

Budget 2009

Chancellor Alastair Darling presented his Budget to Parliament yesterday. With the recent establishment of the Office for Life Sciences, and some ABHI participation in its unfolding work programme, we were expecting a number of announcements of direct relevance to the medical technology and life sciences sector. We were not disappointed. Despite only starting work in February, the OLS has made a significant impact in the Budget. ABHI will continue its involvement in the OLS work programme so that these Budget announcements turn in to tangible business benefits for the medical technology sector.

The Budget calls on public services to make efficiency savings. The Department for Health has announced its initial proposals for making efficiency savings towards the £2.3 billion of additional savings. It is significant that the areas highlighted focus on efficiency and wider benefits, not just cost savings. Specifically:

- Reducing healthcare associated infections saved the NHS £75 million in the last year, but the DH also recognised that it improved the experience of patients.
- They highlight that following NICE guidelines for the use of statins would cost the NHS around £105 million but be offset by avoiding high cost, acute interventions as well as improving care for patients.
- Targeted support outside of hospital can reduce total costs by “reducing costly emergency admission, as well as improving quality of life.” The use of technology in the home is additionally a policy area that ABHI is seeking to develop for members.

Overall, this suggests a new willingness to look beyond the basic price of technology to assess its longer term impact on patient care, a welcome development. It suggests that Lord Darzi’s emphasis on innovation in the Next Stage Review is serious.

DH highlighted a number of other areas of key relevance to ABHI members including building on the “World Class Commissioning” programme and extending and refining the Payment by Results tariff to “reward and drive both better quality and better efficiency”. ABHI will continue working with DH officials in these areas to ensure the views of industry are taken into account.

Life Sciences Announcements

The Budget Report “Focussing on Innovation” section highlights the UK science and research base and its place in future prosperity, referring to the work of the OLS. Announcements include:

- **Strategic Investment Fund**

£750 million Strategic Investment Fund to support advanced industrial projects of strategic importance. £50 million will go to the Technology Strategy Board and £10 million to UKTI.

- **Access to Growth Capital**

As previously announced the Government will launch a review to consider whether, and in what form, further intervention could increase the supply of long-term growth capital to small and medium sized businesses.

- **Tax and Innovation**

Government will consider the evidence for changes to the way the tax system encourages innovative activity and the relative attractiveness to global firms of locating R&D and innovation. The Government will assess the evidence on the potential impacts of any reforms on economic activity, such as the development and exploitation of patents and other intellectual property, location of manufacturing, research and development, investment and employment (as well as where intellectual property assets are held), and on tax receipts. The proposed approach will be set out before the Pre-Budget Report, which will likely take place in November/December.

- **Technology Strategy Board**

£50 million from the new Strategic Investment Fund will be set aside to enable the TSB to increase its capacity to support innovation in areas which have high potential to drive future growth, including advanced manufacturing and life sciences.

- **Supporting Exports**

Government will look at the existing and potential support offered by ECGD to ensure that the organisation plays a significant role in supporting UK exporters during the economic recovery. This review will be concluded before the Autumn. £10 million of the Strategic Investment Fund will go to UKTI to be spent on events to promote UK sector expertise in the UK and abroad.

- **Life Sciences**

The Government response to the Cooksey Review of bioscience strategy will be published in May 2009. This will set out action in a number of priority areas, including stronger incentives to support participation in clinical research and steps to promote innovation in the NHS, and action to tackle regulatory barriers and skills gaps. The Office of Life Sciences will publish an industrial strategy in the summer.

- **Public Procurement for SMEs**

Government will introduce reforms by the end of 2009 to improve access to Government contracts for SMEs. These will include the measurement of SME spend, flagging SME-friendly contracts, guidance and tools for simplified pre-qualification procedures and training for procurers and SMEs.

Business Announcements

The Budget contained a number of measures for wider business which may be of benefit to the medical technology industry, particularly SMEs.

- **Prompt Payment**

All central government departments have signed up to the Prompt Payment Initiative to reduce payment waiting from 30 to 10 working days. In March 2009 90% of payments were made within 10 days. The ABHI has recently provided Government with examples of late payment from NHS to industry, where such stringent standards do not apply and will be pressing for clarity about NHS standards.

- **ECGD Letters of Credit Scheme**

The Export Credits Guarantee Department will consult on a new facility to provide government support for short-term trade finance through sharing risks with banks in confirming letters of credit. This aims to give exporters greater certainty of payment when selling goods in difficult markets.

- **HMRC Business Support Service**

Launched in the 2008 Pre-Budget Report the service will be expanded from 22 April 2009 to allow businesses expecting to make losses to offset these against tax bills due on profits from the previous year which they are unable to pay.

- **SMEs**

From 1 May 2009 VAT registration threshold will increase in line with inflation from £67,000 to £68,000, meaning that around 6000 small businesses won't enter the VAT system.

- **Trade Credit Insurance**

A "top-up" trade credit insurance scheme to help UK businesses maintain their finances will be introduced. The Government will offer to "top-up" private sector trade credit insurance provision for six months.

- **Access to Finance**

The Report releases figures for the previously announced initiatives for SMEs.