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## **RE: Follow-up from Committee session on the Budget 2020: Research and Innovation Spending**

Dear Greg,

Thank you for your letter dated 9 April, following the Committee's evidence session on 18 March; I hope the evidence I gave was helpful to you and the Committee. Your letter raises a number of further questions, which I have answered in turn below:

### **Q10: Can the Department confirm whether the goal to reach 3% of GDP on Research and Development spending in the “longer term” remains the Government’s policy?**

In the Queen's Speech, the Government committed to making the UK a global science superpower that attracts brilliant people and businesses from across the world. This includes setting out plans to significantly boost public R&D funding that will help accelerate our ambition to reach 2.4 per cent of GDP spent on R&D by 2027.

The Government has made a firm commitment to ensure the UK is a global science superpower in the longer term, supported by the recent Budget announcement, where the Chancellor announced an increase to investment in R&D to £22bn per annum by 2024-25 – which is the fastest and the largest increase in R&D spend ever. This is likely to put us on track to reach 2.4% before 2027. As a percentage of GDP public investment in R&D will be the highest it has been in nearly forty years – and higher than the US, China, France and Japan.

### **Q32: We heard that UKRI’s “Strength in Places Fund” is in high demand. Are there plans to increase the “Strength in Places Fund” in the next financial year?**

We are pleased that the Strength in Places Fund (SIPF) has been received well by stakeholders across the country. Wave 1 of SIPF was launched in Spring 2018 and UKRI received over 80 eligible expression of interest bids. Wave 2 has seen consistent

demand for the programme across all regions of the UK, with 80 eligible expression of interest bids received. Between four and eight bids will receive up to £50 million funding for between 3-5 years to 2025. We expect the successful wave 1 projects to be announced in spring/summer 2020. Wave 2 'development funding' will be awarded later this year and full funding is scheduled to be announced in summer 2021.

As a new approach to using R&D funding to build on local and regional strengths, SIFP is funded in waves, allowing iteration and improvement in processes and programme design each time.

As we move towards awarding Wave 2 'development funding', BEIS is in the process of developing a R&D place strategy which will explore how we can support thriving R&D in every region of the UK, including considering how to build on and learn from existing – and previous – place-based initiatives. The R&D place strategy is due to be published in the summer and these issues will be considered at the comprehensive Spending Review later in 2020.

**Q33: BEIS has committed to publishing a 'place strategy' in the summer. Will this strategy provide new funds for 'levelling up' regions across the UK?**

The Government's new ambitious place strategy for R&D, announced in January 2020, will be a key component of the levelling up commitment. The strategy will set out how we can support thriving R&D across the whole country by building on local potential, so that all regions and nations of the UK benefit from a R&D intensive economy.

At the comprehensive Spending Review [later in 2020], the government will examine how R&D investment can help to level up every region and nation of the country. BEIS and UKRI will engage widely with industry, the research and scientific community and civic organisations to develop an ambitious R&D place strategy that makes the most of talent and potential across the UK.

**Q38: Will the Department commit to publishing its "Roadmap to 2.4%" by Summer 2020?**

In the Queen's Speech, the Government committed to making the UK a global science superpower that attracts brilliant people and businesses from across the world. This includes setting out plans to significantly boost public R&D funding.

At the Budget, the Chancellor announced an increase to investment in R&D to £22bn a year, by 2024-25 – the fastest and the largest increase in R&D spend ever. This will be a major step towards our target of increasing public and private investment in R&D to 2.4% of GDP. Details about how this investment will be allocated and how this will contribute to meeting the 2.4% target will be set out at the Spending Review later in 2020.

**Q40: The Budget committed to increasing the rate of the Research and Development Expenditure Credits Scheme from 12% to 13%. Does the Government plan to increase the rate of the SME R&D tax credit scheme?**

The SME R&D tax credit scheme is already very generous and internationally competitive, with a 230% corporation tax deduction on R&D spend, and a 14.5% payable credit for loss-makers. In 2016-17, £2.2bn support was provided through the SME scheme to over 45,000 claims. HM Treasury keeps all tax reliefs under review.

Thank you again for writing; I hope my above responses are useful to you and the Committee.

**Alexandra Jones**

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