



Autumn Budget 2025

Rt Hon Rachel Reeves MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
SW1A 2HQ

14 October 2025

Dear Chancellor,

We stand united on the importance of the UK's growth mission. The private sector is ready to play its part: to invest, innovate, and create good jobs for our economy. Businesses want you to succeed, because their success is national success – and our common endeavour is the surest path to making people across our nations and regions better off.

You and your colleagues have shown real determination to chart the course for a renewed economy. The long-term path to renewal, shaped by the Modern Industrial Strategy, UK Infrastructure: A Ten-Year Strategy, and the UK's Trade Strategy, has been strongly welcomed by business and sets us towards impactful public-private sector collaboration. You must continue with this agenda, pushing further and faster to speed up delivery, simplifying processes and removing blockers to building the critical infrastructure we need.

Alongside starting to demonstrate the benefits of these longer-term initiatives in quicker time, you are right to be steadfast in your determination to ensure the UK's public finances are on a sustainable path. Market stability is the foundation for confidence and investment. A return to higher sustainable growth, through improved productivity and investment, is ultimately the only way to deliver higher quality public services and long-term public finance stability.

Key to realising higher sustainable growth will be decisions on the future shape and size of the tax system. Our key ask is to step back and consider your wider vision for the tax system, rather than measures in isolation. There are numerous examples of where the tax system can be improved to support growth, including across income taxes, VAT and property taxation. Business rates has also long been one of the tax bases which disincentives expansion and investment. We welcome the commitment to explore 'slab' to 'slice' business rates reform and more immediate support for the high street, but caution achieving these objectives in a way which adds further complexity, and risks shifting the burden to a smaller proportion of firms.

More broadly, your vision for the tax system must avoid increasing the business tax burden further. Whilst we acknowledge the challenging fiscal position, business taxes are at their highest rate for 25 years and set to increase further. With two-thirds of taxes pre-profit, we must avoid adding more debilitating costs that would derail investment in our world leading sectors. This includes avoiding further taxes on our financial services sector, with London's 45.8% effective tax rate already higher than competing jurisdictions – Frankfurt (38.6%), Dublin (28.8%) and New York (27.9%)¹. Equally, the government must continue to work with the life sciences sector to address the current VPAG challenges, with high and unpredictable rebate rates crippling competitiveness and blocking critical investment outcomes.

The ultimate test through which businesses will view the Autumn Budget will be its alignment with the growth mission, and how it helps, not hinders, them to invest, hire and scale.

In the spirit of these principles, through extensive consultation with hundreds of our cross-economy members, we have identified the actions that should be taken to position business to deliver growth for the nation. We are calling on the government to use this Budget to:

1. **Fast track infrastructure by expediting Critical National Infrastructure through primary legislation and hiring an additional 600 planners to deliver a liberalised planning system. We have also provided a list of projects that our members see as important to growth.** The government must also commit to developing the next generation of public-private partnership models to crowd in private capital and extend full expensing to include leased and rented assets.
2. **Maximise workforce potential by meeting broader skills needs through 100% Growth and Skills Levy flexibility and removing tax barriers to workplace health support to complement Keep Britain Working Review recommendations.** The government must also put Immigration Skills Charge funding to skills delivery, find an appropriate landing zone for the Employment Rights Bill that avoids curtailing employment opportunities, and scrap plans to introduce an International Student Income Levy. As part of this package of measures, employers stand ready to support a successful Youth Guarantee scheme.
3. **Scale technology by leading the development of a national technology adoption plan and delivering technology adoption support for all sectors of the economy.** The government must also expand R&D tax credits to include capital spending and use government procurement as a strategic lever to scale innovation by embedding Contracts for Innovation and expanding Commercial Innovation Hub trials.
4. **Boost competitiveness by addressing the UK's disproportionately high energy costs and supporting a targeted discount scheme that enables electrification of processes.** The government must also provide the resources required to help businesses unlock exporting opportunities and improve the liquidity of the London Stock Exchange, including through the removal of Stamp Duty on Shares and Stamp Duty Reserve Tax.

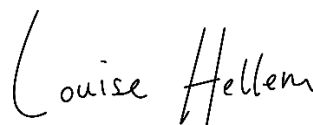
Chancellor, now is the time for ambition and clear vision: to use every lever to cut complexity and costs to unlock investment and unashamedly prioritise growth in every Budget decision. The CBI will always be ready to provide economic and business insight, and expert policy analysis, to help guide these decisions to unlock the sustainable growth we owe the nation.

We would welcome the opportunity to meet with you ahead of the Budget to discuss these priorities, and how businesses can continue to deliver, day-in-day-out, the ambitions of your government in service of the economy, communities, and people of the UK.

Yours sincerely,



Rain Newton-Smith
Chief Executive



Louise Hellem
Chief Economist

Autumn Budget 2025 – CBI Submission

The Autumn Budget comes at a pivotal moment for the government's growth mission. Over the past year, businesses have welcomed the thinking the government has put into delivering growth in the long-term – including clear backing for the UK's eight growth sectors through the Modern Industrial Strategy and the £725 billion committed through UK Infrastructure: A Ten-Year Strategy that will help leverage private investment in the UK's economic and social infrastructure.

Yet while this ambition is rightly bold, our members are facing acute pressures in the here and now – acting as significant brakes on the UK's growth ambitions. The decision to increase employers' National Insurance contributions is squeezing already small margins; disproportionately high electricity costs are continuing to diminish international competitiveness; and the Employment Rights Bill could slow employment opportunities in an already cooling labour market.

The CBI is clear – the government cannot pull the business tax lever once again to balance the books. Most of the growth and investment needs to come from the private sector to meet the shared aims of raising living standards. Higher costs have held back business investment, with the share of tax paid by businesses at 30.5% – the highest rate for 25 years and set to increase further. With businesses now paying £308.6 billion – more than the budgets of the NHS, schools and defence combined – the government must look elsewhere to meet its fiscal rules or risk further stalling the shared growth mission.

Linked, the government should deliver both a reformed and simplified tax system. HMT's 'Transforming Business Rates: Interim report' published in September 2025 includes an important commitment to explore moving from the current 'slab' to a fairer 'slice' system of marginal tax rates, as well as reviewing Small Business Rates Relief and Improvement Relief to remove cliff-edges and barriers to investment. This is a positive step, and the government must now ensure reforms balance providing further support to the high street with avoiding added complexity that shifts the burden to a smaller proportion of firms. Delivering a simplified tax system, HMRC needs to go further and faster in cutting administration costs for business and simplifying the complexity of the UK's tax rulebook. Reform should include delivering a more workable IR35 regime, streamlining capital allowance categories, expanding VAT relief for goods donated to charities, and updating outdated travel and subsistence allowances.

Alongside, the government must address two of the most significant barriers inhibiting the UK's competitiveness – the significant number of young people not in employment, education and training (NEETs) and the country's disproportionately high energy costs. The CBI looks forward to working with the government to shape the 'Youth Guarantee' and is calling for the government to build on both the British Industrial Competitiveness Scheme and British Industry Supercharger by identifying further policy interventions that can both expedite and broaden the energy cost support currently available. We are currently exploring mechanisms that potentially leverage external finance to help shift legacy policy costs off bills and smooth

energy bills over the next decade. Specifically, this looks at securitising some policy costs, to be paid back over a longer period, at no net cost to the taxpayer and we would welcome the opportunity to discuss this proposal in more detail.

Finally, our submission presents the actions the government must take to support businesses contribute more to delivering growth in the shorter term. Despite positive progress, our members continue to flag how inadequate planning resource is delaying infrastructure delivery; Growth and Skills Levy rigidity is hampering workforce development; a lack of support and ambition is stalling technology adoption; and trade barriers continue to limit export opportunities. Overcoming these challenges, we are calling on government to deliver our asks that will help fast track infrastructure, maximise workforce potential, scale technology, and boost competitiveness.

Fast Tracking Infrastructure: Planning, Partnership and Delivery

Top ask: Back Critical National Infrastructure through primary legislation and recruit 600 additional planners to deliver a liberalised planning system

- Expedite Critical National Infrastructure delivery through primary legislation – via hybrid bills, special acts, or wider legislative vehicles – to bypass lengthy DCO processes.
- Tackle the chronic shortage of skilled planners in Local Planning Authorities. Recruit new planners to expand planning capacity.

Develop and deliver the next generation of public-private partnership models both at the national and regional level

- Build on the British Infrastructure Council by endorsing a new Infrastructure Finance Taskforce, co-chaired by government and industry ahead of Spring 2026
- Deliver a PPP roadmap and fund regional PPP hubs co-chaired by combined authorities and NISTA to secure funding across the current regional pipeline
- Use fiscal events through 2026 to publish progress on both the scale of secured private financing for the existing Pipeline and signal market-making opportunities for the future pipeline – focusing on critical national infrastructure

Extend full expensing to include leased and rented assets

- Extend full expensing to capital assets bought by leasing and rental businesses where these are then let out to business customers
- This will allow smaller businesses and those in sectors where leasing is common like construction and agriculture to access greener equipment more quickly – from electric vans to cranes to combine harvesters – and to keep costs down

Priority Infrastructure Projects

Alongside our Fast-Tracking Infrastructure asks, we believe there are several infrastructure projects the government should look to prioritise within its capital budgets. These include:

- **Delivering Northern Powerhouse Rail** – Including a new railway from Liverpool to Manchester.
- **Supporting East-West Rail** – East West Rail will link people with jobs, schools, services and each other. It will open up new journeys, cut travel times, ease congestion on local roads and bring more opportunities within reach of people living locally, supporting sustainable economic growth and helping unlock the region’s potential as a global hub for life sciences and innovation.
- **Extending the DLR** – To Beckton Riverside and Thamesmead.
- **Reopening the Leamside Line and modernising the Tyne and Wear Metro system** – Reopening the Leamside Line would add additional capacity to the East Coast Main Line by diverting slow moving freight trains along the Leamside Line which runs in parallel, freeing up capacity for passenger services.
- **Electrifying the Midland Main Line from Sheffield to London and the Hull to Selby line (as part of the TransPennine Route upgrade programme)** – The Midland Main Line electrification programme was paused in the Spending Review, whilst the 29-mile Hull to Selby line remains one of the few unelectrified stretches of rail infrastructure in northern England.
- **Facilitating Acorn CCUS project approval.** £200 million of development funding was allocated during the Spending Review, and the government must continue to support this project as it progresses towards a Final Investment Decision (FID).
- **Upgrading Ely Junction** – The Ely Area Capacity Enhancement (EACE) programme is designed to improve the railway infrastructure in the Ely area, allowing for more trains through this junction. The upgrade aims to increase the capacity from the current 6.5 trains per hour to 10 trains per hour in each direction, facilitating better connectivity and reliability for passenger services and accommodating growing freight demand from the Port of Felixstowe to the West Midlands and beyond.
- **Unlocking mass transit and establishing an AI Supercluster in the West of England** – Establishing the Supercluster will create a wealth of investment opportunities, particularly in the industrialisation of AI

Maximising Workforce Potential: Flexibility, Clarity and Wellbeing

Top ask: Unlock the Growth and Skills Levy, committing 100% of the levy take to skills and training

- All funds collated through the Growth and Skills Levy should be exclusively used for skills development. Available data on levy allocations suggests at least some of the full levy take and unspent levy funds are not allocated to skills and being held back by HMT.

Use money raised through the Immigration Skills Charge to support skills delivery

- Since its introduction in 2017, over £1.5 billion has been raised through the Immigration Skills Charge, but there is limited evidence showing this funding is being used to support businesses deliver more workforce training.
- The government **must also scrap plans to introduce an International Student Income Levy**. Universities UK analysis indicates that the Higher Education sector could suffer a £1.4 billion cut in funding, £600 million of which would be linked to the proposed 6% International Student Income Levy². If our world leading universities

are to continue to be centres of growth, innovation, and opportunity, they must be financially sustainable and not hamstrung by the proposed levy.

