CONTRIBUTORS

Sister hosted roundtables in Manchester, Birmingham and London, with a diverse group of experts across enterprise, science, technology, investment, and academia. The insights from these discussions provided a comprehensive overview of the UK start-up landscape and its challenges and opportunities, and we would like to extend our thanks to all our contributors for taking part, and to Gateley for hosting our Birmingham roundtable.

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CHAPTER
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THE NATIONAL STALL AND THE REGIONAL CURE

THE NATIONAL STALL AND THE REGIONAL CURE

The United Kingdom has long been celebrated as a world-class centre of research excellence and scientific ambition. Yet, despite this strong foundation, the country now finds itself at a critical inflection point, struggling to translate academic brilliance into the tangible market success that will ultimately drive national economic growth.

Innovation has become a central pillar of the government's search for national growth, with the Chancellor, Rachel Reeves, identifying science and technology as the primary engine of the UK economy. Under this vision, future prosperity hinges on the UK's ability to move beyond being a pioneer in research to becoming a global leader in commercialisation.

However, this ambition faces a harsh economic reality. The wider innovation economy is experiencing a clear downturn, reflected in falling research and development (R&D) investment, slowing business growth, and weakening foreign direct investment. Investment in R&D alone has dropped by £3.4 billion since 2021, underlining the scale of the challenge in taking ideas from the laboratory to the market.[4]

This slowdown has been exacerbated by a profoundly challenging macroeconomic climate and a volatile geopolitical landscape. The rapid increase of the record-low interest rates from 2021 increased inflation and tightened investment into science and technology sectors. Meanwhile, the cumulative impact of ongoing global conflicts continues to disrupt energy markets and supply chains, dragging down overall economic output. These external pressures have placed unprecedented strain on the nation's traditional growth engines, leading to a broader struggle for economic resilience.

THE MACRO PROBLEM: BARRIERS TO GROWTH

The challenging macroeconomic climate has led to a completely different investment approach. The global landscape has matured away from an era of speculative investment characterised by venture capital firms, narrowing and maturing into a cycle where investors concentrate large amounts of capital into smaller numbers of opportunities they believe in deeply. With a turbulent geopolitical backdrop, investment has transitioned from a search for disruptive growth to a strategic pursuit of resilience, with capital more likely to be concentrated in deep tech sectors like artificial intelligence.

However, the UK's recovery and ability to capitalise is deeply hindered by structural and geographical barriers. While peer nations faced the exact same global headwinds, their investment ecosystems have rebounded with far greater agility. For example, as the UK experienced a 17% contraction in venture deal volume in 2025, the US swiftly consolidated its lead, capturing a record 64% of all global venture capital value.[5]

Similarly, European rivals have accelerated their tech investments, allowing hubs like Paris to overtake London in growth momentum. According to the 2025 Dealroom Index, Paris tech firms grew their combined enterprise value at a significantly faster rate (over 5x compared to London's 4.2x) to become the only European city in the global top five most successful technology ecosystems.[6] Ultimately, internal bottlenecks including a hesitancy toward risk and fragmented scaling, are stifling start-up momentum causing the UK to lose ground globally as it struggles to convert its undeniable research strength, into internationally competitive economic performance.

We see this in the numbers. The UK recently ranked last among all G7 nations for R&D spending growth between 2021 and 2023,[7] while inward foreign direct investment has remained negative between 2020 and 2023, falling to just £1.3 billion.[8] While global macroeconomic and geopolitical headwinds undoubtedly play a role in this decline, the severity of the slowdown points to deep-rooted, structural challenges in the UK that urgently demand attention.

Indicators of innovation diffusion paint an equally stark picture.[9] The percentage of businesses actively engaged in innovation dropped by 9 percentage points from 45% in 2018-20 to 36% in 2020-22,[10] leaving performance lower than the EU average.

Maria Lema, CEO and Co-Founder of Weaver Labs, reflected on the systemic nature of the problem within the academic community, saying: "The way we score and rank universities is broken from the inside. You are not incentivised to innovate. You are incentivised to publish."

The gap between scientific excellence and economic output is a recurring frustration among the leaders driving regional innovation. As Ashley Modeste Johnson, CEO and Founder of Applied Atomics, a start-up divided between Harwell Science and Innovation Campus in Oxfordshire and London, points out: “There is an obsession in research with uniqueness, but not enough focus on whether something actually works in the market.”

This structural misalignment is reflected at the corporate level. The UK has only two of the world’s top 100 R&D investors,[11] highlighting the country’s difficulty in anchoring large-scale industrial innovation.

This misalignment is not only cultural but practical. Academic founders often face structural constraints that make it difficult to translate ideas into companies. As Panos Papadopoulos, Associate Professor and UKRI Future Leaders Fellow at The University of Manchester, notes, time itself is a critical barrier and freeing academics to do more could have an impact on innovation: “Time is the biggest constraint… academics are already fully committed, and freeing up time would be key to turning ideas into companies.”

However, there are early signs that this dynamic may be beginning to shift. Aline Miller, Associate Vice President for Enterprise, The University of Manchester, Chief Scientific Officer, Unit M, and Executive Committee Member for Sister, reflected that: “Universities are starting to value innovation more broadly. Academics are more willing to work with business, and that change will make the whole start-up journey easier to navigate.”

Yet while progress is emerging within universities, these improvements alone are not sufficient to resolve the UK’s wider commercialisation challenge. This challenge is compounded by structural issues in how innovation is measured and attributed.

THE MISPLACED IP PROBLEM

Intellectual property generated in regional labs and teams is frequently registered or commercialised through London-based headquarters, skewing national innovation metrics and underrepresenting the contribution of regional ecosystems.

The recent Flying Blind report from the House of Commons Science, Innovation and Technology Committee, warns that the government lacks the necessary data to map R&D spending, leaving it impossible to ensure that public money is driving growth outside of traditional tech hubs.[12]

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> **Aline Miller, Associate Vice President for Enterprise, The University of Manchester, Chief Scientific Officer, Unit M, and Executive Committee Member for Sister**

The report indicates that there is no single system that tracks where public and private R&D investment flows, how it translates into outputs, or how those outputs are distributed across regions. As a result, key indicators of innovation performance, including IP registration, spin-out activity and commercial growth, are often incomplete or misattributed.

This is particularly evident with spin-outs. While accounting for just 3.21% of UK high-growth companies, they continue to outperform their size, securing £2.6 billion in equity investment in 2024, even as wider high-growth investment fell by 19%.[13] When this activity is attributed elsewhere, it obscures the true strength of regional innovation systems and weakens the case for further investment.

This challenge is often compounded by structural barriers earlier in the commercialisation process, particularly around intellectual property. Denise Kelly, Investment Advisor at Seventure, described the downstream impact of this dynamic: “By the time investors get involved, weak IP structures already limit what a company is able to do.” Without access to specialist legal or commercial advice, regional teams can struggle to protect and scale their innovations locally.

Encouragingly, participants noted that this picture is beginning to change. Universities are adopting more standardised, founder-friendly spin-out terms, and processes are becoming faster and more transparent.

Cat Headley, CEO of The University of Manchester Innovation Factory, described the shift as “a complete reset” in how universities approach commercialisation, helping to rebuild trust and retain value within regional ecosystems. Research by the Russell Group shows that these research and commercialisation activities already contribute £37.6 billion annually to the UK economy, around 1.5 times the size of the UK motor manufacturing industry.[14]

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What drew me to Boston was its uniquely dense life sciences ecosystem. The venture studio model has the potential to drive outsized impact in biotech, but it depends on close proximity to capital, deep technical expertise, and shared infrastructure – advantages that are difficult to replicate without geographic concentration.”

Dr. Jessica Schneider,
Chief Scientific Officer at Corundum Systems Biology

THE UK APPETITE FOR RISK: A CULTURAL BRAKE ON GROWTH

The UK’s persistently cautious relationship with risk also plays a defining role. Compared with the US and parts of Asia, UK investors are often reluctant to back unproven ideas or technologies that require long development timelines. As a result, in 2025, 64% of all global venture capital flowed to US start-ups,[15] exceeding investment in the rest of the world combined.

Addressing this imbalance requires a fundamental change in perspective. Karim Bahou, Head of Innovation at Sister, described the challenge: “Investing in frontier innovation requires a shift from short-term metrics to long-term conviction. While the UK ecosystem is often more cautious than its global counterparts, the history of AI shows that the greatest rewards go to those with the patience to see deep-tech through its full lifecycle.”

However, founders report that this patience is currently lacking in the domestic market, creating punishingly high barriers to entry. Mehdi Boudjadja, CEO of Metofico, explained: “Raising a pre-seed round in the UK often feels like raising a validated seed round. You’re expected to prove everything before you’re given the chance to build.”

This rigid demand for early commercial validation stands in stark contrast to the American approach. Emily Robson, Assistant Chief Executive at Knowledge Quarter Liverpool (KQ Liverpool), notes that US investors operate with a fundamentally different risk appetite, showing a greater willingness to “back a dream and a team” rather than waiting for extensive proof.

Consequently, this combination of cultural risk tolerance and superior structural support actively draws talent overseas. Similarly, from an international perspective, founders often cite the density of the US ecosystem as a decisive factor. Dr. Jessica Schneider, Chief Scientific Officer at Corundum Systems Biology, explains why her company ultimately chose Boston: “What drew me to Boston was its uniquely dense life sciences ecosystem. The venture studio model has the potential to drive outsized impact in biotech, but it depends on close proximity to capital, deep technical expertise, and shared infrastructure – advantages that are difficult to replicate without geographic concentration.”

Ultimately, this mindset gap is reflected in both international rankings and domestic data. While the UK performs strongly on start-up creation, it lags significantly on scale-up performance, reinforcing the perception that ambition is often constrained before companies have the chance to grow. A gap clearly illustrated in VenturePath’s Q1 2025 bulletin, which showed that only 65-82 UK companies completed Series A rounds, down from 120 in the same quarter the previous year – a seven-year low in both volume and value.[16]

KEY INSIGHTS

The UK excels at research but struggles to commercialise innovation.

Business R&D investment has declined in recent years.

Venture capital remains heavily concentrated in the Golden Triangle.

The UK produces many start-ups but fewer scale-ups.

Investor risk appetite is lower than in global competitors.

Regional ecosystems already contain strong innovation assets.

Capital availability often determines where companies scale.

REGIONAL BALANCE

Compounding the UK's hesitance towards risk is a persistent geographic imbalance. For decades, innovation activity has been heavily concentrated in the Golden Triangle of London, Oxford and Cambridge. Beauhurst's analysis underscores this structural imbalance, highlighting the sheer scale of London's gravitational pull. The capital maintains deeply entrenched funding and research corridors with the Golden Triangle, evidenced by 639 investor and grant partnerships between London and Cambridge, including 421 investor partnerships and 218 grant collaborations across both directions of the corridor.

Furthermore, London continues to act as the primary scale-up engine for the wider country, sustaining strong financial corridors with several regional hubs. Investor partnerships between London and Bristol total 206 deals, complemented by 122 grant collaborations, while Manchester-London borough investor partnerships remain particularly prominent with Westminster (23 fundraising deals) and the City of London (17), highlighting continued access to national pools of capital. In countries such as the US, secondary cities act as relief valves when primary hubs reach capacity, absorbing capital and talent. In the UK, many regional cities have been underutilised, despite deep talent pools, strong universities and sectoral strengths with genuine global relevance.

But a closer look at regional ecosystem data reveals that this London-centric gravitational pull is finally being contested. Beauhurst's analysis of the UK's regional innovation clusters demonstrates that several key cities outside the South East have reached the critical mass required to act as important contributors to national innovation and growth.

When evaluating regional hubs by the volume of innovative businesses and the density of their internal networks, a clear shift emerges: several cities are transitioning from functioning purely as 'feeders' to London into self-sustaining ecosystems.

Manchester now hosts more than 1,088 innovative businesses, the second highest concentration outside London, and is actively recycling local capital and knowledge through 92 internal grant and investor partnerships.[17] This is where regional investors fund local start-ups in the same city or where research institutions collaborate on shared R&D grants. This ensures that both money and expertise continuously circulate within the city's own borders.

Edinburgh demonstrates an even denser ecosystem, supporting 1,147 innovative businesses, with a staggering 314 internal partnership deals, reflecting a highly self-reliant funding environment. This internal density is directly translating into economic momentum. Regional clusters are now actively outpacing traditional hubs in innovation employment growth since 2019, with Bristol surging by 65%, Edinburgh by 43%, and Manchester by 37%, compared to Cambridge's 26%.[18]

The data also reveals that to truly break reliance on southern capital, regions must look outward to build collaborative 'innovation corridors' with neighbouring cities. Scotland demonstrates the most powerful example of this regional cohesion. The corridor between Edinburgh and Glasgow generated 448 total interactions (spanning 378 investments and 70 grants). This level of deep inter-city collaboration shows how regions can combine internal capital recycling with collaborative research to scale companies locally.

