



# ABPI submission: The Budget 2024

February 2024

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# Introduction

The pharmaceutical industry has the potential to drive the health and wealth of the UK. It already makes a significant contribution to UK Research and Development (R&D) investment – worth £5 billion in 2020<sup>1</sup> – and the medicines and vaccines it develops can play a significant role in improving productivity and keeping people fit and healthy.

However, the UK operates in an increasingly competitive global life sciences ecosystem and many countries are launching targeted strategies to capture globally mobile investment. Against this backdrop, the pharmaceutical industry has recently agreed a new pricing scheme with government – the Voluntary Scheme for Branded Medicines, Pricing, Access and Growth (VPAG). The Association of the British Pharmaceutical Industry (ABPI) has been clear that this agreement will – over time return – the UK to a more internationally competitive position, but it is still a tough deal for our sector which strengthens the need for wider policy to drive investment here.

Our submission sets out steps for the UK to retain its competitive edge, secure greater investment, deliver jobs in the sector and ensure we continue to be a destination for the launch of innovative medicines.

## Proposal one: Enhancing the UK's long-term tax and fiscal offer

The government has taken welcome steps to enhance and introduce long term stability into the UK's tax incentives offer. The ABPI and its members have welcomed over recent years the enhancement to the rate of relief delivered through RDEC, the merged R&D tax credits regime proposals, and the announcement to make the Full Expensing model of Capital Allowances permanent. In Spring Budget 2024, the government can further enhance these incentives and drive long-term investment by:

- **Expanding eligible expenditure for R&D tax credits to include capital expenditure**, recognising the increasing intensity of capital expenditure in R&D, and the benefits investment in physical infrastructure brings in anchoring future activity and investment.
- **Broadening the scope of qualifying expenditure under the 'Full Expensing' model beyond qualifying plant and machinery**, to a wider subset of strategically valuable capital investments.

The government's Advanced Manufacturing Plan, and the £520 million dedicated to life sciences manufacturing demonstrated a step change in ambition from the UK in the face of increasing international competition. We and our members

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greatly appreciated the positive engagement which followed the publication of the Medicines Manufacturing Industry Partnership (MMIP) report last summer, and the meaningful steps the government has since taken to implement several recommendations, including the capital grants programme and the investment in the Oligonucleotide Manufacturing Innovation Centre of Excellence. The scale and longevity of the capital grant programme, coupled with the UK's innovation strengths, will allow the UK to target and attract major medicines manufacturing investment.

To ensure these funds are designed and deployed effectively, we would encourage the government to work with the ABPI and MMIP to:

- **design a programme which works effectively for both large and small company investors**
- **capture learnings from previous, and smaller scale grants programmes such as the LSIMF, to streamline the grant application process, and ensure funds can be deployed in a flexible and agile way to secure major investments**
- **deliver a programme which at the outset of engagement, provides greater predictability for prospective investors on the anticipated quantum of funding**
- **effectively market the fund to the broadest pool of potential investors, in conjunction with implementation of the Harrington Review**

## **Proposal two: Investment in innovative medicines**

Innovative medicines and vaccines represent a valuable healthcare investment. They can prevent, manage and treat disease progression, and even cure patients. They can also play a valuable role in improving equality and productivity. This can also help the UK recover from the effects of the Covid pandemic, a pressing need given that data from the Office of National Statistics (ONS) shows the UK lost a record number of working days to sickness in 2022, with the number of people not working because of a long-term health condition up by half a million since 2019.<sup>3</sup>

The government can ensure that patients continue to access the medicines they need by:

- **Monitoring the older products approach in the 2024 VPAG.** This policy is new and untested, so monitoring is essential to ensure that those products subject to higher 'top-up' payments do not become unviable when they still offer added benefits to patients and cost-effective innovation to the NHS. Examples of potential challenges include: the viability of repurposed medicines, such as those to treat orphan diseases with high unmet need; new treatments which use old medicines via novel delivery mechanisms and significant new indications to older products which meet NHS and patient needs.

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- **Lowering the discount rate used in medicines evaluations, in line with NICE's expert recommendation.** In 2022, NICE recommended that the discount rate (by which it assesses treatments benefits over time) be changed to better reflect the longer-term benefits of medicines, particularly curative treatments. Lowering the discount rate from the current 3.5% to 1.5%, in line with NICE's expert recommendation, would increase the chance of patients getting access to new medicines on the NHS, such as cell and gene therapies.

### **Proposal three: Delivering the Life Sciences Investment Programme effectively**

As part of the VPAG negotiation, the industry agreed to fund a first of its kind £400 million Investment Programme, to supercharge and supplement existing government initiatives in the areas of clinical trials, sustainable manufacturing and Health Technology Assessment. Ensuring this funding is effectively targeted towards additional measures, rather than used to subsidise existing plans will be key to the success of the fund and the growth it can leverage.

As such we would encourage the government to ensure that core funding in each of these areas is, at minimum, maintained in line with current commitments, and that there is an open dialogue with the ABPI to ensure additional funds arising from the 2024 VPAG are complementary and effectively targeted. In the coming weeks, the ABPI will be working with our members and delivery partners to ensure these funds are effectively targeted to deliver for VPAG members and UK PLC, and will bring proposals via the agreed governance structure.

### **Proposal four: Delivering a globally competitive regulatory system that supports innovation**

The regulatory environment is key to unlocking growth, attracting, and retaining inward investment to the UK. The field of life sciences and medicine development has become increasingly global, multinational firms must make informed and often challenging decisions about where and when to locate their activity. National regulatory frameworks are a key consideration when these decisions are made by companies. It is therefore vital for regulators to provide a globally competitive approval system that is both proportionate and committed to ensuring patient safety, while also being attractive to inward investment and industry research and development.

The government can do this by:

- **Sufficiently resourcing the MHRA, to enable the MHRA to become a world leading regulator.** Capacity at the MHRA is currently a significant issue that places limitations on the regulator's ability to offer a predictable and quality

service to its customers.

- **Implementing in full the recommendations from both the Chief Scientific Advisor's 'Pro-Innovation of Technologies' review and the 'Commercial Clinical Trials in the UK' review led by Lord O'Shaughnessy.** In addition to this, priority support should be given to existing initiatives such as AI and Regulatory Science and Innovation Networks where there is potential for the UK to develop a genuinely world-leading offer for industry.

## About the Association of the British Pharmaceutical Industry (ABPI)

The ABPI exists to make the UK the best place in the world to research, develop and access medicines and vaccines to improve patient care.

We represent companies of all sizes which invest in making and discovering medicines and vaccines to enhance and save the lives of millions of people around the world.

In England, Scotland, Wales and Northern Ireland, we work in partnership with governments and the NHS so that patients can get new treatments faster and the NHS can plan how much it spends on medicines. Every day, our members partner with healthcare professionals, academics and patient organisations to find new solutions to unmet health needs.

1. <https://www.gov.uk/government/publications/life-science-sector-data-2022/life-science-competitiveness-indicators-2022#research-environment-1>
  2. <https://www.abpi.org.uk/publications/follow-the-green-high-tech-road/>
  3. [UK lost record number of working days to sickness in 2022, says ONS \(ft.com\)](#)
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