Spending Review 2015 outcomes - BIA key policy tracking table

Following the Comprehensive Spending Review in November 2015, BIA summarised announcements of relevance to the UK life sciences industry sector. This version updates on a previous table, focusing on key policy areas of note where progress has been made and where unanswered questions remain.

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<th>Spending Review Commitment</th>
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<td><strong>BIS budget</strong></td>
<td>Efficiency savings include reducing the number of Arm’s Length Bodies. This may in part be achieved through the joining of the seven Research Councils under the umbrella of Research UK (see below). The Higher Education Funding Council for England (HEFCE) is also to be abolished, with its research funding to be incorporated into that body. A full list of BIS Partner Organisations is on p.195-7 of their Annual Report.</td>
<td>In February 2016, Government revealed its departmental plans. BIS’s objectives include a focus on science and innovation, with an aim to ensure that the UK is ‘the best place in Europe to innovate, maintaining our world-leading research and science base to drive growth and productivity while reforming the system to maximise value from our investments’. However, a leaked internal presentation reportedly indicates that BIS is considering scenarios that cut operational costs by up to £350 million by 2019-20 with significant staff cuts at its agencies including Research Councils.</td>
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<td><strong>Science funding of £4.7 billion will be protected in real terms and total spend will be over £500 million higher by the end of the Parliament compared to 2015-16.</strong> Main SR document</td>
<td>Importantly, the science resource budget is protected in real terms (unlike the 2010 SR which made a flat cash settlement and a real terms decrease). This is in addition to the £6.9bn Government had already previously committed to spend in the Conservative Party Manifesto on science capital investments over the course of this Parliament.</td>
<td>The Science Budget is only protected up to 2019-20, meaning the budget for 2020-21, which will need to be decided before the May 2020 General Election, is unprotected. The ring-fence will include a Global Challenges Research Fund (GCRF), worth £1.5bn up to 2020-21. The Research Councils’ allocations published in March indicate that each Council will have a proportion of GCRF funding alongside their resource and capital budgets, with £377bn remaining unallocated as yet.</td>
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<td><strong>Research and innovation funding</strong></td>
<td>The Spending Review and Autumn Statement: … ensures the UK remains a world leader in science and research by investing £6.9 billion in capital. Main SR document</td>
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*Updated April 2016*
"Businesses also need an active and sustained industrial strategy. That strategy launched in the last parliament continues in this one. We commit to the same level of support for our aerospace and automotive industries. Not just for the next five years but for the next decade. Spending on our new catapult centres will increase." *Chancellor's speech*

The Spending Review and Autumn Statement increases investment in catapult centres and protects and extends funding for the Aerospace Technology Institute (ATI) and the Advanced Propulsion Centre (APC).

It is not clear whether by ‘that industrial strategy’ the Chancellor means the full extent of the Government’s previous strategy. There was no mention of strategies for life science or bioscience specifically, and no mention of the Chancellor’s former ‘Eight Great Technologies’ (a term more associated with Ministers of the Coalition Government than with current Business Secretary Sajid Javid), which include regenerative medicine and synthetic biology.

However, Javid did briefly mention pharmaceuticals and synthetic biology in January in a short article about making the UK a beacon of innovation.

The Science and Universities Minister Jo Johnson has previously confirmed to the Science and Technology Select Committee that the two most recently announced Catapults - the Precision Medicine Catapult in Cambridge and the as-yet not formally named medicines technologies Catapult in Alderley Park – will be funded “without compromising any funding for existing catapults”.

A National Innovation Plan is expected to be published shortly. BIS is consulting during April-May to gather ideas for the Plan on issues affecting innovation, including regulation, access to finance, IP and procurement.

In March five locations were announced that will pilot the first ever ‘Science and Innovation Audits’ - mapping key strengths and testing the potential for these areas to build and develop world-leading ideas, products and technologies that will create jobs, increase UK productivity and drive growth. More areas will be taking part later in 2016. The first five are:

- Edinburgh and the Lothians City region
- South West England and South East Wales
- Sheffield City Region and Lancashire
- Greater Manchester and East Cheshire
- The Midlands Engine.

