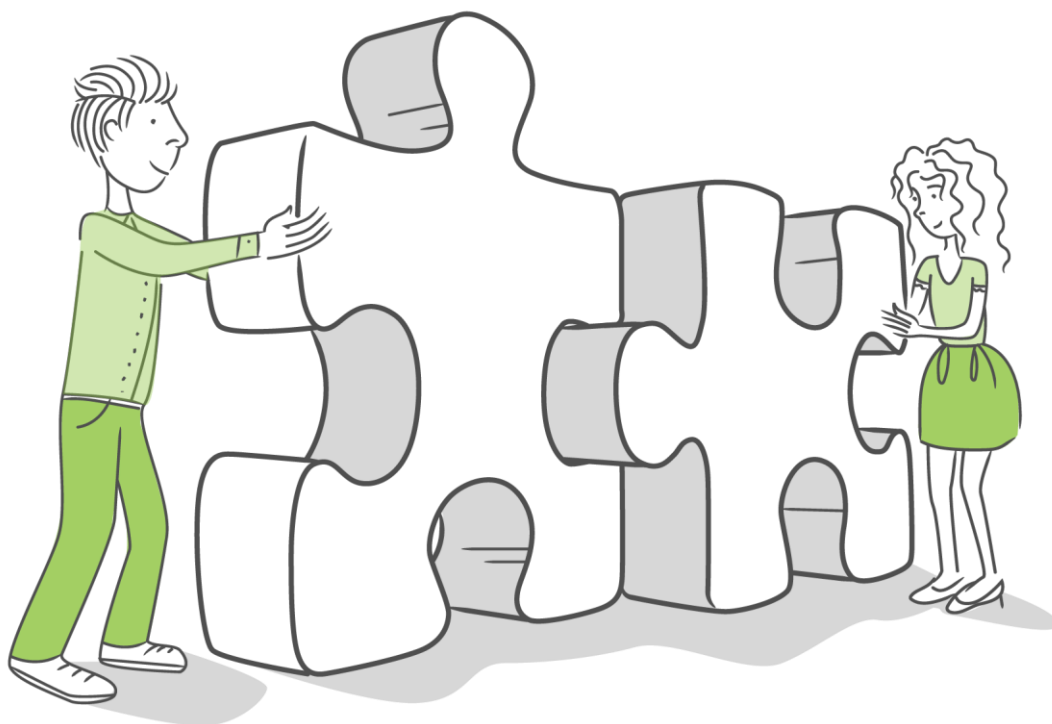


ForrestBrown[®]

R&D tax credit consultancy

INDUSTRIAL STRATEGY CONSULTATION RESPONSE

13 April 2017



Pillar one: Investing in science, research and innovation

5. What should be the priority areas for science, research and innovation investment?

It is widely accepted that innovation is good for business and good for the economy. Businesses who prioritise innovation tend to be more successful, and successful businesses contribute positively to the economy in a multitude of ways, including by raising employment.

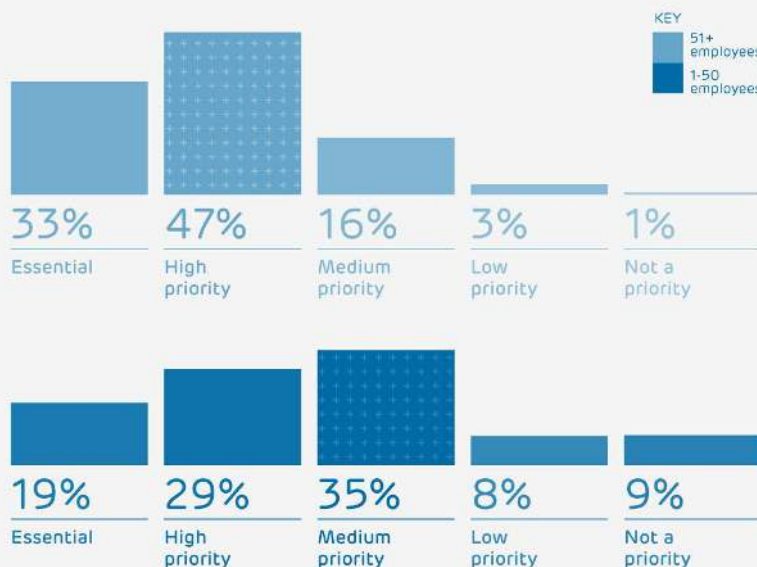
Based on the data we gathered for Igniting Innovation, we have commented on priority areas for investment in terms of size of business and type of funding mechanism.

a. Size of business

Appetite and access

More than 80% of businesses with more than 50 staff said innovation was already either essential or a high priority; however, less than half of smaller businesses said this was the case. Innovation was not a high priority for more than 50% of the UK's smallest companies: those with between 1 - 50 employees.

