



National Audit Office



REPORT

# Supporting the UK's priority industry sectors

Department for Business and Trade

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HC 744

## Key facts

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**£790.9mn**

the amount spent by the Department for Business and Trade (DBT) in 2023-24 on grants for business support, of which 62.5% was allocated to advanced manufacturing, 29.9% to energy, and 6.4% to pan-sector support

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**£530mn**

the approximate amount spent by DBT's Business Group in 2023-24 on business support

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**£250.1mn**

the amount spent by DBT's Business Group on the Automotive programme in 2023-24, the single largest programme of support administered by Business Group in that year

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**1.6%**

average annual growth in UK GDP from 2014 to 2024. This compares with a G7 average increase of 1.8% over the same period

**5**

overarching industrial strategies and growth plans pursued by successive governments over the past 10 years

**8**

growth-driving sectors to be prioritised in the forthcoming Industrial Strategy, which are advanced manufacturing, creative industries, clean energy industries, defence, digital and technologies, financial services, life sciences, and professional and business services

**£1 trillion**

the estimated Gross Value Added (a measure of economic output) in 2023 of the eight growth-driving sectors of the forthcoming Industrial Strategy based on DBT's current sector categorisation

**820**

full-time equivalent staff in DBT's Business Group, the part of DBT primarily responsible for supporting industry sectors (as at September 2024)

**41**

industry sub-sectors actively monitored by DBT, of which 33 are rated as 'underperforming but able to mitigate/cope with worse impacts' (as at May 2024)

# Summary

## Introduction

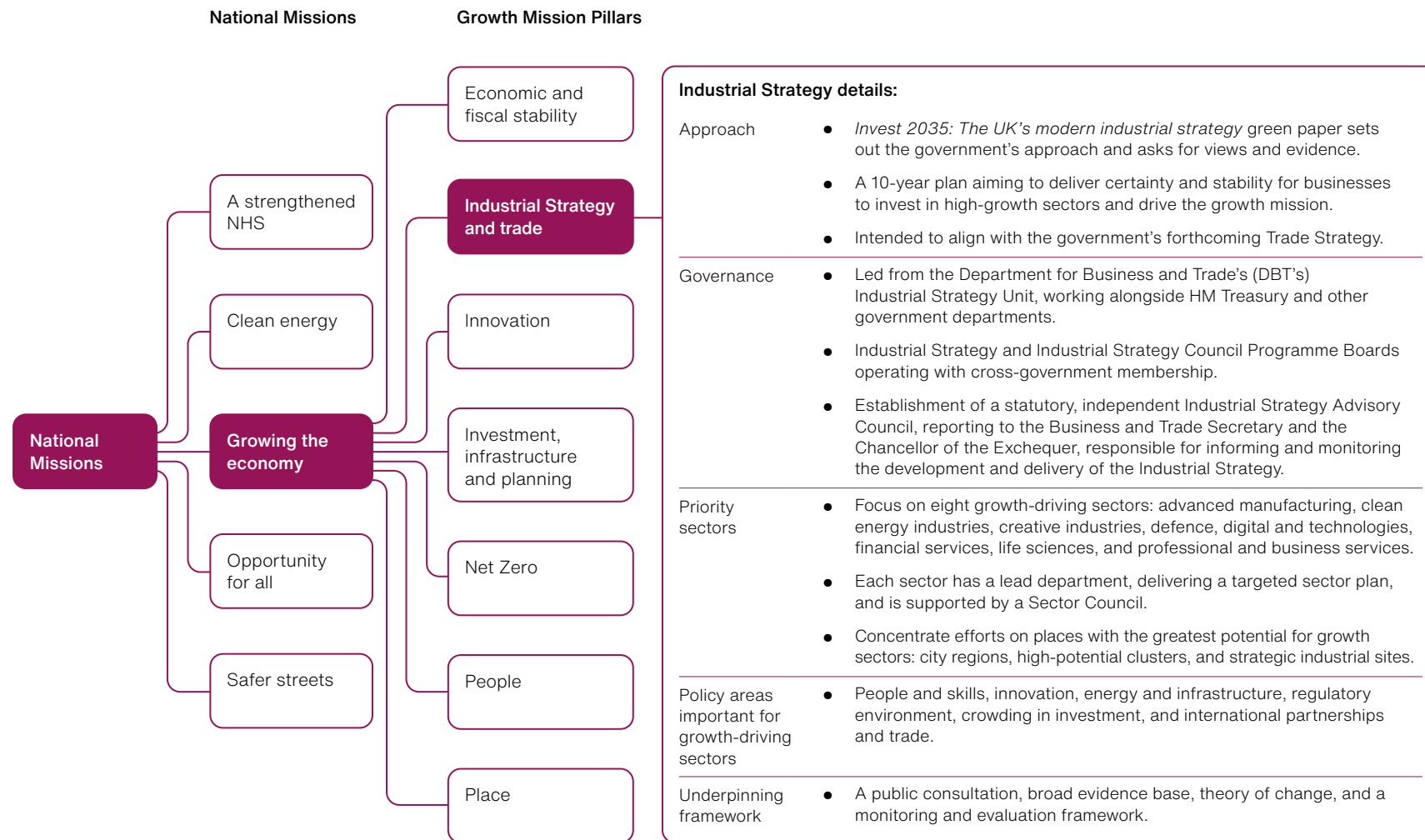
**1** Economic growth supports government work to improve public services, as well as to deliver good jobs and raising living standards across the country. Government supports industry to stimulate growth and productivity, secure jobs and supply chains, and address policy challenges that arise when the economy does not meet the government's current or future requirements. For example, the government may want to stimulate investment in an emerging technology or encourage businesses to reduce harmful emissions. It may also want to remain internationally competitive by improving the business environment, making it more attractive for businesses to operate in, and out of, the UK. These challenges justify the requirement for government intervention through different support methods. Governments are in a better place to take on more risk than private companies, and they can do this through interventions in industrial policy. Much of the government's work to support industry sits within the Department for Business and Trade (DBT). It aims to prioritise policy interventions in sectors that will deliver the largest growth to the economy.

