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IoD Spending Review Submission 2025

About the IoD

The IoD is an independent, non-party political organisation representing approximately 20,000 company directors, senior business leaders, and entrepreneurs. It is the UK's longest-running organisation for professional leaders, having been founded in 1903 and incorporated by Royal Charter in 1906. Its aim is to promote good governance and ensure high levels of skills and integrity among directors of organisations. It campaigns on issues of importance to its members and to the wider business community with the aim of fostering a climate favourable to entrepreneurial activity in the UK.

Our organisation is unique in that our members are individual board directors rather than companies. The majority of members, some 70%, comprise directors of small and medium-sized enterprises (SMEs), ranging from long-established businesses to start-up companies. We have a strong geographic branch structure in the regions and nations of the UK and 85% of our members are based outside London.

We survey our members each month and the recommendations in this submission are driven by the insight that is obtained from that research.

The Institute of Directors welcomes the opportunity to input into phase 2 of the Spending Review 2025.

The macroeconomic context

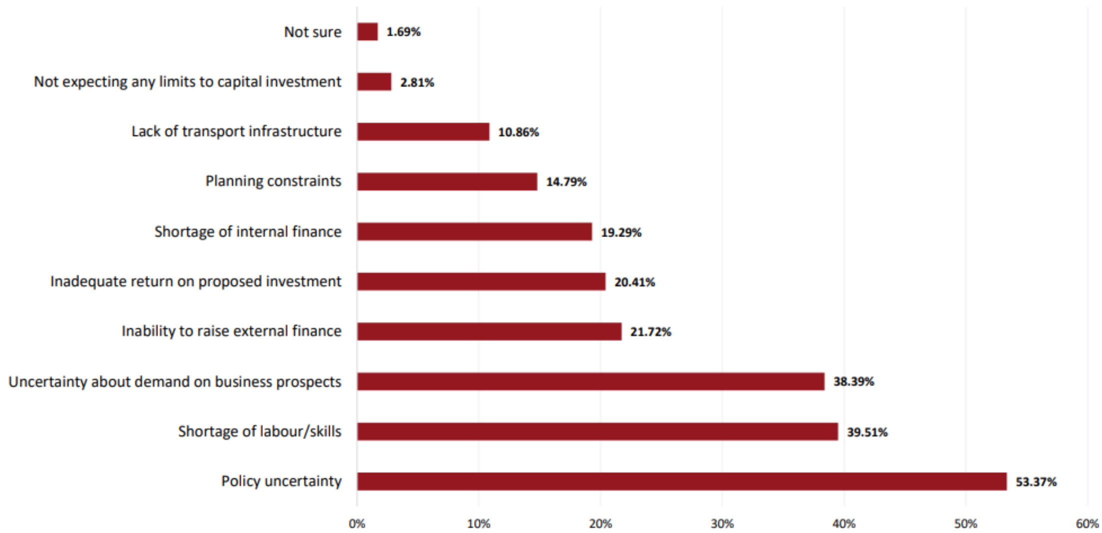
The UK economy has been foundering for many years, beset by multiple external shocks requiring agile policy responses. Since the financial crisis in 2008, UK productivity has flat-lined, undermining efforts to sustainably drive-up living standards. Disparities in growth persist across the UK, with many regions outside London and the South East not meeting their full potential. Contributing to the UK's growth malaise is a low investment trend that dates back to before the financial crisis, but was reinforced by it. Both the private and public sectors in the UK underinvest relative to international counterparts, leading to a deterioration in the UK's stock of capital, further feeding a weak productivity dynamic. The change in the UK's trading relationship with the EU has further undermined investment and growth in the UK.

Now is the time to prioritise growth. And investment is the key to driving up future productivity, growth and living standards. There are some positive supports to growth this year to build from: consumer balance sheets are robust, employment levels are high and real earnings are rising. And businesses are looking to invest in areas such as technology and software, training and human capital development and R&D. But the economy continues to be buffeted by multiple sources of uncertainty – the announcement of tariffs on trade between Canada, Mexico and the US highlight this. Public policy has an ever more important role to play in anchoring private sector decision-making during challenging and uncertain times, and in crowding in private sector investment through effectively directed public sector investment. A consistent, coherent growth-focussed approach to directing the funds at the government's disposal is crucial for lifting the UK's growth prospects. But the weakness of public sector productivity is dragging down the economy as a whole and must also be urgently addressed.

Public spending and policy stability

Government policy has needed to act agilely in response to the significant shocks that have hit the UK economy in recent years. While this was flexibility provided a crucial cushion to the economy at that time, business leaders tell us that that very agility is now proving a blocker to their growth ambitions. In our July Policy Voice survey, policy uncertainty was cited as the most significant blocker to growth and investment, selected by 53% of respondents, followed by shortages of labour/skills, selected by 41%:

Of the following, which stop you growing/investing in your business? Please select all that apply



Source: Institute of Directors, Policy Voice survey, July 2024[1]

Fiscal rules and public sector budget stability

The updates to the fiscal rules and to the Charter for Budget Responsibility that were announced at the October 2024 Budget incorporate welcome changes that will enhance the stability of the public finances and, therefore, of public sector spending. It is right to treat the funding of capital spending that secures future growth differently to other forms of spending. And it is likewise right to set longer spending windows for departments' current budgets to ensure that they and their partners across the private sector are better able to plan. However, recent changes could go further to ensure that the framework for public spending supports stability.

