Rt Hon John Healey MP

Chancellor of the Exchequer

HM Treasury

1 Horse Guards Road

London SW1A 2HQ

9 September 2026

IoD Autumn Budget Submission 2026

About the IoD

The IoD is an independent, non-party political organisation representing 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.

Contents

1. The economic context: resilient growth, weak foundations

Since mid-2024, the UK has experienced the second-highest growth in the G7, after the US. This is impressive given a challenging global and domestic backdrop. Recent productivity performance also appears likely to have been better than previously thought.[i] But the better news exposes, rather than resolves, the longstanding weaknesses in the UK growth model.

Perhaps the most important of those weaknesses is the amount and quality of capital available to each worker, reflecting years of underinvestment across both the private and public sectors. The Productivity Institute[ii] captures the breadth of the problem:

> *"Compared to workers in the US, Germany, France, and the Netherlands, people in the UK have access to a third less capital per hour worked. Less software. Fewer machines. Outdated systems. Insufficient training. Too little R&D and organisational capacity. The result? Lower productivity, lower wages, lower living standards."*

The challenges beneath the headline performance:

Productivity and dynamism. Low capital intensity is compounded by weak infrastructure, insufficient housebuilding, uneven regional connectivity and weaker business dynamism. Together these constraints reduce the ability of people and firms to move, scale, adopt new technology and combine skills and capital effectively.

Fiscal capacity. High public debt and rising demands from defence, health and pensions sharply constrain the state's room for manoeuvre. Government must maintain essential services and invest for the future, but it cannot finance the scale of economic renewal required on its own.

Competitiveness. High energy costs, an unstable and increasingly complex tax system, growing regulatory costs and the unwinding of some historic labour-market advantages have made the UK a less predictable and more expensive place in which to expand. Detailed recommendations on these constraints follow in the specialist chapters.

> The common thread linking the UK's challenges is investment. The UK needs substantially more capital to improve productivity, upgrade infrastructure and exploit emerging opportunities, but tight public finances mean that much of the funding for it will have to come from the private sector.

2. Investment is the central growth challenge

Investment-driven growth must remain a central priority for government. Without stronger potential growth, funding vital public services becomes progressively harder against a tight public-finance backdrop – without growth, primary surpluses are the only route to reducing public sector debt.[iii] It is critical to raise the quality and availability of capital in the UK to underpin a stronger growth outlook. At the same time, the scale of the investment requirement is unusually large: the UK must upgrade transport, energy, health and utilities infrastructure; seize opportunities from AI and the net-zero transition; strengthen defence capacity; and raise capital intensity and performance within firms.

A recent Oxford Economics report reinforces the UK's persistent underperformance on investment compared with its peers, noting that UK fixed investment was 18.9% of GDP in 2025, compared with an average of 22.5% across other OECD economies. The UK has invested less than the average of the other G7 economies in every year since 2000. The report further notes that business, residential and government investment have all generally lagged comparator economies, but business investment accounts for the largest part of the present shortfall and is the only component whose gap has widened materially.[iv]

Government cannot command private investment, but it can materially improve the conditions in which investment decisions are made. This includes the depth and allocation of finance; the availability of viable projects; the speed and predictability of planning and infrastructure delivery; the taxation of investment, investors and returns; macroeconomic stability and financing costs; and confidence in the durability of government policy.

The Office for Budget Responsibility[v] identifies four central drivers of business investment. They provide a useful framework against which the Budget and the wider policy programme should be assessed:

- the cost of capital;
- the expected rate of return on capital;
- business confidence;
- profits growth and the outlook for demand.

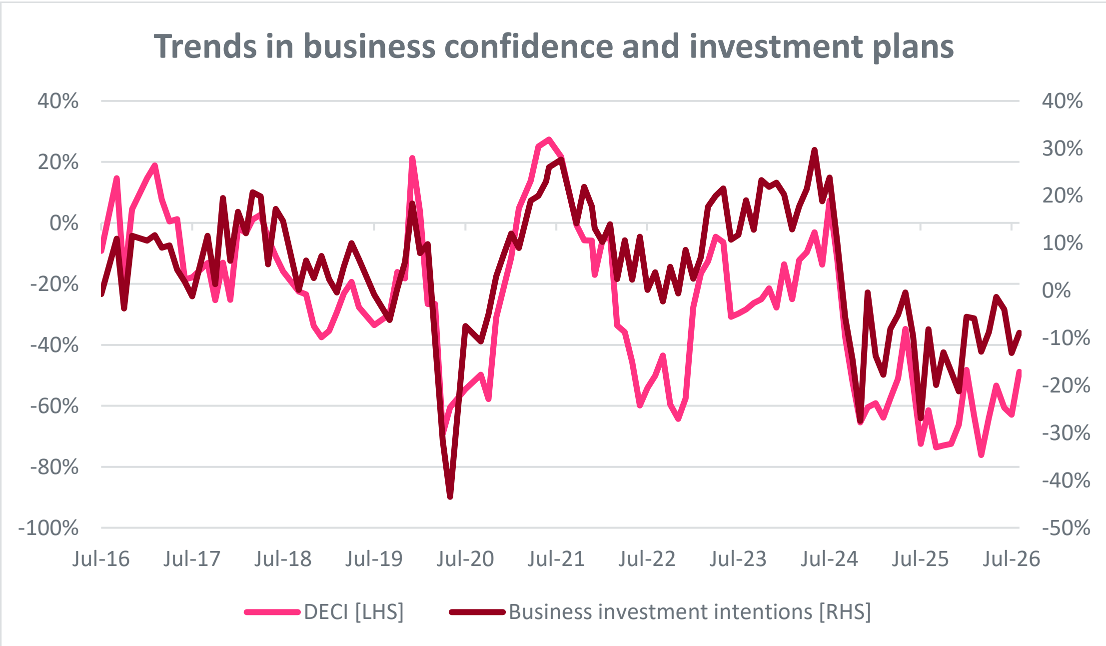
The government has made some progress in improving the environment for investment in the UK. Higher public investment, planning reform, long-term strategies such as the Infrastructure and Industrial strategies, enhancing UK market access via trade deals, and capital-market and pension reforms are all helpful in expanding and clarifying the pipeline of investable projects, mobilising finance and raising the returns available to private capital. The stability, credibility and sustainability of the public finances is important because it can help contain government borrowing costs, while an effective and independent central bank helps reduce inflation premia on borrowing. But at the same time, higher employment and capital taxes, weaker business profitability and continuing policy uncertainty have worked in the opposite direction.

The OBR's assessment illustrates these competing effects. Following the 2024 Budget, it judged[vi] that higher public investment would complement and incentivise private investment, but that this benefit would be more than offset within the forecast period by the effects of fiscal loosening, higher interest rates and pressure on business profits. Its subsequent assessment[vii] of residential planning reform was more positive, estimating that the reforms could increase potential output by around 0.2% after five years and 0.4% after ten. However, the OBR has not subsequently published an equivalent whole-policy assessment demonstrating that the net effect of government policy on business investment has turned positive. Its latest forecast[viii] continues to expect investment to be constrained by a low rate of return, an elevated cost of capital and subdued business conditions.

This reinforces the central challenge for the Budget: not simply to announce further pro-investment initiatives, but to ensure that the policy programme as a whole consistently and coherently improves the cost, returns, confidence and demand conditions governing business investment.

3. Why business confidence and investment remain weak

Business confidence has been notably weak since soon after the 2024 election. Following an initial post-election improvement, the IoD's Directors' Economic Confidence Index[ix] fell sharply amid concern over the public finances and speculation about tax rises. The relationship between confidence and firms' investment intentions is strong and has strengthened since 2024. Confidence is therefore not merely a measure of mood: it is one of the channels through which expectations translate into real economic decisions.