A similar decentralised network is rapidly emerging in the North. Rather than relying solely on the capital, Greater Manchester is anchoring a distributed northern tech ecosystem by forging highly reciprocal capital and R&D corridors with Leeds, Sheffield, and Edinburgh.

Ultimately, the distinction between a stalling region and a growing one is not merely about the raw number of start-ups, but the maturity of its networks. These figures suggest that where regions cultivate both internal density and dense cross-city collaboration, the risk of forced relocation to London diminishes. By establishing these self-sustaining corridors, the UK is finally beginning to develop the distributed economic relief valves it desperately needs.

TOWARDS A NATIONAL INNOVATION ECOSYSTEM

The answer to the UK's stalled economic narrative lies not in simply doubling down on an overstretched London, but in empowering the high-value growth rapidly taking root across the wider country.

Innovation ecosystems in cities such as Manchester, Edinburgh and Birmingham are increasingly demonstrating the critical capacity to rebalance the national economy. These regional titans are proving they can absorb the pressure from saturated traditional hubs and pioneer a much more resilient, distributed model of growth. This vital shift is now being recognised by the government, with the UK's Modern Industrial Strategy explicitly emphasising that "national economic growth will only come from increasing the productivity of places across the UK."[19]

Recent findings indicate that beneath the headline narrative of national slowdown, several regions are developing ecosystems and innovation corridors that could support a more distributed and resilient model of growth across the UK.

Manchester, in particular, has emerged as the fastest-growing city region outside London, supported by devolution, lower operating costs and closer integration between universities and industry. At 3.1% annual growth over 10 years, Manchester's economy has performed twice as well as that of the UK as a whole.[20] As James Byrne, Partner at Sustainable Ventures remarks: "Manchester plays a key role as one of the UK's leading regions for climate tech, with particular regional strengths in energy storage, hydrogen, and advanced materials. From our own research, we've found that the North West is a climate tech pioneer, generating over 5000 local climate tech jobs, and we're now seeing wave after wave of companies coming through."

This growing momentum is not only visible in the volume of emerging companies, but also in the broader ecosystem beginning to take shape around them. As these networks strengthen and become more coordinated, their impact has the potential to scale to generate immense economic potential.

Research from the Northern Powerhouse Partnership demonstrates that implementing a proposed pan-Northern innovation strategy—focused on diffusion, infrastructure, and skills—could add between £72 billion and £206 billion in Gross Value Added (GVA) over ten years, even after accounting for business-as-usual growth.[21]

Claire Lewis, Co-Founder and Director of Baltic Ventures in Liverpool, reflected on the wider northern transformation, saying: "Over the last 10 to 13 years, the change across the North has been remarkable. We're now in a position where we can credibly claim global relevance."

Investors are beginning to adapt to this shift. Analysis suggests that regions like the North West and Scotland are building genuinely self-sustaining ecosystems. By reinvesting local money, providing the large funding rounds needed for mature companies, and fostering close regional partnerships, they are putting in place the essential building blocks for long-term business growth.

While challenges remain, founders acknowledged that national and international investors are increasingly willing to engage with regional opportunities, recognising the depth of talent and innovation beyond the capital.

BUILDING BRIDGES BETWEEN CAMBRIDGE AND MANCHESTER

Faye Holland

Partnership Director, Cambridge x Manchester Partnership

What would happen if we were to connect two of the UK's most powerful innovation ecosystems? Faye Holland is leading the charge to find out. As Partnership Director for The Cambridge x Manchester Partnership, Holland sits at the centre of a collaboration that could demonstrate how the UK's innovation economy could supercharge innovation-led growth in the UK. Her role brings together teams based in Innovate Cambridge and Unit M, working closely with The University of Cambridge and The University of Manchester, civic leaders, investors and industry partners.

The premise is simple. Instead of operating as separate ecosystems, Cambridge and Manchester are attempting to function as one connected innovation environment. "We think of it as two cities acting as one ecosystem," Holland says. "The aim is to make it easier for people, ideas, investors and companies to move between them. In practical terms, that means shared investor engagement, joint venture-building programmes and coordinated support for start-ups and scale-ups across both cities."

The partnership focuses on sectors where the two regions already have deep expertise - life sciences, climate tech, materials, quantum technologies, defence and security, and the creative industries. Behind the scenes, teams are working across joint programmes in research commercialisation, venture creation and investment readiness, alongside initiatives designed to support talent mobility and inclusive career pathways.

There are also tangible elements: shared deal-flow, coordinated roundtables, industry challenge programmes and reciprocal access to space and facilities, including drop-in hubs in both locations.

CONNECTING TWO INNOVATION POWERHOUSES

The logic behind the collaboration lies in how different the two cities are. Cambridge has long been recognised as one of the world's leading deep-tech clusters, anchored by research excellence and a dense concentration of scientific talent. Manchester offers something equally powerful but distinct - scale, industrial capability, applied innovation, and a diverse population that has helped shape a rapidly expanding innovation economy.

Holland explains: "Taken together, the two cities form a pairing the UK has never fully leveraged before."

Between them, Cambridge and Manchester account for 152 Nobel Prizes and host some of the country's most significant research and industry clusters. The Partnership's ambition is to connect those assets into a single innovation pipeline - linking discovery, development, testing, scaling and adoption in a way neither ecosystem could achieve independently.

That involves mapping research facilities, testbeds, talent pools and industrial partners across both cities and presenting them as a unified proposition for global investors.

FIXING THE 'MISSING MIDDLE'

If the UK's innovation economy has a defining weakness, it lies in what many founders describe as the "missing middle".

The country produces a steady stream of promising start-ups, but too many struggle to grow into globally competitive businesses. Holland believes fragmentation plays a large role in this.

"Capital, research and talent are still concentrated in isolated pockets," she says. Investor attention remains heavily focused on London and the Golden Triangle, while regional opportunities are often overlooked.

One particularly persistent gap lies in the £2 million to £5 million funding range - a stage where companies are beyond proof of concept but not yet mature enough for larger venture rounds. Many firms find themselves forced to look overseas for capital before they have the chance to scale in the UK.

The Cambridge x Manchester Partnership aims to address this by connecting the strengths of both ecosystems. Cambridge offers dense investor networks and deep discovery expertise. Manchester provides applied environments, industrial testbeds and networks geared towards commercial growth.

The result, Holland argues, is a clearer pathway for founders.

"We're creating a single front door for investors," she says. "Instead of navigating fragmented regional systems, investors can access a combined pipeline of opportunities across both cities. The intention is to build a stronger and more consistent route from early-stage innovation to Series A, B and C investment."

EARLY MOMENTUM

Although still in its early stages, the partnership has already produced a few surprises.

One has been the level of investor interest in a two-city proposition. Holland notes that many investors find the combined ecosystem more compelling than individual regional offers.

There has also been strong enthusiasm for programmes focused on skills mobility and inclusive growth, as well as significant demand for shared manufacturing facilities, testbeds and application-driven innovation spaces.

Perhaps most striking has been the speed at which connections have formed across sectors that rarely interact in traditional innovation clusters.

A MODEL FOR THE FUTURE

For Holland, the partnership is about more than just Cambridge and Manchester. It is an attempt to test whether the UK can move beyond isolated regional hubs towards a genuinely interconnected innovation economy. "Partnerships have to be built around complementary strengths, not rivalry," she says. "That requires aligned governance, shared priorities and trust between institutions."

"Just as importantly, innovation ecosystems need to be easy to navigate. If access depends on insider knowledge or informal networks, opportunities will remain concentrated among a small group of founders."

Ultimately, Holland believes national policy will need to catch up with this new model. Encouraging multi-city clusters, closing the scale-up funding gap and incentivising investors to look beyond London will all be necessary steps.

But the underlying principle is straightforward. "A national innovation-led economy needs bridges, not silos," she says. "And that's what we're building."

TRANSFORMING ENTREPRENEURIAL ENERGY INTO SCALABLE BUSINESSES

Rupert Lyle

Fund Principal, West Midlands Co-Investment Fund

Rupert Lyle has spent much of his career working with early-stage companies across the Midlands. As Fund Principal at the West Midlands Co-Investment Fund, he has a close view of the region's entrepreneurial landscape. "The West Midlands is full of entrepreneurial energy," Lyle says. "But we're still not converting enough of that energy into globally competitive businesses."

The region's economy was built around engineering and manufacturing. When those industries declined, the West Midlands was forced to reinvent itself. "The Midlands had to rethink its identity." We've made progress, but the ecosystem still hasn't fully evolved into a joined-up ecosystem capable of supporting a 21st Century economy."

ENTREPRENEURIAL ECOSYSTEMS

Today there is no shortage of activity. Birmingham now hosts more start-ups than any UK city outside London. Yet high failure rates suggest that entrepreneurial energy alone is not enough. "It's clearly an entrepreneurial environment," Lyle says. "But we're also seeing more businesses fail. That tells me the system isn't yet working as well as it could."

In Lyle's view, one of the core challenges is fragmentation across the region. While there are many organisations working to support founders and innovation, they often operate independently rather than as part of a coordinated ecosystem.

"There are lots of people trying to do similar things," he says. "But too often they're doing it in isolation rather than in concert."

THE NORTH STAR

Unlike regions such as Scotland or Greater Manchester, the West Midlands is spread across multiple authorities and identities, which can make alignment difficult. "We don't really have a North Star," Lyle says. "Everyone's paddling their own canoe."

This lack of a shared direction also creates challenges when promoting the region internationally. "If you tell people in California you're from the West Midlands, they often say, 'Where?'" he says. "We haven't yet built a clear global identity around what the region stands for."

Lyle also believes the structure of venture capital funds have made it harder for regions like the West Midlands to build long-term companies. "Most venture capital today is designed around ten-year fund cycles," he explains. "That naturally pushes investors towards businesses that can scale quickly and exit quickly."

As a result, investment tends to concentrate on sectors such as B2B software, where rapid growth can be achieved through capital and distribution.

"That model works very well for certain industries," Lyle says. "But it doesn't always work for sectors like advanced manufacturing or deep technology, where development cycles are much longer."

THE LONG-TERM VIEW

Those sectors – areas where the Midlands has deep expertise – often require a different type of investment. "What we really need is patient capital," he argues. "Evergreen funds that aren't constrained by a ten-year horizon and can support companies over longer periods."

Lyle believes that kind of capital could come from a combination of government institutions, pension funds and long-term investors who want to support regional economic growth.

But capital alone will not solve the challenge of building successful companies. Without the right support structures around them, the pressure of leadership can quickly become overwhelming.

"Too much early-stage support focuses on pitch decks and financial forecasts," Lyle says. "In reality, the most important thing is building the right team." For Lyle, strong teams are the foundation of successful businesses. "Entrepreneurship isn't something you do alone," he adds.

BUILDING FOR THE FUTURE

Universities, Lyle believes, have an important role to play in helping assemble those teams. While academic research often produces promising technologies, commercial leadership is essential if those ideas are to become successful businesses.

"You might have brilliant science," Lyle says. "But that doesn't automatically translate into a world-class company." Despite the challenges, Lyle remains optimistic about the future of the region's innovation economy.

"The West Midlands already has many of the ingredients we need," he says. "Strong universities, a diverse founder base and a deep industrial heritage." The next step, he argues, is bringing those strengths together behind a clearer shared vision. "There's no shortage of innovation here. What we need is more of it becoming real, scalable businesses."

CHAPTER
2

THE NEW GEOGRAPHY OF INNOVATION

THE NEW GEOGRAPHY OF INNOVATION

Over the past decade, the geography of UK innovation has shifted more dramatically than at any point since the Industrial Revolution. Where once the gravitational pull of London, Oxford and Cambridge shaped the national narrative, a broader constellation of regional ecosystems has begun to assert itself.

Cities such as Manchester, Birmingham, Leeds and Edinburgh are no longer peripheral to the UK's innovation story. Instead, they are credible centres of experimentation, scale and global relevance.

This shift is reflected not only in economic data but also in national policy. The UK's Industrial Strategy increasingly recognises the importance of place-based growth, arguing that national competitiveness will depend on strengthening the productivity of cities and regions across the country rather than relying on a small number of existing clusters.[22]

This commitment to decentralised growth is actively reinforced by the government's recent Northern Growth Strategy, which directs up to £1.7 billion through new City Investment Funds to boost regional industrial strengths,[23] as well as a Northern Growth Corridor, with infrastructure connecting Liverpool, Manchester, Bradford, Leeds, Sheffield, and York. This involves highly targeted, place-based investment, such as the £51 million National Cryogenics Facility in the Liverpool City Region and hundreds of millions of pounds for a new Manchester Digital Campus to house 8,800 civil servants, alongside a dedicated £50 million mayoral award targeting applied AI, advanced manufacturing, and life sciences.[24]

WHAT IS AN INVESTOR PARTNERSHIP?