**2** The new government is taking a 'mission-driven' approach to government, which means departments have to work together to deliver key priorities in a more effective and efficient way.<sup>1</sup> The government has announced five national missions, with the highest priority mission being economic growth. This is in the context of GDP growth, which has been steady (on average 1.6% per annum 2014–2024) but slightly lower than the G7 average (1.8%) during the same period, and lower than the trend growth rate before the financial crisis of 2008. To support the growth mission, in October 2024 the Secretary of State for Business and Trade and the Chancellor of the Exchequer announced a new Industrial Strategy and published a green paper for consultation, *Invest 2035* (**Figure 1** overleaf). This is the latest of five industrial strategies pursued by governments over the last 10 years. The Strategy is expected to be published in Spring 2025 alongside a multi-year Spending Review. In it, the government has designated eight growth-driving sectors, which present the greatest opportunity for output and productivity growth over the long-term. It intends to channel support to these sectors and produce a targeted plan for each. DBT co-owns the Strategy with HM Treasury, and other departments will have responsibility for some sectors and policy interventions.

<sup>1</sup> The 'mission-driven' approach was initially set out in the new government's 2024 manifesto, which described it as way to focus "on ambitious, measurable, long-term objectives that provide a driving sense of purpose for the country".

**Figure 1**  
The government's five National Missions and its forthcoming Industrial Strategy

The Industrial Strategy aims to implement targeted policy interventions to support eight growth-driving sectors and tackle cross-economy barriers such as skills and innovation



**Notes**

- Boxes highlighted in berry red illustrate how the Industrial Strategy and National Missions are connected.
- The government has further outlined three 'foundations' necessary for long-term change: economic security, national security, and secure borders.

Source: National Audit Office review of *Invest 2035: The UK's modern industrial strategy*, HM Government green paper for consultation, October 2024

**3** DBT was formed in February 2023. It brought together the relevant functions from the former Department for Business, Energy and Industrial Strategy (BEIS) and the former Department for International Trade (DIT) into one department for economic growth. DBT's aim is to support businesses to invest, grow and export, creating jobs and opportunities across the country. While teams across DBT have roles supporting industry, DBT's Business Group takes the lead in the government's relationship with UK businesses. It contains dedicated sector teams that collaborate with other government departments and bodies, and other groups within DBT, to support these sectors. Other groups in DBT support industry through advising on exports, supporting investment opportunities and providing guidance on working overseas.

### **Scope of the report**

**4** This report examines whether DBT is well-positioned to secure impact from its support for priority industry sectors, including how it works with other departments and delivery partners to do so. It considers whether:

- DBT has a robust approach to developing its support for priority industry sectors;
- DBT is set up to implement this support effectively; and
- there is evidence that DBT's activities are having an impact.

