

## Influence, connect, save

### **The Rt Hon Sajid Javid MP**

Chancellor of the Exchequer  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

16 August 2019

Dear Chancellor,

### **RE: Spending Round 2019: Maintaining a competitive life sciences environment in the UK**

We welcomed the Prime Minister's reference in his inaugural speech on the steps of Number 10 to our "extraordinary bioscience sector". The Prime Minister is right – the UK is one of the strongest life sciences hubs in the world and the sector is thriving. It generates over £73 billion in turnover, supports 482,000 jobs, two-thirds of which are outside London and the South East, and consists of almost 5,900 companies, 80% of which are SMEs. The top-selling medicine in the world, Humira, was discovered here. The DNA sequencing technology that underpins most of today's genomic and biomedical research was invented by a UK company. And last year, UK life sciences companies raised a record £2.2 billion, almost double the amount in 2017, demonstrating great investor confidence and promising a packed pipeline of future innovation. The Prime Minister was clearly right to hold it up as a shining example of British success in his speech.

By harnessing the power of biotechnology, UK entrepreneurs are developing a wide range of benefits – from improving patients' lives through new treatments and early diagnosis, delivering cost-savings for the NHS, to the development of environmentally sustainable technologies, such as biodegradable bioplastics and the cleaning of polluted waters. These pioneering technologies drive economic growth, create highly skilled jobs across the country and promote a global Britain through exports around the world.

The Government's role in creating the right environment for this to happen is critical. Publicly-funded research in universities and institutes across the country provides the bedrock on which innovative businesses can grow, Innovate UK funding allows companies to explore new ideas and technologies and leverage in additional private venture capital, the tax regime incentivises R&D investment and attracts new businesses to our shores, and a pro-innovation regulatory environment allows R&D to safely progress into real products that improve people's lives. The decisions you make as Chancellor have a direct impact on all these enabling Government policies.

In my letter dated 26 July 2019, I outlined our top fiscal priorities: refilling the Biomedical Catalyst and expanding R&D tax credits. I wanted to expand on these with further policies that I urge you to take into consideration to, in the Prime Minister's words, "recover our natural and historic role as an enterprising, outward-looking and truly global Britain".

In summary, these are:

- Refill the Biomedical Catalyst
- Keep the UK at the cutting edge of science and innovation
- Update the R&D tax credit scheme to boost investment in capital and research
- Maintain the UK's influential and progressive regulatory expertise

### **Refill the Biomedical Catalyst**

In his inaugural speech, the Prime Minister referenced a gene therapy for blindness that is being used for the first time here in the UK. The gene therapy is developed by Gyroscope, an SME based near Cambridge. Gyroscope has benefitted from Innovate UK grant funding, enabling the company to grow, create new jobs and build new collaborations with the ultimate aim to offer its ground-breaking treatments to patients both in the NHS and around the world.

Many British biosciences SMEs like Gyroscope benefit from the Biomedical Catalyst, a competitive grant funding programme run by Innovate UK. The Biomedical Catalyst has proved hugely successful in supporting the vibrant, entrepreneurial and scaling community of life sciences companies that will deliver maximum benefit and growth for the UK.

Refinancing the programme, as you did as Business Secretary in 2016, would demonstrate that you are championing innovative SMEs and committed to delivering economic growth. The Biomedical Catalyst could also be complemented by funding to support medicines manufacturing, to make a bold statement that the UK will continue to lead the world in developing and producing pioneering treatments such as gene therapies.

### **Keep the UK at the cutting edge of science and innovation**

The previous administration engendered great confidence in UK science through its commitment to raising R&D investment from 1.7% of GDP to 2.4% of GDP by 2027, which impressed global investors. The current administration should recommit to the target and set out its clear ambition to keep the UK at the cutting edge of science and innovation.