Appetite for innovation



Q. How would you describe your business's appetite for innovation? Innovation is:

This is significant given that twice as many businesses with more than 500 employees (60%) as small companies (only 28%) said that they would innovate further as a result of the government's additional investment in innovation. The ForrestBrown team advises more than 100 innovative businesses a month and our experience tells us that smaller companies have less time to prioritise growth, and even less to identify government funding to help them.

We recommend that the government prioritises providing better access to support for early-stage businesses: this will allow them to free up their time and resources and focus on innovation. This can be achieved

through better communication, ensuring that these businesses are made aware of the support available at the right time in their development.

Uptake of incentives for innovation

The gap between the smallest businesses and the general population correlates with their uptake of government incentives for innovation to date. Almost $\frac{3}{4}$ (73%) of the small businesses we surveyed had not made use of direct support for innovation. Low take-up, in our opinion, suggests they are subject to a chronic lack of awareness. In stark contrast, only 13% of larger companies had not accessed any direct funding for their innovation.

At ForrestBrown, we help innovative UK businesses to access R&D tax credits. ForrestBrown itself will this year be four years old and we still continue to be surprised by the consistent lack of awareness of R&D tax incentives among startups and small businesses. And even if a business is aware of their existence, they will quite often be confused about eligibility.

The Chancellor has already announced his intention to improve awareness of R&D tax credits and we agree that this should be a priority area. The government should access innovative businesses in innovative ways so that it can communicate properly with them at right stage in their business growth.

b. Funding mechanisms

Priorities for direct support

The government already invests in a number of funding mechanisms to directly support research and development (R&D). Respondents to our survey thought the government should prioritise additional investment in grants and R&D tax credits. Grants were the number-one preference for direct support, followed closely by R&D tax credits. See page 4 of Appendix 2, *Summary survey data tables*, for a full breakdown of the responses to this question.

We saw again a discrepancy between the smallest businesses who favoured lower corporation tax-rates, a catch-all incentive, and larger businesses who favoured targeted incentives for innovation.

Interestingly, the way grant funding and R&D tax credits interact is complicated and currently restricted by our membership of the European Union. Brexit may offer the government an opportunity to reform these two funding mechanisms and optimise them to work together.

Certain types of grant (referred to as notified state aid) exclude all project expenditure from the SME R&D tax credit regime - not just the amounts funded by the grant. Depending on the amount of grant funding received, this could leave a company with a lower benefit than if it had not applied for the grant in the first place.

Timing plays a role in the potential conflict between the two forms of funding. Companies apply for grant funding at the early stages of a project, usually before expenditure is incurred. An R&D tax credit claim is then made after the money has been spent. There is no scope for the company to reverse the grant funding in order to access R&D tax credits instead.

It is not just the companies being left with a lower benefit that makes this situation less than ideal; the rules are too complex for most businesses and, on some occasions, even their accountants. Even grant providers sometimes struggle to clearly define whether funding falls within the Notified State Aid restrictions. Brexit heightens the need to review how EU Regulation and UK legislation interact, and presents an exciting opportunity to resolve this conflict.

Grants and R&D tax credits can work together, but often clash due to EU rules on state aid and competition. Post-Brexit, we recommend that the government improve their compatibility.

The future for R&D tax credits

We believe that R&D tax credits form an essential part of the government's strategy for incentivising innovation in the UK and, with some refinement, could work even harder to benefit the economy.

In order to achieve this, we believe the government should invest further in R&D tax credits. We have asked ourselves: should the government prioritise its investment in a) making the R&D tax incentives more generous, or b) should it refine how it administers them? We will now deal with each of these questions in turn.