**5** We have assessed how DBT's support for industry has been operating since bringing together the business functions of the former BEIS and DIT in February 2023. We do not examine the rationale for creating DBT and this is not a review of the merger. However, we reflect the impact of the merger and progress made to date, where this is relevant. As DBT's Business Group leads the sector-facing engagement with industry and other departments, it is the main focus of the study. We cover the aims and objectives of sector-based support and relevant new developments, such as the Industrial Strategy and Industrial Strategy Council. We also cover the likely implications of these for how DBT supports industry sectors. We recognise that there is a range of activity underway across government and that this is a developing picture. However, it is too early to evaluate the effectiveness of these new arrangements.

## Key findings

### DBT's approach to supporting industry

**6 The government's forthcoming Industrial Strategy is an opportunity for DBT to develop its approach to supporting industry.** The government's Industrial Strategy green paper published in October 2024 sets out a clear approach to prioritisation and initiated a consultation to obtain views from a variety of industry sectors and wider stakeholders to help inform the Industrial Strategy. It prioritises eight growth-driving sectors. These sectors are not yet fully defined, but based on DBT's current sector categorisation they accounted for around £1 trillion Gross Value Added (GVA - a measure of economic output) in 2023. The government has also established an independent Industrial Strategy Advisory Council to provide ongoing support and challenge. This is not the first time this has been done. The UK government has pursued five industrial strategies and related growth plans over the last 10 years. The UK's last overarching Industrial Strategy was published in 2017 but was withdrawn in 2021 and replaced with a series of growth plans and sector-specific strategies. In the interim, DBT and its predecessors continued to analyse and identify opportunities for economic growth. By consolidating business-focused functions across government, developing sector-specific plans, and its increasing focus on growth, DBT has good foundations to deliver the objectives of an Industrial Strategy (paragraphs 3.6 to 3.15, Figure 10 and Figure 11).

**7 DBT can build on its understanding of, and plans for, the sectors it supports to help develop the government's forthcoming Industrial Strategy.** DBT's Business Group, which leads on its relationship with industry, is structured by 10 broad sector groupings. DBT consolidated its understanding of the economy by producing a series of sector views and action plans that communicate the priorities and focus of each sector team. These typically provide a summary of the sector, opportunities to achieve three priority objectives (domestic growth, exports, and investment), cross-cutting themes, and priority markets, levers, and stakeholders. However, the sector plans vary in content and are not generally shared outside of DBT, and there is limited evidence to demonstrate how the documents are used to support planning. The forthcoming Industrial Strategy is expected to be supported by targeted sector plans for each growth-driving sector, developed in partnership with stakeholders. The work done so far by DBT's sector teams will provide a helpful evidence base for these new plans (paragraphs 1.10 to 1.11 and Figure 4).

**8 DBT does not have a framework to demonstrate how it balances different metrics of growth when it makes decisions to support industry.** DBT is responsible for driving economic growth and uses a range of different metrics to guide its work, some of which require trade-offs. These include Gross Value Added, productivity in small businesses, regional growth, economic security and resilience, net zero ambitions, jobs and national security. However, in the absence of a standard approach across teams, it is unclear how DBT balances these objectives when designing support initiatives, and how they are weighted when different options for funding are compared against each other. This can make it difficult for stakeholders to understand the rationale behind support, and for DBT to evaluate the effectiveness of its portfolio of initiatives as a whole and demonstrate how and why it is prioritising certain interventions over others (paragraphs 1.5 to 1.7).

**9 DBT could make better use of evidence on the effectiveness of interventions when designing new support initiatives.** Different industry support interventions are better suited to achieving different policy objectives. In some cases, the type of support initiative is driven by industry demand and the market (for example, what other countries may be offering). In other cases, it is for DBT and wider government to design a support initiative that is believed to best achieve the desired objectives. DBT needs to select sectoral interventions using judgement and discretion; however, it could use evidence more effectively in the decision-making process to demonstrate that interventions are chosen appropriately. Factors to consider include: the ease of access, geography, size of business, size of the sector and urgency. Without proper segmentation DBT risks delivering imprecise interventions, resulting in suboptimal support across different sectors (paragraphs 1.12 to 1.14).

