
Autumn Statement Submission from the ABPI

Dear Chancellor,

I write on behalf of the UK research based pharmaceutical industry.

The ABPI exists to make the UK the best place in the world to research, develop and use new medicines and vaccines. Our industry – as you have pointed out – is a significant driver of growth in the UK economy. It has the potential to catalyse rapid UK growth if we can get the environment right – but this is currently at risk, despite progress in important areas, due to major clawbacks being imposed on sales of branded medicines to the NHS.

The Autumn Statement is a meaningful opportunity to act on this and drive improvements UK health and wealth, through both direct support to the NHS and targeted incentives to invest.

To achieve this, the industry proposes that:

1. The Government fulfils its Long-Term Plan funding commitment to the NHS, supporting UK workforce health and unlocking a new Voluntary Scheme.

In 2019's Long Term Plan, the Government committed to grow NHS England's revenue funding by 3.4% a year in real terms over the period to 2023/24.¹ Unfortunately, higher than expected inflation means next year's budget currently falls well short of that commitment, even as the NHS grapples with industrial action and overwhelming demand.

Now is the time to fulfil those commitments. This much-needed investment will not only help the NHS to get back on its feet, but it will also support the Government's growth agenda.

Adequate NHS funding plays, of course, an important role in addressing the UK's chronic health challenges and thereby labour participation – as reflected in your championing of NHS workforce strategy. It will also provide the essential financial space for a collaborative resolution of our outstanding negotiations towards a new Voluntary Scheme for Growth for medicines and vaccines.

Medicines and vaccines represent a valuable healthcare investment: managing, treating and preventing disease progression and often freeing-up scarce NHS capacity. Yet we have systemically disinvested in them for many years. Even though the UK spends far less on them than its peers – accounting for just 9% of overall healthcare spend compared to 17% in Germany and Italy – **in real terms, medicines spend has fallen by 4% since 2019.**

This decrease has contributed to longstanding poor UK health outcomes and has also – more recently - made it exceptionally hard for the ABPI and Government to agree a new Voluntary Scheme, despite the hard work on both sides to bring creative proposals to the table.

We ask that in your Autumn Statement, you update NHS budgets for the next financial year to fulfil the 2019 Long Term Plan commitment in real terms. This would give the Department of Health headroom to not only strengthen the NHS but also to agree a Voluntary Scheme that will be acceptable to the global industry and renew our stalling R&D investment.

Should we be able to agree a new Voluntary Scheme, the industry would be willing to work with your officials and those of the Office of Budget Responsibility to ensure that they are fully appraised of the potential impacts, ahead of your Spring Budget.

2. The Government ensures appropriate capacity in regulation to support the sector and deliver effective patient access for innovative medicines.

Increased funding can help us get new medicines to patients quicker, but we must support this with the right infrastructure and capacity in the system.

Following a recent restructure and the formalisation of its role as the UK's sovereign regulator for medicines, it is crucial that the MHRA is both supported and resourced appropriately to deliver on post-Brexit ambitions for reliable and innovative regulation.

The Government's plan for a civil service recruitment freeze should not come at the expense of the MHRA's prioritised recruitment to fill existing skills gaps or have a consequential negative impact on the regulator's performance. The MHRA's ambition to offer world leading regulatory services would be significantly impeded by a decision to halt their targeted recruitment and would prevent the regulator from delivering its crucial statutory duties.

3. The Government delivers long-term certainty on tax and fiscal incentives.

The ABPI has welcomed recent tax and fiscal measures initiated by the Government, notably the introduction of the Full-Expensing model of capital allowances and welcome enhancements to R&D Tax Credits.

To deliver certainty to existing and prospective investors, now is the time to set out a long-term plan for tax and fiscal stability which should include:

(a) Extending indefinitely the Full-Expensing model

Such a move would provide long-term certainty to prospective investors, noting the substantial lead-in times and lengthy decision-making process for major capital investment projects.

(b) Ensuring proposals for a merged R&D Tax Credit incentivise and support life sciences investment

As outlined in the ABPI's response to the current draft legislation, which has been shared with your officials, the ABPI and its members are supportive of the overarching policy aims of the proposed merged regime – in particular the Treasury's desire to design a scheme which more effectively incentivises IP holders (the funders of R&D) to invest. Proposals to allow companies of all sizes to claim for subcontracted R&D are a positive step, and will more effectively incentivise and reward those companies taking on the financial risk associated with R&D investment. We would encourage Treasury and HMRC to proceed with this approach whilst also enhancing the legislation by enabling specialist life sciences subcontractors to claim for fragmented R&D which they undertake on behalf of non-UK corporation tax paying companies.

'Fragmented' R&D is commonplace in life sciences where elements of an R&D project such as the running of a clinical trial are subcontracted to Contract Research Organisations (CROs). To fulfil the Government's stated aims for Life Sciences, and incentivise activities like clinical trial location in the UK (in line with the aims of the O'Shaughnessy review), ensuring the new regime supports and incentivises these desired investments will be key.

If these changes can be delivered in the Autumn Statement, the UK can make meaningful progress for patients, the NHS and the life sciences industry. We can also come together to announce, in the form of a new Voluntary Scheme for Growth, a remarkable new collaboration between Government, NHS and industry to support UK growth while delivering NHS sustainability.

I would welcome the chance to meet with your officials to explore these proposals in person.

Yours sincerely,



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Chief Executive
Association of the British Pharmaceutical Industry

ⁱ [NHS Long Term Plan v1.2 August 2019](#)