Generosity

Our own experience of working with innovative businesses tells us that when they are accessed, R&D tax credits do exactly what they are intended to: they enhance R&D activity in the private sector. For many, R&D tax credits are an important source of funding - one that can spark the next big project, or fund the final push in creating something remarkable. Our clients have been able to hire new members of staff, open new offices and change the culture of their business. For example:

- [Hardware Group](#) have reinvested their tax credit in creating new jobs geared towards optimising their systems.
- James Cannings, Co-Founder and Chief Technology Officer at [MMT Digital](#), reported that, "*It [R&D tax credits] allows us to maintain our cutting-edge position, keep relevant and deliver the best solutions to clients. It also gives us a tremendous boost to our efforts to recruit and retain talent.*"
- [P&M Aviation](#) survive by being on the cutting-edge of their industry and have put their credit straight back into their innovation to further their product development.
- Using the R&D tax incentive has helped the crystal glassware engineering firm, [Dartington Crystal](#), to put extra time to their innovation.
- [NEWSUBSTANCE](#), a design studio, said "*the tax credit gives you an opportunity to fail a bit - gives a little more margin if something goes wrong and takes the pressure off our kind of project*".

In terms of generosity, it is important that R&D tax credits in the UK - especially post-Brexit - remain competitive. The incentives not only help to nurture home-grown innovation, but also help to attract global investment. Comparing the UK incentives to overseas schemes is complex due to the number of variables, but the majority of nations do opt for some way of incentivising innovation, with many choosing tax as a mechanism for this. In our view, R&D tax credits in this country are adequately

generous to deliver the desired outcome.

We do recommend, however, that the government adjust the R&D tax rates as corporation tax reduces to 17% in 2020. Due to the way the relief works, a reducing corporation tax rate's generosity becomes diluted for profitable SME R&D tax credit claimants: it makes a change to the R&D tax relief enhancement rate necessary to maintain the current level of generosity. We think that there is an opportunity to resolve this and, at the same time, further improve awareness, simplicity and certainty, which we have set out below.

Administration

We recommend that for R&D tax credits, the government prioritises improvements to the way it administers the incentives. HMRC are currently responsible for administering the scheme, and while we recognise the efforts they have made to make improvements, there is some still way to go. The Chancellor has already announced that the government intends to reduce administrative burdens around R&D tax credits and that it will shortly put forward measures to deliver them in such a way as to make the UK even more attractive for R&D. For this, we have four recommendations:

i) Boost overall business awareness

Both the government and the tax industry have a responsibility to further educate businesses about R&D tax credits. HMRC has promoted the R&D tax credit incentives via webinars, and a number of educational videos. Its Advance Assurance programme aims to help smaller businesses access R&D tax credits, but it has had a halting start, with HMRC accepting that take-up has been lower than it expected.

We know from our own experience of promoting the incentives, that we are most successful in reaching businesses when we use case studies to illustrate the benefits of R&D tax credits. We also believe that in order to be successful in building awareness of R&D tax credits, we must try to reach innovative businesses in innovative ways. Where are they going for business advice already, and are they receiving the information at the right time?

Incubators and investors such as business angels and venture capitalists already provide an established and successful framework of support and advice for start-ups. They therefore also have an important part to play in helping to promote awareness of R&D tax credits.

We recommend that the government engages in a proactive and coordinated campaign to promote R&D tax credits to start-up businesses directly, via incubator programmes - and also to those investing in start-ups: more established business owners, and successful entrepreneurs who are looking to expand their investment portfolios.

ii) What does the government mean by R&D?

A pervasive misconception still exists that R&D tax credits are for those who carry out scientific research in a laboratory. We attribute this to the terminology that makes up the definition of R&D for tax purposes, which was written by the now defunct Department for Trade and Industry in 2004. The definition is purposefully broad so that it can be applied to any industry - not just laboratory-

based ones. However, in our experience, the most important aspect of this definition - that scientific or technological uncertainties are resolved in the process of R&D - is foxing a number of young businesses because they cannot easily relate their businesses activities and qualifying R&D projects to this terminology.

Since drafting the tax definition of R&D, the Department for Trade and Industry has not played an active role in supporting its application to R&D projects; it now no longer exists, with its remit currently being covered by the Department for Business, Energy and Industrial Strategy. Whilst the definition is specifically intended to apply equally to any sector, only a limited number of examples were included to aid interpretation.