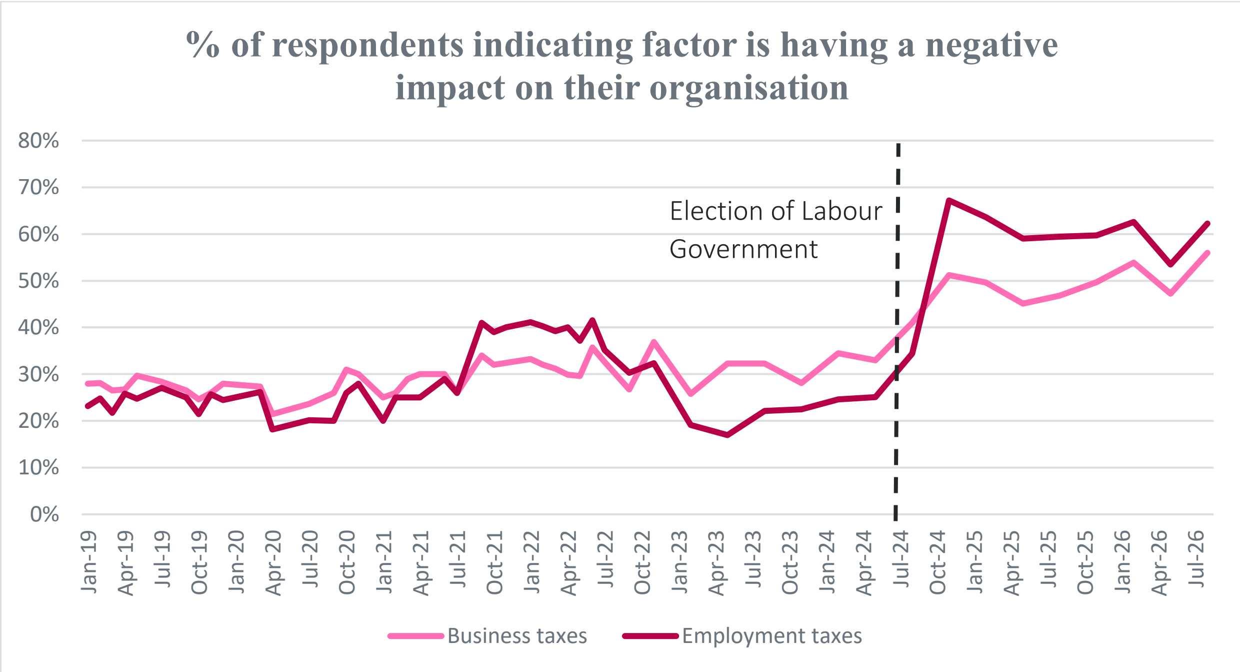


Sources: Institute of Directors, Policy Voice surveys

Detailed analysis of IoD member surveys and respondents' verbatim comments over the past two years identifies five connected drivers of the prolonged weakness in confidence and investment:

3.1 Tax and employment-cost shocks

The extent to which higher employment and business taxes are having a negative impact on organisations has risen sharply since the Autumn 2024 Budget and remained persistently high:



Sources: Institute of Directors Policy Voice surveys

Higher employment and business taxes, alongside rising wage and other operating costs, have squeezed margins and influenced decisions at firm level. Businesses reported responding through some combination of lower profits, higher prices, weaker hiring and deferred investment.

"The UK market has been very difficult for us over the last 24 months, to which end we made 8% of our UK workforce redundant in Q1 this year. We have invested in our export activities and the growth there has seen the overall business performance circa flat, but we are having to be very careful on costs and investments, even at lower levels are getting much higher levels of scrutiny." (Wales, Manufacturing, 100-249 employees)

"Due to the employment taxes being raised, our quarterly cost went up significantly. Now next time when hiring, we need to be more mindful and consider higher costs as a company. Also we need to plan salary raises and this will make it even more difficult." (London, Administrative and support services, 2-9 employees)

"We remain resilient and expect modest growth over the coming year, although economic conditions remain challenging. As a small business supporting the financial-services and insurance sector, we are affected by unpredictable demand, rising operating costs and the continuing burden and uncertainty associated with regulation and taxation. We intend to prioritise productivity, technology and carefully targeted business investment while maintaining tight control of fixed costs. Greater policy stability and a more predictable tax and regulatory environment would improve our confidence to invest further and expand the business." (North West England, Financial and insurance activities, 0-1 employees/sole trader)

"We have already reduced expenses by reducing our staff head count and lost customers who can't afford price increases. Our costs seem to constantly increase whilst our customers are falling by the wayside, because they can't afford increases. If we returned to our business model of 10 years ago we would be taking on and training additional staff, doubling our turnover and making good profits. Minimum wage, NI, working times directive, employment law and escalating costs have killed our growth and ability to plough profits back into our business." (South West England, Arts, sports and recreation, 2-9 employees)

These are not isolated effects: margin compression reduces both the internal funds available for investment and the expected return from expanding in the UK.

3.2 Intermittent global shocks

Tariff changes, geopolitical tensions, technology risk, and energy and supply-chain disruption have repeatedly weakened demand and raised costs. The table below shows the hierarchy of global risks according to IoD members:

Which of the following global risks are the most concerning for your business? Please choose up to three

Global economic slowdown	56.8%
Geopolitical tensions	54.1%
Cyber security risks	46.9%
Misuse of artificial intelligence	36.4%
Global trade war	30.7%
Climate change, including extreme weather events	17.0%
Global health risks	6.4%
None	5.4%
Don't know	0.6%

Source: Institute of Directors, Policy Voice August 2026

3.3 Weak domestic demand and client spending

Weak demand is both an independent constraint and a transmission channel for the other shocks. When businesses respond to higher costs and uncertainty by delaying recruitment, capital expenditure or discretionary projects, their suppliers experience weaker orders and revenues. Those suppliers then become more cautious in turn. A shock that begins in tax, costs or uncertainty therefore propagates through client budgets and reinforces the weakness in reported demand.

When looking at how the top factors exerting a negative influence on businesses has shifted, the changing pattern of barriers to growth is revealing. Finance and skills have become less prominent in member responses, while costs, uncertainty and weak economic conditions have become more important. This should not automatically be read as evidence that supply constraints have been solved. In many cases it reflects growth appetite being suppressed: firms are less likely to encounter financing or recruitment constraints when they have stopped trying to expand.

"Our organisation has experienced a significant reduction in workload, resulting in temporary lay-offs and considerable uncertainty around near-term staffing and investment. From a manufacturing perspective, visibility of future demand is critical when making decisions around capital equipment, recruitment, skills development and productivity improvement. The concern is therefore not simply the current level of demand, but the confidence businesses have in committing to longer-term investment while economic, cost and policy pressures remain uncertain. A more stable environment that encourages productive investment would help UK manufacturers plan beyond immediate cost control and focus on capability, technology and growth." (Yorkshire and the Humber, Manufacturing, 50-99 employees)

3.4 Continuing uncertainty about tax policy

The initial post-election improvement in the IoD's confidence measure reversed before the government's first Budget decisions were announced, as speculation over future tax rises intensified. This timing lends weight to the conclusion that uncertainty itself has affected confidence and investment, separately from the eventual measures. Both recent Budgets were preceded by lengthy periods of speculation – property-related tax speculation has been particularly damaging for a construction sector already facing weak demand.

Meanwhile the corporate tax roadmap has not anchored expectations about the long-term strategy for business tax because important taxes and future policy choices sit outside it. A partial commitment to stability cannot provide certainty when businesses believe the total burden may still shift through other channels.

3.5 Doubts about government credibility and delivery

Business concern about credibility is not simply dissatisfaction with individual policies. It has two dimensions: whether the different elements of the growth agenda are internally coherent, and whether announced strategies will be translated into timely, effective delivery. When immediate policy choices raise costs or risks without a sound argument for their future benefit, or represent unacknowledged trade-offs between government priorities, or where promised benefits are distant or uncertain, firms discount those future benefits more heavily. The result is a lower expected return tomorrow and lower investment today.

4. Closing the gap between growth ambition and business confidence

There has been genuine progress in constructing the machinery of a growth strategy. The Starmer administration's stronger emphasis on growth via its missions and communications, the increase in public investment vs previous plans, and the release of strategies with 10 year+ horizons have all been welcome. These initiatives have created clearer long-term direction in important areas.

Yet the whole of the government's policy programme has not come together in a way that gives confidence to business leaders that the UK economy offers a strong investment proposition. A coherent and credible growth plan has consistently been among the highest priorities reported by IoD members.[x] And policy uncertainty was the highest ranked barrier to growth when the government came to power in July 2024.[xi] Nevertheless, when members were asked in July 2025[xii] how the government's strategies and wider economic policies had affected their expectations for UK growth, every item produced a negative balance.

To what extent have the following government strategies and economic policies increased or decreased your expectations for UK economic growth?

	AI and digital strategy	Employment	Industrial strategy	Infrastructure strategy	Planning
Significantly increased	3.0%	1.3%	2.5%	2.7%	2.8%
Slightly increased	20.5%	3.7%	15.0%	19.0%	19.5%
No change	37.8%	11.1%	27.6%	31.2%	27.7%
Slightly decreased	12.4%	19.2%	17.6%	12.9%	17.1%
Significantly decreased	15.5%	63.0%	27.4%	24.3%	27.6%
Don't know	10.7%	1.7%	10.0%	10.0%	5.3%
Net	**-4.5%**	**-77.2%**	**-27.5%**	**-15.4%**	**-22.5%**

	Regulation	Skills	Taxation	Trade strategy
Significantly increased	3.9%	1.1%	4.7%	2.1%
Slightly increased	10.3%	10.4%	2.7%	18.0%
No change	25.7%	34.2%	6.6%	28.3%
Slightly decreased	18.0%	21.0%	13.6%	15.8%
Significantly decreased	36.0%	28.1%	71.0%	26.3%
Don't know	6.0%	5.1%	1.3%	9.5%
Net	**-39.8%**	**-37.6%**	**-77.3%**	**-21.9%**

Source: Institute of Directors Policy Voice Survey, July 2025

To what extent are you aware of the following strategies that the government released in June?