Remove tax barriers to unlock employer investment in preventative workplace healthcare through initial measures

- Make Employee Assistance Programmes (EAPs) fully tax free, including currently taxable elements such as household family use, high-level HR and legal advice, and digital tools.
- Remove the £500 cap on tax-free occupational health treatments and allow early interventions.
- Eliminate taxes on health and safety eye test employee expense reimbursements.
- Introduce tax exemptions for adult vaccinations and virus testing to help workplaces prepare for emerging strains.
- Relax the Cycle-to-Work scheme qualifying journey rule to boost physical activity in employees' free time.

Scaling Technology: Coordination, Research and Innovation

Top ask: Lead development of a national technology adoption plan and deliver technology adoption support for all sectors of the economy

- Publish a National Technology Adoption Plan owned by DSIT.
- Launch sector-specific technology adoption support programmes across the economy, modelled on Made Smarter's successful approach and through delivery of the regional AI Adoption Hubs.

Expand R&D tax credits to include capital spending

- Move from a capital allowance to a tax credit model for spending on buildings and large capital equipment where these are – or are going to be – used primarily for R&D
- Support businesses to build the facilities and buy the equipment that anchors R&D activity in the UK for the long-term
- Make it easier for investors to see the return on their investment quickly and for the UK to compete with key R&D jurisdictions like Ireland

Use government procurement as a strategic lever to scale innovation by embedding Contracts for Innovation and expand Commercial Innovation Hub trials

- Rapidly scale successful approaches from the Commercial Innovation Hub trials and integrate them into public procurement practice, embedding milestone-based, outcome-focused procurement.
- Expand the use of Contracts for Innovation across all government departments and set departmental targets for innovation procurement throughout the economy.

Boosting Competitiveness: Certainty, Trade, and Reform

Top ask: Drive business adoption of electrification technologies through a targeted discount scheme that enables electrification of processes.

- The government should work with industry to develop a targeted discount scheme that enables electrification of processes, supporting with the direct deployment of electrification technologies in manufacturing and non-domestic settings.
- More broadly on addressing the UK's disproportionately high energy costs, we would welcome the opportunity to **collaborate with the government on exploring mechanisms** that could leverage external finance to help shift legacy policy costs and smooth energy bills over the next decade – specifically addressing policy costs attached to electricity costs. Our initial modelling suggests such an intervention could have a significant impact on reducing inflationary pressures.

Back businesses by reducing risks attached to engaging in international trade

- Increase funding for DBT trade missions and delegations.
- Invest in digital customs infrastructure to reduce delays and increase uptake of electronic trade documents.
- Continue to digitalise border processes and integration with the Single Trade Window.
- Introduce export relief for decarbonised products under CBAM.

Improve the liquidity and competitiveness of the London Stock Exchange and strengthen the IPO pipeline

- Boost domestic investment in UK equities by encouraging defined contribution pension funds to allocate more capital to UK markets and by removing fiscal barriers such as Stamp Duty and Stamp Duty Reserve Tax, particularly for retail investors. An interim measure while working towards full removal could include a targeted removal of SDRT on share transfers into, within, and out of ISAs as part of efforts to increase retail participation, which would be relatively low cost.
- Shift investor focus toward long-term capital growth rather than short-term returns, through consultations on reinvestment incentives and corporate practices around dividends and share buy-backs.
- Enhance the competitiveness of UK public markets by reviewing and reforming regulatory barriers to transactions like PIPEs, ensuring efficient access to capital while maintaining investor protections.

FAST TRACKING INFRASTRUCTURE VIA PLANNING, PARTNERSHIP AND DELIVERY

High quality economic and social infrastructure is one of the strongest enablers of economic growth. Whether it is new housing that improves labour mobility, energy networks that power industry, or transport links that connect firms to markets, the timely delivery of infrastructure underpins productivity, competitiveness, and long-term investment. The UK's persistent shortfall in infrastructure investment has been a major contributor to our low productivity growth and weak business confidence. According to IMF data, countries that achieved more than twice the level of capital stock formation compared to the UK between 2008 and 2019

recorded average annual GDP growth of over 3%, more than three times the UK's growth rate of 1.1% over a comparable period³.

Acknowledging this, the government has taken welcome steps – pledging £725 billion of capital investment through UK Infrastructure: A Ten-Year Strategy; setting out an interactive long-term pipeline for housing, transport, and energy infrastructure; tackling regulatory barriers to delivery through the Planning and Infrastructure Bill; and revising the National Planning Policy Framework (NPPF) to strengthen support for housing supply and the unlocking of nationally significant projects. Ministers have also committed to expanding planning capacity by funding the recruitment of 300 new local authority planners and signalled a cautious openness to public-private partnerships as part of its infrastructure toolkit. The CBI and our members have strongly welcomed these developments; they represent meaningful progress towards a more growth focused approach but we are clear: now is the time to go further.

The recruitment of an additional 300 planners announced at last year's Autumn Budget only scratches the surface of the resourcing gaps currently inhibiting planning reform delivery. Our members have been clear that chronic resourcing shortages within Local Planning Authorities (LPAs) remain and continue to constrain the UK's infrastructure ambitions. Sentiment is backed by Home Builders Federation (HBF) research that suggests 80% of councils are operating below full staffing levels, with an estimated shortfall of over 2,200 planners in local authorities across England and Wales⁴. This evidence is backed up by UNISON whose research confirms only one in five planning departments are fully staffed, and seven in ten planning officers indicating that planner shortages are a significant barrier to development⁵.

Alongside, the Development Consent Order (DCO) process remains a major barrier to timely delivery of Critical National Infrastructure (CNI). While designed to provide certainty for large-scale infrastructure, in practice the process is lengthy, complex, and unpredictable. Businesses tell us that protracted decision making and repeated procedural hurdles delay essential investments in energy and transport infrastructure. These delays not only inflate project costs but also weaken investor confidence, undermining the UK's competitiveness as an investment destination.

At the same time, the government's risk aversion towards new Public-Private Partnership financing models has left the UK as an international outlier. Since the moratorium on new private finance in England in 2018, over 1,000 new PPPs have reached financial close worldwide, with countries such as Canada, Australia and the United States continuing to deliver major infrastructure through reformed PPP models. Closer to home, Wales and Scotland have also failed to stand still, moving ahead with their Mutual Investment Model (MIM) - securing growth fuelling investment in schools, hospitals, and roads⁶. Public investment alone will not deliver the government's infrastructure ambitions and the government needs to be brave enough to broaden its PPP risk appetite, exploring how a mixed market of PPP models can deliver the economic and social infrastructure needed. As the National Audit Office states, PPPs are usually delivered on-time and on-budget, with global

analysis showing default rates of just 2.9% across more than 2,300 projects progressed between 1983 and 2021⁷.

Finally, the government’s commitment to maintaining permanent full expensing for this Parliament in the Corporate Tax Roadmap is welcome, but a major gap remains: leased and rented assets are excluded. Under the current system, companies that buy plant and machinery outright can deduct 100% of the cost from taxable profits in the year of purchase, saving up to 25% of the asset’s value. By contrast, businesses that lease or rent equipment on a temporary basis cannot claim capital allowances; they can only deduct rental fees as operating expenses, which is far less valuable. The businesses they rent or lease the assets from also cannot claim full expensing. The exclusion distorts commercial decisions. Firms may be incentivised to purchase outright – even when leasing would be more efficient, cost-effective, or sustainable. Sectors like construction and transport, where leasing is common, are disproportionately affected, while many SMEs lack the capital to buy assets upfront and are effectively locked out of the full expensing regime. If leasing and rental businesses could claim full expensing, it would enable them to bring down prices for their business customers and speed up their access to newer, greener equipment.

The Government can overcome these challenges and fast track infrastructure deployment by:

1	Backing Critical National Infrastructure through primary legislation and recruiting 600 additional planners to deliver a liberalised planning system
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Cost
£69 million per annum ⁸

Overview

Welcome reforms have been made to the planning system through the NPPF and Planning and Infrastructure Bill. However, members feel the reforms’ impacts will continue to be constrained if appropriate parliamentary mechanisms are not used to lessen pressures on the Development Consent Order (DCO) process and Local Planning Authorities remain under resourced.

The government should use primary legislation to directly approve high-impact Critical National Infrastructure projects. This would allow Parliament to bypass drawn-out DCO processes in cases where there is overwhelming national interest. This could take the form of hybrid bills, special acts, or inclusion in wider legislative vehicles – as was achieved with HS2, the Elizabeth Line and the Channel Tunnel Rail Link. Planning reforms must also focus on how best to support mobile investment.

The government should also build on the recruitment of an additional 300 planners, announced at last year's Budget, with the CBI recommending the recruitment of an additional 600 planners to overcome chronic Local Planning Authority shortages⁹.

Resulting Change

Greater clarity and pace in infrastructure approvals will increase business confidence in long-term UK infrastructure delivery. Investors and developers will be more likely to commit to capital-intensive, multi-year projects when timelines are dependable and political backing is explicit. By reducing risk, the change will attract new entrants, unlock stalled developments, and allow firms to plan with greater certainty – particularly in energy generation, transmission, transport, and digital infrastructure.

An additional 600 planners will provide improved capacity and consistency in the planning system, giving businesses greater confidence to bring forward investment. Reduced delays and uncertainty will lower the risk profile of development, freeing up capital currently held back due to unpredictable planning timelines. Faster, more reliable approvals will encourage developers, housebuilders, energy providers, and manufacturers to accelerate project pipelines, make strategic land acquisitions, and scale up domestic supply chains.

Impact

A more efficient planning system, resulting from increased capacity and expedited planning decisions, will ensure business investment can be more productively spent – whether that be on people, improving services, AI or products. This could not only increase the totality of business investment but could lead to productivity improvements.

A more efficient planning system also removes a major blocker from attracting FDI and new domestic investment. Again, increasing domestic business investment but also encouraging greater FDI.

Member Insights

Limited planning capacity – “Investment is constrained by a lack of capacity in Local Planning Authorities and the Planning Inspectorate. More funding is needed for planners, alongside a holistic skills plan from NISTA to improve infrastructure delivery.” (*Multiple CBI members*).

National and local alignment – “Planning and Infrastructure Bill reforms should align national and local stakeholders and avoid inefficiencies in planning applications.” (*Construction Company, South East*)

Slow consent process – “The UK's consent process for projects is slower compared to international competitors. Government should introduce early outline approvals before final detailed approvals to speed up project delivery.” (*Engineering company, London*)

Wider Evidence

Circumnavigating the DCO process – The Centre for British Progress highlights how the Development Consent Order (DCO) regime in the UK typically takes 2.5 to 6 years (including pre-application periods). For Sizewell C, the process from pre-application through to decision took over eight years. By contrast, the think tank estimates that using a Public Bill route for Heathrow expansion could compress the process to about eight months for the Bill itself plus a six-month post-Act process – significantly faster than the DCO route (*Centre for British Progress, 2025, Getting Britain off the Ground, Link: [Getting Britain off the ground](#)*)

Local Planning Authority resourcing challenges – The HBF’s Freedom of Information (FOI) survey across 134 local authorities showed an average shortfall of 7 FTE planners per council. Extrapolated nationally, this means a potential shortage of more than 2,200 planners in England and Wales. To meet the government’s planning ambitions (375,000 permissions per year), planning permissions would need to increase by 152%. HBF estimates this would require up to 7,500 additional planners – an average of 23 per council – over 25 times more than the government’s pledge of 300 announced last year (*HBF, 2025, Planning on Empty: Staffing Struggles in local planning authorities, Link: [Planning on empty report - updated Feb 2025.pdf](#)*)

2

Developing and delivering the next generation of public-private partnership models to crowd in national and regional investment

Cost

This ask can be delivered at a nil cost to the exchequer.