"And we’ll protect the cash support we give through Innovate UK - something we can afford to do by offering £165 million of new loans to companies instead of grants, as France has successfully done for years. It’s one of the savings that helps us reduce the BIS budget by 17%" *Chancellor’s speech*

The government will introduce new finance products to support companies to innovate, reportedly following best practice in countries such as France, Finland and the Netherlands.

Funding for Innovate UK falls within BIS’s budget but outside of the £4.7bn Science Budget. Innovate UK support for businesses will be maintained in flat cash terms (approximately £550m per year), which is positive given the context of BIS’s overall cuts.

Although trailed in the media along the lines of ‘loans not grants’, there may be a range of ‘non-grant financial products’ – not necessarily just traditional loans, and with the opportunity for some grant funding to remain.

MPs and have asked in parliamentary questions and in a Science Budget debate what assessment Government has made of the potential impact on innovation of a shift away from a grant-based system. In response, Jo Johnson has said that there will be a pilot of the non-grant financial products in mid/late 2016, followed by an evaluation in late 2016.

In this developing policy area, BIA continues to emphasise with policymakers that a one-size-fits-all approach to finance across sectors is not feasible, and that fit-for-purpose products must be available for high-risk, early stage research in innovative sectors such as bioscience. (See more detail on page 6 of BIA’s response to a recent consultation about Innovate UK).
These will replace some existing Innovate UK grants, and reach £165 million per year by 2019-20, so that total Innovate UK support is maintained in cash terms. [Main SR document](#)

The government is taking forward the recommendations of Paul Nurse’s independent review and, subject to legislation, will introduce a new body – Research UK – which will work across the seven Research Councils. This will take the lead in shaping and driving a strategic approach to science funding, ensuring a focus on the big challenges and opportunities for UK research. The government will also look to integrate Innovate UK into Research UK in order to strengthen collaboration between the research base and the commercialisation of discoveries in the business community. Innovate UK will retain its clear business focus and separate funding stream.

The Nurse Review recommended grouping the seven Research Councils together under a new coordinating body – Research UK. Sir Paul Nurse’s proviso that “any inclusion of Innovate UK must be done in a way which maintains the integrity of the ring-fence and does not reduce overall funding for research” appears to have been noted; it has been confirmed that within the Research UK structure, Innovate UK will retain its own funding scheme and business focus, which is to be welcomed.

In Select Committee evidence following the SR, Nurse said that he had had no further discussion with Government about the restructure yet, but he expected primary legislation would be required. Therefore setting up Research UK could take a number of months or years. A Higher Education Bill expected in the Queen’s Speech could include provisions for this.

Lord Stern is currently conducting the review of the REF, which consulted in February and is expected to report this Autumn. [BIA’s response](#) to the consultation was supportive of the way the REF takes account of the wider real-world impacts of research (rather than focusing largely on journal outputs as previous assessment exercises have done).

In March the Research Councils received their budget allocations for 2016-18 and indicative values for up to 2020. Most of the Councils’ budgets have decreased to some extent since the 2010 SR allocation, and while the MRC’s allocation may look relatively healthy it is important to note that there will be additional factors to fund such as the new Dementia Research Institute. There is also uncertainty regarding where the resources would come from for an interdisciplinary fund, as proposed in the Nurse review.
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| By taking the difficult decisions required elsewhere, the government is able to increase NHS spending in England from £101 billion in 2015-16 to £120 billion by 2020-21. This is £2 billion more than the NHS asked for in its Five Year Forward View. Alongside this, the government expects the NHS to deliver **£22 billion of the efficiency savings** it said it can find in the Five Year Forward View, to deliver the best value from NHS resources. [Main SR document](#) | A Treasury [press release](#) mentioned ‘up to £2 billion more on new drugs’. Interestingly there was no mention of this in the Spending Review documents despite the additional operations, appointments and free prescriptions still being mentioned.                                                                                                                                                                                                                       | The Department of Health (DH)'s [departmental plan](#), published in February 2016, was jointly prepared with NHS England, NICE, MHRA and other bodies. It includes a focus on supporting research, innovation and growth, saying that DH will, among other things:  
  - increase the use of cost-effective new medicines and technologies, and encourage large-scale trials of innovative technologies and health services  
  - speed up access to new medicines by implementing the findings of Accelerated Access Review  
  - continue to support research to improve the diagnosis and treatment of rare diseases and cancers, including through decoding 100,000 whole genomes  
  - prioritise funding for dementia research.  
  
