The Industrial Strategy Invest 2035 consultation summary report

May 2026

GREAT
BRITAIN & NORTHERN IRELAND

Contents

Acknowledgements

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Disclaimer

All views expressed in this consultation are the views of individual respondents, and not DBT. Quotations are included for illustrative purposes, and do not imply endorsement or agreement by DBT.

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Glossary

AI	Artificial intelligence
Agritech	Agricultural technology, defined in the Industrial Strategy as precision technologies to improve agricultural input and output processes that exploit the application of: • controlled environments • robotics and automation • advanced sensors • AI and data systems
AUKUS	Australia-United Kingdom-United States trilateral security partnership
CMA	Competition and Markets Authority
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
DBT	Department for Business and Trade
EU	European Union
F-35	F-35 fighter jet
Fintech	Financial technology, defined in the Industrial Strategy as the use of technology to improve and automate the delivery and use of financial services
Foundational sectors	The sectors which provide critical inputs and infrastructure to the IS-8
Frontier industries	Subsectors within the IS-8 sectors which have the greatest growth potential, and which have been identified as where government intervention could have the greatest impact to boost economic growth
GCAP	Global Combat Air Programme
GDP	Gross Domestic Product
GDPR	The General Data Protection Regulation is designed to give individuals control over their personal data by dictating the standards for collection and processing of personal information for both residents within and outside the EU
Green Paper	A consultation document produced by the Government. The aim of such a document is to allow people to give feedback on policy or legislative proposals

Integrated Settlements	Part of a Government initiative aimed at enhancing local governance and economic growth by providing combined funding to Mayoral Strategic Authorities
IP	Intellectual property
IS-8	The eight growth-driving sectors identified in *Invest 2035:* Advanced Manufacturing, Clean Energy Industries, Creative Industries, Defence, Digital and Technologies, Financial Services, Life Sciences, and Professional and Business Services
ISC	Industrial Strategy Council
LPAs	Local Planning Authorities
M&E	Monitoring and evaluation
Market assessment	A comprehensive analysis conducted to understand the size, dynamics, and competitive nature of a specific market or sector
PBS	Professional and Business Services
PIC	Productivity and Innovation Credit
PPAs	Power Purchase Agreements
R&D	Research and development
RDI	Research, Development, and Innovation
Regulatory sandbox	A framework designed to foster innovation by providing a safe space for businesses to experiment with new ideas without the immediate burden of full regulatory compliance
SIC	Standard Industrial Classification codes are four-digit numerical codes used to classify the primary business activities of companies
SMART	Specific, Measurable, Achievable, Relevant, Time-bound
SMEs	Small and Medium Enterprises
Soft loan	A loan with no interest or a below-market rate of interest
STEM	Science, Technology, Engineering, and Mathematics

Executive summary

Introduction

As part of the *Invest 2035* Green Paper[1], the Department for Business and Trade (DBT) issued a public consultation asking for feedback on 36 questions to inform the Industrial Strategy. The consultation was open for six weeks from 11th October to 25th November 2024. Responses supported the analysis identifying frontier industries and associated places, identifying key economy-wide growth barriers and opportunities, and selecting policy interventions. The consultation questions covered a number of areas including barriers to investment, people and skills, energy, infrastructure, and international partnerships. The full list of questions can be found in Appendix 1.

Responses were submitted through an online survey or by email. All responses were read by DBT or Ipsos (a research agency appointed to assist with the analysis). The consultation used open-ended, qualitative questions intended to provide insights into respondents' experiences and perspectives, which complement the wider quantitative and qualitative analysis undertaken by DBT (which is set out in the technical annex to the Industrial Strategy[2]). Findings should be considered as illustrative rather than representative of the general population or respondents' sectors. Anonymised quotes have been included for illustrative purposes.

Key findings

Frontier industries and foundational inputs

Respondents highlighted a need for the Government to identify high-growth sectors as frontier industries, using data-driven approaches. Perceived strengths, capabilities, and essential public inputs were discussed. Strategic interventions for growth, such as infrastructure enhancements and skills development, were suggested, along with enablers such as government support and financial investment. Challenges such as regulatory uncertainties and skill shortages were discussed, with a call for Government to collaborate with experts across sectors and academia to address these.

Barriers to investment

Respondents identified key investment barriers such as regulatory uncertainty, high compliance costs, funding challenges due to fragmented markets, and skills shortages, particularly impacting Life Sciences, Clean Energy Industries, and Digital and Technologies sectors. A perceived lack of infrastructure and high energy costs were also concerns. Solutions proposed included Government and industry collaboration with sector-specific approaches, regulatory simplification, infrastructure upgrades, and transparent policies with financial incentives to enhance investment appeal and confidence.

People and skills

To address skills-related investment barriers, respondents proposed enhancing technical and vocational training, especially in STEM fields. Stronger industry-education partnerships were recommended to align curricula with market needs. Apprenticeship and reskilling initiatives, focused on digital skills, manufacturing, and clean energy, were deemed crucial, with reform of the Apprenticeship Levy suggested to support SMEs. To boost employer training investment, flexible

[1] Invest 2035: The UK's Modern Industrial Strategy. Department for Business and Trade, 2024.

[2] The UK's Modern Industrial Strategy Technical Annex. Department for Business and Trade, 2025.

apprenticeship schemes, Apprenticeship Levy reform permitting broader training uses, and targeted tax incentives were suggested.

Research, Development, and Innovation

Respondents recommended policies to overcome barriers to research, development, and innovation (RDI) and technology adoption. Key suggestions included encouraging cross-sector collaboration, enhancing innovation funding, and introducing tax incentives for RDI. Supporting SMEs through grants and strategies for commercialisation was emphasised. A comprehensive policy framework was also advised to tackle financial constraints, regulatory complexities, and IP issues, to enhance RDI commercialisation.

Data

Respondents suggested that to support the Industrial Strategy, the Government should enhance collaboration between government, businesses, and academia through legal frameworks and creating networks. They recommended creating centralised, open-access data platforms for innovation and evidence-based decisions, using predictive analytics for skills forecasting and utilising regional data to ensure balanced growth. Perceived barriers to data-sharing discussed included regulatory and privacy concerns; data protection issues; and challenges with data standardisation, trust, and cybersecurity.

Infrastructure

Respondents highlighted the importance of enhancing transport infrastructure, digital connectivity, energy, and housing for economic growth across UK regions. They recommended a regional approach to infrastructure development with funding mechanisms allowing local authorities more autonomy to attract investment and support local industries. The significance of public-private partnerships, regional development zones, and investments in transport and digital infrastructure was discussed. Tailoring the Industrial Strategy to local needs and streamlining planning processes to expedite project approvals and investments, were considered essential for success.

Energy

Respondents identified high energy costs and grid connection challenges as barriers to competitive industrial activity and electrification. Solutions proposed included government-backed incentives for hydrogen infrastructure and smart grids. International best practice policies such as Power Purchase Agreements (PPAs) and feed-in tariffs were identified as securing stable renewable energy rates, while carbon pricing was thought to encourage lower emissions. Legislative frameworks promoting renewable energy and incentives like tax reductions and grants were viewed as crucial for supporting business to transition to cleaner energy.

Competition and regulation

Respondents identified barriers to investment related to competition, discussing challenges in exporting to Europe and the dominance of large firms which was perceived to stifle SME growth. They proposed simplifying regulations, fostering public-private partnerships, creating tax incentives, and providing SME support to drive market diversification. Emphasis was placed on reducing entry barriers, enforcing fair competition, and crafting innovation-friendly policies like regulatory sandboxes. Enhancing regulatory adaptability, especially for sectors like AI and renewable energy, and aligning with international standards were seen as crucial for overcoming competition-related investment barriers.

Investment

Respondents believed that business investment decisions are influenced by economic and regulatory factors, as well as infrastructure and skills issues. They highlighted stable interest rates, competitive tax rates, and a supportive regulatory environment as crucial. Some respondents felt that business needs varied, with larger companies focusing on long-term investments and SMEs on flexibility.

Barriers to scale-up identified included limited growth-stage capital, risk aversion, and regional disparities, with respondents highlighting that businesses outside of major economic hubs often face challenges in securing growth-stage investment. Suggested solutions included scale-up funds and simpler regulations. Strategic financial instruments identified in other countries included tax and productivity credits, green investment tools, and convertible debt instruments.

International partnerships and trade

Respondents emphasised that international partnerships between governments and businesses were vital for enhancing R&D, securing supply chains, and attracting investment, which support the eight growth-driving sectors named in *Invest 2035* (the IS-8). They felt that such partnerships could facilitate trade agreements and knowledge exchange but advocated for a pragmatic approach which minimised bureaucracy and aligned with the UK's growth priorities. Key markets identified as opportunities for the IS-8 included the EU, US, India, China, Japan, and the Middle East.

Place

The Industrial Strategy aims to focus on regions with high-growth potential for the IS-8 sectors, particularly city regions and clusters. Respondents believed that these clusters are complex and vary by sector. Some respondents also thought that the clusters should be dynamic and adaptable. Infrastructure improvements in transport, energy, and digital connectivity were deemed essential to cluster development. Respondents also highlighted the importance of tailored, region-specific plans to leverage local strengths for growth and supported aligning the Industrial Strategy with devolved and local government economic strategies.

Partnerships and institutions

The Government, through *Invest 2035*, committed to creating an independent Industrial Strategy Council (ISC) to ensure long-term stability and include diverse expertise. Respondents highlighted the importance of incorporating practical industry experience, particularly from SMEs, into the ISC. They advocated for transparency and accountability, ongoing stakeholder engagement, and collaboration with other organisations to align policies.

Monitoring and evaluation

Invest 2035 set out the importance of monitoring and evaluation (M&E). Respondents emphasised the importance of having clear, measurable intermediate outcomes aligned with the Industrial Strategy's goals, using sector-specific and regional metrics for tracking progress. They suggested an analytical framework capturing diverse outcomes, like economic security and net zero, alongside growth, and accounting for policy spillovers.

1. Introduction and methodology

1.1 Overview

The UK's Modern Industrial Strategy[3] is a 10-year plan to increase business investment and grow the industries of the future. The Industrial Strategy aims to make it quicker and easier for business to invest and will provide the certainty and stability needed for long-term investment decisions. As part of the *Invest 2035* Green Paper[4], the Department for Business and Trade (DBT) issued a public consultation asking for feedback on 36 questions to inform the Industrial Strategy. The consultation ran for six weeks from 11th October to 25th November 2024. Responses supported the analysis identifying frontier industries and places, identifying key economy-wide growth barriers and opportunities, and selecting policy interventions.

Responses were submitted online or by email and reviewed by DBT and Ipsos. The online consultation received more than 27,000 responses across 36 individual questions. Around 150 further submissions were received by email, with these returns covering the consultation questions that the respondent chose to address. A wide range of respondents provided feedback, including businesses, individuals, academics, think tanks, and trade unions, as well as more than 250 business associations representing hundreds of thousands of businesses across the UK. Anonymised quotes have been included throughout for illustrative purposes.

1.2 Analysis of the responses

The consultation questions were open-ended, generating free-text responses. DBT developed an initial coding framework to analyse them, which was built upon by Ipsos. The Ipsos coding team and analysts manually read each response and assigned specific themes to the response text. To complement human review and manual coding, Ipsos researchers used secure proprietary AI tools which are designed to process large amounts of qualitative data and identify underlying common themes. An AI-driven analysis was used for some of the responses[5] to highlight prevalent themes and shed light on nuances within the data. It was also used to help develop the coding framework. AI analysis (where undertaken) was supplemented by human checks, and reviews of all outputs were undertaken by Ipsos to validate the accuracy of the work undertaken by the AI platform.

1.3 Interpreting the feedback received

A public consultation is a valuable way to gather feedback from interested parties, but it is not a representative source of information about what the public as a whole think. While the consultation was open to everyone, those who chose to provide a response may have different characteristics to those who did not. For example, they may be those with stronger views on UK industrial policy or those who might be particularly affected by new policies in the Industrial Strategy, and so may have been more motivated to express their views. Those who have provided their feedback may have also had access to differing levels of information about the Industrial Strategy and related policies, and may have differing levels of interest in and expertise on different question topics. It was not mandatory to answer any question, and so the number of responses received for each question varied. Findings should therefore be considered as illustrative rather than representative of the general population or respondents' sectors.

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[3] The UK's Modern Industrial Strategy. Department for Business and Trade, 2025.

[4] Invest 2035: The UK's Modern Industrial Strategy. Department for Business and Trade, 2024.

[5] A secure AI platform was used to help develop a codeframe responses to Q1 to Q6 and Q26 to Q35, and to undertake qualitative analyses on responses to Q36.

2. Frontier industries and foundational inputs

2.1 Overview

Respondents were asked how the Government could identify subsectors, including emerging sectors and technologies, as frontier industries and foundational inputs. They also discussed the UK's strengths and capabilities, as well as enablers and barriers to growth, in these subsectors.

Key findings include:

- Respondents emphasised the importance of identifying high-growth and high-productivity frontier industries, such as Clean Energy Industries, Advanced Manufacturing, digital/data solutions, and AI. They felt that this process should use data-driven methodologies and alternative data sources when conventional data falls short.
- Respondents considered that key inputs from foundational industries would be essential for several areas including supporting emerging sectors that drive economic growth and innovation.
- Respondents suggested conducting detailed value chain analysis to highlight strategic interventions for growth in several areas, including emerging sectors that contribute to economic expansion, national security by minimising supply vulnerabilities, advanced technologies, and infrastructure improvements.
- Respondents' suggestions for enablers of growth in the subsectors discussed included government support, innovation, and financial investments, while barriers included regulatory uncertainties and skill shortages. Collaboration across sectors, industries, and academia was recommended to overcome these challenges.

2.2 Identification of frontier industries

Respondents shared a variety of perspectives on how they believed that the Government should identify high-growth, high-productivity subsectors as frontier industries. A key recommendation was to use a data-driven approach, employing both historical data and economic forecasts to identify high-growth subsectors. Additionally, the integration of advanced data analysis techniques, including forecasting and trend analysis, was recommended by respondents to help anticipate future market developments and identify emerging opportunities. Respondents suggested that a data-driven approach to selecting subsectors could be informed by metrics such as GDP contribution, employment growth, and global competitiveness. As one business suggested, "to identify the most important subsectors for delivering the UK government's overarching objective of growth, a structured and data-driven approach is needed. This approach should consider key metrics such as productivity data, scale, global growth projections and the UK's current global position for the subsector".

Respondents also suggested considering both current sectoral strengths and future opportunities, such as in AI and renewable energy. Additionally, they said that subsectors with competitive commercial potential and which aligned with the Government's objectives on sustainability, net zero, and economic resilience were important to prioritise. As one business felt: "the Government's focus on net zero priorities means that supporting subsectors involved in green technologies is crucial".

Furthermore, respondents emphasised the importance of place in determining subsector selection. They highlighted the strengths and strategic importance of industries in the different nations and regions of the UK, including fintech in London, biotechnology clusters in Oxford and Cambridge, and marine innovation initiatives in Plymouth. As one business viewed it: "[…] sectors happen in places, therefore a potential subsector should also be able to demonstrate knowledge, a business

base, assets and capabilities in a place which help give the UK a global advantage in that sector… For example the Plymouth area includes a cluster of over 50 businesses and organisations involved in advanced marine autonomy…".

Respondents also proposed involving organisations such as industry experts and academic institutions at a local level to gain insights on local subsector performance, suggesting that such engagement would support the analysis of emerging trends regarding untapped sectoral potential. One respondent suggested that "to identify the most important subsectors, the UK government should use a combination of historical data analysis and forecasting models, collaborating with industry experts to prioritise sectors with high-growth potential". Respondents advocated for continuous review and stakeholder engagement to help ensure strategies for the selection of subsectors would be evidence-based, inclusive, and supportive of smaller and innovative businesses in the UK.

2.3 Accounting for emerging sectors and technologies

Early identification of emerging sectors and technologies was a key theme. Respondents recommended that the Government adopt flexible and forward-looking approaches. Overall, there was broad consensus on the necessity for adaptable and inclusive data collection methods to account for emerging sectors.

Respondents made several suggestions as to how to identify emerging sectors and technologies. They highlighted the importance of leveraging both qualitative and quantitative methods. Among the suggestions made was using unconventional data sources, such as social media and web scraping, as well as consulting industry experts and academia, and looking at international examples. They stressed the significance of forming diverse assessment teams to counteract biases and include a variety of perspectives. Engaging with industry bodies, local authorities, startups, and innovation hubs was also seen as important for the qualitative insights that this would bring.

Furthermore, some respondents proposed that there was a need to review current metrics, noting that existing Standard Industry Classification (SIC) codes may not adequately capture new technologies or subsectors. As one public sector organisation reflected: "SIC codes are poor at picking up a number of modern sectors, particularly those related to Clean Energy and Defence…".

2.4 Incorporating foundational sectors and value chains

Respondents suggested several strategies for incorporating foundational sectors and value chains into the analysis identifying the most important subsectors for delivering the objectives of the Industrial Strategy. These included value chain mapping to identify critical dependencies and bottlenecks and recognising how foundational sectors such as logistics and energy support high-growth industries. Respondents thought that it would be important to evaluate each foundational sector's contribution to economic growth, employment, innovation, and international competitiveness. They suggested incorporating advanced data analytics and predictive modelling to identify sector interdependencies and potential growth areas.

Respondents also highlighted the role of foundational sectors in driving not only economic growth, but also social value. One business association believed that "for the Industrial Strategy to achieve its full potential, the Government must incorporate metrics that capture social value - such as job creation in underserved regions, improved access to education and employment, and reductions in carbon emissions".

2.5 Suggested subsectors to focus on

Respondents recommended that the Government should prioritise subsectors with significant growth potential. Among the subsectors mentioned were those within the Clean Energy Industries, Digital & Technologies, and Advanced Manufacturing sectors.

2.5.1 Subsectors related to the Clean Energy Industries sector

Clean energy technologies including offshore and onshore wind were seen by respondents as important for sustainability and achieving net zero targets. There was an emphasis on expanding the development of technologies such as floating offshore wind, which respondents said could exploit deeper waters and allow the UK to capitalise on its existing experience. Energy storage solutions (such as advanced battery technologies) and clean hydrogen were also considered important for grid stabilisation and advancing the clean energy transition.

Some further specific examples of Clean Energy Industries-related subsectors mentioned by respondents included:

- Nuclear energy, with respondents considering its potential to provide reliable, clean energy that complements renewable energy sources. They felt that nuclear energy could play a critical role in both energy security and economic growth. As one academic said: “the UK is a leader in nuclear fusion technology, with groundbreaking research being made every year. Investing in this technology would put the UK ahead of other countries, as well as lead to spinoff technologies and approaches that can be applied to other sectors”.

- Hydrogen, which was seen by respondents as a strategic component in the transition towards sustainable energy systems. Hydrogen, particularly green hydrogen, was viewed as important for decarbonising sectors where electrification was thought to be more challenging, such as in heavy industry and transport. The potential of hydrogen for use in energy storage and as a feedstock in industrial processes was also discussed. Moreover, the expansion of hydrogen production and infrastructure, such as hydrogen refuelling stations, was identified by respondents as an area of opportunity that could enhance energy security and stimulate economic growth.

- Bioenergy, which was said to be an important renewable energy source that could complement other green technologies by being used for clean power generation, and by supporting energy security as well as efforts to reduce greenhouse gas emissions.

2.5.2 Subsectors related to Digital and Technologies

Respondents viewed technologies such as AI, cybersecurity, quantum computing, and data analytics as necessary for driving innovation, productivity, and competitiveness across different sectors. Respondents believed that these were transformative tools that could enhance operational efficiency and foster economic resilience. One respondent felt that “AI [d]rives innovation across multiple industries, boosting productivity and global competitiveness”.