We recommend that the government invest resources in making the current definition of research and development more accessible to the many varied businesses who carry out eligible R&D activities:

- It should consult with businesses themselves to clarify what misconceptions exist around eligibility.
- More examples of potentially eligible R&D activities across a range of different sectors should be available to help businesses understand how to apply the definition to their activities.
- It should provide businesses with advice on the eligibility of their R&D activities prior to them filing an R&D tax credit claim. However, it is important that this advice comes from the right body. We believe there is an important role to be played by the Department for Business, Energy and Industrial Strategy in achieving this.

iii) Align and simplify the two R&D tax incentives

We have already outlined above our recommendation for the government to improve the compatibility of grants and R&D tax credits, post-Brexit.

Offering two different R&D tax credit rates for large and small businesses allows the government to target support to where it is needed most - at the same time recognising that part of the fabric of an innovative economy is its ability to attract larger businesses with a global footprint. However, why do we still need two different mechanisms for relief? The RDEC (research and development expenditure credit) scheme for large companies, introduced by the Finance Act 2013, has increased the visibility of the incentive, attracting an increased volume of claims.

We recommend that the government use the same model for both the SME R&D tax credit and RDEC. A headline RDEC rate for SMEs of 40% would maintain a similar level of generosity and allow SMEs to access the benefits of RDEC.

iv) Improve certainty for SMEs

Too many factors can affect the cash benefit of an SME claim, as it is heavily dependent on a company's wider tax position. This makes it difficult for SMEs to predict their expected cash-flow year-on-year, even when they can accurately forecast their spend on R&D. Adjusting the SME R&D tax credit scheme structure to align it with the above-the-line structure of RDEC for large

companies would help SMEs to better forecast their financial position. The RDEC scheme is designed to increase visibility and certainty of the incentive, making it more effective at influencing investment decisions. We believe this change would similarly increase the number of claims made by SMEs, making it more attractive as a way of positively influencing investment decisions. This, in turn, would boost the overall level of R&D activity in the UK.

6. Which challenge areas should the Industrial Strategy Challenge Fund focus on to drive maximum economic impact?

The Industrial Strategy green paper highlights clean and smart energy, robotics, new materials and biotech as areas that could be funded through the Challenge Fund. The paper also notes the UK's poor track-record in commercialising research grounded in UK universities and research institutions.

As well as these emerging technologies, there are a huge number of applied innovations affecting every commercial sector in the UK market. We have already detailed in our response to question five the pervasive misconception that R&D only applies to traditional research sectors (such as science, pharma and technology). We know that R&D tax credits are specifically designed to be used by businesses in all sectors.

The construction, retail, and media sectors were among those where greater than 50% of respondents rated innovation a high priority, or essential, in our *Igniting Innovation* study. A key driver for many of these innovations is the incredibly fast pace of software development and an understanding that businesses need to move forward in order to remain competitive.

We recommend that the Challenge Fund is used to facilitate the transfer of technology from research institutions to businesses. This could be done by identifying commercial applications for emerging technologies across different sectors, and then funding collaboration programmes for researchers and businesses to establish the UK as a global leader. Examples include using:

- The Internet of Things (IoT) in the construction sector to improve operational efficiencies of a building.
- Virtual reality (VR) in the pharmaceutical sector as a new treatment for stress disorders.
- Artificial intelligence (AI) and machine learning in the retail sector to achieve true real-time stock management.

In our experience, the business community is responsible for a huge amount of technological innovation in seeking new applications for emerging capabilities and continuing the development started in our world-leading research institutes. It is in our opinion that these efforts will be what turns the UK into a world leader.

7. What else can the UK do to create an environment that supports the commercialisation of ideas?

Focus on product development

The Industrial Strategy green paper emphasises the commercialisation of products and services as a means to drive growth. Asked to determine at which stage of research and development activity government support should be targeted, product development was most favoured overall by the 1,000 senior business leaders we surveyed, followed by concept-development testing, and then idea generation. Our respondents favoured commercialisation the least, with only 16 per cent selecting it as a top priority.

R&D is by its nature a risky venture. Supporting product development will help to feed the commercialisation pipeline and we recommend that it be prioritised over and above product commercialisation.

Focus on start-ups

More than half of our respondents (55%) agreed that helping start-ups should be the top priority. We agree with that view; especially when we marry this statistic with the low appetite for innovation and poor uptake of government incentives reported by our smallest businesses.

