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Science, Innovation  
& Technology

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Baroness Lane-Fox of Soho  
House of Lords  
London  
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24 June 2025

Dear Baroness Lane-Fox,

Thank you for your contribution to the recent debate on AI and Creative Technologies. You rightly highlighted the opportunities for public procurement to enable innovation, and the challenges in ensuring smaller companies can participate fully. I welcome the opportunity to provide an update on the government's progress in this area.

The Procurement Act came into force on 24 February 2025. It is designed to create a simpler, more flexible commercial system that makes it easier for new entrants, including SMEs and innovative suppliers, to engage with public procurement. The Act empowers contracting authorities to use their commercial judgment to achieve better outcomes, including through the new competitive flexible procedure. This allows for multi-stage processes, from R&D through to prototype and commercial deployment, enabling greater collaboration and innovation throughout the procurement lifecycle.

To support departments in making the most of these new flexibilities, we have established the Commercial Innovation Hub (CIH), which aims to unlock the power of innovation within the public sector and support the UK's most innovative firms to grow. Integrating innovative solutions into government processes is critical to achieve our five missions and deliver the milestones in the Plan for Change.

The CIH has been conceived as a centre of excellence for pioneering new approaches to service design and procurement. The Hub will facilitate a structured process of market engagement to identify more innovative ways to tackle government challenges while using the full flexibility introduced by the new Procurement Act. By doing so, we aim to foster a culture of strategic procurement that supports diverse innovations and enhances the delivery of public services.

We are also taking steps to improve early market engagement. Alongside the Act, we launched a Central Digital Platform that brings together procurement opportunities in one place. This includes over 1,000 notices where procurement teams are seeking to engage with the market, an encouraging sign of the culture shift we are aiming to embed.



In parallel, Innovate UK's Contracts for Innovation programme is supporting pre-commercial procurement, helping to bridge the gap between early-stage innovation and market-ready solutions.

In defence, where the government is a major procurer of advanced technology, we have launched UK Defence Innovation (UKDI), a new organisation with an initial £400 million ringfenced budget. UKDI will simplify the MOD's innovation landscape, accelerate procurement of cutting-edge military technology, and strengthen the UK's defence tech sector.

We are also learning from international best practice. The Procurement Transformation Advisory Panel included global experts to ensure the UK's reforms reflect leading approaches. We continue to engage with international partners through forums such as the OECD, GPA, and CPTPP to share insights and strengthen our innovation ecosystem.

While it is too early to fully assess the impact of the Procurement Act, we are encouraged by the early signs and remain committed to using procurement as a strategic lever to drive innovation, deliver better public services, and support economic growth.

I hope this provides you with the necessary clarity and reassurance. Thank you again for your engagement. I am also depositing a copy of this letter in the Libraries of the House.

Yours sincerely,

*Maggie Jones.*

Baroness Jones of Whitchurch

**Parliamentary Under-Secretary of State for the Future Digital Economy and Online Safety**