	Industrial Strategy	Infrastructure Strategy	Trade Strategy
Extremely aware – I understand the strategy in detail and how it applies to my sector	5.3%	4.7%	3.8%
Very aware – I understand the key points	17.8%	18.8%	17.1%
Moderately aware – I have a basic understanding	33.1%	33.4%	37.2%
Slightly aware – I've heard of it but don't know the details	25.4%	26.5%	25.8%
Not at all aware	18.5%	16.6%	16.0%
Net awareness	+63.1	+66.9	+68.0

Source: Institute of Directors Policy Voice Survey, July 2025

Respondents' comments explain why the publication of strategies did not produce the intended improvement in expectations. They contrasted uncertain long-term benefits with immediate tax and employment costs, identified contradictions between individual strategies and the wider policy mix, and questioned whether announcements would be implemented.

"Are they real strategies or just announcements. Given the amount of time that they had to plan for government I expected better." (South East England, financial services 10-49 employees)

"Communication about these strategies has been very poor and unclear. What is clear to me is that employment, taxation and regulatory strategies are hindering growth, increasing the risk and burden borne by business, and removing the incentives required to drive optimism among small to medium businesses."(London, Professional, scientific and technical activities, 2-9 employees)

"Constant changes make it extremely difficult to plan. More than anything we need certainty. Possible tax changes every 6 months due to budgets and mini budgets is incredibly unhelpful." (South West England, Wholesale and retail trade (including motor repair), 10-49 employees)

The problem therefore needs to be separated into communication, coherence and execution.

Communication

What has worked. A clearer public emphasis on growth has signalled that government recognises the central economic challenge. Publication of the main long-term strategies has also made the direction of travel more visible in several policy areas.

What has not worked. Prolonged speculation before fiscal events, incomplete detail and repeated changes in emphasis have made it harder for businesses to plan. Communication has too often asked firms to place weight on future gains while leaving near-term costs and implementation questions unresolved.

Policy coherence

The strongest strategy documents cannot compensate for a wider policy mix that appears to pull in the opposite direction. The decision to raise employer National Insurance, for example, revealed a willingness to prioritise some manifesto commitments[xiii] even when that choice placed additional cost and risk on employment and investment compared with alternative revenue raising options[xiv]. Businesses do not expect every policy choice to benefit them, but they do need confidence that trade-offs are being made consistently against an explicit growth objective.

Execution and credibility

Businesses judge a strategy not only by its stated objectives but by whether infrastructure is built, planning decisions are made, skills programmes work, regulatory reforms are implemented and trade opportunities become usable. Repeated gaps between announcement and delivery reduce the weight firms place on future policy benefits and discourage irreversible investment.

> **Communications can amplify a coherent and credible growth strategy; they cannot substitute for one. As well as clear messages, restoring confidence requires consistent policy choices and demonstrable delivery.**

5. What this Budget needs to achieve

The analysis above suggests three tests for a growth-focused Budget. Together they describe the conditions needed to move businesses from preservation and deferral back towards expansion.

1. Restore confidence and predictability.
2. Re-focus on driving up UK investment, growth and living standards.
3. Reduce the cost and risk of investing and employing.

The cross-cutting fiscal, devolution, tax, regulation and policy-framework recommendations below address these tests directly. The specialist chapters on employment, skills, energy, trade, technology and the devolved nations then set out the detailed supply-side agenda.

6. Fiscal strategy and public investment

Fiscal credibility and productive investment are complements, not alternatives. A credible medium-term framework can reduce the risk premium attached to the UK and help contain the cost of capital. Well-chosen public investment can raise potential growth directly and improve the returns on investment. But weak control of spending can raise borrowing costs and create pressure to cut precisely the capital spending most important for future growth. Meanwhile different spending and tax choices that preserve fiscal credibility can have varying levels of impact on growth and ultimately fiscal sustainability.

The UK faces a difficult combination of high debt and rising demands from defence, health, pensions and infrastructure. That makes the quality of the fiscal framework, the realism of spending plans – both current and capital – and the approach to maximising tax revenue especially important. The objective should be to create sufficient headroom to absorb normal forecast changes without repeated fiscal interventions, while protecting high-return investment, improving delivery and creating the conditions for the private sector to support and drive growth.

Infrastructure investment deserves particular protection within the capital budget. The OBR estimates that a sustained increase in public investment equivalent to 1% of GDP could raise potential output by just under 0.5% after five years and approximately 2.5% over the long term.[xv] Importantly, however, different investments need not produce the same growth payoff. Its review of the evidence suggests that “core” economic infrastructure – including roads, railways, airports and utilities – may have effects on private-sector output more than one-third larger than those of average public investment. Such infrastructure can raise productivity by improving the capacity, quality and cost of the inputs available to firms, opening new locations and projects to development and increasing the expected return on private investment.

These benefits depend on effective selection and delivery. The OBR identifies successive delays between announcing an investment, spending the money, completing the asset and businesses adapting their own activity in response. It also notes evidence that the UK combines comparatively high infrastructure costs with slow delivery. Protecting capital budgets must therefore be accompanied by rigorous project appraisal, realistic funding and delivery plans, clear accountability and action to address planning, regulatory and supply-chain barriers. Announcing additional capital expenditure is not equivalent to creating productive infrastructure.

The government's role is not limited to financing infrastructure directly. Clear and durable policy decisions can also unlock privately financed projects. A third runway at Heathrow is an important test of the government's willingness to deliver nationally significant infrastructure after decades of delay and we welcome the Chancellor's renewed support.[xvi] The government should now maintain momentum through the National Policy Statement and development-consent processes, providing a clear and timely route to delivery while ensuring that the scheme meets the necessary requirements on surface access, affordability and environmental impacts.

Recommendations

1. Retain the current fiscal rules, create and maintain meaningful headroom against the fiscal targets, and use the flexibility within the rules to borrow to invest with caution.

2. Protect economically productive public investment and assess projects rigorously for their potential to raise productivity and crowd in private capital[xvii].

3. Strengthen delivery discipline across national, devolved and local institutions, with clear milestones, ownership and outcome measures for major infrastructure programmes.

4. Set out a credible medium-term fiscal approach to the structural pressures from health, pensions, welfare and defence, that spreads those pressures to sit across the full tax and spending system. This means that fiscal rules misses should be funded in the most growth-friendly way possible, with due regard to the targeted protection of the most vulnerable in society.

5. Maintain momentum towards delivery of a third runway at Heathrow, including timely designation of the revised National Policy Statement and a clear route through the development-consent and regulatory processes.

7. Devolution for productivity and investment

Devolution is rightly recognised as an effective instrument of economic policy, presenting a different way of approaching the UK's growth challenge. Transport, housing, planning, skills, innovation diffusion and business support interact across places and frequently operate across local authority boundaries. Decisions taken at the level of a functional economic area can improve prioritisation and coordination, unleashing growth benefits for local areas. But transferring responsibilities without the institutions, resources and capability needed to exercise them risks relocating accountability without improving outcomes.

The architecture for English devolution has strengthened considerably in recent years. The Starmer administration's English Devolution White Paper[xviii] proposed universal coverage of Strategic Authorities, a statutory devolution framework, Local Growth Plans, integrated funding and stronger arrangements for data, evaluation and local analytical capability. Much of this architecture has subsequently been placed on a statutory footing through the English Devolution and Community Empowerment Act 2026.

The new administration has since accelerated this agenda. No.10 North has been appropriately established as the centre of government for devolution and growth, bringing together local economic growth and devolution strategy previously located in MHCLG with local economic growth policy previously located in HM Treasury. The government's Rewiring the State[xix] programme envisages a substantial transfer of powers, resources and functions by the end of the Parliament, including greater control over skills, transport, housing, innovation and local investment.

The proposed fiscal changes are also potentially significant. Mayoral strategic authorities will retain a greater share of business-rate revenues from April 2027 and a share of locally generated income-tax receipts from April 2028. The government has also committed to transferring resources alongside responsibilities, strengthening local capability and streamlining the outcomes framework against which mayors are held accountable.

The Productivity Institute identifies three framework conditions for understanding why some countries combine higher productivity with more geographically balanced outcomes: meaningful subnational institutional autonomy; robust fiscal redistribution and equalisation; and governance aligned with functional economic geographies, particularly at the metropolitan or city-region scale. It is worth noting that these conditions enable better decisions rather than guaranteeing them.[xx]

The sequencing of reform is as important as its eventual destination. The Productivity Institute's account of the 'Manchester Model' emphasises that Greater Manchester's current capacity rests on decades of collaboration, institution-building and integrated economic, investment and land-use strategy; the first stage of formal devolution was nevertheless weakened by uncertainty and a lack of clarity over powers and resources. Taken together, this evidence points to a practical sequence: establish durable institutions around coherent economic geographies; agree clear outcomes and stable funding arrangements; build financial, commercial and analytical capability; transfer coherent bundles of powers and funding; and deepen settlements as evidence accumulates.[xxi]

The government has recognised this challenge. The English Devolution White Paper promised a Mayoral Data Council, a refreshed Government Statistical Service subnational data strategy, continued support from ONS Local, improved access to government data and stronger evaluation. The Mayoral Data Council is now operating, while the new Digital Devolution programme is intended to establish a common data-sharing model between Whitehall and mayoral authorities and build local digital, data and AI capability. These are welcome developments.