Having robust cybersecurity frameworks was also seen by respondents as essential to protect digital assets and support the expansion of digital services.

2.5.3 Subsectors related to Advanced Manufacturing

Respondents emphasised the importance of technologies such as automation, robotics, and precision engineering, which were considered vital for boosting productivity and ensuring competitiveness in key sectors including aerospace, automotive, and defence. As one business suggested: “Advanced Manufacturing: including automation, robotics, and 3D printing… can boost productivity, reduce costs, and support supply chain resilience, especially in aerospace and automotive sectors”.

The UK's perceived leadership in aerospace was identified as an area of competitive advantage for the UK that respondents felt should be further leveraged. Respondents also felt that agritech and agrifood had an important role in ensuring food security and sustainability. Additionally, the integration of digital technologies was seen as a key driver for optimising agricultural operations.

Finally, advanced materials were noted for their perceived potential to improve product efficiency, sustainability, and performance, particularly in key sectors like aerospace, automotive, and renewable energy. Respondents judged that there was a need for strong collaboration between academia, government, and industry to foster further innovation in advanced materials research and application.

2.5.4 Subsectors related to Life Sciences

Respondents saw the Life Sciences sector as a key driver of economic growth, citing its potential for significant contributions to R&D, innovation, and global competitiveness. The UK's perceived strong foundation in Life Sciences, particularly in fields like biotechnology, pharmaceuticals, and health technology, was said to offer opportunities for innovation.

Respondents believed that there was a need for collaborative research initiatives and a supportive regulatory environment to speed up the development of novel therapies and diagnostic tools. Key areas of focus mentioned by respondents included bio-design engineering, bacterial biotechnology, genetic engineering, cultured meat, vertical farming, biomaterials, and algae-based energy production.

Leveraging links between academia and industry was seen as vital for commercialising innovations, with Advanced Manufacturing and the biomedical research base seen as crucial UK assets.

2.5.5 Subsectors related to Defence

Respondents commented on the strategic importance of the defence industry for national security and economic growth. One business remarked that it contributed to “national security: directly supports the UK’s ability to defend against a range of military threats. Technological leadership: defence innovations often spill over into civilian applications, boosting other sectors. Exports: defence technologies are a significant export market”.

The intelligence systems subsector, including cyber, surveillance, and communications technologies, was believed to have strategic importance. The intelligence systems subsector was thought to have a critical role in supporting national security, defence capabilities, and robust supply chains. Respondents also mentioned several other Defence-related subsectors, including aerospace products and services such as fighter and trainer aircraft, helicopters, missiles, and jet engines. The maritime subsector was also identified, with some respondents mentioning nuclear submarines, complex warships, and patrol vessels. The land defence industry was also mentioned, namely light armoured vehicles, armour, and munitions.

2.5.6 Subsectors related to the Creative Industries

The Creative Industries sector was seen by respondents as an area where the UK has a competitive edge globally. The UK’s Creative Industries sector was highlighted for its cultural resonance, global reach, and contribution to soft power. It was also believed to have strong export potential. Respondents emphasised the importance of nurturing talent and providing educational pathways that could aid in the development of creative skills.

Respondents mentioned several subsectors relating to the Creative Industries. These included film, television, video gaming, and immersive technologies, which were considered integral to the sector's growth. There was discussion of the perceived interconnectedness of subsectors such as theatre, live events, fashion, and broadcasting. The importance of public sector broadcasting in supporting this ecosystem was also expressed by respondents. Additionally, emphasis was placed on the intersections with the Digital and Technologies sector, particularly in areas like streaming and virtual reality, which were perceived to drive significant creative and business advancements.

As one business saw it: “Creative Industries: Emerging tech in gaming, digital media, and content creation are growing global markets where the UK has a competitive edge. This sector drives cultural exports and innovation”.

2.5.7 Subsectors related to Professional and Business Services

Respondents identified Professional and Business Services (PBS) subsectors as having potential to add value through enhancing the efficiency and effectiveness of business operations through specialised expertise and knowledge, and global reach. This included improving competitiveness and innovation, driving business growth and expansion, and providing support in navigating complex legal and financial landscapes.

Specific subsectors mentioned by respondents included legal services, which were seen as a crucial contributor to enabling other sectors by providing the necessary expertise to navigate risks and expand businesses. Accounting and consultancy services were believed to play a role in helping organisations optimise their operations and enhance competitiveness. Digital services within PBS such as IT consultancy and cybersecurity were also identified by respondents, seen as critical for business transformation and protecting data. The interconnectedness of these subsectors in advancing global competitiveness and facilitating business innovation was highlighted.

Respondents felt that it would be important for the UK to maintain its perceived global lead in these fields. They also highlighted the importance of establishing clear regulations and a business climate which promotes the advancement of legal, accounting, consultancy, and digital services to ensure the UK's leadership. Respondents thought that there was need to adapt to digital transformation and technological advancements, such as AI and data analytics, to remain competitive. There were additionally calls for enhancing skills and talent development to meet the evolving demands of the industry.

2.5.8 Subsectors related to Financial Services

Respondents emphasised the critical role of Financial Services as a leading sector of the UK economy. They believed that the Financial Services sector contributes to economic stability, The need for innovation in fintech to enhance productivity and efficiency within Financial Services was particularly stressed.

Furthermore, respondents believed that digital advancements in Financial Services, such as AI, are expected to catalyse significant economic growth. According to one business: “the Financial Services sector remains a cornerstone of the UK economy, contributing significantly to GDP, employment, and innovation. The UK's Financial Services industry is renowned for its robust regulatory framework, which ensures stability and trust, and its global reach, which facilitates international trade and investment. Enhancing digital banking, fintech, and insurance technologies will further solidify the UK's position as a leading financial hub”.

2.6 The UK’s strengths and capabilities in frontier industries

Respondents set out various perceived strengths of the UK in relation to the frontier industries that they identified. For example, the Life Sciences sector was highlighted for its strong research institutions and regulatory frameworks. In addition, respondents pointed out the UK's expertise in emerging technologies such as AI, quantum computing, and semiconductors, which is supported by technology and renowned research. One respondent said that “the UK has significant expertise in quantum technologies, supported by government initiatives like the UK National Quantum Technologies Programme. Universities such as Oxford and Cambridge lead in quantum research, with growing private-sector interest”.

Respondents also felt that the UK's skilled and diverse workforce was a significant asset that enhanced the UK’s global competitiveness. Other strengths perceived by respondents included an established industrial base supporting Advanced Manufacturing, and the UK’s strong infrastructure

and connectivity. Some respondents also viewed the UK's cultural institutions and media heritage as strong, but felt that these faced challenges due to perceived underfunding of creative education. The UK's regulatory and legal framework was viewed by respondents as providing economic stability and a favourable environment for business and investment. The existence of the global financial and professional services hub in London was also viewed as a strength.

2.7 Regional strengths

Respondents identified regional strengths for different industries, said to be due to local expertise and infrastructure. Some examples cited included:

- technology sectors in London and the 'Golden Triangle' of Oxford, Cambridge, and London were discussed for their perceived innovation and world-class research institutions
- Scotland's strengths in renewable energy, particularly in wind power, were thought to reflect its geography and government support for sustainable initiatives
- Wales was said to have developing technology hubs, supporting sectors like digital media and Creative Industries
- Northern Ireland was believed to have growing capabilities in cybersecurity and information technology

2.8 Key enablers and barriers to growth

Respondents highlighted several key enablers and barriers to growth for the frontier industries they discussed. Enablers of growth included government support through investment grants and favourable tax incentives (for example, R&D tax credits), which were seen as vital for reducing financial burdens and encouraging innovation. Other financial enablers mentioned included access to finance, including diverse financial instruments such as venture capital and soft loans.

Collaboration and partnerships, particularly between the public and private sectors and academia and industry, were also highlighted as necessary for driving innovation and aligning workforce skills with industry needs. Respondents additionally highlighted the importance of aligning industrial and education policy to better prepare the workforce for future demands. Skills development, especially through education and training programmes tailored to industry demands, was seen as necessary for ensuring workforce readiness.

Some of the perceived barriers to growth identified by respondents included:

- Skills shortages, particularly in technical fields such as engineering and digital technologies.
- Infrastructure gaps in transportation, digital networks, and energy supply.
- Rising costs, including for energy, materials, and labour, which were perceived to impact profit margins and competitiveness.
- Market access barriers, for example, from trade regulations and customs procedures following the UK's exit from the EU, which were seen to complicate access to European markets.
- Access to finance, which was seen as a barrier that can limit innovation and expansion. Respondents felt that there were inadequacies in government support in terms of availability of grants.
- Supply chain issues, exacerbated by geopolitical tensions and complexities (for example, market access barriers) arising from the UK's exit from the EU.

- Technological challenges posed by the rapid pace of advancement and associated costs of adopting new technologies.
- Prolonged and convoluted planning and permitting processes, which obstruct timely investments and developments.
- A lack of collaboration among government departments.

2.9 Government actions to address barriers

Respondents suggested several government actions that they felt could address barriers to growth in the frontier industries discussed. These included simplifying regulatory and compliance processes to reduce bureaucratic hurdles and enable quicker market entry. Increased investment in skills development, particularly in STEM and technology-enabled industries, was also recommended, alongside enhanced infrastructure development to support digital, transport, and energy connectivity.

Additionally, improving access to finance through grants, tax incentives, and low-interest loans was viewed as crucial for supporting startups and SMEs. Respondents thought that embracing technology and innovation through support for R&D and incentivising digital adoption would be essential for spurring the growth and competitiveness of UK industries.

Respondents felt that it would be important to make beneficial trade deals and find solutions for challenges faced after the UK's exit from the EU. Such challenges mentioned by respondents included skills shortages, an ageing workforce, regulatory complexities, investment gaps, planning constraints, and limited access to finance. Additionally, supply chain interruptions due to customs changes were said to complicate logistics.

3. Barriers to investment

3.1 Overview

Respondents were asked to identify the most significant barriers to investment, and whether these varied by sector. Although the primary focus was intended to be on investment and investor confidence, respondents interpreted this question broadly. This led to mentions of more general barriers relating to skills and infrastructure, regulation, competition, and general political and economic uncertainty.

Some of the barriers to investment cited by respondents included:

- regulatory uncertainty and high compliance costs, particularly affecting the Life Sciences and Clean Energy Industries sectors
- access to funding, which was seen as being difficult due to fragmented capital markets
- skills shortages, especially in STEM fields, which were considered to hinder growth particularly in digital and engineering-related sectors
- infrastructure issues, such as inadequate grid connections, which were considered to increase costs and lower efficiency
- high energy prices, which were seen as being a challenge for energy-intensive sectors

A variety of potential solutions to overcome these barriers were suggested, including regulatory simplification, joint action between the Government and industry, with tailored solutions for different sectors, and long-term sustainable and transparent policies and financial incentives to revitalise investor interest and confidence.

One think tank summarised their view as*: "*the most significant barriers to investment for small businesses include: Lack of access to finance; Lack of skilled workers; High cost of doing business; Uncertainty about the future of the economy. These barriers can vary across different sectors. For example, the lack of skilled workers is a major barrier in the technology sector".

3.2 Barriers to investment

3.2.1 Financial barriers

Finance-related barriers were a predominant concern for respondents, which were perceived to have an impact on various sectors and types of business. Different types of financial barriers were perceived to create risk, potentially undermining investor confidence, diminishing the UK's attractiveness, and fostering uncertainty for businesses.

High initial capital costs in Clean Energy Industries and Advanced Manufacturing were mentioned as being a deterrent to investment due to prohibitive upfront expenses. Additionally, high regulatory compliance costs were mentioned as adding financial burdens, and fragmented financial systems were perceived to complicate access to affordable finance, particularly for innovative sectors.

High startup costs were said to be a significant barrier for new entrants, reducing the ability to compete with more established players. Some of the perceived costs included the financial burden of regulatory compliance, acquiring necessary certifications, and funding the initial capital expenditure. As one business saw it: "new businesses face significant financial barriers when entering markets with high upfront costs, such as oil, gas, or pharmaceuticals. These industries often require vast capital investments, making it difficult for smaller firms to compete with established players that benefit from economies of scale". Respondents believed that potential

investors would favour lower risk investments over higher risk, but potentially higher reward, investments.

In addition to challenges accessing capital funding, respondents also referred to barriers related to access to funding or grants. Other respondents pointed to challenges in obtaining growth-stage or scale-up financing. Some believed access to capital was a particular issue for businesses outside London and the South East due to perceived lower concentrations of investors in these areas.

High operational costs and challenges in accessing capital, coupled with complex regulatory requirements, were perceived by respondents as particular challenges for SMEs and businesses in sectors including Life Sciences and Clean Energy Industries. Respondents also thought that investment could be hindered by more general macroeconomic barriers, including policy instability and changing government priorities for funding and support. This was said to create an uncertain investment environment for potential investors.

Access to and the associated costs of technology and innovation were seen as barriers by some respondents. One business believed that "barriers vary across sectors; for example, biotech faces high R&D costs, while AI may struggle with data access". To mitigate the finance-related obstacles identified, recommendations included developing comprehensive risk mitigation strategies and creating stable and predictable long-term policy frameworks.

3.2.2 Skills-related barriers

Respondents thought that a fundamental barrier to investment was the challenge of having the right people and the right skills within businesses. The challenge was said to be compounded by difficulties in retaining skilled staff, as well as challenges recruiting new staff when there is significant global competition for workers with in-demand skills.

Respondents identified skills shortages in STEM and emerging technologies which were thought to be compounded by insufficient training, especially vocational training. These shortages were seen to have a particular impact on sectors which are reliant on specialised technical skills, such as technology and engineering. Respondents also commented on the importance of attracting young talent and diversifying the workforce to include underrepresented groups. Respondents emphasised the role of strategic partnerships between industries and academia to cultivate a pipeline of qualified professionals.

3.2.3 Regulatory barriers

Respondents said that regulation presented challenges to businesses seeking to invest in the UK. Their feedback suggested that regulatory delays, caused by complex approval processes and shifting policies, exacerbated the difficulties faced by businesses. In the view of one business association: "the obstacles hindering growth are the same ones impacting investment, all fundamentally rooted in a lack of clarity of regulation. Clear, consistent guidelines are essential. Equally important is adopting a proportionate approach to risk that balances ambition for growth with necessary safeguards".

Respondents called for streamlined processes to reduce perceived unnecessary red tape, compliance time and costs, and to enhance operational efficiency. One academic felt there was a need for "proportionality in red tape – Regulation and its associated bureaucratic processes are important for coordination and to ensure fairness and safety. However, the obligations need to be proportionate to the size of the risk and/or reward. This is not always the case and excessive or ill-directed bureaucracy can be a significant barrier to growth and investment".

3.2.4 Infrastructure-related barriers

Respondents identified perceived infrastructure-related barriers such as planning delays, poor transport and energy capacity, and weak digital connectivity, stressing the need to improve both

digital and physical infrastructure to support investment. A variety of issues and solutions were identified, reflecting the broad and complex nature of infrastructure challenges faced across different sectors and geographical areas.

Transport-related barriers to investment that respondents identified included outdated infrastructure that they said failed to meet current business and commuter needs, insufficient public transport systems that were thought to hinder connectivity between business and residential areas, and significant geographical disparities which they felt left some regions underserved. Some respondents felt that these challenges were exacerbated by planning delays, leading to slow development of necessary transport projects, and congestion in existing road networks, creating inefficiencies that deter potential investment. As one local government respondent saw it: “infrastructure, particularly transport, acts as a significant barrier to growth for various sectors and subsectors by limiting connectivity, accessibility, and supply chain efficiency. In our area, where transport infrastructure is notably poor, these challenges hinder the expansion of industries reliant on efficient logistics and workforce mobility, stalling local economic potential”.

In terms of energy infrastructure, concerns identified by respondents included high energy costs and limited grid capacity. Energy was seen as a particular concern for sectors with high energy demands, as they were said to struggle to manage escalating costs while striving to use energy efficiently. Such constraints were said to hinder operational capacity and competitiveness within global markets. Some respondents referred to perceptions of the UK energy grid's insufficient ability to supply the necessary power to businesses or industrial sites. They believed that there is inadequate grid infrastructure to support the energy demands of businesses, including new entrants, making it difficult for them to receive the power needed for effective operation, and viewed it as necessary to upgrade energy infrastructure to overcome the barriers identified.

Barriers to investment relating to data and digital infrastructure were also perceived to stem from outdated infrastructure, as well as inadequate access to advanced digital technologies. Respondents said that such limitations posed significant barriers to investment, as they impede the UK's ability to fully engage in and benefit from digital advancements. Respondents fed back that robust digital infrastructure is required to a capitalise on modern, global digital commerce opportunities. Respondents also viewed upgrading digital infrastructure as necessary to overcome such barriers. Investment in modernising grid capacities and enhancing digital connectivity were seen as vital for sustaining competitive advantage and fostering innovation across industries.

3.2.5 International competitiveness

The UK’s competitiveness as an investment destination, and maintaining its attractiveness relative to other countries, was seen as a challenge. This challenge was said to most acutely impact in high-growth sectors and in RDI. Respondents thought that international competition posed challenges and suggested that the UK should explore strategies to enhance its competitive edge. Some businesses called for the UK to align with international standards and practices to bolster their competitiveness abroad. Respondents wanted practical ways to foster innovation and improve the market appeal of UK products and services to better compete on a global scale and help overcome other barriers to investment.

There were also calls for government support to help businesses compete globally, such as through greater strategic use of economic incentives or subsidies and export support programmes. It was felt that such measures could empower UK industries to better compete on innovation and quality as an investment destination. One business thought that “despite possessing world-leading R&D capabilities, the UK faces persistent challenges in translating research excellence into commercial success. This commercialisation gap is particularly evident in emerging high-growth sectors like hydrogen and offshore wind”.

3.2.6 Political and economic uncertainty

Political and economic uncertainty were seen by respondents as negatively impacting the UK's investment landscape. Among these, a perceived lack of support, policy uncertainty, and the absence of a cohesive strategy were highlighted as concerns in relation to investment. Respondents pointed to the need for stable and consistent government policies to enable long-term business planning and strategic investment. They also shared concerns over how funding and resources were allocated between different government departments and between areas of the economy, which in turn were seen as having an impact on businesses' investment plans.

Respondents fed back that targeted interventions could alleviate these barriers, by aligning national strategies such as the Industrial Strategy with the needs of businesses and sectors to bolster the UK's competitive positioning in global markets. This alignment was seen as necessary to maintain economic resilience and sustain growth. One business association commented that: "the most significant barriers to growth for [our] members are ... a lack of certainty over the market including the economic climate, the lack of a clear, long-term co-ordinated cross-departmental government Industrial Strategy... and inconsistent regulatory enforcement for non-compliant imports". Respondents suggested that establishing a well-defined strategy would help businesses gain clarity which would aid their planning and ability to execute long-term investments, while reducing the risk of innovation stagnation.

To mitigate financial barriers to investment, recommendations included government-developed comprehensive risk mitigation strategies and creating stable and predictable long-term policy frameworks. Respondents suggested that government intervention was necessary to create a stable policy environment, enhance regulatory frameworks, and provide targeted financial support to address investment barriers. These strategies were seen as essential for fostering a more favourable investment climate and encouraging both domestic and foreign investment.

Respondents advocated for the Government to enhance the appeal of the UK as an investment location. They also proposed improved investment practices (for example, through improved access to finance through incentives for private sector involvement, and increasing targeted government funding) and the prioritisation of infrastructure upgrades. In addition, long-term, transparent policies and financial incentives were seen as crucial to build investor interest and confidence.