Overview

Whilst the government has provided a welcome outline of where it sees the potential for public-private partnerships, our members believe the government can broaden the scope of public-private partnership applicability outlined in ‘UK Infrastructure: A Ten-Year Strategy’¹⁰. Delivering the economic and social infrastructure – from roads to health centres – needed to support our growth ambitions will require a mixed market of PPP models.

We are calling on the government to collaborate with business to deliver the next generation of public private-partnership financing models by:

- Building on the British Infrastructure Council by endorsing a new Infrastructure Finance Taskforce, co-chaired by government and industry ahead of Spring 2026
- Delivering a PPP roadmap and funding regional PPP hubs co-chaired by combined authorities and NISTA to secure funding across the current regional pipeline

- Using fiscal events through 2026 to publish progress on both the scale of secured private financing for the existing Pipeline and signal market-making opportunities for the future pipeline – focusing on critical national infrastructure

Resulting Change

Publishing sector-specific PPP roadmaps and establishing supporting structures will reduce uncertainty, giving businesses and investors the clarity needed for long-term planning. Large firms will be able to scale delivery capacity, invest in skills and innovation, and form consortia for major projects, while SMEs will gain clearer entry points into procurement and financing. Institutional investors will have confidence to structure long-term vehicles aligned with national missions, and local supply chains will expand as Mayoral Strategic Authorities and PPP hubs provide technical expertise, standardised processes, and investment readiness support. Together, this will enable more strategic investment, broader participation, and stronger regional resilience.

Impact

Improved PPP delivery will unlock private capital, accelerate infrastructure deployment, and stimulate regional growth. By enhancing transport, housing, and digital connectivity, it will drive productivity gains and create high-quality jobs across construction, engineering, and technology. Stronger access to finance and reduced delivery risks will boost economic growth while enabling faster progress towards net zero and digital transformation goals. Regional delivery capacity will also help reduce disparities and unlock local growth opportunities, strengthening the UK's long-term competitiveness.

Member Insights

Signal to industry – “The opportunity is there – PPPs can turn strategy into projects. But only if government and industry co-create the models.” (*Senior executive, major UK construction firm 2025*)

Investors are ready – “Long-term certainty and delivery confidence matter more than upfront subsidies. Business will invest when the partnership feels real.” (*Infrastructure investor, CBI roundtable, 2024*)

Access to UK based world leading expertise – “You can unlock a huge amount of economic growth at low up-front cost with PPPs as they are off Government balance sheet. They build real assets and provide real jobs. Ally that to lessons learned from PFI and you can have a generational upgrade to infrastructure with best in the world service provision.” (*Head of Infrastructure, Global law firm 2025*)

Silvertown Tunnel: A PPP case study – “The new Silvertown Tunnel opened on time and on budget on 7 April, boosting cross-river public transport options in East London. Using a private finance initiative (PFI) model, Riverlinx was responsible for meeting the costs and bearing the risks associated with the construction, maintenance and operation of the tunnel.

The tunnel has been a gamechanger for public transport options across the Thames, giving a huge boost to cross-river bus travel, supported by a package of new cross-river services and concessions.” (Transport sector member)

Wider Evidence

PPP performance – A 2024 study, that compared lifecycle costs of 18 public-private partnership projects with over 1,000 conventionally procured buildings in Germany, found that the public-private partnership projects were up to one-third more efficient over the projects’ full lifecycle. Reasons for this greater efficiency included lower construction costs linked to timely delivery; more efficient operations, as maintenance and performance risks sat with the private sector rather than the state; and incentives for better long-term asset management, since private partners carried lifecycle cost risk. (Future Governance Forum, 2025, *Building the Nation*, Link: [Rebuilding-the-Nation-03-Infrastructure-Investment-Partnerships.pdf](#))

International Comparators – Across the globe, governments continue to turn to public-private partnerships (PPPs) as a proven delivery tool for major infrastructure. Since 2018, more than 1,000 new PPPs have reached financial close in advanced and “upper-middle income” economies, demonstrating continued international confidence in the model. PPPs are being used to deliver flagship projects that combine economic transformation with strong community benefits. In Australia, the state of Victoria is delivering the new Footscray Hospital precinct through a PPP, projected to generate 15% lifetime savings (£323 million) compared to traditional procurement, while embedding ambitious social value commitments such as 10% of work being completed by apprentices and procurement targets for Aboriginal businesses. Closer to home, the devolved governments in Wales and Scotland have pressed ahead with their own PPP variants, even as Westminster has stood still. In Wales, the Mutual Investment Model (MIM) has already supported over £1 billion of investment across schools, hospitals, and transport infrastructure, with projects such as the Velindre Cancer Centre in Cardiff and the A465 road dualling scheme now under construction. In Scotland, the government has also adopted MIM for major schemes, including the planned £2 billion A9 dualling programme, showing how PPPs can unlock large-scale investment in essential economic infrastructure. (pwc, 2025, *Transforming infrastructure investment: A private finance perspective*. Link: [Rebuilding-the-Nation-03-Infrastructure-Investment-Partnerships.pdf](#))

3 Extending full expensing to include leased assets

Cost
£2.3-3.8 billion per annum ¹¹

Overview

Full expensing currently excludes leased assets, which are used by several sectors key to economic growth like construction and agriculture, and are also more commonly used by smaller businesses for whom it makes more financial sense to lease machinery rather than buy outright. These businesses could significantly benefit from price reductions for their machinery if leasing companies could claim full expensing on their machinery, allowing them to access more, more quickly. It could also have green implications when it allows businesses to access greener alternatives more quickly, for example electric vehicles.

Resulting Change

Full expensing reduces the cost of buying the assets to start with, making them cheaper for leasing companies to buy. This means leasing companies can buy more machinery, and/or reduce the prices they offer these assets to their customers who ultimately use them. Making it cheaper to lease assets / increasing availability of machinery will mean businesses who lease machinery can do so more quickly and affordably and ultimately green their activities quicker (e.g. businesses with commercial fleet could switch to e-vehicles sooner), pass on lower prices to their own customers, reducing the cost of goods and services provided by them, and/or do more work.

Impact

Many companies use leased machinery in construction and agriculture, and this change could have knock on positive impacts on the price of food and construction, and the number and speed of construction and infrastructure projects able to commence.

Member Insights

Decarbonisation costs - “Decarbonisation of the logistics sector involves buying/leasing more efficient vehicles and upgrading infrastructure to support this. This is costly and connecting to the grid can take time. (*Logistics member*).

Pricing benefits - “The vehicle leasing sector is very competitive and our members would pass 70% of the costs saved by this policy through to customers in the first year.”

Wider Evidence

Behaviour change – In preparation for the end of the super-deduction, the CBI surveyed 325 businesses about the benefits of widening the terms of an equivalent to the super-deduction to cover leasing and rental. Key responses included:

- 23% of respondents said they would increase investment if the scheme were extended to leased assets, and 16% would increase their investment if the scheme was extended to rented assets. As respondents could choose multiple options, this

means a maximum of 39% of respondents expected to rent or lease more assets if the terms were expanded.

- 29% of respondents said it would not increase their investment, but they would invest differently (respondents were given the example of leasing rather than buying assets in the question).
- When asked what level of extra investment they might expect to make if the terms of the deductions were expanded, and this was modelled across the whole economy, responses suggested there could have been a 4% increase in business investment by 2026, worth £67 billion between 2022 and 2026. Our modelling suggested this boost in investment would increase UK business investment as a percentage of GDP by just under 0.5%, boosting UK business investment above that of Italy and Canada.
- When asked when they would expect to make this investment, offering options between a 1 year and 10-year timeline, their responses showed businesses would be very responsive to a broadening of terms, with a bigger boost in the first two years (then 2022-23) and then a significant and lasting medium-term effect. Our modelling suggested this might be worth £18 billion a year at the start, and then £10 billion a year in the medium term going out to 2026.

NB: The responses to points 3 and 4 include investment other than in leased or rented assets, as we also asked about extending the scope to second-hand assets and unincorporated businesses, but leased and rented assets made up the largest part of the additional investment.

(CBI analysis, 2023)

MAXIMISING WORKFORCE POTENTIAL VIA FLEXIBILITY, CLARITY & WELLBEING

High quality investment in people's skills and wellbeing is as critical to growth as investment in infrastructure. Skills development fuels productivity, innovation, and labour market mobility, while wellbeing underpins retention, resilience, and engagement. Together, they represent one of the most powerful levers to boost growth and make working people feel better off. Evidence shows that participation in post-16 learning increases long- and short-term earnings and reduces reliance on benefits, directly supporting fiscal sustainability. Employers who invest in workforce training consistently report higher productivity and stronger retention, while the OECD attributes around one-third of average annual UK productivity growth between 2001 and 2019 to skills improvements¹².

The government has made welcome progress in recognising the importance of skills and wellbeing to its growth agenda. The Modern Industrial Strategy embeds greater levels of flexibility into the Growth and Skills Levy by extending out the list of training it covers to include non-apprenticeship short courses in AI, digital, and engineering from April 2026. Importantly, it also announced that the Lifelong Learning Entitlement will be launching in 2027, enabling

individuals to learn, upskill, and retrain across their working lives, and makes clear that the Adult Skills Fund will continue to target local skills needs through various mechanisms – including Skills Bootcamps, sector-based Work Academy Programmes, and Free Courses for Jobs.

The CBI and our members are also encouraged by the relocation of skills policy leadership to the Department for Work and Pensions (DWP). This shift reflects the reality that skills and employment are two sides of the same coin: a modern skills system must not only prepare people for jobs but also support transitions into work, retraining, and progression. By embedding skills more closely with employment support, government is better positioned to tackle inactivity, close gaps in labour supply, and create pipelines into priority sectors.

This integrated approach is further underscored by the Keep Britain Working Review, which builds on the same principle. Its discovery phase revealed that jobseekers too often face a fragmented and overly complex system that fails to join up employment support with training, careers advice, and health services. The review's emerging direction – towards more joined-up provision, greater local flexibility, and stronger employer partnerships – recognises that sustainable, good-quality work will only be achieved if systemic barriers are removed and employer demand is more effectively harnessed¹³.

Despite this progress, the government must go further in overcoming challenges still inhibiting employers' ability to invest in their people.

Greater flexibility in the Growth and Skills Levy is welcome, but further progress is needed. Our members report that the rigid rules around eligible spend prevent them from using funds on training that would best meet business and workforce needs. Between 2019 and 2023, more than £3.3 billion in levy funds expired unused, despite persistent skills shortages across the economy¹⁴. The CBI's Employment Trends Survey (2025) found that 50% of respondents 'strongly agreed' or 'agreed' that the continued rigidity in the levy is stopping their organisation from being able to deliver training to address skills gaps¹⁵. This aligns with analysis by the Learning and Work Institute which shows that UK employers invest less than half the EU average per employee and that widening the scope of the Levy could significantly boost employer investment in skills¹⁶. Linked, funding raised through the Immigration Skills Charge also fails to support training, instead being returned to HMT rather than reinvested to strengthen domestic talent pipelines.

This dual inflexibility means that significant funding intended to support workforce development is being underutilised at a time when businesses urgently need a more agile, joined-up skills system.