An investor partnership occurs when capital from one region is deployed to a business in another, signaling a mature, integrated scale-up ecosystem. An internal investor partnership is a localised deal where a regional hub, like Manchester, manages a block of capital to directly fund local start-ups.

WHAT IS A GRANT PARTNERSHIP?

A grant partnership is a cross-regional collaboration between groups like universities and start-ups, to win national R&D funding from bodies like Innovate UK. An internal grant partnership deal is a devolved local pot where a regional hub distributes funding to its own local start-ups. A high volume of these deals signals a highly networked and mature innovation landscape.

WHAT IS AN INNOVATIVE BUSINESS?

Innovative companies are defined as active UK-based firms that meet at least one of the following criteria: Academic spinout, innovative grant winner of £100k+, patent holder, or a tech company that has received equity investment.

This returned 39,960 actively operating companies, which were used as the innovation cohort for Beauhurst's study.

Across the broader ecosystem, experts increasingly emphasise that the UK's innovation future will depend on recognising this evolving geography. Highlighting the urgency of this shift, Hannah Prevett, Associate Business Editor, Sunday Times, observed: "Whilst London's dominance in tech and start-ups is in some ways unquestionable, a recent report suggested it may be losing ground to Paris, which raises the question of what we should be doing to encourage innovation in other UK tech clusters."

Understanding this shift requires examining three dynamics shaping the UK innovation system today: the continued influence of the Golden Triangle, the rise of regional clusters, and the emergence of new regional innovation corridors (the links between different regions through which innovation activity flows, including investment, collaboration, talent and knowledge exchange). Together, these forces are reshaping the structure of the UK's innovation economy.

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Hannah Prevett, Associate Business Editor, Sunday Times

THE GOLDEN TRIANGLE: THE UK'S RESEARCH ENGINE

The Golden Triangle of London, Oxford and Cambridge remains the most powerful centre of research and venture capital investment in the United Kingdom, with estimates suggesting that around 80% of UK venture capital investment continues to flow into it.[25] Its powerful status within the UK innovation ecosystem was recently reflected in the Chancellor's announcement that the Government is ready to use compulsory purchase powers to force through the building of 'the Silicon Valley of Europe' in the corridor between Oxford and Cambridge.[26]

The region hosts some of the world's leading universities and research institutions, producing a steady pipeline of new technologies and spin-out companies across sectors such as life sciences, artificial intelligence and advanced materials. Venture capital firms, specialist legal advisers and multinational technology companies are heavily concentrated in the area, creating one of Europe's deepest innovation ecosystems.

This density of talent and capital has historically allowed the Golden Triangle to dominate the UK's innovation narrative. Julie Myint, Director, Patent Attorney at Gateley IP, explained this dynamic: "The Golden Triangle is getting so much funding because they can derisk the investment."

Investors benefit from close proximity to both researchers and founders, enabling them to evaluate opportunities quickly and build networks of repeat collaboration. However, several contributors noted that the very success of this cluster has begun to create structural pressures that limit its ability to absorb further growth.

Katie Gallagher, Managing Director of Manchester Digital, highlighted the constraints now facing parts of the Golden Triangle ecosystem: "Cambridge is already struggling with water and power shortages, and that's starting to actively limit its ability to grow."

The high cost of housing and commercial property across London and the South East also creates barriers for early-stage companies attempting to scale within the region. Start-ups often struggle to secure affordable laboratory space or specialist facilities, particularly in sectors such as biotechnology and advanced engineering.

Lucy Yu, CEO at Centre for Net Zero, acknowledged a link between access to talent and affordable housing availability in particular: "Good-quality local housing can be hard to find or afford in research-intensive regions such as London, Oxford and Cambridge. Well thought out regional planning and housing strategies can play an important role in attracting talent."

Attracting talent is about providing not just housing but all the infrastructure that people need. Amelia Armour, Partner at Amadeus Capital, explains: "Transport links are hugely important. They feed directly into housing challenges and determine whether talent can actually access an ecosystem."

These pressures raise an increasingly important question for policymakers and investors: if the Golden Triangle cannot continue expanding indefinitely, where will the next generation of innovation growth occur? Increasingly, the answer appears to lie across the wider UK.

ENGINES OF GROWTH

The rise of innovation districts are an example of the new systems approach to growth. Dynamic, mixed-use environments where research, entrepreneurship and industry come together. A point of agreement with all of the contributors for this report is that such districts are essential for providing the infrastructure that local economies need.

As the Brookings Institution outlines, these spaces have the potential to "spur productive, inclusive and sustainable economic development" by enabling companies, researchers, universities and investors to co-invent and co-produce new discoveries for the market, while also supporting denser growth and broader access to opportunity.[27]

The Birmingham ecosystem highlights the critical importance of physical and institutional proximity. A key structural challenge for the region is the absence of a clearly defined focal space where founders, investors, universities, and corporates can interact on a daily basis.

This challenge is closely linked to the broader coordination of the regional ecosystem. Mike Caine, Pro-Vice-Chancellor for Research and Enterprise at Aston University, observes:

"In Birmingham we tend to focus on the proliferation of innovation assets rather than the collective support for our founders to scale." He argues that spaces such as incubators, co-working environments, and knowledge quarters can act as vital catalysts for collaboration, enabling universities, start-ups, investors, and public institutions to align around shared growth ambitions. Ultimately, successful ecosystems require not just talent and research strength, but visible, physical hubs where these networks can meet, collaborate, and speak with a unified voice.

Liz Bamber, Director of Place at Sister, outlined why the innovation district provides a positive example of the wider benefits of place-based innovation: "Sister represents real collaboration between industry and academia, and a chance to extend those benefits into surrounding communities, not just the campus itself."

Liz explains the ambition behind the innovation hub: "This is a 15-year journey. We saw an opportunity to develop something of national importance, and potentially international importance, based on the fundamentals of the site and the strength of the university."

"This is a 15-year journey. We saw an opportunity to develop something of national importance, and potentially international importance, based on the fundamentals of the site and the strength of the university."

Liz Bamber, Director of Place at Sister

Participants emphasised that districts like Sister provide more than workspace. They create daily proximity between founders, researchers, investors and corporates. A condition viewed as essential for commercialisation.

Chris Wright, Co-Founder, NeuWave, spoke to the human dimension: "Being a tech founder in Manchester can be quite a secluded path. The idea of Sister as a family environment really matters. It makes you feel less isolated."

Innovation districts were also linked directly to IP retention. By anchoring spin-outs close to their originating research institutions, regions are better positioned to retain both talent and value locally rather than exporting it elsewhere.

READY TO SCALE

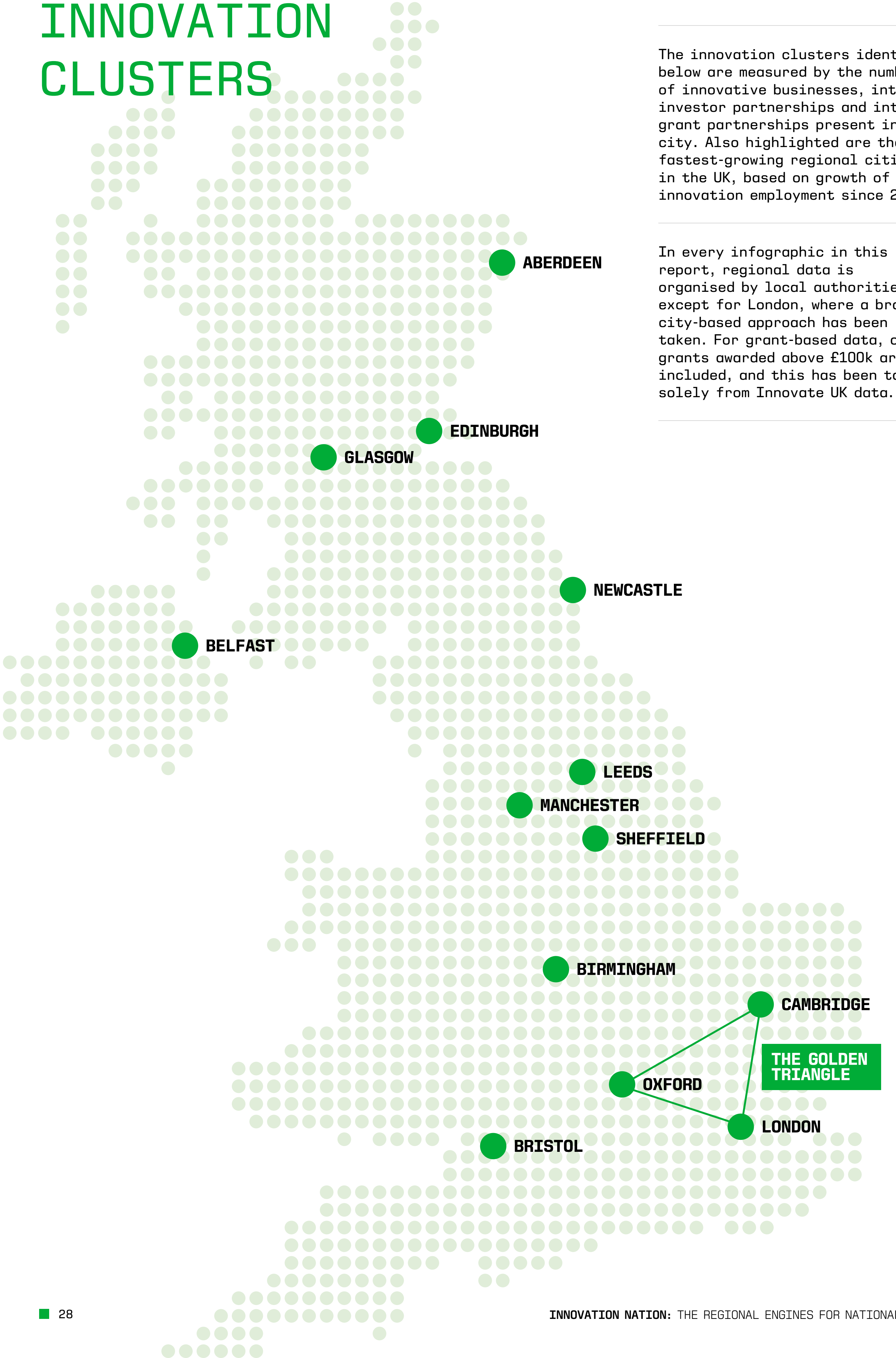
Ultimately, the UK is entering a new phase of innovation geography where the Golden Triangle is no longer the sole locus of ambition. A connected system of regional ecosystems is taking shape, but unlocking this true national potential relies on providing the necessary support to drive momentum in developing hubs.

The remaining challenge is systemic: aligning capital, policy, infrastructure and institutions quickly enough to support ecosystems that are already demonstrating that they are ready to scale. The UK no longer needs to ask whether innovation can happen outside London. That question has been answered. Now it's about how fast we let it grow.

Key Insights

- The Golden Triangle remains the UK's dominant research and investment hub.
- Regional ecosystems are growing rapidly across the UK.
- Manchester has emerged as a major innovation cluster outside London.
- The North West is transitioning into a self-sustaining hub, capable of funding its own growth without relying on London-based investors.
- The West Midlands has strong assets but faces coordination challenges.
- Scotland demonstrates a mature regional investment ecosystem.
- The UK innovation system is evolving into a network of regional clusters.

THE REGIONAL INNOVATION CLUSTERS



The innovation clusters identified below are measured by the number of innovative businesses, internal investor partnerships and internal grant partnerships present in each city. Also highlighted are the fastest-growing regional cities in the UK, based on growth of innovation employment since 2019.

In every infographic in this report, regional data is organised by local authorities, except for London, where a broader city-based approach has been taken. For grant-based data, only grants awarded above £100k are included, and this has been taken solely from Innovate UK data.