According to the OBR, the current budget rule (i.e. the rule which excludes spending on capital investment) will be met by one of the smallest margins since the OBR was established in 2011.[2] This means that there's a heightened risk that quite small changes in tax receipts will lead to a breach in the fiscal rules, necessitating either tax changes or spending cuts where borrowing has reached its limits. The size of the headroom against the fiscal rules has a fundamental bearing on the stability of policy. With the margin at the top level set so small,

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[1] https://www.iod.com/app/uploads/2024/08/PV-July-2024-website--1dca6eaadeafabf4430b7f2f731a8ea2.pdf

[2] Office for Budget Responsibility, "Economic and Fiscal Outlook", October 2024, chapter 7, p. 154: https://obr.uk/efo/economic-and-fiscal-outlook-october-2024/#chapter-7

this will mean that in order to avoid unwelcome risk and volatility in their own spending plans, individual departments will themselves need to make allowance in their budgets for a high risk that their budgets may be curtailed by unforeseen economic factors. To efficiently support departments in their budget setting, as well as pursuing a longer time frame for budget setting, it would make sense to target a higher margin for meeting the fiscal rules at the beginning of each spending review phase to accommodate unexpected fluctuations in growth and tax receipts to reduce the burden on departments of managing short-term fluctuations in departmental budgets.

Institutions and decision-making

The centralised nature of decision making in the UK renders it particularly vulnerable to political currents. By having most public spending decisions conducted centrally with relatively limited checks and balances they are rendered particularly sensitive to changes in political priorities. By contrast, de-centralised decison-making can act as a check against these political currents, ensuring that decisions are less arbitrary and more predictable. Important institutions have already been established to help reinforce policy stability, including:

- National Wealth Fund (expansion of UKIB
- NISTA (combining NIC and IPA)
- Office for Value for Money
- Industrial Strategy Advisory Council (ISAC)
- Regulatory Innovation Office
- GB Energy

For these and other important institutional contributors to the UK's policy making architecture, it is crucial to have the necessary level of funding secured for the long-term to underpin their effectiveness. These institutions also need to have clear goals and objectives, with success metrics clearly linked to the government's headline missions and milestones, enabling stability of focus to be balanced with agility in delivery.

Recommendations

1. **Target a higher minimum level of headroom for the current budget fiscal rule of 0.8% of GDP for the current budget rule – in line with the long run average**

2. **Target a level of headroom for the supplementary target higher than that for the current budget rule to recognise (a) the prevalence of higher forecast errors and (b) the priority placed on capital investment spend**

3. **Devolve decision-making authority effectively to institutions with longer term horizons, including devolved institutions**

4. Ringfence funding for key decision-making institutions, ensuring they have the necessary resources to deliver on their mandates

Public sector capital investment

Investment in infrastructure delivers a double-benefit to the economy: growth benefits in the near-term via the direct contribution of the infrastructure delivery supply chain, and then further out through greater supply-side capacity in the economy and crowding-in effects. Investment in transport infrastructure reduces journey times, facilitates trade and expands labour markets, opening up job opportunities, increasing skill and labour availability, and opening access to public services. Investment in digital infrastructure supports multiple sectors, particularly innovation. And energy infrastructure underpins it all. Social infrastructure investment provides important benefits too, for example, through improved health and education outcomes, supporting a more effective workforce.

The government has a vital role to play in planning and delivering infrastructure, as well as setting the rules by which the private sector can contribute to the UK's infrastructure:

1. Clearly setting out its vision and aims
2. Mapping out long-term project delivery
3. Ensuring broader cross-cutting policies are aligned to support delivery
4. Directly funding key infrastructure
5. Enhancing the financing landscape for major infrastructure
6. Protecting departmental capital budgets

The role of NISTA will be crucial for driving a long-term transparent project pipeline. The 10 year infrastructure strategy and 10 year Industrial Strategy will be crucial underpins to the policy longevity enshrined in NISTA's mandate. But there is a disconnect between capital budgets which will be set for rolling 5 year periods and the 10 year infrastructure plan horizon. Inevitably the final 5 year period of the 10 year plan will encompass greater funding uncertainty which risks undermining the ambitions of the strategy to deliver greater certainty for the private sector. This can be ameliorated through a phased approach to project planning, with regular review periods and supported by a flexible approach to the delivery of priorities.

In April 2024, we asked IoD members what they felt should be the top three infrastructure development priorities for the new government:

April 2024: Which of the following areas of infrastructure development should a new government prioritise? Please select up to three.