Over the last year, Life Science Minister George Freeman’s [Accelerated Access Review (AAR)](#) has been an overarching vehicle addressing policy issues across research, development and uptake of health innovations. The AAR’s long-awaited final report, which is anticipated to contain more detailed plans, is now expected to be published after the EU referendum. |
| The government will invest **£10 million in expanding the Healthcare Innovation Test Bed programme.** This facilitates partnerships between industry and the NHS to make healthcare more effective and efficient by testing combinations of new digital technologies and innovations in NHS services. The Test Bed programme will fund a testing site in every region. [Main SR document](#) | New Test Beds have been [announced](#) for the West of England, Rochdale and Birmingham.                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
The government is investing over £5 billion in health research and development to support work on some of the biggest health challenges facing the UK and the international community. This will include: ... £250 million for the 100,000 Genomes Project to introduce whole genome sequencing technology in the NHS, including funding for Genomics England. Main SR document

Although there was no specific mention of it in any SR documents, Dame Sally Davies published a statement on the NIHR website welcoming the protected funding settlements for the DH R&D budget (including NIHR).

The Department of Health’s R&D budget is approximately £1bn per annum, so £5bn over the term of the department approximates to a protected budget. It is not known whether this is in cash or real terms.

The UK will invest up to £150 million in a new Dementia Research Institute to draw together world leading expertise to accelerate the pace of research and tackle the progression of the disease. This is the government’s latest step in a long term strategy to combat dementia which already includes over £300 million committed for UK research and a separate global fund to drive international innovation. Main SR document

This Dementia Institute funding comes out of the previously announced science capital commitment of £6.9bn.

The MRC will lead the Dementia Research Institute, which is set to receive up to £150m in funding and be fully functional by 2020. A competition in 2016 will identify a university to host the Institute, and there is expected to be ‘a strong industry component’.

[The] new Global Challenges research fund of £1.5 billion… will include support for research on challenges like beating antimicrobial resistance and … emerging viral threats in developing countries; … a £1 billion new fund over the next five years for research and development in products for Infectious diseases. This will be known as the Ross Fund, and will enable the development and testing of vital vaccines, drugs, diagnostics, treatments and other technologies to help combat the world’s most serious diseases in developing countries.

…The government will invest a further £70 million in the [£195m] Fleming Fund, implement the UK AMR Strategy 2013–18… launching the Global Antimicrobial Resistance Innovation fund, partnered with China, to combat the threat from emerging strains of diseases resistant to existing treatments. The government is investing £50 million in this fund… and providing an initial investment of £4 million to establish an Antimicrobial Resistance Centre of Excellence in Research and Development at Alderley Park, subject to a business case. Main SR document

There was much to welcome in these announcements, particularly the news of an initial £4m investment to establish an Antimicrobial Resistance Centre of Excellence in Research and Development at Alderley Park.

Minister Jo Johnson confirmed that funding for the Global Challenges Research Fund (GCRF) is provided in addition to the existing science and research budget, and comes from the Department for International Development (DfID).

DH and DfID have published a summary of the Ross Fund. Although not confirmed, it seems likely that funding will also come from the DfID Development Aid budget.

In January 2016 the Gates Foundation committed to a five year partnership with the Ross Fund, and also to partner and invest in the Global Antimicrobial Resistance Research Innovation Fund.

