



Department for
Business, Energy
& Industrial Strategy

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Dear Greg

Thank you for your letter of 16 December regarding the role of technology, research and innovation in the covid-19 recovery: lessons from the West Midlands region. I have reviewed with interest your recommendations from the oral evidence inquiry and have responded to them below.

Disparities in private and public R&D spending

The 2021 Spending Review set out the government's plan to increase public R&D spending from £14.9bn in 2021/22 to £20 billion per annum by 2024/25, in line with the target of UK economy-wide R&D investment reaching 2.4% of GDP by 2027.

This record settlement will not only allow the UK to build on core strengths but also provide opportunities to grow research and innovation across the entire country as part of the Government's approach to levelling up the UK economy. This significant rise in public R&D funding provides a firm foundation for us to reach the 2.4% target, but we cannot achieve it through public investment alone. It is only by working with innovative businesses and funders from the private sector that we will reach 2.4%. Further details of how this funding will be allocated will be announced in due course.

The West Midlands has a very strong record for attracting private investment in R&D and we want to encourage businesses to invest to an even greater extent in R&D in support of local economies and communities. The Government's Innovation Strategy, published in July, outlined our thinking on how to grow innovation clusters to ensure that research and innovation benefits the economy and society across the UK through both systemic and targeted R&D measures that respond to the varying needs of places. The forthcoming Levelling Up White Paper will take a comprehensive place-based approach to economic growth and will set out more detail on how Government will support levelling up through R&D.

Government is taking steps to increase the transparency of how places benefit from R&D funding. UKRI are publishing detailed breakdowns of their funding data at a regional level annually – the latest available data is at: <https://www.ukri.org/our->



[work/what-we-have-funded/regional-distribution-of-funding/2018-to-2019-regional-distribution-of-funding/#contents-list](https://www.gov.uk/work/what-we-have-funded/regional-distribution-of-funding/2018-to-2019-regional-distribution-of-funding/#contents-list).

I agree with the Mayor of the West Midlands that the West Midlands offers a vibrant science ecosystem and is a location that could contribute to an organisation like ARIA's nationwide success. A decision has not yet been taken on ARIA's location and we intend to consult closely with the first ARIA CEO, once appointed, in order to reach a conclusion.

It should be emphasised ARIA will have only a small physical presence, and its Programme Managers will be mobile and capable of delivering funding across the UK. This funding, and the long-term output of the research it supports, is how ARIA's economic benefits will be realised. Wherever the central hub of ARIA is located, the West Midlands is well-placed to help build the productive relationships that will support the transformational breakthroughs we all want ARIA to create, for the benefit of the whole UK.

The need for a broader view of the West Midland's strengths

Projects like the Midlands' advanced ceramics for industry 4.0, which received £18 million of government investment through the Strength in Places Fund (SIPF) in 2021, will help to diversify the Midlands' strengths through its focus on new advanced ceramics technologies. The project will also boost the competitiveness of manufacturers in the region by developing a robust advanced ceramics supply chain, able to export into one of the fastest growing international industry sub-sectors. Advanced ceramics are vital 'enablers' for many manufacturing sectors including energy, health, aerospace, automotive and defence.

As outlined in the Innovation Strategy, building on local sector strengths can enable places with emerging research and innovation strengths to deliver greater local economic benefits. The Levelling Up White Paper will set out further details about how to support places to develop their innovation strengths, learning from programmes such as the SIPF.

Significant investment has already been made in these sectors through the Local Growth Fund, the Getting Building Fund and other local economic growth funding streams. These include investments such as Tyseley Energy Park, The Birmingham Life Sciences Park and the Precisions Health Technologies Accelerator. ,



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The impact of the pandemic

The Government is committed to safeguarding and growing the 149,000 jobs in the automotive sector across the UK (down about 10% since 2019). We recognise that re-skilling of the current workforce is needed to ensure the UK maximises opportunities from the transition of the sector towards net zero.

In 2018, Government awarded £16 million over three years to the industry led National Manufacturing Competitiveness Levels (NMCL) skills programme. NMCL is open to automotive suppliers across the UK, and is designed to improve their competitiveness, raise workforce capability, and improve productivity through the completion of a tailored business improvement plan.

