HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Rt Hon Norman Lamb MP
Chair
Science and Technology Committee
House of Commons
London
SW1A 0AA

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Dear Norman,

SCIENCE BUDGET AND INDUSTRIAL STRATEGY

Thank you for your letter of 14 November to the Chancellor of the Exchequer regarding science and innovation policy in the Budget. I am responding on his behalf on these matters.

I always welcome your Committee’s contributions, and hope that you agree that the additional steps that we set out in the Budget and the Industrial Strategy White Paper provide a strong foundation for achieving our ambition to grow R&D investment across the economy to 2.4% GDP over the next decade.

You raised a number of specific issues, which I will respond to below.

Increasing public investment in science and innovation

This Budget built on our record investment in science and innovation by allocating a further £2.3bn from the National Productivity Investment Fund, which means that public investment will increase from around £9.5 billion last year to around £12.5 billion in 2021-22. This investment will see public R&D spending increase as a share of GDP every year, an important step towards achieving the Government’s ambition of increasing gross domestic expenditure on R&D to 2.4% by 2027 and cementing the UK’s place at the frontier of global science. Realising this ambition will require a concerted effort from both government and business and I am sure the Committee will welcome the Government’s commitment to work with industry
to develop a roadmap for meeting this target. This will consider how improvements to the business environment, such as access to finance, regulatory frameworks, and intellectual property, can maximise the impact of public investment in leveraging business investment in R&D.

EU Exit

The government will seek agreement through the negotiations to continue to collaborate with European partners on major science, research, and technology initiatives. In her speech in Florence, the Prime Minister was clear that this includes continuing to take part in those specific policies and programmes which are greatly to the UK and the EU’s joint advantage.

As you rightly say, this government underlined our commitment to continued scientific cooperation by underwriting successful Horizon 2020 awards won by UK researchers before we leave the EU. This was an important step to give the UK science base certainty and I am glad to see the Royal Society report that this has provided reassurance.

Industrial Strategy

Science and innovation – as a key driver of productivity and growth – is a central theme of this government’s Industrial Strategy and the Industrial Strategy White Paper has responded to a number of issues you raised, not least by setting out further details on National Productivity Investment Fund allocations, which include plans for a new ‘Strength in Places’ R&D fund, and the Small Business Research Initiative, as well as a number of emerging technologies that the government is supporting through the Industrial Strategy Challenge Fund.

You specifically ask about how Industrial Strategy Challenge Fund priorities are set. The opportunities for investment are identified through a rigorous process that includes wide-ranging stakeholder consultation (for example, through the public consultation launched with the Industrial Strategy Green Paper and Innovate UK
workshops organised through their Knowledge Transfer Network). The specific challenges reflect areas where the UK has a competitive advantage (or potential to develop such) – through a vibrant industry and a world-leading science base, where there is a significant opportunity for economic gains or an opportunity to improve public services, and the investment would not have happened if it wasn’t for the government’s intervention.

I hope that this letter, together with our announcements at Budget and in the Industrial Strategy White Paper, give you confidence that we are meaningfully committed to a long-term path to grow R&D intensity across the economy. I am sure your Committee will continue to constructively challenge and help inform our future approach, and look forward to our continued engagement.

Yours,

Andrew

Andrew Jones
Exchequer Secretary to the Treasury