However, providing access to data is not the same as producing coherent statistics. Administrative records, survey responses and commercial datasets can help local leaders understand their local economic challenges, enabling them to shape policy. But meaningful comparison and accountability also require common definitions, harmonised geographical units, transparent methods, consistent time series and clearly communicated uncertainty and revisions. Without these, local authorities may possess more data while still being unable to determine reliably whether performance is improving, compare their experience with similar places or identify which interventions have worked.

This distinction is particularly important when measuring local economic growth. Regional GDP and GVA are valuable indicators, but they are difficult to estimate reliably at smaller spatial scales. Economic activity crosses administrative boundaries through commuting, supply chains and multi-site businesses, while some national data must be allocated to places using modelling assumptions and proxy indicators. In 2023, the ONS suspended its experimental quarterly regional GDP estimates because of data-quality problems, volatility and substantial revisions. Its July 2026 indicative replacement remains classified as official statistics in development, with the ONS advising against drawing conclusions about individual regions or short-term movements until the methods and sources are finalised.

Local GDP should therefore form part of the evidence base, but should not become the single measure of whether devolution is succeeding. A common dashboard should also cover household incomes, employment, economic inactivity, pay and skills; business formation, survival and scaling; private investment and innovation; housing delivery and affordability; transport connectivity; and the principal outcomes associated with the powers devolved to each authority. A common national core should be supplemented by a limited number of place-specific indicators reflecting each area's economic structure, opportunities and Local Growth Plan. But the absence of perfect data should not become a pretext for delaying devolution indefinitely.[xxii]

A useful framework would combine a common national core with place-specific measures. It should record inputs and institutional capacity; delivery outputs such as homes, transport connectivity and skills provision; leading indicators including business formation and scaling, private investment and innovation diffusion; and long-run outcomes such as productivity, employment and pay. Data should be timely, sufficiently granular to describe functional economic areas, interoperable across public bodies, and available as consistent time series. Published dashboards should show baselines and comparable places, but avoid decontextualised league tables: economic outcomes are affected by inherited conditions and often lag institutional reform by several years.

Recommendations

6. Devolve powers in the following sequence: establish institutions around functional economic areas; agree outcomes and stable funding; build financial, commercial and analytical capability; transfer coherent bundles of powers; deepen settlements as evidence and capacity develop.

7. Make No.10 North the accountable sponsor of a cross-government Devolution Data and Statistics Delivery Plan, developed with the ONS and wider Government Statistical Service, the Mayoral Data Council, strategic authorities, the devolved administrations, the Local Government Association, the Office for Statistics Regulation and external experts.

8. Establish a dashboard for monitoring local growth and devolution. Regional GDP should be presented alongside measures of incomes, employment, participation, pay, business dynamism, investment, innovation, housing, connectivity and skills rather than used as a standalone verdict on local performance.

9. Provide the ONS with additional, ring-fenced funding sufficient to sustain the safe parallel operation of the Labour Force Survey and Transformed Labour Force Survey until transition is complete, without requiring reductions in the quality, coverage or development of wider economic and subnational statistics

10. Publish the methodology for local income-tax and business-rate retention before implementation, including baselines, treatment of economic cycles and population change, revenue volatility and a transparent system of fiscal equalisation.

8. Tax for growth and investment

The tax challenge is not only one of rates. Businesses face uncertainty over how future decisions will be made, instability from repeated interventions, alongside increasing complexity and a high and rising overall burden. These problems reinforce one another: uncertainty delays decisions, complexity absorbs resources, and higher taxes reduce the post-tax return from hiring and investment.

Stop the instability for businesses and investors

Previous bouts of tax speculation have been driven by several factors:

- Slim headroom against the fiscal rules means that relatively minor changes in growth prospects and borrowing costs fuel frenzied speculation over how to plug the gap
- Adherence to outdated manifesto commitments on tax artificially restrict revenue raising options to growth damaging areas of the tax system to which businesses and investors are particularly exposed

An end to pre-Budget speculation will support confidence, but it must be accompanied by a business tax roadmap capable of anchoring expectations about the whole business tax environment. The existing corporate tax roadmap excludes important areas affecting business and investors and therefore cannot provide the degree of certainty its title implies. Persistent uncertainty surrounding the taxation of capital is of particular concern given the need for private sector investment.

Avoid further increases in taxes on business and investment

Stability alone is insufficient if the level of taxation on businesses and investors continues to rise. Taxes differ in their effects on growth, investment, employment and inflation. Where revenue must be raised, government should assess those effects explicitly and avoid concentrating fiscal risk on the businesses and investors on whom future growth depends.

Changes to capital taxation require particular care. Investors often have discretion over when and where gains are realised, and internationally mobile capital can respond to relatively small changes in expected post-tax returns. Rushed increases may therefore defer transactions, discourage investment, encourage relocation and raise less revenue than intended. The case is for considered reform of the system as a whole, not isolated rate increases.

Reform the system rather than repeatedly treating symptoms

The further support announced for pubs, clubs, live music venues and hotels recognises the acute pressures facing parts of the business community.[xxiii] But the succession of business-rate interventions also illustrates a wider problem. The Oxford Economics investment report notes how internationally unusual the UK is in the extent to which it taxes non-residential property, estimating recurrent taxes on such property at 1.05% of the private capital stock, compared with 0.39% in France and 0.14% in Germany. As the Institute for Fiscal Studies has argued,[xxiv] repeated changes create instability and complexity, distort activity, generate administrative costs and open new opportunities for avoidance. Therefore, as in much of the tax system facing business, the issue is both the competitiveness of the rates and the stability of the overall system. There are many proposals out there for changing the system. For example, the Real Rates Reform Alliance presents a revenue-neutral option for reforming the system of business rates such that the pressure on high streets is eased, while the ask of online retailers is enhanced.[xxv]

Recommendations

11. Do not increase the overall tax burden on business, investment and employment.

12. Avoid rushed increases in taxes on capital and investment; assess behavioural, mobility and revenue effects over an appropriately long horizon.

13. Expand the tax roadmap so that it provides genuine certainty about the government's overall business-tax ambitions and direction of travel.

14. Reform business rates strategically rather than through repeated sector-specific reliefs and cliff edges.

15. Simplify the whole tax system and remove distortions that penalise investment, hiring, business growth and additional work.

9. Regulation for growth and investment

Well-designed regulation protects consumers and workers, supports fair competition and creates the trust on which investment depends. The problem is not regulation in the abstract, but rules and regulatory practice that impose disproportionate costs, overlap or conflict, change unpredictably, or delay decisions. For investors, delay and uncertainty can be as damaging as a direct financial charge because they raise project risk and postpone returns.

There has been welcome progress since the IoD's last Budget submission. The government's Regulation Action Plan established a target to reduce the annual administrative burden of regulation on business by 25% by the end of the Parliament. The July 2026 update affirms a £22.4 billion baseline and £5.6 billion target, and reports £1.46 billion of delivered net annual savings, with a further £0.58 billion identified from future measures. The publication of a common methodology, a Regulator Sponsorship Charter and clearer expectations around regulatory skills, accountability and sandboxes are useful steps towards a more systematic approach.[xxvi]

However, the administrative-burden target is deliberately narrow: it principally captures the recurring cost of information and administrative obligations. It should therefore be treated as one indicator of progress, not the complete test of whether the regulatory environment supports investment. The opportunity cost of delayed approvals, inconsistent interpretation, cumulative requirements and projects not pursued may be economically larger, even where it is more difficult to quantify.

Building regulation illustrates the importance of looking beyond administrative burdens. From September 2026, new blocks of flats with a storey 18 metres or more in height must generally provide more than one common staircase. The government's own impact assessment[xxvii] estimated a net present cost of £2.67 billion and an annual net cost to business of £282 million. Critically, it found that applying the requirement from 18 rather than 30 metres adds approximately £1.2 billion to its net cost, while the monetised benefits attributed to buildings between 18 and 30 metres were comparatively very small. The assessment acknowledges important non-monetised safety benefits from protection against rare, high-consequence incidents, but also recognises that the requirement may render some schemes unviable, reduce affordable-housing provision or result in smaller homes.

IoD evidence has consistently shown regulation to be a material negative influence on businesses. Analysis conducted in September 2025 found that employment and workplace regulation was the most frequently identified regulatory barrier across business sizes, followed by trade and customs regulation. The detailed remedies sit in the relevant specialist chapters. The cross-cutting task is to make the regulatory system more predictable, proportionate and responsive, and to ensure that government measures both the costs of individual rules and their cumulative effect on investment and growth.[xxviii]

Recommendations

16. Deliver the 25% administrative-burden target and publish an annual, auditable account that distinguishes delivered from prospective measures and reports gross new burdens as well as gross and net savings.

17. Apply the proposed Growth and Investment Test to the stock and flow of regulation. Impact assessments and post-implementation reviews should examine cumulative and interaction effects, effects on SMEs and scale-ups, and opportunity costs arising from delay or abandoned investment as well as direct compliance and administrative costs.

18. Use structured business engagement, early testing and regulatory sandboxes to identify implementation risks before rules take effect, accompanied by clear guidance and proportionate transition periods.