Total	712
Roads, both local and motorways	65.9%
Renewable energy generation (wind, solar etc.)	61.9%
Existing rail (intercity and metropolitan)	58.2%
Broadband networks	35.0%
Other energy generation	27.5%
High-speed rail	18.7%
Aviation, including new airport runways	11.6%
Don't know	0.3%

Source: Institute of Directors Policy Voice survey, April 2024[3]

It is reassuring to see transport and energy in particular featuring prominently in the infrastructure strategy working paper.

Recommendations

7. Protect the institutional budget for NISTA, giving it the confidence to invest in its own effectiveness

8. Set a clear framework for NISTA to guide the selection and delivery of its infrastructure priorities, reinforcing its role in anchoring private sector expectations and supporting planning

9. Provide central government backing for infrastructure priorities of strategic national importance, giving NISTA important political backing

[3] https://www.iod.com/news/infrastructure/iod-press-release-business-leaders-place-the-road-network-at-the-top-of-their-infrastructure-priorities/

Public sector productivity

Companies are facing multiple challenges to their finances, with tax increases announced at the October 2024 Budget reinforcing a deteriorating profit trend, which will undermine investment and employment. The effective delivery of public services is an important underpin to growth: spending on health and education in particular have a significant bearing on the productive capacity of the workforce. But public sector productivity remains below pre-pandemic levels according to the ONS, and so transferring resources into the sector requires significant productivity improvements in order to support future growth prospects.[4]

We surveyed IoD members in January 2025 to get their sense of what the priorities should be for this Spending Review:

January 2025: What do you think should be the top priority for the public sector Spending Review?

Increase public sector productivity	38%
A greater focus on long-termism	20%
Alignment of government spending with the government's stated priorities/missions	11%
Other	9%
Investment in technology	8%
Investment in health	5%
Planning reform	4%
Net zero transition	3%
Devolution of spending	1%
Total	100%

Source: Institute of Directors, Policy Voice, January 2025[5]

The most important priority for this Spending Review identified by IoD members is to increase public sector productivity. Of those survey respondents who ticked “other”, a quarter called for public sector spending to be reduced and close to a fifth called for waste to be cut.

[4] Office for National Statistics, “Public service productivity, quarterly, UK: April to June 2024: https://www.ons.gov.uk/economy/economicoutputandproductivity/publicservicesproductivity/bulletins/publicserviceproductivityquarterlyuk/apriltojune2024

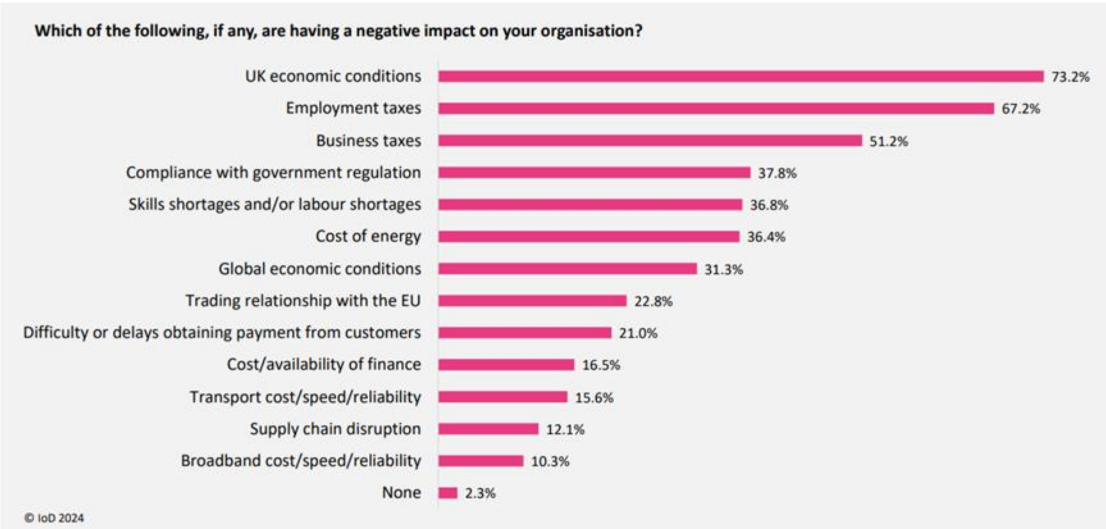
[5] https://www.iod.com/app/uploads/2025/02/Policy-Voice-full-survey-results-January-2025-website-a34797a40131d005dbd51520bb372ab4.pdf

Efficiency

The creation of the Office for Value for Money (OVM), alongside a 2% efficiency target for all departments this year, is a clear signal from the government of its intent to improve value for money in the public sector. However, the OVM is limited in scale and temporary, without a clear mandate for working with pre-existing efficiency drives and structures across government.[6] This risks undermining its effectiveness in supporting change across government. The government must urgently clarify the role and remit of the OVM, particularly in relation to other activities already underway, make the OVM permanent, and specify its role within the context of priority setting for public spending.