We believe that the growth of small businesses is being hampered by difficulties in accessing government support. The UK is a hugely innovative place, but incentives for innovation are currently benefitting larger companies that already have the resources and know-how to be able to identify and access them, while smaller companies are being left behind through a lack of awareness.

As the home to a number of world-class science hubs, work done in UK labs should be an important building block for private investors to start and grow new businesses. But if we are lagging behind other nations, what is holding the technology transfer back?

In our view, the suppressed commercial appetite for R&D and the fact that smaller companies are not benefitting from government incentives for R&D are part of the same story. If the business community at large was better aware of the government incentives available, R&D intensity might increase as an extra funding boost takes the pressure off a risky venture.

The government has stated that supporting innovative start-ups is a crucial part of the Industrial Strategy, and so we recommend that the government prioritise showing how the additional funding and resources, when they materialise, will support these businesses - as well as how to use them.

8. How can we best support the next generation of research leaders and entrepreneurs?

Priorities for indirect support

One in five of the senior business leaders that responded to our *Industrial Innovation* study asked for the government to invest the extra funding promised for R&D in workforce and skills. This view supports the government's belief that developing skills will help people and businesses thrive. UK universities already attract talent from around the world wanting to benefit from the world-class reputation of these institutions; but we need to ensure that our entire education system supports the next generation in deciding on a career path and developing the skills they need.

The second most-popular choice for indirect support was investment in future transport and infrastructure projects. For many start-ups, premises and people costs are their most significant financial outlays. Undertaking R&D also requires upfront investment for future gain which is often a cash-flow drain. Ensuring innovative startups have access to the right talent, and improving local infrastructure to enable them to source this talent from a wider geographical area, will ensure that the right talent is in the right place to support science, research and innovation.

We work with a large number of startups, and as a young business ourselves, understand the challenges starting a business can bring. Access to support in the form of incubators can make all the difference in a startup developing into an established SME – a necessary requirement for it to eventually become the next market leader. Again, better awareness of the government incentives available for innovation would help to incentivise the next generation of entrepreneurs to take that significant step.

We recommend that the government engages with incubators and investors to ensure that innovative start-ups receive the advice they need to access the existing funding mechanisms available.

9. How can we best support research and innovation strengths in local areas?

We believe that our recommendations above will provide support to innovative businesses across the UK. Greater communication and engagement with incubators on a national scale will support the organic growth of innovation communities. These localised centres of excellence in a diverse range of sectors - all sharing the common quality of pushing the boundaries of science and technology through their research and development work - would all benefit from increased general awareness of the funding that is available.

Appendix 1: Summary of key ForrestBrown recommendations for R&D tax credits

Awareness

The government must increase awareness among innovative start-ups of the funding mechanisms available for innovation, through a proactive and coordinated engagement programme with incubators and investors.

1. We recommend the government prioritises providing better access to support to early-stage businesses to free up their time and resources to focus on innovation. This can be achieved through better communication, ensuring that these businesses are made aware of the support available at the right time in their development.
2. The Chancellor has already announced his intention to improve awareness of R&D tax credits and we agree that this should be a priority area. The government should access innovative businesses in innovative ways so that it can properly communicate with them at right stage in their business lifecycle.
3. We recommend that the government engages in a proactive and co-ordinated campaign to promote R&D tax credits to business start-ups directly via incubator programmes, and also to those investing in start-ups: more established business owners, and successful entrepreneurs who are looking to expand their investment portfolios.
4. The government has stated that supporting innovative start-ups is a crucial part of the Industrial Strategy, and so we recommend that the government prioritises showing how the additional funding and resources, when they materialise, will support them, and how to use them.
5. We recommend that the government engages with incubators and investors to ensure that innovative start-ups receive the advice they need to access the existing funding mechanisms available.

Understanding

We recommend that for R&D tax credits, the government prioritises improvements to the way it administers the incentives. It can do this by improving the available guidance and advice so that businesses are more easily able to identify that they qualify for funding.

6. We recommend that for R&D tax credits, the government prioritises improvements to the way it administers the incentives.
7. We recommend that the government invests resources in making the current definition of research and development more accessible to the many varied businesses who carry out eligible R&D activities:
 - a) It should consult with businesses themselves to clarify what misconceptions exist around eligibility.