4. People and skills

4.1 Overview

Respondents were asked about policy solutions that the Government could implement to overcome people and skills-related barriers to investment. Respondents were also asked for their feedback on how employer investment in training could be increased in the IS-8 sectors. Overall, respondents believed that through strategic investment, educational reform, and stronger partnerships between industry, government, and academic institutions, the UK could address perceived skills-related barriers to investment.

Key findings include:

- A broad consensus on the perceived need to enhance technical and vocational training, particularly within STEM fields, to bridge existing skills gaps and build skills pipelines to meet future demand. Respondents suggested looking to international models such as Germany's for vocational training and fostering partnerships between educational institutions and industry which were seen to tailor curricula to market demands.

- To increase employer investment in training, respondents made a number of suggestions, including the creation of more flexible and accessible apprenticeship programmes, reforming the Apprenticeship Levy to allow funds to be used for a wider range of training activities and tax incentives and subsidies targeted at employers who invest in training, particularly in high-demand areas like STEM and emerging technologies.

4.2 Policy solutions to overcome people and skills-related barriers to investment

Respondents said that there was a need to address skills shortages and enhance skills development to facilitate investment. Respondents advocated for tailored learning opportunities for specific sectors. Respondents also linked this to the importance of making opportunities available nationally, with one respondent suggesting that the Government should "address real skill shortages and generate centres of excellence to fill those nationally as everywhere can't do everything. This is from science to welding. We need to re-value trades and skillsets and ensure purpose is re-prioritised in learning".

One public sector organisation identified several interconnected skills issues in their response, commenting on a perceived "lack of skilled talent to work within the growth-driving sectors. Lack of a clearly defined and joined up career progression pathways route, starting from [the] 13–14-year-old age group. School curriculum disconnected with the needs of employers and industry… Inflexible approach to investing [in the] Apprenticeship Levy".

Examples of initiatives proposed to address skills gaps and skills shortages included further investment in apprenticeships and other training programmes, reform of the Apprenticeship Levy, and enhancing curricula within schools, universities, and apprenticeships to align more closely with industry needs. Upskilling and reskilling existing employees were also thought to be important to address immediate skills shortages and prepare the workforce for future employer demands.

There was a focus among respondents on encouraging collaboration between educational institutions and businesses to enhance skills training. Respondents proposed collaborative models that integrated practical experience into educational settings. They also highlighted an opportunity for the Government to facilitate links between education providers and businesses, to ensure that relevant training which meets current business needs is available. As one business saw it: "the Government should support targeted training and upskilling programmes to ensure the workforce can meet the needs of new technologies... Investment in apprenticeships and partnerships with educational institutions could help fill the skills gaps".

4.2.1 Apprenticeships

Apprenticeships were a significant topic of discussion. Respondents felt that there was a need for comprehensive apprenticeship schemes that were closely coordinated between businesses and educational institutions. They highlighted the importance of aligning the content of apprenticeships with current industry needs to ensure participants are acquiring relevant and practical skills. Some respondents shared a view that government policy should focus more on the collaboration between large and small businesses to develop and support these programs, ensuring that apprenticeships lead to meaningful employment opportunities. Respondents highlighted a perceived necessity for greater inclusivity in apprenticeships, advocating for greater access by underrepresented groups, such as disabled and neurodiverse individuals. Additionally, there was mention of a perceived need to modernise apprenticeship funding and delivery systems to reflect inflationary pressures and the evolving demands of the job market.

Some respondents provided comments and feedback about reform of the Apprenticeship Levy. One business commented: "in our view, one of the key barriers is the current Apprenticeship Levy. The current system does not adequately support the broad skills needs of the economy, such as attracting talent from diverse backgrounds, supporting early career entrants, facilitating reskilling, and enabling the transition from other sectors". Respondents thought that there should be greater flexibility in how levy funds can be used by employers. There were calls to allow businesses to spend levy funds on a wider range of training options beyond traditional apprenticeships. This included upskilling existing employees and covering associated employment costs such as wages during training periods.

Additionally, there was a recommendation to streamline the process to access levy funds, making it less bureaucratic and more aligned with the real costs and needs of businesses, which respondents thought would thereby increase the apprenticeship uptake. Respondents also suggested that reforms should ensure that the Apprenticeship Levy serves SMEs better, through increased government support and incentives to encourage SME participation in apprenticeship programs.

4.2.2. Upskilling, reskilling and attracting global talent

Respondents felt that upskilling and reskilling the workforce was another key area of action to address skills shortages. They also emphasised a perceived need to attract more young people and new talent into the workforce, as well as retaining existing talent. As one business commented: "skills shortages exist at almost every level in the offshore wind sector and a focus on upskilling, retraining and attracting new talent should be a priority for both government and industry".

Additionally, respondents thought it would be necessary to simplify access to training and education, reduce bureaucracy, and ensure that training schemes would be adaptable to different business sizes and sectors. Enabling lifelong learning and continuous professional development were also highlighted as important to maintain a competitive workforce. One business shared their belief that "…increasing government funding for lifelong learning and professional development would support continuous upskilling in fast-evolving fields, helping businesses keep pace with technological advancements".

Simplifying visa procedures to attract global talent was also recommended by respondents, who believed that this was particularly important to address when there was a perceived domestic skills shortage. One respondent felt that "Brexit and the move to Global Talent visas have negatively impacted the ability to recruit talent from outside of the UK". Respondents also proposed adjusting immigration policies to facilitate talent acquisition in STEM subjects, such as by having more postgraduate student visas, to establish the UK as a global talent hub and to ensure a continuous influx of skilled individuals and students to meet industry demands. Implementing 'tech talent' visa schemes with fast-track processes for high-skilled workers in sectors such as Digital and Technologies and Life Sciences was also recommended to help address skill shortages.

Additionally, simplifying visa procedures for AI and data science professionals and offering targeted incentives were perceived as necessary steps to encourage their relocation to the UK.

4.3 Facilitating employer investment in training

Respondents mentioned different incentives that they thought would encourage employers to invest more in training. These included offering tax reliefs or enhanced tax deductions for companies that invest in employee training. Additionally, the idea of a 'skills tax credit' (similar to the R&D tax credit) was mentioned, aimed at reducing the financial burden on employers investing in workforce training.

4.3.1 Growth and Skills Levy and funding for training

The idea of transforming the Apprenticeship Levy into a more flexible Growth and Skills Levy was well received by respondents. Respondents felt that a Growth and Skills Levy would afford more flexibility and enable employers to respond more swiftly to skills demands and support continuous learning within their workforce. One business association thought that "…reforms via the Growth and Skills Levy will be key to boosting employer investment in training. This will include reforms to create a skills landscape that is agile and responsive – allowing employers to quickly adapt to rapid advancing technology solutions and other shifting requirements for the workforces of the future".

Respondents also believed that the Growth and Skills Levy would allow businesses to use funds for a broader range of training programmes beyond traditional apprenticeships, such as for upskilling in digital or non-technical, 'soft' skills. Respondents proposed that this would be a way to maximise the benefits of these funds and encourage greater employer engagement.

Co-funding schemes, where the Government would match employer investments in training, were also highlighted as a way to increase employer investment in skills development programmes. Respondents emphasised the importance of collaboration between government bodies, educational institutions, and industry to both co-fund and co-design training initiatives. Such partnerships were thought to be essential for aligning training programmes with industry requirements, thereby ensuring that skill development efforts are directly relevant to market needs. One business felt that "public-private partnerships could help deliver sector-specific skills programmes, particularly in sectors like electric vehicle maintenance and digital mobility services, where there is growing demand". Additionally, such collaborations were seen as a way to share resources and reduce the financial burden of providing training on individual businesses.

4.3.2 Support for SMEs

Respondents highlighted a need for targeted support for SMEs, including grants and administrative support, to facilitate their increased participation in training programmes. Specifically, they suggested providing grants, subsidies, or tailored advice to help SMEs invest more in training. Such support was considered essential as SMEs were said to often face financial constraints and resource limitations that were perceived to hinder their ability to participate in extensive training programmes. Additionally, implementing policies or initiatives that lower administrative burdens associated with accessing training funds was recommended to facilitate greater SME participation in training activities.

4.3.3 Collaboration and partnerships

Respondents felt that that the development of clear workforce development pathways and actions to reduce systemic barriers to education and training access should be a collaborative effort involving government bodies, educational institutions, and industry. This collaboration was seen as key to ensuring that training initiatives would be well-designed to meet market needs and accessible, thereby overcoming barriers to education and training.

Fostering innovation and adaptability was considered essential in the design and delivery of training and skills development programmes. Respondents believed that this approach would help to ensure that the programmes remained relevant and effective in addressing an evolving market and technological demands, aligning educational outcomes with industry needs.

Respondents also emphasised the importance of continued and enhanced collaboration between educational institutions and industry, which they thought was needed to ensure that training curricula were relevant and meet current industry demands. Such collaboration was seen as essential for aligning educational programmes with the evolving needs of high-growth sectors, ensuring that young people, including graduates, are prepared for the job market. As one business saw it: “much closer collaboration between schools, colleges, universities and businesses has to happen. The only way that I can see this occurring is with the UK government acting as independent arbitrator”.

Respondents believed that partnerships could effectively facilitate the development of training initiatives focused on addressing skill gaps in high-demand areas. They emphasised a perceived need for targeted sector-specific programs, including apprenticeship schemes, to enhance skill acquisition in high-growth industries. One business suggested that the Government should: “establish partnerships between businesses, local authorities, and training providers to design sector-specific programmes that address skill gaps. Example: Forming manufacturing or energy skills hubs in areas like the Midlands or North East, where industry clusters exist”.

5. Research, Development and Innovation

5.1 Overview

Respondents were asked about how Government policy solutions could address barriers to investment which related to RDI, and technology adoption and diffusion. They were also asked to explore the barriers to R&D commercialisation – the process of translating R&D into commercial goods and services.

Key findings include:

- Respondents advocated for the promotion of cross-sector collaboration and partnerships, with a strong preference for united efforts in promoting innovation.
- Respondents recommended the enhancement of innovation funding to provide financial support, and making investments to stimulate RDI activities.
- Respondents suggested that tax credits and incentives (e.g. grants) for R&D should be introduced to boost technology adoption, support SMEs, and stimulate strategies for commercialisation.
- Respondents suggested that to improve the commercialisation of RDI in the UK, a comprehensive policy framework would be needed. They suggested that this framework should address barriers, including lack of financial support, complex regulatory environments, and challenges relating to IP.

5.2 Policy solutions to address barriers to investment related to RDI, and technology adoption and diffusion

Respondents discussed a variety of policy solutions to address barriers to investment related to RDI and to technology adoption and diffusion.

5.2.1 Cross-sector collaboration and partnerships

Respondents believed that government intervention was important in creating a support system that would streamline regulatory processes and incentivise technology adoption and diffusion. One respondent suggested that the UK could launch a "national campaign and innovation programme to position the UK as a global "Creative Engine" leveraging deep technologies…inspired by Germany's Industrie 4.0, this approach would attract foreign investment, channel it into emerging deep tech clusters, and foster collaboration through R&D-backed regional and national initiatives".

Additionally, respondents proposed developing government-supported innovation hubs to provide crucial infrastructure for RDI, such as laboratory and manufacturing spaces. To further drive innovation, some respondents suggested it would be important to strengthen interactions between universities and industry and create public-private partnerships. It was proposed that this could be achieved through improved funding mechanisms for university spinouts and the establishment of funds designed to encourage mentoring and investment during early business stages.

5.2.2 Funding and financial support

Respondents highlighted a need for increased financial resources to boost RDI efforts across sectors in the UK. They suggested establishing more direct funding mechanisms, including grants and tax incentives tailored to support emerging technologies and nascent high-growth sectors such as AI and renewable energy. As a business association remarked: "the importance of innovation cannot be understated, and this is reflected in the Government's target for total research and development spending to reach 2.4% of GDP [Gross Domestic Product] by 2027. The drive

towards whole-system planning and delivery and associated challenges will require additional and sustained innovation funding".

Additionally, respondents felt that it would be important to simplify the processes associated with accessing funds from scientific funding bodies, which were often seen to be a deterrent to research initiatives. They also believed that it was necessary to have innovation funding programmes specifically designed for SMEs. Respondents thought that such programmes would help SMEs to conduct research, facilitating their participation in technology-driven advancements. The proposed need for innovation funding programs designed for SMEs stemmed from several challenges that smaller businesses were thought to face. Respondents believed that the process of applying for funding could often be complex and time-consuming, posing a significant barrier for SMEs as they lack the resources of larger businesses.

5.2.3 Tax and financial incentives

Respondents expressed a view that that enhancing tax relief options for businesses investing in RDI in growing high-growth sectors such as AI, quantum computing, and Life Sciences would be particularly important in removing barriers to investment. This was seen by respondents as necessary for supporting businesses to innovate by alleviating some of the perceived financial pressures associated with R&D. Additionally, respondents felt that a more structured and predictable framework for tax incentives was needed. They thought that this would encourage increased investment in RDI projects by reducing the associated uncertainty and financial risk.

5.2.4 Creating environments supportive of technology uptake

Respondents also highlighted the importance of government policies that could create environments supportive of technology uptake. They thought that this could be achieved through various support measures, including digital adoption vouchers, financial incentives, and comprehensive advisory support services.

In addition, respondents suggested there was need to establish innovation clusters and regional hubs, which could serve as catalysts for technology transfer and foster collaboration among industry, academia, and government bodies. Respondents believed that such clusters and hubs could provide a framework where expertise, resources, and innovations could be shared efficiently, thus accelerating the process of technology diffusion.

5.2.5 Support for SMEs

Respondents thought that it was important to provide targeted resources and assistance to SMEs to increase their participation in RDI activities. Respondents felt that government policies that were specifically structured to offer grants and financial incentives tailored for SMEs were needed. There were also calls to broaden the R&D tax credits to make them more accessible to SMEs, which respondents thought would mean that SMEs would be able to engage more actively in innovation. One academic believed that the Government should "re-calibrate R&D tax incentives especially for SMEs - the most innovative firms tend to be SMEs, but the current tax regime assumes that greater R&D tax incentives should be for large firms".

Other SME support mechanisms proposed by respondents included a range of advisory services, comprehensive training programmes, and mentorship opportunities. These initiatives were considered important in nurturing the requisite skills and knowledge within SMEs to facilitate successful innovation ventures. By equipping SMEs with such capabilities, respondents thought they could then navigate the complexities and challenges inherent in innovation processes with increased confidence and efficacy.

Some respondents also believed that reducing regulation would make it easier for SMEs to innovate. They mentioned streamlining regulatory pathways for new technologies to reduce time and complexity, reducing regulatory barriers associated with R&D processes, simplifying

administrative procedures related to funding and commercial activities, and easing compliance burdens related to data protection and other operational regulations.

5.2.6 Commercialisation of research and development

Respondents focused on the importance of transforming R&D endeavours into market-ready products and services. Respondents identified several priority areas where they thought that Government intervention could make an impact, with one significant area of focus being reducing regulatory hurdles that they believed could obstruct the transition of innovative ideas into commercial enterprises.

Respondents also emphasised the necessity of fostering public-private partnerships. These partnerships were perceived by respondents as pivotal in bridging the existing gap between research institutions and industry. Respondents further highlighted a perceived need for specialised support structures tailored to the commercialisation process, to offer guidance and critical resources to budding enterprises, particularly those emerging from academic and research environments. The establishment of incubators, accelerators, and dedicated technology transfer offices was suggested, as it was thought that they could provide the expertise needed to navigate the complexities of bringing R&D initiatives to fruition in the marketplace.

There were also calls for increased funding and investment concentrated on the latter stages of product development, which respondents thought would ensure that innovations do not falter before reaching full market readiness. Additionally, nurturing a culture of entrepreneurship and innovation within academic and research institutions was considered important. Encouraging a mindset that would value commercial success alongside academic achievements was suggested by respondents as a way to promote the pursuit of economically viable applications as an integral component of the research process.

5.2.7 Regional innovation centres and infrastructure

Respondents thought it would be important to establish and support regional hubs that would help to drive innovation by leveraging local strengths and resources. Respondents proposed that the Government should invest in developing infrastructure that could facilitate collaboration between businesses, universities, and research institutions within regions. Respondents believed that such infrastructure would play a pivotal role in fostering a strong innovation ecosystem by providing necessary facilities, resources, and networks required for R&D activities.

There was also a call to create regional innovation clusters that would align with national strategic priorities, channelling resources and expertise to capitalise on regional strengths. Additionally, respondents suggested that developing shared facilities and collaborative spaces would support experimentation and prototyping activities crucial for innovation. These centres were expected to serve as catalysts for local economic growth, offering employment opportunities and fostering a culture of innovation and entrepreneurship.

Furthermore, some respondents advocated for region-specific policy frameworks and financial incentives designed to attract investment and talent to these regional hubs. By emphasising the development of regional innovation centres and enhancing infrastructure, respondents believed that the UK could significantly boost its capacity for innovation, ensuring that the benefits of technological advancements would be distributed more evenly across the country. They considered that such an approach would help in reducing regional disparities, promoting economic resilience, and strengthening the national innovation landscape.

5.2.8 Engagement with higher education institutions

Respondents identified the importance of establishing formal partnerships and collaborative frameworks to encourage knowledge transfer and joint R&D projects. Some respondents saw universities and academic institutions as playing a crucial role in facilitating innovation through R&D. They emphasised the importance of cultivating stronger, more cohesive connections

between higher education institutions and industry partners, fostering an environment where academic research could be used for commercial and practical applications. Such collaborations were considered necessary not only for fostering innovation, but also for converting academic discoveries into tangible industry benefits.

Suggestions from respondents included boosting financial support and institutional backing to enable universities to expand their participation in industry-centred research projects, which they believed would strengthen their capacity to drive national and regional innovation. Additionally, respondents stressed the perceived importance of nurturing academia-industry collaborations by establishing joint research labs, promoting student internships within industries, and setting up technology transfer offices. Integrating entrepreneurial training and skills development opportunities within higher education curricula was also discussed. Respondents believed that this would empower graduates with the skills needed to assume key roles in the workplace.

5.2.9 Long-term policy stability and de-risking

Respondents believed that there should be a focus on establishing stable, enduring policies and frameworks that could reduce risks associated with investment in RDI. They also viewed government commitment to long-term funding and initiatives as important in providing certainty and stability for businesses and research institutions working on (or wanting to work on) innovative projects.

Respondents felt that by ensuring consistent long-term support, the Government could foster an environment conducive to continuous innovation. Furthermore, respondents advocated for mechanisms that would de-risk RDI activities, such as government-backed insurance schemes or guarantees for high-risk projects in emerging technologies. They believed that such measures could help mitigate potential financial losses and encourage more businesses to engage in RDI.

Additionally, respondents thought that the creation of public-private partnerships could play a role in distributing risks more evenly across stakeholders, thereby enabling larger-scale investment in R&D. They felt that the establishment of these frameworks would not only increase confidence among investors and innovators but also ensure that the UK would remain globally competitive as technology continued to rapidly evolve.

5.2.10 Emerging technologies and green innovation

Respondents thought that it would be necessary for the Government to prioritise policies that supported the development and commercialisation of environmentally friendly technologies. This included offering incentives for research and innovation in sectors such as renewable energy, energy efficiency, and sustainable materials. For example, one business thought that “innovations in large scale sustainable fuel generation, backed with policy solutions to ensure cost parity, is essential”.

There was a call for targeted initiatives that could encourage the adoption of green technologies, such as tax breaks and financial incentives for companies investing in eco-innovation. Respondents also thought that there was a need for a regulatory framework that supported the advancement of green technologies, reducing barriers to market entry, and encouraging widespread adoption across industries. They felt that such measures would aim to position the UK as a leader in green innovation, contributing significantly to global sustainability goals and fostering long-term economic growth through environmentally responsible RDI activities.

