Invest 2035: CBI response to Industrial Strategy consultation

Background

The CBI represents 850 members who themselves comprise 1,100 separate registered companies and 150,000 trade association members. Founded 60 years ago and representing some of the biggest names in business, household brands and globally traded corporations that employ people in all sectors and across every region and nation of the UK, the CBI is the voice of business.

We welcome the opportunity to respond to the Industrial Strategy Green paper. CBI members have told us of the need for a long-term plan which puts growth at the centre and in turn gives the confidence to drive investment into the UK. The CBI supports the need for growth to be distributed across the UK in order to tackle the decades old productivity challenge. As a long-standing supporter of devolution we see this strategy, developed in lockstep with nations and English regions as a vital component to drive the UK economy.

However, it is important to acknowledge that the industrial strategy cannot deliver growth on its own and we believe this needs to sit alongside a long-term plan for infrastructure delivery and proposals to deliver the essential workforce skills needed by businesses across the country. In addition, strategies for defence, trade & investment, industrial decarbonisation and food security must sit alongside and interweave into a future Industrial Strategy. This will require a cross-departmental approach to business engagement, policy co-creation and outcomes focused delivery models.

If you have any questions or would like any further detail, please do not hesitate to get in touch with Mark.Goldstone@cbi.org.uk.

Introduction

The Green Paper seeks to present a robust framework for driving economic growth and addressing the UK's productivity challenges and broadly aligns with CBI policy direction. Industry has been calling for a long-term strategy that will drive investment, close the UK productivity gap and unlock opportunity and prosperity everywhere.

Now more than ever there is a need to address the challenges that structural economic changes will bring, not just to the UK but to the world. Turning challenges into opportunities can super-charge the UK economy and cement our place on the world stage. The CBI and OBR have independently identified **five major economic shifts that will impact growth** on the horizon.[1] The UK industrial strategy must address these to begin turning them into opportunities where possible:

- **Funding competitiveness** through deeper capital markets and an agile fiscal policy framework.

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[1] CP 1142 – Office for Budget Responsibility Fiscal risks and sustainability

- **Delivering on the UK's Net Zero targets** through sustainable investments and regulatory innovation.
- **Evolving our labour market,** ensuring the right balance of skills, health, and productivity for future growth.
- **Harnessing digital technology**, particularly AI, to revolutionise both the public and private sectors.
- **Balancing economic security with international trade policy** to secure the UK's position in an increasingly protectionist world.

This is expanded upon in the CBI's ***Blueprint for UK Competitiveness***[2] which also provides five **policy tools** for use in turning risk to opportunity:

- **Assessing national industrial assets**
- **Tackling enablers of growth first**
- **Minimising opportunity cost**
- **Picking races over winners**
- **Asking 'how does this play across the UK?'**

This Green Paper proposes an approach that is broadly welcomed, summarised as follows:

1. **Stability and Confidence**: The commitment to long-term stability is crucial. Businesses need certainty to make significant investments, and the establishment of a statutory Industrial Strategy Council is a positive step towards ensuring consistent policy.

2. **Sector Focus**: Targeting high-growth sectors is a strategic move. By leveraging the UK's strengths in services and manufacturing, and investing in emerging technologies, the strategy aims to position the UK as a global leader in innovation. However, acknowledgement that high growth sectors sit at the heart of complex supply chains and are reliant on the supporting foundational sectors is important.

3. **Fixing the cross economy enablers**: The green paper rightly seeks the views of industry around the barriers to investment

4. **Job Creation and Skills Development**: The focus on creating high-quality jobs is commendable. However, it will be essential to align educational and training programs with industry needs to ensure a skilled workforce ready to fill these roles. Access to talent is one of the most significant drivers of investment into UK industries.

5. **Pro-Business Reforms**: Addressing barriers such as skills shortages, regulatory hurdles, and infrastructure gaps is vital. The strategy's holistic approach to creating a pro-business environment can significantly enhance the UK's attractiveness for investment.

6. **Global Trade**: Strengthening existing trade relationships and forging new ones is critical in a post-Brexit context. The strategy's emphasis on international trade can help mitigate some of the economic uncertainties and open new markets for UK businesses.

7. **Collaborative Approach**: The call for input from various stakeholders is a strong point. A collaborative approach ensures that the strategy is grounded in practical realities and benefits from diverse perspectives.

[2] Blueprint for UK Competitiveness

The dynamic landscape of global economics necessitates a robust, forward-thinking strategy to ensure the United Kingdom remains competitive. This will require policy certainty and stability that send clear market signals to business and in turn help investment through the deployment of finance. The industrial strategy should set out a vision for enhancing the UK's competitive edge, focusing on key growth sectors, foundational elements, and the enablers critical to achieving sustained economic growth and prosperity.

As such, this response focuses on **nine** main areas, in answer to several posed questions:

1. **Growth Sectors (Questions 1-6 and 26)**
2. **Enablers to Investment and Growth (Question 7)**
3. **Planning Reform and Infrastructure Delivery (Questions 14-15)**
4. **Pro-Business Regulatory Environment (Questions 18-20)**
5. **Workforce Skills and Future Labour Market (Questions 8-9)**
6. **Technology Adoption and Innovation (Questions 10-13 & 22)**
7. **New models for Public-Private Partnership (Question 27)**
8. **UK's Place in the World (Questions 21 & 24)**
9. **Maximising government machinery for success across nations and regions (Questions 30-32)**

Growth Sectors (Questions 1-6 and 26)

A strategic approach to identifying and nurturing sub-sectors within the 8 named growth sectors is essential. The methodology should be heavily data led involving analysis down to firm and regional level. The identification of high growth sectors also allows the industrial strategy to be sufficiently choiceful, which the CBI's members welcome. This process need not be at the detriment of the foundational or 'everyday' economy however, as we outline below.

To demonstrate the economic value a business or sector contributes, the CBI methodology calculates its gross value added (GVA) — the income it generates that supports spending and reinvestment across the UK economy.

We rely on financial, employment, and procurement data to estimate the direct and indirect impacts on money flows and job creation. The **CBI Economics model** takes a "bottom-up" approach, using data collected directly from businesses or sectors through surveys, rather than general industry averages. This method ensures more precise and actionable results, even if it takes longer.

The analysis uses an **input-output framework** (see **figure 1**) to map how procurement and investment activities cascade through the economy, connecting industries, households, and government. By integrating data from the UK and Scottish National Accounts, we provide a comprehensive view of a sector's economic footprint and its wider influence on the economy.

Figure 2 sets out some of the final outputs that appear in CBI Economics research papers.

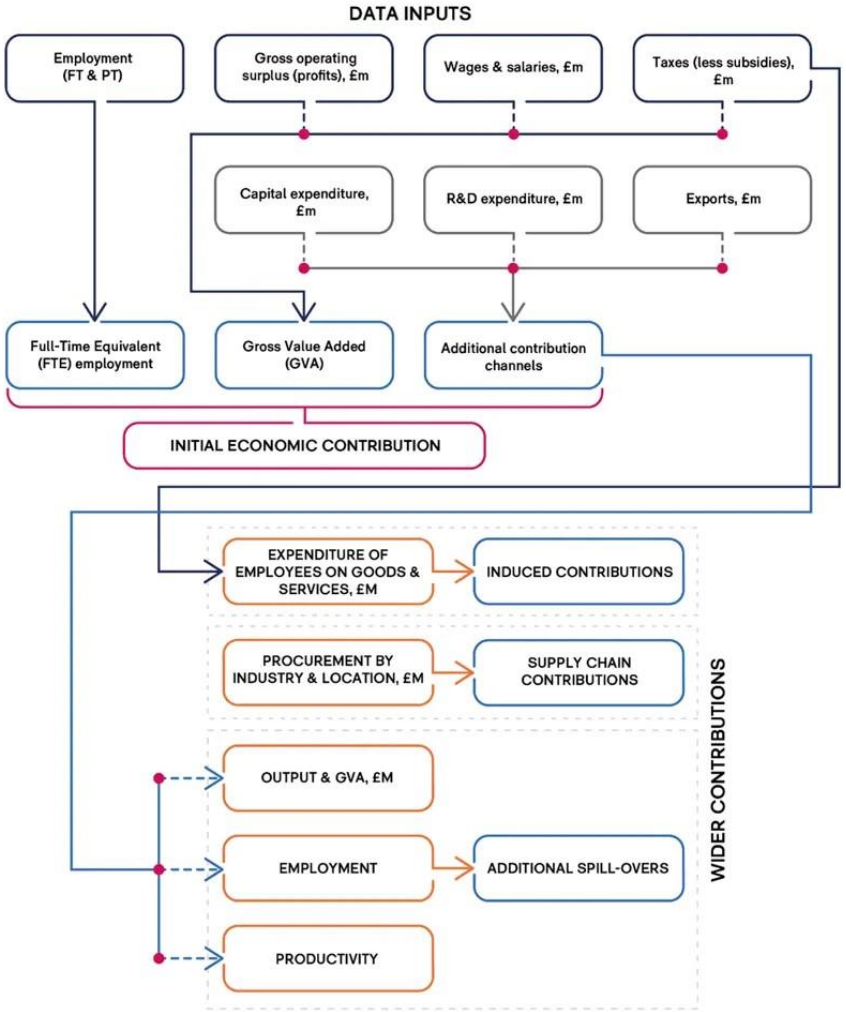

Figure 1: Overview CBI Economics data analytics framework

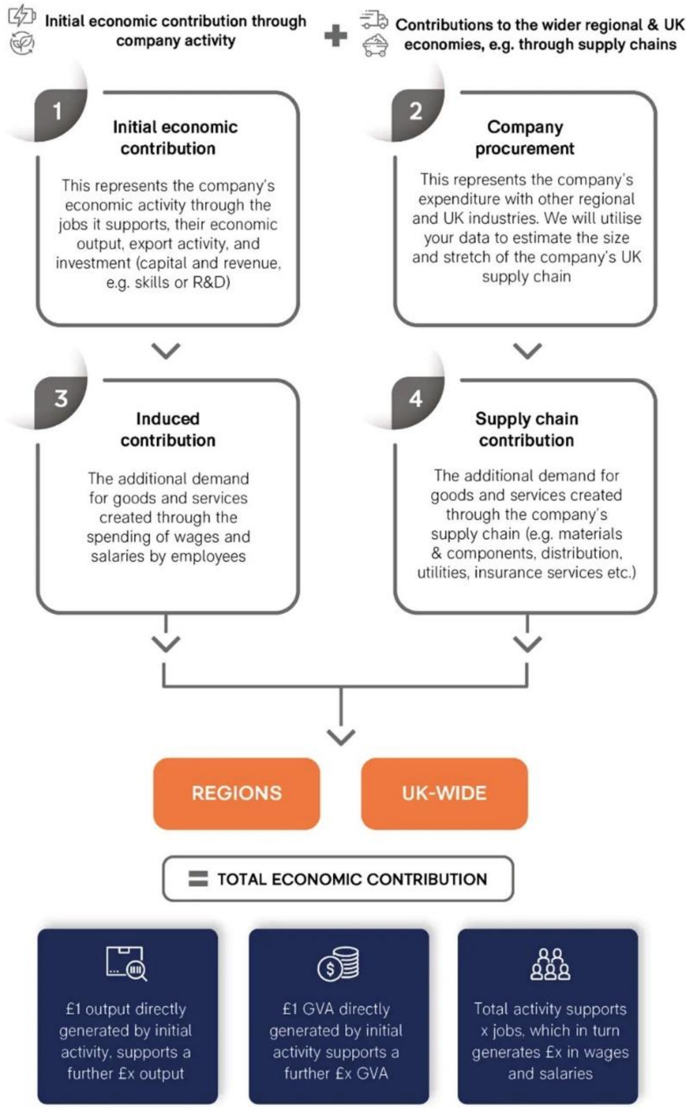

Figure 2: Overview of the economic contribution model

Regional growth and cluster mapping

The CBI has emphasized the importance of **economic clusters** for regional growth and national prosperity and a key part of the solution to address the UK's productivity challenge. This is a tried and tested method, with examples of clustering in countries such as Singapore, Taiwan, Israel, or regions such as Hamburg in Germany, or Silicon Valley and even Hollywood in the USA. Through strong business leadership, university partnership and government support these countries have created world leading strengths in technology, digital, manufacturing and creative industries.