THE GOLDEN TRIANGLE

London

- 17,902 innovative businesses
- 2,148 internal investor partnerships
- 1,002 internal grant partnerships

Cambridge

- 828 innovative businesses
- 143 internal investor partnerships
- 38 internal grant partnerships

Oxford

- 558 innovative businesses
- 144 internal investor partnerships
- 39 internal grant partnerships

REGIONAL INNOVATION HUBS

1. City of Edinburgh

- 1,147 innovative businesses
- 268 internal investor partnerships
- 46 internal grant partnerships

2. Manchester

- 1,088 innovative businesses
- 43 internal investor partnerships
- 49 internal grant partnerships

3. Birmingham

- 940 innovative businesses
- 16 internal investor partnerships
- 72 internal grant partnerships

4. Leeds

- 868 innovative businesses
- 8 internal investor partnerships
- 41 internal grant partnerships

5. City of Bristol

- 843 innovative businesses
- 48 internal investor partnerships
- 53 internal grant partnerships

6. Glasgow City

- 726 innovative businesses
- 190 internal investor partnerships
- 135 internal grant partnerships

7. Aberdeen City

- 565 innovative businesses
- 6 internal investor partnerships
- 28 internal grant partnerships

8. Sheffield

- 566 innovative businesses
- 8 internal investor partnership deals
- 71 internal grant partnerships

9. Belfast

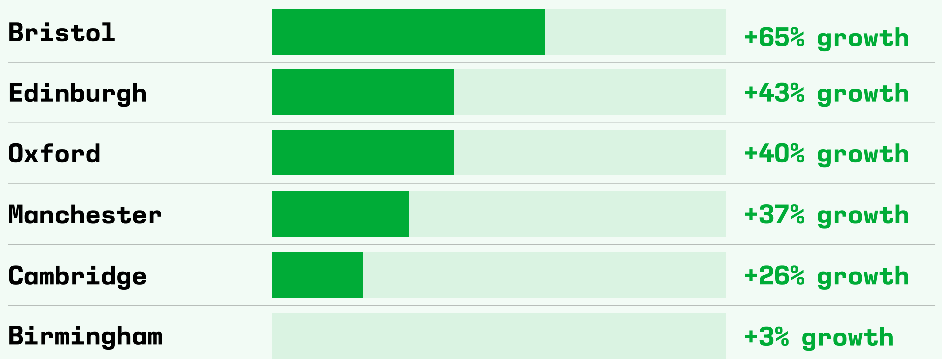
- 485 innovative businesses
- 118 internal investor partnership deals
- 10 internal grant partnerships

10. Newcastle

- 392 innovative businesses
- 57 internal investor partnership deals
- 19 internal grant partnerships

THE FASTEST GROWING REGIONAL CLUSTERS IN THE UK

The identification of the cities is based on growth of innovation employment since 2019.



IDENTIFYING THE REGIONAL POWERHOUSES: SPOTLIGHT ON SUCCESS

MANCHESTER AND THE NORTH WEST: THE RISE OF A SCALE-UP ECOSYSTEM

Manchester and the wider North West have emerged as one of the UK's most significant innovation engines outside London, attracting businesses from across the UK and beyond. For instance, research from JLL found that Manchester was the top destination for financial services firms leaving London, with operating costs around 30% lower than London.[28]

The region combines several structural advantages: a large population, strong university research capabilities, relatively low operating costs and an increasingly coordinated innovation ecosystem. Manchester is now the most popular UK city outside London for starting a new tech business, with 28% of tech leaders ranking it as their top choice.[29] The North West is now home to 4,751 innovative companies, placing it among the largest concentrations of innovation activity outside the capital.[30]

Manchester itself ranks among the leading UK cities in terms of both innovative companies and employment, ranking 5th in the UK for innovative company count (1088 companies) and among the top three locations outside London for innovation employment (with a total of 88,688 people), reflecting the depth of its digital, advanced materials and life sciences base.[31]

This momentum is increasingly visible in company formation and investor behaviour. As Manoj Ranaweera, Founder and CEO of Techcelerate, notes,

> **The opportunity now is to connect that momentum more deliberately with global tech ecosystems, research excellence and commercial talent."**
>
> **Manoj Ranaweera, Founder and CEO of Techcelerate**

"Having built tech companies since 2004 in Manchester, I've seen first hand how far this region has come. Manchester is no longer emerging; it is established. The city and wider North West have become one of the UK's most important centres for ambitious tech founders, serious company building and high-growth innovation. Since Deal Lite began tracking UK tech investment, the region has attracted more than £4.5 billion in funding. The opportunity now is to connect that momentum more deliberately with global tech ecosystems, research excellence and commercial talent."

Investment activity also reflects this shift. In 2025, companies in the North West raised approximately £1.63 billion in equity investment, ranking third nationally behind London and the South East.[32] Importantly, this capital was concentrated across fewer deals, suggesting larger average round sizes typically associated with later-stage company growth, inferring a more mature innovation ecosystem.

The data also reveals an important structural shift in how capital flows through the region. Beauhurst data shows that North West-London investor partnerships totalled 181 deals, while North West-North West partnerships recorded 169 deals, indicating near parity between internal and external capital flows. This demonstrates that the North West is rapidly evolving from a region dependent on London investors into a highly self-sufficient financial ecosystem capable of funding its own innovation.

The strategic development of dedicated innovation districts has been a major catalyst for this momentum. Highlighting this physical transformation, Brad Topps, Project Director at Sister, notes: "In Manchester, we're now firmly recognised as the UK's second city. There's been incredible momentum over the last number of years, and we're in a place where global organisations are choosing Manchester as home."

Taken together, these developments suggest that Manchester has reached a new stage of ecosystem maturity. The region is no longer simply generating start-ups; it is increasingly capable of supporting companies as they scale.

BIRMINGHAM AND THE WEST MIDLANDS: DRIVING MOMENTUM IN A GROWING ECOSYSTEM

While Manchester demonstrates how coordinated leadership and innovation districts can accelerate ecosystem development, the West Midlands presents a different picture: a region rich in assets but still working to convert them into a fully integrated innovation economy.

The West Midlands possesses many of the structural ingredients required for innovation growth. Birmingham has a large population, a diverse industrial base and several major universities.

In March 2026, the region also secured £50 million from the Government's Local Innovation Partnerships Fund - capital ring-fenced by UKRI to scale local deep-tech, life sciences, and advanced manufacturing - bridging the gap between academic research and commercial scale.

Our Beauhurst analysis shows that Birmingham has 940 innovative businesses, demonstrating significant entrepreneurial activity. The region also supports 114,741 innovation-sector employees, indicating a strong employment base. Meanwhile, the West Midlands has also experienced a notable increase in first-time equity deals in recent years, indicating growing early-stage entrepreneurial activity.

However, the total volume of capital raised in the region remains significantly lower than that of the North West. Combined equity investment across the East and West Midlands totalled approximately £610 million in 2025 (compared to the North West's £1.63 billion).

This gap highlights a persistent structural challenge within the region's ecosystem: while Birmingham produces a high volume of early-stage companies, fewer local firms manage to scale.

Professor Nicholas Barnes, Principal Founder and CEO of Celentyx Ltd, reflected on this challenge, saying: "There is a clear need for something equivalent to Sister in the West Midlands. A focal hub that helps guide companies from university innovation through to commercial scale."

The West Midlands already possesses strong sectoral advantages, particularly in advanced manufacturing, robotics and mobility technologies. With improved coordination and access to larger pools of growth capital, the region could become one of the UK's most important innovation hubs.

"

There is a clear need for something equivalent to Sister in the West Midlands. A focal hub that helps guide companies from university innovation through to commercial scale."

Professor Nicholas Barnes, Principal Founder and CEO of Celentyx Ltd

SCOTLAND: A MODEL OF REGIONAL PARTNERSHIPS

While the West Midlands highlights the challenges of coordination, Scotland provides one of the clearest examples of how regional ecosystems can mature into self-sustaining innovation systems. Its innovation economy is anchored by Edinburgh and Glasgow, where strong universities, development finance institutions and coordinated governance have combined to create a more integrated ecosystem.

Scotland exhibits one of the strongest levels of internal capital recycling outside London. Scotland-Scotland investor partnerships totalled 1,716 fundraising deals, representing one of the largest investor pairings in the UK.[33]

To put this into context, this level of internal investment activity is almost 20 times larger than ecosystems such as the West Midlands, where same-region investor partnerships total 92 deals.[34] This highlights the relative depth and maturity of Scotland's internal capital base.

This is reinforced by dense collaboration networks. Scotland-Scotland grant partnerships recorded 811 collaborations, reflecting repeated links between universities, institutions and companies across the ecosystem.[35] Together, these patterns point to a balanced internal structure in which capital, research and institutions are closely aligned.

In practical terms, this alignment enables firms not only to emerge, but to remain, scale and recycle value locally. Summarising this success, Rupert Lyle, Fund Principal, West Midlands Co-Investment Fund observes: "Scotland has the best regional ecosystem outside London."

Ultimately, Scotland offers a proven blueprint for the rest of the UK. By deeply integrating its academic research with a robust pool of local capital, it demonstrates exactly how a region can transition from merely incubating early-stage start-ups to fully funding and scaling them within its own borders.

While challenges remain, founders acknowledged that national and international investors are increasingly willing to engage with regional opportunities, recognising the depth of talent and innovation beyond the capital.

SCALING DEEP TECH BEYOND THE GOLDEN TRIANGLE

Maria Lema

Co-founder and CEO, Weaver Labs

For Maria Lema, digital infrastructure is not a luxury. It is a utility. As fundamental as water or electricity. And yet, across much of the UK, access to the right infrastructure, particularly for deep tech companies, remains uneven, expensive or out of reach.

As Co-founder and CEO of Weaver Labs, Lema has built a business that develops software-driven telecoms networks designed to operate where traditional providers see little commercial incentive. From stadiums and shopping centres to large public venues, Weaver Labs focuses on environments that require resilient connectivity but are often underserved by mainstream operators.

The company's roots lie in Manchester. Its first major deployment, the Smart Junctions project in partnership with Viva City, used AI to manage traffic signals and support active travel policy. For Lema, the project demonstrated something important: innovation does not have to originate in London. "We don't work in London at all," she explains. "It's good to have a presence here for capital and access to talent, but our customers are elsewhere."

BRIDGING THE INFRASTRUCTURE GAP

When discussing infrastructure outside the capital, Lema draws a clear distinction between basic connectivity and the specialist facilities deep tech firms require. Standard office needs - broadband, workspaces, digital access - are rarely the problem. The challenge lies in accessing high-end research equipment, laboratories and testing environments.

Deep tech companies in quantum, telecoms or advanced materials often need equipment that costs millions. Unsurprisingly, these firms cluster around universities with established facilities. Oxford and Cambridge stand out as leaders. Bristol and Manchester are also developing their capabilities.

But the existence of facilities does not mean access is straightforward. Universities, Lema argues, can be prohibitively expensive partners. Overheads can reach 40 per cent. Access to estate and equipment carries significant costs. For a start-up with limited cash, collaboration becomes difficult without grant funding. "The facilities exist," she says. "The question is whether start-ups can easily access them."

THE FUNDING REALITY

The reality Lema explains is that, for deep tech firms, growth is too often restrained by capital. "Start-ups and scale-ups need one thing: money." London remains the centre of gravity for venture capital and banking as it is "a numbers game". There are more investors, more institutions, and greater access to funding conversations.

Yet she does not believe innovation automatically gravitates to the capital, explaining that the UK's strongest deep tech ecosystems are Cambridge and Oxford, not London. The difference, she suggests, lies in the strength of its ecosystem: investors, academics and founders operating with a shared commercial mindset.

Outside the Oxford-Cambridge cluster, access to follow-on funding becomes more fragile. Deep tech firms face high capital expenditure, long development cycles and complex regulatory hurdles. Traditional venture capital can struggle to understand these models. Lema, who has both bootstrapped and raised funding, sees a need for more patient and specialised capital.

She also suggests that there could be a role for policymakers to provide tax incentives for large corporates to purchase from SMEs as they constitute "90 per cent of the companies in the UK" to unlock growth without relying on venture markets.

THE UNIVERSITY CHALLENGE

Another area where Lema believes there is room for improvement is in universities commercialising research and innovation. She argues that UK universities reward publications over commercial impact. The REF system (the Research Excellence Framework), she says, does not properly value commercialisation. In her own experience managing a multi-million-pound lab, commercial success counted for little in formal assessment structures.

Additionally, high equity stakes taken by universities in spin-outs can deter investors and "handicap the company before it has begun," she says.

THE TALENT CONSTRAINT

If funding is the primary constraint, talent is the second. The combination of Brexit and the pull of London's finance sector has intensified competition for skilled engineers and scientists in deep tech. Start-ups must now sponsor overseas hires at considerable cost or compete with finance-sector salaries that few early-stage firms can match. As Lema says, "increasing salaries when you don't have money is hard".

Regions face additional pressure. A founder launching in Liverpool or Bristol may struggle to recruit locally and resort to remote hiring. Apprenticeships and early university engagement offer one solution, yet she adds that not all founders are aware of these pathways.

For deep tech, in particular, she believes that immigration policy and skills strategy must be aligned with economic ambition. Without a broader talent pool, scaling innovation becomes increasingly difficult.

AN UNCERTAIN FUTURE

In Lema's view, the regions that thrive tend to share three characteristics: accessible capital, collaborative universities, and public or private buyers willing to adopt new technology. Where those elements intersect, ecosystems grow.

Yet for deep tech, she believes the outlook is more uncertain. One of the UK's most promising sectors risks being constrained by structural weaknesses: a university system that still rewards papers over products, a government that could be more deliberate in backing early-stage innovation, and a funding landscape that remains concentrated around Oxford, Cambridge and London.

With meaningful reform in those areas however, the UK would not merely compete, it could supercharge one of the most exciting and commercially powerful areas of innovation in the world.