19. Review the proportionality of the 18-metre second-staircase threshold during the transitional period, comparing it transparently with a 30-metre threshold and risk-based alternatives, and publish updated evidence on safety, housing viability, affordable housing and homes delivered.

20. Bring Building Safety Regulator determination times within published service standards and report performance consistently by application type.

10. A framework for coherent, predictable growth policy

Governments inevitably face trade-offs, and businesses do not expect every individual decision to benefit them. They do, however, need to understand the criteria against which decisions are being made and to see evidence that the government's stated growth objective consistently influences the final policy mix. Repeated apparently contradictory decisions erode confidence in the strategy as a whole. A coherent growth plan has been a key priority for business leaders.[xxix]

The government should require all significant tax, spending and regulatory decisions to be assessed against its overarching growth objective. Drawing on the strategic decision-making principles the IoD teaches directors, the assessment should consider the suitability of the measure for addressing the economic challenge, the acceptability of its risks and trade-offs, and the feasibility of effective delivery (the SAFe framework). It should identify the expected effects on the cost of capital, returns to investment, business confidence, profitability and demand; distinguish short-, medium- and long-term impacts; and disclose the evidence, assumptions and degree of uncertainty underpinning the assessment.

The IoD's Balanced Scorecard for Government[xxx] provides a mechanism through which stakeholders can then judge delivery. Its ten indicators bring together outcomes spanning business confidence, investment, innovation, tax, trade, energy costs, regulation, employment and skills. Used alongside explicit milestones for the government's main strategies, this type of framework can translate broad ambition into measurable progress and make changes in performance visible.

Recommendations

21. Publish a transparent growth and investment test for significant policy decisions and fiscal events.

22. Set clear success measures, owners and delivery milestones for the government's main economic strategies, and report progress consistently.

23. Explain material policy trade-offs openly, including why a measure judged necessary despite a negative effect on growth is preferred to the alternatives.

24. Use structured engagement with business to test implementation risks before decisions are finalised and to identify barriers emerging during delivery. Meaningfully respond to issues raised, delivering a sensible balancing of stakeholder priorities that recognises the growth imperative.

Business as a force for good

A durable growth settlement requires reciprocal commitments. Government must provide a predictable, coherent and internationally competitive environment. Business must respond by investing, innovating, developing its workforce and maintaining high standards of governance and responsible practice. Working with firms as partners in delivery can strengthen confidence, spread better business practice and improve the quality of policy implementation.

Business makes an indispensable contribution to society. It creates jobs, generates wealth and tax revenues that fund public services, drives innovation and technological progress, and provides the goods and services on which people depend.

In 2026, the IoD established the *Business: A Force for Good?* Commission to examine the role of business in society, define what it means for business to be a force for good, and develop practical, evidence-based recommendations for boards, directors, investors, policymakers and regulators.

The Commission's work, due for publication in November, has focused on the wider question of how businesses create value and the conditions under which they are most likely to contribute to the common good. This includes the quality of governance, environmental stewardship, the provision of secure and rewarding employment, relationships with employees and customers, management of supply chains, and the long-term impact of business activity on society and the environment.

The Commission's emerging findings suggest that the strongest outcomes are achieved when firms operate within a framework that supports long-term decision-making, responsible governance, clear expectations and alignment between commercial success and broader societal goals.

To support this work, the Commission has developed a practical assessment framework that enables boards, investors, business leaders, regulators and policymakers to evaluate the governance, ownership structures, incentives and wider conditions that shape business behaviour.

Recommendations

25. Design tax treatment, regulation, listing requirements, and reporting standards so that responsible business practice is the commercially rewarded choice.

11. Supply-side agenda

11.1 Employment

The cumulative impact of the government's employment policies over the past two years has been to undermine employer demand for labour and confidence in hiring, as reflected in the fact that there were 100,000 fewer payrolled employees in August 2026 than in July 2024.

IoD research in February 2026 found that 86% of business leaders believe that the ERA will have a negative impact on UK economic growth — an increase of 14 pp since the same question was posed in May 2025.[xxxi]

By negatively impacting the risk equations involved in hiring, the government's current approach to employment policy represents an acute risk to the employment prospects of individuals on the fringes of the labour market. For example, an IoD survey of over 600 members in May 2026 found that a third (31%) of business leaders would respond to a further narrowing of the youth and NLW rates by reducing their recruitment of young people.[xxxii] Small hiring incentives will not undo the damage done by government to youth employment prospects; it must take urgent action to reduce the costs and risks of hiring young people at source.

Government has a significant opportunity via secondary legislation and wider reforms to mitigate the negative impacts on hiring from the ERA.

Recommendations

26. Reduce the damage to employment opportunities being done by the ERA by:

    a. Exempt employers with fewer than 250 employees from trade union access provisions.

    b. Increase the planned reference period for the entitlement to guaranteed hours to 52 weeks and set the low hours threshold at eight hours.

    c. Establish that a week's notice of shifts and changes to shifts is always presumed reasonable and set the notice period for short-notice payments at one day.

    d. Adjust the implementation timeline to give employers more time to prepare for the most complex reforms, including introducing additional protections against unfair dismissal and trade union access to workplaces.

27. Reintroduce the Statutory Sick Pay rebate for SMEs.

28. Do not increase the National Living Wage beyond two-thirds of median income in order to protect entry-level jobs, particularly in low-margin sectors with high fixed labour costs like hospitality.

29. Pause the narrowing of the youth and National Living Wage rates to protect entry-level job opportunities for young people.

30. Increase investment in the tribunal system and Acas to minimise the significant risk that the changes resulting from the ERA will overwhelm both systems. Introduce an early independent review of employment tribunal cases in order to identify and remove low merit complaints.

31. Reverse the 2021 IR35 rule changes to enable contractors to self-classify their employment status. Current off-payroll rules are providing a strong deterrent to the engagement of contractors – as hiring companies are liable for any misclassifications that might occur. IoD research from August 2024 found that the 2021 change has increased bureaucracy for a third (34%) of businesses and led to a fifth (21%) of employers reducing their use of contractors.[xxxiii]

11.2 Skills

While employer demand for labour has stagnated as a result of the government's employment policies, skills shortages remain an issue across the UK economy. IoD research in May 2026 found that 26% of business leaders cited skills and/or labour shortages as having a negative effect on their organisation.[xxxiv]

Recommendations

32. Allocate the entirety of the funds raised by the Growth and Skills Levy and Immigration Skills Charge to apprenticeships and other forms of training approved by Skills England as addressing skills shortages. This policy should be fully implemented before other approaches to balancing the Levy budget – such as reducing the payroll threshold, increasing the rate at which the Levy is paid, or further limiting the qualifications fundable via the Levy – are considered.

33. Increase apprenticeship funding bands in line with inflation. The failure of funding bands to keep pace with inflation leads to providers having to reduce the quality of the training provided and/or charge employers top up fees to cover the actual costs of provision.

34. Reinstate Levy funding for Level 7 apprenticeships undertaken by individuals under the age of 25, in line with the government's ambition to support the employability of young people. Level 7 apprenticeships provide a valuable training route for young people in many sectors, such as accountancy, as is already recognised by the exemption which exists for under-25s who are care leavers or who have an Education, Health and Care Plan.

35. Conduct a review of the financial and structural barriers to employers offering work experience for young people.

11.3 Sustainability and energy

UK electricity prices remain uncompetitively high, increasing costs for businesses and deterring investment. High power prices are a particular burden for energy-intensive industries and a barrier to the transition to the electrification needed to support net zero. Government should act with urgency to reduce electricity costs, improve energy infrastructure, and deliver a more competitive energy market for business.

Recommendations

36. Decouple UK electricity prices from volatile gas markets and prioritise the development of alternative energy sources capable of providing baseload power, such as nuclear fission and renewables accompanied by grid reform and improved battery storage.

37. Tackle wind curtailment by increasing investment in upgrading the national grid infrastructure, particularly in Scotland, to increase transmission capacity and enable more renewable energy to be delivered where it is needed.

38. Reduce non-commodity costs for businesses by removing Renewables Obligation and Feed-in Tariff costs for all non-domestic customers.

11.4 Trade

Improving the exporting landscape

UK trade has shown resilience throughout 2026 so far, in the face of a particularly challenging international landscape. The value of UK exports in the 12 months to June 2026 was £950 billion, representing an increase of 2.3% from the previous 12 months. This consisted of £560.1 billion in services trade and £390.8 billion in goods trade. In the 4 quarters to March 2026, UK exports to the EU increased by 2.3%, where UK exports to non-EU countries increased by 2.9%. Meanwhile, the proportion of businesses across the country that exported in 2024 (the latest release of this figure) was 12.1%, 0.6% up from 2023.