5.3 Barriers to research and development commercialisation

5.3.1 Funding, financial support, and investments

Respondents identified a lack of financial support as a significant barrier to the commercialisation of R&D in the UK. One business association believed that “the UK is fantastic at developing ideas

but the barriers to commercialisation come down to available finance and approach to risk. It is easier to attract finance and therefore scale in other countries compared to the UK".

Some respondents pointed to a so-called 'valley of death' where promising innovations are held back due to insufficient funding between R&D phases and market readiness. Some respondents thought that there was an absence of targeted financial mechanisms, such as commercialisation grants or scale-up funds, which could bridge these gaps. The complex regulatory environment and lengthy administrative requirements for securing funds were seen as impediments to further complicate access to necessary capital. Respondents suggested that the Government should consider implementing more direct funding solutions, streamlining grant processes, and providing clearer guidance on financial assistance programmes to better facilitate R&D commercialisation.

5.3.2 Difficulties in establishing partnerships

Respondents thought that a misalignment of objectives and incentives between academia and industry often created barriers to collaboration. Respondents mentioned a view that academic institutions typically focus on publications and research outputs, whereas businesses and industry prioritise commercial outcomes and profitability. One charity felt that "the UK is good at university technology and patents. But pushing these inventions to innovations and commerce is impossible". Respondents felt that this disconnect could result in limited communication and trust, making it challenging to align goals and work collaboratively.

Furthermore, administrative and bureaucratic misalignment, such as differing legal and IP policies, were considered to add further complexity and prolong partnership negotiations. The perceived lack of dedicated platforms and support systems to facilitate these collaborations was seen as exacerbating the issue, and respondents thought that it was leading to missed opportunities for synergistic R&D efforts and the practical application of innovative research.

5.3.3 Risk aversion

Respondents felt that creating and implementing new and innovative ideas came with a range of challenges. Cultural resistance within some organisations was mentioned as a significant barrier to R&D commercialisation, characterised by risk aversion and reluctance to deviate from established practices and policies. For example, one business believed that "innovation and R&D by supply chain companies is often difficult to commercialise, even with government intervention and support services. Offshore wind projects tend to be very risk averse to new technologies with smaller companies unable to underpin potential liabilities".

Additionally, a lack of a supportive innovation ecosystem was seen as hampering ideas development, with limited access to funding, mentorship, and resources needed for testing and scaling ideas. Resource constraints, including time, financial capital, and skilled personnel, were considered to be factors that further complicated the process of transitioning from ideation to market implementation.

5.3.4 IP, licensing, and patents

Some respondents felt that concerns around IP rights, licensing, and patents presented significant impediments to R&D efforts. They believed that the complexity of securing and managing IP rights could lead to delays in commercialisation, as they thought that organisations could face difficulties with high costs and lengthy timescales associated with patenting and licensing.

The intricacies of IP law and the lack of clarity regarding IP ownership, especially in collaborative projects, were seen as further impediments. Respondents felt that this could deter potential partnerships and collaborations due to fears over IP disputes or misappropriation. Additionally, respondents thought that smaller firms and academic institutions often faced challenges in effectively navigating the process of securing and managing IP rights, as it required specialised knowledge and resources that they might lack.

5.3.5 Difficulties with scaling up

Scaling up from a successful prototype or small-scale model to full-scale production was thought by respondents to pose several challenges. One issue identified by respondents was the significant investment required for scaling up, to meet the costs associated with securing manufacturing facilities, equipment, and skilled labour. Respondents believed that many organisations faced difficulty securing the necessary funding, as financial backers could view the risk as too high without guaranteed returns.

Additionally, respondents felt that there were technical challenges in ensuring that the design and quality of prototypes are maintained at scale, such as in adapting processes for mass production while maintaining efficiency and product integrity. Supply chain constraints and the need to establish reliable distribution channels were seen by respondents as adding additional complications to the process of scaling up.

6. Data

6.1 Overview

Respondents were asked about how the Government can use data to support the delivery of the Industrial Strategy.

Suggestions made by respondents included:

- improving engagement between government, businesses, and academia using legal frameworks and promoting collaboration
- developing centralised, open-access data platforms for collaboration, innovation, and evidence-based decision-making
- using predictive analytics for forecasting skills shortages and planning education and training programs
- making use of regional data for targeted infrastructure investments and balanced growth across the UK

They were also asked to identify barriers to sharing or accessing data that could be addressed to improve business operations and decision-making. Some of the barriers cited by respondents included regulatory and privacy concerns, including issues with UK GDPR, privacy, and data protection regulations, as well as complex bureaucracy. Challenges regarding data standardisation, trust, and cybersecurity were also identified.

6.2 Use of data to support the Industrial Strategy

Respondents explored several areas where they thought that data could support the delivery of the Industrial Strategy. The effective use of data was seen as fundamental for enhancing productivity, optimising resources, and meeting the objectives outlined in the Industrial Strategy.

Data access was thought to foster innovation and enhance decision-making processes across various sectors. Respondents suggested that data could significantly enhance the delivery of the Industrial Strategy by improving decision-making, optimising resources, and fostering innovation. One academic suggested that “by achieving a one-to-two orders of magnitude increase in availability of high-quality data, the Government can empower businesses, researchers and policymakers with the raw material needed for innovation and informed decision-making”. Respondents suggested that enhanced collaboration between the Government, businesses and academic institutions would be needed to facilitate these ideas.

Additionally, respondents raised the need for transparency to ensure public confidence and to reduce regulatory barriers to data-sharing. Respondents thought that transparency in this context would involve clear communication about how data is collected, used, and shared among the Government, businesses, and academic institutions. Transparency was seen as essential for building trust and ensuring that stakeholders have confidence in how their data is managed.

Respondents also believed that there was a need to invest in digital infrastructure and technology. They felt that this would advance the UK's data capabilities, encourage machine learning applications, and real-time data processing capabilities. These were all seen as essential for unlocking data's potential to foster innovation.

6.2.1 Data-sharing

Respondents thought that greater collaboration between the Government, businesses, and academic institutions was required to facilitate innovation and R&D through effective data-sharing. Creating centralised, open-access data platforms was suggested as a method to encourage

collaboration and improve the accessibility of valuable industry data, thus fostering competitiveness. There were calls for smart data schemes to enable secure data-sharing across different sectors, which respondents thought would help cross-industry innovation.

Respondents also discussed how transparency was needed to ensure public confidence and to reduce regulatory barriers to data-sharing. In terms of solutions, one business proposed that "[the] Government could address barriers to data-sharing by ensuring frameworks like those proposed in the Data (Use and Access) Bill to enable commercially sustainable data-sharing arrangements across all sectors. For example, open banking has driven innovation in financial services by enabling account-to-account payments and budgeting tools, but its growth has been constrained by a lack of incentives for data providers, limiting the development of scalable products".

6.2.2 Collaboration and partnerships

Respondents stressed the importance of strong relationships between Government, businesses, and academia. Such partnerships were considered crucial for promoting effective data-sharing across sectors. Respondents thought that they could facilitate the exchange of insights and expertise, enabling a more comprehensive approach to addressing challenges.

The creation of legal and regulatory frameworks was also suggested by respondents as a way to support and enhance these partnerships, to ensure that data can be shared and accessed smoothly and effectively. Respondents emphasised the necessity of establishing comprehensive legal structures that could effectively address current and emerging challenges in data-sharing. Additionally, fostering such partnerships was seen by respondents as a means to drive innovation and research, with data serving as a central component for collaboration.

6.2.3 Data access

Respondents commented on improving data accessibility across sectors. Data access was said to foster innovation and enhance decision-making processes across various sectors. Enhanced access to both public and private sector data was emphasised, with respondents recognising the potential of data to facilitate greater efficiency.

Issues related to data silos, the complexity and costs of accessing data, and concerns about data security and privacy were raised by respondents. Proposed solutions included developing interoperable data-sharing frameworks and establishing a National Data Library to create a centralised repository of key datasets. Helping SMEs get the data they need easily was also seen as important by respondents. Respondents suggested that improving the understanding of data across all businesses would be important because it would enable businesses to better utilise data for decision-making, innovation, and planning.

The necessity of data access in real-time was also stressed, particularly in fast-paced industries such as logistics and finance, where timely data was seen as something that could drive competitive advantage and agility. Enhanced data literacy and robust governance frameworks were suggested by respondents as ways to balance data accessibility with security, ensuring privacy and trust in data use.

6.2.4 Data utilisation

Respondents encouraged greater use of data to foster innovation and industrial advancements. They emphasised that there was a need for businesses and government to make informed strategic choices. Respondents identified barriers to data utilisation, including data quality concerns, and the significant resource demands for efficient data management. Such factors were cited as major obstacles in fully harnessing data as a resource.

To overcome these barriers, respondents suggested reinforcing data governance measures, investing in advanced analytical tools, and promoting data literacy. One business felt that "the UK

Government should ensure there are clear policies and technological infrastructure, to facilitate data-sharing and access, that sit alongside robust data governance frameworks".

For some industries, integrating real-time data analytics was seen as essential to remain competitive and adaptive in rapidly evolving market conditions. There were calls to create responsive policy frameworks that facilitate data-sharing and usage while ensuring privacy and security. Furthermore, the effective use of data was seen as fundamental for enhancing productivity, optimising resources, and meeting the objectives outlined in the Industrial Strategy.

Respondents emphasised that data-driven decision-making was crucial, as it was seen to guide informed policy adjustments and help to target intervention efforts where they are most needed, particularly in high-potential growth sectors. Optimising resource allocation was seen as a benefit of employing data analytics, which respondents thought would allow for the identification of regional strengths and weaknesses, ensuring investments would be channelled to areas with the greatest growth prospects.

Furthermore, fostering innovation was seen as associated with effective data use, which respondents thought could underpin collaboration between industries and sectors, enabling the sharing of insights and best practices to drive productivity.

To ensure effective use of data respondents made a number of suggestions including that the Government should invest in training programmes to enhance data literacy and skills among businesses, and that data-sharing agreements between public bodies should be put in place to improve efficiency and effective service delivery. They also thought that there should be investment in building data analytics capacity within local authorities to ensure they can effectively interpret and utilise national data to inform local strategies.

6.2.5 Data analytics and real-time access

The role of data analytics in deriving actionable insights for business decisions, policymaking, and strategic planning was another area of focus for respondents. They perceived the use of data analytics as critical for harnessing the full potential of data in driving innovation and efficiency. Embracing advanced analytical tools such as AI was recommended to enable complex datasets to be utilised and to predict trends, with suggestions made about having industry-specific metrics to continuously evaluate progress.

Real-time data access was also identified by respondents as something that could foster innovation and maintaining competitiveness across sectors, especially in fast-paced industries. One business association thought that "real-time data integration could improve businesses' visibility of their entire supply chains. This visibility results in reduced delays, enhanced data management and improved responsiveness to disruptions". Other respondents pointed to the improved strategic decision-making that they felt real-time data access would foster. They thought that it would allow for evidence-based, accurate, and swift decisions in policy, investment, and resource allocation.

6.2.6 Use of AI

Respondents viewed AI as important to automating data analysis and enhancing predictive insights, leading to optimised operations and technological advancements. AI was seen as able to contribute to innovation, particularly in sectors such as manufacturing and healthcare. Allied to emphasising the importance of a skilled workforce, respondents called for enhanced education and training in data science and the use of AI. Respondents felt that AI's strategic integration and investment in relevant infrastructure and skills was crucial. They recommended public-private partnerships to fully capitalise on AI's potential towards achieving technological advancements and economic growth.

Concerns about data readiness for AI applications were shared, with respondents advocating for structured datasets and robust data-sharing frameworks and further development of the concept of a National Data Library. Respondents discussed ethical considerations and stressed the importance of frameworks to ensure data privacy and responsible AI use in compliance with regulations.

6.3 Using data to support business decision-making

When discussing how the Government could encourage the use of data to support business decision-making, respondents identified several barriers to data-sharing and access. Notably, they pointed out the constraints imposed by privacy regulations such as the UK GDPR. Respondents thought that these regulations created complex compliance landscapes that are particularly burdensome for SMEs, inflating costs and stifling innovation. Proposed solutions included standardising compliance procedures and promoting data anonymisation to alleviate regulatory pressures, thereby allowing SMEs to access valuable insights without compromising privacy or incurring excessive costs.

Perceived bureaucratic inefficiencies, marked by lengthy data access processes and complex regulatory approvals, were also highlighted. These were seen to create obstacles to strategic decision-making, risking funding and project continuity. As a solution, establishing a central National Data Hub and streamlining compliance processes were suggested to reduce administrative burdens and improve data accessibility, especially for SMEs.

Inconsistency in the UK's data transmission infrastructure, notably the 4G/5G networks, was perceived as a limitation to competitiveness by restricting data flows. Systematic improvements to infrastructure were recommended by respondents to enhance both competitiveness and innovation. Furthermore, data fragmentation and restrictive access were highlighted as barriers, which were said to complicate access to unified datasets and challenge cross-regional initiatives, again disproportionately affecting SMEs. To address this, respondents proposed the implementation of open data initiatives and standardised data formats to foster easier sharing and integration.

Finally, suggestions for enhancing data integration included issuing clearer guidelines and harmonised standards to foster trust and facilitate responsible sharing. Reducing administrative burdens, particularly for smaller businesses, was emphasised by respondents as essential for promoting innovation and decision-making.

7. Infrastructure

7.1 Overview

Respondents were asked about how the Government can address barriers to private investment that relate to planning, infrastructure, and transport; support regional growth; and use public investment into infrastructure to support the Industrial Strategy.

Key findings include:

- respondents suggested that improving transport, digital connectivity, energy, and housing infrastructure would be crucial for economic growth and regional development
- respondents recommended that a regional approach to infrastructure development should be adopted, with greater autonomy for local authorities to attract funding, improved funding and financial support mechanisms, and targeting investments towards transport and digital infrastructure
- respondents suggested that focusing on infrastructure project timescales and delays and putting in place policies to streamline planning processes would support accelerated project approvals and investment

7.2 Policy solutions to address barriers to investment related to planning, infrastructure, and transport

7.2.1 Planning barriers and solutions

Respondents expressed concerns about planning processes which they perceived as lengthy and bureaucratic. They felt that these could delay housing and other infrastructure projects, and inflate costs. Some respondents suggested introducing an accelerated approval process for priority projects, especially in high-growth sectors, to mitigate existing bottlenecks. They felt that this would introduce greater certainty for both investors and developers.

There was a call for streamlined planning processes so that projects could be sped up and completed within reasonable timeframes. One business felt that “time can be undervalued in the public sector leading to delays and cost overruns. A cultural shift is needed to prioritise timeliness and efficiency in planning and execution. This would enable projects to progress without unnecessary delays, reducing costs and increasing public benefits”.

Some respondents also emphasised a perceived need to increase resourcing within Local Planning Authorities (LPAs) to accelerate planning processes and improve the quality of developments. One charity recommended that “the Government commits to comprehensively resourcing LPAs in terms of both capacity but also the necessary expertise […] The appropriate skills must be in place so that all planning applications are subject to rigorous scrutiny, thereby creating a built environment that facilitates growth and meets people's needs”.

7.2.2 Digital infrastructure

Respondents felt that there was a significant need to improve digital infrastructure to support businesses and to enable remote working. They emphasised the need to expand high-speed broadband and 5G networks, particularly in rural and underserved areas, to facilitate digital transformation and ensure that all regions can participate in the digital economy.

One membership body commented that “further investment in 5G is crucial to ensure that the rural periphery does not become a barrier for businesses, but that good connectivity enables rurally based businesses to compete on a global scale, attract investment and drive economic growth”.

7.2.3 Housing infrastructure

When it came to housing infrastructure, some respondents called for greater flexibility in existing funds to better address site-specific barriers like contamination or infrastructure needs. It was suggested that such flexibility would enable more targeted and effective use of funds to overcome site-specific barriers. Other respondents suggested diversifying housing delivery models by empowering local authorities and housing associations to play a more active role, reducing an identified reliance on a small number of major developers. One membership body believed that "planning reform alone will not be sufficient to meet the UK's current and future infrastructure needs. This is particularly true for housing, where an over-reliance on a small number of large housebuilders has weakened the housing market, slowing completion rates, and in some cases, driving a race to the bottom in quality".

Respondents considered that there was a need for clearer and more realistic timescales in infrastructure planning and development to overcome current inefficiencies and delays. They emphasised the importance of establishing long-term plans for projects, suggesting a minimum 10- to 20-year outlook to ensure alignment with growth objectives. One business thought that "the biggest barrier to investment in UK infrastructure is the absence of a long-term plan. [The 10-year infrastructure strategy] is welcomed, though Government should give consideration as to whether the strategy should cover a longer timespan such as 15 or 20 years. It must also ensure the strategy is updated regularly, so we are always looking at least a decade hence".

7.2.4 Transport barriers and solutions

Respondents felt that there was a need for improved and expanded transport networks within the UK to facilitate economic growth and regional development. One business shared their view that "a well-functioning and integrated public transport and active transport system that is affordable and convenient is key to enabling growth. If people cannot get to work, they cannot work". Respondents deemed there to be a need for improvements to road networks and increased maintenance; more frequent, affordable and integrated public transport including expanded rail services (for both passengers and freight); upgraded port infrastructure; and better links to airports to facilitate international trade.

Some respondents emphasised the importance of completing major rail projects and enhancing regional transport links. Respondents also felt there was a need for better connectivity through expanded rail networks and improved train links as important components for regional growth. This included enhancing passenger services, addressing bottlenecks, and increasing freight capabilities to support efficient transportation across regions. One trade union suggested that "the success of Crossrail highlights that large-scale infrastructure projects can be used to drive economic growth and improve connectivity". Respondents called for greater local government involvement in transport infrastructure planning, which they thought would better meet both regional and national needs. One public sector organisation felt that "integrated transport planning across the region would be a good first step, with current practice being each region developing its own plan. Comprehensive transport strategies over an even larger geography would be welcomed".

7.2.5 Regional approach

Respondents advocated for a regional approach to addressing planning, infrastructure, and transport-related barriers to investment. They felt that targeted regional investments in infrastructure and more generally, particularly in underserved areas, were crucial for promoting economic development and reducing disparities between different parts of the country. Respondents thought that tailoring infrastructure and development policy to the unique needs and characteristics of different regions was important. They felt that this should involve customising initiatives to build on local strengths, addressing specific challenges, and leveraging regional assets.

However, they also judged that there was a need for different levels of government covering different geographic areas to work together to ensure national and local infrastructure planning worked in harmony. One public sector organisation suggested that “major infrastructure requirements should be considered at a more strategic level to better support regional growth and ensure that infrastructure projects that operate across administrative boundaries are effectively coordinated”.

Some respondents also supported the idea of place-based investment strategies, whereby funding and infrastructure investments would be directed towards areas with the highest growth potential and socioeconomic impact. They felt that this would support sustainable regional growth. Other respondents judged that collaboration between central and local government, alongside public-private partnerships, was a means to better leverage expertise and resources to address regional infrastructure challenges. One business thought that “encouraging collaboration between public entities and private investors in large infrastructure projects can help fund and deliver critical transport and planning improvements, especially in regions where private sector investment is limited”.

Respondents felt that increased funding and financial support for infrastructure would be key for overcoming barriers and enabling regional growth. They deemed there to be a need for flexible and accessible funding mechanisms that can adapt to the specific requirements of different types of infrastructure projects. Additionally, respondents felt that supporting small businesses and revitalising high streets were key considerations to improving quality of life in smaller towns and contributing to regional growth as part of cluster development and growth.

7.3 Using infrastructure investment to support the Industrial Strategy

Respondents discussed how the Government could facilitate infrastructure investment to support the Industrial Strategy, proposing investment in the following areas.