In November 2020, Minister Keegan (DfE) and Minister Trevelyan (BEIS) convened the Green Jobs Taskforce which was established to advise on how Government, industry and the education sector, working alongside other stakeholders can realise the opportunities of a green industrial revolution, support green jobs and skills, ensure these opportunities in the green economy are open to all, and that support is available to workers in parts of the economy most affected by the transition.

The Taskforce's report was published on 14 July 2021 which contains a set of independent recommendations for Government, industry and the skills sector ([link to report here](#)). The Taskforce's recommendations are underpinned by evidence and centre on 3 key themes:

- Driving investment in net zero to support good quality green jobs in the UK.
- Building pathways into good green careers
- Ensuring a just transition for workers in high carbon sectors.

The report fed into Government's development of our ambitious Net Zero Strategy, published ahead of the UN's climate summit COP26 in Glasgow last November.

Small and medium sized enterprises (SME) awareness

I welcome your visit to the Manufacturing Technology Centre, which is part of the High Value Manufacturing Catapult (HVMC). Catapults receive core funding from Innovate UK and are expected to leverage this with commercial contracts and by winning competitive collaborative R&D funding.

Since their creation in 2011, the catapults have directed over £2.5 billion of private and public sector investment into innovative, industrial research and supported in excess of 8000 small and medium sized enterprises (SMEs). The Catapult Review, published in April 2021, highlights the positive SME engagement taking place across



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Catapults. Many of the Catapults have specific SME support programmes, for example, the HVMC has a dedicated SME team.

In addition, Innovate UK has created a bespoke business growth support known as Innovate UK EDGE. The programme supports ambitious, innovative businesses (including SMEs) to accelerate their growth and achieve scale and has dedicated innovation and growth specialists based in all areas of the UK to support high growth innovative businesses. It also works with and helps connects businesses to the Innovation ecosystem. In the Innovation Strategy, and their recently published Plan for Action, Innovate UK committed to reducing complexity for innovative companies by developing an online innovation hub, to sit alongside and complement the British Business Bank's existing Finance Hub, with clear links between the two to provide innovators with a complete view of government-backed funding options.

Supply chains

Regarding medium-to-long-term UK medicine supply resilience, beyond the challenges of EU exit and Covid-19, DHSC is working with industry and other stakeholders on building robust and resilient supply chains for the future that are able to better withstand future shocks and threats to supply.

This work draws on the analysis of medical product supply chains as part of the cross-Government focus on critical supply chains resilience in 2020, which identified a range of mitigations such as UK buffer stocks and stockpiles, UK manufacturing and onshoring, use of procurement levers and diversifying the sourcing of active pharmaceutical ingredients used in medicines.

DHSC is working closely with MHRA, NHS England and Improvement, the Office for Life Sciences, the Department for International Trade, the devolved nations, industry and academia on a range of measure to strengthen UK medicine supply resilience in the short, medium and long-term.

We remain in constant contact with vaccine manufacturers and have been monitoring the requirements across the supply chain from supplier through to patient for some time. There are clear supply chain plans in place for the supply of all vaccine candidates; this includes materials, manufacturing, transport, storage and distribution.

In addition, through the Vaccine Taskforce (VTF), the Government continues to work to strengthen UK resilience for the COVID-19 response and potential future health emergencies. We have invested over £380 million, and are continuing to invest, to secure and scale up the UK's vaccine manufacturing capabilities to respond to the pandemic. We are actively engaging with market participants to seek to further strengthen our domestic capability and capacity in vaccines and supply chain resilience.



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The UK's strong clinical trials network, world leading R&D base and regulatory approach, combined with the VTF's close partnership with industry throughout the COVID-19 pandemic, has made the UK an attractive destination for investment in the development and manufacture of vaccines and therapeutics. So far, private sector investments of over £500 million have been announced; including expansion of Fujifilm Diosynth Biotechnologies at Billingham, Pfizer's investment at ThermoFisher Scientific Swindon to onshore fill-finish of their COVID-19 vaccine, and investment by the Serum Institute India to expand capacity at Oxford Biomedica.

There have been significant investments in global vaccine manufacturing supply chains recently, including expansions by Cytiva, Pall and ThermoFisher in the UK. The VTF continues to work with companies to facilitate investments to increase UK-based capacity and capability.

Thank you again for your insights and recommendations and I look forward to continuing to work with the Committee on these important issues.

Yours sincerely,

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