However, the data shows that it is predominantly services sectors that have propped up UK export performance, where goods exports have been relatively flat over the past 4 years.[xxxv]

IoD data from July 2026 shows that, on balance, members are expecting a net increase in exports over the next 12 months compared to the previous. However, with the largest proportion expecting no change, prospects appear muted:

Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of exports:

Much higher	5.9%
Somewhat higher	21.5%
No change	47.9%
Somewhat lower	13.0%
Much lower	9.1%
Don't know	2.6%
Total respondents	307

* This data set removed all those who selected N/A, i.e. those organisations that do not export

Source: Institute of Directors, Policy Voice, July 2026

IoD data from January 2025 shows just over half of members export, 33% regularly and 19% on an ad hoc basis. Of those which have never exported, the primary reasons cited relate to resource constraints:

You said your organisation has never exported, but sells an exportable good or service. Which of the following have contributed to why your organisation has never exported?

Insufficient management time to explore opportunities	47.8%
Lack of business connections in overseas markets	39.1%
Regulatory or tax compliance burdens	26.1%
Sufficient business in the UK	26.1%
Lack of knowledge about export markets	21.7%
Uncertainty about economic conditions in target markets	17.4%
Concerns about payment and financial risks	17.4%
Cultural/language barriers	13.0%
Insufficient returns relative to costs	13.0%
Customs procedures	8.7%

Source: Institute of Directors, Policy Voice, January 2025

Of those members that used to export but do not anymore, the overwhelming reason given was the UK's trading relationship with the EU:

You said your organisation used to export but do not do so currently. Which of the following, if any, have contributed to why you stopped exporting?

The UK's trading relationship with the EU	54.8%
Regulatory changes	25.8%
Decline in international demand	25.8%
Customs procedures	22.6%
Lack of international business support or partnerships	16.1%
Exchange rate fluctuations	16.1%
High costs of maintaining export operations relative to returns	16.1%
Strategic shift to focus on domestic market	9.7%
Payment and financial risks	6.5%
Logistical challenges and shipping delays	6.5%

Source: Institute of Directors, Policy Voice, January 2025

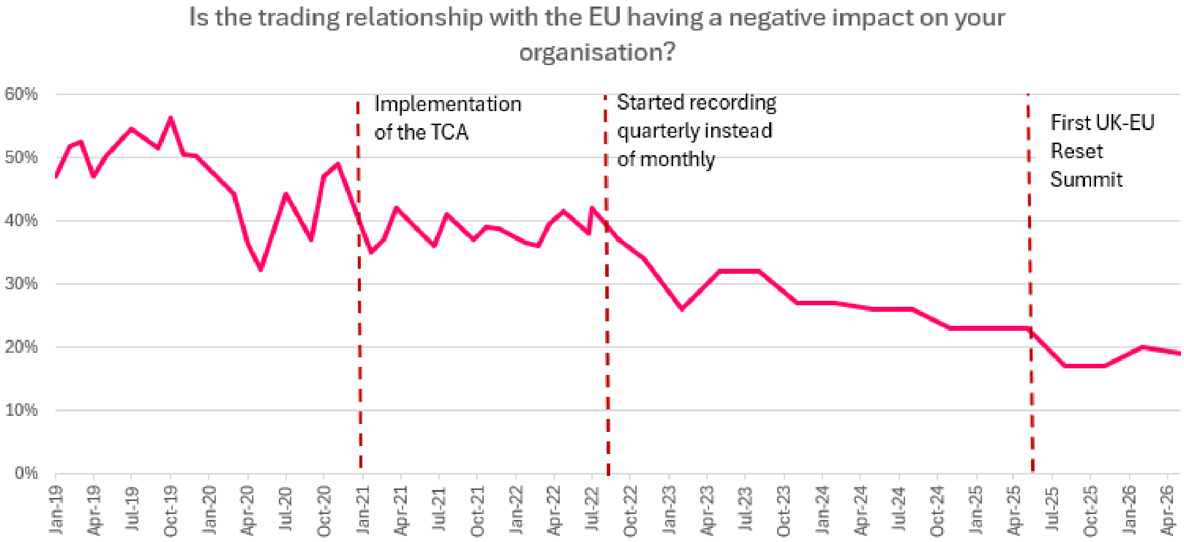
Digging deeper into the picture on trade with the EU, a survey we conducted with 449 members in June 2025 found that 39% of members experience barriers to trade with the EU. If we only focus on those who actually do trade with the EU, that proportion rises to 61%.

	To what extent does your organisation experience barriers to trading with the EU?
Significant barriers	12.7%
Some barriers	26.3%
No barriers	22.5%
My organisation does not trade with the EU	35.9%
Don't know	2.7%

Source: Institute of Directors, Policy Voice, June 2025

Of these, paperwork (66%), the time taken for checks at the border (41%) and customs duties (41%) were the biggest barriers. A quarter cited restrictions on business travel as a challenge.[xxxvi]

That being said, IoD data shows that the organisational impact of the UK's trading relationship with the EU has softened over time, falling down the list of concerns. The IoD tracks factors that are having a negative impact on members' organisations on a quarterly basis. Over the last few months, the consistent top 5 factors have included UK economic conditions, employment taxes, business taxes, global economic conditions, and the cost of energy. In November 2023, for the first time since the question was initially asked in January 2019, 'the UK's trading relationship with the EU' dropped out of the top 5.



Sources: Institute of Directors, Policy Voice surveys

Anecdotally, a contributing factor to this easing of sentiment is the fact that businesses are getting used to the new arrangements. Another factor that will be exerting downward pressure on reporting difficulties is that for some firms, cross-Channel trade was simply too difficult, and they have now ceased trading with the EU, and so the trading relationship has become no longer relevant. Meanwhile the narrative has shifted slightly as coverage has focused on the importance of the government's Reset programme, and progress of different commitments, such as on Sanitary and Phytosanitary (SPS) arrangements (regulatory measures on human, animal and plant health), emissions trading and electricity trading, have built confidence.

Meanwhile external events, such as the implementation of tariffs, or a regional conflict in the Middle East, or the cost of energy, or the labour market crisis have increased in importance, the perception of the challenge of the EU may have diminished.

The gravitational pull of the EU has strengthened markedly, both for the UK government and for UK businesses. IoD research reveals this shift in business appetite, with 52% of business leaders believing the government should now make the EU its top trading priority. This represents a significant increase from 35% in April 2025, underlining growing recognition of the EU's importance to UK business.

The government has taken the approach of maintaining good relations with all of the UK's trading partners. However, more recently, it has signalled it will be pursuing closer alignment with the EU. Which of the following do you agree with the most?

	April 2026	April 2025
It should prioritise the EU	52%	35%
It should continue to approach all trading partners equally	35%	41%
It should focus more on other international trading partners (e.g. Pacific tilt/Canada/Australia etc)	7%	8%
Other	3%	5%
It should prioritise the US	2%	10%
Don't know	1%	2%

Source: Institute of Directors, Policy Voice, April 2026

In contrast, the proportion of respondents who believe the government should approach all trading partners equally has fallen to 35%, down from 41%. Support for prioritising the US has dropped sharply, with just 2% of business leaders identifying it as the top priority, compared to 10% last year. The shift away from transatlantic trade is symptomatic of a desire for predictability, something that the US is not offering at the moment.

Recommendations:

39. Set a date for the next UK-EU Reset Summit and conclude outstanding commitments of signing a veterinary agreement and linkage of electricity and emissions markets.

40. Meanwhile, provide updates on dialogues on business mobility and professional qualifications, committed to in the Common Understanding produced in the UK-EU Reset in May 2025, and set out a longer-term strategy for cooperation in these areas.

41. Restart the development of the Single Trade Window.

In November 2024, the Government announced that it would be halting the development of the Single Trade Window due to financial constraints following the Budget.[xxxvii] This was frustrating, particularly given extensive industry engagement and the project's proximity to completion. More recently, early scoping talks have taken place between government and industry to establish priorities ahead of a very light-touch re-engagement on the project. We urge the government to restart the implementation of the STW to facilitate trade for all UK companies.

According to IoD data, paperwork remains the largest obstacle for organisations involved in international goods exports.[xxxviii] The Single Trade Window, designed to streamline border processes through a unified platform, has the potential to significantly ease this administrative burden on firms, making importing and exporting more efficient. Additionally, it could enhance data collection to better monitor and understand UK trade flows.

The US

It has been one year since the UK and US signed the Economic Prosperity Deal, which agreed to tariff relief in areas such as aerospace, automotive, beef, whisky, lumber and pharmaceuticals. However, certain areas of negotiation have stalled with regards to digital trade and economic security. For example, there are outstanding commitments to agree a quota for steel and aluminium tariffs, and the tech prosperity deal, which was announced last September, was abandoned just a few months later over concerns around the Digital Services Tax and online safety regulation.

