

25 March 2011

Dear Colleague;

Government action to strengthen the UK's position as a leading location for life sciences

Life sciences is an area of UK strength, and one where we have a real comparative advantage. The Government wants to ensure the UK remains a leading location for life sciences investment, and a strong base from which to export. The Government and NHS already enjoy a strong relationship with the industry, and by working closely together we have already achieved a great deal. However, we are keen to do more to support the sector - and this week have announced a package of further actions, building on the positive developments resulting from the *Life Sciences Blueprint* and other existing initiatives.

Healthcare and Life Sciences was identified as one of the first sectors for consideration under the Growth Review. We wrote to you at the end of last year asking you to identify areas where more could be done to create the conditions in which UK life science businesses can thrive.

We are extremely grateful to you for the contributions you provided to a very tight deadline. We have considered these carefully in drawing up the package of actions announced alongside today's Budget.

The full detail of each new action is set out in the Plan for Growth, a copy of which is enclosed with this letter.

In summary, we have announced that the Government will:

- Set up a **new health research regulatory agency** to streamline regulation and improve cost-effectiveness of clinical trials. It will make **future NIHR funding to providers of NHS services conditional on meeting benchmarks**, including a **70-day benchmark** to recruit first patients for trials

- **Form new Translational Research Partnerships** from its £775 million investment in NIHR Biomedical Research Centres and Units, building on the pilot Therapeutic Capability Clusters
- Reduce perceived gold-plating and **increase the proportionality of our domestic implementation of the EU Clinical Trials Directive (CTD)**, whilst also seeking to **influence the European Commission and Parliament** strongly with a view that they bring forward soundly based proposals for the necessary changes to the directive as early as they can
- Create unique opportunities for research in the UK, using the national span of the NHS to offer, with proper safeguards around patient confidentiality, **linked information on treatments and outcomes** on a scale nowhere else in the world can match
- Remove any barriers that limit the **further development of geographical clusters**, working with industry, local government, universities, NHS and funders
- Launch a competition to form a **Cell Therapy Technology and Innovation Centre**
- Through Cogent, improve market signalling by bringing companies and educators together to **ensure educators provide the skilled individuals the sector needs to grow**
- Support the **Society of Biology** as it rolls out its **accreditation scheme for biological sciences degrees**
- Ensure that the **Intellectual Property (IP) system supports life sciences businesses** through a package of actions
- Encourage more innovation in healthcare by working with the Technology Strategy Board to see **£10 million spent over the next two years on Small Business Research Initiative** competitions that address specific healthcare problems
- Ask the **NHS Chief Executive to provide a report by November 2011**, working in consultation with industry, academia and other interested parties, on how the **adoption and diffusion of innovations can be accelerated across the NHS**. This report will inform the strategic approach to innovation in the modernised NHS
- **Establish a proactive, entrepreneurial NHS Global** to make the most of the NHS brand internationally and to offer support and advice to NHS Trusts

Furthermore, we have announced actions in the area of **social care**. Here, we will:

- Take forward a package of measures to **improve the take up of assisted living technology solutions**
- **Strip out unnecessary regulations** that were creating an unequal playing field for microenterprises and were never intended to impact on the social care market
- **Address barriers to skills development** in the social care market

These actions on social care are just the beginning of an ongoing project between our two departments which will continue to identify and address barriers to growth in the social care market; including through better use of technology and improving the interface between health and social care.

The measures set out above and in full in the Plan for Growth are not the only actions we are taking across Government to ensure a supportive business environment for life sciences companies:

The **ongoing programme of NHS modernisation** will offer opportunities for the life sciences industry. The Government's vision for the NHS was set out in *Equity and Excellence: Liberating the NHS*, and the legislative framework is now being established through the Health and Social Care Bill. This introduces **clinically-led commissioning**, with providers freed up to innovate and be rewarded on the basis of quality and patient choice, overseen by robust quality and economic regulation. This is one of the steps Government is taking to achieve its goal of an NHS which achieves results that are amongst the best in the world, and where **innovation drives sustainable improvements in quality and efficiency**.

The life sciences industry is an important stakeholder in this programme and we are grateful for your responses to the consultations we have issued. We will continue to engage with you as we take forward this work. We very much value the **close working between Government and industry** to explore issues and develop solutions through the Ministerial (bio-pharmaceutical) Industry Strategy Group (MISG), the Ministerial Medical Technology Strategy Group (MMTSG), and the Senior Industry Group (SIG). Close working between the industry and the NHS is also crucial - the NHS Life Sciences Innovation Delivery Board (LSIDB) brings together leaders from the NHS, industry and Government in a way which will make a difference at local level.