Alongside addressing continued Growth and Skills Levy and Immigration Skills Charge rigidity, more needs to be done to support employees' access to the health support they need. 1 in 5 working-age people report having a work-limiting health condition – up by over 2 million (31%) since 2019 – and 600,000 more people could become economically inactive by 2030¹⁷. While

businesses want to play a proactive role in prevention, current tax rules actively discourage investment in employee health support. Caps on tax-free treatment spend and restrictive conditions requiring employees to be unfit for work for 28 days mean vital interventions, such as early occupational health referrals, are taxable. As a result, employer demand to scale up preventative support is stifled, even though CBI survey data shows that 75% of firms would increase health spending if tax barriers were removed¹⁸. Without reform, the UK risks higher attrition rates, increased NHS pressures, and lost productivity.

Finally, the government must scrap plans to introduce an International Student Income Levy. Universities UK analysis indicates that the Higher Education sector could suffer a £1.4 billion cut in funding, £600 million of which would be linked to the proposed 6% International Student Income Levy¹⁹. If our world-leading universities are to continue to be centres of growth, innovation, and opportunity, they must be financially sustainable and not hamstrung by the proposed levy.

The Government can overcome these challenges and maximise workforce potential by:

1	Unlocking the Growth and Skills Levy, committing 100% of the levy take to skills and training.
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Cost
This ask can be delivered at a nil cost to the exchequer ²⁰ .

Impact Analysis		
GVA Gain (26/27)	Exchequer Gain (26/27)	New Apprenticeships (26/27)
£905 million ²¹	£311 million ²²	19,940 ²³

Overview

All funds collected through the Growth and Skills Levy should be used exclusively for skills development. Available data on levy allocations suggests that at least some of the full levy take and unspent levy funds are not allocated to skills and are being held back by HMT.

Resulting Change

Dedicating the Growth and Skills Levy to skills development will encourage more business engagement in skills, as increased funding will be available for investment in training initiatives. This will positively impact both levy and non-levy payers. This will also help to de-risk business training with more funds available for initiatives and ensure the rising cost of doing business does not stop businesses from making much-needed investments in skills and

training. To help build business confidence to make long-term skills investments, it is also important that plans to allocate the full levy take in England to skills and training is part of a wider roadmap to full Levy flexibility.

Impact

Directing all levy funding to training will help close skills gaps, giving employees the competencies needed to meet the demands of the modern economy. A more skilled workforce will boost productivity across sectors, enabling businesses to operate more efficiently, invest in innovation, and grow. SMEs will particularly benefit from greater access to training funds, helping them upskill staff, improve competitiveness, and contribute to regional and national growth. By addressing critical skills shortages and supporting long-term workforce development, the UK will be better equipped to adapt to technological change, meet net zero goals, and enhance global competitiveness. This will drive sustainable growth, create jobs, and strengthen economic resilience.

Member Insights

Industry needs misalignment – “The government’s skills policy is drifting away from industry needs due to perceived disengagement, risking a long-term mismatch of workforce supply and demand.” (*Higher Education Trade Association member*).

Level 7 removal – “The loss of Level 7 apprenticeships is challenging. We cannot make use of other Growth and Skills Levy funding because of site restrictions.” (*Life Sciences member*).

Fall in apprenticeship availability – “West Midlands apprenticeship vacancies have fallen as a result of businesses being no longer able to afford apprenticeship delivery.” (*Further Education member*).

SME incentives – “Need more incentives for SMEs to hire apprentices.” (*Creative Industries Trade Association member*).

Wider Evidence

Low employer investment – Training expenditure per employee has steadily declined, falling 19% in real terms since 2011, leaving the UK behind comparator countries. Employers often lack incentives or resources to invest in workforce training. The Growth and Skills Levy is too narrow and inflexible, locking employers into apprenticeships alone. Employers want a broader range of high-quality training options (*Skills England, 2024, Skills England: Driving growth and widening opportunities, Link: [Skills England Report \(1\).pdf](#)*)

Rigidity shortcomings – Employer investment in training has fallen 28% per employee since 2005, to less than half the EU average, meaning millions miss out on opportunities. Current levy rules entrench inequities, with highly qualified staff three times more likely to access training than those with none. The Apprenticeship Levy has displaced budgets –

driving growth in higher apprenticeships but reducing entry-level starts. Its rigid, apprenticeship-only focus excludes other valuable training, while frequent policy reforms create instability, undermining long-term employer investment. (*Learning and Work Institute, 2022, Raising the bar: increasing employer investment in skills, Link: [Raising-the-bar-Increasing-employer-investment-in-skills \(2\) \(3\).pdf](#)*)

CBI/Pertemps Employment Trends Survey 2025 – In September 2025, the latest CBI/Pertemps Employment Trends Survey was published, highlighting how the UK labour market is facing mounting pressures as businesses grapple with rising costs, regulatory changes, and an increasingly challenging economic environment.

The evidence below highlights the importance of the government increasing Growth and Skills Levy flexibility:

- **For businesses operating in England, how do you think the funding raised through the Growth and Skills Levy (formerly the Apprenticeship Levy) should be allocated and spent?**

41.7% of respondents feel the Growth and Skills Levy should be allocated and spent through a ringfenced pot of funding that businesses can use to invest in a range of modular and accredited training.

- **Continued rigidity in the levy is stopping my organisation from being able to deliver training to address skills gaps.**

50.4% of respondents either 'strongly agreed' or 'agreed' with this statement.

- **The recent decision to defund level 7 apprenticeships from the Growth and Skills Levy for apprentices aged 22 and above means my organisation will offer fewer training opportunities at this level.**

49.3% of respondents either 'strongly agreed' or 'agreed' with this statement.

(CBI, 2025, *Employment Trends Survey*)

2

Using money raised through the Immigration Skills Charge to support skills delivery

Cost

This ask can be delivered at a nil cost to the exchequer²⁴.

Overview

The money raised through the Immigration Skills Charge should be allocated towards skills delivery. Since its introduction in 2017, over £1.5 billion has been raised through the Immigration Skills Charge, but there is limited evidence showing this funding is being used to

support businesses deliver more workforce training. Refocusing revenue, the government can help deliver on its promise to use the Immigration Skills Charge to incentivise business investment in training and reduce employers' needs for overseas workers.

Resulting Change

Businesses will be able to scale up their training offer for the domestic workforce because they will have more funding to deliver business-relevant training. Delivering this ask would help overcome some of the challenges businesses face with the Growth and Skills Levy, including the inability to use levy funding due to training needs misaligning with the scope of some apprenticeships.

Impact

This will help deliver productivity-led growth by unlocking much needed investment into skills and training.

Member Insights

Delivering skills funding - "There is a need to more effectively use Growth and Skills Levy and Immigration Skills Charge funding." (*Electronics member*)

Recruitment barrier - "Immigration policy and the Immigration Skills charge are acting as barriers to aviation recruitment." (*Trade Association member*)

Skills shortages - "There are critical skills shortages in the manufacturing sector – a review of the Immigration Skills Charge would help overcome some of these challenges." (*Trade Association member*)

Wider Evidence

CBI/Pertemps Employment Trends Survey 2025 – In September 2025, the latest CBI/Pertemps Employment Trends Survey was published, highlighting how the UK labour market is facing mounting pressures as businesses grapple with rising costs, regulatory changes, and an increasingly challenging economic environment.

The evidence below highlights the importance of the government putting Immigration Skills Charge funding to delivering training and skills outcomes:

- **What are your plans for investing in the training and development of staff over the next year relative to investment over the past twelve months?**

Only 12.6% of respondents expect a higher level of investment in the training and development of their staff, with the majority (53.7%) expecting investment to remain at the same level.

(CBI, 2025, Employment Trends Survey)

3 Expanding tax-free employee health support

Analysis	
Sub-Ask	Costings/Impact Analyses
Make Employee Assistance Programmes (EAPs) a fully tax-free benefit – currently some elements are taxable such as use by household family members, high-level HR/legal advice and digital self-help tools making it impractical for employers to determine tax treatment due to the confidential nature of services	Cost
	£12.5 million per year
	Impact Analyses
	GVA gain: £124 million per year FTE gain: 1,599 FTE equivalent ROI: 9.4 ROI ²⁵
Enable occupational health referral treatments to be fully tax free – currently there is a £500 annual cap per employee, and early interventions, i.e., before an employee meets the ‘unfit for work for 28 days’ condition, are taxable	Cost
	£79.7 million per year
	Impact Analyses
	GVA gain: £307 million per year FTE gain: 3,875 FTE equivalent ROI: 3.8 ²⁶
Remove tax for health and safety eye tests and glasses/contact lenses where employees buy these themselves and claim back on expenses from their employer	Cost
	£44.1 million per year ²⁷
Introduce a specific tax exemption for adult vaccinations and virus/disease testing to prepare people in work for any potential new virus strains and to take advantage of new vaccines combining flu, COVID and respiratory syncytial virus (RSV) protection that will become available in the near future	Cost
	Tax free employee flu vaccinations: £8.6 million per year ²⁸
Relax Cycle-to-Work scheme ‘qualifying journey’ condition to require a bicycle to be used ‘some of the time’ as opposed to ‘most of the time’ for commuting to work to boost physical activity in employees’ free time	Cost
	£5.5-13.7 million per year ²⁹

	Cost
Make employer-funded private GP consultations and diagnostic testing, and private medical insurance, including contributions to healthcare benefit trusts, a tax-free benefit where an employer offers these services to all employees generally under a group scheme and not under a salary sacrifice arrangement	£0.7-1.6 billion per year ³⁰
Expand Disability Discrimination Act tax exemption to include use of equipment recommended by an occupational health specialist to aid an employee's recovery	Unclear – there is lack of reliable data to accurately appraise the cost of these asks
Enable employers to provide as many health screenings and medical check-ups as is needed for each employee on a tax-free basis and include mental health risk and neurodiversity assessments – currently there is a tax-free cap of one assessment per employee per tax year which is not helpful to industries such as construction, agriculture and manufacturing where there are greater physical health risks	

Overview

The UK's tax system currently limits businesses from investing effectively in preventative health measures for employees. The measures above would not only reduce workforce attrition due to ill health but also deliver significant fiscal returns. With millions affected by long-term conditions, these changes would support both economic resilience and public health.

Resulting Change

Introducing tax incentives for occupational health would unlock a major shift in employer behaviour. Businesses are clear that, if barriers were removed, they would reinvest savings directly into workforce health provision and expand their overall budgets for employee wellbeing. This would lead to a step-change in the scale and scope of employer-led interventions, embedding preventative care across workplaces rather than relying solely on the NHS.

Crucially, this additional investment would not only improve employee health but also strengthen workforce resilience. Employers anticipate fewer staff permanently leaving the labour market due to ill health, helping to tackle economic inactivity and sustain participation in priority sectors.

Impact

In short, tax incentives would catalyse higher employer spending on health, reduce attrition, and deliver long-term productivity benefits for the economy.

