



National Audit Office



REPORT

Supporting the UK's priority industry sectors

Department for Business and Trade

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National Audit Office

Supporting the UK's priority industry sectors

Department for Business and Trade

Report by the Comptroller and Auditor General

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Gareth Davies
Comptroller and Auditor General
National Audit Office

4 March 2025

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Key facts

£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

£530mn

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

£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

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.

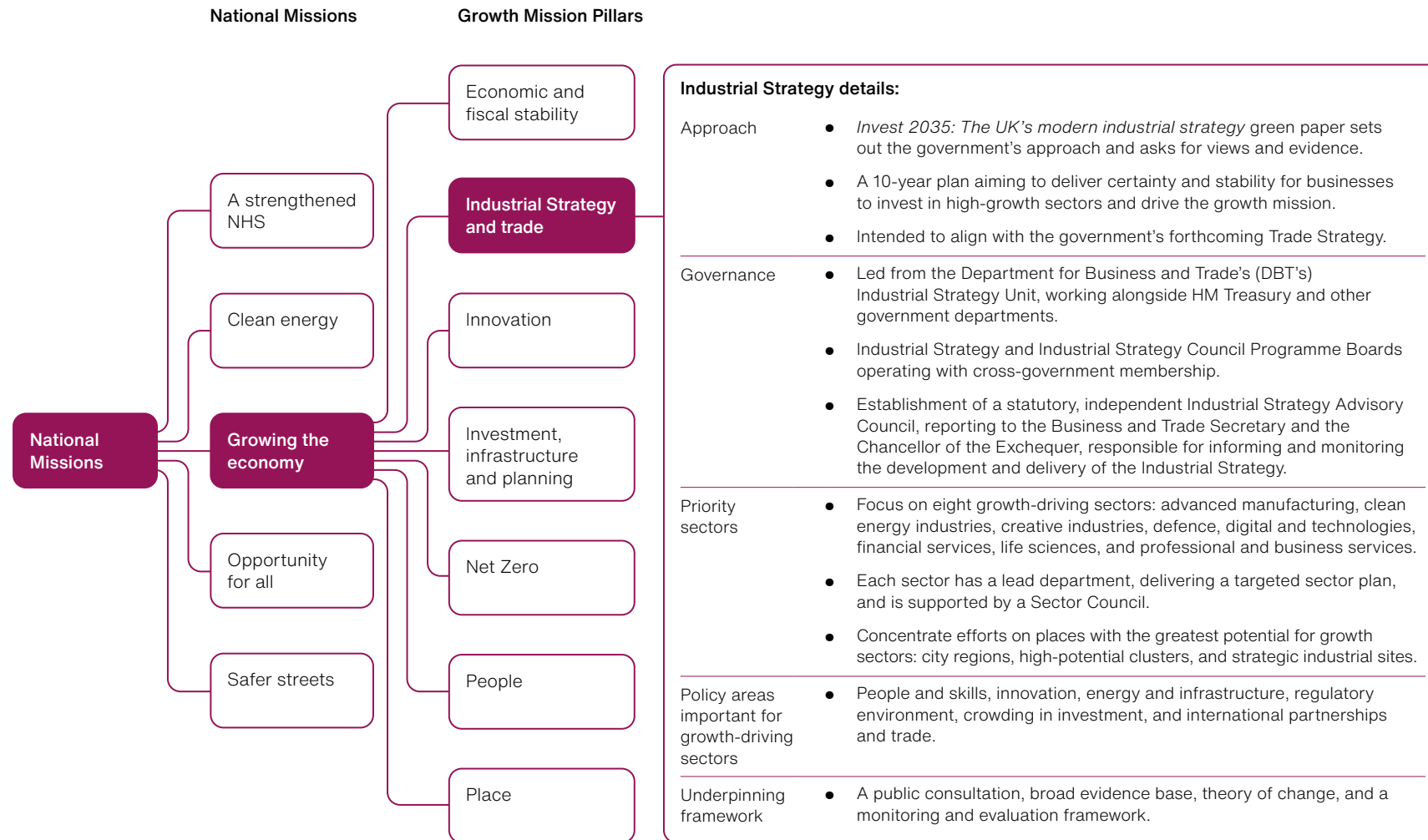
2 The new government is taking a 'mission-driven' approach to government, which means departments have to work together to deliver key priorities in a more effective and efficient way.¹ The government has announced five national missions, with the highest priority mission being economic growth. This 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.

¹ 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.

Part One

The Department for Business and Trade's approach to supporting industry

1.1 This part covers:

- how and why government supports industry sectors;
- the clarity of the Department for Business and Trade's (DBT's) aims;
- delivering policy objectives;
- setting sector strategies and plans;
- choosing appropriate tools;
- monitoring spending on business support; and
- prioritisation.

How and why government supports industry sectors

1.2 Economic growth supports government work to improve public services, as well as to deliver good jobs and raise 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 DBT. It aims to prioritise policy interventions in sectors that will deliver the largest growth to the economy.

1.3 The government offers a range of support through different interventions (see **Figure 2** on pages 17 and 18). The form of support varies greatly, from interventions that help to establish a competitive business environment to direct financial support for specific sectors. Support is also delivered by different organisations within government, including departments and bodies such as the British Business Bank and UK Export Finance. Support can also be delivered in conjunction with the private sector. The types of support provided in the UK are broadly in line with those used in other countries, such as tax incentives, financial instruments, research and development support grants, and subsidies.

1.4 It is difficult to quantify and compare support initiatives used by different countries to that of the UK. The Organisation for Economic Co-operation and Development's (OECD's) 2021 Quantifying Industrial Strategies (QuIS) study developed a new methodology for this purpose and reported that, compared with benchmark countries, the UK: spends more on industrial policy grants and tax expenditures as a share of GDP (2.3% vs 1.4%) and less on financial instruments (0.4% vs 1.9% GDP); spends the majority of this support through tax expenditures; focuses its spending on jobs and skills; evenly distributes its spending between sectors; and offered significant amounts of COVID emergency support to firms in 2020 (2.5 times the average support).²

Clarity of DBT's aims

1.5 DBT does not define and measure growth consistently. Growth can be defined and measured in many different ways depending on the sector and policy aim, and is not the only measure of sector performance. For example:

- The Industrial Strategy green paper sets out the measures of success that determine growth, including productivity in small businesses, regional growth, economic security and resilience, and net zero.
- DBT's business intelligence function monitors the performance of its economic sectors based on four indicators: revenue, input prices, jobs, and financial stability.
- Sector teams often develop support to align with wider government objectives such as national security, regional priorities, or ministerial priorities.
- These objectives can influence or contribute to growth and productivity but may conflict and require trade-offs in practice. For example, interventions designed to support decarbonisation and green growth could burden industry and in turn inhibit growth in parts of the economy.

² The QuIS study only examined direct support, focusing on financial instruments and grants and tax expenditures. The UK was benchmarked against eight other countries: Canada, Denmark, France, Ireland, Israel, Italy, the Netherlands and Sweden. The study authors acknowledge these limitations and highlight the challenge of accurately measuring industrial support.