Regulation

There is scope for well-designed regulation to support growth and innovation, for example, through ensuring fair competition, setting clear and stable rules and standards, and protecting natural resources. But regulations also place compliance costs upon businesses, which erode time and revenue available for other productive activities. We welcome reference in the infrastructure strategy working paper to tackling barriers to infrastructure investment from regulation.[7] Compliance with regulation has recently been cited by our members as one of the top factors having a negative effect on their business:



Source: Institute of Directors, Policy Voice survey, November 2024[8]

[6] E.g. Treasury Select Committee, "1st Report – The Office for Value for Money", 20 January 2025: https://committees.parliament.uk/publications/46294/documents/233065/default/
[7] HM Treasury, "10 Year Infrastructure Strategy Working Paper", 27 January 2025
[8] https://www.iod.com/app/uploads/2024/12/PV-report-website-version-November-2024-2c8fd7520623e5319185bb033d4239f5.pdf

This data shows that the government's recent push for regulators to enhance their growth focus within their mandates is the right one. This important endeavour now needs to be underpinned by metrics to capture progress in reducing the burden of regulation on business. There was a previous Business Impact Target for the total regulatory burden on business of new regulation over the life of that parliament. Unfortunately, this was not prioritised by government, such that this target was repeatedly missed, before being dropped entirely.[9] The role which regulatory compliance, and indeed tax compliance, plays in inhibiting company capacity to invest and innovate warrants appropriate focus by government. As well as reinstating the previous target, which captures regulatory creep, it should be augmented by a targeted reduction in aggregate time spent by businesses on regulation.

Recommendations

10. Prioritise cutting waste and inefficiency in the public sector, and on driving up productivity

11. Make the Office for Value for Money permanent, clarify its operating relationship with pre-existing efforts and organisations across government, including the NAO, and set clear operational objectives and success metrics, enabling its effectiveness to be tracked,

12. Refresh the Government Efficiency Framework and mandate departments to supply the OVM with any performance data required in relation to its mandate

13. To enhance the effectiveness of a renewed growth-focus for UK regulators, reinstate the Business Impact Target, and target an aggregate reduction in time spent on compliance by companies (EANDC) in addition to monitoring the incremental impact of regulatory changes over a parliament (this should be supplemented by a target for time spent on tax compliance)

[9] Regulatory Policy Committee, "The increase in the cost of regulation on business and the end of the BIT", 15 September 2023: https://rpc.blog.gov.uk/2023/09/15/the-increase-in-the-cost-of-regulation-on-business-and-the-end-of-the-bit/

Tackling skills shortages

Difficulty in accessing skills is one of the most significant barriers facing British businesses. A November 2024 IoD survey found that 36% of business leaders cited labour and skills shortages as a factor negatively affecting their business.[10] Tackling skills shortages will require interlinking reform of the apprenticeship, wider skills, and immigration systems.

Supporting a flexible labour market

The cumulative impact of the government's Make Work Pay package and the upcoming changes to Employer National Insurance is significantly increasing the cost and risk of hiring staff, leading employers to scale back hiring plans. The government should take steps to ensure that the UK maintains a labour market sufficiently flexible to support its growth mission and achieve its target 80% employment rate.

Recommendations

14. **Amend the Make Work Pay package** to ameliorate its demonstrably negative impact on employer hiring intentions:

    a. **Amend the planned introduction of additional protections against unfair dismissal so that they only come into effect after six months of employment, rather than on day one.**
    b. **Increase the planned reference period for the entitlement to guaranteed hours to 52 weeks, and make it a right for employees to request, rather than to be proactively offered, a contract reflecting hours regularly worked.**
    c. **Retain one waiting day before employees can access Statutory Sick Pay.**
    d. **Retain existing thresholds for statutory recognition of trade unions.**

15. **Develop a credible plan to halve employment tribunal waiting times to six months, including channelling investment into the tribunals system.** The current average wait for an employment tribunal hearing of around a year is already a source of concern for businesses, particularly SMEs. The government's Make Work Pay Reforms could cause a sharp increase in the volume of employment tribunal cases, and without significant investment in the tribunal system the wait will only lengthen.

[10] https://www.iod.com/app/uploads/2024/12/PV-report-website-version-November-2024-2c8fd7520623e5319185bb033d4239f5.pdf

16. **Reverse recent changes to IR35.** IoD members stress the importance of retaining a flexible labour market in which diverse workplace relationships are encouraged and enabled. Current off-payroll rules (IR35) provide a strong deterrent to the engagement of contractors – as hiring companies are liable for any misclassifications that might occur. The new government should reverse the 2021 rule changes (something that was announced in September 2022 but then subsequently reversed), enabling contractors to self-classify their employment status.