THE INTELLECTUAL PROPERTY BEHIND INNOVATION

Julie Myint

Director & Patent Attorney, Gateley IP

For more than three decades, Julie Myint has worked at the intersection of scientific discovery and commercialisation. As the founder of Symbiosis IP, now part of Gateley IP, she and her colleagues have built a practice dedicated to helping life science innovators protect and translate their research into real-world impact. The business is centred on the core principle that strong intellectual property is essential to turning scientific ideas into viable businesses.

Rather than relying solely on traditional legal expertise, Myint assembled a team of patent attorneys with academic research backgrounds in biology and chemistry. "That way we could not only draft patents, but properly understand the experiments, the challenges in the lab, and guide researchers towards creating protectable inventions," she explains.

This approach proved particularly valuable for academic spin-outs and research groups navigating the early stages of commercialisation. By combining scientific insight with patent expertise, Symbiosis aimed to reduce the risks associated with filing and prosecuting patents, a process that can be both complex and expensive for early-stage ventures. "We try to help innovators de-risk the process right from the start," Myint says. "If you get the foundations right, you avoid a lot of problems later."

INNOVATION BEYOND LONDON

Symbiosis was founded outside the capital in Cheltenham, establishing a distributed model that challenged assumptions about where high-value professional services needed to be located.

For Myint, launching outside London was not a disadvantage but an opportunity. Lower operating costs made it easier to build a business in its early stages, while the nature of patent work meant much of it could be conducted remotely.

Instead of concentrating staff in a single office, Myint built a networked structure across several cities, including York, Sheffield, Cheltenham and Cardiff. "What we ended up with were small nuclei of teams in different places," she explains. "It allowed us to access talent while maintaining flexibility." This distributed model also helped Symbiosis IP develop a client base across multiple regions, while maintaining a strong international focus.

A GLOBAL ECOSYSTEM

Although many of Symbiosis IP's clients are based in UK universities and research institutions, the nature of intellectual property means the firm operates within a global ecosystem.

For companies developing new technologies, particularly in the life sciences, protecting intellectual property across international markets is essential. The UK market alone is rarely large enough to justify the investment required to develop complex technologies.

"If you're developing a new technology, you're almost certainly thinking about Europe, the US, Japan, China and other global markets," Myint says. "So patent work naturally becomes international."

DE-RISKING INVESTMENT

The life sciences sector is particularly dependent on robust intellectual property frameworks. Developing new therapies, diagnostics or medical technologies can require years of research, clinical trials and regulatory approval. Without patent protection, investors are unlikely to fund such long-term development.

"We live in a capitalist system where investors need the chance to recoup their investment," Myint says. "Without a monopoly created by intellectual property, it's very difficult to justify that level of funding."

This makes having a considered IP strategy essential from the outset. Myint and her team work with clients to determine when and where patents should be filed, while also addressing potential risks such as prior art or ownership disputes. "The key is to find problems early," she says. "You want to know as soon as possible whether something is viable before significant resources are committed."

THE WEST MIDLANDS OPPORTUNITY

Now part of the Gateley group, Symbiosis IP continues to support life science innovators across the UK, including a growing ecosystem in the West Midlands. Myint describes the region as "ambitious", though still in the early stages of building a fully mature innovation ecosystem. "I think the ambition is absolutely there," she says. "But compared with some other regions, it's still developing."

The region's strengths include its manufacturing heritage, which she believes offers particular advantages for sectors such as medical technology.

"You can have brilliant ideas in a lab, but at some point you need to work with people who know how to build things," she explains. "The West Midlands has that manufacturing capability, which is incredibly valuable."

At the same time, access to investment remains a challenge for many regional start-ups. Venture capital and private equity firms often focus on the "Golden Triangle" of London, Oxford and Cambridge, where track records of successful commercialisation help reduce perceived risk.

For regions like the West Midlands, Julie believes collaboration could be key. "Strategic partnerships with institutions in places like Oxford or London could help bring investment into the region," she suggests. "Those collaborations can provide the experience and reputation that investors look for."

UNLOCKING THE UK'S POTENTIAL

Despite the challenges, Myint remains optimistic about the UK's broader innovation landscape. With world-leading research institutions and a strong intellectual property framework, she believes the country has significant potential to translate scientific excellence into commercial success.

But doing so will require regions to build globally renowned reputations that attract anchor businesses that make investors sit up and notice. As Myint says, "Regional 'brands' and 'stories' are needed to help attract complementary businesses that set up in regional places. And once you get them, they create an ecosystem that attracts innovators and investors – and that is what makes good things happen."

BUILDING GLOBAL TRAVEL TECH FROM MANCHESTER

Harvey Lowe

Co-Founder and CCO, Arcube

Harvey Lowe co-founded Arcube with a clear objective: to rethink how airlines approach their ancillary strategy. Together with Prithveesh Reddy, Lowe began building the company while still a student at The University of Manchester, drawing on their own experience as frequent travellers.

The idea was shaped by a simple observation. Airlines on average sell two or three "ancillaries" - such as seat selection, extra bags and meals. "Most airlines don't have the ability to source, sign and integrate each ancillary partner individually." Lowe explains. "The requirement for airlines to catch-up to the likes of easyJet and Ryanair was clear - and using our platform, Arcube is able to fill that gap."

Now based in Manchester and supported by Sister, the company operates in a global market from day one, working with airlines and travel providers internationally.

WHY MANCHESTER

Arcube's decision to remain in Manchester has been a deliberate one. Lowe and his co-founder launched the company there, starting it from The University of Manchester before moving into dedicated workspace after graduating. "That's why we're here," he says. "We started the company here in Manchester and stayed around the ecosystem."

The city offers a balance that has shaped how the business has grown. Access to talent has been a defining factor, with strong links to The University of Manchester continuing to support hiring. At the same time, the lower cost base has provided a practical advantage. "If we were to move to London now, our runway would probably be cut by a third," Lowe notes, highlighting how cost efficiency has allowed the company to extend its development and focus on growth.

RETHINKING THE GEOGRAPHY OF GROWTH

For a business operating in travel, proximity to London has not been essential. Arcube's customers are global, and Lowe is clear that being based in Manchester has not limited access. "We barely do any work in the UK itself," he says. "If we need to go somewhere further afield, we can get there from Manchester. If not, we can go via London."

This perspective reflects a broader shift in how start-ups approach location. While London remains a centre for investment and networking, Lowe suggests that the practical advantages of being based elsewhere are becoming more widely recognised. "There are opportunities outside of London, and they may even be better opportunities," he says, pointing to the ability for capital to go further and generate stronger returns.

A DIFFERENT KIND OF ECOSYSTEM

Manchester's start-up environment also stands out for its diversity. Rather than being dominated by a single model, the ecosystem includes a wide range of businesses across sectors. Lowe notes that, compared to London's concentration of B2B SaaS companies, "there's a lot more diversity in the types of start-ups that are growing here."

This variety reflects the city's industrial heritage and contributes to a different kind of innovation culture. It also shapes how companies connect with each other, creating opportunities for collaboration across industries that may not typically intersect in more specialised ecosystems.

THE ROLE OF UNIVERSITIES

For Arcube, The University of Manchester has played a central role from the outset. Lowe and his co-founder met through the student-led venture capital society, AccelerateMe, which provided early exposure to the start-up environment. "That opportunity gave us a feel of what start-ups are all about," he says.

Many of Arcube's early hires have come directly from its student base, bringing both technical skills and a willingness to take risks. "The talent that is able to come through the University is brilliant," Lowe explains, noting that early-career hires are extremely driven, and develop with the company as it grows.

THE VALUE OF COMMUNITY

Beyond talent, the wider ecosystem has also played an important role. Being based at Sister has provided access to both physical space and a broader support network. Lowe points to the value of having people readily available to offer guidance, particularly for earlier-stage companies.

"It's about building an ecosystem and a community that can actually help start-ups out," he says, highlighting the role of innovation managers and shared workspaces in connecting founders with relevant expertise. The ability to collaborate in person has also influenced how Arcube operates. Without that environment, Lowe suggests the company would have fewer opportunities for day-to-day interaction, resource-sharing and a better company culture.

Arcube's growth reflects a wider trend within the UK's start-up landscape. With the right combination of talent, infrastructure and connectivity, regional hubs are increasingly building the foundations to launch the start-up and scale-up success stories that may come to redefine what these regions are known for in the future.

> "The requirement for airlines to catch-up to the likes of easyJet and Ryanair was clear - and using our platform, Arcube is able to fill that gap."

SCALING LIFE SCIENCES IN THE REGIONS

Professor Nicholas Barnes

Founder & CEO, Celentyx

Professor Nicholas Barnes has spent nearly two decades working at the intersection of academic research and commercial drug discovery. As Principal Founder and CEO of Celentyx Ltd, established following his work at the University of Birmingham, his career reflects a broader shift within UK life sciences towards translating research into tangible outcomes.

Founded in 2006, Celentyx was created to bring advances in human immunology out of the lab and into a drug discovery setting. Now operating across Oxford and Birmingham, the company draws on academic expertise from both cities while continuing to expand its footprint. Its growth reflects both the strengths and structural challenges of the UK ecosystem.

REGIONAL IMBALANCE

That journey mirrors a wider national picture. While the UK excels at early-stage innovation, the conditions for scaling remain uneven across regions. Barnes points to a clear contrast between established clusters such as London, Oxford and Cambridge, and some other parts of the country, describing the current landscape in the West Midlands as "mixed", where "you're putting a lot of help and support and investment in areas such as engineering, but for life sciences, there is less coordinated help and support."

Regions such as Manchester and Nottingham have developed increasingly cohesive life sciences ecosystems. By contrast, the West Midlands – despite its strong universities and access to a diverse patient population – has yet to attract the kind of mid-sized or large pharmaceutical presence that would anchor further growth. As Barnes puts it, "I've long scratched my head. I was hoping – and am still hoping – that a large or mid-sized pharma would see the benefit of establishing a research site in the West Midlands region. There is so much opportunity here."

For companies like Celentyx, this imbalance is most visible in talent. Early-career researchers are readily available, supported by nearby universities. However, building senior management capacity is more difficult. "What we can't readily get is senior people. There's just not the critical mass of life science industry to help pull good senior folk into the region," Barnes explains.

THE PROXIMITY ADVANTAGE

Operating outside the Golden Triangle also brings advantages. Barnes highlights the opportunity for closer collaboration, describing it as "almost like a first mover advantage. You've got enthusiastic and capable clinicians on your doorstep that are keen to develop industrial collaborations."

In regions such as the West Midlands, this proximity is combined with access to more ethnically diverse patient populations, which is increasingly important in clinical research and drug development. These conditions offer a strong platform for companies looking to build integrated, locally rooted partnerships.

THE ROLE OF UNIVERSITIES

Universities remain central to the ecosystem, and their role in commercialisation has evolved over time. Reflecting on the early days of Celentyx, Barnes recalls, "When I first started, we were very much encouraged to commercialise IP via the licensing route."

Today, Barnes believes there is a stronger emphasis on spinouts. However, technology transfer processes can still be complex. As Barnes notes, "I see that universities tend to overvalue their IP and know-how," highlighting the need for greater alignment between academic and commercial priorities.

OPENING THE BLACK BOX

Alongside institutional change, access to practical experience remains critical. For many academics, moving into business involves navigating unfamiliar territory. Barnes reflects on this directly. "Early on, I needed somebody to open up the so-called black box and say, well actually, it's not that tricky if you get your ducks in a row."

Structured mentoring, such as entrepreneurs in residence, can help bridge this gap. The importance of specialist expertise is particularly clear when it comes to intellectual property. As Barnes puts it, "You don't go to a GP to get your heart valves changed. You need specialist patent lawyers to protect life science IP."

BUILDING THE INFRASTRUCTURE

Barnes highlights the value of dedicated hubs that connect founders with legal, financial and commercial expertise, as well as experienced mentors. "I'm a great believer in having entrepreneurs in residence," he says.

Early access to the right advice – particularly in areas such as intellectual property and legal structuring – can shape a company's trajectory. Strengthening these support systems at a regional level rather than just individual universities would be more cost-efficient and more likely allow synergistic combinations of technologies and platforms to help ensure that promising ideas are not only developed but scaled.

CHAPTER 3

THE UK NETWORK OF INNOVATION

THE UK NETWORK OF INNOVATION

The UK's innovation economy is increasingly defined not by isolated regional clusters, but by the connections between them. While the Golden Triangle remains the country's primary research and venture capital hub, regional ecosystems such as Manchester, Birmingham and Scotland are demonstrating increasing confidence.

THE NEW INNOVATION CORRIDORS

The following two infographics spotlight potential innovation corridors emerging around the UK. They highlight the growing decentralisation of British innovation, contrasted against the established innovation corridors present between London and other cities. These innovation corridors are not about the strength of each individual region, but instead about the growing connections and partnerships between them.

This analysis is based on the number of investor and grant partnerships between local authorities, identified in Beauhurst's research.