CBI research, in partnership with McKinsey, has identified as many as 50 potential cluster developments in the UK. In addition to this there are over 100 innovation hubs across the UK which could be at the heart of future cluster developments. Many of these are concentrated within London and the 'golden triangle' but there are also those that have strong regional significance. These clusters make up 6% of employment but 11% of UK GVA. In some areas the clusters have significant local value, for example Financial Services in Edinburgh makes up approximately 25% of the city's GVA.

The transition to a net-zero economy offers more potential for cluster growth and development as the country seeks to decarbonise industrial production and move towards cleaner sources of energy generation. Research conducted by the CBI on behalf of the Energy & Climate Intelligence Unit[3] shows that in 2023 the net-zero economy grew by 9% against a UK GDP average growth of 0.1%. Furthermore, this growth was distributed right across the UK. Already we are seeing emerging clusters for offshore wind, carbon capture and storage and green hydrogen production across devolved nations and regions.

CBI Economics in partnership with The Data City has developed a methodology for mapping regional clusters and sectoral strengths. For example, CBI analysis of **South West England** shows the following insights:

- The South West hosts a very strong **Net Zero sector** and within this a thriving industry for Clean Technologies. Net Zero contributes **£6.5 billion in GVA**, **4.4%** of the regional economy, and supports **66,000 FTE jobs**. Thriving local Net Zero clusters were identified in Cornwall, Bristol, Wiltshire and Bournemouth.
- **Energy Generation** performs very well in the South West, as a total business population of 2,100 contributes **£2.4bn in GVA** and accommodates **25,800 FTE jobs**.
- Notably, **10% of UK FoodTech GVA** is generated in the SW and 10% of the UK's Quantum Economy and Software as a Service (SaaS) sector also originates within the SW.
- The West of England combined authority shows strong performance and clustering in **FinTech and Life Sciences**, that contribute **£206m and £538m in GVA** respectively.
- Other interesting clusters are **Electronics Manufacturing** (close to £1bn in GVA) and **Photonics** (a smaller, but more concentrated sector).

[3] Energy & Climate Intelligence Unit | The UK's net zero economy

The CBI Clusters Playbook[4], sets out further details on the benefits of economic clustering and includes practical guidance from business leaders.

Foundational Sectors

The foundational sectors are pivotal in achieving the UK's objectives for net zero transition, regional growth, and economic security and resilience; they serve as the bedrock of the economy, providing essential goods and services that support overall economic activity.

The Invest 2035 paper acknowledges the integral role of foundational sectors in driving growth and delivering on key objectives. CBI members have been very clear of the need to understand the inter-connections across supply and value chains and that without strong foundations we will not deliver the growth ambitions set out within the industrial strategy

For example, a dynamic, well skilled and pro-growth construction and property sector is vital for infrastructure development, which in turn is necessary for the deployment of low-carbon energy solutions, the growth in advanced manufacturing and other capital intensive high growth sectors and ultimately vital in achieving net zero, regional growth and the secure and resilient economy needed for long-term stability.

This is one example of many critical and interconnected sectors which enable growth elsewhere, from critical minerals and transport to food and drink and retail.

Addressing the cross economy enablers, which we set out in the next section, will go a very long way to supporting the foundational sectors along with the everyday economy, to meet their ambitions and overcome longstanding structural barriers to economic growth.

[4] CBI Clusters Playbook | CBI

Role of foundational sectors in driving government missions

Manchester Airports Group – aviation driving trade and the clean energy transition

The UK is an island trading nation, with services accounting for around 80 per cent of its economy. It is the second largest exporter of services in the world. This makes it particularly reliant on international connectivity and aviation for growth.

High-value services in which the UK is globally competitive, from financial and professional services to creative industries, rely on business travel to secure investment, meet new customers and exchange knowledge.

It is no coincidence that, last year, business travel spend growth in the UK outpaced countries such as the US, France, Spain and Australia – in order to support these exports.

Recent research from WPI Economics confirms that ten traditional sectors in the UK particularly reliant on air connectivity contribute £643 billion to GVA and 4.2 million jobs in the UK. Taken together, they are projected to grow faster than the economy as a whole over the next ten years.

Their exposure to international markets confers benefits, in the form of increased competition, economies of scale and foreign direct investment, which support higher productivity and superior growth rates.

As such, international connectivity is integral to achieving the Government's number one mission of the highest sustained growth in the G7 and should be recognised as a foundational sector or enabler of the growth-driving sectors identified in the Invest 2035 green paper.

The UK's status as the third largest aviation market in the world can be leveraged as an advantage for the wider economy, in the context of an industrial strategy which plays to the country's strengths.

Decarbonisation and SAF: the case for a cross-departmental policy framework which the industrial strategy can provide

UK aviation will become net zero by 2050 to ensure business travel is sustainable. This will either be achieved through imports, which means exposure to volatile international energy markets, or developing a homegrown supply of low carbon fuel which supports energy resilience.

Sustainable aviation fuels (SAF) are an important component in the sector's decarbonisation roadmap, alongside other technologies.

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In the event of the global market for SAF being short by the time the Mandate ratchets up to 10 per cent of the fuel mix by 2030, which is a real prospect, an import-based strategy means fuel costs would likely rise and air fares become more expensive for precisely those services businesses the country needs to be exporting more

Alternatively, British SAF production can capture the economic value from new global markets in low carbon fuels and help generate over 10,000 new jobs by 2035, at SAF plants in industrial clusters from Teesside and the Humber to South Wales and the Northwest: the true definition of a place-based approach to revitalising the country's industrial heartlands.

The introduction of a SAF Bill and Mandate are positive steps in the creation of a domestic sector. But there is now has an opportunity to go further: recognising aviation as a foundation of the high-growth, exporting economy the Government wants to build and embedding it in a cross-departmental industrial strategy and supportive policy framework which unlocks its full potential.

One example which illustrates this is the Government's current waste hierarchy, controlled by DEFRA. Help is needed to set targets for local authorities to consign a portion of their non-recyclable municipal waste (MSW) to make SAF. This would help secure the necessary feedstock to ensure the UK's SAF sector can be world-leading, reducing the need for imports and realising significant carbon savings versus the current inefficient use of sending waste to incineration for electricity.

A level of policy coherence between various government departments is needed to make this happen.

Anglo-American – the role of mining in net-zero transition, economic security and regional growth

Anglo American is a global mining company headquartered in London and listed on the FTSE 100. Anglo American has a significant operational footprint in the UK in the form of what will become one of the world's largest fertiliser producing mines, located in North Yorkshire and Teesside – The Woodsmith Project. Woodsmith, the largest deposit of polyhalite fertiliser in the world, represents a unique asset for the UK that will drive growth and productivity, create high value jobs and generate large-scale exports. Anglo American have already invested $2.8bn in the project and are seeking to bring on another investor to share the remaining capital costs and bring the project online. This will trigger billions of pounds of investment into the UK.

Woodsmith will deliver the type of growth the industrial strategy aims for in supporting net zero, contributing to regional balance and delivering economic security. Polyhalite does not require chemical inputs for processing and is certified as organic, with a low carbon footprint compared to other fertilisers, therefore supporting the UK's ambitions to reach Net Zero. The location of the Woodsmith mine in North Yorkshire and the processing and port facility in Teesside supports high value jobs and contributes to economic growth regionally, having already added £1.5bn to the regional economy since 2017. Woodsmith also delivers economic security; the UK currently imports the vast majority of its fertiliser which makes it vulnerable to supply shocks in the global market. Recently, the UK has been impacted by price volatility in the potassium fertiliser market, driven in part by tariffs and sanctions imposed on Russia, who are a significant global fertiliser producer. A strong domestic supply of polyhalite would offset this dependence at the same time lowering emissions.

In terms of Clean Energy Industries, Woodsmith aligns with the government's aim to enable industry to capture demand for low carbon products. Polyhalite's organic credentials and low carbon footprint compared to alternative fertilisers, will contribute towards lowering the energy demand and emissions associated with agriculture. In terms of Advanced Manufacturing, the construction of Woodsmith involves the development of cutting-edge technologies in the UK, including innovative shaft boring technologies to create a 23 mile tunnel from the mine to the processing and port facilities at Teesside.

Mineral Products Association - Essential minerals are *the* foundational sector that underpins modern economies

The mineral products sector will be critical to the success of the industrial strategy. If key issues facing the sector are not resolved, constraints on our performance will affect the rest of the wider economy including the growth sectors identified in the green paper.

MPA members produce aggregates, asphalt, cement, concrete, dimension stone, lime, mortar and industrial sand, which are essential materials for construction and industry. The UK has a choice: support and grow a low carbon domestic sector employing thousands in highly skilled well paid jobs in every region of the country or rely entirely on imported material impacting the UK economy, jobs and security of supply.

The sector is foundational to everything else, highly sensitive to government policy and the performance of the public sector and can be significantly enabled to grow through focused but limited policy change.

The sector employs 80,000 people, supporting 3.2 million in the construction supply chain and delivering £8 bn GVA. It also has well above average productivity at around £99,000 per worker per year.

The sector has seen significant innovation, mainly focused on decarbonisation. The new BS8500 standard for concrete will save one million tonnes of CO_2 per year, for example, by enabling lower carbon concrete mixes. These are the most recent steps in a long journey; the concrete and cement sector delivered a reduction of 53% in its carbon footprint from 1990-2018. There are cutting edge manufacturers of offsite precast concrete, using Modern Methods of Construction principles to drive greater productivity of production and speed of construction

Laing O'Rourke – Infrastructure as a catalyst for the Industrial Strategy

Laing O'Rourke is an international engineering and construction company delivering state of the art infrastructure and buildings projects for clients in the UK, Middle East and Australia.

In the UK, they are delivering the vital infrastructure and buildings required to meet the needs of high growth sectors engaged in the clean energy transition, grid upgrades, life science investments, defence provision and many more besides.

As the UK's largest privately owned construction company, Laing O'Rourke has been a pioneer of modern methods of construction since opening an advanced manufacturing centre in the East Midlands in 2009, which was in addition to facility already operating in the West Midlands. Today, after £200m of investment, the Centre of Excellence for Modern Construction (CEMC) is Europe's most advanced concrete products manufacturing facility.

The facility has supplied components to more than 350 buildings and infrastructure projects across the UK and created over 1,500 high value jobs in the East Midlands. The projects that have benefited include Hinkley Point C, The Elizabeth Line and HS2, new hospitals and schools, projects for the Ministry of Justice and Ministry of Defence, data centres and world-class science and research facilities.

Through working in partnership with many current government departments and private sector clients across the UK, they have demonstrated that Modern Methods of Construction, that embrace advanced manufacturing and digital technology lead to higher productivity, increased decarbonisation of materials, healthier work and dispersed prosperity.

All eight of the high growth sectors identified within the industrial strategy green paper will fundamentally rely upon the construction and infrastructure sector as a key foundational enabler to their own growth plans. Currently this sector, which represents 9% of UK GDP and employs over 2.63m people, is facing into a number of structural issues such as a shortage of over 225,000 skills, chronic under investment in modernisation and low adoption of technology.

Laing O'Rourke believe that these sector' problems need not hold the Industrial Strategy back and should thus be seen as opportunities for further sector wide transformation. If we align the proposed industrial strategy with a refreshed and modern infrastructure strategy that embraces modern techniques, the construction sector can become not just an enabler, but a super catalyst that will drive higher growth, higher value jobs, faster programmes of delivery and more sustainable outcomes.