7.3.1 Transport

Respondents emphasised the importance of improving and expanding transport networks in the UK to facilitate economic growth and regional development. Respondents highlighted the significance of both rail and road infrastructure. The expansion and modernisation of rail networks were mentioned, specifically to enhance connectivity between cities and regions, improve passenger services, and increase freight capabilities. This included addressing bottlenecks and ensuring more efficient and reliable services. Additionally, road infrastructure was seen as critical for economic growth. Respondents understood there to be a need for improved highways, better maintenance, and expanded routes to ease traffic congestion and facilitate smoother transportation of goods and people.

Respondents thought that investment in transport infrastructure should be distributed evenly across different regions to increase job opportunities and economic growth. A respondent in the transport sector said that “the second National Infrastructure Assessment identified that growth in our major cities will be constrained over the next few decades due to capacity issues on their public transport networks. Therefore, delivering on the objectives of the Industrial Strategy requires long-term funding commitments and investment to deliver the necessary public transport and infrastructure upgrades required to unlock the economic growth of our regional cities”.

7.3.2 Energy infrastructure

Respondents advocated for investment in renewable energy infrastructure and green transport. They also felt that it would be important to upgrade the grid to facilitate net zero transitions. They mentioned investments in wind, solar, and hydrogen energy which they believed would support the UK’s decarbonisation and net zero goals.

Additionally, respondents highlighted a need for government policies that would incentivise the transition to clean energy sources. As one respondent saw it: “infrastructure projects that focus on lower carbon energy production, transportation and storage can contribute to the UK's net-zero targets. Providing a flexible and agile environment for market-led projects to come forward at a pace that matches investor appetite can encourage investment and accelerate the transition to a lower carbon economy”.

Some respondents suggested that to meet clean energy targets, the UK should replace subsidies with a clear, consistent policy roadmap that builds investor confidence through enabling long-term infrastructure planning. One business thought that “the UK government can encourage co-investment [in green energy infrastructure] by offering public-private partnerships, tax incentives, and low-interest loans for infrastructure projects”. They also stressed the importance of aligning other infrastructure developments with sustainability objectives.

7.3.3 Digital infrastructure

Respondents deemed the enhancement of digital infrastructure to be pivotal for economic growth and overall connectivity. They suggested that by strengthening digital infrastructure, SMEs could access enhanced opportunities to compete effectively in an increasingly digital economy. This, in turn, was seen as a driver for regional economic advancement, enabling balanced growth by bridging the perceived ‘digital divide’ that exists between urban and rural locations. One business believed that “investment in digital infrastructure serves as a horizontal enabler, underpinning all growth-driving sectors and acting as a foundational tenet of the UK's Industrial Strategy”.

7.3.4 Housing

The need for improvements to perceived lengthy planning processes that were seen as having the potential to delay housing projects and inflate costs was again discussed by respondents. Some also touched upon what they saw as the lack of in-house experience in some local authorities which they felt could cause delays and reduce the number of homes completed each year. One charity felt that “most local authorities do not have the resources nor in-house expertise to directly deliver the construction and maintenance of major projects, including housing”.

Respondents considered enhancing the system of developer contributions to better meet infrastructure needs to be important. They felt that current mechanisms often fell short in funding essential infrastructure projects adequately or promptly. They called for a more streamlined and transparent system that would ensure contributions are directly aligned with regional growth strategies and infrastructure requirements. To improve efficacy, respondents advocated for clear guidelines and frameworks that outline the roles of developers and local authorities in managing these contributions.

Additionally, respondents suggested that contributions should be more flexible, allowing for adjustments based on the scale and impact of the development to ensure adequate funding for critical infrastructure without imposing excessive burdens on developers. Overall, there was a focus on ensuring that these contributions effectively supported long-term regional development goals and infrastructure requirements. One public sector organisation suggested that: “it is crucial that improvements are made to the existing system of developer contributions and that any modifications succeed in extracting more public value from development to deliver the necessary infrastructure, amenity, and transport benefits”.

7.3.5 Funding and financial support

Respondents discussed the need for flexible and accessible funding mechanisms that adapted to the specific requirements of different infrastructure projects. Respondents advocated for targeted regional funding to address regional disparities and promote balanced economic development. One of a number of examples mentioned was related to funding energy infrastructure. One respondent proposed that the Government should “[tackle] energy grid constraints by providing

devolved and flexible funding through Net Zero Hubs and Combined Authorities, where they exist, to develop a pipeline of investible energy propositions which meet local energy and economic need, and appropriate delivery vehicles for the implementation".

Respondents also highlighted the role of private investment and co-investment in the development of infrastructure projects. They stressed the importance of establishing partnerships between the Government and private entities to pool resources effectively, which they thought would thereby enhance the financial viability and sustainability of large-scale infrastructure projects. They judged that there was a need for innovative financial support mechanisms that could attract private sector investment, while ensuring that public funds are utilised efficiently. There was also an emphasis on the alignment of public and private investments, which respondents felt would ensure that projects contributed significantly to regional and national economic growth. One public sector organisation explained their view that "the [City and Regional Growth] Deals programmes demonstrate the results that can be achieved when all relevant partners - spanning local government, universities and colleges, the private and third sectors, and key national agencies - are brought together in pursuit of long-term strategic growth".

8. Energy

8.1 Overview

Respondents were asked about how energy policy could support competitive industrial activity, including examples of international best practice.

Key findings include:

- respondents mentioned perceived barriers to competitive industrial activity including high energy costs, limited grid capacity, and connection challenges
- they proposed that effective incentives were needed to drive investment, suggesting government-backed measures such as supporting hydrogen infrastructure development, enhancing electrification, and promoting the adoption of smart grid technologies to address these barriers
- respondents cited various examples of what they considered as international best practice to support businesses on energy, including PPAs and feed-in tariffs as mechanisms guaranteeing above-market rates for renewable energy

8.2 Barriers to competitive industrial activity and increased electrification

8.2.1 Cost

Respondents were asked what they considered barriers to competitive industrial activity and increased electrification in the UK. The high cost of electricity, which respondents perceived as significantly higher in the UK than in other countries, was considered to make it difficult for businesses to remain competitive. Infrastructure issues, particularly related to limited grid capacity and connection delays, were perceived to further complicate efforts to electrify industrial processes. The costs linked to grid connection delays and infrastructure upgrades were said to exacerbate the financial challenge posed by the high cost of energy.

Perceived high upfront capital costs associated with transitioning to electrified infrastructure, such as the requirements for new equipment and grid modifications, were thought to be burdensome, particularly for SMEs. One public sector organisation felt that “high upfront capital costs is the major barrier. Electrification often requires significant initial investments in new infrastructure, such as the installation of electric vehicle (EV) charging stations, grid upgrades, or the installation of heat pumps for buildings”. Respondents suggested that cost concerns could be alleviated through subsidies, tax breaks, rebalancing energy levies, and creating more (or increasing the generosity of) government policies to encourage investment in electrification technologies.

8.2.2 Regulatory complexity

Regulatory complexity was viewed as a barrier to investment in energy projects, with some respondents highlighting what they saw as overcomplicated procedures, and a perceived lack of clarity and consistency in regulatory frameworks as primary concerns. For these respondents, such complexity created confusion and uncertainty, which they thought discouraged potential investments, particularly in renewable energy projects, where the processes were seen as being complicated.

One think tank commented that “businesses face a confusing array of incentives, support schemes, and regulatory requirements, often without clear pathways to electrification. Consolidating and simplifying these mechanisms into a centralised, business-focused energy transition platform would remove uncertainty and accelerate adoption”.

8.2.3 Grid capacity

Respondents believed that the current grid infrastructure was insufficient to support the increased demand that comes with electrification. They highlighted that this could lead to constraints and delays in obtaining grid connections. Limited grid capacity was believed to impede the integration of renewable energy sources, as some respondents thought that the grid might not be able to accommodate the associated fluctuating supply and demand effectively.

Respondents called for strategic investment to enhance capacity and modernise the grid. One business association commented that "the UK power grid is desperately in need of upgrade and modernisation to support future needs […] in all aspects of electrification. Investment in grid modernisation to support distributed renewables, microgrids and more efficient load-balancing would help to drive down costs and ensure energy is available everywhere when needed". To meet future demand and support the integration of renewable energy sources, respondents suggested that the Government prioritise grid upgrades and proactively expand grid networks which they feel require technical enhancement.

8.2.4 Grid connections

Some respondents felt that the existing process for securing grid connections can be slow and cumbersome. This was perceived to hinder the implementation of electrification projects, which respondents felt risked deterring potential investors and revenue to operate. One business association suggested that "the time to get upgraded grid connection capacity for companies is a huge barrier to investment. If connection capacity is insufficient companies cannot invest in new plant and equipment they cannot [reliably] power on, especially in next generation automation equipment vital for productivity improvements. The only alternative is to move premises, but this also incurs multi-year delays due to inflexible commercial leases and poor employee mobility."

Respondents also felt that the current approach for addressing the rapidly growing demand for connections was inefficient. One business believed that "…the outdated 'first-come-first-served' grid connections process and delays in securing upgraded grid connections—often taking 5 to 10 years or more—pose major challenges for businesses looking to electrify operations. These delays are compounded by the need for significant upgrades to transmission and distribution networks to handle increased demand". Upgrading and streamlining grid connection processes was considered essential to facilitate timely access for industrial sites, and to support broader electrification and decarbonisation goals. Respondents suggested that the Government could address these issues by accelerating the grid connection process and improving coordination between industry and energy providers.

8.2.5 Renewable energy

The cost of electricity was perceived to make investments in renewable technologies prohibitive due to several factors. High initial costs for renewable technologies including solar and wind installations were said to require substantial capital. Coupled with the volatile and high electricity prices in the UK, respondents thought that this meant that businesses face significant financial uncertainty, which was thought to deter investment.

Respondents felt that the higher cost of electricity reduced the return on investment for renewable technologies, leading to longer payback periods – which was seen as particularly challenging for SMEs. Respondents suggested that subsidies, tax incentives, or government-backed financing could make renewable energy investments more attractive and financially feasible.

Some respondents also perceived high upfront capital costs of adopting renewable energy as a barrier to investment. A business association made the following suggestions: "to address the high capital costs associated with wave and tidal technologies, flexible financing options and government-backed loan guarantees – similar to those offered in Canada – could provide much-needed support to early-stage developers".

Others highlighted regulatory uncertainty and a lack of coherent policy frameworks as significant obstacles to investing in renewable energy infrastructure. Some respondents mentioned that such uncertainty can stem from inconsistent or changing energy policies, unclear targets, and fluctuating incentives, which they felt could make it challenging for businesses to plan long-term investments. Without a stable and predictable policy environment, respondents believed that businesses would be hesitant to commit substantial resources to renewables projects, fearing that regulatory changes could reduce the viability and profitability of their investments.

Streamlined and transparent regulatory processes, along with stable policy frameworks, were considered as essential to build investor confidence and encourage sustainable investment in renewable energy infrastructure. Respondents also advocated for more effective incentives and subsidies to lower the cost of the clean energy transition and to make renewable energy more appealing and economically viable, such as through supporting infrastructure necessary to integrate industrial hubs with renewable energy sources. One think tank commented that "expanding co-location incentives for energy-intensive businesses and renewable generation facilities – such as offshore wind farms paired with North Sea industries – would help businesses secure predictable, lower-cost power while accelerating decarbonisation".

8.2.6 Technological limitations

Respondents highlighted current technological limitations that they felt posed a challenge to businesses on their use of energy, particularly in processes requiring high temperatures that currently lack electrification solutions. As one business saw it: "whilst technology solutions for lower temperature processes are available, gaps remain for high temperature processes with issues regarding complexity or economic viability. Sectors such as the chemicals and steel industries, which are hard to electrify, may need to incorporate hybrid solutions that utilise green hydrogen. Targeted investment in R&D is crucial to developing electrical technologies that can achieve high temperatures economically, with collaboration across industry, academia and government necessary to ensure new innovations translate into commercialised solutions".

8.2.7 Decarbonisation

Respondents viewed decarbonisation and the pursuit of net zero goals as essential but challenging for UK-based industries. They said that there was a need for government intervention to provide support and create incentives to meet decarbonisation targets. A business association discussed their perspective that: "to achieve its net zero targets, even partially within the prescribed timeline, the Government must make significant investments in partnership with the private sector to develop clean electricity solutions…".

Respondents also advocated for enhanced energy efficiency through different policies and smart management systems to reduce consumption and emissions. They highlighted several approaches, such as implementing AI to analyse consumption patterns and reduce waste, predictive maintenance for timely interventions, and energy efficiency grants. Respondents pointed to successful practices that they had observed, such as those in Japan and Denmark, which they said offered financial support for energy efficiency upgrades, as models to reduce operational costs and emissions. Such measures were seen as essential for improving energy efficiency and managing consumption effectively.

Respondents also thought that there was a need for a clear and consistent regulatory and policy framework to guide businesses in their decarbonisation efforts, as inconsistencies and uncertainty were believed to deter investment. One business felt that "long term certainty through a PPA would greatly assist in the speed of decarbonisation conversation for many businesses, total cost of ownership models could be run with the knowledge of return on investment and replacement costs".

8.2.8 Proposed solutions

Respondents advocated for comprehensive policies aimed at enhancing energy efficiency, integrating technologies, and boosting investment in renewable energy infrastructure. Some respondents thought that there was a need for long-term stability and support from the Government, to foster energy-efficient technologies and reduce operational costs. Additionally, there was a call to emulate international practices, such as PPAs, that were perceived as successful in providing stable and predictable energy pricing and encouraging investment in clean energy projects. Respondents also considered that there was a need for policies that facilitate the adoption of cutting-edge technological solutions to improve energy production and consumption efficiency. A further recurrent theme was the perceived urgency for better infrastructure that supports renewable energy efforts.

8.3 Examples of international best practice to support businesses on energy

Respondents highlighted several international strategies that they thought could support businesses' transition to renewable energy. Common themes highlighted included incentives from the Government, such as tax reductions, grants, and feed-in tariffs, which could help reduce costs and encourage investment in clean technologies. Policies fostering long-term commitments to energy transitions, efficient resource use, decarbonisation, and collaborative industry practices were also discussed. Furthermore, incentives such as emissions trading systems and tradable energy efficiency credits were recognised as financial mechanisms that respondents thought could drive energy efficiency and adoption of low-carbon technologies.

9. Competition and regulation

9.1 Overview

Respondents were asked about the impact of barriers to investment that relate to competition, as well as solutions to address them. They also discussed how regulators and competition institutions could drive market dynamism, and how regulation could support growth and innovation.

Key findings include:

- respondents identified difficulties faced by businesses when exporting to Europe, and the perceived dominance of large firms, which were said to hamper market entry and innovation for SMEs
- policy ideas to address these difficulties included simplifying regulations, encouraging public-private partnerships, offering tax incentives, and supporting SMEs to promote market diversification
- there was a strong emphasis on reducing entry barriers, enforcing fair competition through regulations on monopolies and mergers, and creating innovation-friendly policies like regulatory sandboxes to support technological advancements
- enhancing regulatory adaptability, particularly for emerging sectors such as AI and renewable energy, and aligning with international standards were viewed as vital to overcome barriers to investment related to competition and regulation

9.2 Barriers to investment that relate to competition

Respondents identified significant challenges facing UK businesses in maintaining competitiveness both domestically and overseas. A primary issue highlighted was perceived differences in regulatory standards internationally. Respondents believed that UK businesses often find themselves at a disadvantage, because they thought that international competitors benefit from more generous government support, including subsidies and tax incentives. They felt that this challenge was further exacerbated by international markets with local content requirements, which they believed impeded UK businesses from competing on an equal footing.

Moreover, respondents thought that the UK's exit from the EU had introduced new challenges, notably regulatory divergence, which they said had resulted in increased compliance costs and complexities. The additional burdens were said to be particularly pronounced for smaller businesses. Respondents felt that such challenges highlighted an urgency for the UK to consider greater regulatory alignment with international standards where viable. One business suggested that: “a pragmatic route to competition is to accept EU regulations unless there is a specific UK advantage. Regulate by exception to minimise cost. This benefits both the UK taxpayer in funding regulatory authorities and businesses in only having to deal with a single set of regulations and the opportunity to directly consult upon any variations…”

Market dominance by large firms within the UK was seen by some respondents as another barrier to competition, as it was thought to restrict market entry for SMEs. This dominance, which these respondents felt was often maintained through anti-competitive practices, was said to limit innovation and reduce market dynamism. Respondents advocated for government intervention through policy reforms and subsidies that could better support SMEs and foster a more competitive market. Some also suggested reforms in regulatory compliance practices to ease SME entry into highly regulated sectors and public-sector incentives aimed at promoting disruptive innovations.

Enhanced competition laws, particularly in digital markets, were also proposed by respondents to curb perceived monopolistic practices and ensure fair market access for smaller businesses.

Improving transparency in procurement processes was also seen as pivotal to fostering a more equitable competition landscape, thereby reducing what respondents saw as biases that favoured large incumbent firms. Finally, fostering collaborations and strategic partnerships, particularly between large companies and SMEs, was recommended to drive innovation and create a more dynamic economy in the long term.

9.3 Regulation, competition and market dynamism

Respondents discussed regulation, competition, and market dynamism (the process by which a well-functioning economy enables the reallocation of resources such as capital, labour, land, and entrepreneurship from less productive to more productive firms).

9.3.1 Role of the Competition and Markets Authority

Respondents discussed the role that the CMA could play in driving market dynamism. They felt that institutions like the CMA could drive market dynamism by fostering innovation, enabling new entrants to the market, and ensuring fair competition within the UK market. Respondents thought that the CMA could foster market dynamism and innovation by actively monitoring and addressing anti-competitive practices, particularly those that create barriers to entry for smaller firms.

Respondents believed that the CMA's oversight and scrutiny should focus on being proportionate. They called for the CMA to regularly review UK market competitiveness across all sectors to maintain a dynamic business environment. One membership body believed that this "should be across all industries, especially those focused on within the Industrial Strategy, and [that] competition reviews should be conducted every five years in order to ensure that the UK economy remains a dynamic and competitive place for industry".

9.3.2 Role of other regulators

Respondents believed that all regulators should adopt proactive, innovation-driven approaches, particularly for emerging technologies like AI and for the Clean Energy Industries sector. They felt that their market assessments should be forward-looking and make full use of the latest technology.

Additionally, respondents emphasised that regulators should remain flexible and adaptive, addressing the unique needs of different sectors through tailored approaches. One business association believed that "Emerging technologies, especially marine autonomous systems and green fuels, incur high compliance costs due to the lack of streamlined regulations or guidance tailored for these innovations. For instance, autonomous vessels must meet traditional safety requirements that are not necessarily applicable, requiring companies to pay for extensive modifications or additional testing. Solution: Develop specialised compliance pathways and offer subsidies to offset compliance costs for innovative projects…".

However, respondents also thought that regulators should also act to ensure regulatory consistency and coherence to avoid creating additional compliance work for businesses. Respondents felt that there should be increased transparency and clarity in regulatory frameworks, to build trust among businesses and encourage investment from the UK and internationally.

9.3.3 Perceived need to simplify and streamline regulations

Respondents believed that regulators should simplify and streamline regulations that they perceived as cumbersome and overly complex, identifying examples from technology, finance, and the development of energy-efficient infrastructure. Such regulations were perceived as barriers to growth particularly for SMEs, because these businesses were said to have limited resources to manage the complexities and costs associated with compliance.

Respondents viewed the regulatory landscape as lacking in flexibility and adaptability, which they thought made it difficult for businesses to innovate and respond to market changes efficiently. To

address this, respondents recommended that government and regulators should streamline existing frameworks and ensure consistency and predictability. One business highlighted their view that “regulatory uncertainty undermines dynamism, investment and growth. Government and regulators should prioritise adapting existing frameworks rather than establishing new ones. This will give growth sectors the confidence to invest and innovate”.