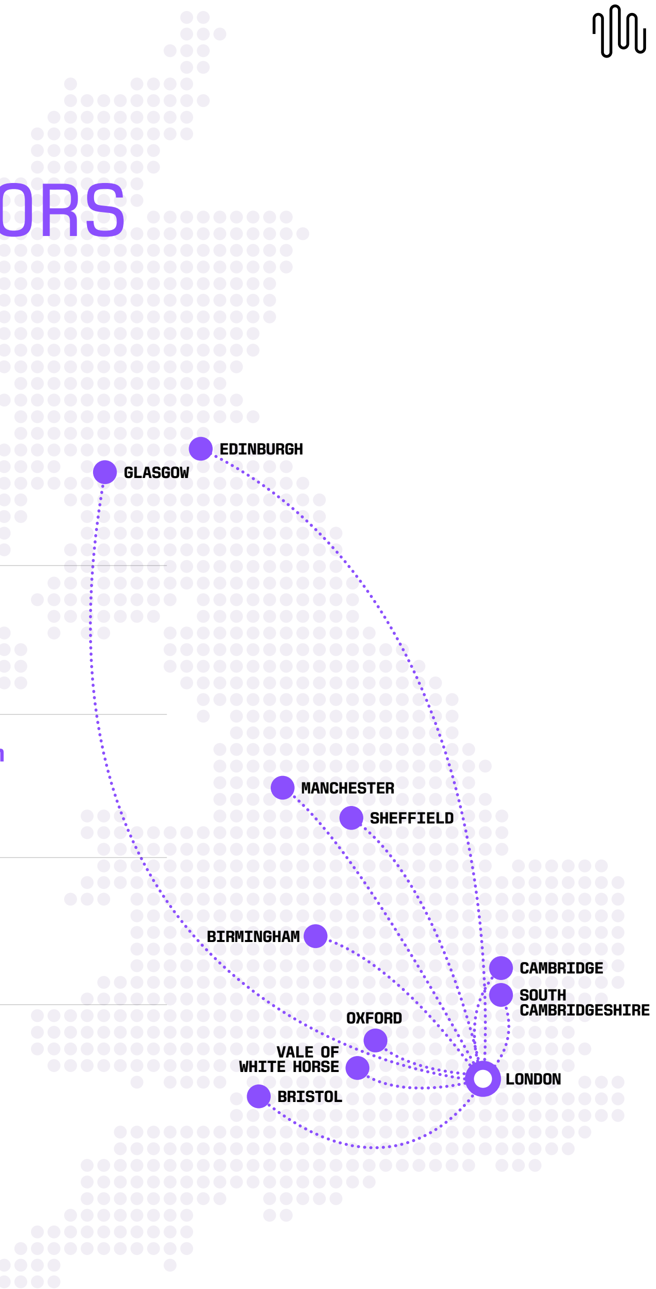
The first infographic tracks the most significant London-linked innovation corridors across local authorities in the UK today. The second infographic removes London from the data and examines how regional innovation corridors connect outside the capital.

N.B: These figures represent a cumulative, historical total for the companies that are currently operating in the UK.

WHAT IS AN INNOVATION CORRIDOR?

Innovation corridors are established networks between different regions that regularly collaborate to build and fund innovation businesses. When universities, businesses, and investors across different cities repeatedly invest capital or collaborate to secure joint R&D grants, they create a permanent highway for capital and talent to flow.

LONDON-LINKED INNOVATION CORRIDORS



London & Cambridge

421 investor and 218 grant partnerships

London & South Cambridgeshire

427 investor and 134 grant partnerships

London & Oxford

282 investor and 143 grant partnerships

London & Bristol

206 investor and 122 grant partnerships

London & Sheffield

141 investor and 148 grant partnerships

London & Birmingham

28 investor and 228 grant partnerships

London & Manchester

84 investor and 133 grant partnerships

London & Glasgow

108 investor and 148 grant partnerships

London & Vale of White Horse (Oxfordshire)

168 investor and 63 grant partnerships

London & Edinburgh

156 investor 91 grant partnerships

For more information on the research methodology, please refer to page 62

KEY INSIGHTS

The established corridor between London, Oxford, and Cambridge continues to demonstrate a high concentration of mature investor and grant-funded partnerships.

Strong links have also formed between the capital and regional hubs like Manchester, Bristol, and Sheffield, reflecting a deep integration of capital and research.

When London is removed from the data, partnerships between the regions themselves appear underdeveloped. While cities like Manchester, Birmingham, and Leeds are performing well in isolation, the lack of direct collaboration remains a missed opportunity.

Scotland's highly interconnected ecosystem serves as a proven model for regional synergy. This framework could be scaled across the UK to foster more robust and independent innovation partnerships.

REGIONAL INNOVATION CORRIDORS

FOCUS ON MANCHESTER:

Manchester & Sheffield

23 investor and 5 grant partnerships

Manchester & Leeds

18 investor and 10 grant partnerships

Manchester & City of Edinburgh

18 investor and 3 grant partnerships

ENGLAND & WALES

South Cambridgeshire & Cambridge

228 investor and 59 grant partnerships

Birmingham & Sheffield

26 investor and 33 grant partnerships

Vale of White Horse & Oxford

46 investor and 12 grant partnerships

Birmingham & Coventry

3 investor and 53 grant partnerships

Cardiff & Wrexham

51 investor and 1 grant partnership

SCOTLAND

City of Edinburgh & Glasgow City

378 investor and 70 grant partnerships

Midlothian & City of Edinburgh

67 investor and 27 grant partnerships

Aberdeen City & Glasgow City

63 investor and 22 grant partnerships

Fife & Glasgow City

74 investor and 8 grant partnerships

North Lanarkshire & Glasgow City

65 investor and 17 grant partnerships

For more information on the research methodology, please refer to page 62

KEY INSIGHTS

National innovation strength increasingly depends on the dynamic flow of talent, capital, and research across inter-regional corridors, rather than dependency on a single geographic centre.

The Scottish model proves that when neighbouring cities align their R&D and recycle capital locally, they create a highly productive, self-sufficient ecosystem.

Hubs like Manchester and Birmingham possess highly productive, internally mature ecosystems, operating from a position of profound local strength even as their external networks continue to evolve.

Unlocking the true potential of emerging networks (such as those bridging Manchester, Leeds, and Sheffield) heavily depends on targeted improvements in transport and cross-city infrastructure.

True national ecosystem maturity requires moving beyond localised grants to build interdependent, investment-led pathways that stretch across the UK.

NATIONAL INNOVATION NETWORK

The evidence suggests the UK is entering a new phase – one in which innovation is being shaped by an increasingly interconnected national network of complementary ecosystems. This shift is emerging through cross-regional partnerships and the circulation of capital and talent. But it is clear that to fully realise the potential of the UK regions, more could be done to realise the opportunity of fully autonomous regions outside of the capital.

Chapter 2 highlighted Manchester, Edinburgh, and Birmingham as leading innovation hubs, driven by robust, localised investment and grant activity. Building on that foundation, this chapter examines the vital connectivity between these hubs and other regional cities across the UK. We will explore how joint investment and R&D partnerships act as a catalyst for new innovation ecosystems, demonstrating how areas like the North West can leverage these connections to accelerate regional growth.

It is important to establish that these innovation corridors are evidence of collaboration and connectivity, rather than a direct proxy for regional performance. A high volume of inter-city partnerships indicates strong collaborative ties, but it does not inherently mean one region is more productive or generates more scale-ups than another. As demonstrated in Chapter 2, regions like Manchester and Birmingham possess highly productive, commercially successful internal ecosystems with strong local employment growth and internal partnerships. They operate from a position of profound strength, even if their external connections with other regional cities are still evolving.

The economic case for unlocking a more connected innovation network across the UK is clear. The Government's Industrial Strategy 2025 estimates that raising productivity in city regions to national levels could add over £90 billion to the UK economy each year, underscoring the value of stronger inter-regional connectivity.[36]

However, the effectiveness of this model depends on how well these connections function in practice. The Beauhurst data reveals both progress and persistent gaps, highlighting what is working across the UK's innovation network, and where fragmentation continues to limit its potential.

THE LONDON ENGINE AND SPECIALISED REGIONAL PARTNERS

An analysis of the UK's top innovation corridors reveals a complex, interdependent web. While London remains the UK's most important financial and research hub, its ongoing strength increasingly depends on how effectively it connects with regional centres such as Manchester, Bristol, Sheffield, Birmingham, and Edinburgh.

These London-region corridors should also be viewed as a

> **"While London remains the UK's most important financial and research hub, its ongoing strength increasingly depends on how effectively it connects with regional centres such as Manchester, Bristol, Sheffield, Birmingham, and Edinburgh."**

positive sign of national strength, not evidence of regional dependency. They demonstrate an ecosystem where capital, talent, research, and infrastructure are successfully radiating across the country. Crucially, regional cities are increasingly becoming specialised partners with their own growing maturity and distinct sector strengths.

The data highlights a clear distinction between corridors that are grant-heavy and research-led, versus those that are investment-led and commercially oriented. London treats Bristol as both a commercial destination and a research partner. Their 328 partnership consists of 206 investor partnerships and 122 grant collaborations.

Conversely, London utilises Sheffield and Birmingham primarily as significant R&D partners. This is evidenced by heavily grant-focused connections: 148 grant partnerships with Sheffield (alongside 141 investor partnerships) and 228 grant partnerships with Birmingham (alongside 28 investor partnerships).

Manchester plays a highly distinct role within this national framework. Supported by a strong bilateral link with London, evidenced by 133 grant and 84 investor partnerships, Manchester acts as a vital bridge connecting the South East to the broader North and Scotland.

THE SCOTTISH MODEL: A BLUEPRINT FOR INTEGRATION

When London is removed from the equation, the current analysis shows that the number and depth of inter-regional corridors drops sharply across England. However, this absence highlights a powerful alternative model taking shape further north.

Scotland stands out as the prime example of regional self-sufficiency and integration. The Edinburgh and Glasgow corridor is the most deeply integrated city-to-city network in the entire UK, boasting 448 partnerships. This dwarfs the country's other major regional corridors, combining 70 grant collaborations with a staggering 378 investments.

This financial flow acts as a powerful economic engine linking Scotland's two largest innovation centres. By consistently collaborating and recycling capital locally, Edinburgh and Glasgow have built a self-reinforcing system of research and investment. This dynamic should be positioned as a working model for the rest of the UK, demonstrating exactly what becomes possible when neighbouring cities tightly align their innovation strategies.

EMERGING ENGLISH CORRIDORS: THE OPPORTUNITY AHEAD

Within the English regions, similar non-London patterns are beginning to emerge, particularly around Manchester, Leeds, Sheffield, and connecting up to Edinburgh. Currently, Manchester operates as an adaptable collaborative hub, sharing nascent corridors with Leeds across 18 investor and 10 grant partnerships, Sheffield with 23 investor and 5 grant partnerships, and Edinburgh with 18 investor and 3 grant partnerships.

While these links are currently less mature than those in Scotland, they represent a significant, untapped opportunity and should be viewed as high potential, early-stage frameworks between high performing innovation hubs.

To realise this potential and transform these emerging links into the kind of self-sustaining, deeply integrated ecosystems seen between Edinburgh and Glasgow, deliberate action is required. With better transport links, shared regional infrastructure, coordinated investment strategies, and a conscious effort to drive collaboration between neighbouring cities, these emerging corridors can become powerful new engines of national growth. Ultimately, innovation corridors are vital links between complementary ecosystems, ensuring all regions can contribute to the UK's shared economic success.

CONNECTIVITY NOT COMPETITION

A consistent theme across the roundtables was that regional innovation ecosystems should complement rather than compete with London. Its universities and venture capital ecosystem attract international investment that benefits the entire national economy. However, contributors argued that the UK could unlock far greater value by strengthening connections between regions and distributing different stages of innovation more effectively across the network.

As Claire Lewis remarks: "Conversations with London based investors have completely transformed over the past 10 years. A decade ago, the focus was on London as the global centre - but that's not the case anymore," adding that "People see the benefit of having innovation excellence across the UK, and certainly Manchester, the North West, is seen as very attractive to many investors that I speak to."

David Levene, Director at Innovation Greater Manchester, highlighted how this is already beginning to take shape through cross-regional partnerships: "There's incredible innovation happening across the UK. The opportunity is to join it up – whether across the North or through partnerships like Manchester and Cambridge," adding that: "The Manchester-Cambridge partnership is an interesting experiment. Trying to formally connect ecosystems that are geographically separate hasn't really been done before in the UK."

Led by the universities of Cambridge and Manchester, the recently announced Cambridge-Manchester partnership aims to pool expertise and resources to support start-ups and scale-ups, with a focus on driving job creation and expanding economic opportunity across both regions.[37] By linking two of the UK's strongest innovation ecosystems, the partnership reflects a more deliberate approach to collaboration, where knowledge, talent and investment can move more fluidly between regions.

