AMRC submission to HMT Autumn Budget survey

September 2017

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ASSOCIATION OF MEDICAL RESEARCH CHARITIES

The Association of Medical Research Charities (AMRC) is a membership organisation of the leading medical and health charities funding research in the UK, representing 140 medical research charities including the Wellcome Trust, Cancer Research UK and the British Heart Foundation.

In 2016, AMRC's members:

- invested over **£1.6 billion of research funding in the UK** - more than either the Medical Research Council or National Institute for Health Research;
- made **capital investments of £86 million** in the UK;
- contributed to the knowledge economy by funding the **salaries of over 17,000 researchers** in the UK; and
- funded around **a third of non-commercial research in the NHS**.

As identified in the Life Sciences Industrial Strategy, charities are a vital part of the life sciences ecosystem. Not only do they fund research, but they represent the end users – patients. Charities of all sizes are crucial; small charities in particular can play a key role in researching rare and/or under-funded conditions.

Charity investment in R&D has a significant impact on the UK economy. Every £1 of public or charity investment in medical research generates monetised health benefits of 7-10p each year, forever, as well as 15-18p of additional spill over benefits in the wider economy.[1]

Charity investment in universities spans across the UK. In 2016, AMRC members funded research in all regions, across the breadth of the UK, with Cambridge, London, North West England, Oxford and Scotland being the top 5 areas for investment.

In order to fulfil the potential of medical research charity investment in research, we urge Government to:

1. **Increase the Charity Research Support Fund to enable charities to invest more in university research;**
2. **Introduce a R&D tax credit for medical research charities;**
3. **Commit new funding to secure the Industrial Strategy sector deal for the life sciences; and**
4. **As part of the review of UK patient capital, introduce policies that enable charities and their donors to act as direct investors.**

In line with others in the sector, we welcomed the Government's ambitious long-term target that public and private expenditure on R&D should be raised to 3% of GDP. The announcement at Autumn Statement 2016 of £4.7 billion of new funding for R&D by 2021 is a welcome step towards achieving this target. If the recommendations we outline are implemented effectively, medical research charities will be key contributors towards achieving the 3% target.

1. Real terms increase in the Charity Research Support Fund (CRSF)

Charities choose to fund research in UK universities because of the world-class research environments they provide. The dual support system for university research is a key factor

[1] RAND Europe, Health Economics Research Group at Brunel University and King's College London (2014) Medical Research: What's it worth? Estimating the economic benefits of cancer-related research in the UK. Commissioned by: Academy of Medical Sciences, Cancer Research UK, the Department of Health and the Wellcome Trust http://www.wellcome.ac.uk/stellent/groups/corporatesite/@policy_communications/documents/we b_document/wtp056595.pdf

underpinning this excellence. It allows scientists to access a diverse mix of funding and to respond to new challenges and opportunities and fosters the development of collaborations and competitive opportunities. It enables the best people and institutions to be funded, wherever they may be.

The Quality Research (QR) block grant from the Higher Education Funding Council for England (HEFCE) builds strong autonomous universities by giving them stability, flexibility, and freedom to make strategic decisions about their own research activities. The charity research support element (known as the **charity research support fund - CRSF),** which funding from AMRC members attracts because of their high-quality peer review processes, is a vital part of QR aimed at giving universities the flexibility to offset the indirect costs – estate costs and institutional support - not covered by charitable grants.

Charities exist because of donations from the public and philanthropists; in 2016 over 8 million people donated to medical research. The views and wishes of people who donate, particularly at a time of increased scrutiny on charities, are of paramount importance.

When people donate, they expect their money to be spent on research to ultimately benefit patients. This means that charities pay the direct costs of research and the CRSF is needed to enable universities to pay the indirect costs required for charity funded research to occur.

Without the CRSF charities, especially smaller and medium sized charities, would find it challenging to fund research.

Since 2010 the CRSF has been fixed at £198 million per annum; **a real-terms decrease of £33.6 million over 7 years.** This real-terms decrease means that researchers in universities in receipt of high-levels of charity-funding are facing significant shortfalls; the sustainability of medical research charity funding is being put at risk.

In addition, UK medical research faces a significant loss of funding from the EU because of Brexit. Charities will not be able to plug funding gaps that may arise as a result of loss of EU funding schemes.

Our ask:
With the new investment announced by the Government and as part of the Industrial Strategy sector deal for the Life Sciences, **Government must increase the CRSF in real terms to £264m** (a real terms increase for the period 2010-2021).

2. ***A R&D tax credit for medical research charities***

R&D tax credit schemes for businesses have been successful in incentivising investment in R&D.

However, the current R&D tax credits are designed for businesses and not for charities. Yet, charities are increasingly acting like businesses and collaborating with the private sector.

Currently, a small number of charities are applying for the existing business R&D tax credit schemes. However, the scheme is ultimately designed for businesses and the process for the small number of charities that have applied has been complex.

It is important to note that charities will reinvest any monies received back into research.

Our ask:
We would like Government to extend the principles of its R&D tax credit policies as a tool to drive medical research charity investment. AMRC are calling for a new R&D tax credit scheme that recognises medical research charity investment in R&D, based on AMRC membership (therefore excluding university participation and addressing concerns over the ability to claim double relief).

3. ***Commit new funding to secure the Industrial Strategy sector deal for the life sciences***

The Industrial Strategy sector deal for the life sciences is a key opportunity for Government to leverage the full value of the UK's world leading life science sector for the benefit of patients and competitive advantage for the UK.

A number of recommendations within the Life Sciences Industrial Strategy present opportunities for medical research charities and patients. Taking forward these recommendations will enable the charity sector to contribute towards securing the ambitious vision set out by the Strategy to boost economic prosperity and maximise patient benefits.

Judicious Government investment of new money can act as a catalyst, initiating key collaborations and sparking transformative partnerships.

Our ask:
We urge **Government to allocate new and sufficient funds to deliver an Industrial Strategy sector deal for the Life Sciences** that leverages funding from sources including charities to drive economic prosperity and bring patient benefit.

4. ***As part of the review of UK patient capital, introduce policies that enable charities and their donors to act as direct investors***

Medical research charities can make an important contribution to long term capital; AMRC has submitted a response to the Treasury's review of financing growth in innovative firms.

Medical research charities have an important contribution to patient capital as a:

- source of direct investment (recent legislation (the Charities (Protection and Social Investment) Act 2016) facilitates social investments by giving them greater legal certainty);
- means of leveraging public and/or private funding to help achieve greater overall funding and funding of a minimum critical size;
- way of bringing to bear their research experience and scientific expertise; and
- method of aligning patient capital with achieving highly beneficial outcomes for society.

It is vital that new interventions made available by Government in order to boost growth of innovative firms seek to harness the untapped potential in the charity sector. There is significant investment potential within the sector which, if leveraged effectively, could enable charities to be key contributors towards addressing the UK's current imbalance in available capital.

Our ask:
We urge Treasury to introduce policies that enable charities, and their donors, to act as direct investors. An example is providing **greater quantum of tax relief for charitable donations/investments** (i.e. raise the tax deductible threshold amount allowed for charitable donations). Alternatively, a change to the Enterprise Investment Scheme (EIS) and Social Investment Tax Relief (SITR) rules could **allow for charity donors to receive EIS equivalent benefits if investing in charity sponsored entity or project**. This change is also achieved by expanding rules governing SITR.

For further information, please contact:

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