Hammond’s Spring Budget: 4 Key Impacts

Pharmaceutical Industry, R&D and Manufacturing

Following the Autumn Statement announcement last year of £4.7 billion from the new National Productivity Investment Fund (NPIF) for R&D, the Spring Budget revealed the first of these investments. The new Industrial Strategy Challenge Fund (ISCF) will be aimed at supporting collaborations between business and the UK’s science base, and an investment of £270m in 2017-18 has been declared for disruptive technologies such as “accelerating patient access to new drugs and treatments through developing brand new medicine manufacturing technologies”. The Chancellor further announced £90m for 1,000 PhD places (85% in STEM subjects), £160m for new fellowships, and £100m to attract science and research professionals to the UK. Whilst these are a helpful package of measures for the research-based pharmaceutical industry, overall there lacked direct reference to the role of the industry post-Brexit.

NHS Funding and System Change

Despite the cash injection announced for social care, Hammond reiterated the party line that “this is not only about money”, noting that a number of local authorities display poor records on delayed discharge rates. Still, he declared a further £100m to make GPs available in accident and emergency departments this winter to better triage patients effectively. Amid growing concerns that the NHS’s financial crisis is making STPs unworkable, he also announced £325m for the “most advanced” STPs over the next three years. This money, as yet uncertain if actually new, is aimed to support local proposals for capital investment where there is the “strongest case to deliver real improvements for patients”. Though a further wave of STPs will be considered for funding in the autumn, the BMA’s estimation that STPs will cost £9.5bn in capital to deliver somewhat dwarfs the £325m cash injection announced today. Additionally, it could be argued that investing only in pioneering STPs could penalise struggling areas and exacerbate inequality.

Funding for Social Care

Following months’ of calls for the Government to ease the burden of struggling social care services, the Chancellor addressed pressures on the NHS and care for the elderly with an extra £2bn in grant funding over the next three years in England. £1bn will be made available in 2017/18 for the commissioning of new care packages, and local authorities that are struggling will be identified and helped to work more closely with the NHS. In particular, the funding will supplement targeted measures in reducing delayed transfers of care. Although the £2bn funding figure exceeds the £1.5bn set to be allocated by 2019 by the Better Care Fund, it is markedly below that called for by health think tanks (who predict a funding shortfall of £2.6bn-a-year by 2020). Alongside the cash boost, Hammond has proposed a green paper for later in 2017, which will set out the options for dealing with social care costs and sustainability in the long-term. Think tanks in the social care sector hope this will deliver reforms more radical than those previously put forward.

Tax Credits

A Government review has concluded that the UK’s R&D tax credits regime is an “effective and internationally competitive element of the Government’s support for innovation”. Hammond declared he had listened to the industry in his decision to reduce the administrative burden for businesses claiming R&D tax reliefs, by increasing the certainty and simplicity around claims and striving to improve awareness of R&D tax credits among SMEs. However, other policy proposals from industry such as Citizens’ Innovation Funds to increase private investment in biotechnology, or enhancements of the scope of the R&D tax credit scheme, went unheeded in today’s Budget, though the Government has vowed to keep the R&D environment under review.

Deciendum’s Analysis

No matter who we speak to in our business, the one word on everyone’s lips is, of course, Brexit. But not so, it seems, for the Chancellor who made no mention of the momentarily large elephant in the room in a humour-ridden Budget speech. Except for a few references to life outside of the EU (and a joke thrown to Juncker) the massive challenges and financial implications facing businesses in the UK were conspicuous in their absence. Hammond did pledge to make Britain “the best place to do business” days ahead of the Prime Minister’s formal notification to Brussels later this month. Few were expecting the Chancellor to fire with a bold Budget today, but questions will remain as to how the specifics of his plan will support forthcoming industrial strategies and foreign trade deals. In terms of pharma, the Budget underlined the significance of developing the attractiveness of the UK for R&D, and has set an objective for improving patient access, stimulating high quality jobs in science and research and attracting inward investment. Additionally, the announcement of a cash injection for social care comes as a welcome recognition of a system facing vast pressures, even if only a short term solution. Together with a capital funding boost for STPs, while Hammond’s social care package will not close off the funding debate, it is certainly a step in the right direction.