Sustainability and energy

Business is on board with the necessity of the clean energy transition and is looking for guidance, leadership, and support from government as to how to achieve it efficiently and effectively. IoD research in April 2024 found that business leaders ranked sustainable energy infrastructure as the second most important infrastructure priority for government.[11] Government also has a key role to play in shaping markets to deliver on both the UK's net zero commitments. In the course of driving production towards sustainability, energy objectives need to target an improvement in the competitiveness of UK business energy costs. Recent analysis by the House of Lords highlights the growth opportunity from addressing uncompetitive business energy costs in the UK.[12]

17. **Launch a 'Help to Green' campaign, as proposed by the Independent Review of Net Zero (the Skidmore Review).** This should include information resources and vouchers for SMEs to plan and invest in the net zero transition. For example, green vouchers could be used to commission energy audits which would enable SMEs to determine their energy use or emissions profile, and obtain expert advice on how to improve energy efficiency

18. **Section 172 of the 2006 Companies Act should be amended in order to require directors to have regard to, among other things, "the impact of the company's operations on the community and the environment," in line with the Better Business Act campaign.**

19. **Define a carbon reporting framework for SMEs.** Pressure on organisations to measure and report carbon footprint data is growing; IoD research in 2024 found that a third (32%) of organisations have had to provide carbon footprint data to an organisation they supply, up from 24% in 2022. Small businesses can already measure their carbon footprint with the help of specialist consultancies or tools available on the SME

[11] Institute of Directors, Policy Voice survey, April 2024: https://www.iod.com/resources/data/policy-voice-april-2024-interest-rates-infrastructure-and-employment/

[12] House of Lords Library, "Economic growth conditions: Discussion and debate", 20 January 2025

Climate hub. However, there is currently no standardised way in which they should account for emissions in their annual report and accounts. For SMEs, a light touch framework is needed that will both minimise the compliance burden and help directors present a clear picture of their environmental impact.

20. **Transition away from marginal cost pricing as the process for setting electricity prices, to give businesses access to lower-cost energy and aid their international competitiveness.**

Measures to boost UK trade

The international trading environment is challenging for UK business. Global trade flows look set to trend towards less globalisation and increased regionalisation. And although the supply shocks caused by the pandemic and Brexit have started to ease, geopolitics is playing a bigger role in companies' exporting strategies, and heightened risk is causing firms to re-examine supply chains and export markets to gain better security against potential shocks.

Data from an IoD survey in January 2025 shows 33% of members export regularly and 19% on an ad-hoc basis. 8% responded they have an exportable product but are not currently exporting, split between those who have never exported but could (3%) and those who have stopped exporting (5%).[13]

UK-EU trade remains hampered by Brexit-related trade frictions. Administration and customs red tape has left UK businesses at a competitive disadvantage to EU companies not burdened by controls and the lack of free movement of people across the UK-EU border remains a priority concern. Many firms have sought to rethink their trade strategies. However, while larger firms are better able to diversify export strategies into new markets, many smaller businesses have stopped exporting altogether. Meanwhile, businesses continue to 'de-risk' supply chains in light of geopolitical tensions surrounding China.

In July 2024, we surveyed 571 members on the top barriers that they face to exporting internationally. Paperwork was the most selected response (30%), with customs duties or levies (24%) and work permit or visa restrictions (22%) being the second and third most challenging factors.[14]

To be able to judge when UK export levels are truly improving, there must be a measure of what success looks like. The Institute of Directors urges the government to aim higher on its

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[13] https://www.iod.com/app/uploads/2025/02/Policy-Voice-full-survey-results-January-2025-website-a34797a40131d005dbd51520bb372ab4.pdf
[14] https://www.iod.com/app/uploads/2024/08/PV-July-2024-website--1dca6eaadeafabf4430b7f2f731a8ea2.pdf

strategy for export growth – the previous target set by the Conservative Government of £1 trillion exports in current prices by 2030 is not sufficiently stretching.

In our policy paper, "Setting a Meaningful Export Target for Britain", we assessed whether the £1 trillion headline target is appropriate and consider whether there are alternative measures that better capture what government export policy is trying to achieve.[15] We concluded that because the £1 trillion target is affected not only by inflation, but also by longer-term global economic trends, a preferable measure would be linked to the volume of trade and set at a level that takes account of trend growth rates.

In addition, we also urge a second target: to increase the proportion of UK businesses that are exporters. Meaningful targets would enable parliament to better judge the success of government policy designed to support exporters, as well as providing government itself with a framework around which it can judge the effectiveness of different policy interventions.

Moreover, it would be useful to monitor disaggregated data to assess growth in specific demographics. For example, understanding trends in different regions across the UK, as well as sizes of business – small, medium and large – could help to identify where further policy interventions might spur increased export growth.

