

Beyond the Golden Triangle: Evaluating the impact of government R&D support on firm-level innovation inside and outside of the Oxford-Cambridge-London region

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OVERVIEW

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R&D tax credits drive SME innovation
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Location alone does not improve innovation
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Strong regional ecosystems amplify the impact of R&D support
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Place-based investment is vital where local ecosystems are weak

PURPOSE

Knowledge gap

Limited evidence exists on whether the UK's largest business R&D support programme (£7bn annually in R&D tax credits) delivers different innovation outcomes in the Oxford-Cambridge-London 'Golden Triangle', vs other UK regions.

Why it matters

Understanding whether public R&D support reinforces or helps reduce regional innovation inequalities is essential for designing effective UK innovation and place-based policy.

What's new? This is the first study to directly evaluate how the impact of R&D tax credits varies between SMEs inside and outside the Oxford-Cambridge-London region.

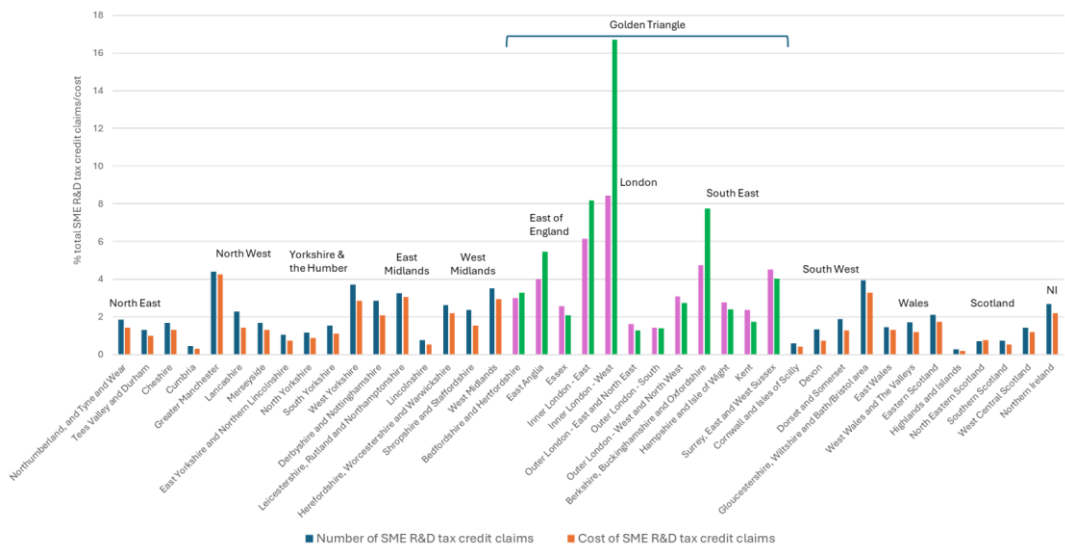
APPROACH

Analysis of 4,551 UK SMEs (2015–2023) using longitudinal survey data and robust matching and difference-in-differences methods to compare similar firms across regions.

FINDINGS

- » R&D tax credits are highly effective at driving SME innovation in all UK regions.
- » This is a desirable, hard-to-achieve policy goal, showing the importance of R&D tax credits.
- » Location in the Golden Triangle does not bring an innovation premium for SMEs by itself.
- » SMEs leverage Golden Triangle location with R&D tax credit support to achieve higher innovation performance, relative to other UK regions.
- » Future policy should focus on developing R&D capacity in SMEs outside the Golden Triangle, to derive full benefit from the effective R&D tax credits throughout the UK.

SME R&D tax credit claims and cost by region



RECOMMENDATIONS

R&D tax credits should remain a core part of UK innovation policy, as they are effective at increasing radical innovation among SMEs. Policymakers should be cautious about reducing support or adding complexity to the scheme.

Place-based innovation policies remain important. While R&D tax credits work across the UK, firms in stronger innovation ecosystems gain greater benefits, suggesting that regional innovation capacity influences outcomes.

UKRI, Innovate UK, DSIT, HM Treasury and regional innovation partners could use these findings to design targeted grants and capacity-building programmes that help more firms outside the Golden Triangle become R&D active.

Policy should focus on strengthening local innovation ecosystems rather than attempting to replicate the Golden Triangle. Building on regional strengths could help more firms benefit from existing R&D support.