The proposed 10 – year plan and stable policy will be vital in providing a long term platform for the sector to transition their workforce from "trades to technicians", provide 1,000s more technology enabled modern healthier jobs and increase the footprint of advanced manufacturing and off site facilities.

Early positive signals on major schemes such as the proposed Sizewell C nuclear project in Suffolk, commitments to HS2 and New Hospital Programme will also provide a significant boost for Laing O'Rourke and provide the confidence to invest behind the UK's growth mission.

Dow Chemicals – sector is the cornerstone of a global economy

96% of manufactured goods include chemical compounds within their supply chains, making the sector a fundamental contributor to UK ‘growth sectors’. In South Wales Dow Chemicals’ silicones business is a significant contributor to the local economy and is a key foundational component for the government’s mission to deliver growth across the UK, transition to a net-zero economy and contribute to a security and resilience.

Dow supplies products to 5 of the 8 high growth sectors:

- **Advanced manufacturing**: Silicone elastomers help improve energy storage battery capacity and provide high voltage cable insulation.
- **Clean energy**: Silicone-based adhesives are used to bind the rotor blades of wind turbines, while silicone lubricants improve energy efficiency and minimise wear and tear, by reducing friction in turbine components.
- **Digital and technologies**: Silicone elastomers and gels are used for encapsulating and protecting sensitive electronic components.
- **Defence**: Silicones elastomers protect defence and space rocket launch equipment from extreme temperatures.
- **Creative industries**: Silicone and synthetic rubber moulds for everything from costumes and hand prop weaponry, set decorations, set construction and more. And for bronze founders, model makers, shop window set designs.

Like all energy intensive industries, the attractiveness of the UK will be linked closely to the development of a long-term strategy for growth that addresses the cross economy enablers identified within the green paper.

Enablers to Investment and Growth (Question 7)

CBI members have identified 5 key enablers which are critical for unlocking growth but may currently be impeding progress. These are broadly aligned with those identified in the green paper:

- Planning & Infrastructure: Delays and inefficiencies in planning and infrastructure projects.
- Skills: Gaps in workforce skills and alignment with industry needs.
- Regulation: Complex and burdensome regulatory frameworks.
- Tech Adoption: Slow uptake of new technologies and innovation.
- Public-Private Partnerships: Limited collaboration and investment from the private sector.

Planning Reform and Infrastructure Delivery (Questions 14-15)

The green paper rightly acknowledges that the planning system is a fundamental enabler to unlock economic growth. The current system is too slow and cumbersome, adversely impacting the delivery of much-needed housing, infrastructure, and decarbonisation projects. Businesses from energy, construction, and manufacturing to housing developers and retail, all cite inconsistencies and variations in planning practices based on local politics. This undermines investor and contractor confidence. The burdensome nature of the current system also means firms spend too much time on bureaucracy and less on delivery.

The Government has made progress on this in the first months in office. The CBI supports the more interventionist approach from government to ensure critical infrastructure like datacentres are not blocked by local planning authorities (LPAs). Moreover, CBI members welcomed the recent revisions to the National Planning Policy Framework (NPPF) such as the restoration of housebuilding targets, defining the grey belt and releasing low quality greenbelt land for development.

However, to achieve the policy ambition laid out within the NPPF, there needs to be a greater focus on building resource and capacity within LPAs to speed up decision making. With local authority finances under pressure, there has been a significant challenge in recruiting and retaining skilled planners, with an increasing proportion working in the private sector[5].

The Government recognised this challenge with the announcement of an additional 300 planners in the Budget, whilst this is a good start it is not enough to meet the scale of the challenge. To support increased capacity, the CBI's *Planning for Growth* report called for planning fees to be ringfenced so that fees are genuinely funding the resources of the LPA. In addition, government should look to pilot the use of Planning Hubs, to help local authorities build up a skilled pool of planning expertise.

Allow applicants to pay for independent consultants employed by the LPA for major applications. Utilising independent consultants empowers councils to access specialised expertise, expedite decision-making, and sustain a strong project pipeline while ensuring transparency and recovering costs.

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[5] RTPI | State of the Profession 2023

On infrastructure delivery, the UK has lacked a clear strategic direction and suffers from slow consenting and compliance. Since 2012, consenting times for nationally significant infrastructure projects (NSIPs) have increased by 65%, **to an average of over four years,** slowing the road to net zero and holding back productivity improvements.

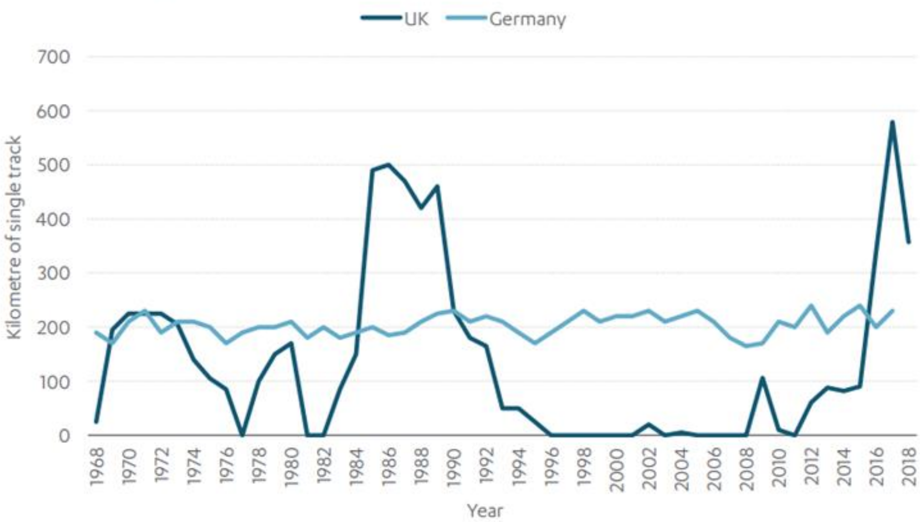
The stop-start nature of UK infrastructure investment also has impacts on business investment into people and skills, as firms are unable to sustain a sizeable workforce when awaiting confirmation over the future pipeline of projects.

Through the forthcoming **infrastructure strategy**, the Government has the chance to give industry confidence, clarity and certainty over the future pipeline of projects needed to deliver on our infrastructure requirements over the next decade. This strategy should seek to align policy, procurement, funding and delivery around a long-term plan.

Industrial strategy can support infrastructure investment through long-term planning. The stop-start nature of investment into projects in Britain is symptomatic of the absence of a long-term industrial strategy. This stop-start nature is evidenced in cases like rail electrification, where the UK has a volatile pattern of electrification, some years electrifying no track and in other periods electrifying up to 500km a year. By comparison, Germany has maintained a steady 50-year pattern of electrifying 200km a year[6]. This volatility causes challenges in building up a skilled base of workers to deliver these projects, as there can be decades where no track is electrified. Both the infrastructure strategy specifically and the industrial strategy should seek to put infrastructure planning on a more consistent and long-term footing to build up the skills base, provide certainty that will enable firms to invest with confidence and market certainty and ultimately improve the pace and quality of infrastructure delivery.

Figure 3.4: Germany has maintained a steady programme of rail electrification, while UK investment has been volatile[48]

Kilometres of single track rail electrified per year, in the UK and Germany, 1968-2018



Source: Railway Industry Association, Electrification Cost Challenge, March 2019

[6] Railway Industry Association, Electrification Cost Challenge, March 2019

Energy

The CBI's proposal for **planning hubs**[7] to be piloted in England could help support the delivery of green infrastructure. Planning Hubs have worked well in Scotland for delivering renewable energy projects through the planning system. Planning Hubs work to pool resources better between Local Planning Authorities, ensuring knowledge on applications like those for specific renewable energy technologies are built up and can more successfully expedite projects through the planning system.

Net Zero investment plan

Policy certainty is a pre-requisite for investment and the Clean Power 2030 mission sets a clear strategic direction. Investors are now looking for delivery detail in sectoral transition plans for opportunities in the UK market on a pathway to 2050.

The previous government published 'investor roadmaps' for heat pumps, offshore wind, CCUS and hydrogen. Investors viewed these documents as 'investment pitches' rather than an investment plan, seeing them as insufficient to boost market confidence because they did not include a flight path or timeline for public investment, delivery targets for scale-up or roll-out, or specifics on how tax incentives or grants were allocated or accessed. Investors say that a sectoral, rather than a technology, approach is more valuable to assess investment opportunities in the UK market.

Investors also want confidence that interdependencies in delivering the energy transition like land-use, grid capacity, skills supply and materials availability are managed so that technology deployment does not slow and change investment risks. A whole economy approach would mean that a NZIP could assess these interdependencies across sectors as there is currently no means to monitor constraints that could impact the speed of delivering sectors' transition pathways.

[7] Planning for Growth, CBI (2024)

Business Insights – What would investors like to see in a NZIP?

Sectoral emissions-reduction pathways, based on the 11 real economy sectors assessed in the UK's carbon budget. This should provide investors with summaries of the carbon abatement options presented by the Climate Change Committee and the investment requirements to meet balanced pathways. They could be presented in a rolling 10-year time horizon – this would support investor confidence by balancing the risks of long term speculative assessment with the upsides of building confidence in sectors' short to medium term pathways which will largely be achieved through mature technologies.

Delivery targets for the scale-up of net-zero technologies to meet sectors' balanced pathways. This should provide investors with certainty about the government's objectives (beyond electrification) and delivery plan to increase the deployment of carbon-abatement technology and infrastructure, from which investors can assess the expected size of available market opportunities. Targets should monitor real-economy outcomes that drive demand for transition finance, for example, the number of EV charge points installations or the GW increase in grid capacity by a certain date.

Market barriers to the commercialisation and adoption of net-zero technologies based on industry engagement. These should provide investors with an assessment of maturity levels between low carbon energy and infrastructure technologies, and confidence that government policy is designed to mitigate risks in the UK market. Engagement with value chains within the 11 real-economy sectors would support the assessment based on their data and experience on rates of, and assess barrier to, technology adoption.

Market-making policy mechanisms that respond to barrier analysis. These should provide investors with certainty about the mix of regulation, tax and spend the government has committed to accelerate the commercialisation and adoption of net-zero technologies. These policy mechanisms should have a causal link with rates of technology adoption and associated levels of market maturity within low-carbon energy and infrastructure technologies.

Recommendations

1. **Bring in ringfenced planning fees**. Ringfencing fees ensure revenue generated from planning applications directly supports the planning process.
2. **Allow applicants to pay for independent consultants** employed by the LPA for major applications. Utilising independent consultants empowers councils to access

specialised expertise, expedite decision-making, and sustain a strong project pipeline while ensuring transparency and recovering costs.