The final report and recommendations of Lord Jim O’Neill’s Review on Antimicrobial Resistance, commissioned by the Prime Minister, are expected to be published by summer 2016.
The government will invest **over £400 million over an 8 year period** in a new ‘Science Hub’ which will provide world class Public Health England labs at Harlow, Essex and help protect the public from threats such as flu and Ebola. This will relocate existing facilities from Porton Down and Colindale into one integrated site. **Main SR document**

Public Health England is to unveil plans for the new public health science hub in May 2016. The £400m project will redevelop the vacant GSK site at the New Frontiers Science Park and will “bring together world renowned scientists to work in a single integrated campus.” It is hoped the Science Hub will be fully operational by 2024 with the first building work expected to start in 2019.

### Spending Review Commitment

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| Businesses are the lifeblood of the economy, and the government is determined to create the conditions for UK companies to succeed at home and abroad. The UK has risen to be the sixth best place to do business in the world, up from tenth in 2014, and the second best in Europe, and is the best country in the EU to start a business…  
Since 2010 the **headline rate of corporation tax has been cut** from 28% to 20%, and will fall further… [giving] the UK the lowest tax rate in the G20.  
To support investment and innovation, the government introduced the Patent Box and overhauled Research and Development tax credits, and announced at Summer Budget that the Annual Investment Allowance will be set at £200,000 – its highest ever permanent level – for the rest of the Parliament…  
Over **£100 billion will be invested to improve infrastructure**, and funding for science is being protected in real terms. **Main SR document** | The 2015 SR repeated a previous commitment that headline rate of corporation tax would fall to 18% by 2020-21. **Since then, the 2016 Budget in March announced that corporation tax will be reduced even further, to 17% in 2020.**  | **A Finance Bill** has been introduced to amend the Patent Box in line with international agreements made at the OECD. The BIA is currently working with the Treasury on the details of the new Patent Box legislation.  
**Budget 2016 announcements** included:  
- Corporation tax to be reduced to 17% in 2020.  
- The higher rate of Capital Gains Tax (CGT) for most assets to be cut from 28% to 20%.  
- Entrepreneurs’ relief to be extended to longer term external investors in unlisted companies. |
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<th><strong>Business Investment Relief</strong> – The government will consult on how to change the Business Investment Relief rules to encourage greater use of the relief to increase investment in UK businesses. <a href="#">Main SR document</a></th>
<th>Changes to Business Investment Relief rules may encourage greater investment in UK businesses by non-domiciled individuals.</th>
<th>No further details of a consultation on Business Investment Relief have yet been released.</th>
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<td>To support trade and investment and meet targets including £1 trillion of exports by 2020, the government will <a href="#">refocus UKTI</a> to enable it to become a world-class export and investment promotion agency… The government will support this through £175 million total reinvestment between 2016-17 and 2019-20 as part of UKTI’s settlement. <a href="#">Main SR document</a></td>
<td><a href="#">Further mention</a> of a new cross-government approach to exports, focused on priority markets and sectors and with input from Business Secretary Sajid Javid, was announced in January.</td>
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<td>The government is also working closely with businesses, particularly the Productivity Leadership Group chaired by Sir Charlie Mayfield and an investment industry group led by the Investment Association, to identify steps the private sector can take to <a href="#">incentivise long term investment and raise productivity</a>. The government encourages all stakeholders, including shareholders and company boards, to engage with these issues and is exploring specific steps that could help. <a href="#">Main SR document</a></td>
<td>The Productivity Leadership Group, which is made up of senior business leaders and <a href="#">reported</a> to include GSK CEO Sir Andrew Witty, will advise on delivery of Chancellor George Osborne’s 2015 productivity plan, <a href="#">Fixing the foundations</a>.</td>
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<td>In order to continue to support innovative businesses, the British Business Bank will retain the £400 million of additional funding for <a href="#">Enterprise Capital Funds</a> that was announced at Autumn Statement 2014 within its long term funding envelope. <a href="#">Main SR document</a></td>
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<td>By 2019-20 government spending on apprenticeships, including income from the new apprenticeship levy, will be double the level of spending in 2010-11 in cash terms. … By 2019-20, the levy will raise £3 billion in the UK. Spending on apprenticeships in England will be £2.5 billion, and Scotland, Wales and Northern Ireland will receive their fair share of the levy. … Employers in England who pay the levy and are committed to apprenticeship training will be able to get out more than they pay into the levy, through a top-up to their digital accounts. All employers who do not pay the levy will be able to access government support for apprenticeships. … The government will establish a new employer-led body to set apprenticeship standards and ensure quality. The body will be independent of government and will also advise on the level of levy funding each apprenticeship should receive. Funding caps will be significantly higher for programmes which have high costs and are of high quality.</td>
<td>Back in the 2015 2015 Summer Budget it was announced that three million new apprenticeships would be created by 2020, funded by a levy on large employers. The SR confirmed that the levy will be introduced in April 2017, applied to businesses with a paybill of more than £3m and at a rate of 0.5% of an employer’s paybill. An increase in apprenticeship spending of almost £900 million by 2019-20 will deliver the three million apprenticeships. The Government believes that businesses will benefit from the levy via the increase in skills and putting control of funding in the hands of employers. As noted in the BIA’s response to a consultation on the levy, there are concerns that the rate of the levy could have significant (and arguably unfair) impact on firms operating in highly skilled sectors such as life sciences.</td>
<td>The Finance Bill 2016 has been introduced and legislates for the levy. The levy will have effect on and after 6 April 2017. BIS has recently published guidance for employers on how the apprenticeship levy will work, and further details on eligibility and levels of funding will be published in June, October and December 2016. BIA continues to engage with this policy area.</td>
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Skills: The Apprenticeship Levy

