The money is moving. The map is not



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For twenty years the argument about research funding has been about geography. Too much went to London, the South East and the East of England. Not enough went anywhere else. That argument has largely been won.

UK Research and Innovation (UKRI) now invests more outside the Greater South East than within it, and the North West gained more than any other region between 2021–22 and 2023–24.

Readers will want to know what that means for their regions, and here the picture is less comfortable. Even after record increases, UKRI invests £119 per person in the North West against £183 across the Greater South East and £214 in London. But the more interesting question is no longer how much money travels outside Greater South East. It is what happens to that money when it arrives, and who decides how it is distributed (Figure 1).

Three stages, not one instrument

The Local Innovation Partnerships Fund is best understood as the middle stage in a gradual transfer of agency, rather than a finished model. The first stage was the Innovation Accelerator pilot announced in the 2022 Levelling Up White Paper: £100 million was pre-allocated to Glasgow, Greater Manchester and the West Midlands, but the funding was still distributed through conventional Innovate UK peer review. The funding was allocated to local areas, but decisions remained subject to the usual Innovate UK processes.

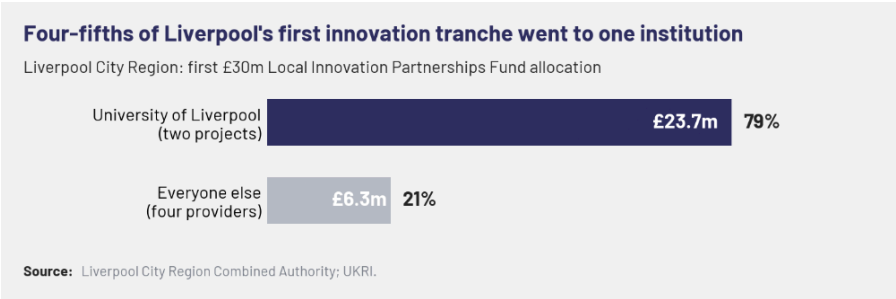
The second stage is the fund discussed here. What sets it apart is not the money itself, but the co-creation between UKRI and the combined authorities. This is as much about building local capacity as it is about distributing funding. As Forth and Jones argued in 2020[1], little would change without devolving some innovation funding outright, while recognising that combined authorities would need support to spend it effectively.

The third stage is full devolution, which is expected to follow at the next Spending Review.

Figure 1: Regional distribution UKRI investment



Figure 2: Distribution of Local Innovation Partnerships Fund in Liverpool

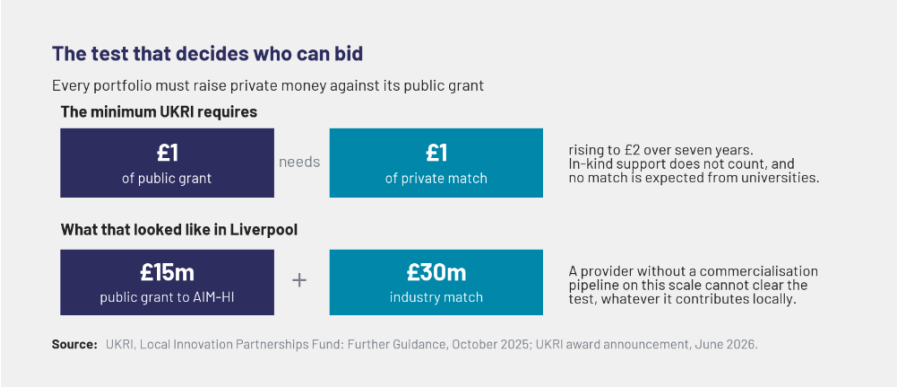


What one tranche revealed

The Local Innovation Partnerships Fund commits £500 million across seventeen places between 2026 and 2031, with decisions passing to mayors from 2031. The Liverpool City Region was among the first to allocate its £30 million. Two projects led by the University of Liverpool took £23.7 million of it, or 79 per cent. Interestingly, there are five higher education providers in that city region but one received four-fifths of the money (Figure 2).