Respondents also perceived regulatory processes as overly time-consuming, and identified high costs (financial costs, staff time) associated with compliance activities, which they felt limited the ability of both new and existing businesses to expand and innovate. One business association suggested that to address this, the Government should “streamline and harmonise regulations across devolved administrations and industries, such as packaging standards and sustainability requirements”. Centralised digital platforms were also proposed by respondents as a way to help businesses more easily access regulatory information and compliance tools. They believed that this would help drive market dynamism by simplifying and streamlining businesses’ processes.

9.4 Suggestions for regulatory reform to encourage growth and innovation

Respondents believed that there was a need for significant regulatory reform to encourage growth and innovation. They fed back the importance of simplifying existing regulations to reduce the burden on businesses. Respondents also highlighted the need to streamline compliance requirements to make it easier for businesses to operate and innovate. One business suggested that “the UK should streamline approvals for emerging technologies in sectors like Life Sciences by establishing fast-track pathways for innovative products”.

Respondents also proposed regulatory reforms to create innovation-friendly environments, where businesses could experiment with the adoption of new technologies. They suggested establishing controlled experimental environments or ‘sandboxes’ across various industries, such as AI, fintech, and the Clean Energy Industries, where companies can test and develop new products without the full burden of regulatory compliance. As one business saw it: “in fast-evolving sectors like AI, blockchain, and biotechnology, regulatory sandboxes allow companies to experiment in a controlled environment. Expanding these sandboxes and introducing new ones for other emerging sectors can help firms test innovative solutions without the full weight of regulatory compliance, encouraging faster [technology] adoption and growth”.

Respondents also suggested enhancing IP protection and data-sharing frameworks to safeguard innovations, promote collaboration, and encourage competition. Some respondents believed that this could help to address issues that were seen as particularly prevalent in the Creative Industries, where generative AI and digital duplication were seen as causing IP-related concerns. One charity suggested that “ensuring robust intellectual property protections for independent UK-owned and based production companies is crucial for fostering growth. By retaining ownership of their work, smaller creators can generate long-term revenue and reinvest in future projects. Strengthening IP rights supports a more sustainable ecosystem and industry, driving UK-generated content and helping independent producers compete on a global stage”.

Respondents said that they would like to see government support for new and innovative entrants. One think tank proposed that “support for market entry must be prioritised to counter declining entry rates. Reducing capital barriers for SMEs through co-investment schemes or government-backed loan guarantees can create fertile ground for new competitors”. Respondents also felt that providing competitive monetary incentives for innovation and technology adoption to enhance productivity and efficiency was important. One public sector organisation felt that “regulatory bodies should encourage the creation of clusters in key industries (for example, AI, renewable energy, digital manufacturing) by providing tax incentives, Research & Development funding, and infrastructure support”. Furthermore, some respondents believed that the Government should use or introduce regulatory impact assessments for new rules to support competitiveness of UK businesses.

10. Investment

10.1 Overview

Respondents discussed the factors influencing businesses' investment decisions, as well as the main barriers to scaling up and deploying investment capital. They also shared their thoughts about financial instruments that they had experience of in other countries, which could be used to encourage strategic investment in the UK.

Key findings include:

- respondents believed that investment decisions are shaped by a combination of economic and regulatory factors, skills availability, and infrastructure-related issues such as digital connectivity and transport links
- they particularly emphasised the importance of stable interest rates, competitive tax rates, and a supportive regulatory environment, but also suggested that smaller and larger businesses tend to have different attitudes to and influences on investment
- perceived barriers to scale-up financing discussed by respondents included limited access to growth-stage capital, risk aversion, and regional disparities, with proposed solutions including scale-up funds
- examples of strategic financial instruments observed in other countries cited by respondents included tax credits, innovation- or productivity-related credits or subsidies, clean energy-related investment instruments, and short-term debt instruments that convert into equity

10.2 Factors that influence businesses' investment decisions

Respondents felt that investment decisions were influenced by a combination of economic factors, regulatory factors, and issues related to the workforce, skills, and infrastructure.

10.2.1 Economic factors

Economic factors thought by respondents to influence business investment decisions included consumer demand, interest rates, and returns on investment. Respondents believed that economic uncertainty twinned with increasing interest rates had made it harder and more expensive for businesses, particularly SMEs, to borrow, invest, and grow. Respondents felt that it was important to have low and stable interest rates, in order to help businesses plan for and make investments. One public sector organisation explained their view that "businesses will invest when they feel confident about the broader economy. Stable inflation, interest rates, and a predictable economic outlook make businesses more willing to commit capital".

Additionally, respondents felt that tax rates, tax policies, and incentives such as R&D tax credits, can stimulate investment, and can allow SMEs to engage in R&D to help stimulate growth. One business believed that "the availability of R&D Tax Credits can make the UK a more attractive destination for both domestic and foreign investors…The Tax Credits are especially beneficial for SMEs in the Life Sciences sector, which often have limited resources. By providing a safety net through tax relief, these credits help smaller firms to engage in R&D activities that drive growth and competitiveness".

10.2.2 Regulatory factors

Respondents discussed how regulation influenced business investment decisions, including factors like the stability and clarity of the regulatory environment (which is covered in more detail in Chapter 9). Some respondents felt that it was important to have a predictable and supportive

regulatory framework, particularly for those making substantial long-term investments. One business thought that “for businesses investing in high-impact sectors like Life Sciences, a stable and transparent regulatory environment is essential. Clear regulatory pathways reduce uncertainty, enabling companies to bring innovations to market more quickly and efficiently”.

Respondents also sought a collaborative approach from regulators, and felt that the focus should be on enabling rather than only enforcing. Additionally, some respondents set out their view that some of the IS-8 sectors, such as Digital and Technologies and Clean Energy Industries, require clear regulatory guidelines and incentives to support their creation of new and innovative technologies. Regulatory compliance was therefore considered especially critical in these sectors, where perceived complex regulations were thought to significantly impact decision-making processes.

10.2.3 Skills

Skills and workforce-related issues were seen as a particular influence on investment for service-oriented sectors including Life Sciences and Financial Services. Other respondents suggested that an ageing workforce can limit growth and deter investment, especially where advanced technologies or specialised skills are required.

Access to a skilled workforce and challenges posed by an ageing workforce were said to be especially prevalent issues influencing investment decisions in manufacturing-heavy and rural areas. One think tank felt that the “availability of a skilled workforce is crucial for businesses to operate and grow. The ageing workforce in manufacturing, which is more acute in the South West, is a concern to business and is holding back investment”.

10.2.4 Infrastructure

The quality and availability of infrastructure (including digital connectivity and transport links) was believed by respondents to be relevant to investment decisions for businesses across a range of sectors. One think tank commented that “physical and digital infrastructure heavily influences investment. Firms need modern transport links, reliable broadband, and energy security. A logistics company investing in electric fleets, for instance, will consider grid readiness and charging infrastructure”.

10.2.5 Business size

Some respondents believed that larger businesses were more likely than smaller firms to have resources to invest in stable, future-oriented growth. In contrast, constrained by more limited resources, SMEs were said to emphasise flexibility, to allow them to adjust their operations without being tied down by long-term commitments that might be difficult to maintain due to their limited resources.

10.3 Barriers to scale up and deploying capital

Respondents highlighted the following barriers, which they felt were faced by companies seeking financing to scale up in the UK.

10.3.1 Access to growth-stage capital

Respondents believed that limited access to growth-stage capital can be a barrier for businesses aiming to scale up in the UK. Respondents identified a perceived limited supply of growth capital for businesses to scale up, and felt that there was greater availability of early-stage funding and more stringent requirements for later-stage funding. They thought that this could leave businesses unable to secure the necessary capital to support their growth. As one business saw it: the “…UK equity investment mindset is too often at too small scale. In the UK, we invest in the hundreds of thousand[s] to low millions to "exit" in the millions or low tens of millions, whereas in the USA early-

stage investments can be in the tens of millions to 'exit' in the hundreds of millions or billions. We need to achieve this mindset change".

Respondents thought that this funding gap was particularly pronounced outside of London and the South East, with comments made about perceived regional disparities in terms of access to scale-up capital. One business association thought that "we have a large financial industry, but: it does not invest very much in UK business (c.4%). What it does invest is [dis]proportionately more in London and the [South East]".

10.3.2 Risk aversion

Respondents highlighted investor risk aversion as a barrier to businesses seeking capital to scale up in the UK. They felt that investors could be conservative, favouring lower-risk investments, which in turn could restrict funding availability for high-risk, high-reward investments such as emerging technologies like AI and biotechnology. This was perceived to subsequently affect sectors that require substantial upfront investment and where it may take longer to see returns.

Some respondents also felt that SMEs can particularly struggle to secure capital to scale up, which they suggested was because traditional banks tend to be risk averse and favour larger businesses with established credit histories. A public sector organisation commented that: "the UK is home to some of the most creative and innovative businesses in the world. However, they often struggle to access growth capital (defined as Series B funding to exit) from domestic institutional investors. These companies, often small or medium-sized, struggle to access capital to support scaling up in the UK and anecdotal evidence suggests this can result in a pivot towards US funding and ultimately US listing".

10.3.3 UK investment environment

Some respondents viewed the UK's investment environment as complex or disjointed, which they felt could cause difficulties for businesses seeking to access finance such as scale-up capital. Such respondents believed that a complex landscape of diverse funding sources, including public and private options, can prove challenging for businesses to navigate. One respondent explained their perspective further: "lack of coordination between venture capital, private equity, and government support, [is] making it difficult for businesses to navigate funding options".

Some respondents felt that the problems posed by the disjointed investment financing system were made worse by financial services and investment networks being less well developed outside of major financial services hubs such as London. Furthermore, respondents identified a perceived lack of coordination among financial backers, such as venture capitalists, banks, and government bodies, as something which further complicated the process of securing growth funding.

One public sector organisation suggested that: "there is a pressing need to create a more connected ecosystem that links public investment with private capital in a way that focuses on a clear return on investment for all stakeholders […] fostering a stronger link between public and private investment, increasing support for mentorship, and improving access to appropriate funding sources – would help create more competitive, globally active companies in the UK".

10.3.4 Regulatory complexity and market uncertainty

Respondents suggested that regulatory complexity can present barriers to accessing finance, as the procedures involved in accessing finance can be costly and time-consuming. One business association explained their perception that "navigating complex and evolving regulations can create uncertainty and additional costs, making investment less attractive".

Moreover, respondents believed that frequent changes in regulations had created an environment which they thought made it difficult for investors to predict returns accurately. Factors like the level of inflation and interest rates were also thought to make investors more risk averse. Respondents

saw this uncertainty as hampering long-term planning and discouraging investment with investors tending to favour more predictable environments.

One business believed that a “lack of long-term stability and clarity in government policies […] undermines investor confidence. Policy reversals, regulatory uncertainty, and delays in key infrastructure projects create an environment where businesses find it difficult to commit to scaling. This is particularly acute in growth-driving sectors like Life Sciences and renewable energy, where significant upfront investments are required, and returns are realised over an extended period”.

10.4 Examples of international best practice to facilitate strategic investment

Respondents discussed additional investment instruments which had been deployed in other countries that could encourage strategic investment, in addition to grants, loans, guarantees, and equity.

10.4.1 Access to finance

Respondents thought that the UK relied too heavily on ‘traditional’ finance (such as banks, credit unions, and other financial institutions that offer services such as saving accounts, loans, mortgages, and investment products) compared to other countries. One business felt that “the UK's reliance on traditional financial instruments contrasts with Germany, which uses Tax Credits extensively to incentivise strategic investment. Singapore's Productivity and Innovation Credit (PIC) Scheme has boosted private R&D spending by 23%, an innovative instrument the UK could replicate. Sovereign wealth funds in countries such as Norway have successfully co-invested in strategic sectors, driving large-scale innovation and economic returns”.

Respondents also recommended blended finance models, which they described as combining public and private capital to mitigate day-to-day risks to investing businesses, as a policy which had been effective internationally in facilitating investments. One business suggested that “in countries like Israel, public-private investment partnerships, such as the "Yozma" program, have been effective in leveraging public money to attract private venture capital. The government can co-invest with private investors, reducing risk and catalysing private investment into strategic sectors like technology and innovation”.

Additionally, some respondents felt that adopting green bonds and sustainability-linked loans, which they had observed in France, Germany, and Canada, could support environmentally sustainable projects in renewable energy and infrastructure. One public sector organisation discussed how they thought green and impact investment instruments could be deployed in more detail: “[they] provide funding to projects that meet specific environmental or social criteria […] The Government could introduce government-backed green bonds to help fund large-scale energy transition projects, or impact funds focused on climate and social challenges”.

Some respondents also mentioned innovation bonds, which they suggested could be used to finance key technologies like advanced manufacturing and green energy. One think tank proposed that “in addition to the UK Government's existing financial instruments, several successful mechanisms from other jurisdictions could be adopted or adapted to encourage strategic investment in growth-driving sectors like Life Sciences. These include: Innovation Bonds. Example: Germany issues innovation bonds targeted at SMEs and start-ups in high-tech sectors. These bonds offer low-interest rates and are backed by the Government to encourage private-sector investment”.

Other respondents had observed the use of revenue-based financing in the US, which they said allowed businesses to repay investors through a percentage of their revenue rather than through fixed payments. Revenue-based financing was seen as a flexible financing option for SMEs and startups, as repayments are aligned with business success. Some respondents also mentioned convertible notes (short-term debt instruments which convert into equity on reaching specific

milestones), which were said to be common in Silicon Valley, and often used for early-stage financing as they offered investors the opportunity for equity gains with limited financial risk.

10.4.2 Tax credits

Respondents had observed the use of R&D tax credits in countries including Canada to encourage strategic investment. Respondents suggested that enhancing the scope and value of these credits in the UK could incentivise more companies to invest in R&D activity. In turn, they proposed that this could drive growth in technology-related and other high-innovation sectors. One charity explored ideas such as “a simplified R&D Tax Credit scheme, supported by a legally binding target for 0.6% of Gross Domestic Product to be invested in development and commercialisation. A new R&D tax incentive scheme to attract large-scale R&D centres to the UK”.

Respondents viewed changes to tax credits as pivotal for maintaining the UK’s competitive advantage over other countries in the IS-8 sectors and fostering an environment for UK businesses in high-tech industries such as Advanced Manufacturing, Clean Energy Industries, and Digital and Technologies. One business suggested that tax credits are popular in the US and “directly incentivise R&D by reducing taxable income for companies investing in new technologies, particularly useful for sectors like AI and biotech”.

11. International partnerships and trade

11.1 Overview

Respondents were asked about how international partnerships both between governments and between the UK government and businesses can support the Industrial Strategy. They also set out the international markets that they believed offered the greatest opportunities to the IS-8.

Key findings include:

- Respondents believed that government-to-government and government-to-business partnerships could enhance R&D, secure supply chains, and attract foreign investment. They also felt that partnerships could help to drive trade agreements, secure market access, and promote knowledge exchange.
- However, respondents also called for a pragmatic approach to these partnerships, focusing on realistic goals, avoiding unnecessary bureaucracy, and fostering a business environment conducive to growth in the IS-8 and other sectors of strategic interest.
- Respondents recommended that the Government's approach to international partnerships should balance innovation, alignment with national priorities, and responsiveness to global market dynamics.
- The EU was believed to offer opportunities for the IS-8, as well as the United States, India, China, Japan, and the Middle East.

11.2 International partnerships to support the Industrial Strategy

Respondents highlighted the significant role that international partnerships can play in supporting the Industrial Strategy. One respondent believed that international partnerships were "key to delivering a successful industrial strategy […] unlocking new markets, fostering innovation and sharing vital and scarce resources".

Respondents felt that international partnerships could play a key role in boosting innovation and R&D. They thought that collaborations between governments, particularly those focused on joint research initiatives, were especially valuable. They suggested that industries such as AI, quantum computing, and the Clean Energy Industries could benefit from government-to-government partnerships to potentially accelerate innovation and technological advancements, as well as boost UK economic growth.

They felt such partnerships would enable UK companies and research institutions to participate in international research projects, giving them access to diverse expertise and resources. One business believed that "partnerships with countries leading in green technologies could facilitate knowledge exchange, co-investment in R&D, and market expansion".

11.2.1 Government-to-government partnerships

Government-to-government partnerships were believed to have the potential to support the Industrial Strategy by facilitating trade agreements and regulatory alignment, which was believed to make it easier for businesses to enter new markets and scale up internationally. One public sector organisation thought that they "open doors to free trade agreements, reducing tariffs and regulatory barriers that hinder UK exports. This access is crucial for sectors like automotive, aerospace, and pharmaceuticals, which rely on global supply chains and markets".

Trade agreements and collaborations such as joint research initiatives were highlighted by respondents as key strategies for reducing barriers to entry, aligning regulations, and facilitating smoother entry into global markets. Some respondents also discussed what they saw as the

important role of trade missions in helping to facilitate both the entry of foreign companies into the UK and UK companies seeking entry into new overseas markets. One business association felt that international partnerships “are necessary both to help facilitate the removal of barriers that hinder economic growth and to facilitate entry into new markets. For legal services, entry into markets can be facilitated through international partnerships that come about through Government-led overseas trade missions”.

However, respondents called for pragmatic approaches to such partnerships, proposing that they should focus on realistic and strategic goals and on reducing bureaucracy. They thought such partnerships could address trade-related barriers and foster an environment conducive to scientific advancements and innovation. One respondent explained their view further: “Project Orbis' (a programme to review and approve promising cancer drugs helping patients access treatments faster) success demonstrates how international regulatory alignment can accelerate innovation while maintaining high standards”.

Respondents discussed the extent to which they thought the UK government’s priorities and national interest concerns should be balanced with global market demands in the formation of partnerships. Some respondents identified possibilities for aligning the Industrial Strategy with partnership initiatives concerning the mobility of skilled professionals and short-term work visas. One public sector organisation suggested that “agreements that allow talent mobility, such as between the UK and Canada or Australia, help attract and retain top talent in science, technology, engineering and mathematics. This mobility can support the growth of high-value sectors in the UK, particularly as it focuses on leading in innovative and knowledge-based industries”.

More specifically, some respondents advocated for stronger partnership and collaboration with the EU. They suggested aligning policies and regulations with the EU to facilitate smoother trade and business operations. One business believed that “for trade, strengthening partnerships with key markets such as the European Union is crucial to reducing friction at borders. Growth-driving sectors like Life Sciences and Advanced Manufacturing rely on the efficient movement of goods across borders, particularly for high-value or time-sensitive products”. Other respondents described the perceived advantages of being part of EU Research and Innovation programmes.

11.2.2 Government-to-business partnerships

Respondents suggested that government-to-business collaborations could attract foreign investment, attracting the capital and expertise necessary for industry growth and innovation to the UK. One academic believed that “fostering strong relationships with international corporations and investors from trading blocs like the EU and CPTPP can drive foreign direct investment into the UK's high-growth sectors. These partnerships can lead to the establishment of Advanced Manufacturing facilities…generating high-value jobs and supporting regional economic development. Moreover, businesses can benefit from the transfer of knowledge, best practices, and technologies, strengthening the UK’s industrial capabilities”.

Such investments were viewed by respondents as crucial for developing sectors with high-growth potential, driving technological advancements, and creating high-value jobs. A business association highlighted their view that “international collaboration programmes such as AUKUS, F-35, and GCAP are vital for driving innovation, exports, to open new markets, forge closer ties with partners, and enhance the UK's soft power. They not only create essential defence and security capabilities, but create and sustain highly skilled jobs, and are truly national endeavours”.

11.2.3 Sharing best practice and knowledge exchange

Government-to-government and government-to-business collaborations were viewed by respondents as an opportunity to also promote the sharing of best practice and resources in industries requiring a lot of technical expertise such as Clean Energy Industries and AI. Respondents perceived these knowledge exchanges as vital for ensuring that innovative and successful methodologies are streamlined across borders.