3. Pilot the use of **Local Planning Hubs** that can advise LPAs on major infrastructure applications as well as major housing development. This would allow LPAs to import the knowledge and expertise required to process major applications for housing and infrastructure crucial to delivering the government's housing and net-zero targets.
4. Collaborate with statutory consultees to provide additional guidance on LPA's **standard validation checklist** in the NPPF to simplify and provide consistency between LPAs, giving certainty to applicants that their planning application will be validated without additional costly reports and surveys.
5. **Land for Employment** use should be given equal importance as land for new housing within Local Plans and the NPPF should be updated to reflect this change.
6. Use the introduction of **National Development Management Policies (NDMP)** to simplify planning requirements, making it more rules-based to enable LPAs to agree shorter, more locally focused Local and Neighbourhood Plans.
7. The **National Described Space Standard** should be incorporated into Building Regulations. Incorporation of the national described space standard into building regulations should ensure that brownfield development meets minimum space standards whilst giving LPAs the flexibility in applying planning policies.
8. Introduce a **mandatory training** package for Councillors who sit on Planning Committees to be developed in partnership with the Local Government Association and Royal Town Planning Institute, utilising their existing expertise in developing training around planning for Councillors.
9. Establish **Combined Authority Advisory Boards** in partnership with the Ministry of Housing, Communities and Local Government to support pan-regional infrastructure delivery, both physical and digital.
10. Government should **promote greater public-private partnership for brownfield site development**. Public investment provides initial incentives, while private-sector efficiency accelerates site cleanup and regeneration. This collaboration reduces the financial burden on the public sector realising faster redevelopment that benefits communities and stimulates economic growth.
11. For nationally significant infrastructure, introduce a legal requirement for at least five yearly reviews of **National Policy Statements**, enabling modular updates to those statements and setting up a central coordination mechanism to monitor progress.
12. Empower regulators to facilitate strategic investment by setting out refreshed **Strategic Policy Statements** for regulators in each regulated sector once a Parliament and requiring regulators to enhance the role of competition.
13. Government should implement a **Future Homes Standard** that goes beyond the fabric standards outlined in the March 2023 consultation. This standard aims to achieve greater energy efficiency and lower energy bills for new homes and non-domestic buildings.
14. **Building Regulations** should be applied consistently to all new homes. All new homes must meet the new Future Homes Standard. Changes to building regulations should address gaps in minimum building regulations when buildings transition to residential use through a "material change of use." This definition should explicitly encompass dwellings and flats created via permitted development

Pro-Business Regulatory Environment (Questions 18-20)

When multinational companies decide where to invest, they look closely at the regulatory environment, prioritising jurisdictions which embrace co-design and consultative processes. While many factors influence investment decisions, long-term regulatory predictability and flexibility are paramount. Where the UK can demonstrate that it offers a clearly consultative, outcome-based regulatory framework, it will attract more investment and stimulate entrepreneurial activity and a dynamic market.

Through extensive consultations with businesses across all regions and nations of the UK, firms have highlighted three critical areas that must be addressed to ensure regulation not only avoids hindering economic growth but actively supports it:

- **Clear Accountability and Support for Regulators to Embrace Risk in Regulation**
  Firms emphasise the need to empower regulators to take calculated risks within the regulatory framework, allowing innovative practices to thrive. Currently, regulators tend to be overly risk-averse, prioritising the avoidance of any potential failure. While upholding high standards to protect consumers is crucial, regulation should also actively promote innovation. To achieve this, sponsoring departments must provide political cover, giving regulators the latitude to embrace risk and champion innovative practices, while also encouraging them to actively pursue growth objectives.

- **Revise and enhance strategic dialogue among government, regulators and the 'regulated'**
  A major barrier to a more equitable regulatory environment is the lack of strategic dialogue among regulators, government departments, and businesses. Departments often have limited oversight of regulators and the active regulations they manage, leading to regulatory duplication and conflicting policies. This, in turn, creates burdensome, innovation-stifling red tape. To address this, the government should commit to introducing a regulatory council that brings together sponsoring departments and regulators, facilitating effective collaboration to co-design and achieve desired outcomes. Additionally, regular consultations with businesses that experience regulation firsthand should be prioritised to ensure policies are practical and responsive to on-the-ground realities.

- **Address the Chronic Skills Shortage and Capacity Challenges within Regulatory Bodies**
  Regulators face significant obstacles due to reduced overall capacity and a critical shortage of technical expertise, particularly in digital and emerging technologies. CBI members report that resource constraints in key regulatory bodies responsible for approving new products and projects lead to substantial delays, putting the UK at a disadvantage compared to other countries. This problem, compounded by increased regulatory divergence post-Brexit, has weakened the UK's appeal as an investment destination. A thorough review of regulators' capacity and their ability to deliver high-quality, timely services is essential, along with a strategic approach to regulatory divergence that avoids unnecessary burdens for firms operating across borders.

How the UK regulatory landscape is holding back investment

Utilities Company:

- “Parliament can be contradictory in what they ask from regulators. So how do the government and Parliament intend to change their behaviours so that they can hold regulators accountable without stifling innovation?”

Global Technology Company:

- “One of the primary concerns within the organisation is that all the thorough due diligence conducted through impact assessments is undermined by the political will of Parliament, where drastic amendments are made to regulatory reform without considering the impact assessments completed by regulators.”

Global Logistics Company:

- “The increasingly devolved approach to transport regulation is leading to a fragmentation of standards across the UK, adding cost and complexity to the logistics industry, which often procures its fleets and plans its networks on a national basis.”

Recommendations

1. **The government must commit to adopting outcomes-based, principle-led regulation more widely, starting with strategically important sectors, such as water, and utilising the UK Regulators Network as a potential convener to drive innovation and best practice.** It is essential that the government begin by conducting a joint review of how regulators can facilitate the adoption of Outcomes-Based Regulation, with the Department of Business and Trade and HM Treasury leading. By introducing metrics that measure regulators' success to clearly articulate regulatory outcomes, the government can ensure that regulation achieves its desired result, protects consumer interests, and ensures a competitive marketplace.
2. **The CBI calls for sponsoring departments and select regulators to commit to consulting a CBI-facilitated Business Regulator Forum ahead of every Regulator Council, which would bring together regulators and industry to enable collaboration and discuss the challenges and opportunities facing heavily regulated sectors of the economy.** In turn, this would provide an

opportunity to break down the ‘parent-child’ dynamic that is a real source of frustration for businesses.

3. **The government should commit to a comprehensive audit of all active regulations imposed by UK regulators and their sponsoring departments**. All regulators and associated organisations must then use this data to address several issues identified by firms operating in heavily regulated sectors of the economy. This would include duplication, contradiction, and problems surrounding decommissioning outdated regulations, which, if rectified, would assist with any future regulatory budgeting.

In addition to our recommendations, the CBI has developed two key initiatives as part of our ongoing advocacy for regulatory reform which we are happy to discuss in more detail:

- **Good Regulation Guide**: This guide equips industry with the tools to contribute constructive solutions to economic challenges, fostering a collaborative environment for co-creation between regulators and the private sector.
- **Business-Regulator Forum**: This forum facilitates strategic dialogue between industry, regulators, and government. We propose hosting it before each Regulator Council meeting to ensure that the perspectives of “the regulated” are prominently considered.

Workforce Skills and Future Labour Market (Questions 8-9)

There is a very strong link between companies choosing if and where to invest in the UK and their ability to access the skilled workforce they will need to grow. The adult workforce will play a key role in delivering the Government's growth agenda, but given 80% of the 2030 workforce are already in work, skills shortages are on track to cost the economy £120 billion by 2030[8].

Access to skills and talent is therefore fundamental to delivering a successful industrial strategy. The role and activities of Skills England and its counterparts in the devolved nations will be central to this success. CBI members have expressed views on the delivery of skills and education which include the following:

- **Greater flexibility and agility is needed in the skills system:** the skills requirements for many of the industrial strategy/growth sectors change constantly – stakeholders are keen to see changes to the skills system to enable qualifications and training to be updated regularly; for more flexible training to be available (e.g. modular, short courses) so they can upskill existing workforce as well as attract new talent and greater collaboration between industry and educational institutions in needed to ensure the curriculum is aligned with real-time sector needs.

- **Skills needs are different in different parts of the country and the system needs to reflect that:** the skills system needs to ensure that the right skills are provided in all parts of the country to support specific regional and local need, whilst retaining a focus on cross-cutting skills that are required everywhere. Skills England must adopt a flexible approach that recognises the unique needs of different regions; local partnerships with authorities, employers, and providers will be critical to addressing region-specific challenges

- **Co-creation not co-delivery:** stakeholders want to be part of the creation and development of the solution; not just asked to deliver the 'answer' which has been developed by Skills England/Government. Skills England are urged to adopt a social partnership model and to make the most of existing, effective networks and representative groups

- **Demand is just as important as supply:** creating a desire from young people and existing workers to want to gain in-demand skills is just as important as making sure the system can deliver them- many sectors struggle to attract young people into entry level roles. Good quality **careers** advice is key here and needs to engage young people at an earlier age – employers need to be involved to really sell their sectors and roles and contextualise the curriculum and bring the education to life. It also needs to be clear to people what roles are available in their areas and what skills are needed. This will best be delivered through devolved nations and regions, MCAs where they exist in England or by functioning economic areas, perhaps former Local Enterprise Partnership geographies where an MCA does not yet exist.

- **Shortage of skilled FE Teachers is a significant issue:** across the majority of sectors, a shortage of the right teachers with the right skills is a barrier to delivering

[8] LGA 2019 Skills Gaps report final December 2019

growth sector skills. This issue is particularly acute in construction, the green industries, digital technology and advanced manufacturing and engineering, where industry salaries outcompete teaching roles. Need for better collaboration between education and industry

- **Cross-cutting skills are as important as sector specific skills:** there are a set of cross-cutting skills which are needed for all jobs – regardless of sector – e.g. communication, leadership and management, resilience, core maths, English and digital. The skills system must deliver these
- **The importance of cross-sector collaboration:** a number of sectors' skills needs are closely interconnected, and they will need to work together to develop a coordinated approach to make sure people have the right skills and are able to move between sectors easily– for example construction, engineering and digital all need 'green' skills.
- **Up to date data is key:** real-time, granular labour market intelligence is essential for effective planning and intervention. The current use of LSIP (Local Skills Improvement Plans) data is a good start, but Skills England must expand its use of real-time data from industry platforms and global benchmarks to remain responsive to evolving skills needs.
- **The importance and value of a diverse workforce:** a diverse workforce will be central to developing the right skills in growth sectors, as well as driving innovation - underrepresentation of women and ethnic minorities, especially in STEM fields and technical trades, presents both a challenge and an opportunity. Skills England needs to lead initiatives that promote inclusive recruitment and retention practices.
- **Essential that the skills system supports SMEs:** SMEs employ the largest number of people across the country but really struggle to engage with the system; they need to be better supported through the recommendations provided above.
- **Making the system work across the UK:** having different systems across the four nations is a real challenge for employers; we need to make it easier to work across borders
- **Building the right skills pre-16:** the curriculum pre-16 needs to make sure that students have the right 'foundation' skills to be able to go on and learn the skills needed to support key growth areas.
- There is a pressing need to improve **STEM education**, and in turn create and support the necessary expertise to drive an innovation-led economy. This is of particular importance in a knowledge-based economy, such as the UK.

Addressing the barriers

CBI members have highlighted several barriers which are preventing them from delivering training and accessing the skills they need to grow their businesses. Organisations also felt that the importance of adult training is not adequately reflected in the Government's agenda for change. The following themes have been identified:

- Support strategic workforce planning

- Strengthen apprenticeship and the wider skills system
- Support to mobilise economically inactive workers
- Incentivise business investment into skills and training

How to improve strategic workforce planning

Strategic workforce planning is increasingly vital. Decisions need to be made as to which skills to *build* (developing talent), which to *borrow* (contracting and outsourcing talent) and which to *buy* (recruiting external talent). This is driven by a fast paced and tech driven working world that requires foreseeing the skills and roles that are pivotal for future success for both the near and long term.

Developing these skills for the future world of work and improving workforce planning are underpinned by a need to address a skills system that is felt to currently be over complicated and fragmented.

At the core is the need to promote meaningful collaboration between stakeholders, and better align employment, education and skills.

Recommendations:

1. **Skills England Board** to include representation from employer bodies, trade unions, providers, and independent expert members to inform its strategic direction and priorities. It must work collaboratively across the UK to plan for future workforce shifts, ensuring a balanced supply and demand of specific skills at both national and regional levels.

2. **Apprenticeship Levy reform** should embrace flexibility. Allow 50% of a company's Levy contributions for non-apprenticeship training, including modular and functional skills courses to address key skills gaps. The remaining 50% should be reserved for apprenticeships. This flexibility will enable businesses to access a list of recognised and accredited courses, as agreed by a collaborative Skills England Board.

