



Department for  
Business, Energy  
& Industrial Strategy

Rt Hon Kwasi Kwarteng MP  
Secretary of State  
Department for Business,  
Energy & Industrial Strategy  
1 Victoria Street  
London  
SW1H 0ET

Rt Hon Greg Clark MP  
Chair  
Science and Technology Committee  
House of Commons  
SW1A 0AA

T +44 (0) 20 7215 5000  
E [enquiries@beis.gov.uk](mailto:enquiries@beis.gov.uk)  
W [www.gov.uk](http://www.gov.uk)

Our ref:  
Your ref:

30 November 2021

Dear Greg

Thank you for your letter to me dated 17<sup>th</sup> November.

Making the most of R&D in places around the UK is a key government priority. The Innovation Strategy published in July, signalled that we would embed research and innovation across the country, as part of meeting Government's objectives to level up the UK.

The substantial uplift to research and science funding set out in the 2021 Spending Review (SR) will allow the UK to build on our core research strengths, build our international partnerships through association to Horizon Europe, and provide opportunities to grow research and innovation investment across the entire country. Increasing research and innovation activity in more places, and supporting adoption and diffusion, will have a major positive impact on the UK's overall economic performance and help create jobs, growth and productivity gains across the country.

Further details will be set out in the forthcoming Levelling Up White Paper (LUWP) in the weeks ahead. However I can confirm that, drawing on advice from the Ministerial-led R&D Place Advisory Group, our developing approach includes both a systemic approach to increasing investment in more places around the UK, as well as targeted measures that respond to the varying needs of places.

At a systemic level, we are reviewing how to maximise the local societal and economic impacts of research and innovation investments and infrastructure. We want to foster greater collaboration between decision-makers at national, devolved, regional and local levels.

Our targeted approach will include working with places to deliver local growth, tailored to the needs of areas with differing levels of innovation maturity. This will include building on existing R&D strengths such as those your letter highlights in Greater Manchester and the North West, and existing projects such as those supported by the Strength in Places Fund (SIPF) in the North West.

As your letter reflects, the UK wide SIPF programme has pioneered collaboration between diverse actors to build on the R&D potential of local economies. The announcement of the second wave of successful projects in the Innovation Strategy brings total UK government investment in SIPF to over £300 million and has also attracted an additional £340 million of investment from private firms and research organisations.

We want to continue to see places with international reputations in research and innovation thriving; their continued success supports and strengthens our national R&D ecosystem, benefitting the wider UK. We also want to see more places develop their research and innovation capabilities. Following the SR announcement, BEIS is currently working through the allocations process to set R&D budgets through to 2024/25. Further details of how this funding will be allocated will be announced in due course.

I note your findings on the commercialisation of research. We have a varied and effective programme of work to support innovation activity, including commercialisation, across the country. The Innovation Strategy announced an additional £25 million of funding for the Connecting Capability Fund (CCF) to help drive further economic growth through university-business innovation – and as you know, this has already led to success such as contributing to Northern Gritstone, which you mention in your letter.

Thank you also for raising the points in relation to Small and Medium Enterprises. Following the consultation launched at Spring Budget 2021, at Autumn Budget 2021 the government announced that R&D tax reliefs will be reformed to support modern research methods by expanding qualifying expenditure to include data and cloud costs. This will help us more effectively capture the benefits of R&D funded by the reliefs through refocusing support towards innovation in the UK, and to target abuse and improve compliance. These changes will be legislated for in Finance Bill 2022-23 and take effect from April 2023. Further details of these changes and next steps for the review will be set out later in the autumn.

My officials continue to work with the Levelling Up Task Force to take a comprehensive place-based approach to economic growth, and research and innovation will be a core element of the forthcoming Levelling Up White Paper.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Kwasi Kwarteng', written in a cursive style.

**RT HON KWASI KWARTENG MP**  
Secretary of State for Business, Energy and Industrial Strategy