Recommendations

21. **A chained-volume target of £900bn of exports in 2019 prices by 2030**

22. **A second target of 15% of all businesses exporting either goods or services by 2030**

Addressing the trading relationship with the EU

IoD members cite the UK's trading relationship with the EU, as set out in the Trade and Cooperation Agreement (TCA), as the primary challenge to the export environment. Data from an IoD survey in July 2024 found that 45% of members are finding the UK's trading relationship with the EU challenging. Of these, 30% said paperwork presented the biggest challenge to business, while time taken for checks at the border (18%) and customs duties (17%) are the second and third key concerns. Being the UK's closest and biggest trading partner, reducing friction at the UK-EU border should be at the forefront of an export strategy.[16]

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[15] https://www.iod.com/app/uploads/2023/09/IoD-Policy-Paper-Setting-a-meaningful-export-target-for-Britain-d3bd3c2988bd7cffdc3b6fa3028b60f2.pdf
[16] https://www.iod.com/app/uploads/2024/08/PV-July-2024-website--1dca6eaadeafabf4430b7f2f731a8ea2.pdf

Free Trade Agreements (FTAs) with international markets offer businesses wider opportunities for growth. While FTAs are not necessarily seen as a solution to declining UK export performance, it is important companies are able to understand and grasp the benefits of trade deals. IoD member data from December 2023 shows that for those businesses which have an exportable product but do not currently export, the most helpful action the government could take would be to pursue an agreement with the EU on business mobility and visa rules.[17]

During our qualitative research of the business mobility issue, members have told us that administration, visa documentation has been burdensome and long and complex to understand, varies from member state to member state and often has to be completed in the destination country's language. Separately, members have told us that they are finding it difficult recruiting the right employees with the right skills, and that the new relationship with the EU has exacerbated their skills shortages now businesses have access to a much smaller pool of people from which to recruit. Many members have told us they refer to EU guidance for information on visa requirements for each member state because UK sourced advice is unclear.

The IoD is calling on the government to negotiate a Youth Mobility Scheme with the EU, allowing 18-30 year olds to work and travel freely between each jurisdiction for up to 2 years.[18] IoD member data from May 2024 shows that half of business leaders think that a Youth Mobility Scheme would benefit their organisation, compared to just 2% who think it would be a disadvantage.[19] A Youth Mobility Scheme would be particularly beneficial for sectors like hospitality and retail, which typically employ large numbers of young people and have struggled to find workers following the loss of movement of potential recruits between the EU.

Potential reciprocal elements of an agreement that members most agree with are mobility for research, internships, study and travel (89%), student exchange (86%), and the mobility of citizens for work/traineeships/volunteering (84%).[20]

Business leaders support closer cross-border collaboration with the EU in general, for instance through valuable schemes such as the Erasmus programme, as a way of gaining cultural and language experience. Greater transfer of ideas through research and exchange of workers could help support innovation and productivity, and build deeper ties with our international partners.

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[17] https://www.iod.com/app/uploads/2024/02/Policy-Voice-report-December-2023-1-7e4a0477c0283cb9ac6d867e10aa3324.pdf
[18] https://www.iod.com/news/eu-and-trade/iod-calls-for-a-youth-mobility-scheme-with-the-eu/
[19] https://www.iod.com/app/uploads/2024/07/Policy-Voice-report-May-2024-79a7af44546e311dcee0eb50e6dcb8c8.pdf
[20] Ibid

Changes to customs procedures

Businesses are now spending significantly more time and money on Brexit-related paperwork. Many have hired extra staff to manage customs processes, or to oversee the export end of the business. But it is clear that the administrative burden is particularly affecting smaller businesses and less frequent exporters, who do not necessarily have the same knowledge, resource and time bigger businesses do to overcome these challenges.

Those who have had the option have set up subsidiaries or distribution centres within the EU to bypass border regulation. Members who offer consulting services to businesses on international growth have said they are also advising their UK clients to form long-term relationships with EU businesses in order to establish an export base from their location. Similarly, some less frequent exporters looking to expand are targeting multinational corporations as new clients which already have established global links, meaning they also have the necessary experience in international trade processes.

But, while administration has created a certain amount of friction at the border, it has not necessarily deterred many businesses from continuing to export to the EU. Perhaps a more significant obstacle to UK exports is that UK businesses are being squeezed out of the EU by European firms who are not constrained by regulation, administration or extra costs. Anecdotally, many businesses feel at a disadvantage to EU companies who can provide goods or services often more quickly, sometimes more cheaply, and without the hassle of paperwork.

Digitisation of border processes will significantly help to remove barriers to trade for members. IoD members have been really encouraged by the development of the Single Trade Window policy. Firstly, burdensome paperwork has impacted business' abilities to trade seamlessly with the EU. Removing the administrative barrier will make it a lot simpler for businesses to send and receive goods across the border both in terms of cost and time.

Secondly, as the government continues to sign new trade agreements with nations across the globe, having the right technology at the border will help the UK and its new trading partners to be able to engage in more seamless customs exchanges.
The Single Trade Window can also be used as a tool for data collection and reporting. For example, Singapore's single window, known as TradeNet, includes a function for documenting and facilitating the exchange of export declaration information with interoperable single windows in partner countries. This electronic document contains multiple data sets which supplement risk management and help to reduce customs clearance times for traders.