Member Insights

Sickness absence pressures – “Sickness absence has risen to 6–7% daily, driven by mental health and short-term conditions. This cuts productivity and raises costs. The CBI’s tax incentives would support preventative action and improve planning.” (*Manufacturing business*)

Tax system discouraging health action – “The current tax system discourages employees from addressing their health, meaning they miss out on employer-provided preventative support. The CBI’s health proposals could make a real difference.” (*Multinational bank*)

Benefit-in-kind barriers – “Tax treatment of employee benefits reduces take-home pay and deters staff from taking up health support. The CBI’s proposed tax measures would incentivise uptake of employer-provided health interventions.” (*Global financial services firm*)

Preventative health growth pathway – “There is a major opportunity for economic growth in preventative health, alongside easing pressure on the NHS.” (*Consumer health business*)

Post-COVID sickness increases – “Sick leave remains above pre-pandemic levels. NHS delays fuel calls for better health plans. Tax breaks would help return staff to work faster via employer-funded providers.” (*Architectural practice*)

Wider Evidence

Health tax incentives impact – The CBI’s 2024 Employment Trends Survey asked businesses how they would change their behaviour if the government implemented the CBI’s health tax incentive proposals at the 2024 Autumn Budget:

1. 49% of businesses would reinvest the employers’ National Insurance savings within their current budgets into further direct spending on employee health support.
2. A further 26% of businesses would increase their budget plans overall for greater spending on employee health support on top of any tax savings, broken down as follows:
 - a. 14% by an additional 1-10%
 - b. 7% by an additional 11-30%

- c. 5% by more than 30%
- 3. This means that direct spending on employee health support would increase overall for 75% of businesses.
- 4. Out of the businesses whose employee health spending would increase overall, 58% of these businesses would expect the number of employees permanently leaving their workforces due to ill health to decrease, broken down as follows:
 - a. 37% by 1-10%
 - b. 16% by 11-30%
 - c. 5% by more than 30%

(CBI, 2024, Employment Trends Survey)

SCALING TECHNOLOGY VIA COORDINATION, RESEARCH & INNOVATION

The development and adoption of innovation and technology is among the most powerful enablers of productivity growth. Whether it is artificial intelligence that enhances efficiency across sectors, automation that raises output in manufacturing, or green technologies that reduce energy use, the availability and use of new technology at scale underpins competitiveness, resilience, and long-term investment. Yet UK firms continue to lag their international peers in adoption of new technologies, with only 18% having adopted AI technologies³¹. The benefits of further tech adoption are clear, with the UK's Modern Industrial Strategy outlining how increases in adoption could lift UK GDP by up to 8% by 2035, with AI adoption alone accounting for 3%³². Unlocking this potential requires a coordinated approach – ensuring that businesses have the incentives, infrastructure, and market environment to develop and scale transformative technologies in the UK and embed innovation across the economy.

The CBI and our members have welcomed the positive progress the government has made in supporting both the discovery of new technologies and deployment of these in the wider economy. The government was right to prioritise the importance of public R&D spending through the Spending Review, with the £86 billion announced to help leverage private sector R&D spend and drive innovation. With the funding envelope agreed, the government must now use this funding in the most impactful way – protecting foundational research and innovation funding budgets; growing public innovation funding (focusing on support for later stage innovation [TRL 6+] and end-to-end programme funding); and allocating further ten-year budgets to key organisations supporting business innovation.

Alongside the continued commitment to public R&D investment, the government should be commended for the first steps taken to help drive technology adoption across the economy. The Made Smarter programme has successfully driven technology across the manufacturing

sector in the North West, and it is encouraging to see the steps the government has taken to expand this programme's reach through a dedicated Made Smarter scheme for the Professional and Business Services sector.

With foundations laid, the government should now go further to overcome the key challenges that are continuing to prevent businesses – both large and small – scale and adopt the technologies that will be central to driving much needed productivity improvements.

The UK's current R&D tax credit regime supports day-to-day expenditure but excludes capital investment, leaving the significant upfront costs of building, equipping, and expanding R&D facilities outside its scope. This limitation is a major barrier to anchoring research activity in the UK, as businesses are more likely to offshore projects to countries with more competitive tax treatment of capital, such as France and Ireland, which both allow depreciation of capital assets within their R&D regimes. Linked to facilitating innovative infrastructure investment, the government must continue working with the life sciences sector to address the current challenges around VPAG. Significant investments in growth-fuelling life sciences infrastructure have already been cancelled, in part due to unsustainable and volatile rebate rates associated with the VPAG framework. More must be done to address current challenges and restore the life sciences sector's international competitiveness. Without reform, the UK risks losing out on high-quality jobs, productivity gains, and the spillover benefits of hosting world-class research facilities.

On the demand side, more must be done to accelerate the diffusion of technology across all sectors of the economy. Our members consistently highlight how fragmented initiatives, a lack of support or incentives, and skills shortages are barriers to technology adoption. The government's Technology Adoption Review provides a start, but further clarity is needed on the actionable interventions that will be taken to drive meaningful change. The absence of a strategic technology adoption plan leaves businesses, and SMEs in particular, without clear signposting or support to embed new technologies.

Another key lever for accelerating the scale up of technologies in the UK is public procurement. The government spends over £300 billion on procurement annually, yet our members are clear that current processes do not encourage innovation. Risk aversion, rigid contract terms, and lengthy, complex processes too often block innovative approaches, the development of new technologies to tackle public sector challenges, and lock out innovative SMEs. This not only results in missed opportunities to improve public services, but also for government to act as an anchor customer and pull innovation through from lab to market in the UK. Milestone-based models, such as Innovate UK's Contracts for Innovation, have demonstrated returns of 1.5-4 times the programme costs, supporting commercialisation ambitions³³. Without reform, innovative firms will continue to face barriers to entering government supply chains, and therefore scaling innovation in the UK.

The Government can overcome these challenges and scale technology by:

1	Expanding R&D tax credits to include capital spending
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Cost
£786 million per annum ³⁴ .

Overview

Businesses should be able to claim R&D tax credits for capital expenditure which are intended for use for qualifying R&D. The CBI has been calling for the government to review its approach to the scope of R&D to better support those building facilities in the UK since 2017 and has explicitly called for capital spending to be included for the last six years. It has the support of many of the most innovative businesses in the UK, across key sectors from the industrial strategy, including life sciences, advanced manufacturing, clean energy industries, digital and technologies, and defence.

Resulting Change

Expanding the R&D tax credit to include capital expenditure would create an R&D tax incentive regime that is more effective at impacting marginal R&D investment decisions. It would also help to increase the commercial viability of investing in capital for R&D purposes³⁵. Importantly, this change would bring the UK in line with international competitors – it would make the UK more competitive when compared to other jurisdictions, including France and Ireland, which both allow claims for depreciation of capital assets in their R&D tax credit regimes³⁶.

Impact

Expanding R&D tax credits to cover capital expenditure would anchor innovation investment in the UK, making it more commercially viable to invest in facilities and machinery. It would boost productivity and growth, particularly in manufacturing and advanced sectors. The reform addresses weaknesses in current capital allowances, offering immediate cash benefits to loss-making firms and enhancing the visibility of tax incentives in investment decisions, strengthening the UK's innovation and competitiveness.

Member Insights

Access to finance challenges – “Challenges around access to finance are leading to many firms looking beyond the UK – recent reforms to R&D tax credit administration have not eased issues completely.” (*Automotive Trade Association member*).

Boosting international competitiveness – “There have been significant benefits attached to the theatre tax relief delivered at enhanced rates, helping contribute positively to the

competitiveness of the UK's creative industries compared to the USA." (*Creative Industries Trade Association member*).

R&D tax credits administration – “There continue to remain challenges around the administration of R&D tax credits, and there needs to be improved stability and simplification.” (*Technology company*).

Wider Evidence

Innovation investment benefits – In a 2023 CBI survey, 19% of firms said including capital into R&D tax credits would have the greatest impact on their innovation investment in the UK, increasing to 30% among manufacturers. Firms would raise capital investment on average by £2.2m/year by 2032. (*CBI, 2023*).

Increase in R&D spending – Reducing the effective cost of R&D by only 10% leads to a 17-26% increase in actual R&D spending. (*HMRC, 2020, Evaluation of R&D Tax Relief (SME Scheme)*, Link: [R&D Tax Relief for SMEs Evaluation](#))

Stimulus impacts – Tax reliefs also have strong stimulus effects themselves, too: HMRC's evaluation of the Large Company R&D Credit scheme found that each £1 of tax relief stimulated £2.40–£2.70 of additional R&D spend (*HMRC, 2020, Evaluation of RDEC (Large Company R&D Credit)*, Link: [Evaluation of the research and development expenditure credit - GOV.UK](#))

2

Leading the development of a national technology adoption plan and deliver technology adoption support for all sectors of the economy

Cost

Delivering technology adoption support for all sectors of the economy (modelled on the Made Smarter programme) – £322 million per annum³⁷

Overview

The UK continues to underperform on productivity and technology adoption due to persistent barriers around skills, infrastructure, and finance, and fragmented government support initiatives. Overcoming this challenge, the government must:

- Publish a National Technology Adoption Plan owned by DSIT.
- Launch sector-specific technology adoption support programmes across the economy, modelled on Made Smarter's successful approach and through delivery of the regional AI Adoption Hubs.

A coordinated National Technology Adoption Plan – anchored in DSIT, with clear ownership, tailored sectoral support, and alignment with public investment – will support and encourage businesses to invest in innovation with confidence, driving growth and productivity.

Resulting Change

A coordinated National Technology Adoption Plan will provide businesses with greater clarity and confidence to invest in technology, knowing what support is available for their sector and understanding how this aligns with other initiatives. SMEs in particular will find it easier to navigate the support landscape, reducing barriers and accelerating uptake of productivity-enhancing tools. With improved access to skills, infrastructure, and finance, firms will face lower costs and risks in adopting new technologies. Sector-specific support will further ensure businesses adopt the right solutions for growth, enabling them to scale, innovate, and compete more effectively in global markets.

Impact

Increased business adoption of technology will drive productivity growth across the economy, helping close the UK's gap with international peers. SMEs will become more competitive, improving performance, innovation, and export potential. Scaling this approach across sectors would inject substantial GVA and job creation into the economy. Public sector transformation, when strategically aligned, will reinforce private sector adoption, delivering spillover benefits and supporting government missions on net zero, skills, and global competitiveness.

Member Insights

Private and public sector alignment – “There is value in aligning public sector digitisation with private adoption. A plan could formalise collaboration on innovation, skills, and best practice sharing.” (*CBI Technology Adoption Working Group, 2025*).

Best practice – “Experiences with Made Smarter and Help to Grow show that elements like peer mentoring, pre-engagement readiness, and flexible programme design are vital. A plan will ensure lessons are carried forward into future adoption initiatives.” (*CBI Tech Adoption Roundtable, 2024*).

Demonstrating real use cases – “Businesses want practical examples through adoption hubs and demonstrations. A plan can institutionalise these showcases, supporting confidence and uptake.” (*CBI Technology Working Group, 2025*).

Real time monitoring and analytics – “By introducing real-time monitoring and analytics a cleaning product manufacturer was able to make data-driven decisions and increase productivity by 20%, make processes 25% more efficient, reduce energy consumption by 10% per ton of product and reduce waste by up to 20.” (*Made Smarter, Organica UK Ltd – Awash with the benefits of digitalisation*).

Delivering expert advice and financial support – “A playground equipment manufacturer was looking to develop a fully digital factory to increase productivity in a competitive sector.

A combination of specialist digital advice and grant funding from Made Smarter helped them identify and deliver two critical digitisation projects integrating ‘smart’ machinery. The cutting-edge machinery reduced production time by 20%, and additional productivity gains were delivered through the data collected being used to improve proactive maintenance, reducing the downtime of their machines. This increase in productivity is supporting the company achieve its ambitions to increase exports from £1.7m to £3m over 3 years.”
(*Manufacturing member*).