How to strengthen the apprenticeship system

Businesses feel the apprenticeship and wider skills system is not working as effectively as it could, and we have made the following **recommendations**:

3. The Government should ensure there are sufficient funds to support apprenticeship provision for SMEs by committing to **fully fund apprenticeship provision for non-levy payers through government department budget allocations**. This will avoid the rationing of training created by levy-payers underspend being used to fund SME provision

4. **Apprenticeship standard funding bands** are rightly reviewed periodically. However, to help address acute failures in the apprenticeship market involving delivery costs exceeding funding allowances, funding bands **should be annually uplifted to reflect inflation (CPI)**

5. **The government should explore how apprenticeship standards can be updated more quickly and on an ongoing basis, via a 'trigger' mechanism for standards covering sectors with rapidly evolving skills needs** thereby helping ensure they are meeting industry skills needs**.**

6. **English and maths exit requirements on apprenticeships should be discretionary** and decided by the employer and provider so arbitrary attainment

thresholds do not stop capable candidates of progressing through their apprenticeship training. To help support long-term progression prospects, **each apprentice should receive a literacy and numeracy transcript at the end of their programme** detailing the skills that they have demonstrated in the classroom and workplace.

How to support transitions into work and back into work

Economic inactivity is rising both amongst the young and the old, but one fifth (18.3%) of economically inactive adults want to work[9]. This means that with the right policy intervention, up to 1.72 million individuals could be supported into the labour market.

Recommendations:

7. **Make 16- to 19-year-olds' apprenticeships eligible to have their training paid through the 16-19 Education Budget, in line with peers in their age group studying A Levels, T Levels and Applied General Qualifications.** This would release the burden on businesses to choose between training working-age adult workers and young people who would both benefit from training and would reduce the risk of people falling into inactivity due to unmet demand.
8. **Review the adequacy of Level 2 training options for young people who are at risk of falling into inactivity as part of their post-16 strategy and to review the access to, and deliverability of, entry-level programmes for young people and educational providers across the post-16 sector.**

How to incentivise businesses to invest more in skills

Skills shortages across the economy suggest that businesses are finding it increasingly difficult to maintain training budgets, with knock-on-effects for training investment across the workforce.

Recommendations:

9. Maximise the contribution to productivity and growth by ensuring the final design of the **Lifelong Learning Entitlement** links the individual cost of study to the relative need of training in the economy and includes the opportunity for business co-investment and public subsidy
10. **Approved training programmes (apprenticeships and otherwise) funded through the new Growth & Skills Levy** must encompass training at all skills levels (level 2 to level 7) and be made available for individuals of all ages. The additional flexibility will enable access to a list of recognised and accredited courses which businesses can spend their money on as agreed by a collaborative Skills England Board.

Workforce Health

As well as skills, ensuring the UK has a healthy population that meets employer needs will support the shift into high-skilled, high-wage jobs. The OBR notes that the proportion of people in work with a work-limiting health condition increased from 7.5% in 2014 to 10.4% in

[9] Employment in the UK - Office for National Statistics (Nov 2024)

2022[10]. It is crucial to stem the flow of economic inactivity as well as bring people back into the labour market.

Businesses want to play a proactive role in preventing people from leaving the labour market but are discouraged by the tax system. Recent CBI analysis shows 49% of businesses would reinvest National Insurance savings into further employee health support, an additional 26% would invest even more, potentially boosting the economy by £8.57 billion and preventing over 33,000 annual workforce exits due to ill health by 2030.

Recommendation:

11. **Remove tax barriers to unlock private investment in workplace preventative healthcare** by implementing a comprehensive package of measures to:
12. Make **Employee Assistance Programmes** (EAPs) fully tax free, including currently taxable elements such as household family use, high-level HR and legal advice, and digital tools.
13. Remove the £500 cap on **tax-free occupational health treatments** and allow early interventions.
14. Expand **Disability Discrimination Act** tax exemptions to cover equipment recommended by occupational health specialists.
15. Eliminate taxes on health and safety eye test employee expense reimbursements.
16. Introduce tax exemptions for adult vaccinations and virus testing to make workplaces ready to tackle new virus strains and to take advantage of new vaccines combining flu, COVID and respiratory syncytial virus (RSV) protection that will become available in the near future.
17. Allow unlimited tax-free health screenings and medical check-ups - currently there is a tax-free cap of one assessment per employee per tax year which is not helpful to industries such as construction, agriculture and manufacturing where there are greater physical health risks.
18. Make employer-funded private GP consultations, diagnostic testing, and private medical insurance tax free when offered to all employees under a group scheme.
19. Relax the Cycle-to-Work scheme rule requiring bicycles to be used '*most of the time*' to '*some of the time*' for commuting to boost physical activity in employees' free time.

[10] Section 3.43 OBR Fiscal risks and sustainability – September 2024

Technology Adoption and Innovation (Questions 10-13 & 22)

Research, development, and innovation

Research, Development, and Innovation (RD&I) are seen by business as a core cross-cutting enabler of an Industrial Strategy that unlocks sustainable growth. Businesses welcomed the protection of R&D investment and tax reliefs in Corporate Tax Roadmap published the Autumn Budget, recognising it provides a stable platform to build on in the Spring. The government can enhance its support through the tax system by ensuring R&D claims are processed as swiftly as possible and with minimal administrative burden. This is especially important given the recent delays in HMRC's services and the added R&D tax compliance reporting requirements. There is an opportunity to restore confidence and overcome wider cost pressures on businesses considering investment decisions. The level of ambition and choices made in the Industrial Strategy will set the tone for how the UK is seen as a place to locate and invest in RD&I. Businesses cite the need for clarity, predictability and confidence to make long term investments. This can be achieved through a target to lead the G7 on R&D intensity supported by greater public investment, delivering on commitment for longer-term budgets to unlock investment, and better incentivising R&D capital investment.

Recommendation: Announce a target for the UK to lead the G7 on R&D intensity by 2030, alongside ambitious multi-year public R&D investment.

Setting an ambitious target, backed by a long-term funding commitment, will provide investors with the reassurance that the UK is the best place to invest in R&D. We recommend that the government sets a target for the UK to lead the G7 on R&D intensity by 2030 and maintains that position. This is a stretching and ambitious target that recognises the importance of keeping pace with international competitors to ensure the UK continues to attract international business innovation investment. However, we believe that it is achievable in the context of an Industrial Strategy focused on unlocking wider levers needed to drive investment.

Alongside a steady increase in the underpinning public R&D investment, achieving this target would require a particular focus on increasing business R&D investment. We estimate that, if the ratio of business to public R&D investment were increased to be more in line with key international competitors, meeting this target would require approximately £5bn additional public R&D investment a year by 2030. 63% of surveyed CBI members said that they would increase their innovation investment in the UK if the government set out innovation priorities and funding for 5+ years[11].

Recommendation: Strategically use long-term R&D funding settlements to drive business confidence and investment in line with Missions.

The government has recognised the importance of putting some R&D funding on a longer term footing by committing to 10-year funding streams for some activities. This is really welcome. If the potential to leverage business investment is part of the decision making matrix for which activities or institutions are put on a long-term footing, there is real scope to

[11] CBI, Budget survey summer, 2022.

drive growth. A long-term budget will allow public funders to commit to larger-scale, longer-term innovation programmes, providing mechanisms and confidence for businesses to collaborate and invest alongside the public sector. In a survey of our R&D working group for this consultation, when given a range of 8 levers to choose from, long term funding settlements for key institutions or programmes 85% of respondents said this would have a high impact on the UK commercialisation environment (on a par with access to talent or skills and access to relevant test and demonstration environments/capabilities).

Members cited the Aerospace Technology Institute (ATI) model, which was born out of a previous Industrial Strategy, as providing a good model to learn from. It crowds in industry investment, signals intent, enables partnerships and collaboration and is a model that could be used in other sectors, or elements of it in other circumstances. Key features include long term funding and mechanism, technology area expertise in setting and assessing bids, clear vision, building a network supportive of partnerships, direction and ambition driving innovation to pull through to commercialisation.

Recommendation: Expand R&D tax credits to include capital expenditure to ensure the UK remains competitive for globally mobile investment.

Investment in capital for R&D purposes anchors R&D activity in the UK, boosting both productivity and economic growth over the longer term. However, often the significant upfront cost of capital required to conduct R&D means businesses carefully consider location decisions based on a matrix of factors, including other factors such as pace, infrastructure, and skills. Expanding the R&D tax credit to include capital expenditure (i.e. spending on longer term assets, including facilities and machinery) would create an R&D tax incentive regime that is more effective at impacting marginal R&D investment decisions. It would also help to increase the commercial viability of investing in capital for R&D purposes, which in turn would drive further R&D investment in the UK[12]. In a 2023 CBI survey, 19% of firms said including capital into R&D tax credits would have the greatest impact on their innovation investment in the UK, increasing to 30% among manufacturers. At the time, firms said they would raise capital investment on average £1.03m this tax year, £1.3m/year by 2025 and £2.2m/year by 2032. This change would make the UK more competitive when compared to other jurisdictions, including France and Ireland, which both allow claims for depreciation of capital assets in their R&D tax credit regimes[13].

Technology adoption

Technology adoption is key to the UK's economic growth and increasing productivity. Businesses have welcomed the increased focus from Government on accelerating technology adoption. CBI is actively engaging with the Cross-government Review of Technology Adoption for Growth, Innovation and Productivity, and the SME Digital Adoption trials set out in the Budget.

The Industrial Strategy has a critical role to play in accelerating adoption of both foundational and frontier technology to ensure the UK can address productivity challenges as well as

[12] CBI, Untapped Investment, 2019.
[13] OECD, Compendium of information on R&D tax incentives, 2022.

maximise value from its RD&I base. To accelerate technology adoption to drive productivity and growth the CBI proposes two recommendations:

Recommendation: Set out a National Strategy on Technology Adoption

The government should set out a National Strategy on Technology Adoption as part of the Industrial Strategy to accelerate adoption of technology, coordinating government action and addressing persistent barriers including infrastructure, skills and financing. This Strategy should bring together existing initiatives like the Cross-government Review of Technology Adoption led by Government Chief Scientific Adviser (GCSA), Professor Dame Angela McLean, with National Technology Adviser (NTA), Dr Dave Smith, and the SME Digital Adoption Trials as part of an overarching strategy to bring coordination, oversight, and cohesion to technology adoption support. CBI is actively engaging in the cross-government review and the SME Digital Adoption pilots programme development to ensure industry is instrumental in the development of both.

The Strategy should have senior level accountability, clear targets, a cross-government remit docking into and supporting the ambitions of the Industrial Strategy and be developed in partnership with business, including through the SME digital adoption taskforce. The Strategy should be structured in three key areas:

1. **Evidence and Data Collection**: The Cross-government Review of Technology Adoption for Growth, Innovation and Productivity provides a good first step to compile evidence of the benefits and barriers of technology adoption and evaluation of past successes and failures to inform the development of policy solutions.
2. **Policy Development & Coordination**: In conjunction with business should develop a strategy based on the following levers:
    - Education and Skills:
        - Explore offering training programmes aimed at upskilling current workforce in critical areas and work alongside business organisations and industry experts to identify the skills in high demand. Future training programmes should be available to business without the need for paying upfront. Many SMEs cannot afford them.
        - Work alongside the Department for Education to give temporary flexibility that enables spend on non-apprenticeship options through the Apprenticeship Levy until Skills England is set up.
    - Infrastructure:
        - Continue investing in high-speed internet and broadband access across the country, particularly in rural and underserved areas.
        - Give the National Technology Adviser voice at the Industrial Strategy Council.
        - Increase the number and capacity of data centres in the UK and work with the DESNEZ to ensure a positive business environment for the data centre sector.
    - Incentives:
        - Expand the Made Smarter programme to all sectors of the economy (see below).
        - Explore how match-funding grants and low-interest loans can support more businesses with their technology adoption journeys.