This type of reporting will be important in the government's mission to control and track border data, and to maintain connectivity with international single trade windows. The government should produce regular reports based on data collection from the Single Trade Window to inform future developments of the technology in line with business needs. However, the Government recently announced that it is halting the development of the Single Trade Window due to financial constraints following the Budget. This is frustrating, particularly given extensive industry engagement and the project's proximity to completion.

Recommendations

23. **Create a single database of requirements for each different type of visa for each different EU jurisdiction that is easily accessible for business and updated as changes occur**

24. **Pursue an individual agreement with the EU on business mobility and extend the 90 days in every 180 limit on travel into the EU.**

25. **Negotiate a Youth Mobility Scheme with the EU, allowing 18-30 year olds to work and travel freely between each jurisdiction for up to 2 years.**

26. **Restart plans for the implementation of the Single Trade Window and use the platform to produce regular reports based on data collection to inform future developments of the technology in line with business needs.**

Guidance and support

IoD data shows there are a significant number of members who feel they lack the relevant tools needed to export internationally. In response to an IoD poll in December 2023 of those businesses which do not currently export, 11% responded this is due to a lack of availability to finance and 16% said they do not have the relevant knowledge and skills.[21]

Anecdotally, members tell us guidance tends to be ad-hoc and important communications often do not reach them. At the same time, GOV.UK guidance is seen to be overcomplicated, and often sends the reader into a maze of links to new pages and documents.

Meanwhile, members have said trade advisors do not necessarily offer better advice than what is available online. Businesses consistently tell us they value tailored, in person advice over generic guidance fact sheets and have therefore welcomed services like the Export Support Service helpline.

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[21] https://www.iod.com/app/uploads/2024/02/Policy-Voice-report-December-2023-1-7e4a0477c0283cb9ac6d867e10aa3324.pdf

Additionally, funding options are limited, especially as a first-time exporter. The Internationalisation Fund, which offered finance for SMEs looking to expand into new markets, was discontinued in January 2023. UK Export Finance, which provides government backed insurance and guarantees for UK exports, is primarily aimed at more experienced exporters.

Many members also feel that the government should offer better services which connect businesses to international opportunities. For example, they have not been able to successfully use government sources to find suppliers or connect with international buyers or partners.

Overall, despite the 2021 strategy, practical export support seems rather haphazard and could be much better organised to ensure it is accessible and comprehensible for all types of business.

Recommendations

27. Create a one-stop-shop style portal for all export guidance and funding initiatives. This would include contact information for local trade advisors, simplified, step by step guidance sheets for processes throughout the export journey, and details for customs helplines.

28. Better facilitate business-to-business connections by publishing a database where firms can find buyers and partners across the globe, attend trade shows and access UK embassies in international markets.

29. Provide training for International Trade Advisors to ensure advice is consistent and dependable across all regions.

30. Reopen an equivalent to the Internationalisation Fund to provide grants to SMEs and first-time exporters, which can be used for travelling to new markets, attending trade shows, using translation services and employing consulting services.

31. Monitor and publish the impact of government assistance for exporters - teams both at overseas missions and those UK-based trade advisors - to assess their effectiveness and ensure all businesses have the right support for their exporting needs.

Tech adoption

The UK's tech sector has consistently grown faster than the wider economy, with the sector reaching a combined market valuation of $1.1 trillion in Q1 2024.[22] Technology adoption is crucial for driving economic growth, productivity, and public service delivery. This is about effectively integrating it into existing processes, as well as innovating systems, and empowering people to use it through a strategic, agile and coordinated approach. Funding to deliver innovation across sectors must be protected and prioritised, with barriers to technology adoption and scaling understood and tackled. The Government must keep pace with technological development (AI, quantum, cybersecurity, semiconductors) and maintain ambitions for investment.

Recommendations

32. **Set a target for government R&D spend of 3% of GDP**

33. **National Strategy on Technology Adoption: Build on the findings and recommendations of the Technology Adoption Review, especially with regards to cost, information and expertise.** The Review will take evidence on digital adoption in the Industrial Strategy's eight key growth sectors (Advanced manufacturing, Clean energy industries, Creative industries, Defence, Digital and technologies, Financial services, Life sciences, Professional and business services). The Industrial Strategy lacks focus on technology adoption, so the review is welcome as the start of a conversation on how digital adoption can support the UK's economic and productivity growth, especially for SMEs. In Policy Voice (January 2025), 45% of members said that the cost of updating systems is one of the biggest barriers to technology adoption for their business. Other significant barriers identified are the time cost of acquiring knowledge about tech opportunities (38%), uncertain returns on investment (36%) and the cost of updating workforce skills (35%). These are early indications of what the Review might find, and thus suggestive of where Government intervention should focus.