Wider Evidence

Made Smarter impact in the North West – The Made Smarter programme has been a significant success in the North West. Since its launch in 2018, Made Smarter has supported more than 300 manufacturers across the region with £6.4 million of government funding and leveraging £22.4 million of investment by the companies involved. This is forecast to inject up to £242m in GVA to the region, create over 1,550 jobs and upskill nearly 2,800 roles. 84% of SMEs working with Made Smarter have seen a boost in productivity, 25% have seen an increase in exports and 25% have increased their ability to reduce carbon emissions.
(*The Growth Company*)

Made Smarter impact in the manufacturing sector – Through the programme’s Initial launch in the manufacturing sector, Made Smarter has delivered £8 for every £1 of government investment. (*Made Smarter, 2023*)

The UK’s Productivity challenge – Analysis conducted by McKinsey & Co shows that the UK has around 1.4 million SMEs who make up 45% of UK GDP and 60% of the country’s workforce, however, GDP per hour worked in these businesses is 17% lower than in the USA. (*McKinsey & Co, 2021*)

Size of the prize – Research shows that digital adoption could add £520 billion to the UK economy by 2030 and be a driver of productivity growth with a potential of 1.5% uplift in productivity across sectors from automation of tasks. If an additional 25% of small enterprises adopt readily available technologies this could create an additional £45bn in GVA in 2030. (*Amazon, 2024; CBI Seize the Moment, 2021*)

Knock-on effects of technology adoption – Government can spur adoption through digitising public services, with research finding that 90% of SMEs who adopted e-invoicing went on to adopt further technologies. (*Sage, 2024*)

3	Using government procurement as a strategic lever to scale innovation by embedding Contracts for Innovation across departments and rapidly expanding the Commercial Innovation Hub trials where successful.
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Cost
Unclear – dependent on cost attached to Commercial Innovation Hub trials

Overview

Public procurement, worth over £300 billion annually, should be one of the UK's strongest levers for innovation. Recent commitments – such as a 10% innovation target in Defence and signals for the eight Industrial Strategy growth sectors – are welcome, but too limited in scope. Current practice remains constrained by risk aversion, fragmented processes, and a bias toward established solutions, preventing government from acting as the anchor customer that can pull innovation through to market.

The government can overcome these challenges by:

- Rapidly scaling successful approaches from the Commercial Innovation Hub trials and integrating them into public procurement practice to pull innovation through to market.
- Expanding the use of milestone-based and outcomes-focused procurement practices, like Contracts for Innovation, across all government departments, and set departmental targets for innovation procurement throughout the economy.

Resulting Change

More innovation-friendly government procurement will enable businesses, particularly startups and high-growth firms, to engage with public contracts as a route to the commercialisation of innovation. Improved procurement processes, characterised by reduced risk aversion and informed by the Commercial Innovation Hub trials, will accelerate the pull-through of innovation into delivery.

Impact

Businesses will invest more in R&D and product development in the UK, knowing there is a viable pathway from research through to scalable deployment here. Startups and early-stage innovators will be incentivised to participate in government challenges, driving greater diversity and dynamism in the innovation ecosystem as well as delivering improved solutions to government challenges. This will drive economic growth, support high-value job creation, and position the UK as a leader in scaling innovative solutions.

Member Insights

Procurement rigidity – “Application process demanded detailed risk-management data but gave no opportunity to showcase why the solution was superior.” (*SME member*)

Relying on mature markets – “Successful trial provided a novel technology but procurement teams refused to adopt it until competitors entered the market for retendering. This stalled innovation pull-through.” (*CBI, Procurement of Innovation roundtable, 2024*)

AI's short return on investment periods – “AI's short return on investment periods magnify the cost of procurement delays. Resistance to change directly translates into forgone economic service and delivery benefits.” (CBI, *Procurement of Innovation roundtable, 2024*)

Wider Evidence

Scaleup challenges – Whilst SMEs account for 20% of government procurement spending, scale ups only account for 1%. (CBI, 2023, *The UK and regional economic contributions of decacorns*, Link: [230627_cbi_economics_decacorns_findings.pdf](#)).

Risk aversion – Overly cautious approaches extend timelines and increase compliance burdens. With fast-developing technologies like AI, delays from risk-averse procurement mean missed opportunities and higher opportunity costs. (CBI, *Procurement of Innovation roundtable, 2024*).

Contracts for Innovation returns – Innovate UK's Cfi model uses milestone-based funding, delivering 1.5–4 times the benefits of running costs and helping firms transition from pre-commercial to commercial stages. (UKRI, 2022, *An Evaluation of the Small Business Initiative*, Link: [An Evaluation of the Small Business Research Initiative](#)).

BOOSTING COMPETITIVENESS VIA CERTAINTY, TRADE AND REFORM

Addressing the UK's disproportionately high energy costs is a critical challenge that the government must continue to address, as high energy costs are no longer a temporary burden on UK businesses but a structural threat to UK competitiveness and economic growth. Earlier this year, the CBI surveyed 625 businesses to understand the magnitude of the energy costs challenges faced, with the results stark. 88% of firms have seen their energy bills rise compared to before the energy price shock and, to absorb these increases, firms are cutting back on future facing investments: 45% of those surveyed have reduced spending on workforce and training, whilst 42% have scaled back investment in plant and machinery³⁸. Boosting the UK's competitiveness starts with addressing the UK's disproportionately high energy costs.

Supporting more businesses to export is also an important avenue the government must explore to support productivity growth. Firms that export goods or services are, on average, 58.4% more productive than those that do not, with productivity continuing to rise year-on-year as exporting businesses embed deeper investment in capital and technology³⁹. This productivity premium extends across the wider economy too, with complex links between trade, investment, and competitiveness evident at sectoral and national levels. At a time when the UK faces a persistent productivity gap with international peers, positioning more firms to compete on the global stage is essential for driving innovation, scaling businesses, and

securing long-term growth. Linked to the UK's international competitiveness is the need to support a vibrant, deep, and efficient market for publicly listed equities. This allows companies to raise capital to fund growth and re-structure their ownership; helps retail and institutional investors to participate directly in corporate wealth creation; and provides transparency, accountability, and high standards of governance for some of our largest enterprises.

Despite remaining challenges, the government has taken welcome steps to boost the UK's competitiveness. The UK's Modern Industrial Strategy outlined welcome steps the government is taking – through the British Industrial Competitiveness Scheme and British Industry Supercharger – to address the disproportionately high energy costs, whilst the landmark Trade Strategy has set out a confident outward vision for the UK, complemented by deepening diplomatic and strategic partnerships across advanced and emerging markets. Likewise, the Financial Services Growth and Competitiveness Strategy's reforms to capital markets are helping consolidate the UK's reputation as the premier global exchange for growth capital.

Now, the government must go further, using every lever to cut complexity and costs to boost competitiveness, unlock greater investment, and realise the UK's growth potential.

Whilst welcome, the British Industrial Competitiveness Scheme and British Industry Supercharger are narrow in their focus and are not addressing disproportionately high energy costs now. Our members continue to struggle with disproportionately high energy costs which are deterring them from investing in the electrification technologies and processes essential for decarbonisation. The closure of the Industrial Energy Transformation Fund has left a critical funding gap, particularly for firms not covered by existing schemes, leaving fossil fuel systems as the more cost-effective option despite their environmental impact. Without targeted support, high operating costs risk undermining progress on net zero, weakening competitiveness against EU counterparts, and stalling investment in clean technology adoption.

Meanwhile, UK exporters continue to face barriers that undermine their ability to compete globally. Many firms still report a lack of information, high administration costs, and difficulty navigating regulatory requirements as key obstacles to exporting, with SMEs disproportionately affected⁴⁰. International evidence reinforces these challenges. The OECD finds that while the UK has significant potential in digital trade, realising this depends on faster adoption of electronic trade documents. Uptake currently remains uneven, leaving firms at a disadvantage compared to their competitors with fully modernised systems⁴¹. Customs digitisation is another critical area where progress is required. Industry research highlights that more than four-fifths of traders still experience delays at the border with smaller exporters most affected by the complexity of procedures⁴². Similarly, the ICC's roadmap to digitalise UK trade warns that reliance on paper-based systems and fragmented infrastructure continues to add time and cost relative to international peers⁴³.

The UK's public markets are also facing persistent challenges to competitiveness. IPO activity has slowed, with more companies delisting than joining the London Stock Exchange (LSE),

often through public-to-private deals at valuation premiums. This reflects perceptions that UK markets undervalue firms compared with private equity, which offers more flexible structures and long-term horizons. Capital has also flowed out of UK equities. Domestic pension and insurance funds, once major investors, have reduced their holdings from nearly half in 1997 to just 4.2% in 2022, limiting liquidity and patient capital for growth. Investor behaviour further constrains competitiveness, with UK markets displaying a strong preference for dividends and buybacks over reinvestment. At the same time, many high-growth UK firms, particularly in tech, opt to list or scale overseas, reducing the UK's ability to capture the benefits of its innovation ecosystem. These factors risk deterring listings and weakening the UK's global market position⁴⁴.

The Government can overcome these challenges and boost competitiveness by:

1	Driving business adoption of electrification technologies through a targeted discount scheme that enables electrification of processes
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Cost
Unclear

Overview

High energy and operating costs continue to deter businesses from investing in electrification technologies essential for decarbonisation. The closure of the Industrial Energy Transformation Fund has left a critical funding gap, particularly for firms not eligible for the British Industrial Competitiveness Scheme. To accelerate technology adoption and support emissions reduction, a targeted discount scheme that enables electrification of processes is urgently needed to support these businesses in overcoming financial barriers to electrification. The government should work with industry to develop this discount scheme, including exploring how the scheme could be applied to those already investing in electrification technologies and processes, to support the direct deployment of electrification technologies in manufacturing and non-domestic settings.

Resulting Change

Introducing a targeted discount on electricity costs would make electrifying industrial heating and non-domestic space heating financially viable. In the absence of such support, fossil fuel-based systems remain the more cost-effective default, undermining progress toward decarbonisation.

Impact

To support the transition to a low-carbon economy, businesses will be enabled to reduce their exposure to volatile gas prices by shifting towards electrified processes. Such a comprehensive scheme would also deliver benefits across all sectors, not only those currently

covered by BICS. By reducing the payback period for clean heat technologies, such a scheme would also accelerate their uptake, instil confidence across supply chains, and help grow a robust and competitive market for low-carbon solutions.

Member Insights

Lack of funding available for manufacturing – “There is no support for manufacturing to catalyse investment into low carbon technology, even if there is willingness, costs remain high, the Industry Energy Transformation Fund was crucial. This needs to be reinvigorated.”
(International paper manufacturer)

Impact on investment planning – “Lack of a successor to the Industrial Energy Transformation Fund risks undermining confidence in the UK’s industrial decarbonisation targets at a time when there are severe cost pressures and competitiveness concerns, particularly with EU counterparts” *(Manufacturing Trade Association)*

Wider Evidence

Driving emissions reduction – 11% of the emissions reduction by 2040 comes from industry. The largest share of emissions reduction comes from electrification of industrial heat processes *(Committee on Climate Change 7th Carbon Budget Pathway Report, February 2025)*

Securing competitiveness of key sectors – 104 projects in the Innovation Funds’ portfolio by the end of 2023 were expected to avoid 442 million tonnes of CO2 during their first decade of operations, contributing to the goals of reducing GHG emissions set out in the European Climate Law. *(Innovation Fund progress report 2023 – Report from the Commission to the European Parliament)*

Accelerating technology deployment – The government assessed that further support to overcome persisting investment barriers will help industry make faster progress towards net zero and energy demand reduction targets. *(Future of the Industrial Energy Transformation Fund, DESNZ, November 2023)*

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Backing businesses by reducing risks attached to engaging in international trade

Cost

Unclear – the government does not publish detail on how much funding is put to supporting businesses engage with international trade. This information is needed to develop costings for the asks below. We are engaging relevant departments to understand how our asks could be delivered within DBT’s funding envelope announced at the Spending Review in June.

Overview

UK businesses face barriers in accessing global opportunities due to underfunded trade promotion efforts and outdated, fragmented trade processes. While trade missions and delegations can unlock new markets, build relationships, and drive export growth, current funding is insufficient to meet demand in a complex geopolitical environment. At the same time, despite progress with the Electronic Trade Documents Act 2023, delays in delivering the Single Trade Window and wider digitisation of border processes are limiting the benefits of modern trade systems. Without investment in digital customs infrastructure and sustained support for trade promotion, businesses will face higher costs, administrative delays, and lost competitiveness in the global marketplace.