Main SR document / Key SR announcements press release
The Northern Powerhouse is the government’s plan to boost the economy across the North of England… It means investing in better transport to connect up the North; **backing the science and innovation strengths of the North**, so that new ideas can be turned into new products and new jobs; … **devolving powers and budgets from London to local areas across the North, and creating powerful new elected mayors** who will give people in northern cities and towns a strong voice. [Main SR document](#)

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<td><strong>Devolution</strong></td>
<td>The SR announcements included creating additional or extended enterprise zones, areas with sectoral focus and business rate deals.</td>
<td><strong>Budget 2016 announced</strong> further devolution measures, including a commission for unlocking growth, housing and jobs in the Cambridge - Milton Keynes - Oxford corridor. The Budget documentation confirmed a mayoral devolution deal with East Anglia, covering Norfolk, Suffolk, Cambridgeshire and Peterborough. The deal would give a “single powerful East Anglia combined authority” with new powers over transport, planning and skills, and a £900 million investment fund over 30 years to grow the local economy. However, as the <a href="#">agreement documentation</a> sets out, not all Councils and Local Enterprise Partnerships across these regions had signed up to the deal at the time. The Chancellor also mentioned the new £1bn city deal for the Cardiff region, a new West of England mayoral authority, a new deal for Greater Lincolnshire and further infrastructure investments in the Northern Powerhouse. See the BIA’s blog for a <a href="#">summary</a> of Budget 2016 announcements.</td>
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<td>To back science-based and innovative companies in the North:</td>
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<td>• the government has agreed with the British Business Bank and LEPs in the North West, Yorkshire and the Humber and Tees Valley to create a Northern Powerhouse Investment Fund of over £400 million to invest in smaller businesses, subject to European funding arrangements. Together with a separate fund in the North East this will make over £500 million available across the Northern Powerhouse.</td>
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<td>• [Government is] doubling the size of the Enterprise Zones programme in the Northern Powerhouse, creating 7 new Zones, meaning that over a third of all new Enterprise Zones announced in this Spending Review will be in the North, while extending a further 2 Enterprise Zones</td>
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<td>• providing an initial investment of £4 million to establish an Anti-Microbial Resistance Centre of Excellence in R&amp;D at Alderley Park, subject to a business case. <a href="#">Main SR document</a></td>
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