34. **Deliver the AI Opportunities Action Plan:** The AI Opportunities Action Plan is welcome, but a plan on its own is not sufficient. Delivering the plan will require a commitment to removing obstacles to growth for 'homegrown' AI. Key efforts here include: Oxford-Cambridge Growth Corridor; increasing compute; data access (ie. National Data Library); and AI Growth Zones – note that the Chancellor has invited

[22] Tech Nation, The Tech Nation Report 2024: UK Tech in the Age of AI

regional and industry input to help shape the next stage of its programme for AIGZs, which aim to attract private investment and accelerate the build-out of critical AI infrastructure.

35. **Deliver an effective roadmap for compute:** The UK lags behind in its overall compute capacity. The roadmap should deliver clear, actionable plans addressing a wider range of factors in the ecosystem beyond just compute power, including data storage, skills and training, software services, access to publicly owned compute and data transfer. This should include a strategy for achieving exascale capabilities. It must also encourage data centre builders, operators and investors, as well as frontier AI labs, to plan and operate in the UK. To ensure the UK remains competitive in this critical area, a comprehensive compute roadmap is essential. It will come after a year of uncertainty regarding the UK's compute funding, which has been challenging for business as well as scientific research and innovation, and is such a welcome step toward providing much-needed clarity and rebuilding confidence.

36. **Regulatory Innovation: Ensure that the Regulatory Innovation Office is sufficiently resourced and equipped to effectively support regulators and sponsoring departments in adopting proportionate, outcomes-based regulatory frameworks.** This will encourage commercialisation of new and emerging technologies (see below). The AI Opportunities Action Plan recommends introducing a new central body with statutory powers and higher risk tolerance to drive innovation if existing regulators fail to meet expectations. We welcome this recommendation, while ensuring continued investment for AISI to retain its position as a world-leader.

37. **Unblock investment in digital (and physical) infrastructure:** The Planning and Infrastructure Bill should streamline the planning and development process, enabling the creation of data centres and tech hubs that can effectively supporting the scaling of the UK’s tech sector.

38. **Foster digital and AI skills, training and talent development:** Sustain funding for advanced digital skills training programmes targeted at reskilling and upskilling both businesses and individuals. This includes apprenticeships, bootcamps, and online learning platforms. Emphasise those focused on specific high priority skills such as AI fundamentals and cybersecurity. (note: In part will depend on Growth and Skills Levy, and Skills England)

39. **Commercialisation:** More must be done to foster a culture where tech founders are incentivised to stay in the UK to grow their businesses. This also includes e.g. protection of Digital Catapult and Innovate UK, to ensure ongoing support for SMEs and scale-ups in high-impact sectors, particularly deep tech and AI.

Devolved Nations

Migration

Across the UK, migration needs differ significantly, and in our devolved nations historically, immigration has played a significant role in addressing the economic needs of Scotland, Wales and Northern Irelands, especially in sectors requiring specialist skills, as well as attracting new talent. Targeted immigration policies have supported regional development in Scotland, for example, such as in the Highlands and Islands, and recent discussions have highlighted the potential of a reinvented Rural Visa Pilot beyond addressing labour shortages.

Rural regions across our devolved nations are experiencing a worrying trend of population decline. Immigration can strengthen communities at risk of population decline, boost local economies and foster entrepreneurship—benefits that are worth considering.

Recommendation

With the second reading of Stephen Gethins' Private Members' Bill scheduled for April 2025, there should be further consideration from the UK Government of the merits of decentralised and regional immigration policies to address the nations' unique economic and declining population challenges, as well as sector-specific demands.

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UK Industrial Strategy

The UK Industrial Strategy is a unique opportunity to harness economic growth from across the UK, but this has to be a truly nationwide effort. By addressing the specific strengths and challenges of each devolved nation, the UK Industrial Strategy can promote balanced economic growth and ensure that all regions benefit from national initiative.

Across the eight key growth areas, all of the Devolved Nations have expertise that can be harnessed to make this an inclusive Industrial Strategy that works for all corners of the UK.

Recommendation

41. **We would like to see an extension of the UK Industrial Strategy that has a representative from each of the Devolved Nations.**

Regional Economic Growth Hubs

Recommendation

42. **We would like to see greater targeted investments through the Spending Review to promote regional development, helping to reduce economic imbalances and support sustainable growth.** An example of this would be the Western Gateway between Wales and the South West of England. The pull back from some of the funding from UK Government here is disappointing and greater focus should be on levers like this that support regional growth across the UK.

Apprenticeship Levy Reform

A review of the Apprenticeship Levy funding to the Devolved Nations is an area that needs urgently addressed in the upcoming spending review. Many businesses across the Nations view the levy as an additional tax rather than an investment in skills development. This has led to resistance and dissatisfaction among employers. In Northern Ireland, the situation is particularly acute: Northern Ireland does not directly benefit from the levy as the funds are managed through a block grant. This has led to concerns that businesses are paying into the levy without seeing corresponding benefits.

Recommendation

43. **Moving forward, there has to be less prohibitive restrictions around the Apprenticeship Levy and more flexibility afforded to employers to best utilise the funds to meet the needs of the workforce.**