One business commented that they “can establish frameworks for knowledge exchange, reduce trade barriers, and provide access to foreign markets. For instance, partnerships with governments in the EU and North America can bolster UK-based innovation districts by creating research linkages and access to funding”. Respondents also thought that international partnerships did not only offer business opportunities but also opportunities to address global challenges, such as climate change.

11.3 International markets with the greatest opportunities for the IS-8

Respondents were asked to identify specific international markets that offer the greatest opportunities for the Industrial Strategy’s eight growth-driving sectors.

11.3.1 European Union

Respondents suggested that the EU remains a critical market for trade and partnerships with significant growth opportunities due to its geographical proximity to the UK and the historical trade linkages between the UK and EU. They believed that the EU presented a particular opportunity for the Clean Energy Industries, due to the EU’s ambitious net zero targets, Life Sciences due to the EU’s expanding pharmaceutical and healthcare markets, and Advanced Manufacturing, due to the demand for high-quality industrial goods.

Within the EU market, Germany was singled out by some respondents. One business thought that “Germany's industrial sector is a significant adopter of robotics, particularly in automotive manufacturing and advanced automation. The country's focus on Industry 4.0 initiatives continues to drive demand for robotics and AI integration”. Germany's commitment to renewable energy and sustainability were also said to align with the strengths of the UK’s Clean Energy Industries, and its healthcare and pharmaceutical markets were viewed as offering potential for collaboration and growth in the Life Sciences sector.

11.3.2 United States

Respondents felt that the US was a significant market, particularly for growth-driving sectors such as Digital and Technologies, Financial Services, Advanced Manufacturing, and Defence. The US was perceived by respondents to be a leader in areas like AI and Clean Energy Industries, offering collaboration and expansion opportunities. Additionally, the strong healthcare market and investment by American businesses in biotechnology was thought to make the US a promising opportunity for the Life Sciences sector. One business said that “the established research infrastructure and similar regulatory frameworks make the US an attractive market for rapid commercialisation of UK innovations”.

Respondents believed that the US remains a challenging market where it could be difficult for non-US businesses to enter and thrive. However, respondents saw significant potential if UK businesses could navigate these challenges effectively.

11.3.3 India

Respondents saw India as a market with considerable potential for various growth-driving sectors including Digital and Technologies and Clean Energy Industries. They also felt that there was potential for collaboration in sectors such as Advanced Manufacturing (including automotive) and Life Sciences. In the Defence industry, India's increasing defence budget and its ‘Make in India’ initiative were perceived to offer avenues for partnerships and investment. Respondents also believed that there was a growing demand for digital transformation services and fintech in India.

11.3.4 China

Respondents viewed China as a market with potential for IS-8 sectors such as Digital and Technologies, Clean Energy Industries, Advanced Manufacturing, particularly automotives, and Life Sciences. Respondents felt that there was potential for expanding into the healthcare and pharmaceutical sectors due to China's growing demand and market size. As one public sector

organisation saw it: “China's healthcare reform, growing middle class, and commitment to biotechnology and pharmaceuticals create an attractive market. UK firms with expertise in genomics, personalised medicine, and biotech can tap into this rapidly evolving healthcare sector”.

11.3.5 Japan

Respondents highlighted Japan as a promising market, particularly for the Clean Energy Industries, due to its focus on renewable energy, and in the Advanced Manufacturing sector due to its perceived leadership in industrial robotics. One business commented that “Japan's focus on high-tech manufacturing align[s] well with the UK's Advanced Manufacturing capabilities, especially in aerospace and automotive sectors”. Additionally, Japan's advanced healthcare system and high demand were believed to present further opportunities within the Life Sciences sector.

11.3.6 Middle East

Respondents suggested that the Middle East was a region with significant potential, particularly for the Defence, Clean Energy Industries, Advanced Manufacturing, and Financial Services sectors. Countries such as Saudi Arabia and the United Arab Emirates were thought to be investing heavily in military capabilities, autonomous systems, and AI-driven defence technologies, presenting opportunities for collaboration.

11.3.7 Other international markets with potential for the growth-driving sectors

In terms of regions, some respondents believed that countries within Africa were an emerging market with considerable potential, particularly in the Clean Energy Industries, Life Sciences, and Digital and Technologies sectors. South East Asian countries, including Vietnam, Indonesia, and Malaysia, were said by other respondents to provide opportunities in the Advanced Manufacturing, Digital and Technologies, and Clean Energy Industries sectors due to their burgeoning economic growth and consequent infrastructure and technology needs.

In terms of specific countries, Brazil was believed by some respondents to offer potential growth prospects in the Clean Energy Industries, and Advanced Manufacturing sectors, spurred by its perceived substantial natural resources and expanding middle class. Canada, with its natural resources, robust economy, and ties to the US market, was thought to present opportunities in the Digital and Technologies, and Life Sciences sectors. Additionally, Australia and New Zealand were said by other respondents to offer prospects in Clean Energy Industries, alongside growing demand for Digital and Technologies and Professional and Business Services.

12. Place

12.1 Overview

The Industrial Strategy will concentrate efforts on those places with the greatest growth potential for the IS-8 sectors, namely city regions and clusters. Respondents were asked about how industrial clusters should be defined and strengthened, and how to accelerate growth across the UK.

Key findings include:

- Respondents perceived clusters as complex, context-dependent, and to vary by sector and region. There was a consensus among respondents that clusters should be adaptable, evolving with new technologies and market shifts.
- Respondents identified improving infrastructure as being crucial to the development of clusters, including investment in transport networks, energy grids, and digital connectivity to support industrial activities.
- Respondents saw tailored, region-specific plans as important to leverage local strengths to foster growth in the IS-8 sectors. There was also support among respondents for the Industrial Strategy to be closely aligned with local, regional and devolved governments' economic strategies.

12.2 Characterisation of clusters

Respondents proposed that the Industrial Strategy's approach to cluster development should be one that evolves in response to emerging technologies and market demands. They said that this would ensure that clusters can adapt to changes in the economic landscape. Respondents also proposed that clusters could be defined in a flexible way, and span across regions rather than being confined to geographic boundaries. Creative Industries' frontier industries such as advertising, in addition to cybersecurity, were mentioned as examples of industries where virtual clusters and networks were perceived to play increasingly vital roles.

Additionally, respondents believed that effective clusters go beyond co-location and sector specialisation; they were believed to thrive on collaboration, shared resources, and cross-sector knowledge exchange. One public sector organisation felt that "it is important that clusters are viewed as being much more than just a group of businesses with similar interest or attributes working around each other in a location. The strengths of clusters lie in the value they offer to members, allowing them to operate more productively in sourcing inputs, accessing information, technology, measuring and motivating improvement".

Respondents highlighted the importance of 'anchor institutions' in fostering the development and sustainability of industrial clusters. These institutions were viewed as stable, long-term drivers of economic activity, innovation, and local capacity-building. Examples given included universities, hospitals, major corporations, and government agencies. Such institutions were perceived to involve helping industrial clusters grow by acting as a central hub for innovation and R&D. Respondents further identified the importance of cooperation in cluster development and highlighted the value of cross-sector and cross-regional partnerships in enhancing cluster strength. Respondents suggested that collaboration both within and between sectors and regions can have significant benefits, as these interactions were thought to often lead to increased innovation and economic growth.

Finally, respondents discussed issues related to the sustainability of clusters, emphasising the importance of environmental considerations and the potential role of clusters in advancing decarbonisation efforts. Respondents suggested that clusters could play a critical role in

encouraging green technology development and should incorporate sustainability goals into their frameworks. Respondents highlighted concerns about the sustainability of clusters, particularly the need to integrate environmental considerations and to advance decarbonisation efforts. They proposed that clusters would be pivotal in promoting green technology and suggested embedding sustainability objectives into their frameworks.

12.3 Investment-readiness for strategic industrial sites

Respondents outlined a range of possible interventions that they felt were needed to make strategic industrial sites 'investment-ready'. Suggestions included initial public investment in infrastructure, emphasising transport, energy grids, and digital connectivity, to support industry with investment decisions. Respondents also stressed the importance of evaluating the current state and capacity of existing infrastructure in these areas to support development.

Respondents encouraged the general simplification of planning and consenting processes, as well as regulatory frameworks, and emphasised the need to reduce barriers to development and attract investment. One business believed that "industrial policy should seek to streamline planning and consent processes to reduce time and complexity. This includes leveraging the designation of National Infrastructure Projects to expedite approvals".

Some respondents highlighted the perceived value of public-private partnerships in aiding collaboration between the Government and private sector construction businesses and the shared development of industrial sites. Within the context of broader infrastructure development, skills were another priority for respondents, with suggestions of partnerships with educational institutions to ensure a skilled local workforce to complement investment. Respondents thought there was a need to align site selection with regional economic strategies. Comments noted the perceived significance of community support and engagement to ensure that investment aligns with local needs and aspirations. One charity thought that "fostering community support and local engagement can facilitate smooth site development and long-term sustainability. Community-oriented programmes, like site-specific skills training courses, encourage local employment, helping to build a skilled workforce within the community".

Respondents thought that site selection should be guided by a data-driven approach that included feasibility studies, market analysis, and geospatial tools to identify the most appropriate sites. They believed that this would assist alignment with regional growth plans, the Industrial Strategy, and national economic priorities, while also addressing local needs through stakeholder engagement.

12.4 Supporting the growth of clusters

Respondents assessed how the Industrial Strategy could support the growth of key clusters and sectors. Empowering local authorities by granting them devolved powers and funding to make investment decisions that align with regional needs was thought to be crucial. Respondents also discussed a perceived need to strengthen Local Growth Plans[6], tailoring these to reflect each area's unique strengths, challenges, and economic potential, using local and comparative data. Alignment across national, regional, and local policies was seen as critical to ensure a shared vision for economic development.

Some respondents felt that Local Growth Plans needed to go beyond a focus on the IS-8 sectors, with calls to also include effective transport and digital infrastructure, affordable housing, quality public spaces, and strong local leadership. Respondents also shared concerns that Local Growth Plans might only apply to established Mayoral Strategic Authorities. They felt that this would

[6] https://www.gov.uk/government/publications/local-growth-plans-england

potentially mean other geographies being overlooked, for example rural communities, which were said to hold considerable potential for growth.

Looking beyond Local Growth Plans, respondents said that policies to encourage cross-sector collaboration to accelerate cluster-based growth would be essential. Respondents also felt that collaboration between local councils and regional leaders was essential to ensure industrial policy design aligned with specific priorities linked to economic growth. Respondents felt this would help to avoid competition between regions, instead promoting collaboration and shared learning.

Some respondents stressed the importance of financing in relation to cluster development and the need for government and private sector collaboration to provide financial support to emerging clusters. They thought that such partnerships would be essential for ensuring that workforce development met regional sector demands. Aligning courses, particularly in higher education, with industry needs to develop a skilled workforce that supports local economic clusters was also recommended.

12.5 Alignment with devolved governments

Respondents emphasised the importance of aligning the Industrial Strategy with the devolved governments' economic strategies. They suggested that UK-wide alignment between strategies could minimise competition for resources such as funding, thereby levelling the investment landscape across the country.

Respondents also advocated for a flexible approach to funding investment that targeted the economic strengths of each UK nation, ensuring investments are aligned with local priorities and strengths wherever possible. They felt that there was a need for sector-specific support, for industries including Advanced Manufacturing, cybersecurity, and Life Sciences, to support the sectors that were perceived to be strongest in each nation or region.

Investing in UK-wide infrastructure and skills development programmes was also seen as an important element of aligning the Industrial Strategy with the devolved governments' economic strategies. For example, respondents suggested developing a nationwide green energy grid, to support areas of comparative advantage in renewable energy (such as Scotland), and enhancing transport and digital connectivity to facilitate local economic growth. Respondents felt that these investments were crucial for supporting the economic strengths of and the devolved governments' priorities for each nation. They also felt that that this would help to ensure the Industrial Strategy drives both economic growth and increased cohesion between different parts of the country.

Moreover, respondents thought that it was important to ensure that devolved governments have the autonomy to implement policies tailored to their local needs. By granting them greater decision-making capabilities, respondents thought that devolved governments could then craft initiatives that reflected their nation's specific strengths and priorities, enhancing the overall impact of the Industrial Strategy. In terms of coordination between national and devolved governments, respondents suggested that they should have regular engagement, as well as co-designing policies. Collaboration was seen as vital to ensure that the overarching objectives of the Industrial Strategy complemented local strengths.

One business association suggested that "devolved nations should be encouraged to develop their own industrial strategies, with national oversight only to ensure these are not all identical, complement each other and deliver for the country as a whole, and reflect the history, geography and distinctive industrial capabilities of each nation". However, respondents also felt that excessive policy divergence could hinder the achievement of UK-wide Industrial Strategy goals.

Although the emphasis was on the economic strategies of devolved governments, some respondents went beyond this to suggest supporting local entrepreneurship through initiatives such as incubators and accelerators, and addressing socioeconomic disparities by focusing on less economically productive areas. A small number of respondents called for a multi-region growth

approach, proposing that the Industrial Strategy should consider regions beyond city centres to ensure a balanced and inclusive industrial development.

13. Partnerships and institutions

13.1 Overview

In *Invest 2035,* the Government committed to establishing a new independent Industrial Strategy Council (ISC, "the Council") to support long-term stability and place expertise at the heart of the Industrial Strategy.

The consultation sought respondents' views on how the Council could best support the Government to deliver and monitor the progress and impact of the Industrial Strategy, as well as about how the Council should engage with stakeholders including the Government, businesses, local, regional and national governments, and trade unions.

Key findings include:

- Respondents emphasised the necessity of including individuals with practical industry experience within the Council. This was considered essential for developing a comprehensive and inclusive Industrial Strategy, particularly by integrating the perspective of SMEs.

- Respondents called for the Council to have transparent performance metrics and accountability frameworks. Engaging in continuous dialogue with stakeholders was also considered necessary to adapt the Industrial Strategy in line with real-time feedback.

- Respondents advocated for collaboration between the Council and other government and non-government organisations to ensure alignment of policies and reduce bureaucracy.

13.2 Delivering and monitoring the Industrial Strategy

Respondents discussed different aspects of the role of the Council in delivering and monitoring the Industrial Strategy, including its composition, how it should engage with stakeholders, and how it should facilitate transparency and accountability.

13.2.1 Strategy implementation

Respondents had differing views on the sectoral priorities for the Industrial Strategy and therefore the focus of the Council in delivering the Industrial Strategy. There was general support for the Council focusing on tailored initiatives for each IS-8 sector's unique challenges and opportunities. Respondents called for policies to be evidence-based, highlighting a need for the Council to prioritise reliable data and analysis in overseeing implementation. Additionally, respondents advocated for flexibility and responsiveness during implementation to address changing economic conditions and emerging trends.

The importance of monitoring implementation and identifying barriers to success was emphasised by respondents. An academic felt that "the ISC should be responsible for monitoring the implementation of the Industrial Strategy, ensuring that regional growth targets are met and that the strategy remains flexible enough to adapt to emerging challenges. This can be done through regular assessments and reviews, informed by data and feedback from regional stakeholders. The ISC can also provide the Government with recommendations for adjustments to policy or funding allocations where necessary to maintain progress".

13.2.2 Stakeholder engagement and inclusion

Respondents thought that the Council should facilitate continuous dialogue between the Government, businesses, and academia to ensure that the Industrial Strategy is aligned with

industry needs. Respondents highlighted the importance of having a diverse range of Council members, including representatives from industry, regional organisations, trade unions and SMEs.

One business shared their view that “the Industrial Strategy Council should prioritise inclusivity and regular engagement with a wide range of stakeholders. Ensuring that trade bodies are represented, alongside individual businesses, will provide a more objective and comprehensive view of sector-specific challenges and opportunities, particularly for industries such as retail”.

There was also an emphasis among respondents on setting up mechanisms for regular feedback and communication with stakeholders, which they felt would help adapt the Industrial Strategy in line with real-time feedback. Respondents suggested that regional representation would help to ensure that local perspectives were integrated into policymaking and implementation. Respondents thought that regional representation on the Council could be tailored to specific industry sectors and business sizes to improve stakeholder involvement.

Respondents discussed the perceived importance of cross-government collaboration and the need for public-private partnerships. They recommended the establishment of formal structures and processes to aid coordination between the Council, government departments, and non-government bodies. This included taking advantage of partnerships with industry experts, academia, and regional representatives to ensure a cohesive approach.

Additionally, respondents called for the Council to engage internationally to draw on global best practice and foster cooperation. One business association thought that “to be successful, the Industrial Strategy must make full use of existing international best practice and ensure that the UK is able to influence and, where possible take a leadership role in developing international standardisation in the eight growth-driving sectors and their subsectors. Influencing the content of international standardisation helps secure first mover advantage for UK businesses, which will be vital to boost exports and encourage investment”.

13.2.3 Monitoring and evaluation

Respondents believed there was a need for the Council to determine performance metrics to assess the progress and impact of the Industrial Strategy in driving economic growth and productivity. Additionally, respondents advocated for the role of the Council in providing independent oversight and regular assessment of the metrics in the implementation of the Industrial Strategy, to ensure accountability and transparency.

Furthermore, respondents stressed the need for the Council to promote real-time data access, feedback mechanisms, and independent evaluation. They believed that this would help to address any challenges that may arise during implementation and refine delivery accordingly. For example, one think tank suggested that “by creating dashboards to track real-time metrics, such as regional investment flows or employment rates in priority clusters, the ISC can provide the Government with ongoing updates to evaluate the strategy's impact and adapt as needed”.

Respondents also pointed to the importance of regular reports and updates. As one charity proposed: “to enhance transparency and support data-driven decision-making, the ISC could regularly publish reports on Industrial Strategy outcomes. This reporting can include updates on sector-specific targets, skills development, regional growth, and innovation funding, providing stakeholders with consistent information and helping to build public confidence in the strategy's effectiveness”.

Other respondents focused on how the Council could monitor the delivery of the social and community objectives of the Industrial Strategy, in contributing to inclusive and sustainable growth. One charity said: “we would strongly encourage the Government to develop a comprehensive metric for measuring the success of the Industrial Strategy that, alongside financial measurement, considers social impact, cultural enrichment and intangible value as well as slower maturation of different subsectors within the cultural and creative industries. [This] should also extend beyond

narrow productivity, to capture outcomes such as regional economic resilience, community engagement and long-term cultural contributions".

13.2.4 Funding and resources

Respondents emphasised the importance of the Council ensuring adequate and sustained financial support is available, to implement the commitments within the Industrial Strategy effectively.

13.2.5 Regional and urban/rural dimensions

Respondents believed that the Council should identify and make use of regional specialisation in different sectors to promote the UK's overall competitiveness and economic growth. For example, a business association felt that "encouraging horizontal cooperation among city regions and clusters could facilitate collaboration on infrastructure, talent development, and innovation. By promoting partnerships across major urban areas, the Government can help create synergies that drive sectoral growth and strengthen local specialisations, particularly in high-potential sectors like finance, creative industries, and digital technologies".

Moreover, there was an emphasis among respondents on ensuring that the Industrial Strategy and Council supported rural and urban areas alike, with respondents recognising the distinct needs and potential of each.

13.2.6 Policy alignment and coherence

Respondents spoke about the perceived importance of the Council in ensuring long-term policy stability, thereby providing businesses with the confidence to invest and plan ahead.

Additionally, respondents highlighted the significance of integrating local and regional policies into the broader Industrial Strategy to ensure coordinated and effective implementation. A business association suggested that: "regional and place-focused input into the Industrial Strategy Council is critical, especially with the emphasis on devolution and more Integrated Settlements. The expertise built up in places like Greater Manchester should be reflected in the ISC. Serious attention needs to be given to how central and regional decision making is reconciled".