The decision was not bad. The projects were assessed against UKRI's published criteria by a panel drawing on civic, academic and industry membership, and the University of Liverpool is the region's strongest research institution. One

Figure 3: The private-match test for fuding



funding round in one city region is not enough to demonstrate a national pattern. But it is worth asking why the outcome was so skewed. The answer seems to lie in the design of the fund rather than in anybody's judgement.

Concentration is not the accident

Two funding requirements do the work. The first is explicit: partnerships are told that resources "should not be dispersed too thinly" and that investment should be "sufficiently concentrated to achieve transformative outcomes". The second is arithmetic. Every portfolio must raise private money against its public grant: a minimum of £1 for £1 during delivery, rising to £2 for £1 across seven years.

Both requirements have a clear rationale. The main objection to devolving funding is the risk of spreading it too thinly. It is justified fear that an allocation gets broken up into projects too small to achieve much and readers may recall Britain's 24 nanotechnology centres as a rather "success story". The private-match test addresses a related worry that public money ends up funding work that the market has already declined to support. Neither requirement is arbitrary, and a fund that split £30 million five ways would probably deliver less than one that concentrated it.

Liverpool's larger award, £15 million to the AIM-HI programme, came matched by £30 million of industry funding. That is exactly what the fund asks for. It is also something a teaching-intensive university cannot readily produce, however many nurses, teachers and engineers it supplies to its local economy (Figure 3).

The list of eligible activities is broad. It covers skills development, technology adoption and knowledge exchange as well as commercialisation. So the criteria are not blind to what smaller providers do. The leverage test is what separates them, and it rewards the capacity to attract private investment, which is itself largely a product of past public research funding. This is the Matthew effect one level down from where it is usually described: not between regions, but between institutions inside them.

Devolution only moves power vertically

The transfer of agency described above runs in one direction, from Whitehall to the combined authority. The problem identified here runs the other way. It is about how funding is distributed between institutions within a combined authority, and vertical devolution does not solve that. Even if the fund were fully devolved, the arithmetic would remain the same. A mayor holding the budget would still face the same choice between concentrating funding and spreading it more widely. The decision-maker changes, however, the test does not.

There is a second point, and it is really a question of capacity on central government's own terms. If the transitional stage is intended to build the capacity of combined authorities, it is also where they learn what a fundable project looks like. Liverpool's first tranche is therefore a lesson in what wins, taught to a partnership that will hold the money outright within the decade.

Why it matters for growth

The Government's own Northern Growth Strategy identifies the North's binding constraints as low graduate participation and slow technology adoption. Only 29 per cent of young people in Liverpool graduate from university, against 40 per cent in London, and business investment runs at £9,200 per job in the North West against £13,000 in London. Those are workforce and diffusion problems. The institutions best placed to address them are precisely those least able to clear a private-match threshold. The instrument is aimed away from the target.

There is a real case on the other side. Research shows returns to scale, and a fund spread thinly across every provider would buy less science. But that is an argument for weighting the criteria deliberately, not for leaving the present balance in place because nobody chose otherwise.

Two changes worth making

1. Let local workforce contribution count where private match cannot. Graduate retention, supply into the sectors named in local growth plans, and graduates entering small and medium-sized firms. The ONS, HESA and Research England already hold the data so no university would report anything new.

2. Require mayors to publish how place-based awards are distributed by institution. It costs little, and it is the only way to know whether the first change worked.

UKRI has committed to publish a refreshed place funding policy this year. Parliament has an interest in what it says. The North West does not need to build a research economy from nothing: it teaches 267,000 students, performs more publicly funded R&D than any region outside the Greater South East, and keeps 80 per cent of its own graduates in work locally, the joint-highest retention in England. What is still unsettled is what the money will be measured against when it arrives.

Reference

[1] Forth, T., & Jones, R. (2020). The Missing £4 Billion: Making R&D work for the whole UK. *Nestwa*. www.nesta.org.uk/report/the-missing-4-billion

This article summarises a longer discussion paper, Rebalancing within regions, (available at https://doi.org/10.17605/OSF.IO/B65W2). Figures derive from ONS, HESA and UKRI sources under the Open Government Licence.