This reflects a broader shift towards actively connecting ecosystems that have historically operated in isolation, allowing regions to combine complementary strengths rather than duplicating capability.

Claire Lewis reinforced this perspective: "I'm very much team North West. Liverpool and Manchester rise together, and that collaboration benefits everyone." She also points to how investor perceptions are already shifting in response to this growing connectivity. "The goodwill is there – investors see the strength across the UK. Now it's about putting forward the right, backable opportunities."

This evolution in investor behaviour signals that the challenge is no longer attracting initial attention to regional ecosystems, but converting that interest into sustained investment and scalable businesses.

This shift reflects a broader change in how regional ecosystems perceive their role within the national system – not as isolated competitors, but as interconnected contributors to a shared innovation economy. It also requires looking beyond domestic dynamics, with a greater emphasis on international collaboration and market access, including opportunities in high-growth regions such as Asia.

FROM CLUSTERS TO A CONNECTED SYSTEM

The evidence points to a clear conclusion: the UK's innovation economy is evolving from a single, centralised geography, to an emerging network of interconnected regions. Through innovation corridors and specialised partnerships, capital, talent, and knowledge are moving dynamically across the country.

The UK's innovation strength does not rest solely on the Golden Triangle, but increasingly on the corridors that connect London to regional centres and regional centres to one another. The most successful future model is likely to be one where cities operate not in isolation, but as complementary nodes within a wider national innovation network.

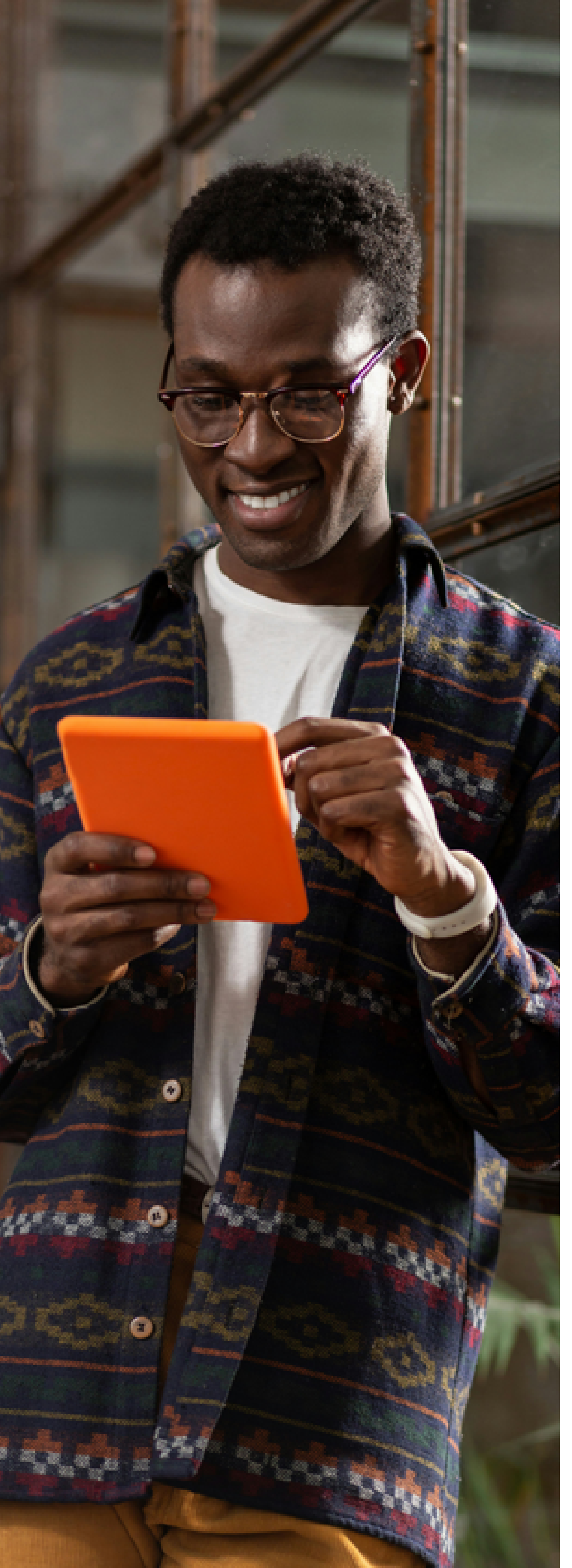
However, the data also reveals an ecosystem at varying stages of connectivity. While deeply integrated models like the Edinburgh and Glasgow corridor demonstrate the profound economic potential of regional self-sufficiency, emerging networks across the English regions, despite the individual strength of cities like Manchester, Leeds, and Sheffield, are less mature. Challenges such as fragmented coordination and a lack of shared infrastructure continue to limit their wider collaborative potential.

The opportunity is there to strengthen what is already emerging. If these nascent, cross-city links can be deliberately deepened, supported by better transport, coordinated regional investment, and unified policy frameworks, the UK can move beyond a collection of strong, independent clusters to forge a truly integrated, national innovation network.

> "Conversations with London based investors have completely transformed over the past 10 years. A decade ago, the focus was on London as the global centre - but that's not the case anymore."
>
> **Claire Lewis, Co-Founder and Director, Baltic Ventures**

CHAPTER 4

SUPERCHARGING THE ENGINE: BUILDING THE CONDITIONS FOR REGIONAL INNOVATION



SUPERCHARGING THE ENGINE: BUILDING THE CONDITIONS FOR REGIONAL INNOVATION

For the UK to transition to a regionally powered innovation nation, the policy landscape must evolve to reflect how innovation actually happens. While recent shifts such as the rollout of Local Innovation Partnerships from UKRI signals a growing recognition that policy must be actively place-based, the UK innovation system is still constrained by fragmentation.[38] From limited coordination between institutions to uneven access to capital and talent.

Ninder Johal, Founder of the Midlands Economic Summit, reflects on how this lack of coordination has evolved over time. “We used to have a clear regional view – where strengths were, where gaps were, and where to deploy finance. Right now, that clarity just isn’t there.” This loss of a regional ‘helicopter view’ makes it harder to align institutions, target investment effectively, and build a coherent innovation system.

For too long, national approaches have focused on individual institutions, discrete technologies or short-term funding initiatives, rather than the ecosystems required to support innovation at scale. The result has been a persistent gap between research excellence and commercial outcomes.

The evidence shows that to get stronger regional performance, you need sustained collaboration between institutions, embedded investor networks, the capacity to recycle capital locally, and long-term, place-based approaches to policy and infrastructure.

Where these elements align, regions are better able to retain intellectual property, attract talent and enable companies to scale.

While practical barriers have historically slowed founders, there are signs they are beginning to be addressed. As Alan Beck, Head of Product at Concretene, notes: “The admin for a sub-£50k grant used to be the same as for £900k, which could be off-putting for founders. But our most recent grant from Innovate UK, for £25k, had a much lighter burden, with no monitoring officer or stage-gate meetings. So it feels like the system is starting to listen and helping reduce friction for early-stage companies.”

While progress is being made on administrative burdens, other structural challenges remain.

As Karim Bahou, Head of Innovation at Sister, explains: “The real challenge is spotting commercial opportunities outside the lab. In foundational research, it is harder to see the connection between a research context and a commercial one. We need better mechanisms to help industry and academia co-identify solutions that can be quickly and easily commercialised.”

THE POLICY GAP

Emily Robson, Assistant Chief Executive, Knowledge Quarter Liverpool (KQ Liverpool), outlined the gap between policy and the support that companies need: “Innovation doesn’t fit neatly into political cycles, but policy is still often designed as if it does.”

Recent policy direction suggests a growing recognition of this gap. The government, in its recent Industrial Strategy, has begun to shift towards more place-based innovation support, acknowledging that national ambition will only be realised at the local level where infrastructure, skills and institutions intersect.

The government has also committed £20.4 billion to research and innovation in 2025-26.[39] This commitment has recently been reinforced by a government announcement setting out a £38.6 billion R&D funding package aimed at driving economic growth and national renewal. As part of this, UKRI is expected to deploy £8 billion towards priority sectors and £7 billion to support the growth of innovative companies, with a clear emphasis on using public funding to unlock greater levels of private investment and strengthen regional innovation clusters.[40]

In her Mais Lecture, the Chancellor, Rachel Reeves, spoke of the need to transform Britain’s economic geography by spreading opportunity more evenly across the country. And the current Industrial Strategy marks a step forward in recognising regional strengths. But questions remain over whether policymakers are thinking locally enough in practice.

Flagship proposals such as AI Growth Zones signal intent to attract infrastructure investment, yet participants raised concerns about whether these locations are sufficiently equipped with the physical power capacity, housing supply and transport links required to support both advanced computing infrastructure and the employees that the zone will depend on.[41]

> **Innovation doesn’t fit neatly into political cycles, but policy is still often designed as if it does.”**
>
> **Emily Robson, Assistant Chief Executive, Knowledge Quarter Liverpool (KQ Liverpool)**

FINDING THE RIGHT CONDITIONS FOR GROWTH

A recurring insight from experts is that the future of high-growth companies increasingly lies outside capital cities. Rising costs, constrained space and saturated labour markets are pushing founders toward regional cities that offer affordability, quality of life and access to talent.

As costs and congestion intensify in major capitals, the next wave of innovation is increasingly likely to emerge in cities that can still offer space to experiment, room to grow and stronger ties to local communities.

Denise Kelly, Investment Advisor at Seventure, spoke to this shift: “Founders are making rational decisions. They’re choosing places where they can build teams sustainably, not just survive.”

Participants emphasised that regional cities are no longer viewed as stepping stones to London, but as destinations in their own right. Graduate retention, local networks and growing founder communities are reinforcing this trend.

This shift has significant implications for how scale-ups are supported. Karim Bahou, Head of Innovation at Sister explains how unlocking growth requires positioning regions as part of a broader, connected investment proposition: “To attract global investment, we must position our regions as a unified front. It isn’t just about proximity; it’s about educating investors on the specific potential of our technology. By finding the right partners and demonstrating how deep tech fits their profitability models, we can encourage capital to move from London and the US into the North.”

Participants emphasised that regional cities should no longer be viewed as stepping stones to London, but as destinations in their own right. Graduate retention, local networks and growing founder communities are reinforcing this trend.

This shift has significant implications for policy. Supporting innovation outside the capital is no longer about correction or redistribution, but about enabling where momentum already exists.

For instance, under the proposed UK-US ‘tech prosperity deal’, global technology firms including Nvidia, Google, OpenAI and Blackstone have committed to invest £31 billion into the UK’s AI, data centre and advanced computing ecosystem.[42] Investment that will only translate into lasting value if regions are ready to absorb and scale it.

THE INFRASTRUCTURE OF 'STICKINESS': HOW TO KEEP IP IN A REGION

While talent and ideas are widely distributed, infrastructure can help to unite the two into high impact concentrations. As Lucy Yu, CEO, Centre for Net Zero, reflects, "The interface of different worlds in a small space is incredibly valuable. Bringing together academia, industry and investment in close proximity benefits every organisation involved."

However, participants such as Ben Roberts, Innovation Project Lead at Medilink Midlands, cautioned that even where space exists, it is not always configured to support an innovation ecosystem. "While many innovation spaces aim to support a mixed ecosystem, high costs can unintentionally exclude start-ups and smaller firms. Without that accessibility, we risk limiting the discovery and experimentation that drive meaningful innovation."

Beyond space, participants emphasised the need for knowledge infrastructure: access to mentors, support and investors. This is reflected in the structure of more mature ecosystems. Data shows that places such as Cambridge and Oxford sustain dense local investor networks, with over 140 same-authority fundraising deals each, while cities like Edinburgh (268) and Glasgow (190) demonstrate similarly strong internal capital activity.[43] Grant data reinforces this pattern, with high levels of repeat collaboration within regions such as London, the South East and Scotland, indicating that successful ecosystems are defined not just by assets, but by the depth and frequency of local interaction.

This issue surfaced in the Birmingham roundtable when discussing turning assets into outcomes. Katharine Fuller, COO at TechWM, noted: "The question is how do we turn our asset lists into engines for growth? We need to link these brilliant assets to the outcomes that we want such as jobs, growth and investment."

As Karim Bahou, Head of Innovation at Sister reinforced: "It is vital to link a city's assets - buildings, universities, and incubators - back to the specific outcomes we want to achieve for the city region. We need a plurality of actors. It's about bringing people together to lobby for the right actions for the region, focusing specifically on our local strengths and knowledge."

Improved connectivity was viewed as a potential catalyst for growth by strengthening links between research institutions, investors and scaling companies. As Mike Caine, Pro-Vice-Chancellor for Research and Enterprise at Aston University, outlines: "A really important point of difference for Birmingham and potentially the West Midlands is HS2. Birmingham becomes a very compelling proposition for businesses relocating or for companies entering the UK to locate here."