13.3 Stakeholder relationships

Respondents discussed how the Council and government should interact with key non-government institutions and organisations, including the interface with business, local leaders, and trade unions.

13.3.1 Stakeholder engagement

Respondents thought that the Council should prioritise regular, meaningful engagement with a diverse range of stakeholders, including trade bodies, academic institutions, industry associations, non-profit organisations, and SMEs.

Respondents emphasised the significance of engagement through structured dialogues, advisory panels, forming public-private partnerships, joint research projects, and public consultations to incorporate diverse perspectives into policymaking and to stimulate innovation. Respondents also recommended engaging with SMEs and stakeholders through sector-specific and regional forums. This approach was suggested as a way to foster tailored engagement, enabling policies to align with market demands and sector-specific challenges. They felt there was a need for transparency and accountability through clear communication and regular updates.

Establishing dedicated liaison officers was also suggested by respondents as something which could help to facilitate continuous engagement with stakeholders and to effectively represent sectoral and regional needs. One think tank recommended: "clear communication channels, robust data-sharing systems, and a collaborative culture. First, the government should establish dedicated

liaison units within relevant departments, tasked with ensuring smooth communication between the ISC and key stakeholders. These units could coordinate sector-specific working groups, ensuring the ISC's insights are translated into actionable policies tailored to local and industry-specific contexts".

13.3.2 Governance and independence

The Council's governance and structure were also seen as important in facilitating effective stakeholder engagement, with respondents emphasising a perceived need for clear communication channels, advisory groups, and cross-departmental coordination. The independence of the Council, and the provision of objective oversight and guidance was seen as crucial for maintaining credibility and trust among stakeholders. One think tank commented that, to achieve its desired impact, "the Council must define its modus operandi and impact metrics".

Another think tank suggested that "the Industrial Strategy Council should regularly hear from non-Government institutions and organisations such as independent think tanks, learned societies, charities, academia, and industrial trade associations. There should be clear mechanisms for continuous feed-in from these 'third sector' organisations, such as a dedicated and monitored email inbox providing a direct line to the Council".

Respondents expressed a desire for the Council to share relevant implementation updates or progress reports with non-government organisations and stakeholders, which they felt would build trust and encourage long-term engagement. Additionally, some respondents believed there was a need for clear benchmarks and metrics to evaluate the effectiveness of the Industrial Strategy and enhance transparency and the relationship between the Council and stakeholders.

13.3.3 Collaboration and partnerships

Respondents suggested that the Council should make use of existing structures and engagement routes with industry bodies and local authorities. A public sector organisation proposed that this should include "Mayoral Combined Authorities, Institutes of Technology and the Catapult Networks to create structured and regular communication channels between the ISC and stakeholders".

Capacity building and expertise were also seen by respondents as an area where the Council could support stakeholders, such as through promoting two-way learning opportunities between different sectors and stakeholders. For instance, some respondents suggested that the Council could support with the development of business skills within the Civil Service or that those working in industry could take up secondments in the Civil Service. One business thought that it would be beneficial to "have people straddling the different worlds. Actively paid to work in more than one area, like 2 days a week government, 3 days a week business / local leaders / trades unions [sic]. Remove or at least reduce any feeling of "us and them" in this way".

Respondents also felt that the Council should work with key non-government organisations such as education institutions or voluntary organisations in committees or forums to address regional and local issues. They highlighted the importance of understanding the specific challenges and opportunities present in various regions to ensure that the Industrial Strategy is well-targeted and effective in fostering economic growth and prosperity across diverse geographical areas. One respondent recommended that the Council establish advisory committees bringing together non-government stakeholders: "sector-specific committees might focus on areas such as manufacturing, digital innovation, or sustainability, while regional committees could address the unique needs of areas like the South West Peninsula".

Respondents believed that the devolved administrations should be engaged by the Council, recognising the interconnected nature of regional and national strategies. One academic thought that "…the starting point should be the development of a framework which prioritises meaningful interaction between stakeholders and governments to identify how policy can shape outcomes at a detailed level. Alongside the national Industrial Strategy Council there is a need for local bodies

able both to provide inputs and analysis on local issues to inform national perspectives and to share national insight with businesses in their places".

13.3.4 International partnerships

Respondents also considered how the Council could work with international stakeholders, including approaches such as working in partnership with networks of experts on international matters. One think tank felt that it was important to align with "international organisations like the OECD [Organisation for Economic Co-operation and Development] or the World Economic Forum, [so] the ISC can benchmark UK progress against global best practices [sic] and foster cross-border collaboration".

Respondents also stressed the importance of the Council's interacting with international non-government organisations to attract foreign direct investment and strengthen international trade connections. They suggested that fostering global partnerships could help align UK activities with international best practice and promote exports.

14. Monitoring and evaluation

14.1 Overview

As outlined in the Industrial Strategy Technical Annex, robust monitoring and evaluation (M&E) is an essential component of any successful policy – but particularly for a wide-ranging, inter-connected, and long-term programme such as the Industrial Strategy. M&E should provide timely evidence for the Government to identify and adapt the Industrial Strategy in response to policies which are 'off track' in terms of their delivery and/or relevant changes in economic conditions; this is necessary to ensure its ongoing success.[7]

The consultation asked respondents for their ideas about how the analytical framework for the Industrial Strategy could be strengthened, any key risks or assumptions that should be embedded in the logic model underpinning its 'impact pathway' (theory of change), and suggestions for monitoring and evaluating the Industrial Strategy, including metrics.

Respondents made several suggestions around how M&E could be implemented effectively. These included:

- having clear, specific, and measurable intermediate outcomes aligned with the overarching aims of the Industrial Strategy
- using sector-specific and region-specific metrics, to allow for better tracking of progress in individual sectors and regions
- creating an analytical framework to capture a range of outcomes, including net zero and economic security, alongside economic growth, which should also account for the indirect effects or impacts from other government policies

14.2 The Industrial Strategy's analytical framework

Respondents shared their ideas as to how the analytical framework for the Industrial Strategy could be strengthened. There was a strong emphasis on defining clear, measurable intermediate outcomes that linked policy interventions to the Industrial Strategy's broader objectives, and which aligned with both its shorter- and long-term goals. Respondents believed that this would be essential for demonstrating the effectiveness of the Industrial Strategy, and for making necessary adjustments to improve its implementation, by effectively tracking progress towards the Industrial Strategy's overarching objectives.

Respondents emphasised the need to use SMART (Specific, Measurable, Achievable, Relevant, Time-bound) criteria to set these intermediate outcomes. One business believed that "the analytical framework for the Industrial Strategy can be strengthened by integrating clear, measurable intermediate outcomes that track progress towards long-term goals. These should be defined using SMART criteria across key areas like innovation, productivity, and skills development". Respondents also suggested that qualitative feedback should be integrated alongside quantitative data to capture more comprehensive insights into the implementation of the Industrial Strategy.

Respondents felt that it would be important to establish outcomes that reflected not only economic growth, but also broader societal benefits resulting from the implementation of the Industrial Strategy such as environmental sustainability, regional development, and social inclusion.

[7]The UK's Modern Industrial Strategy: Technical Annex. Department for Business and Trade, 2025.

Respondents believed that such outcomes should be defined in a way that were sector- and region-specific.

Some respondents emphasised the importance of stakeholder engagement to ensure the success of the Industrial Strategy's analytical framework. They suggested that involving a diverse range of stakeholders, including businesses, local leaders, and trade unions, would be essential for validating assumptions, refining intermediate outcomes, and ensuring that the framework remained grounded in real-world challenges and opportunities. One public sector organisation felt that the analytical framework should "include outcomes that track engagement from local businesses, business boards, and educational institutions. High engagement levels indicate alignment and investment in the strategy's success". Additionally, respondents recommended regular consultations and feedback mechanisms to incorporate insights and adapt as conditions evolve.

14.3 Key risks and assumptions to include in the impact pathway

Invest 2035 set out an impact pathway, which is a high-level overview of the logic underpinning the Industrial Strategy. It uses a theory of change framework to demonstrate how government policies can achieve the desired outcomes of higher productivity and investment, to drive towards the Industrial Strategy's strategic goal of long-term, sustainable, regionally-balanced, and secure economic growth. Respondents suggested risks that they felt should be integrated within the impact pathway, which included:

- unexpected economic shocks
- changes to government policy or priorities over time
- supply chain disruptions
- intense global competition
- rapid technological change
- regional disparities (for example, in productivity, skills, and labour markets)
- geopolitical instability

Respondents also highlighted some of the assumptions that they felt should underpin the impact pathway, which included that:

- the conditions for economic growth are in place
- the eight sectors selected lead to long-term growth
- stable government policies bolster business confidence
- emerging technologies are ready to support implementation of the Industrial Strategy
- funding for Industrial Strategy related activities is consistently available over time
- the workforce adapts to technological advances – on this assumption, respondents did have confidence that businesses would adopt and integrate emerging technologies quickly and that the skills needed to bridge existing gaps could be rapidly developed
- continued government support ensures that stakeholders remain aligned and committed to strategy objectives and implementation
- digital infrastructure and market demand support progress in the relevant IS-8 sectors

Aside from detailing risks and assumptions, respondent feedback included a variety of insights concerning inputs, outputs, and outcomes that they felt could be included in the impact pathway. Respondents emphasised the necessity of adequate funding and business engagement as essential inputs to drive the desired outcomes and impact of the Industrial Strategy. Collaboration between government and industry was also perceived as a crucial input.

Outputs that respondents suggested including in the impact pathway included increased productivity, innovation, and technological advancements, all of which were seen as contributing to broader economic growth. In terms of outcomes, improved environmental sustainability and Gross Domestic Product (GDP) growth were among respondents' suggestions.

14.4 Monitoring and evaluation of the Industrial Strategy

Respondents highlighted several considerations for effective M&E of the Industrial Strategy. They suggested that a structured framework should be used. They envisioned that it would include clear objectives and defined intermediate outcomes, and that regular evaluations would be conducted through annual and mid-term reviews, employing cost-benefit analyses to assess policy effectiveness. A public sector organisation thought that "for the evaluation, consideration should be given to thematic analysis; place-based; cost-benefit and RCTs [Randomised Control Trials]. Government should look to engage with […] academic institutions on best practice and approaches".

Respondents proposed implementing a continuous and adaptable monitoring framework that would involve regular data collection and different methods for providing feedback. Respondents thought that tracking both qualitative and quantitative outcomes was important, as well as having clearly defined and measurable metrics. The perceived importance of using data-driven analysis to inform accurate and timely policy adjustments was emphasised. Respondents also suggested the use of dashboards for real-time analysis of metrics.

Commonly suggested metrics for assessing economic progress included job creation, levels of investment, and expenditure on R&D. Additionally, growth within specific sectors, measured by size and productivity, and the number of company registrations for Value Added Tax (VAT) and other tax contributions, were considered to be important indicators.

Other respondents stressed the importance of evaluating metrics such as supply chain resilience, investment inflows, and the adoption of emerging technologies at sector level. This reflected the perceived need for tailored approaches to address the unique challenges and opportunities within each sector. There were calls to balance economic metrics with non-economic measures. These included metrics such as social impact, mental health and wellbeing, and environmental sustainability, going beyond what were seen as 'traditional' considerations when it comes to monitoring the progress of an Industrial Strategy.

Respondents discussed the importance of stakeholder engagement throughout all stages of M&E and suggested aligning the metrics with local (as well as national) economic goals. Others suggested that local stakeholders should be engaged to ensure that they would be active participants in the ongoing M&E process. There were calls to consider 'neighbourhood pride' outcomes, which were considered important for evaluating community impacts.

14.5 Governance and accountability

Respondents highlighted the need for clarity and transparency in terms of how the Industrial Strategy is monitored and evaluated. They suggested that an independent oversight body should be responsible for evaluating progress against the objectives of the Industrial Strategy to enhance legitimacy.

Aligning the M&E approach with existing government M&E initiatives was also recommended, and the involvement of industry representatives in the M&E process was encouraged to maximise the

sense of stakeholder ownership across all Industrial Strategy-related activities and processes. Respondents emphasised the importance of regular progress reports to ensure transparency and accountability between the Government, the Council, and other stakeholders. The establishment of formal feedback channels and regular updates to stakeholders was recommended to maintain accountability.

15. Other information

15.1 Overview

The final question in the consultation asked respondents if there was any additional information they would like to provide. Many of the comments related to earlier questions and have been captured in the relevant sections of this report. However, some new information was also provided by a small number of respondents, which have been set out in this section of the report.

15.2 The focus of the Industrial Strategy and omissions

Some respondents expressed some concerns about the exclusion from the Industrial Strategy of what they felt to be growth sectors, including tourism, food and drink, and retail. Although they also recognised that it would be counter-productive to include all sectors, some respondents felt that the Industrial Strategy should demonstrate more explicitly how its approach will benefit the whole economy and not only the IS-8.

15.3 Inclusivity

Some respondents stressed the important role of SMEs in driving economic growth and innovation, advocating for policies that provide them with better access to finance and reduce regulatory burdens. The need for tailored support for SMEs, particularly in the IS-8 sectors, was highlighted, with respondents proposing that this would enhance their scalability and competitiveness. One business felt that the Industrial Strategy should "implement targeted financing and training programmes specifically for SMEs in priority sectors, ensuring they have the resources and expertise to scale and contribute to economic growth".

A few respondents made comments about inclusivity and expressed that the Industrial Strategy should include focus on issues affecting women or minority groups.

15.4 Sustainability and net zero commitments

Respondents expressed support for integrating sustainability and net zero commitments into the Industrial Strategy. As one business associated stated: "we are supportive of the Government's intention to capture the growth opportunities of the Clean Energy Mission…this is particularly important as the race for green technology continues as it allows the UK to leverage its unique strengths".

Some respondents believed that economic and sustainability considerations should be embedded into the Industrial Strategy and seen as complementary in ensuring both long-term economic viability and addressing climate change effectively. They highlighted the need for infrastructure and regulatory frameworks that would support sustainable practices across sectors, ensuring that industrial expansion aligns with net zero targets. Additionally, some respondents suggested incentives to encourage businesses to adopt sustainable practices and technologies, as well as government support for research and innovation in green technologies.

15.5 Communication

Respondents raised concerns regarding the accessibility and practicality of the Industrial Strategy's implementation. There was a call for simplification of the language used in communication materials to ensure that the information is easily understandable by all stakeholders, including businesses that may not have the resources to interpret complex documents.

15.6 Transparency

Respondents emphasised the need for transparency in decision-making processes and the allocation of resources, to build trust and ensure fairness in how policies are applied across sectors and regions. Moreover, some respondents expressed scepticism about the Government's ability to

execute the Industrial Strategy effectively, citing past instances where they felt that well-intended policies did not yield the desired outcomes due to inefficiency or a lack of coherence in policy execution. Strong leadership and governance structures to guide the implementation process and maintain momentum were also perceived to be important.

15.7 Offers of support

Some respondents offered their own help and expertise to support the implementation of the Industrial Strategy. These respondents expressed readiness to collaborate with the Government by providing industry insights, participating in strategy development processes, and supporting specific initiatives aligned with their areas of expertise.

Appendix 1: Consultation questions

Subsectors

Q1. How should the UK government identify the most important subsectors for delivering our objectives?

Q2. How should the UK government account for emerging sectors and technologies for which conventional data sources are less appropriate?

Q3. How should the UK government incorporate foundational sectors and value chains into this analysis?

Q4. What are the most important subsectors and technologies that the UK government should focus on and why?

Q5. What are the UK's strengths and capabilities in these sub sectors?

Q6. What are the key enablers and barriers to growth in these sub sectors and how could the UK government address them?

Barriers to investment

Q7. What are the most significant barriers to investment? Do they vary across the growth-driving sectors? What evidence can you share to illustrate this?

People and skills

Q8. Where you identified barriers in response to Question 7 which relate to people and skills (including issues such as delivery of employment support, careers, and skills provision), what UK government policy solutions could best address these?

Q9. What more could be done to achieve a step change in employer investment in training in the growth-driving sectors?

Research, Development and Innovation

Q10. Where you identified barriers in response to Question 7 which relate to RDI and technology adoption and diffusion, what UK government policy solutions could best address these?

Q11. What are the barriers to R&D commercialisation that the UK government should be considering?

Data

Q12. How can the UK government best use data to support the delivery of the Industrial Strategy?

Q13. What challenges or barriers to sharing or accessing data could the UK government remove to help improve business operations and decision making?

Infrastructure

Q14. Where you identified barriers in response to Question 7 which relate to planning, infrastructure, and transport, what UK government policy solutions could best address these in addition to existing reforms? How can this best support regional growth?

Q15. How can investment into infrastructure support the Industrial Strategy? What can the UK government do to better support this and facilitate co-investment? How does this differ across infrastructure classes?

Energy

Q16. What are the barriers to competitive industrial activity and increased electrification, beyond those set out in response to the UK government's recent Call for Evidence on industrial electrification?

Q17. What examples of international best practice to support businesses on energy, for example Purchase Power Agreements, would you recommend to increase investment and growth?

Competition and regulation

Q18. Where you identified barriers in response to Q7 which relate to competition, what evidence can you share to illustrate their impact and what solutions could best address them?

Q19. How can regulatory and competition institutions best drive market dynamism to boost economic activity and growth?

Q20. Do you have suggestions on where regulation can be reformed or introduced to encourage growth and innovation, including addressing any barriers you identified in Q7?

Investment

Q21. What are the main factors that influence businesses' investment decisions? Do these differ for the growth-driving sectors and based on the nature of the investment (for example, buildings, machinery & equipment, vehicles, software, RDI, workforce skills) and types of firms (large, small, domestic, international, across different regions)?

Q22. What are the main barriers faced by companies who are seeking finance to scale up in the UK or by investors who are seeking to deploy capital, and do those barriers vary for the growth-driving sectors? How can addressing these barriers enable more global players in the UK?

Q23. The UK government currently seeks to support growth through a range of financial instruments including grants, loans, guarantees and equity. Are there additional instruments of which you have experience in other jurisdictions, which could encourage strategic investment?

International partnerships and trade

Q24. How can international partnerships (government-to-government or government-to-business) support the Industrial Strategy?

Q25. Which international markets do you see as the greatest opportunity for the growth-driving sectors and how does it differ by sector?

Place

Q26. Do you agree with this characterisation of clusters? Are there any additional characteristics of dimensions of cluster definition and strength we should consider, such as the difference between services clusters and manufacturing clusters?

Q27. What public and private sector interventions are needed to make strategic industrial sites 'investment-ready'? How should we determine which sites across the UK are most critical for unlocking this investment?

Q28. How should the Industrial Strategy accelerate growth in city regions and clusters of growth sectors across the UK through Local Growth Plans and other policy mechanisms?

Q29. How should the Industrial Strategy align with Devolved Government economic strategies and support the sectoral strengths of Scotland, Wales, and Northern Ireland?

Partnerships and institutions

Q30. How can the Industrial Strategy Council best support the UK government to deliver and monitor the Industrial Strategy?

Q31. How should the Industrial Strategy Council interact with key non-government institutions and organisations?

Q32. How can the UK government improve the interface between the Industrial Strategy Council and government, business, local leaders and trade unions?

Monitoring and evaluation

Q33. How could the analytical framework (for example, identifying intermediate outcomes) for the Industrial Strategy be strengthened?

Q34. What are the key risks and assumptions we should embed in the logical model underpinning the Theory of Change?

Q35. How would you monitor and evaluate the Industrial Strategy, including metrics?

Additional information

Q36. Is there any additional information you would like to provide?

Department for Business and Trade

The department for business and trade is an economic growth department. We ensure fair, competitive markets at home, secure access to new markets abroad and support businesses to invest, export and grow. Our priorities are the industrial strategy, make work pay, trade and the plan for small business.

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