**10 DBT does not have a complete overview of what it, and wider government, spends supporting industry, which limits its oversight.** DBT does not routinely break down what its current support offering looks like and, as a result, lacks a comprehensive understanding of how resource is spent between different types of support. DBT tracks its programme spending, grant expenditure and Business Group resource spending across sector teams but does not have processes to break this down by support type using existing systems. In practice, support includes resources beyond grants, such as advisory services and loans that may be delivered through arm's-length bodies. DBT faces issues aligning financial reporting and management information data to collate spending on support, for example it must manually collate expenditure on grants. It has therefore set up a dedicated Grant Delivery Directorate to oversee the delivery of all DBT grant schemes and is implementing changes to its reporting systems. In 2023-24, DBT reported spending of £790.9 million on business grants: 62.4% was allocated to advanced manufacturing, 29.9% to energy and 6.4% to pan-sectoral support. In 2023-24, DBT spent £55.2 million on Business Group staff who support businesses and around £530 million overall on support. The single largest programme administered by Business Group is the Automotive programme, costing £250.1 million in 2023-24. A clear understanding of existing activities is essential to inform future decisions and ensure DBT can allocate resources strategically and adapt to the priorities of the Industrial Strategy (paragraphs 1.15 to 1.18 and Figures 5 and 6).

**11 While DBT does not consider its sectors collectively, the Industrial Strategy can provide a framework to prioritise activity and resources across the whole economy.** DBT does not currently have an overarching approach to enable it to consider its support and impact collectively. DBT treats each sector individually, with limited consideration of the trade-offs and interdependencies between different interventions and different sectors. This approach may affect its ability to achieve higher output and productivity and to understand the cross-economy effects of its interventions. The new Industrial Strategy has prioritised sectors identified as growth-driving over other sectors in the economy, and provides this overarching framework. The interventions the government uses to support these sectors will also require effective prioritisation (paragraphs 1.19 to 1.20).

How DBT is set up to implement support

**12 DBT has made good progress in merging structures and teams from the former BEIS and DIT, and addressing immediate gaps in business skills, but it needs to ensure its resourcing model meets future needs.** The rationale for creating DBT was to bring together business and trade expertise to strengthen the UK's offer to international investors and provide a joined-up offer of support to UK business. External stakeholders broadly supported this ambition and were positive about the prospect of engaging with a single team on both domestic and international business as a step towards reducing overlap in government. DBT identified some gaps in the Department's core business skills and quickly produced an interim training offer, which needed refinement but was well received by participants. DBT subsequently commissioned an external assessment of its current capabilities and future needs. DBT's business support is not resourced based on an assessment of the needs and requirements of different sector teams. After the new department formed, DBT restructured its business support and consolidated sector teams from the former BEIS and DIT into 25 sector-facing teams within DBT's Business Group. The Group had 820 full-time equivalent (FTE) staff in September 2024, but sector teams vary by size and grade distribution, not related to the priority of the sector. The forthcoming Industrial Strategy sets out new priorities for support to industry and DBT may require a different resourcing model to ensure its resources are aligned to these (paragraphs 2.2 to 2.5 and 2.17, and Figure 7).



**13 DBT needs to influence other government departments to achieve policy change that supports business, but its ability to influence varies.** DBT has control of some direct policy levers including business regulation, trade agreements, export promotion and subsidy control. However, lead responsibility for a policy intervention often lies in other government departments and bodies, for example a change in skills policy would be the responsibility of the Department for Education and Skills England. In these cases, DBT relies on effective working relationships with other government departments, and its ability to influence them. It must collaborate with at least 10 other government departments that hold responsibilities for certain sectors or cross-cutting issues such as education, immigration, infrastructure, skills and taxation to fully realise its objectives. DBT faces challenges in its relationships with departments who view growth as integral to their own work and therefore have a different approach to growth and prioritisation in those sectors. This is increasingly important in the context of the forthcoming Industrial Strategy and the growth mission, which require even more effective and joined-up cross-government working (paragraphs 2.6 to 2.7, 2.12 and 2.13, and Figure 8).

**14 DBT is taking steps to improve the maturity of working relationships with other departments.** DBT's Business Group recognises it needs to work with other parts of DBT and 10 other government departments to deliver its objectives to support businesses across the sectors it covers. In response, DBT developed and commissioned 'Handshake' agreements between DBT and other government departments that articulated roles, responsibilities, and ways of working. However, these were still in progress prior to the announcement of the Industrial Strategy and had not been adopted by the majority of sector teams. Other departments we spoke to understood DBT's overarching role but were less clear on its specific responsibilities and boundaries. They raised risks to cross-government working, such as duplication and lack of clarity on roles, and the need for a more joined-up approach and interface for industry. The Industrial Strategy and broader mission-led approach to growth will require effective cross-departmental working and clearly defined responsibilities (paragraphs 2.8 to 2.11 and 2.15).