Figure 2

Types of support provided by the government to industry

Government support varies greatly in scale and delivery; many interventions are led or co-delivered by the Department for Business and Trade (DBT) in partnership with other government bodies

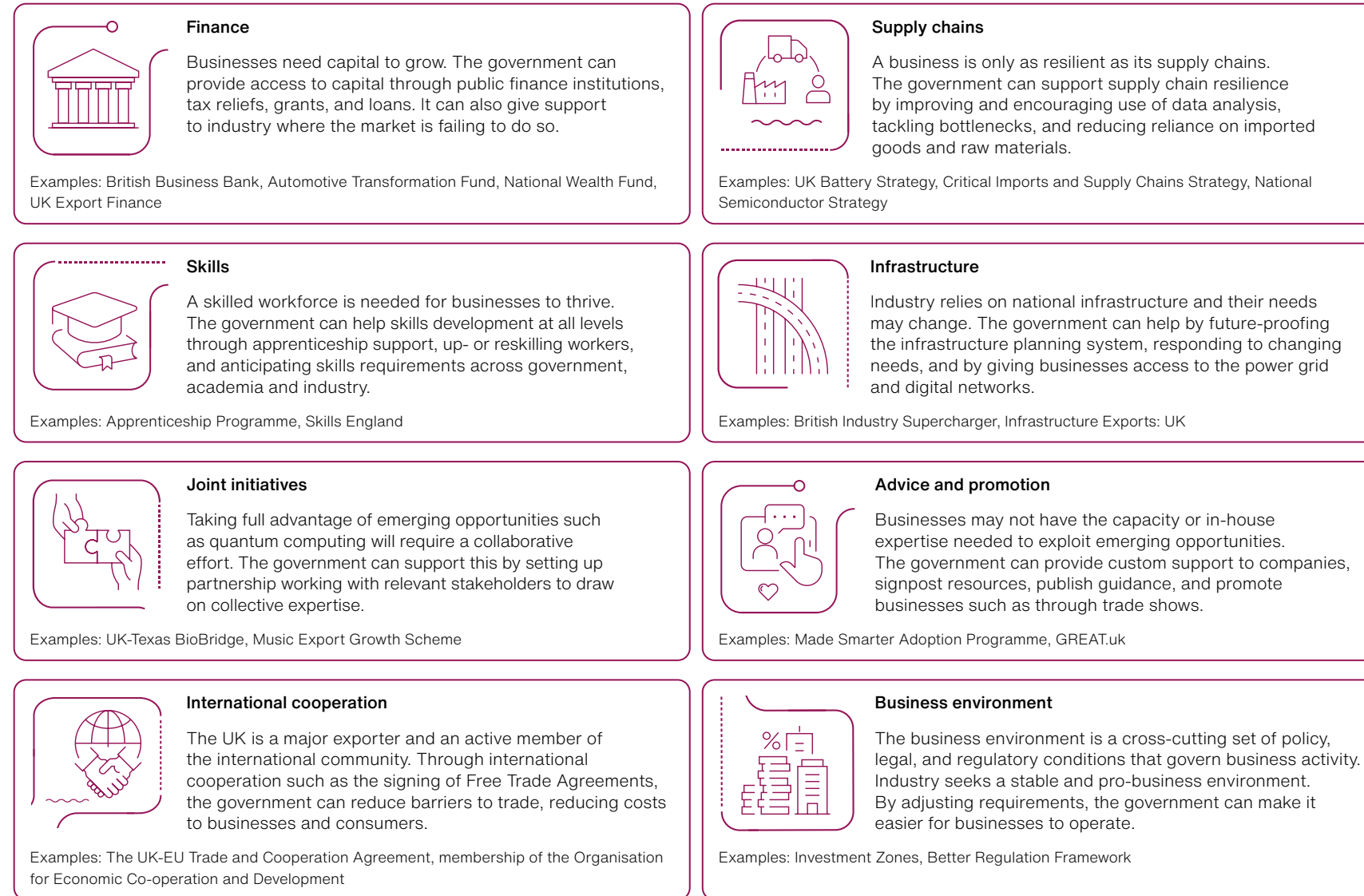


Figure 2 *continued*

Types of support provided by the government to industry

Notes

- 1 There is no agreed categorisation scheme for types of industry support. Support types can overlap, and interventions can fall into multiple categories. Support types described above are illustrative and were identified from a review of recent sector strategies and the *Invest 2035: the UK's modern industrial strategy* green paper.
- 2 We explore the following as case studies in this report: Automotive Transformation Fund, British Industry Supercharger, UK-Texas BioBridge, and skills.

Source: National Audit Office analysis of Department for Business and Trade documents

1.6 To measure performance, some sector teams use Gross Value Added (GVA) as a key metric, which has limitations. GVA measures the value of goods and services produced in a sector, indicating its economic contribution. GVA provides only part of the picture when evaluating economic growth, especially for emerging sectors in the early stages of development. It also does not take into account wider markers of sustainable growth such as skills or environmental impact, which are relevant to government objectives for net zero.

1.7 DBT is not transparent in how it balances different objectives when selecting which initiatives to fund. To identify need and design support packages, DBT sector teams balance different metrics against each other. Initiatives with a value of less than £20 million are signed off within the relevant directorates unless they are considered high risk.³ Initiatives that exceed this value are reviewed by the Department's Investment Committee, which reviews each business case based on the strategic fit, economic value, and affordability, and tiers them by risk. Each case is then assessed based on its own merits. DBT has not yet articulated how it balances trade-offs or reviews investment options alongside 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.

1.8 The British Industry Supercharger is an initiative that illustrates the importance of identifying and balancing support objectives. It demonstrates that well-defined aims, going beyond GVA, can address industry challenges and enhance economic resilience. Industry leaders welcomed the initiative as it is expected to alleviate the burden of uncompetitive electricity prices.

³ Most business support is designed and delivered by the Department's Business Group (BG) and the Domestic and International Markets and Exports (DIME) Group.

Delivering policy objectives

1.9 HM Treasury (HMT) guidance and past National Audit Office reports highlight that to develop policy into a portfolio of projects and programmes, the government must transform a mission or purpose into distinct high-level strategic objectives.⁴ The portfolio of programmes and projects is then intended to deliver the necessary changes to deliver these objectives. At portfolio level, decisions are made regarding the scope, planning and prioritisation that needs to happen for these programmes to deliver the portfolio's strategic objectives. At programme level, decisions are then made on how to deliver medium-term objectives, manage spending, and identify distinct projects. Each programme and project should have a lifecycle that starts with a clear rationale anchored in the strategic objectives, and flow through into interventions that are monitored and evaluated. DBT oversees a portfolio of programmes and projects that are designed to support growth in the economy. DBT has to balance why it chooses to intervene in specific sectors at particular times, what it intends to achieve, the cost of intervention, what type of support to use, and how to evaluate the success of its intervention.

Case study 1

British Industry Supercharger

Sector: Multiple (energy intensive industries such as steel, chemicals, and glass)

Type of support: Finance (includes subsidies, cost exemptions, and compensation)

The British Industry Supercharger was launched by the UK government on 1 April 2024 with the aim of bringing energy costs for key energy intensive industries, such as steel, in line with other major economies, levelling the playing field for UK businesses while enhancing their global competitiveness.