The **Research Excellence Framework (REF) and reforms to Higher Education Innovation Funding (HEIF)** announced earlier this year provide greater incentives and rewards for academics and universities to deliver impact on the economy and society. In parallel, the Research Councils and the Technology Strategy Board are **funding projects that bring together universities and businesses in new collaborations**.

Last week, the Ministry of Justice published the Government's draft **Defamation Bill**. This aims to bring libel law up to date, striking the balance between protecting people's right to free speech – including the debate so vital to the scientific process – from unjustified libel actions, while enabling people who have genuinely been defamed to protect their reputations. In addition to the Growth Review actions we have announced today, the **Budget** included a number of further positive announcements for the industry:

The Government will increase the SME rate of **R&D tax credit** to 200 per cent from April 2011 and 225 per cent from April 2012, and simplify the R&D tax credit schemes including allowing relief through the large company scheme for subcontracted activity which forms part of a wider R&D project. The Government will publish a response to the consultation in May 2011, which will include a consultation on the detail of proposed changes.

The Government will reform the **Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCT)**, subject to state aid approval, increasing the rate of EIS income tax relief to 30 per cent from April 2011 and bring forward proposals to provide further support for seed investment, simplification of the EIS rules by removing some restrictions on qualifying shares and types of investor and refocusing both EIS and VCTs to ensure they are targeted at genuine risk capital investments.

Effective from 6 April 2011, the lifetime limit on capital gains qualifying for **Entrepreneurs' Relief** (where eligible gains are taxed at a 10 per cent rate of Capital Gains Tax) will be doubled to £10 million. This will encourage serial entrepreneurs who want to expand their business and reinvest gains, helping to make the UK a more attractive location for entrepreneurs.

We will publish a further consultation on the introduction of a **Patent Box** in May 2011 setting out details on how the regime will operate, followed by draft legislation in autumn 2011. The Patent Box will provide a reduced 10 per cent corporate tax rate for profits from patents, which will encourage UK businesses to retain high-value jobs associated with commercialisation of patents and to invest further in innovation.

An **extra £100m capital spending** announced this week will **enhance major research facilities** at Norwich, the Babraham Research Campus in Cambridge, Harwell and Daresbury. These will support cutting edge research and its contribution to the economy for years to come. In relation to life sciences, the Babraham Research Campus forms part of the Cambridge science and innovation cluster, with a strong track record in supporting innovation through the nurturing of biotech start-ups and SMEs. Additional investments of £44m will be focused on replacing the existing Transgenic Mouse Facility, providing additional bioincubator space, and investing in further infrastructure improvements. Such improvements are expected to be key to attracting and nurturing SMEs to the site.

The Government will launch the first **Technology and Innovation Centre in high-value manufacturing**, which will integrate the activities of a number of existing high performing centres in Rotherham, Coventry, Strathclyde, Sedgefield, Wilton and

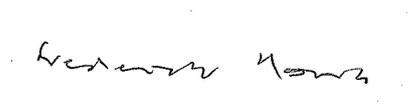
Bristol. The integrated centres will take a wide cross-sector approach and embrace most forms of manufacture including bio-processing.

To address the specific barriers faced by SMEs in accessing apprenticeships, the Government will support business consortia to set up and maintain **advanced and higher apprenticeships schemes**, supported by grants, creating a further 10,000 apprenticeships.

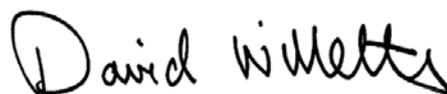
To **encourage exports**, the Government will deliver a new package of support through UKTI to help SMEs with an ambition to break into overseas markets, and use FCO and UKTI to provide UK businesses with local intelligence on high value projects overseas and intensive support to win these deals.

Recognising the particular burden that new regulation places on small businesses, the Government will **exempt micro businesses** (i.e. businesses with fewer than 10 employees) and **genuine start-ups from new domestic regulation**. The moratorium will last for three years, affecting all regulation due to start from 1 April 2011 onwards.

Thank you for your ongoing involvement in our work to improve the UK business environment for the life sciences industry. We very much value the close working relationship that exists between Government and the industry. We also recognise that there is more work to be done to ensure the UK offers an attractive environment for life sciences and we look forward to working with you on this.



**LORD HOWE
PARLIAMENTARY UNDER-SECRETARY
OF STATE FOR QUALITY**



**THE RT HON DAVID WILLETTS MP
MINISTER FOR UNIVERSITIES
AND SCIENCE**