Overcoming these challenges, the government should:

- Increase funding for DBT trade missions and delegations.
- Invest in digital customs infrastructure to reduce delays and increase uptake of electronic trade documents.
- Continue to digitalise border processes and integrate with the Single Trade Window.
- Introduce export relief for decarbonised products under CBAM.

Resulting Change

Expanding high-quality trade missions and tailored export support will incentivise more businesses to explore international markets, giving new exporters the confidence to enter and established exporters the tools to diversify. Greater institutional backing, market insight, and visible support pathways will reduce risk and strengthen engagement with complex markets. At the same time, enhanced digital trade infrastructure – including electronic documentation and streamlined customs systems – will encourage wider business adoption of digital tools, especially among SMEs. This will simplify compliance, reduce delays and errors, and lower the fixed costs of exporting. Together, these changes will make cross-border trade more accessible, predictable, and attractive, encouraging greater business participation and investment in international growth.

Impact

Expanding trade missions and export support will broaden the UK's export base, boosting resilience, increasing earnings, and attracting inward investment. Evidence shows trade missions significantly raise exports and deliver measurable gains in turnover, productivity, and job creation, supporting regional growth. At the same time, widespread adoption of digital customs processes and full implementation of the Single Trade Window will cut trade costs, reduce border delays, and improve compliance. Together, these reforms will strengthen

competitiveness, stimulate long-term growth, and position the UK as a leading global trading hub.

Member Insights

Backing the role of digital trade – “It is welcome to see the UK recognise the role of digital trade and the government should continue to work with industry to promote trade digitalisation, including through international collaboration and a focus on interoperability.” *(Chemical sector member)*

The importance of digital trade documents – “Digital trade documents are critical as part of the Electronic Trade Act. The government should explore developing a UK-France Digital Corridor on the back of this act.” *(Financial Services member)*

Trade mission funding – “There needs to be an increase in funding for trade missions, delegations, and major international events to promote regional investment. The Ox-Cam Growth Corridor is an example of a region that needs promoting.” *(Pharmaceutical member)*

The need for SME and Microbusiness support – “SMEs and microbusinesses often struggle with funding for overseas trips and are concerned by potential risks. Such risks could be mitigated by connecting them with experts and government funding.” *(Trade Association member)*

Wider Evidence

Higher productivity – Exporting firms are on average 20–40% more productive than non-exporters. UK goods exporters between 2005–2016 were 21% more productive, even after controlling for size, age, and ownership. *(Department for Business and Trade, The relationship between trade and productivity: a feasibility study, Link: [the-relationship-between-trade-and-productivity-a-feasibility-study \(1\).pdf](#))*

Spillover effects – Export activity boosts not only exporters’ productivity but also nearby firms through labour mobility, imitation, and knowledge transfer. In some industries, spillover effects are nearly as strong as direct exporter gains. *(Malikov and Zhang, 2023, Detecting Learning by Exporting and from Exporters, Link: [2302.13427v1.pdf](#))*

Causal productivity gains – Beyond self-selection, exporting drives measurable improvements. UK firms show an 11.8% increase in labour productivity in the first year after their first goods export, with the effect strongest among larger exporters. *(ONS, Trade and productivity in British firms: 2005 to 2022, Link: [Trade and productivity in British firms 2005 to 2022 \(2\) \(1\).pdf](#))*

Cost

£3 billion – the annual revenue raised from SDS and SDRT

Overview

The UK's public equity markets are at a critical juncture. Despite being the world's second-largest market by many measures, the London Stock Exchange (LSE) faces sustained declines in IPO volumes, net equity outflows, and reduced liquidity. UK-specific challenges – including domestic institutional investors allocating away from UK equities, a steady decline in listed companies due to public-to-private transactions, investor preference for dividends over growth reinvestment, and scale-ups seeking listings abroad – have compounded global shifts towards private equity, passive investment strategies, and US market dominance. These trends risk diminishing the role of UK public markets in financing growth, attracting global capital, and supporting innovation. Without bold reforms, the UK risks further erosion of competitiveness, reduced capital availability for businesses, and missed opportunities to strengthen its position as a global financial hub.

Revitalising UK public markets, the government should:

- Increase the liquidity of the London market by encouraging defined contribution pension fund investment in UK equities. This can be achieved by:
 - The Pensions Regulator having to require disclosure of asset allocation to the UK. Steps have already been suggested by the FCA within their value for money consultation. There may be opportunities to support the swift implementation of these measures so that they can assist with policy making.
 - The government, following on from the Pensions Investment Review, consulting on options to increase DC pensions investment in UK public equities, whilst recognising the fiduciary duties of trustees to act in the best interests of members.
- Remove fiscal disincentives for domestic investors to invest in the UK. This can be achieved by:
 - HMT removing SDS and SDRT to ensure our tax system supports, rather than hinders, retail investors. An interim measure while working towards full removal could include a targeted removal of SDRT on share transfers into, within, and out of ISAs as part of efforts to increase retail participation, which would be relatively low cost.

- Shift the risk appetite of UK investors to focus more on investment for capital growth rather than dividends and share buy-backs. This can be achieved by:
 - HMT or DBT launching an exploratory consultation on options to increase reinvestment by UK corporates, considering both dividend preference and share buy-backs. This could be linked to the later recommended review on PIPEs, which give an opportunity for wide market engagement on capital efficiency.

- Make public capital more competitive. This can be achieved by:
 - The government, on the condition of sufficient market interest and in collaboration with the FCA, conducting a targeted review to identify regulatory barriers to PIPEs, assessing whether targeted policy reforms could remove unnecessary barriers to PIPE transactions, while continuing to protect shareholders. This could be conducted in conjunction with the proposed review into corporate reinvestment. As no prospectus is required on a PIPE where the PIPE Issue is less than the admission prospectus threshold and is made to institutional investors, it is helpful that reforms envisage that the admission prospectus threshold will increase in 2026 (up from 20% of issued share capital) and will exempt offers to existing shareholders.

Resulting Change

A more competitive and liquid market will encourage businesses to consider IPOs in the UK rather than overseas, with greater confidence that valuations and capital raising will meet their growth needs. Reforms will reduce the relative attractiveness of private equity, supporting a stronger pipeline of innovative firms choosing public markets as a growth route. By incentivising reinvestment and long-term capital allocation, firms will be more likely to fund R&D, productivity improvements, and scale-up strategies. At the same time, retail and institutional investors will be better positioned to participate in UK growth opportunities, increasing engagement in equity market.

Impact

Revitalising UK public markets will increase the flow of capital into productive investment, boosting innovation, job creation, and productivity growth. A stronger IPO pipeline will allow more high-growth firms to scale domestically, anchoring economic value and tax revenues in the UK. By attracting global listings and investment, the UK can enhance its position as a leading international financial centre, strengthen economic resilience, and increase its share of global capital market activity. Ultimately, deeper, more vibrant public markets will support sustainable long-term growth and maintain the UK's global competitiveness.

Member Insights

The [CBI's 'Revitalising UK public markets: A roadmap for reforms to listed equity markets'](#) published in July 2025 was developed in partnership with Chairs and C-suite representatives from over 30 companies, including 22 FTSE 100 firms. Key insights gleaned from the report include:

The need for a new market narrative – Members stressed the importance of shifting away from a narrative of decline toward one of potential and opportunity. The UK's comparative advantages – global investor base, trusted regulatory/legal system, and proven innovation ecosystem – should be actively promoted.

Reducing regulatory burdens – Listed companies highlighted that reporting requirements (financial, governance, sustainability) have grown in weight compared to private equity-owned firms. Members are calling for simplification, proportionately, and international alignment, warning that regulatory divergence risks discouraging listings.

Rebalancing stewardship – With over half of global equity assets now in passive funds, members raised concerns about the impact of corporate governance and stewardship. They support measures to promote collaborative engagement between companies, investors, and proxy advisors to avoid a “tick-box” culture.

Wider Evidence

Boost to national investment and innovation – Revitalising UK public markets would strengthen a core driver of the economy. The 100 largest listed UK companies already generate £93 billion in tax revenues (10% of the tax take), contribute £29 billion in capital investment (11.5% of business investment), and spend £11 billion on R&D annually. Deepening and widening the pool of listed firms would expand these contributions, helping fund growth, productivity improvements, and innovation.

Improved capital raising and competitiveness – A more attractive London Stock Exchange would counter recent trends of declining IPOs, net equity outflows, and reduced liquidity. Revitalisation measures – such as making IPO costs tax-deductible and reducing fiscal disincentives – would increase the net proceeds available for reinvestment and growth, making UK public capital more competitive with private equity and overseas exchanges.

Rebalancing investment behaviour and stewardship – Current investor patterns favour dividends over growth reinvestment, with FTSE 100 firms paying out 56% of net income as dividends vs. 34% for S&P 500 firms. By shifting incentives, revitalising public markets could redirect capital toward long-term reinvestment and scaling innovative firms, while reforms to stewardship could better balance active and passive investors' roles in governance and capital allocation.

(CBI, 2025, Revitalising Public Markets, Link: [cbi-revitalising-uk-public-markets.pdf](#))

References / Methodologies

- ¹ UK Finance. 2024. 2024 Total Tax Contribution of the UK banking sector. Link: [UK Finance 2024 Total Tax Contribution report.pdf](#)
- ² Universities UK. 2025. The financial impact of government policy decisions on universities. Link: [The financial impact of government policy decisions on universities](#)
- ³ PwC. 2025. Transforming infrastructure investment: A private finance perspective. Link: [Transforming infrastructure investment: A private finance perspective](#)
- ⁴ HBF. 2025. Planning on Empty. Link: [Planning on empty report - updated Feb 2025.pdf](#)
- ⁵ UNISON. 2025. Planning for Change: Why the UK must invest in council staff. Link: [UNISON-planning-for-change-2025.pdf](#)
- ⁶ Future Governance Forum. 2024. Rebuilding the Nation: Infrastructure Investment Partnerships. Link: [Rebuilding-the-Nation-03-Infrastructure-Investment-Partnerships.pdf](#)
- ⁷ National Audit Office. 2025. Lessons learned: private finance for infrastructure, Link: [Lessons learned: private finance for infrastructure](#)
- ⁸ Hiring 600 more planners would incur a fiscal cost to the exchequer through the associated employment costs. The HMRC has previously estimated the cost of hiring 300 planners and we used these costings to estimate what the current impact to the Exchequer would be.
- ⁹ The CBI is pushing for investment for Local Planning Authorities to recruit an additional 600 planning officers in the Autumn Budget. When coupled with the 300 announced at the Autumn Budget last year (2024), this would provide 900 new planning officers across the country, roughly 3 per Local Planning Authority (LPA). There is evidence the 300 previously announced does not go far enough. For example, [research undertaken by Unison](#), using FOI data from LPAs, recently found a shortfall of 884 planners. Moreover, MHCLG's own [local authority planning and capacity skills survey 2023](#) demonstrates significant constraints with 97% of LPAs surveyed reporting planning skills gaps. The CBI therefore are recommending a total package of 900 new planners to make up the shortfall found by Unison. The investment of 600 planners would cost £69 million according to CBI analysis, supporting the delivery of the Government's planning reforms, which the [OBR estimated](#) as being worth £6.8 billion to the economy by 2030.
- ¹⁰ UK Infrastructure: A Ten-Year Strategy presents the government's current position on public-private partnership models – they will consider PPPs for projects and sectors where there is a revenue stream and appropriate risk transfer can be achieved, and value for money for taxpayers can be secured (for example, for financing the development of Euston station). They are also exploring the feasibility of new PPP models for tax-payer projects (for example in decarbonising the public sector estate and in certain types of primary care and community health infrastructure).
- ¹¹ The cost to the Exchequer is borne out from foregone corporation tax as a result of the relief. The analysis uses Finance and Leasing Association (FLA) data on the value of leasing and types of leasing in July 2025. This is then adjusted for private business investment growth data to derive the 2026 figures. The range provided is due to data limitations on type of assets that would not be included within the scope of the relief. The lower limit excludes all leasing of vehicles while the upper limit includes it.
- ¹² Department for Education. 2024. Skills England: Driving growth and widening opportunities. Link: [Skills England: driving growth and widening opportunities](#)
- ¹³ Department for Work and Pensions and Department for Business and Trade. 2025. Keep Britain Working Review: Discovery. Link: [Keep Britain Working Review: Discovery - GOV.UK](#)
- ¹⁴ FE News. 2022. DfE forced to finally reveal true amount of apprenticeship funding returned to Treasury. Link: [DfE forced to reveal true amount of apprenticeship funding returned to Treasury](#)
- ¹⁵ CBI. 2025. Employment Trends Survey.
- ¹⁶ Learning and Work Institute. 2022. Raising the Bar: increasing employer investment in skills. Link: [Raising-the-bar-Increasing-employer-investment-in-skills.pdf](#)
- ¹⁷ Department for Work and Pensions and Department for Business and Trade. 2025. Keep Britain Working Review: Discovery. Link: [Keep Britain Working Review: Discovery - GOV.UK](#)
- ¹⁸ CBI. 2024. Employment Trends Survey.
- ¹⁹ Universities UK. 2025. The financial impact of government policy decisions on universities. Link: [The financial impact of government policy decisions on universities](#)