The Supercharger was designed with targeted measures, including exemptions from certain renewable energy obligations and capacity market costs, to align UK industrial energy expenses with those of major economies. The objectives of the scheme includes safeguarding jobs, reducing the risk of disinvestment in the sectors, and securing UK resilience. The scheme has involved close collaboration with specific industries on data collection and analysis. There was a consultation phase that allowed stakeholders to inform policy design and implementation.

The initiative currently includes approximately 370 businesses, employing 400,000 workers across sectors such as steel, metals, chemicals, cement, glass, and paper. The Department for Business and Trade expects it to save UK businesses between £320 million and £410 million in 2025.

Notes

- 1 The type of support is based on the categories set out in Figure 2.
- 2 See Appendix One for detail on the case study approach.

Source: National Audit Office analysis of Department for Business and Trade documents and interviews

⁴ Relevant documents include: HM Treasury, *The Green Book: central government guidance on appraisal and evaluation*, March 2022; Comptroller and Auditor General, *Framework to review portfolios*, Session 2021-22, National Audit Office, January 2022; HM Treasury, *Managing Public Money*, May 2023; and Comptroller and Auditor General, *Delivering value from government investment in major projects*, Session 2023-24, National Audit Office, February 2024.

Setting sector strategies and plans

1.10 DBT uses Sector Views and Action Plans to provide high-level summaries of its economic sectors. To structure its work, DBT has segmented the economy into 10 sectors and 41 sub-sectors (see **Appendix One**). It produced a series of Sector Views and Action Plans (see **Figure 4** on page 23) to support joined-up working across the Department and inform business and delivery planning. These contain useful information on those sectors, including strengths, threats, potential for growth, key statistics and priority objectives. Our thematic analysis of these documents (see **Figure 3** on page 22) identified a range of barriers to growth as described by DBT sector teams, the most common of which are skills, competition, and research and development. Some of these barriers are sector specific while others are cross-sectoral.

1.11 The Action Plans and Sector Views vary in content and have some limitations. They do not consistently set out how sectors will contribute to economic growth, there are gaps in the sectors covered, and the way the sectors are sub-divided is inconsistent with DBT's other activities. There is also limited evidence to demonstrate how the documents are used internally to support business planning and a joined-up approach. In addition, while the documents would likely be of value to other departments working on common sectors, they are not routinely shared outside of DBT. The forthcoming Industrial Strategy is expected to be supported by targeted sector plans for each of its growth-driving sectors, developed in partnership with stakeholders. The work done so far by DBT's sector teams will provide a helpful starting point and evidence base for these new plans.

Choosing appropriate tools

1.12 Different types of industry support are better suited to achieving different policy objectives. Many support interventions are available to governments. The balance of interventions used by countries vary according to their politics and objectives.⁵ While DBT's overarching objective is growth, it recognises that different sectors require different interventions. It considers factors such as:

- **Ease of access:** DBT offers platforms for businesses to access resources. One example is the business support finder, an online tool that helps companies quickly identify the right government support for their needs, based on criteria such as location, size, and sector. This includes information on available grants, tax reliefs, and advice.

⁵ The OECD's QulS project compared industrial strategies across nine OECD countries. Our work with our Supreme Audit Institute counterparts also found differing approaches. For example, Japan offers varied industry support depending on the sector. In Poland, the new support system for entrepreneurship and innovation will focus on industry, sector, or technology concentration, financial concentration, and territorial or geographic centres of concentration. In Estonia, tax reliefs by sector or size are relatively limited, but levies apply to large-scale electricity use and resource fees.

- **Geography:** DBT supports efforts to address regional inequalities. DBT has played a key role in the successors to the Regional Growth Fund, and the British Business Bank administers region-specific funds such as the Northern Powerhouse Investment Fund II.^{6,7}
- **Size of business:** Small and medium-sized enterprises (SMEs) benefit from a range of support schemes designed to help them scale. For instance, DBT's Made Smarter Adoption programme is designed to assist local manufacturing SMEs to understand and overcome operational challenges through digital technologies.
- **Size of sector:** DBT aims to help expand the green energy sector by providing tailored support to companies in renewable energy to accelerate the UK's transition to net-zero.
- **Urgency:** DBT adjusted its support mechanisms rapidly to address immediate needs and stabilise businesses facing acute financial challenges during the COVID-19 pandemic.

1.13 DBT lacks a framework for decision-making to demonstrate that sectoral interventions are chosen appropriately based on evidence of what works. The demand for industry support may emerge from different needs. 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 proactively design a support initiative that would achieve the desired objectives. DBT exercises judgement and discretion when deciding when to intervene, but we saw limited evidence that it uses knowledge of past interventions to pick an appropriate option. Without proper segmentation, DBT risks delivering imprecise interventions, resulting in suboptimal support across different sectors, and interventions that are less targeted and less effective.

1.14 The UK-Texas BioBridge is an example of DBT designing a new type of intervention to exploit growth opportunities in a priority sector. Once it has understood the effectiveness, DBT can learn from its experience and use this to bolster its understanding of the effectiveness of different interventions.

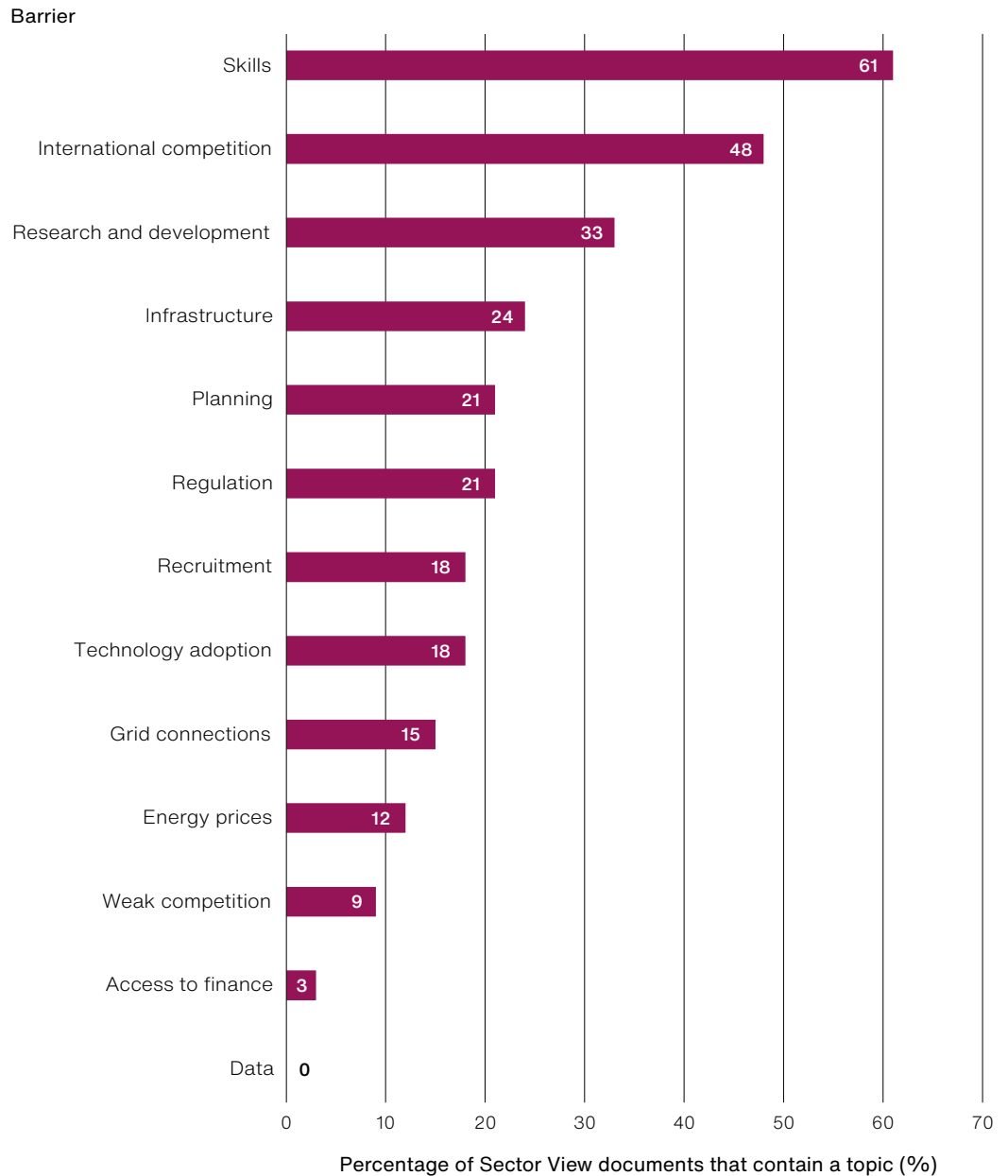
6 The British Business Bank is an economic development bank wholly owned by the Department for Business and Trade but is operationally independent.