- Explore how standards and wider government action could be incorporated into a strategic approach.

3. **Monitoring and Evaluation**: Government should establish metrics to monitor progress and evaluate the effectiveness of implemented measures. By using the expertise of the members of the Taskforce, and given the speed at which technology advancements occur, the Strategy should remain agile and nimble, not focusing narrowly on specific technologies.

Recommendation: Expand the Made Smarter scheme to all sectors of the economy to give firms the advice, funding and support they need to adopt technologies.

The Made Smarter programme has been effective in supporting manufacturers with tailored technology adoption support, giving firms the advice, funding and support they need to adopt technologies. One of the key design features is that it mixes direct advice on what technology to adopt while supporting businesses with funding and training opportunities for both leaders and staff on how to deploy and use the technology solutions purchased. The Autumn Budget confirmed the funding to expand Made Smarter to all regions and nations, and CBI is asking for it to be further expanded to all sectors of the economy, given the potential to support businesses in low-productivity sectors to accelerate their technology adoption journeys while boosting economic growth for the country.

The Made Smarter programme would add most value rolled out to all sectors of the economy to prevent the technology adoption gap growing. However, if considering a partial or phased rollout in the first instance, CBI-commissioned analysis[14] shows that beyond manufacturing there are two sectors and two functional areas within them that have the potential to drive the most value for SMEs moving forward; wholesale & retail and construction; and marketing, sales & customer relationships and financial management & intelligence. This could help underpin growth in the everyday economy and foundational sectors integral to growth sector success.

Commercialisation of R&D

To maximise the UK's strengths in research, the government is correct in attaching a greater emphasis on the commercialisation of R&D. The UK already has a range of strengths and initiatives it can build on. The UK's network of Research and Technology Organisations, (RTOs), Catapults and universities should be key partners in the design and delivery of the Industrial Strategy. The Regulatory Innovation Office has been positively received by business and CBI is proactively engaging as it develops, with potential to inject pace and predictability to regulatory environment. Similarly, public procurement of innovation is an underutilised lever that could better support wider government mission and growth objectives, while also delivering better public services. The industrial strategy provides an opportunity to align these different levers to drive commercialisation of R&D in support of growth. In a tight fiscal environment, this opportunity needs to be grasped.

[14] BPE UK Industry and Economy Tables, Opinium survey June 2020, McKinsey Global Institute Digitisation Index.

Invest in later stage development and demonstration facilities

Market demonstration activity is the critical step between R&D and adoption which can reduce risk and help industry learn how these technologies work and test things out at a meaningful scale before putting more substantial funding into it. In a short survey our technology and innovation members selected access to relevant test and demonstration environments/capabilities as having a high impact to the UK commercialisation environment (on a par with access to talent or skills and long-term funding settlements for key institutions or programmes)[15]. As set out in the recommendations of the Nurse Review[16], there needs to be a better use of the existing assets for translational R&D, with universities and Research and Technology Organisations (RTOs), Public Sector Research Establishments (PSREs) and Catapults working more closely to meet the demands of business for translational R&D.

Members cited support through Horizon Framework Programmes at a European level as well as AMSCI (Advanced Manufacturing Supply Chain Innovation) in the UK have been valuable for market demonstration activity. There could be value in a dedicated market demonstration fund.

Recommendation: Department for Business and Trade to leverage the UK's research and technology organisations as core partners in design and delivery in the Industrial Strategy, growing support in line with strategic aims.

The UK already has an excellent network of RTOs. Existing capabilities through the Catapult network have the potential to increase to support more businesses and at greater scale. While strategic expansion should be considered to fill innovation gaps relevant to delivering the Strategy. Both RTOs and universities should collectively be seen as cross cutting enablers of the Industrial strategy and not simply through a sector lens.

Adopt pro-innovation regulation to support the commercialisation of R&D

Recommendations:

- **Regulatory Innovation Office to establish competitive service level agreements between regulators and businesses.**
- **Regulatory Innovation Office to facilitate the adoption of outcomes-based regulation.**
- **Regulatory Innovation Office to move at pace to expand the use of innovative regulatory science approaches.**

Regulation is a key lever in creating a supportive environment for innovative products and services to come to market. However, the regulatory process can often be complex, costly and fragmented across regulatory environments. Members cite need for greater pace and predictability of regulatory decisions and approvals, while maintaining high quality standards, to support them commercialising new products. Members from agri-food to life sciences and

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[15] Short survey in November 2024 based on 13 responses and backed up by qualitative members insights through working groups.
[16] P. Nurse, Independent Review of the UK's Research, Development and Innovation Organisational Landscape, 2023.

med tech cited delays in regulatory approval, often when they have already been authorised in comparable jurisdictions, thus increasing costs and time which makes the UK a less competitive and attractive market. A timely, outcomes-focused regulatory approach that embraces innovation can better support the commercialisation of new R&D products, as set out in the 'Pro-innovation regulation' section in our UK scale-up playbook[17]. The Regulatory Innovation Office can be a lever to help achieve this and members are keen to work collaboratively as the approach is developed.

Use procurement to pull through innovation

Public procurement can be a lever supporting commercialisation of R&D, while responding to government missions and delivering better public services. By leveraging its £300bn annual purchasing power, the government can act as an anchor customer to help commercialise innovation as well as removing price or process disincentives for innovative products and services in the system.

The implementation of the Procurement Act from February 2025 presents an opportunity to deliver public procurement that values innovation. The Act introduces key provisions which pave the way for greater value of innovation in procurement. CBI is engaging with the Cabinet Office and DSIT on this issue, including through the National Procurement Policy Statement. CBI is working with members over the next couple of months on how to improve public procurement of innovation.

Looking narrowly at specific innovation procurement pathway, there could be opportunities to scale their use in line with industrial strategy missions. Through procurement of innovation, the government can support businesses from the pre-commercial phase through to commercialisation, encouraging growth and innovation, while providing a route for sourcing innovative solutions. Procurement practices which are flexible and adaptable to allow for innovation throughout contracts, can support innovation as well as bring new technologies through to commercialisation. This end-to-end funding, known as the 'cradle to grave' approach, is crucial for the security of RD&I and could be a key lever for the industrial strategy.

Recommendation: Increase the use of Innovate UK's Contracts for Innovation across government departments, setting targets in line with Industrial Strategy and Mission goals.

Innovate UK's Contracts for Innovation programme encourages flexibility and collaboration, allowing innovation to respond to government missions while supporting innovative products and services to commercialise. The government should increase the use of these contracts across departments and regions, setting targets aligned with Industrial Strategy and mission goals.

Supporting university-business collaboration

Universities are national assets that form part of the enabling infrastructure across the economy to deliver the industrial strategy. Universities are diverse in their offer to businesses and are located right across the UK. To harness their potential as a delivery partner of the industrial strategy, on skills, but much more broadly on infrastructure, FDI,

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[17] CBI, Growth Engines, 2024.

R&D and building economic clusters, universities should be engaged not solely as institutions in the education sector, but in their cross-cutting enabling role across sectors.

Universities can support R&D and commercialisation by taking on PhDs, initial R&D, and then putting products into sub-industrial environment. However they need long term sustainable funding to enable greater collaboration. For innovation in particular, Higher Education Innovation Fund (HEIF) underpins many universities' core innovation activities, allowing universities to leverage private investment and build capacity for technology transfer, while also providing a return on investment of £12 for every £1 invested[18].

Improve access to talent and skills

When we are asked our technology and innovation members to select what areas would have an impact on the UK commercialisation environment, improving access to talent and skills was chosen as the area that would have the greatest impact[19]. Domestic talent is the main source for employment, addressed more broadly in the skills section. However, when considering R&D and innovation, our members note that there are still skills deficits, or niche skills that are global in their distribution and overseas talent is still needed.

Recommendation: Home Office to consistently deliver against service level agreements, providing support and compensation when they are not met[20]

However, visa application times can often be too slow, with no transparency on the process, or support when delays occur. This is coupled with the high charges, which can cost up to 17 times more than international comparators[21]. To attract the high-skilled talent needed for economic growth, the government needs to prioritise making the UK immigration system competitive.

Data in the industrial strategy

The government is correct in identifying the potential of data to be used for public good and to create growth. The National Data has potential, and businesses are interested in shaping its focus and mechanism. Artificial Intelligence (AI) is already changing our economy, and the AI Opportunities Action Plan can further support this. Greater clarity can support innovation and the development of UK AI models.

Recommendation: Department for Science, Innovation, and Technology to partner with business on the development of the National Data Library to harness data for growth and public good.

Opening up access to public data can support greater innovation to deliver public good. Members cited the potential of a National Data Library, but stressed the importance that data remains current, maintained and interoperable to maximise its usability and relevance.

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[18] Calculated from figures in Accessing the Gross Additional Impacts of the Higher Education Innovation Fund (HEIF) An update for the period 2015/16 – 2018/19, Ulrichsen Tomas Coates (2021).

[19] Short survey in November 2024 based on 13 responses and backed up by qualitative members insights and working group.

[20] CBI, Growth Engines, 2024.

[21] Royal Society, Summary of visa costs analysis, 2024.

Building trust and confidence in the sharing of public data was also cited by members as essential to enable sharing public data.

Provide clarity on AI regulation to support investment

To give businesses the confidence to invest in the UK, a predictable regulatory environment for emerging technologies such as AI is needed. To unlock the AI prize the UK economy needs smart regulation that balances certainty with flexibility. An updated AI strategy following on from the AI White Paper would provide businesses with clarity and predictability on the UK's approach to regulation of AI. The CBI supports a 'light touch' approach to AI regulation in not rushing to legislate and taking a principles-based approach while providing central expertise - reflecting the view of CBI members across sectors and the country for the need to provide greater certainty while maintaining flexibility for firms to innovate.

Clarify regulations on text data mining to support UK AI innovation

Some members raised a specific issue of the lack of clarity around the permissions for using publicly available data in AI models relative to other countries such as the US and the EU. This can hinder the use of UK datasets in the training and development of AI, and therefore limit UK AI innovation. The government could expand the text and data mining exception in copyright law to include commercial text and data mining activities as well as supporting rightsholders' ability to opt out.

Finance for scaling businesses

Our scaling businesses are our growth engines. Their high growth creates well-paid jobs in the industries of the future and helps build our economic clusters. However, these businesses face a range of funding gaps, which can halt their progress. This can stop them scaling to their potential and means international competitors can out pace them. The government has taken swift action to establish the British Growth Partnership and consolidate pension schemes which should enable greater investment into high growth businesses. The CBI fed into the Pensions Investment Review and members are keen to engage in the next steps. Overall, the government's focus on delivering these initiatives needs to continue so that businesses benefit from these increases in funding.

Businesses who are seeking to scale face a range of funding gaps.

The growth funding gap is estimated as £15bn per annum[22]. Most of the gap impacts those at later-stage funding rounds, which is often a crucial period for a business to develop and commercialise their products to reach their potential. Some of our members at this stage note that the lack of funding means they are actively considering relocating to countries who can provide more attractive support, which would lead to the benefits of scaling being realised in another country.

Other funding gaps exist for 'deep tech' R&D intensive businesses. Members cite this can often happen due to the novel technology being hard for investors to understand or businesses unable to sell the commercial opportunity. Initiatives such as the Science and technology venture capital fellowship could help remedy this. The gaps can happen at later

[22] Deloitte, Innovate Finance, Scaleup Institute, The Future of Growth Capital, 2020.

funding stages[23], which means the technology can be under-developed relative to international peers. As well as at an early seed stage, which means the technology does not develop at all. Businesses outside of London and the South East also cite funding gaps, namely because of the lack of venture capital firms based there. Regional funds such as Northern Gritstone could support a funding ecosystem in those areas.