**15 DBT engages extensively with industry to understand its needs, but there are opportunities to streamline this activity across government and to share intelligence more effectively.** DBT interacts regularly with its industry stakeholders in a variety of manners across the Department, from ad hoc engagement to structured forums. There are 16 sector councils that allow for structured dialogue between government and industry bodies. DBT plans to refresh these councils ahead of the Industrial Strategy. DBT actively monitors 41 industry sectors (of which 33 are rated as 'underperforming but able to mitigate/cope with worse impacts' (as at May 2024)) and produces a monthly intelligence report that collates information from across the Department, media reports, and national statistics. These reports are shared widely, but there are opportunities to enhance these processes and improve the use of business intelligence. DBT plans to undertake a review as part of wider efforts to improve business engagement. Due to the cross-cutting nature of the economy, other departments also engage with industry stakeholders. It is not clear how this is coordinated between departments, which has led to frustration from some businesses regarding which department can best support their needs (paragraphs 2.14 to 2.20 and Figure 9).

The impact of DBT's activities

**16 DBT undertakes monitoring and evaluation activity for specific programmes, and work is underway to improve its overall approach, but its benefits realisation capabilities are underdeveloped.** DBT recognises that its approach to benefits realisation needs development, including with issues around data integration and monitoring, and is working to address this. Efforts to embed benefits realisation in DBT's work have been affected by limited capacity and capabilities in delivery teams. DBT has committed to increase the volume of high-quality monitoring and evaluation plans and, at a minimum, collect monitoring data for all programmes and services it delivers to businesses and investors. DBT's Business Group is responsible for 32 initiatives to support industry sectors but it has monitoring and evaluation evidence for just 11 of these. DBT's current monitoring and evaluation work focuses on individual, high-value programmes, such as the Automotive Transformation Fund, with a value of up to £1 billion available through grants. Other types of support may be more challenging to monitor and measure but could provide a valuable evidence base to assist in choosing appropriate interventions (paragraphs 3.2 to 3.5).

## Conclusion

**17** DBT was created to provide more joined-up support for industry, a 'front door' to business, and deliver economic growth. It has made progress in developing its support for industry, including consolidating teams, reviewing capability needs, and engaging with industry to develop sector plans. However, there are factors that limit the effectiveness of its approach. DBT needs to be able to make informed decisions about where to deploy its resources, greater transparency over decision making, such as why it intervenes in a particular sector at a particular time, and a greater focus on evaluation to know what works.

**18** To maximise the impact of the forthcoming Industrial Strategy, and contribute to the government's growth mission, DBT will need to clarify its role within the wider system, and address identified weaknesses. The success of the Industrial Strategy will depend on whether DBT and other government departments can work effectively together, and with industry, to prioritise and target interventions to drive the desired economic growth in the priority sectors, and across the whole economy.

## Recommendations

**19** DBT should build on its progress to date, work closely with other government departments and stakeholders, and develop its approach to align with the forthcoming Industrial Strategy if it is to achieve its aims of driving economic growth. These recommendations are intended to support DBT and other government departments with this endeavour.

- a** DBT should use the framework of the forthcoming Industrial Strategy to review its operating model for supporting industry sectors, build on its capability needs assessment, and enable it to adapt and prioritise its activity and resources accordingly. It should also consider how it engages with and supports those sectors not explicitly covered in the forthcoming Industrial Strategy.
- b** DBT should make best use of the learning from how it has developed its current approach to supporting industry. It should review and build on its:
  - existing Sector Views and Sector Action Plans to support development of the new Sector Plans; and
  - mechanisms for engaging with industry and stakeholders and use the learning to inform the development of the new sector councils.
- c** DBT should undertake work to develop its relationships with other government departments, including to:
  - clarify respective roles and responsibilities on growth and in implementing the new Industrial Strategy and growth mission;
  - establish consistent and effective ways of working; and
  - learn from its more mature relationships to establish effective influencing relationships where it does not own policy levers.

- d** DBT should be transparent about the metrics it considers, and the trade-offs it makes, when prioritising interventions. It should:
  - formalise and articulate clear criteria and metrics;
  - record the outcome of these decisions and the agreed trade-offs; and
  - use this information to inform its approach to future interventions, and to prioritise intervention options, given resource constraints.
- e** DBT should consider how it can collate capital and resource spending on support to business in a more useful way, and use it to inform decision making. It should consider how it can categorise this spending, such as by support type, sector or region.
- f** DBT should develop an evidence based decision-making process that demonstrates that it chooses sectoral interventions appropriately and understands what works, and when.
- g** DBT should develop its approach to monitoring and evaluation in order to understand measures of success and learn from what works. DBT should develop a programme of evaluation of its business support, focusing on the interventions that could add the most value.