7 The Regional Growth Fund was an England-only competitive fund which aimed to rebalance and drive investment and economic growth across all business sectors and regions. The Fund ran from 2011–2015 and consisted of six funding rounds. The Northern Powerhouse Investment Fund II will deliver a £600 million commitment of new funding to new and growing businesses in the North of England to drive sustainable economic growth.

Figure 3

Barriers to business identified in the Department for Business and Trade's (DBT's) Sector Views

Most (61%) Sector Views identified access to skills as a barrier for business



Notes

- 1 The thematic analysis presented here is based on the National Audit Office's analysis of 33 internal sector summaries ('Sector Views') produced by DBT.
- 2 The analysis used an 'embeddings' approach. Details on this approach are included in Appendix One.
- 3 Each bar shows the proportion (%) of documents that contain a specific reference to a barrier of growth.

Source: National Audit Office analysis of Department for Business and Trade documents

Figure 4

The Department for Business and Trade's (DBT's) internal sector summaries and plans

DBT's Business Group produced over 60 high-level strategy documents covering individual industry sectors. 'Sector Views' were drafted to consolidate its understanding of individual sectors, and 'Sector Action Plans' were designed to set out plans for future work

	Sector View	Sector Action Plan
Aim	Provide a high-level overview of sectors and how Business Group aims to achieve economic growth	Communicate the focus and current priorities of each sector team
Common sections	<ul style="list-style-type: none"> ● Sector strengths, weaknesses, opportunities, and threats ● Productivity levels and avenues to improve ● Competitive advantages of sector ● Levers that DBT and other departments can deploy ● Pressing regulatory issues ● Sector needs ● Relevant trade agreements ● Potential for growth ● Competing priorities of other government departments ● Governance and in-house sectoral expertise 	<ul style="list-style-type: none"> ● Summary of sector with key statistics ● Lead officials within DBT ● Priority sub-sectors and cross-cutting themes such as skills ● Priority objectives for sector, often split under three headings: domestic growth, exports, and investment ● UK region and devolved nation priorities ● Overseas regions and market priorities ● Major stakeholders including trade bodies and prominent sector companies ● Key levers, projects, and milestones

Notes

1 Sections vary between individual Sector Views and Sector Action Plans.

2 More recent Sector Views outlined the relevance of their described sector to the new government's national missions.

Source: National Audit Office analysis of Department for Business and Trade documents

Case study 2

UK-Texas BioBridge

Sector: Life sciences

Type of support: Advice and promotion

The UK-Texas BioBridge is a 2018 partnership between the UK government and Texas Medical Centre in Houston designed to boost exports and drive scientific innovation. The partnership allows UK life science companies to locate themselves at the Medical Centre with access to a network of advisers, investors and medical experts. The Department for Business and Trade has reported more than £150 million in export wins as a result, and there are tentative plans to replicate the initiative elsewhere in the country.

Notes

- 1 The type of support is based on the categories set out in Figure 2.
- 2 See Appendix One for detail on the case study approach.

Source: National Audit Office analysis of Department for Business and Trade documents and interviews

Monitoring spending on business support

1.15 Monitoring of spending is an important part of the programme and project lifecycle. As emphasised in our July 2024 report *Making public money work harder*, tracking expenditure is important to ensure resources deliver value and meet objectives.⁸ Maintaining good oversight of spending enables good decision-making, prioritisation, and accountability, and reduces the risk of inefficiencies in how public funds are deployed to stimulate economic growth.

1.16 DBT tracks high-level metrics as part of its budget monitoring.

- In 2023-24, DBT reported spending of £790.9 million on grant programmes for business support managed by either DBT or other agencies (**Figure 5** on pages 25 and 26).⁹ 62.4% was allocated to advanced manufacturing, 29.9% to green technologies and energy, and 6.4% to pan-sector support.
- In 2023-24, DBT's Business Group reported spending around £530 million on what it categorised as business support programmes. However, it is unclear how this spending breaks down by types of support since this is not information that can be readily extracted from current reporting systems (**Figure 6** on pages 27 and 28).
- In 2023-24, DBT spent £55.2 million on Business Group resourcing, which funds the staff working across the Group, including those delivering support through sector teams.¹⁰

8 Comptroller and Auditor General, *Making public money work harder*, Session 2024-25, HC 131, National Audit Office, July 2024.

9 This covers programmes where grants have been given to businesses as end-beneficiaries as well as grant funding other forms of support and subsidies. See Figure 5.

10 This excludes teams not engaged directly in business support. These are the Post Office, Horizon Inquiry and business intelligence teams.