Recommendation: HM Treasury to continue working with pension funds to unlock investment into high growth businesses[24]

The government's commitment and progress towards unlocking pension funds into scale-ups is positive and needs to continue. Pension funds have committed to investing more into productive assets and government action such as consolidating defined contribution schemes and pooling assets should support more investment into scaling businesses. However, more can still be done to facilitate and attract pension scheme investment in illiquid, high growth assets.

Recommendation: Build-on initiatives to develop new investment vehicles to crowd-in investment from institutional investors, such as the Long-Term Asset Funds, Long-term Investment for Technology and Science (LIFTS) and British Growth Partnership initiatives[25]

Given the future evolution of the pensions system, these should be DC focused. The government should seek to support the return of the Closed-End Fund market to operation by legislating to correct the regulatory treatment of these funds, while encouraging the FCA to take interim measures as needed.

[23] British Patient Capital, Investing in innovation, 2022.
[24] CBI, Growth Engines, 2024.
[25] CBI, CBI response to Pensions Investment Review Call for Evidence, 2024.

New models for Public-Private Partnership (Question 27)

In the constrained fiscal climate that currently exist economic growth, and the investment needed for this, will need to come from the private sector, so we will need to new models of public-private partnerships (PPPs) to be able to do this. Contract For Difference has been successful in bringing over £20bn into renewable energy projects but we currently have no partnership funding model for buildings and infrastructure since 2018 when PFIs were ended.

Building effective public-private partnerships will be critical to ensure that businesses across the economy are protected against **risks**. In some areas, the UK insurance industry has been able to develop efficient solutions already. Adapting these successful public-private systems to new risk areas, including security issues, and simultaneously updating insurance schemes is essential to building a resilient economy. **The government should continue working in partnership with the insurance industry to deploy effective schemes, widening their scope and therefore helping companies to be more resilient**.

By leveraging public resources and expertise, PPPs can attract substantial private capital for large-scale projects. These collaborations can drive innovation, improve service delivery, and share risks between public and private entities. Successful examples of PPPs can serve as models for future investments.

Maximising value for money

With gross spending on public spending set at over £400bn, how - and where - this spend is deployed has the potential to be an essential driver of economic growth. By clearly linking public sector investment plans with the industrial strategy, the government can provide a roadmap that helps businesses align their investment and capacity with national priorities. Businesses emphasise that public-private partnerships must have clear, measurable goals, such as improving public sector efficiency, cutting costs, stimulating market growth, or strengthening supply chains for long-term resilience.

Recommendations

1. **Establish a Long-Term Pipeline of Government-Funded Projects Aligned with the Industrial Strategy**: Developing a transparent, long-term pipeline will provide businesses with certainty and strategic planning opportunities. This enables firms to scale their capacity to deliver projects quickly and incentivizes them to maintain assets—such as staffing levels and facilities—between projects, ensuring sustained capability.
2. **Adopting early engagement forums,** so public sector clients and suppliers can foster dialogue during the design phase, creating strong partnerships that ensure the successful delivery of intended outcomes.
3. **Foster Continuous, Clear Dialogue Between Public and Private Sectors**: Establishing ongoing, transparent communication throughout the contract's duration is essential. This proactive enables the early detection of risks, allowing for swift mitigating actions. By addressing issues promptly, both sectors can minimize the

need for later contract modifications, ensuring smoother delivery and superior outcomes.

Delivering social value

Social value is increasingly recognised as a critical component of the procurement process. This shift is sometimes misinterpreted as placing extra burdens on firms, with public sector contractors seemingly demanding more for less. However, when approached strategically, social value can offer substantial economic benefits to participating businesses. For example, 77% of consumers now favour companies that prioritise social value, and 73% of investors are more inclined to support firms with established social value programs. These figures reflect a profound shift in consumer expectations and investor behaviour, highlighting that social responsibility not only aligns with ethical considerations but also enhances business competitiveness and long-term financial appeal.

Recommendations

4. **Provide Clear and Consistent Guidelines**: Establishing uniform guidelines for measuring and reporting social value would help businesses understand and meet expectations.
5. **Offer Training and Support**: Additional training for officers engaged in procurement activities would help mitigate some of the inconsistencies businesses encounter. Providing support to businesses, especially SMEs, can also help them better navigate social value requirements.
6. **Foster Public-Private Partnerships**: Enhance collaboration and innovation through public-private partnerships to help businesses deliver social value more effectively. These partnerships leverage strengths, share knowledge, provide new market access, and align with community needs or government priorities, driving growth and resilience.

Enabling collaboration

Procurement is a strategic collaboration, recognising that the state alone cannot always deliver public services efficiently. Guided free markets ensure essential services benefit society. Leveraging combined resources and expertise, public-private partnerships drive growth, innovation, transparency, and accountability, ensuring responsible use of public funds.

Recommendations

7. **Explore with industry new financing models for public-private partnerships**: Regulated free markets and public-private partnerships are key to ensuring growth, innovation, transparency, and responsible use of public funds
8. **Champion a Sectoral Shift with Systems Thinking**: Develop world-class delivery capabilities by aligning policy, funding, procurement, and delivery. A “systems thinking” approach will balance contributions and benefits, ensuring genuine, comprehensive collaboration.
9. **Enhance the Government Major Projects Portfolio (GMPP)**: Link major projects to key strategic priorities outlined in national missions. Establish the National

Infrastructure and Service Transformation Authority (NISTA) to support major projects and provide ongoing support, ensuring these projects contribute to strategic outcomes throughout their lifespan.

Fostering innovation

Innovation and skills capacity are crucial for driving public-private partnerships and stimulating investment and growth in the UK economy. Embedding innovation into procurement processes helps foster cutting-edge solutions, maintain global competitiveness, and leverage R&D advancements to achieve government missions.

Recommendations

10. **Expand the Use of Innovate UK's Contracts for Innovation**: The government should increase the adoption of Innovate UK's Contracts for Innovation across various departments and set specific targets for innovation in line with the Industrial Strategy and Mission goals.
11. **Enhance Strategic Alignment and Dialogue**: It is crucial to foster stronger strategic dialogue and practical alignment between Innovate UK and the rest of UKRI, facilitated through the Department for Science, Innovation & Technology (DSIT), to leverage R&D advancements and ensure public benefits are fully captured.
12. **Invest in Skills Development for Procurement Professionals**: The government should address gaps in STEM and innovation skills across government, develop professional competence through targeted training programs and continuous learning opportunities, and encourage procurement professionals to draw on private sector expertise to harness the transformative impact of technology in public services.

Taxation

The government's recognition of the importance of stability in the tax system, along with its pro-business strategy and efforts to support high-wage job growth, sends the right signals. The Corporate Tax Roadmap, long advocated by the CBI, introduces a more predictable tax regime by capping the Corporation Tax rate at 25% and maintaining key investment reliefs, which will encourage long-term business investment.

However, the hike in Employers' National Insurance announced in the 2024 Autumn Budget, along with other increases to employers' costs, contradicts these objectives. This added burden is expected to lead to more cautious approaches to pay, hiring, and investment. According to the OBR[26], the increased National Insurance costs will reduce the labour supply by 0.2% and decrease potential output by 0.1% by 2029/30.

Recommendations

13. **Partner with business to ease the cumulative burden of the increased costs of employing people by co-designing new policies to beat the lacklustre growth forecasts**. This includes our other recommendations on reforming the Apprenticeship Levy and removing tax barriers for workplace healthcare investment. In addition,

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[26] Economic and fiscal outlook – October 2024 (Section 3.11)

overhauling the outdated business rates system is crucial, as the new tax rates for higher-value properties and sector-specific rates will add further complexity. The CBI proposes transitioning from a "slab" to a progressive "slice" system[27], where different portions of a property's value are taxed at varying rates, similar to Income Tax bands. This change would reduce high marginal tax rates, eliminate cliff edges for expanding businesses, and incentivise investment in larger and new premises.

Case study: Transport for London (TfL)

TfL delivers investment that supports national productivity and economic growth. A safe and reliable public transport and road network in London is fundamental to supporting new homes and good quality jobs in the industries of the future. It is essential for economic growth in London and the rest of the UK.

Independent research shows the positive economic impact that investment in London's public transport system has across the country. Our investment in the UK supply chain in 2022/23 alone was worth £5.9 billion in Gross Value Added to the UK economy, supporting more than 100,000 jobs from Falkirk to Farnborough. A large number of these jobs were created in the East of England as well as the North West and West Midlands.

In Derby, the recent contract for 10 new Elizabeth line trains secures jobs at Alstom's Derby Litchurch Lane Works, the only UK facility that designs, engineers, builds and tests trains for domestic and export markets.

In Goole in Yorkshire, Siemens Mobility is investing up to £200 million to manufacture the 80 per cent of the 94 new Piccadilly line trains at a huge new facility that spans the size of 35 football pitches. This is due to create 700 direct jobs, as well as 1,700 supply chain roles and a number of indirect roles. There is also an option in the contract for future orders for badly needed new trains for the Bakerloo line (currently served by the oldest trains anywhere in the UK), subject to TfL securing the funding.

Exercising this option would be excellent value for money for TfL, and the farepayer, secure highly skilled jobs for a generation and create a new centre of train building excellence in East Yorkshire. Which would open up the opportunity for a pipeline of projects to be assigned to Goole, servicing both the domestic and export markets.

[27] From Slabs to Slices: A roadmap to a fairer business rates system, CBI report, 6 September 2024

UK's Place in the World (Questions 21 & 24)

Leveraging trade and investment for growth

The UK operates in a complex global environment, but increasing the UK's trade and attracting and retaining more investment provides a path to growth and will help to ensure the success of the industrial strategy.

The UK has slipped back in the global race for **export** market share but retains a leading reputation and a trading surplus in services. This is a genuine success story and should serve as a basis for further growth, with a central role in any future Industrial or Trade Strategy, as the CBI has outlined. Talking about goods and services together within political messaging will provide clarity and certainty for both UK and foreign headquartered firms, giving them the confidence to invest in and trade from the UK.

Research indicates businesses that export experience higher growth than those operating in domestic markets only.[28] In the UK 12% of firms trade overseas, and so driving up the volume *and* value of goods and services exports should remain a priority for any future strategy. It is also important to protect existing export levels and maintain market share.

The trade and investment relationship between the UK and the EU remains indispensable for businesses on both sides of the Channel. The Trade and Co-operation Agreement (TCA) has provided the basis for this trading relation since the UK left the EU. However, too many unnecessary barriers to trade and investment flows remain.

We welcome the renewed impetus of the Prime Minister and the President of the European Commission to work closely to address wider geopolitical challenges and to strengthen co-operation in areas of mutual benefit, such as the economy, energy, security and resilience. UK and EU collaboration on their respective industrial strategies will have a central role in achieving these aims.

Improvements can be made in the policy environment to encourage exporting.

- Hardwire international competitiveness into Whitehall policymaking by mandating an impact assessment on the competitiveness of the UK business environment when any new policy or regulation is proposed.
- Prioritise resolving non-tariff and tariff barriers through market access work, which is equally as important as free trade agreements, especially in high growth markets (population and/or economic).
  - For our ***FMCG members*** there is a focus on population and economic growth areas, for example Africa and India, but some barriers still need to be addressed to enforcing regulations, intellectual property right protection and behind border taxes.

[28] Why exporting could boost your business | HSBC UK

    - Promote and facilitate UK exporters' involvement in critical international supply chains by championing multilateral engagement and collaboration.

- **Provide practical support that is more joined up, creating a seamless journey regardless of which region or nation the business is based in.** Importantly this support should be both financial and non-financial and linked up across all levels of government.

- **Improve communication globally and build on already established partnerships within government, and with stakeholders outside of Whitehall.** Ensure the UK is a world leader in working with the private sector to boost exports, pioneering new ways of working within Whitehall and with the overseas network.

