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27 September 2017

THE PRIME MINISTER

Dear Sir Mark

Thank you and Dame Nancy Rothwell for your letter of 19 July setting out what more the Government can do to harness the role of science and technology to deliver economic benefits across the UK. Please accept my apologies for the delay in responding. Unfortunately, my office did not receive your letter at the time it was sent.

As you know, the Government is committed to an Industrial Strategy that will create a stronger, fairer Britain that works for everyone, where wealth and opportunity are spread across every community in the UK.

As highlighted in your letter, our Industrial Strategy is built upon the idea that a broad range of factors underpin the success of strong economies across the UK and the Government recognises the need to support and improve these factors. That is why we have sought to strengthen the role of cities, combined authorities and Local Enterprise Partnerships (LEPs) in determining what matters most for their areas with regard to increased local productivity and growth. I welcome the advice and recommendations of the Council for Science and Technology as we continue to develop the Strategy.

It is crucial to improve our understanding of local science and innovation assets and to ensure the right incentives are in place for all places in the UK to make the most of their strengths. We will shortly publish the second wave of the Science and Innovation Audits of eight consortia including the East of England, Leeds City Region and Glasgow. We will build on these in order to provide even more robust data on which to base plans for local economic growth, helping all parts of the UK to make the most of their strengths.

Your advice recognises the importance of the UK's world-leading research labs that produce cutting edge science and research services with national and international impacts. I am grateful to Dame Julia Goodfellow for agreeing to lead a short review of the main research labs across the UK. This review will focus on the benefits of these institutions on their local areas and will identify what more can be done to maximise their impact on local growth.


On the issue of local leadership and governance, our manifesto and Industrial Strategy Green Paper set out the Government's ambitions for LEPs to strengthen their role in driving local growth. We want each LEP and combined authority to be responsible for co-ordinating local industrial strategies in alignment with our national industrial strategy. These will build on, but go beyond, existing Strategic Economic Plans and will provide an opportunity for national and local government to combine their efforts to boost earning power, productivity and investment across the country.

As you highlight, the R&D tax credits are a key element of our tax system that stimulate domestic and international R&D investment. In 2015-16, R&D tax credits provided almost £2.9 billion of relief to 25,300 companies and have grown considerably in recent years. You raise some interesting proposals regarding ways in which we might reform the system to be even more effective.

The Council also recommends that excellence remains the basis for funding research to maintain the UK's internationally recognised strengths in basic science. The Higher Education and Research Act 2017 has enshrined the Haldane Principle in legislation. The Higher Education funding bodies have reconfirmed that the assessment of the excellence of research, and the impact arising from it, will continue to be based on international peer and expert review, through arrangements for the next Research Excellence Framework (REF2021).

I hope that Council members will together and individually continue to engage with the Government on our Industrial Strategy.

Thank you again for your advice.

Yours sincerely


Professor Sir Mark Walport