

**CaSE**   
Campaign for Science and Engineering

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# Backing Business R&D Executive Summary

May 2024



**Incentivising  
continued  
investment in  
UK innovation**

# Forewords



## **Stéphane Maikovsky, Interim CEO, LifeArc**

At LifeArc our mission is to make life science life changing. To do that, we need every part of the R&D ecosystem to succeed – not just our part of the pipeline to patients, and not just our sector. When you look at the whole system this way, you can't escape the necessity of business investment. Businesses fund nearly three-quarters of the UK's R&D in total. So even if you work in the not-for-profit sector, it's almost guaranteed that at some point, in some way, private funding is helping your work progress and have an impact. Ultimately, business is everyone's business.



That's why LifeArc sponsored this report by CaSE. As the prospect of a new UK government looms, it is important to ask whether the fundamentals of our R&D ecosystem are working as they should. Whether it's the availability of infrastructure, the offer of financial incentives, or the ability of regional clusters to market themselves to investors, we should be pulling on all the levers available to make the UK an easy and exciting place to invest in R&D.

This is the right conversation to be having, at the right time. Therefore, I hope you will engage with this report and work with CaSE, LifeArc, and the rest of the R&D community to ensure the UK really does become a go-to destination for companies looking to invest in R&D.



## **Dr Daniel Rathbone, Deputy Executive Director, Campaign for Science and Engineering (CaSE)**

In recent years the UK Government has made repeated and welcome commitments to invest more in R&D. If we are to meet our ambitions to be more research intensive, and see wider growth in productivity in the UK, it is vital that private sector investment also continues to rise. To achieve this in a globally competitive climate, the UK must provide an attractive environment for businesses to invest more in R&D.



In this report, we consider actions the Government could take to support the rapid unlocking of barriers to business R&D investment, as well as measures that will strengthen the UK business R&D environment in the medium to long term.

We are hugely grateful to all those who have supported this work, including LifeArc, our expert Advisory Group, CaSE members, and the wider community. All of whom have helped inform our findings.

As a non-partisan organisation with a membership that cuts across R&D sectors, CaSE is uniquely positioned to take a high-level, cross sector view of the research and innovation environment, and give impartial expert insight on the whole R&D system to all stakeholders.

# Executive Summary



Ensuring business research and development (R&D) investment continues to rise is vital if the UK is to achieve its research intensity ambitions.

This report sets out some of the barriers that UK businesses face when investing in R&D. It also sets out recommendations for the UK Government that will help build an attractive environment for R&D-led businesses, promoting business R&D investment and, in turn, a more research and innovation intensive economy. The report takes a broad approach, exploring areas within the research and innovation system that are relevant across a diverse range of sectors and business sizes.

In a globally competitive climate, the UK Government must use all the levers available to create and enable an environment that incentivises businesses to invest in R&D in the UK. This should happen within the context of a long-term, predictable and strategic framework.

We propose a series of actions and corresponding recommendations that:

## Ensure the policy landscape is predictable and fit for purpose:

Many areas of the policy landscape are going in the right direction and have good support from R&D-led businesses. What is needed is a focus on ensuring these are as effective as possible, including that they are predictable, fit for purpose and their implementation adequately resourced.

## Increase and improve support across different stages of research and innovation:

Other areas contain gaps in innovation support across different stages of the R&D and business development pipeline. What is needed is a focus on increasing and improving the landscape of support in the medium to long-term.

## Leverage regional strengths in R&D:

There is scope to further strengthen local innovation ecosystems to improve R&D investment opportunities across the UK.



The report considers both actions that can support the rapid unlocking of current barriers to business R&D investment, as well as measures that will strengthen the UK business R&D environment in the medium to long term.

# Short-term actions





These actions should be taken by the UK Government quickly to ensure that current policies are as effective as possible.



## R&D tax credits

-  Provide a statement of intent on the purpose and focus of R&D tax credits and stick to it.
-  Revise the definition of R&D within tax credits to ensure it reflects the requirements of R&D-led businesses across new and emerging sectors.



## Regulation

-  Implement the recommendations of the Pro-Innovation Review of Technologies and Closing the Gap series.
-  Use the expertise of cross-sector groups of external experts to support resourcing of regulatory capacity.

## Funding and financial support

-  Ensure the investment thresholds for the Enterprise Investment Scheme (EIS) and Seed Enterprise Investment Scheme (SEIS) are appropriate and regularly updated.
-  Evaluate the implementation of the Science and Technology Venture Capital Fellowship.

## Early-stage support

-  Conduct a timely evaluation of the UK Research and Innovation (UKRI) proof-of-concept funding programme for supporting university spin-outs.
-  Implement the recommendations of the Independent Review of University Spin-out Companies to strengthen and incentivise research commercialisation.

## Support regions




-  Give regions the freedom to make decisions about local innovation programmes.

# Medium to long-term actions





These actions will increase and improve the landscape of support by helping to target gaps in innovation support in the medium to long term. They should be taken within the context of a long-term, predictable and strategic framework.


## Funding and financial support

-  Use the Mansion House reforms in close collaboration with R&D-led businesses to unlock pension funds for investment in R&D intensive industries.
-  Increase and promote the number of funding opportunities for SME-university collaborations.
-  Set long-term budgets for funding bodies and increase the flexibility of funding calls.



## Public procurement

-  Use public procurement to establish and strengthen markets for new technologies.
-  Establish more flexible and adaptable public procurement pathways to support smaller businesses.

## Standards

-  Support the development of standards to drive the development and commercialisation of new and emerging technologies.



## R&D infrastructure

-  Prioritise and incentivise R&D facility development projects.
-  Support R&D infrastructure through wider infrastructure improvements.

## Knowledge exchange

-  Promote, communicate and support existing collaborative opportunities for the business and academic sectors.

## Regional R&D capacity and branding

-  Align local education provision with changing employer skills requirements.
-  Support regions to market their strengths and capabilities in order to attract inward investment.



The Campaign for Science and Engineering (CaSE) is the UK's leading independent advocate for science and engineering

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