Figure 5

Department for Business and Trade (DBT) grant spending 2023-24

The largest proportion (62.4%) of DBT's grant portfolio relates to support for advanced manufacturing, followed by 29.9% to energy, and 6.4% to pan-sectoral support

Sector	Programme	Status of scheme	Managed by	Total (£mn)	Percentage of the total (%)
Advanced Manufacturing	Advanced Propulsion Centre (APC)	Live	UKRI/IUK	80.1	10.1
	Aerospace Technology Institute (ATI)	Live	UKRI/IUK	173.4	21.9
	Automotive Transformation Fund (ATF)	Live	DBT and APC through UKRI/IUK	166.9	21.1
	Connected Automated Mobility (CAM)	Live	UKRI/IUK, Zenzic UK Ltd and CCAV	18.2	2.3
	Exceptional RGF grants (eRGF)	Live	DBT	47.2	6.0
	Made Smarter Adoption	Live	DBT	7.8	1.0
Energy	Energy Intensive Industries (EII) Compensation Scheme	Live	DBT	236.2	29.9
Materials	Materials Processing Institute (MPI) PRISM	Live	DBT	1.8	0.2
Pan-sector	Be The Business	Closing	DBT	3.9	0.5
	European Structural and Investment Funds (ESIF)	Closed	DBT and Capita	9.8	1.2
	Flooding – Business Recovery Grant Scheme (Storm Babet)	Closed	DBT	1.2	0.1
	Flooding – Business Recovery Grant Scheme (Storm Henk)	Live	DBT	1.0	0.1
	Growth Hubs – Delivery (Local Gov)	Live	Local government	11.9	1.5
	Help to Grow – Management	Live	DBT	22.1	2.8
	Key Account Management Programme (KAM)	Live	DBT	1.0	0.1
	Transport and Infrastructure	Global Centre of Rail Excellence	Closing	Welsh Government and DBT	8.4
Grand total				790.9	100

Figure 5 *continued*

Department for Business and Trade (DBT) grant spending 2023-24

Notes

- 1 Not all grant expenditure is in place to provide business support. For example, it can be used to fund the activities of DBT's partner organisations. This type of grant expenditure is excluded from the list and means that the value above is lower than the total audited grant expenditure as presented in DBT's Annual Report and Accounts 2023-24.
- 2 Not all support programmes funded through grants are set up to provide grants directly to businesses. Some are set up to deliver support using grants to fund work or deliver schemes that include both grant and non-grant elements such as advice or access to facilities.
- 3 This table uses audited grant expenditure from DBT's Annual Report and Accounts 2023-24 and covers all of DBT. It includes initiatives that were judged to include some form of business support as set out above. It may exclude offers that were not identified through this exercise. For example, there are some grant programmes that have not been coded to grant expenditure, such as the smaller Music Industry Support Schemes. These have therefore been excluded from the breakdown above. Since it only includes grant spending reported in the audited accounts for the financial year, it does not include closing legacy schemes such as the Regional Growth Fund (RGF) where spending has been drawn down, but monitoring is ongoing, or grant recovery is in progress.
- 4 The Energy Intensive Industries (EII) Compensation Scheme covers support to Energy Intensive Industries that are paid out as compensation rather than offered as an exemption. This is effectively a subsidy.
- 5 The Automotive Transformation Fund includes funding delivered through the Advanced Propulsion Centre (APC). It covers some, but not all, funding offered through the Exceptional RGF.
- 6 ESIF refers to the ESIF-funded schemes under the European Regional Development Fund Programme and is comprised of four projects. The Ministry of Housing, Communities & Local Government is the managing authority.
- 7 Abbreviations used: Centre for Connected and Autonomous Vehicles (CCAV); Innovate UK (IUK); and UK Research and Innovation (UKRI).
- 8 Figures may not sum due to rounding.

Source: National Audit Office analysis of Department for Business and Trade financial data

1.17 DBT finds it challenging to collate detailed cost information on how much it spends on support. DBT's Business Group breaks down spending by sector teams and areas of work rather than the type of support. 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 support spending, for example, it must manually collate expenditure on grants. DBT considers most of its business support spending to be either grants or staff costs. DBT only monitors spending in areas that fall within DBT's own budgets, and this therefore excludes support offered through arm's-length bodies and public entities such as the British Business Bank or UK Research and Innovation. This means that it is difficult for the Department to identify exactly what it spends where and to categorise that spending in a more helpful way.

1.18 This lack of good-quality data limits its oversight capabilities. As DBT does not routinely break down what its support offering looks like, it lacks a comprehensive understanding of how resource is spent between different types of support across sectors. Without insight into the profile of current spending, DBT cannot effectively adapt its approach to a new Industrial Strategy. A clear understanding of existing activities is essential to inform future decisions and ensure DBT can allocate resources strategically and adapt to changing priorities. DBT is taking steps to improve its oversight of grant spending. The Grant Delivery Directorate was established to bring together grant delivery and monitoring across the Department. This central team will work with other teams in DBT and with external delivery partners to ensure a consistent approach to design, monitoring, and reporting.

Figure 6

The Department for Business and Trade's (DBT's) Business Group spending on business support programmes 2023-24

The largest programmes sit within the Advanced Manufacturing sector team, which includes the Automotive programme that cost £250.1 million in 2023-24

Sector	Programme	Resource	Capital	Total
		(£mn)	(£mn)	(£mn)
Advanced Manufacturing	Advanced Manufacturing	8.9	0.4	9.4
	Aerospace and Space	1.5	174.2	175.7
	Automotive	4.5	245.5	250.1
	Centre for Connected and Autonomous Vehicles	0.4	18.2	18.6
	Mobility (Automotive, Aerospace, Space)	1.6	0.0	1.6
Construction, Infrastructure and Energy	Construction and Infrastructure	0.1	-0.2	-0.1
	Energy	3.2	0.0	3.2
	Infrastructure Partnerships	3.8	8.0	11.7
	Ukraine Reconstruction	1.5	0.1	1.6
Creative, Consumer, Sport and Education	Creative Services and Experience Economy	0.2	0.0	0.2
	Agriculture, Food and Drink	2.6	0.0	2.6
	Consumer Sectors	1.5	0.0	1.5
	Creative Industries	2.0	0.0	2.0
	Digital Commerce	0.8	0.0	0.8
	Education	0.1	0.0	0.1
	Foreign Direct Investment	0.0	0.0	0.0
	Saudi Taskforce	2.8	0.0	2.8
Financial, Professional and Business Services	Financial, Professional and Business Services	2.0	0.0	2.0
	Materials			
Materials	Chemicals, Critical Minerals and Mining	2.1	1.8	3.9
	Civil Maritime	8.1	0.0	8.1
	Energy Intensive Industries and Rail	1.1	0.0	1.1
	Infrastructure, Construction and Rail	1.2	9.6	10.7
	Steel and Aluminium	3.2	1.8	5.0

Figure 6 *continued*

The Department for Business and Trade's (DBT's) Business Group spending on business support programmes 2023-24

Sector	Programme	Resource	Capital	Total
Science and Technology	Global Entrepreneur Programme	2.8	0.0	2.8
	Global Talent Network	0.9	0.0	0.9
	Healthcare	3.1	0.0	3.1
	Pharmaceuticals	0.0	0.0	0.0
	Technology and Entrepreneurship	2.3	0.0	2.3
UK Defence and Security Exports	Capability Campaign Office	1.8	0.0	1.8
	Cyber Programme	0.3	0.0	0.3
	Export Support Team	2.2	0.0	2.2
	Regional teams	3.3	0.0	3.3
	Security and Cyber Security Exports	1.0	0.0	1.0
Grand total		71.0	459.3	530.3