Close to 70% of IoD members feel that the UK's relationship with the US is important to their organisation's international strategy.[xxxix] On balance, most members expected their level of trade and investment with the US to stay the same throughout 2026. The majority are not confident the UK and the US will successfully negotiate a permanent trade agreement that builds on the Economic Prosperity Deal signed in May 2025.[xl]

The biggest theme that came from the further comments was how unstable a partner the US currently is. Members do not feel that they can trust the US as a market with which to trade:

"It's the "don't know" that is the most damaging. The US is our biggest market and investment in capital equipment by our customers there has slowed significantly, because they don't know what's coming either." (South East England, Manufacturing, 250+ employees)

"The Trump administration has proved itself to be utterly untrustworthy, so any trade deal is either unlikely to be beneficial for the UK or, if it is, the US Government will renege on the terms." (Scotland, Professional, scientific and technical activities, 2-9 employees)

"UK/US relationship shapes so much of whatever we all do. The mercurial nature of US policy unfortunately makes 'doubt and uncertainty' the norm." (Scotland, Other services, 2-9 employees)

"We're pivoting towards Asia as a more friendly market overall. The US is more and more insular but we do business with the larger US companies - especially tech to grow our reach. We will not be investing directly into the US anytime soon because of the unstable environment. We expect the US economy to significantly slow over the next few years as tariffs and other restrictions bite." (London, Professional, scientific and technical activities, 10-49 employees)

Recommendations

42. Continue to build on the UK-US Economic Prosperity Deal to secure safeguards for UK businesses against tariff uncertainty.

43. The Government should prioritise business certainty in the UK-US economic relationship by securing implementation of outstanding Economic Prosperity Deal commitments, including steel and aluminium arrangements. Given members' concerns about growing US policy unpredictability, improving stability and transparency would do more to support investment and trade decisions than focusing solely on negotiating a comprehensive free trade agreement.

Measuring export success

To be able to judge when UK export levels are truly improving, there must be a measure of what success looks like.

In 2023, the Conservative Government set an exports target of £1 trillion by 2030. In an IoD policy paper, Setting a Meaningful Export Target for Britain, we assessed whether this headline target was appropriate and considered whether there would be alternative measures that better capture what government export policy should try to achieve.[xli] We concluded that because any target measured in terms of value would be 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. As mentioned earlier, just 12.1% of the UK business population exports. 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 disaggregate 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

44. A chained-volume target of £950bn of exports in 2019 prices by end of the Parliament.

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

Export 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.[xlii]

An IoD survey in January 2025 found that the majority of members have not benefited from export support offerings. However, of those which have, government trade advisors, events and webinars and local embassies have been the most used:

Has your organisation ever benefited from any of the following support offerings to help with exporting challenges?

None of the above	52.8%
Government trade advisors	19.8%
Events and webinars	18.3%
Local embassies	18.3%
Guidance and advice from trade associations	14.9%
Private consulting support	14.2%
Government factsheets and explainers	7.7%
Translation services	6.7%
UK Export Finance	5.7%
The UK Export Academy	4.6%
Government Export Champion programme	3.1%

Source: Institute of Directors, Policy Voice, January 2025

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, some members have said that 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 factsheets and have therefore welcomed services like the Export Support Service helpline.

Additionally, funding options are limited, especially for 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, many have not been able to successfully use government sources to find suppliers or connect with international buyers or partners.

Overall, practical export support is judged by businesses to be somewhat haphazard and could be much better organised to ensure it is accessible and comprehensible for all types of business.

Recommendations

46. 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.

47. 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.

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

49. Reopen an equivalent of 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.

50. 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.

11.3 Technology and Innovation

The UK's economic opportunity from technology will depend on whether organisations across sectors, sizes and regions can responsibly adopt new technologies, develop the skills to use them effectively, and translate innovation into productivity and commercial growth. The government doesn't lack technology initiatives, but needs to bolster the connective tissue that turns technological capability into economy-wide productivity, such as skills, governance, accessible adoption support and commercialisation pathways.

This focus has become more important following the redistribution of the former Department for Science, Innovation and Technology's responsibilities across government. The new structure could improve the integration of innovation, skills and industrial policy, but only if it is accompanied by clear accountability, resources and measurable delivery. The government should therefore use this Budget to set out a coherent economy-wide approach to productivity and innovation, bringing together rather than adding to the growing range of AI, digital and cyber-related initiatives.

51. Develop agile sector and role specific digital and AI skills and competency frameworks, including for business leaders at board and management level. BIST, DCMS and DWP (Skills England) should work with industry to establish a shared taxonomy for identifying and updating AI-related skills requirements across sectors and occupational roles, including baseline capability for leadership and directors. Recent IoD surveys found that over a third of directors are unsure which AI skills are, or may become, necessary in their sector, and more than half of directors identified limited understanding of AI at management and board level as a major barrier to adoption. Building on the AI Skills Boost commitment to upskill 10 million workers in AI by 2030, government should focus the next phase of investment on closing the gap between generic AI awareness and the practical, industry-specific capabilities businesses need to adopt AI effectively and securely.

52. Support and strengthen business cyber resilience and governance. Provide sustained funding through the National Cyber Security Centre (NCSC) to expand the uptake and accessibility of the Cyber Resilience Pledge, Cyber Governance Code of Practice and Cyber Essentials, particularly among SMEs, to embed cyber security and resilience as core business and board-level capabilities.

53. Improve data on business digitalisation and AI adoption. Invest in more timely, granular and transparent measures of business digital and AI adoption, building on the AI Adoption Insights Agreement and the work of the AI Economics Institute. Official statistics should be complemented by appropriately aggregated data from trade associations, technology providers and other private-sector sources to provide a more accurate picture of how, and how

effectively, businesses of different sizes, sectors and locations are adopting AI and other new technologies, including workforce impacts. For example, a March 2025 IoD survey found that about 50% of members' organisations used some form of AI, rising to 84% by June 2026.

54. Consolidate the growing range of AI and digital-adoption government initiatives into a single, clearly signposted national offer for SMEs. This could be done through the Business Growth Service, and could include, for example, support based on the emerging concept of a 'Responsible AI Essentials' programme, modelled on the NCSC's Cyber Essentials, providing SMEs with a practical baseline AI adoption and governance programme incorporating assurance and insurance support.

55. Rebalance innovation support towards the commercialisation and diffusion of new technologies. UKRI, Innovate UK and the British Business Bank should develop more integrated pathways from research and development through to commercial deployment and scale, with later-stage innovation support increasingly focused on generating investment, accelerating adoption and demonstrating measurable economic returns.

56. Following the redistribution of the former Department for Science, Innovation and Technology's responsibilities, the government should publish a cross-government Technology, Innovation and AI Delivery Framework setting out departmental responsibilities, funding, accountable ministers and measurable outcomes. The new machinery of government must strengthen rather than fragment delivery, while preserving a clear route through which businesses can engage with government.

11.4 Devolved Nations

As we build towards each Nation’s respective budgets, the recommendations below cut across both reserved and devolved governments.

Scotland

57. Infrastructure alignment: The UK Budget should commit to co-funding projects already identified in Scotland’s Infrastructure Investment Plan, including grid reinforcement in the North and East, upgrades to the A9/A96 corridors, and accelerated investment in offshore wind transmission capacity.

58. Transport Connectivity: Prioritise upgrades to strategic UK corridors, including cross-border rail and freight routes essential for Scottish exporters.

59. Digital Infrastructure: Continue investment in gigabit broadband and 5G rollout, ensuring rural and island communities across Scotland are not left behind.

60. Skills and labour workforce: Our members want UK-wide skills programmes to be fully accessible in Scotland, with ring-fenced allocations to support SMEs facing rising training costs.

Wales

61. Long-term capital certainty: Welsh businesses need multi-year UK capital settlements that align with the Welsh Government’s fiscal framework, to help enable predictable investment in transport, digital infrastructure, and industrial transformation that is taking place in regions all over Wales.

62. Connectivity & cross-border mobility: UK support is needed for rail modernisation (South Wales Main Line, North Wales connectivity), digital infrastructure upgrades, and improved cross-border routes that underpin business mobility and supply chains. Given the cross-border geographic links that Wales and England have, this is critical not only for long term infrastructure needs but also the fluid labour market that operates between each Nation.

Northern Ireland

63. Infrastructure Support: IoD and our partners at the NI WasteWater Alliance have proposed a UK-funded, ring-fenced infrastructure programme for NI, separate from annual Barnett allocations, to address long-standing underinvestment and delivery delays. A protected fund would help to ensure capital cannot be diverted to stabilise day-to-day public services, giving businesses confidence that infrastructure commitments will be delivered.

64. Trade investment/Dual Market Access: Continued investment to improve GB and NI trade flows, customs processes, and logistics infrastructure, maximising

NI's dual-market access potential. At the moment, dual-market access opportunities are yet to be fully realised.

We hope you find this helpful.