- b) More examples of potentially eligible R&D activities across a range of different sectors should be available to help businesses understand how to apply the definition to their activities.
- c) It should provide businesses with advice on the eligibility of their R&D activities prior to them filing an R&D tax credit claim. However, it is important that this advice comes from the right body. We believe there is an important role to be played by the department for Business, Energy and Industrial Strategy in achieving this.

Simplicity & certainty

We recommend that the government adopts the RDEC (research and development expenditure credit) model for both SMEs and large companies. A headline RDEC rate for SMEs of 40% would maintain a similar level of generosity to the existing incentive and confer SMEs the same benefits of RDEC. We also recommend that the government takes steps to improve the compatibility of grants and R&D tax credits.

- 8. We recommend... the government adjusts the R&D tax rates as corporation tax reduces to 17% in 2020.
- 9. Grants and R&D tax credits can work together, but often clash due to EU rules on state aid and competition. Post-Brexit, we recommend the government improve their compatibility.



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Survey data summary tables



Your business's innovation

1. How would you describe your business's appetite for innovation? Innovation is:

	Company Size					
	Total	1-50 employees	51-250 employees	251-500 employees	501-1,000 employees	1,000+ employees
Base: All Respondents	1000 100%	491 100%	204 100%	138 100%	92 100%	75 100%
Essential (5)	259 25.90%	92 18.70%	58 28.40%	51 37.00%	32 34.80%	26 34.70%
High priority (4)	382 38.20%	142 28.90%	92 45.10%	65 47.10%	53 57.60%	30 40.00%
Medium priority (3)	254 25.40%	170 34.60%	45 22.10%	20 14.50%	6 6.50%	13 17.30%
Low priority (2)	58 5.80%	43 8.80%	7 3.40%	2 1.40%	1 1.10%	5 6.70%
Not a priority (1)	47 4.70%	44 9.00%	2 1.00%	-	-	1 1.30%
NET: Top 2 Box (4+5)	641 64.10%	234 47.70%	150 73.50%	116 84.10%	85 92.40%	56 74.70%
NET: Bottom 2 Box (1+2)	105 10.50%	87 17.70%	9 4.40%	2 1.40%	1 1.10%	6 8.00%
Mean	3.75	3.4	3.97	4.2	4.26	4

Igniting innovation

A ForrestBrown study on business attitudes to the government's Industrial Strategy
Survey data summary tables

2. Which sources of government funding has your business made use of?

	Company Size					
	Total	1-50 employees	51-250 employees	251-500 employees	501-1,000 employees	1,000+ employees
Base: All Respondents	1000 100%	491 100%	204 100%	138 100%	92 100%	75 100%
Grant funding	295 29.5%	57 11.6%	88 43.1%	73 52.9%	47 51.1%	30 40.0%
Patent box	125 12.5%	11 2.2%	26 12.7%	45 32.6%	27 29.3%	16 21.3%
R&D tax credits	239 23.9%	27 5.5%	62 30.4%	64 46.4%	57 62.0%	29 38.7%
Other shareholders' or investors' relief e.g. SEIS, EIS and entrepreneurs' relief	162 16.2%	24 4.9%	44 21.6%	41 29.7%	29 31.5%	24 32.0%
Other government funding (interest free loans)	157 15.7%	32 6.5%	46 22.5%	33 23.9%	26 28.3%	20 26.7%
None of these	427 42.7%	360 73.3%	36 17.6%	8 5.8%	10 10.9%	13 17.3%
Don't know	32 3.2%	14 2.9%	8 3.9%	3 2.2%	1 1.1%	6 8.0%

3. Has your ability to access finance ever been a barrier to your business's growth?

	Company Size					
	Total	1-50 employees	51-250 employees	251-500 employees	501-1,000 employees	1,000+ employees
Base: All Respondents	1000 100%	491 100%	204 100%	138 100%	92 100%	75 100%
Yes	514 51.4%	200 40.7%	126 61.8%	88 63.8%	60 65.2%	40 53.3%
No	486 48.6%	291 59.3%	78 38.2%	50 36.2%	32 34.8%	35 46.7%