²⁰ While hypothetically there could be a cost associated (the difference between the Levy income and the budget allocated to DfE and devolved nations) in practice that difference is not a cost as it is not considered an Exchequer revenue stream. Currently, the difference stands at £623 million, expected to increase by £200 million next year.

²¹ Overall, GVA would potentially increase from £905 million in 2026/27 to £1.3 billion by 2029/30. Committing 100% of the Growth & Skills levy take to be spent on skills and training would incur an uptake in apprentices. As apprentices are productive and create value, this will also result in a future increase in GVA. This analysis encapsulates the net overall effect of this GVA rise and the gain to the Exchequer through extra tax income, compared to the forecasted "cost" of the policy. Input data for this modelling, regarding wage, productivity, cost and gain to the Exchequer, was sourced from ONS and research papers conducted by think tanks.

²² The Exchequer gain per apprentice was estimated based on the wage of apprentices and a wage-Exchequer gain ratio. The ratio was calculated from the net present value of apprenticeships for an apprentice and for the Exchequer, provided by the [Department for Business Innovation and Skills' research paper](#). We use the Level 3 ratios' average in our model and assume it correctly depicts the general wage-Exchequer gain ratio.

²³ We estimated the average cost per apprentice based on [St Martin's Group's report on the cost of apprentices](#). The report provides an estimate for wages, training costs, additional costs, and subsidies. As the costs referred to 2020/21, we used the OBR's latest inflation forecast to estimate the figures for 2026/27. Then, we divided the difference between the Levy income and the current allocated budget with the cost per apprenticeship to gain the number of new apprentices.

²⁴ This would involve a reallocation of resources, not an extra cost to the Exchequer. It's not clear how revenue raised from the Immigration Skills Charge is spent currently. The ask would help provide greater transparency on how the charge is spent.

²⁵ Extending tax relief and exemptions to all Employee Assistance Programmes (EAP) would incur a fiscal cost to the exchequer through forgone Income Tax revenue on the employee side, and reductions in Class 1A NICs on the employer side. As businesses can deduct Class 1A NICs from taxable profits, there would be a small gain to the Exchequer via either Corporation Tax for companies, or Income Tax and Class 4 NICs for unincorporated business owners. This marginally offsets tax losses on the employer side. This costing encapsulates the net overall effect of forgone tax revenue on employee and employer sides and operates under the assumption that 18.43% of EAPs are currently treated as taxable benefits, and not subject to exemptions. This figure is taken from data supplied by EAP providers around the proportion of their EAP services that constitute high-level legal or financial advice or cover family and dependents (taxable components of EAPs). Input data for this modelling, regarding EAP coverage, market size and revenue was sourced from the 2023 EAPA report, 'Holding it together'. We estimate that over the next 5 years, for every £1 lost to the exchequer there is an additional £9.4 in GVA generated through the economy as a result of this policy. Overall, GVA would potentially increase by £124 million in 2026.

²⁶ Lifting the annual cap of £500 medical treatment tax exemption per employee and the minimum 28-day absence restriction would incur a fiscal cost to the exchequer through forgone Income Tax revenue on the employee side, and reductions in Class 1A NICs on the employer side. As businesses can deduct Class 1A NICs from taxable profits, there would be a small gain to the Exchequer via either Corporation Tax for companies, or Income Tax and Class 4 NICs for unincorporated business owners. This marginally offsets tax losses on the employer side. This costing encapsulates the net overall effect of forgone tax revenue on employee and employer sides, and operates under two assumptions. First, the share of people who have been sick for 28+ days and have OH access and claim the tax relief is 21%. This figure is taken from the 2019 HMRC FOI costing of the policy, the 21% was used as an upper bound. Second, the costs in private medical treatment are equal to the costs incurred by the NHS. This assumption was used due to the lack of sufficient data on medical treatment costs in private healthcare. The effect of the first assumption is hard to tell as we do not know how the share has changed, while the second assumption likely undervalues the ask. We estimate that over the next 5 years, for every £1 lost to the exchequer there is an additional £3.8 in GVA generated through the economy as a result of this policy. Overall, GVA would potentially increase by £320 million in 2026.

²⁷ HMRC's over-collection of tax on employee eye test reimbursements incurs a cost through imposing Income Tax and Class 1 NICs on the employee side, and Class 1A NICs on the employer side. As businesses can deduct Class 1A NICs from taxable profits, there would be a small loss to the Exchequer

via either lowered Corporation Tax for companies, or Income Tax and Class 4 NICs for unincorporated business owners. This costing encapsulates the net overall effect of over-collection on employee and employer sides. The taxable value was estimated based on the CPID reward management survey in 2022 which provided the share of employers offering free eye tests, and found the average costs and frequency of eye tests through other sources.

²⁸ Making employee flu vaccinations fully tax free would incur a fiscal cost to the Exchequer through forgone Income Tax on the employee side, and Class 1A NICs on the employer side. As businesses can deduct Class 1A NICs from taxable profits, there would be a small loss to the Exchequer via either lowered Corporation Tax for companies, or Income Tax and Class 4 NICs for unincorporated business owners. This costing encapsulates the net overall effect of the loss of tax revenue on employee and employer sides. The taxable value was estimated based on the CPID reward management survey in 2022 which provided the share of employers offering free flu jabs, and found the average costs and frequency of flu jabs through other sources.

²⁹ Relaxing the Cycle-to-Work scheme qualifying journey condition would incur a fiscal cost to the exchequer through forgone Income Tax revenue on the employee side, and reductions in Class 1A NICs on the employer side. As businesses can deduct Class 1A NICs from taxable profits, there would be a small gain to the Exchequer via either Corporation Tax for companies, or Income Tax and Class 4 NICs for unincorporated business owners. This marginally offsets tax losses on the employer side. The HMRC has previously estimated the impact of relaxing the qualifying journey condition, and we used their costings to estimate what the current impact to the Exchequer would be.

³⁰ Making private medical insurance for employees tax-free would incur a fiscal cost to the exchequer through forgone Income Tax revenue on the employee side, and reductions in Class 1A NICs on the employer side. As businesses can deduct Class 1A NICs from taxable profits, there would be a small gain to the Exchequer via either Corporation Tax for companies, or Income Tax and Class 4 NICs for unincorporated business owners. This marginally offsets tax losses on the employer side. This costing encapsulates the net overall effect of forgone tax revenue on employee and employer sides. The taxable value was estimated based on an HMRC paper from 2016-17 which provided the number of employees benefitting from PMI and the taxable value.

³¹ Department for Business and Trade. 2025. The UK's Modern Industrial Strategy. Link: [The UK's Modern Industrial Strategy](#)

³² Department for Business and Trade. 2025. The UK's Modern Industrial Strategy. Link: [The UK's Modern Industrial Strategy](#)

³³ UKRI. 2022. An Evaluation of the Small Business Research Initiative. Link: [An Evaluation of the Small Business Research Initiative](#)

³⁴ This analysis forecasts capital expenditure for R&D using UK Private Business Investment spend from Oxford Economics' Global Economic Model. The cost is borne out through losses in corporation tax from the associated business capital spend on R&D per year. The ask assumes that all capital-related R&D spend will be eligible and claimed from the RDEC scheme. However, the CBI expects this costing to be a significant overestimate of the net cost to government of bringing capital within RDEC as it does not take into account an expected reduction in claims for the current R&D first year capital allowance (RDAs). As the maximum cost to government of RDAs is 25% of the value of the investment made (being the corporation tax that is not paid by companies which claim the RDA), and the net cost of tax credits under the combined R&D scheme is 15% of the investment (up to a maximum of 16.2% for loss making companies, where credits will be net of corporation tax at 19%), it is possible that the entire cost of bringing capital spending within R&D tax credits could be negated – leading to an increase overall in government revenue.

³⁵ CBI. 2019. Untapped Investment: The importance of the UK's R&D tax incentive regime in meeting the UK's Government's R&D target. Link: [untapped-investment-cbi.pdf](#)

³⁶ OECD. 2021. OECD Compendium of Information on R&D Tax Incentives. Link: <https://www.oecd.org/sti/rd-tax-stats-compendium.pdf>

³⁷ Due to a lack of information, it is difficult to determine the exact funding required to roll out a tech adoption scheme like 'Made Smarter' to all UK regions and sectors. This costing is rooted in the Autumn Budget 2023 announcement to roll out the Made Smarter Adoption Scheme to all English regions. This figure has been scaled up in line with the absolute number of SME businesses in of each sector and region (using latest available 2023 ONS GVA data). This approach operates under the assumption that

the proportion of eligible SME businesses are constant between sector. The annual figure subtracts the £16m that has already been committed to the manufacturing sector, and the amount expected to be spent on professional and business services in England.

³⁸ CBI Analysis. 2025.

³⁹ Office for National Statistics (ONS) / ESCoE. Trade and Productivity in British Firms: 2005 to 2022, Link: [Trade and Productivity in British Firms: 2005 to 2022](#) / Zhang and Malikov. 2023. Detecting Learning by Exporting and from Exporters, Link: [2302.13427](#)

⁴⁰ Department for Business and Trade. 2024. DBT National Survey of UK Registered Businesses 2024. Link: [DBT National Survey of UK Registered Businesses 2024 Report](#)

⁴¹ OECD. 2024. Making the most out of digital trade in the United Kingdom. Link: [Making the most out of digital trade in the United Kingdom | OECD](#)

⁴² Chartered Institute of Export and International Trade. 2025. Opinion: Delivering a UK digital border. Link: [Opinion: Delivering a UK digital border | The Chartered Institute of Export & International Trade](#)

⁴³ ICC. 2024. The roadmap to digitalise UK trade. Link: [ICC United Kingdom and iC4DTI — The roadmap to digitalise UK trade](#)

⁴⁴ CBI. 2025. Revitalising UK Public Markets: A roadmap for reforms to listed equity markets. Link: [cbi-revitalising-uk-public-markets.pdf](#)