Notes

- 1 The spending is actual reported spending in-year. It covers all business support and is based on monitoring information extracted from DBT Business Group's finance systems. It includes all spend on resourcing and capital, and therefore covers grants as well as other expenditure, such as staffing, of DBT's Business Group.
- 2 The table excludes spending from programmes that relate to corporate and analytical functions such as Private Offices which support senior staff. In practice there are some overlaps. For example, DBT told us that the Director's Office in the Creative, Consumer, Sport and Education sector includes around £2 million of business support spending on areas such as grants and trade shows, due to a recent restructure. This is not included in the figure.
- 3 The table also excludes programmes with nil spending or that were judged to be trivial (rounding to less than £1,000). These were the Manufacturing Observatory, Oil and Gas, Nuclear, and Med-Tech. Some programmes reported spending above this amount that rounded to £0.0 million. These have been retained for completeness.
- 4 The Energy Intensive Industries (EII) does not include the grant funding set out in Figure 5. Although Business Group owns the programme, and therefore reports relevant resource spending, grant administration and associated costs are reported under the new Grants Delivery Directorate. The spend in this table is therefore related to policy staff cost rather than the EII compensation itself.
- 5 The Ukraine Reconstruction programme is support provided to UK business to encourage investment into Ukraine. The programme aims to support infrastructure projects and build investor confidence.
- 6 Negative spend items arise from income such as contributions from other departments towards programmes.
- 7 Figures may not sum due to rounding.
- 8 These figures may be different to those in the published accounts due to accounting treatment and adjustments.

Source: National Audit Office analysis of Department for Business and Trade financial data

Prioritisation

1.19 DBT does not consider all its support collectively, limiting its ability to prioritise across sectors and interventions. DBT has set up two oversight mechanisms for industry support: the Investment Committee (IC) and the Performance and Risk Committee (PRC). Decisions on individual spending proposals above £20 million and oversight of DBT's major change portfolio are taken by the IC.¹¹ Oversight of the Department's overall performance against its programme and policy commitments should be conducted through the PRC. However, due to a lack of a joined-up delivery plan, PRC is currently unable to carry out its functions properly. DBT acknowledges it needs a department-wide delivery plan, but, since the Department was formed, efforts have been focused on clarifying management structures and corporate services. In the interim, sector teams have been working separately on interventions, without cross-departmental oversight.

1.20 The Department does not have a comprehensive view of the totality of projects and programmes it delivers. Outside of the major change portfolio, responsibility is delegated to directorates, and there is no single list of support programmes delivered or funded by DBT. DBT has to operate within its funding constraints, as do all departments, and a clearer view of DBT's entire portfolio would help to improve its understanding of different types of interventions. Although individual programmes may achieve their objectives for a given sector, it is possible alternative interventions would have delivered greater impact to the economy as a whole or been a better use of DBT's resources. While every intervention presents trade-offs, greater clarity around these decisions would help both DBT and its partners in government it seeks to influence.

¹¹ The major change portfolio is the portfolio of programmes approved by the Investment Committee. These are programmes worth £20 million or above, or that have been put to the Investment Committee since they are considered novel, contentious, or as carrying a reputational risk.

Part Two

How the Department for Business and Trade is set up to implement support

2.1 This part covers the Department for Business and Trade's (DBT's):

- business support capability and capacity;
- work across government;
- engagement with industry; and
- intelligence gathering.

Business support capability and capacity

2.2 The creation of DBT brought together business support teams from the former Department for Business, Energy & Industrial Strategy (BEIS) and the former Department for International Trade (DIT). This was done to bring together business and trade expertise to join up the support offer to UK business and strengthen the UK's offer to international investors. DBT's Human Resources team conducted an exercise with the new teams to understand their learning requirements, and this identified gaps in some core business capabilities. DBT quickly produced an interim training offer, including commercial awareness sessions and a one-day workshop on engaging with businesses. The initiatives needed refinement but were well received by participants.

2.3 DBT has taken steps to consolidate its work on improving its capabilities, but it will take time until the benefits of this work materialise.

- In May 2024 the Government Internal Audit Agency (GIAA) issued an audit report with limited assurance on DBT's capability. In response, DBT commissioned an external capability needs assessment, to map the key capabilities required to deliver ministerial priorities, identify current capabilities, and areas requiring interventions. DBT allocated a budget of £230,000 for the work, which was completed in January 2025.
- DBT put in place a people strategy for 2024 to 2027 that lists several milestones for 2024-25, including a learning hub and gateway, a DBT Fundamentals package for essential skills, and a DBT leadership academy.
- DBT has also established a People and Culture working group to address issues around engagement and skills.

2.4 External stakeholders told us the sector-facing teams they engage with in DBT are knowledgeable, but staff turnover and the resulting loss of expertise affects continuity. The Industrial Strategy also represents a new approach for the Department and may require different capabilities. DBT told us it is undertaking a review of priorities and resources as part of the current spending review process, and this will include reviewing alignment with Industrial Strategy priorities, with implications for resources and capabilities.

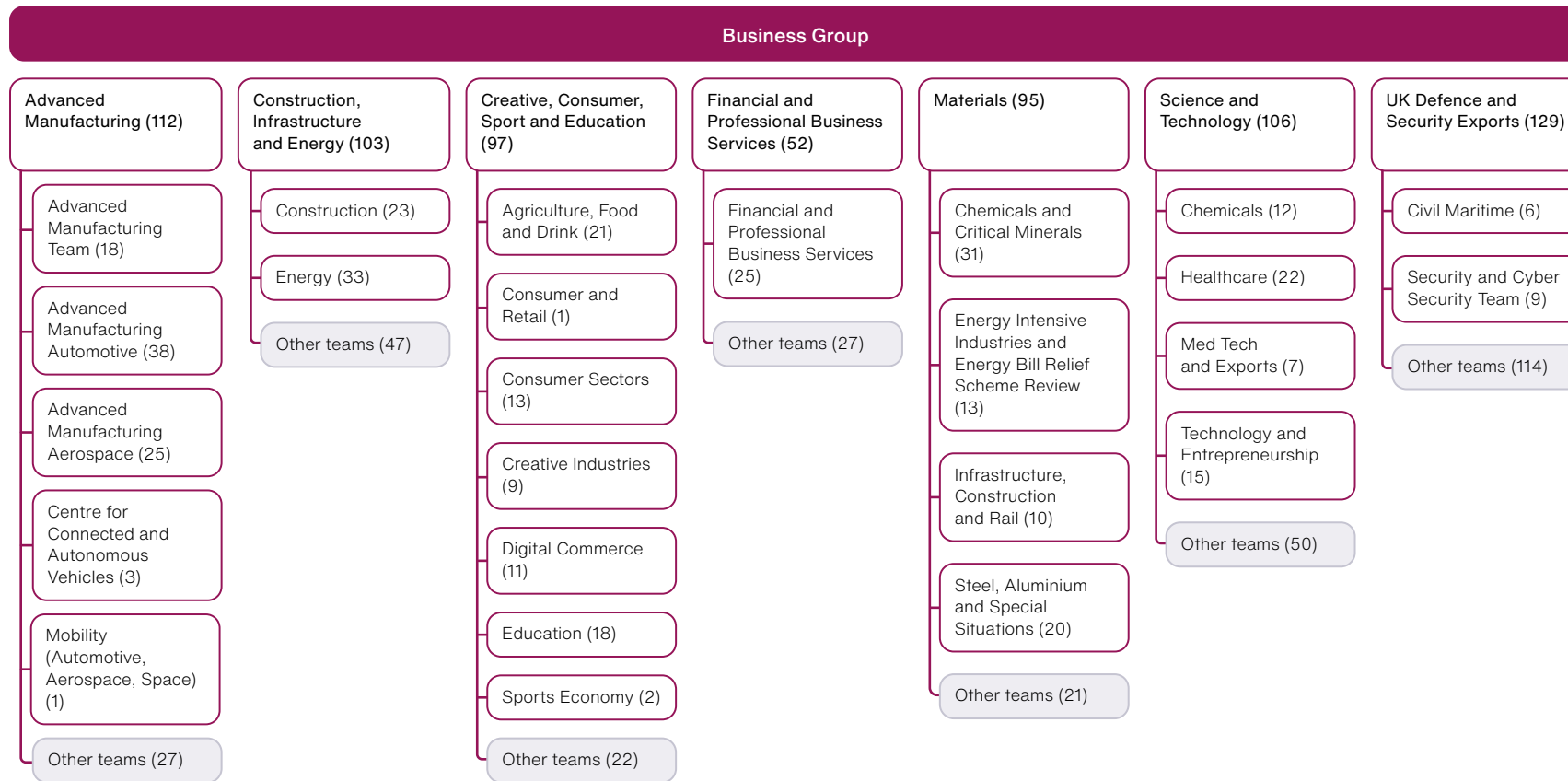
2.5 DBT's business support is not resourced based on an assessment of the needs and requirements of different sector teams. The former BEIS and DIT had similar sector teams covering the economy. The former BEIS focused on policy design, whereas the former DIT pursued exports, trade and investment. In Spring 2024, the former departments' sector-facing teams were consolidated into 25 single teams in DBT's Business Group (**Figure 7** overleaf). Currently, directorates within Business Group are of similar size, but sector teams vary by size and grade distribution, not related to the priority of the sector. In September 2024, DBT's Business Group had 820 full-time equivalent employees, across nine directorates including one private office to support the director general. 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.