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Survey data summary tables

How the extra money should be spent

4. Which types of direct business's support should the government prioritise?

	Company Size					
	Total	1-50 employees	51-250 employees	251-500 employees	501-1,000 employees	1,000+ employees
Base: All Respondents	1000 100%	491 100%	204 100%	138 100%	92 100%	75 100%
Lower corporation tax for all businesses	3.81	3.66	3.87	3.88	4.01	4.27
Lower corporation tax specifically for innovative businesses	3.80	3.89	3.75	3.47	3.75	3.97
Tax incentives for research and development	3.64	3.68	3.62	3.88	3.67	2.91
Grant funding	3.45	3.37	3.35	3.61	3.71	3.59
Support for the commercialisation of products and services	4.21	4.41	4.09	3.81	3.89	4.35
Other shareholders' or investors' relief e.g. SEIS, EIS and entrepreneurs' relief	5.12	5.43	4.99	4.62	4.74	4.87
Other government funding (interest free loans)	3.98	3.56	4.34	4.72	4.23	4.05

This table is a summary of means; the lowest score denotes the highest priority, and vice versa.

Igniting innovation

A ForrestBrown study on business attitudes to the government's Industrial Strategy
Survey data summary tables

5. Which types of indirect business support should the government prioritise?

	Company Size					
	Total	1-50 employees	51-250 employees	251-500 employees	501-1,000 employees	1,000+ employees
Base: All Respondents	1000 100%	491 100%	204 100%	138 100%	92 100%	75 100%
Trade and inward investment	4.74	4.65	4.86	4.89	4.90	4.52
Business management advice	5.53	5.75	5.27	5.28	5.34	5.55
Collaboration between businesses and researchers	5.02	5.32	4.90	4.68	4.40	4.69
The UK workforce (apprenticeships, access to education and mentoring)	4.15	3.71	4.48	4.94	4.50	4.27
Full-fibre broadband and 5G mobile communications	4.81	4.59	4.97	5.07	5.10	5.01
Future transport technology and infrastructure	4.49	4.45	4.56	4.51	4.52	4.55
Procurement and supply chain support	5.72	6.07	5.34	5.22	5.48	5.64
Affordable and clean energy	4.57	4.41	4.50	4.78	5.10	4.69
Flood defences	5.98	6.06	6.11	5.63	5.66	6.08

This table is a summary of means; the lowest score denotes the highest priority, and vice versa.

6. Who should benefit most from the extra innovation investment?

	Company Size					
	Total	1-50 employees	51-250 employees	251-500 employees	501-1,000 employees	1,000+ employees
Base: All Respondents	1000 100%	491 100%	204 100%	138 100%	92 100%	75 100%
Start-ups	1.57	1.44	1.65	1.80	1.73	1.61
SMEs	1.85	1.75	1.93	2.09	1.89	1.88
Large companies	2.58	2.81	2.43	2.11	2.38	2.51

This table is a summary of means; the lowest score denotes the highest priority, and vice versa.

Igniting innovation

A ForrestBrown study on business attitudes to the government's Industrial Strategy
Survey data summary tables

7. What stage of research should be prioritised?

	Company Size					
	Total	1-50 employees	51-250 employees	251-500 employees	501-1,000 employees	1,000+ employees
Base: All Respondents	1000 100%	491 100%	204 100%	138 100%	92 100%	75 100%
Idea generation	2.49	2.41	2.65	2.49	2.58	2.45
Concept development and testing	2.38	2.35	2.35	2.46	2.43	2.39
Product development	2.14	2.04	2.13	2.28	2.22	2.40
Commercialisation	3.00	3.20	2.87	2.77	2.77	2.76

This table is a summary of means; the lowest score denotes the highest priority, and vice versa

Impact on the wider landscape

8. In comparison to the rest of Europe, how does the UK fare in terms of R&D? We are:

	Company Size					
	Total	1-50 employees	51-250 employees	251-500 employees	501-1,000 employees	1,000+ employees
Base: All Respondents	1000 100%	491 100%	204 100%	138 100%	92 100%	75 100%
Ahead of Europe	314 31.4%	116 23.6%	70 34.3%	57 41.3%	43 46.7%	28 37.3%
On a par with Europe	470 47.0%	240 48.9%	100 49.0%	56 40.6%	39 42.4%	35 46.7%
Behind Europe	216 21.6%	135 27.5%	34 16.7%	25 18.1%	10 10.9%	12 16.0%