Senior-level recruitment emerged as an additional constraint due to an absence of critical mass in the life science commercial sector in the region. Don-Paul Dhaliwal, Founder, DF4 Labs reflected: "Success isn't driven by talent or ideas alone – those are already widely distributed. What determines whether IP stays in a region is the infrastructure around execution: access to capital, technical capability, and the ability to turn ideas into production at speed. Together, these are what make up a truly effective ecosystem."

UNLOCKING FINANCE TO SCALE

Additional mechanisms are being developed to support scaling businesses. The British Business Bank has expanded its regional role, including a £40 million commitment to Frontier Development Capital's Evolution Fund to support scale-up finance in the Midlands and the North,[44] alongside wider plans to invest at least £5 billion in growth-stage companies over the next five years.[45]

Government commitments reflect a growing awareness of the need for new approaches to finance, to unlock innovation at scale. UKRI announced £25 million in funding to accelerate green economy clusters,[46] while the Industrial Strategy includes a £600 million Strategic Sites Accelerator.[47]

However, capital alone is not sufficient. Its impact depends on how effectively it is deployed across connected regional systems, where investment, infrastructure and collaboration reinforce one another.

A COHESIVE NATIONAL SYSTEM

The evidence across this chapter points to a clear conclusion: the UK does not lack innovation assets, but coherence.

What emerges is not a single constraint, but a set of interconnected challenges – fragmentation in policy, gaps in infrastructure, misaligned capital, and weak coordination between institutions.

Equally, the solutions are systemic. Stronger collaboration networks, embedded capital, place-based policy, and investment in infrastructure – from labs and workspace to housing and transport – all play a role in enabling regions to retain IP and scale companies locally.

The next chapter turns to what this means in practice, setting out how policymakers, investors and developers can work together to build a national innovation network that translates potential into sustained economic growth.

> **"We need a plurality of actors. It's about bringing people together to lobby for the right actions for the region, focusing specifically on our local strengths and knowledge."**
>
> **Karim Bahou, Head of Innovation, Sister**

CHAPTER 5

A MANIFESTO FOR REGIONAL GROWTH

A MANIFESTO FOR REGIONAL GROWTH

The UK has reached a pivotal moment. After decades of centralised innovation investment and an economic geography shaped overwhelmingly by London, there is now a drive towards a more distributed national model. While the UK continues to produce exceptional research, it fails to commercialise it at scale, and the resulting national stall is compounded by a structural imbalance where intellectual property is not always retained by the regions that produce it.

Yet there is evidence that Britain's regions offer one of the most credible pathways to renewal. Manchester, Birmingham, Edinburgh, Bristol and others are not only acquiring global relevance but demonstrating the conditions of affordability, density, university excellence and civic leadership that the UK must harness if it is to reverse its long-term growth slump. The question now is how the UK can build a national architecture that empowers these ecosystems to thrive.

This manifesto sets out practical steps for achieving that ambition. Policymakers, investors and developers each have a unique responsibility, if the UK is to transform its innovation potential into economic advantage.

Innovation requires policy frameworks, investment vehicles and physical infrastructure that match the realities of how IP is created and scaled. This manifesto outlines what that system could look like.

BUILDING A PLACE-BASED INNOVATION SYSTEM

For policymakers, the twin challenge is to devolve R&D incentives and build a place-based innovation system. If the UK is serious about becoming an innovation-led economy, it must rethink how it allocates R&D incentives and who has the authority to deploy them. At present, the UK's R&D tax credit system remains centrally controlled, nationally uniform and largely indifferent to geography. While effective for stimulating research volume, it does little to address the regional imbalances within the UK's innovation economy.

Founders across the roundtables emphasised that national tax incentives often fail to recognise the real-world constraints of operating outside London. Meanwhile, city-regions with strong universities and rapidly growing innovation districts - such as Manchester, Birmingham, Leeds, Liverpool - find themselves without the tools to support the companies emerging within their ecosystems.

A place-based innovation system would change this dynamic. Under such a model, policymakers could, for example, devolve a portion of R&D tax credits to regional authorities, enabling them to reward companies that establish laboratories, pilot plants and research facilities within designated innovation zones. This would mirror international best practice: Germany's Länder use devolved incentives to strengthen regional clusters, while the US has used state-level credits to seed science-led economic growth from Colorado to North Carolina.

Encouragingly, elements of this approach are beginning to emerge. The recent Industrial Strategy reflects a more systems-led model through the creation of Industrial Strategy Zones, a Cluster Champions programme, and strategic partnerships between the National Wealth Fund and mayoral authorities such as Greater Manchester, West Yorkshire, West Midlands and Glasgow.[48] Alongside initiatives such as the Strategic Sites Accelerator, these programmes follow the UK Government's assessment that clusters across the UK are critical to national resilience and competitiveness, spanning "advanced manufacturing, clean energy, aerospace and life sciences in places far beyond the South East."[49] While still early, the foundations of a more place-based system are starting to fall into place.

Importantly, the goal is not to weaken existing success stories such as London, but to build on their success. Rather than relying on a single dominant centre, the opportunity is to create a more distributed system that complements the UK's existing strengths while enabling regional ecosystems to grow in their own right. As contributors to this report noted, the UK's density is a strength, not a constraint. A national innovation framework that empowers regions would allow ideas and talent to circulate more freely - accelerating both competition and collaboration. For policymakers, the ask is straightforward: to move beyond a 'one-size-fits-all' policy model and empower regions with the tools required to support the IP they generate.

INVESTING BEYOND THE CAPITAL

For investors, the challenge is to build regional investment funds that unlock deal flow beyond London. If policymakers must provide the policy backbone, investors must provide the risk capital, and here, the challenge is equally clear. Despite progress in recent years, London remains the gravitational centre of UK venture investment, accounting for the overwhelming majority of deal flow and fund headquarters. While London will continue to play a central role in the UK's innovation landscape, its dominance can create structural blind spots.

Founders repeatedly spoke of excellent businesses struggling to secure backing not because of quality but because of geography. Investors acknowledged too that it is often easier to fund what is close at hand - a pattern that reinforces London's advantage and leaves high-potential regional companies under-capitalised at crucial moments in their growth.

A new model is required with regionally focused funds that can bring together private investors, pension funds, sovereign wealth capital and local institutions to de-risk early-stage and scale-up investment outside the capital. There are early signs of this model taking shape. The UK's updated investment framework accelerates regional innovation by pairing the National Wealth Fund's massive capital for green tech clusters[50] with the Local Growth Fund's devolved, locally managed R&D budgets.[51] Complementing this structural support, the Local Innovation Partnerships Fund bridges the commercialisation gap by financing targeted collaborations between regional universities, local leaders, and businesses to scale local tech specialisms.[52]

While much of this funding focuses on foundational infrastructure - from transport links to town centre regeneration - a growing share is being directed towards innovation assets such as laboratories, advanced workspaces and commercial environments that enable high-growth sectors to scale.

By investing in the physical infrastructure that supports start-ups and scale-ups, these funds create the conditions for private capital to follow and encourage investors to explore geographies where opportunities might otherwise remain unrealised.

For investors, the opportunity is substantial. Regions offer exceptional university pipelines, deep technical talent and strong founder ambition. In Manchester alone, the presence of over 10,000 digital tech firms demonstrates the density and breadth of the opportunity.[53]

DESIGNING DISTRICTS THAT DELIVER

For developers, the key challenge is to build innovation districts that enable IP to stick. If policy shapes the environment and investors fuel growth, developers determine whether innovation has somewhere to live. Across all of the roundtables conducted for this report, one message was repeated with clarity: the UK will not retain the intellectual property it generates unless it provides the right physical infrastructure.

The next generation of innovation districts must be designed to support the full lifecycle of IP-intensive firms. Brad Topps, Project Director at Sister articulated this vision clearly: innovation districts must "offer far more than the traditional office - they must provide flexible, adaptive spaces that reflect how high-growth companies actually scale." This is the core of the Sister model in Manchester - an environment built not simply to house companies but to enable them.

The evidence is unequivocal: physical infrastructure shapes commercial outcomes. When companies have access to pilot labs, R&D suites, accelerator floors, co-located corporate partners and university facilities, their likelihood of scaling increases dramatically.

Developers therefore have a critical responsibility within the UK's innovation system: to build districts that fuse real estate, research and entrepreneurship into cohesive ecosystems. This means integrating universities into the heart of districts, and designing environments that remain adaptable as technologies evolve.

It also requires long-term vision. The most successful innovation districts globally emerged through sustained commitment, anchored leadership and a collective understanding of how innovation unfolds. Manchester's Sister, Birmingham's Science District and Liverpool's Knowledge Quarter are early regional exemplars, but the UK needs many more if it is to compete globally.

A NATIONAL CALL TO ACTION

This manifesto is a call for a national innovation economy. One that recognises the UK's unique geography, university strengths and regional momentum.

For policymakers, the task is to enable place-based innovation through devolved R&D incentives and long-term policy consistency. For investors, the imperative is to back British innovation through regional investment funds that unlock talent and IP across the country. And for developers, the responsibility is to create the districts and infrastructure that allow ideas not simply to emerge but to grow where they originate.

If these actions are taken together, the UK can transition from a nation that produces world-class research to a nation that commercialises it. It can move from a top-heavy system to a distributed one, and in doing so, realise its full potential as an innovation superpower.

The opportunity is real, the evidence is clear and the momentum is already visible across the regions. The next step is simply choosing to act.

RESEARCH METHODOLOGY

INFOGRAPHIC 1: INNOVATIVE COMPANIES

Innovative companies are defined as active UK-based firms that meet at least one of the following criteria:

- Academic spinout
- Innovative grant winner £100k+
- Patent holder
- A tech company that has received equity investment

This infographic analyses the innovation cohort by the location of their business premises (at constituency, local authority, and regional levels) based on company and employee counts.

The number of innovative companies was calculated based on the number of trading addresses (satellite offices/labs) identified by Beauhurst. A threshold has been set to limit the analysis to those with five or fewer trading addresses. This threshold prevents large, multi-site organisations from distorting the rankings, as businesses with extensive national footprints tend not to reflect the concentrated geography of commercialisation activity that innovation-cluster analysis aims to capture.

EMPLOYMENT FIGURES

Local employment figures are estimated. They have been calculated using the following approach:

1. Only companies with five or fewer trading locations were included to align with the methodology used for company counts.
2. A company's total number of employees, as reported in its most recent financial statements, was divided equally across its trading locations. This provides an approximate count of individuals employed per location.

Six rankings have been produced, identifying the top 20 constituencies and local authorities by company numbers and employee counts, alongside equivalent rankings at the regional level.

INFOGRAPHIC 2A: LONDON-LINKED INNOVATION CORRIDORS

This infographic identifies the most significant innovation corridors between UK cities, highlighting the strength of collaboration and capital flows between regional innovation ecosystems and London.

The analysis uses Beauhurst data to identify partnership relationships between local authorities across the innovation cohort. These relationships include both:

- Investor partnerships, where companies receive equity investment from investors located in another city
- Grant partnerships, where organisations collaborate on Innovate UK funded research and development projects

Each partnership is mapped by linking the location of the company or lead organisation with the location of its investor or project partner. Where an investment round involves multiple investors, the company is paired separately with each investor to capture the full geography of capital flows.

To produce a single comparable measure of corridor strength, grant partnerships and investor partnerships are combined into a single interaction score, representing the total number of collaborative and financial relationships observed between two locations.

The figures represent a cumulative historical total of partnerships involving companies that are currently active in the UK, rather than activity in a single year.

Together, these interactions highlight the most established innovation corridors in the UK today, particularly those linking major research and investment centres such as London, Cambridge and Oxford.

For grant partnerships data, only Innovate UK grants were taken into account.

INFOGRAPHIC 2B: REGIONAL INNOVATION CORRIDORS WITH LONDON INVESTMENT REMOVED

This infographic examines innovation corridors between UK cities when London-based investment is removed from the analysis.

Using the same dataset of grant and investor partnerships described above, all partnerships involving London-based investors or organisations are excluded. This allows the analysis to identify regional collaboration networks that function independently of the capital's investment ecosystem.

Partnerships are again counted as the cumulative number of investor and grant interactions between local authorities, combined into a single interaction score to enable comparison between city pairs.

By removing London's outsized role in national capital flows, the infographic highlights emerging regional innovation corridors, revealing where cities are increasingly collaborating and investing directly with one another.

These corridors illustrate the potential decentralisation of British innovation, showing how regional ecosystems may begin to develop stronger internal investment and research networks over time.

BEAUHURST INSIGHTS:

Beauhurst Insights deliver analysis, interpretation and commentary on the UK's economy to our clients across the public and private sectors. We specialise in transforming high-quality data into economic understanding. We work on thought leadership, strategic consulting, and economic evaluation engagements. Anyone wanting to better understand the UK's economy should work with us. Our methodologies and outputs can be tailored to geographies, sectors, and business types.

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