Working across government

2.6 DBT is not the only department with a role in growth. DBT was created in February 2023, bringing together the business-focused functions from the former BEIS and the former DIT into one department for economic growth. However, the Ministry of Housing, Communities & Local Government (MHCLG) focuses on regional growth, and the Department for Science, Innovation & Technology (DSIT) and the Department of Energy Security & Net Zero (DESNZ) support the conditions that allow for growth, such as innovation and the environment. HM Treasury has overall responsibility for the growth mission. In practice, these different perspectives on growth can cause tensions between departments and can also compete with the interests of businesses or those of particular sectors. While we observed differing views between departments weighing growth against other objectives, departments broadly understand and buy into economic growth as the government's main priority. This is important in the context of the forthcoming Industrial Strategy and the growth mission, which require even more effective and joined-up cross-government working.

Figure 7
Structure of the Department for Business and Trade's (DBT's) Business Group

DBT's Business Group is composed of 10 directorates which contain 25 sector-facing teams; some directorates focus on specific sectors while others work across sectors



Notes

- Numbers in brackets refer to total full-time equivalent staff as at September 2024.
- This does not include directorates without sector-facing teams. These are the Business Group Director General's Office, Business Intelligence and Resilience, and the Post Office directorates.
- The 'Other teams' listed under directorates are teams that are not directly sector-facing. These include teams such as: Private Office; response teams; export support teams; and different campaigns and programme teams.
- DBT's Business Group is one of eight groups in the Department. These are: Business; Competition, Markets & Regulatory Reform; Corporate Services; Domestic and International Markets and Exports; Economic Security and Trade Relations; Investment; Strategy and Growth; and Trade Policy Implementation and Negotiations. DBT also has 19 partner organisations, including the British Business Bank, the Insolvency Service, and Companies House.

Source: National Audit Office analysis of Department for Business and Trade documents

2.7 Where DBT does not own the policy levers that affect the sectors it oversees, it relies on effective working relationships to advocate for industry across government (**Figure 8** overleaf). DBT has control of direct policy levers including business regulation, trade agreements, export promotion and subsidy control. However, 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. These other departments will also provide support, which may be financial, for sectors and industry where this is part of their policy objectives (Figure 2). DBT also has to work closely with HM Treasury, which has an overarching macroeconomic role. In its internal risk register, DBT acknowledges that an inability to sufficiently influence the rest of government is a risk to its effectiveness.

2.8 DBT's relationships with individual departments are at different stages of maturity, and other government departments we spoke to had mixed views on the clarity of DBT's role. Some felt DBT's remit was clear, while others said DBT's offer to businesses was unclear. In part, this lack of clarity was due to changes in government, such as the formation of DBT and to the change of government following the 2024 general election. Departments also told us that working arrangements between DBT and other government departments were limited by data sharing arrangements, as there is no consistent formal arrangement between DBT and other government departments, and data are not shared systematically. Where there are more formal arrangements in place, data that can be shared are limited by the current legal framework.

2.9 To clarify its role and the roles of other government stakeholders, DBT commissioned 'Handshakes' from sector teams. These are agreements:

- between teams in DBT's Business Group with other parts of DBT as well as other government departments, articulating roles, responsibilities, and ways of working;
- outlining roles and responsibilities at three levels: department level (policy, sector vision, governance), team level, and cross-cutting policy level; and
- covering how stakeholder engagement will be handled and by whom.