Igniting innovation

A ForrestBrown study on business attitudes to the government's Industrial Strategy
Survey data summary tables

9. Added to existing government funding for R&D (£6.3 billion in 2014), is the extra £2bn a year by 2020 enough? It is:

	Company Size					
	Total	1-50 employees	51-250 employees	251-500 employees	501-1,000 employees	1,000+ employees
Base: All Respondents	1000 100%	491 100%	204 100%	138 100%	92 100%	75 100%
Too little	399 39.9%	194 39.5%	84 41.2%	53 38.4%	36 39.1%	32 42.7%
Enough	564 56.4%	282 57.4%	110 53.9%	82 59.4%	52 56.5%	38 50.7%
Too much	37 3.7%	15 3.1%	10 4.9%	3 2.2%	4 4.3%	5 6.7%

10. What impact will this extra investment have on the UK's position in terms of R&D? We will be:

	Company Size					
	Total	1-50 employees	51-250 employees	251-500 employees	501-1,000 employees	1,000+ employees
Base: All Respondents	1000 100%	491 100%	204 100%	138 100%	92 100%	75 100%
Ahead of Europe	355 35.5%	161 32.8%	70 34.3%	49 35.5%	49 53.3%	26 34.7%
On a par with Europe	493 49.3%	241 49.1%	111 54.4%	68 49.3%	34 37.0%	39 52.0%
Behind Europe	152 15.2%	89 18.1%	23 11.3%	21 15.2%	9 9.8%	10 13.3%

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11. What impact does Brexit have on the government's extra investment in R&D? It makes it:

	Company Size					
	Total	1-50 employees	51-250 employees	251-500 employees	501-1,000 employees	1,000+ employees
Base: All Respondents	1000 100%	491 100%	204 100%	138 100%	92 100%	75 100%
Significantly more important	318 31.8%	166 33.8%	61 29.9%	40 29.0%	28 30.4%	23 30.7%
More important	406 40.6%	172 35.0%	95 46.6%	65 47.1%	48 52.2%	26 34.7%
It makes no difference	240 24.0%	138 28.1%	42 20.6%	27 19.6%	13 14.1%	20 26.7%
Slightly less important	22 2.2%	13 2.6%	3 1.5%	4 2.9%	1 1.1%	1 1.3%
Significantly less important	14 1.4%	2 0.4%	3 1.5%	2 1.4%	2 2.2%	5 6.7%
NET: Top 2 Box (4+5)	724 72.4%	338 68.8%	156 76.5%	105 76.1%	76 82.6%	49 65.3%
NET: Bottom 2 Box (1+2)	36 3.6%	15 3.1%	6 2.9%	6 4.3%	3 3.3%	6 8.0%
Mean	3.99	3.99	4.02	3.99	4.08	3.81

12. When it materialises, would this extra funding for R&D change your business's appetite for innovation? Our appetite would:

	Company Size					
	Total	1-50 employees	51-250 employees	251-500 employees	501-1,000 employees	1,000+ employees
Base: All Respondents	1000 100%	491 100%	204 100%	138 100%	92 100%	75 100%
Increase	400 40.0%	138 28.1%	87 42.6%	74 53.6%	57 62.0%	44 58.7%
Decrease	60 6.0%	14 2.9%	22 10.8%	17 12.3%	3 3.3%	4 5.3%
Remain the same	475 47.5%	303 61.7%	79 38.7%	41 29.7%	28 30.4%	24 32.0%
Don't know	65 6.5%	36 7.3%	16 7.8%	6 4.3%	4 4.3%	3 4.0%

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About the survey

All field work was conducted during January and February 2017, based on an online survey of 1,000 business leaders: company chairs, non-executive directors, chief executives, managing director, company founders, CFOs/finance directors/directors of heads of finance and chief operating officers.

About ForrestBrown

ForrestBrown is a tax consultancy specialising in research and development (R&D) tax credits. Our team of chartered tax advisers help innovative businesses grow and were awarded 'best independent tax consultancy firm' by Taxation Awards 2016. We have two ex-HMRC R&D Unit Inspectors in our ranks. With more than 250 years combined experience, our tax team has a deep understanding of the R&D tax legislation as well as a keen interest in science and technology. We are currently advising 100+ companies a month across all sectors, and last year delivered £50+ million for innovative UK businesses.