Recent CBI report Serving Up Success[29] provides recommendations for government to ensure the continued strength of our services exports, given their importance to UK growth.

1. **Signalling intent to boost confidence**
    - Communicate a clear pipeline on all agreements, from Free Trade Agreements to sector-specific agreements.
    - Publish a new digital trade position with refreshed areas of focus reflective of our evolving digital world.
    - Develop a strong trade promotion programme, ringfencing specific funding and working across departments.
2. **Unlocking growth through proactive measures**
    - Negotiate reciprocal mobility agreements with key trading partners, prioritising intra-company transfers and short-term business travel.
    - Implement a modern, flexible and digitalised immigration system which can respond quickly to the needs of business.
    - Deliver clear paths for Mutual Recognition of Professional Qualifications with relevant jurisdictions.
    - Commit to better utilising the EU-UK Trade and Cooperation Agreement's specialised committees to foster greater regulatory cooperation.
    - Create mechanisms through which regulators can work with their counterparts to address barriers to trade, including in emerging sectors.
    - Set up a one-stop shop for services companies to interpret bilateral and multilateral agreements.
3. **Delivering change on the global stage**
    - Outline basic principles for regulation of emerging technologies.

[29] Boosting our services trade | CBI

- Pursue the removal of barriers to international data transfers with like-minded countries and trading blocs that share similarly high levels of data protection.
- Work with business and international allies to find a permanent, evidence-based solution to the World Trade Organisation's e-commerce moratorium.

The UK remains a global leader in the **attraction of Foreign Direct Investment** (FDI), trailing only the USA and China[30]. Avoiding complacency in this global race for investment should include government making smart choices on industrial policy and communicating those clearly. Interventions like the US Inflation Reduction Act (IRA), EU Green Deal and Draghi Report on EU Competitiveness[31], serve as useful benchmarks for the importance of choices made by government and the impact both the policy and the communication of it can have in increasing the investable nature of the UK.

The Harrington Review of Foreign Direct Investment[32] rightly noted that our international peers were more strategic in attracting globally mobile investment, this is acknowledged in the green paper. It should also not be overlooked that investment decisions are influenced by the cross-cutting enablers for growth, with access to a skilled workforce generally top of the list closely followed by regulation and planning.

Drawing from member insights and leveraging our global network to learn from international best practice, the CBI developed recommendations to strengthen the government's investment attraction and retention.

1. Have a renewed focus on senior level engagement between global CEOs and leading Cabinet Ministers, which is something our international comparators do well.
2. Build on the success of the International Investment Summit with a clear arc of activity between each event.
3. Ensure that the bolstered role for the Office for Investment continues to identify issues damaging UK competitiveness across Whitehall.
4. Publish a clear financial incentives roadmap for investors including a roadmap collating all departmental funding pots.
5. Create long-term certainty through clear government policy and delivery.
6. Collaborate more effectively with local government to understand regional strengths and improve implementation.

[30] World Investment Report 2023 | UNCTAD
[31] EU competitiveness: Looking ahead - European Commission (europa.eu)
[32] 231123_Harrington-Review-Report-FINAL-2__HH_Global_.pdf

International best practice

The CBI interviewed economic agencies in Texas and California to understand their approaches to investment promotion. One of the most enlightening discussion points was the ways they work with local partners, with each state taking a different approach but sharing the same goal of increasing the size of investment into their state as a whole and reducing intra-state competition.

In Texas, they take a bottom -up approach by letting local government drive the agenda and come to the state agency for support. In California, there's an opposite approach where the agency works with businesses to understand their needs and then routes them into the right area based on local economic metrics. The state is increasingly using data on relative strengths of different districts such as skills, R&D, and infrastructure, to allow them to present a compelling offer to investors.

Government partnerships can drive trade and investment

CBI members have been clear that the British Embassy network is an essential pillar of the mission for growth, providing invaluable support in new and existing markets. There is a real opportunity to improve Embassy support in highly competitive and emerging markets – including those across Africa, Asia and South America – to achieve export-led growth.

Experiences of businesses vary widely between Embassy teams, as well as depending on sector. A more centralised approach to economic diplomacy and better retention of trade experts in-post is important. More cohesion between FCDO and DBT officials is essential, with members expressing frustration at silos both in UK-based and overseas teams. Other countries do a better job at communicating the support that they can offer businesses – more funding could be helpful in ensuring communication and support can be better targeted.

CBI members identified a range of support that they would find most useful for their business when interacting with the government overseas network.

- Market research – some members flagged that actionable market intelligence would be most useful in difficult markets to help bridge knowledge gaps, including assistance finding relevant customers and targeted marketing.
- Warm commercial connections – the majority of members agreed that warm commercial connections would be highly beneficial, with members in the higher education sector specifically seeking support for developing pipelines with commercial entities.
- Local political insights – including intelligence on relevant decisionmakers and the facilitating of meetings with or access to these decisionmakers.
- Events hosted by Ambassadors and other networking opportunities.

- Insights on conducting business – navigating the host country's government, understanding local sensitivities and customs.
- Neutral platform for policy discussions.
- Support clearing market access obstacles.
- Advanced notice of VIP visits.

Managing global risk and resilience

In an era marked by unprecedented threats and uncertainties, from geopolitical tension to pandemics, and from technological advancements to climate change, these shocks have underscored a clear but challenging necessity for robust and adaptive systems capable of withstanding, reacting to, and recovering from national crises. The green paper rightly acknowledges this. Businesses large and small are often at the coalface, fronting much of the uncertainty and solutions.

The National Risk Register represents a comprehensive central bank of potential risks to the resilience of the economy and broader society. However, with 89 risks identified, it represents a detailed, granular download as opposed to a strategic overview. Industry thrives when it has clear, consistent steers from government. With the Industrial Strategy designed to provide a ten-year vision for where the UK can compete to win on the global stage, it is important that the Government provides equivalent clarity to businesses about the risks to resilience. **This consultation represents an opportunity for the Government to identify the major, strategic risks to resilience that business will face over the next decade.**

Recommendations

1. Build on existing engagement architecture to ensure business can input into UK foreign policy priorities given the implications for their operations. Industry understands the use of sanctions, international agreements and other foreign policy tools but would like to be more involved in the conversation.
2. Build on the successful new ways of working established during the development of the sanctions regime and deploying this strategically in more areas will increase business understanding of the decisions made by government and help to minimise uncertainty. Industry is a crucial component of the UK's soft power due to its unique international relationships.
3. Hardwire cooperation with the government, including FCDO and relevant departments, as well as the use of specific fora for addressing and managing risks is critical to leverage this power, and ensure dialogue with business in this context.

Maximising government machinery for success across nations and regions (Questions 30-35)

Effective governance and delivery mechanisms will be essential for implementing the industrial strategy. Clear accountability, strong leadership, both political and from industry along with robust monitoring frameworks will be needed to ensure that initiatives are executed efficiently and achieve their intended outcomes. To deliver this, the Industrial Strategy Council's remit should be clear.

Recommendations:

- **Maintain the strategic focus of the Industrial Strategy through effective horizon scanning:**

The Industrial Strategy Council should serve as the pre-eminent business engagement forum for senior Cabinet Ministers. Serving as a confidential advisory forum for engagement between business and HMG, the Industrial Strategy Council should provide a space for both frank advice and feedback on the UK's growth plans. The Council should be provided with consistent sources of trusted data and qualitative insight, including from industry itself, to help Ministers horizon scan for emerging challenges that impact the delivery of Industrial Strategy objectives. Consistency of input across sub-sector councils feeding into it should also be front of mind to ensure fairness.

- **Provide confidence to invest through KPIs for success:**

The Industrial Strategy Green Paper sets out a long-term plan to give business the stability and confidence to invest. Providing the Industrial Strategy Council with the remit to identify – and monitor – KPIs would ensure it resonates more directly with the metric driven 'growth strategies' of individual businesses. This would be particularly impactful for global businesses who can then refer to the KPIs when making the case for investment in the UK. Setting out KPIs can also catalyse an agile approach to policymaking that enables the government to respond to changes in the UK's competitiveness.

Business is well placed to co-design with government the appropriate KPIs. For example, Lif Science's firm, Bristol Myers Squibb, recently built a prognosis dashboard of metrics US investors consider when placing investment decisions into the sector. Replicating this model for the eight identifiable sectors across the key markets outlined in the upcoming Trade Strategy would represent a 'best in class' approach to Industrial Strategy KPIs.

- **Oversee delivery by utilising private sector expertise:**

The Industrial Strategy Council should support the effective execution of government priorities by providing a commercial perspective on delivery of policy. This should involve highlighting obstacles to delivery but also identifying solutions that can be co-designed with business. The Council should act as a 'clearing house' for the policy lab proposal put forward in the Industrial Strategy Green Paper by working with Ministers to agree the relevant 'exam question' and making recommendations for the involvement of business leaders based on their specific expertise. Each workstream should be co-chaired by a relevant business leader and sponsoring Minister with clearly identifiable timelines to ensure progress moves at pace. Sponsored senior officials from relevant departments should be involved to ensure cross Whitehall buy-in. This 'room next door' approach is consistently utilised in trade negotiations, with New Zealand, Mexico, and Australia all having a model for utilising key decision-makers in the private sector for trade policy negotiation.

- **Interaction with other business engagement architecture:**

The government have set out ambitious plans for key policy institutions and strategies – such as Skills England, the Regulatory Innovation Office and the expected Trade Strategy - to dock into the Industrial Strategy. Business supports such joined up thinking and applauds government for its intent. Successful delivery will require effective matrix-working across Whitehall. Business has specific expertise in matrix-working and can provide their insight and experience to support the government in delivering this objective. Key to this will be setting out a clear operating model that outlines the defined remits, areas of alignment, and areas of operational independence between the various connected parties. Government should look to set this out alongside the next iteration of the proposed *Theory of Change* model referenced in the Green Paper.

- **Place based opportunities**

An Industrial Strategy that is aligned with each Local Growth Plan can provide the catalyst for growth across regions. It is encouraging that they aim to dovetail with one another.

By working over a 10-year period, both the Industrial Strategy and each respective Local Growth Plan will provide greater certainty over the operating environment for business. This will hopefully drive increased levels of business investment. However, regions need to be provided with long-term integrated funding settlements to give them the wherewithal to drive forward the Industrial Strategy and their respective Local Growth Plan.

Local Growth Plans will provide the framework for collaboration among local government, business, and universities by aligning regional economic priorities with the goals of a national Industrial Strategy. The skills system will be integral to the success of both the Industrial Strategy and Local Growth Plans with education providers having a vital role to play.

Local Growth Plans will provide the mechanism with which to help regions identify economically important clusters. To maximise the economic growth of clusters there could be targeted policy interventions, for example research and development grants, and funding to encourage collaboration between universities and the business community. Catapult centres could also have an important role to play in supporting the development of clusters.

Allowing each region to identify specialisms unique to each area, they can collaborate instead of competing for investment. By collaborating, regions can increase the overall levels of investment across the UK. This is precisely what Lord Harrington recommended in his review of foreign direct investment – the recommendations from which the CBI is keen to see implemented.

- **Economic Theory of Change**

The Green Paper puts forward a *Theory of Change* to illustrate the logical relationships between Industrial Strategy policies and growth. Developing the *Theory of Change* to account more explicitly for resilience will help to effectively prioritise policy decisions and build the appropriate business engagement architecture that not only achieve the government's growth ambition, but also achieve the economic security objectives as set out in the Industrial Strategy green paper.

Recommendations:

1. Work with industry to develop an effective 'operating model' for how government decision making can support the resilience objectives of the Industrial Strategy.
2. Build on the *Theory of Change* proposal to encompass a more formal 'operating model' that can be deployed to address the tension within Whitehall that can occur between investment facing departments and those that are more security focused.

November 2024