UK Research and Innovation (UKRI) is the key agency tasked with achieving the target, although it must be a cross-government initiative with full buy-in across Whitehall. UKRI funding to academics and businesses provides the bedrock on which business R&D can thrive and leverage global inward investment. I understand that the imminent Spending Round will only address departmental resource expenditure limits. However, we note that the Budget 2018 documents did not fully allocate capital to the Department for Business, Energy and Industrial Strategy, which puts in doubt a real-terms budget increase for UKRI, as seen in previous years and promised at the last Spending Review. I hope that this Spending Round will be used as an opportunity to demonstrate the new Government's commitment to the 2.4% target by guaranteeing a real-terms increase in UKRI's budget, part of which may be used to deliver on the Biomedical Catalyst.

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## **Update the R&D tax credit scheme to boost investment in capital and research**

The UK's tax system is globally competitive and encourages entrepreneurs to start and grow companies. In particular, R&D tax credits attract global investments and support innovative SMEs. However, as the way R&D is conducted in the 21<sup>st</sup> Century evolves, so too must the tax regime to remain relevant and supportive to innovators.

We therefore welcome the Prime Minister's comments about changing the tax rules to provide extra incentives to invest in capital and research. A bold and inventive way to incentivise innovative British businesses to invest more in R&D – and attract more overseas investment in same process – would be to update the R&D tax credit system to include research that harnesses big data to create new medical treatments and health benefits for the population. This would also send a clear global message that the UK is open for business and committed to maintaining its globally competitive tax system.

Furthermore, a "facilities credit" - the inclusion of capital within the R&D Expenditure Credit to provide relief for capital investment – will encourage the UK's innovative industries to invest in the equipment and buildings required to capture the full benefits of our world-leading science base. In our sector, this will anchor clinical and then commercial manufacture in the UK, delivering jobs and exports for years to come.

## **Maintain the UK's influential and progressive regulatory expertise**

The Medicines and Healthcare products Regulatory Agency (MHRA) is recognised globally for its expertise and the UK's robust, supportive and innovative regulatory environment is seen as a major draw for global life sciences businesses.

As the UK leaves the EU, the MHRA is facing new challenges, not least the loss of funding from the European Medicines Agency, which the Government has already recognised through additional funding, which we welcome.

We urge the Government to make the necessary funds available to maintain the MHRA's influential and progressive voice at the global regulatory level after Brexit and build its capacity to support healthcare innovation in the UK. This will require initiatives across the range of MHRA activities, but for medicine discovery and development, should include funding:

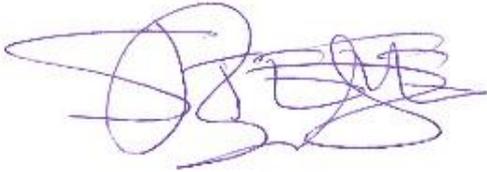
- To enable the MHRA to maintain its expert capacity through the transitional years and invest in the future through for example PhD apprentice places
- To enable the MHRA's Innovation Office to maintain its capability without this resulting in additional fees to SMEs, and to allow its work to be expanded to cover influencing the development of global regulatory standards
- For the MHRA to have a fund to enable it to participate fully in global regulatory events and projects to maintain its leading position and voice

As the Prime Minister and the Secretary of State for Health and Social Care have both noted, innovation in technology and healthcare has the potential to transform people's lives and the UK economy. The Government's welcome commitment to a new £250m digital health fund will help ensure the UK is able to seize this opportunity, and it is essential that we develop effective regulatory policy approaches to innovation in digital technology and artificial intelligence to do so. I therefore hope that you will ensure that the MHRA is part of the Government's ambitious plans for an innovative and prosperous future.

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While I understand the pressures on your diary, I would welcome some time to meet you and discuss how we can achieve the ambitions set out by the Prime Minister on the steps of Downing Street. I will ask Eric Johnson ([ejohnsson@bioindustry.org](mailto:ejohnsson@bioindustry.org) or 020 7630 2197) in my team to follow up this invitation with your office.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Steve Bates', with a stylized flourish at the end.

**Steve Bates OBE**

CEO, BioIndustry Association

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