Yours sincerely,

Jonathan Geldart, Director General

Anna Leach, Chief Economist

[i] Resolution Foundation, "The Macroeconomic Policy Outlook: Q3 2026", 24 August 2026: https://www.resolutionfoundation.org/publications/the-macroeconomic-policy-outlook-q3-2026/

[ii] The Productivity Institute, "The UK's capital gap: a short-fall in the trillions of pounds that will take decades to bridge", Tera Allas CBE University of Manchester and Dimitri Zenghelis University of Cambridge, May 2025: https://www.productivity.ac.uk/wp-content/uploads/2025/05/PIP055-The-UKs-capital-gap-15-May-2025.pdf

[iii] National Institute for Economic and Social Research, "(Why) Can't We Just Borrow A Bit More?", 4 September 2026: https://niesr.ac.uk/publications/why-cant-we-just-borrow-bit-more

[iv] Oxford Economics, "The UK's Investment Shortfall: why it persists, and what a sustained rise in investment would mean", September 2026

[v] Office for Budget Responsibility, "Economic and fiscal outlook - November 2025": https://obr.uk/efo/economic-and-fiscal-outlook-November-2025/

[vi] Office for Budget Responsibility, "Economic and fiscal outlook – October 2024", Box 2.1: https://obr.uk/box/the-economic-effect-of-policy-measures-2/

[vii] Office for Budget Responsibility, "Economic and fiscal outlook – March 2025", chapter 3: https://obr.uk/efo/economic-and-fiscal-outlook-march-2025/

[viii] Office for Budget Responsibility, Economic and fiscal outlook – March 2026": https://assets.publishing.service.gov.uk/media/69a6d7b62e1f4fbda4252208/economic-and-fiscal-outlook-march-2026-web-accessible.pdf

[ix] Institute of Directors, "Business optimism rises, but not due to change in political leadership", 1 September 2026: https://www.iod.com/news/uk-economy/iod-press-release-business-optimism-rises-but-not-due-to-change-in-political-leadership/

[x] Institute of Directors, Policy Voice, January and September 2025: https://www.iod.com/resources/data/policy-voice-january-2025-boosting-business-confidence-the-spending-review-the-administration-of-tax-international-trade-and-technology-adoption-2/ https://www.iod.com/resources/data/policy-voice-september-2025/

[xi] Institute of Directors, Policy Voice, July 2024: https://www.iod.com/resources/data/policy-voice-july-2024-growth-capital-expensing-exporting-to-the-eu-and-beyond/

[xii] Institute of Directors, Policy Voice, July 2025: https://www.iod.com/resources/data/policy-voice-july-2025-the-governments-first-year-parental-leave-and-economic-confidence/

[xiii] Even while explicitly abandoning others, such as the plan to only increase borrowing by £3 billion – an amount ultimately increased tenfold

[xiv] E.g. National Institute for Economic and Social Research, "Analysing the Chancellor's Tax Options", October 2025: https://niesr.ac.uk/wp-content/uploads/2025/10/PP47-Analysing-the-Chancellors-Tax-Options.pdf?ver=LEYYaOHtH3FY9VWRhp7p

[xv] Office for Budget Responsibility, "Public investment and potential output", August 2024: https://obr.uk/docs/dlm_uploads/Public-investment-and-potential-output_August-2024.pdf

[xvi] Hansard, 8 September 2026: https://hansard.parliament.uk/Commons/2026-09-08/debates/534825A8-80B1-4BB4-AA32-7D9CC13D3C99/EconomicGrowth

[xvii] This is particularly important given the current public finance constraints. It was notable that during the period in which ministers were resigning over funding gaps in the Defence Investment Plan, the Department for Transport announced £4.5 billion of spend over 10 years on walking and cycling strategy (worthy but perhaps not as useful for growth and security as other spending priorities): https://www.gov.uk/government/news/cycling-and-walking-boom-with-45-billion-for-thousands-of-new-routes-and-safer-crossings

[xviii] Ministry of Housing, Communities & Local Government, "English Devolution White Paper", 16 December 2024: https://www.gov.uk/government/publications/english-devolution-white-paper-power-and-partnership-foundations-for-growth/english-devolution-white-paper

[xix] Cabinet Office, "Rewiring the State – Cabinet Statement": https://www.gov.uk/government/publications/rewiring-the-state-cabinet-statement/rewiring-the-state-cabinet-statement-html

[xx]Alan Harding and Siân Peake-Jones, "Clarifying the devolution dividend", The Productivity Institute, Productivity Insights Paper No. 059, August 2025: https://www.productivity.ac.uk/wp-content/uploads/2025/08/PIP059-Clarifying-the-devolution-dividend-August-2025.pdf

[xxi]Philip McCann and Raquel Ortega-Argilés, "UK-Wide Growth and Development: Insights from the 'Manchester Model'", The Productivity Institute, Productivity Insights Paper No. 095, June 2026: https://www.productivity.ac.uk/wp-content/uploads/2026/06/PIP095-UK-Wide-Growth-and-Development.pdf

[xxii]Jack Shaw and Joe Peck, "Local productivity, national impact: The role of local authorities", The Productivity Institute, Working Paper No. 073, May 2026: https://www.productivity.ac.uk/wp-content/uploads/2026/05/WP073-Role-of-local-authorities-May-2026.pdf

[xxiii] HM Government, "Burnham means business: PM slashes business rates bills for pubs, clubs and live music venues", 23 July 2026: https://www.gov.uk/government/news/burnham-means-business-pm-slashes-business-rates-bills-for-pubs-clubs-and-live-music-venues

[xxiv] Institute for Fiscal Studies, "Government announcement on business rates: IFS response": https://ifs.org.uk/articles/government-announcement-business-rates-ifs-response

[xxv] Real Rates Reform Alliance, "Real Rates Reform: Hybridge Business Rate Proposal", updated March 2026: https://realratesreform.co.uk/content/files/Hybrid-Business-Rate_2026-07-16-103559_unzm.pdf

[xxvi]HM Treasury and Department for Business and Trade, "A new approach to ensure regulators and regulation support growth", updated 8 July 2026: https://www.gov.uk/government/publications/a-new-approach-to-ensure-regulators-and-regulation-support-growth ; Department for Business and Trade, "Technical annex – 25% administrative burden reduction", 8 July 2026: https://www.gov.uk/government/statistics/admin-burden-reduction-technical-annex

[xxvii] Former Department for Levelling Up, Housing and Communities, "Impact Assessment on the introduction of Second Staircases in residential buildings above 18m", 22 March 2024: https://assets.publishing.service.gov.uk/media/6605c8cd91a320b20282b085/Annex_C_-_Impact_Assessment.pdf

[xxviii]Institute of Directors, Policy Voice September 2025: https://www.iod.com/app/uploads/2025/11/PV-report-Sept-25-5a1535f93b9b11c093c16e089be17b56.pdf

[xxix] Institute of Directors, Policy Voice September 2025: https://www.iod.com/app/uploads/2025/11/PV-report-Sept-25-5a1535f93b9b11c093c16e089be17b56.pdf

[xxx] Institute of Directors, "IoD updates its Balanced Scorecard for Government", 28 July 2026: https://www.iod.com/news/uk-economy/iod-updates-its-balanced-scorecard-for-government/

[xxxi] Institute of Directors, "IoD press release: 86% of business leaders say Employment Rights Act will harm UK growth", 26 May 2026: https://www.iod.com/news/employment-and-skills/iod-press-release-86-of-business-leaders-say-employment-rights-act-will-harm-uk-growth/

[xxxii] Institute of Directors, Policy Voice May 2026: iod.com/app/uploads/2026/06/PV-report-May-2026-d5e6b64ddae148253bca7b4847317fc6.pdf

[xxxiii] Institute of Directors, Policy Voice August 2024: https://www.iod.com/app/uploads/2024/09/PV-report-Aug-24-website--35bef98a3f559e1dd8f623d63cae9689.pdf

[xxxiv] Institute of Directors, Policy Voice May 2026: https://www.iod.com/app/uploads/2026/06/PV-report-May-2026-d5e6b64ddae148253bca7b4847317fc6.pdf

[xxxv] Department for Business, Innovation, Science and Trade, UK Trade in Numbers, August 2026, https://www.gov.uk/government/statistics/uk-trade-in-numbers/uk-trade-in-numbers-web-version#uk-trade-in-numbers-introduction

[xxxvi] Institute of Directors, Policy Voice, June 2025: https://www.iod.com/resources/data/policy-voice-june-2025-the-uk-eu-reset-right-to-work-zonal-energy-pricing-and-economic-confidence/

[xxxvii] HM Revenue and Customs, 'Introduction to the Single Trade Window', November 2024, https://www.gov.uk/government/publications/overview-of-the-single-trade-window/introduction-to-the-single-trade-window

[xxxviii] Institute of Directors, Policy Voice June 2025, https://www.iod.com/resources/data/policy-voice-june-2025-the-uk-eu-reset-right-to-work-zonal-energy-pricing-and-economic-confidence/

[xxxix] Institute of Directors, Policy Voice October 2025: https://www.iod.com/resources/data/policy-voice-october-2025-the-uks-relationship-with-the-us-director-digital-id-workplace-regulation-measuring-carbon-footprint-and-remote-working/

[xl] Institute of Directors, Policy Voice October 2025, https://www.iod.com/resources/data/policy-voice-october-2025-the-uks-relationship-with-the-us-director-digital-id-workplace-regulation-measuring-carbon-footprint-and-remote-working/

[xli] Institute of Directors, 'Setting a Meaningful Export Target for Britain', September 2023, https://www.iod.com/app/uploads/2023/09/IoD-Policy-Paper-Setting-a-meaningful-export-target-for-Britain-d3bd3c2988bd7cffdc3b6fa3028b60f2.pdf

[xlii] Institute of Directors, Policy Voice December 2023, https://www.iod.com/resources/data/policy-voice-december-2023/