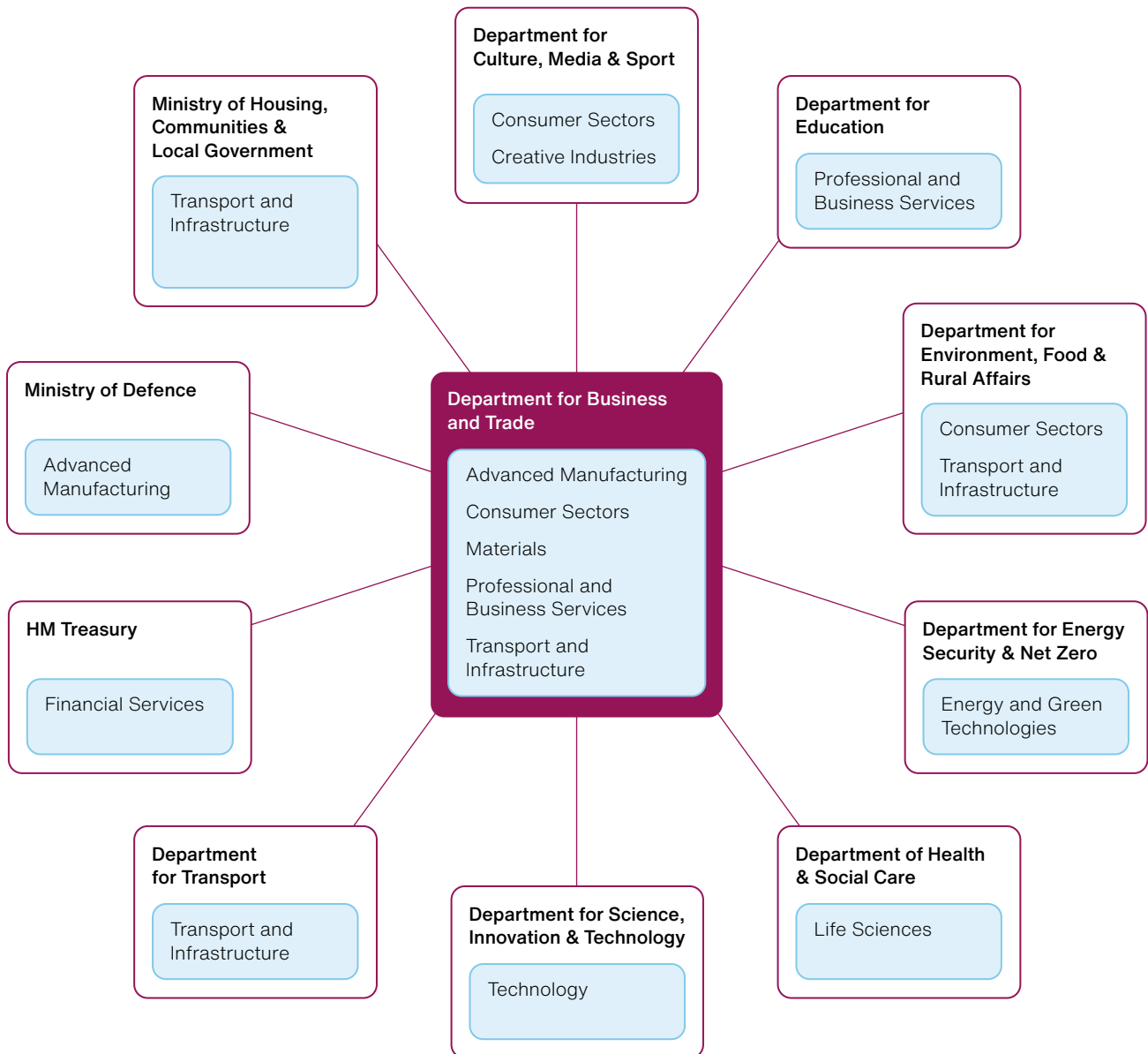
Handshakes also contain annexes detailing DBT's and the other departments' relevant ministers and their responsibilities, and DBT's commitments to sector strategies in other departments.

2.10 At the time of the announcement of the Industrial Strategy, most handshakes had still not been adopted by teams. Some departments told us that they found these agreements helpful to set out lines of communication and operationalise plans. However, others thought that they did not define roles and responsibilities well enough.

Figure 8

The Department for Business and Trade (DBT) works with others in government to support industry

DBT leads or co-leads work on five industry sectors; the remaining sectors are led by other government departments with DBT involvement



Notes

- 1 DBT segments the economy into 10 high-level industry sectors and 41 sub-sectors. The diagram above illustrates DBT's segmentation of sectors and understanding of sector leadership within government. This view may not be shared by other government departments. Departments which have sector leadership roles are supported by other government departments, but this diagram does not illustrate these relationships.
- 2 Of these sectors, the following have been identified as 'growth-driving' in the Industrial Strategy green paper: advanced manufacturing; clean energy industries; creative industries; defence; digital and technologies; financial services; life sciences; and professional and business services.
- 3 Materials is the only sector wholly owned by DBT.
- 4 The Office for Life Sciences (OLS; not shown) supports the life sciences sector. It is part of the Department of Health & Social Care and the Department for Science, Innovation & Technology.

2.11 In the absence of agreed, standardised Handshake documents, DBT's sector teams take different approaches to agree on roles and ways of working with other government departments. For example:

- The Defence and Security Exports sector team has a service level agreement with the Ministry of Defence. The sector team observed that it would take little to disrupt this agreement, as it is not a mandate on involved parties.
- The Financial and Professional Business Services (FPBS) sector team relies on other government departments' policy levers, and it is therefore important that it maintains positive working relationships. It works closely with HM Treasury (HMT) and the Ministry of Justice (MoJ) to influence the domestic policy agenda and promote FPBS sectors overseas.¹²
- The Science and Technology sector team has an account management system which it uses to clarify responsibilities between itself and DSIT. For example, DSIT leads on the maintenance of UK data centres and the sector team leads on business intelligence that businesses use to invest in these centres.

2.12 DBT's ability to influence other government departments varies and is limited in some areas. For example, skills is an important area of policy, with approximately two-thirds (20 out of 33) of sector views identifying skills as a barrier to growth (see Figure 3). The Advanced Manufacturing team identified 42% of all manufacturing vacancies were hard to fill due to skills shortages, and the Professional and Business Services team highlighted the need to upskill the workforce on green and digital. DBT's ongoing work with the Department for Education (DfE) highlights the challenges supporting business interests in an area that is complex, long-term, and involves levers that are outside of the Department's control.

2.13 DBT recognises that the Industrial Strategy and broader mission-driven approach will require effective cross-departmental working. In its green paper *Invest 2035*, DBT identified six cross-economy policies that contribute to growth in its eight growth-driving sectors: people and skills; innovation; energy and infrastructure; regulatory environment; crowding-in investment; and international partnerships and trade.¹³ DBT co-owns the Strategy with HM Treasury, and other government departments will have responsibilities for particular sectors and interventions. Given the challenges faced coordinating policy across government, these responsibilities need to be clarified quickly to enable DBT and other departments to implement the new Strategy.

¹² HM Treasury is the sponsor for the Financial Services sector. The Ministry of Justice is the sponsor for Legal Services, a sub-sector of the Professional and Business Services sector, as defined by DBT (see Figure 8).

¹³ *Invest 2035: the UK's modern industrial strategy*, UK Government (2024).

Case study 3

Skills

Sector: Pan-sector

Type of support: Joint Initiatives

Government policy on skills is owned by the Department for Education (DfE) which funds the newly formed Skills England. This means that the Department for Business and Trade (DBT) needs to support business without direct control over the interventions designed to tackle skills gaps.

DBT's Skills, Migration and Emerging Technologies team convenes a monthly internal Skills Forum that facilitates skills discussions from across DBT. The forum includes representatives from each of the sector teams in Business Group. Other government departments, including DfE, present at the forum where appropriate.

DBT has found it challenging to influence DfE to support industry through skills policy. Since the formation of DBT a more collaborative relationship with DfE has emerged. DBT has shared its assessment of skills requirements, and the departments meet regularly, but there is no formal working arrangement to progress DBT's requests. DBT therefore must wait for the publication of Skills England's strategy to understand how sectors of the economy may be affected by skills policy, and what potential trade-offs will need to be considered between the departments' objectives.

Notes

- 1 The type of support is based on the categories set out in Figure 2.
- 2 See Appendix One for detail on the case study approach.

Source: National Audit Office analysis of Department for Business and Trade documents and interviews

Engagement with industry

2.14 Engagement is an important part of DBT's work, and stakeholders are broadly positive about their experiences. Engagement provides stakeholders channels to communicate with the government. It also helps DBT keep up to date with the needs of industry, collect intelligence, and support the design of interventions. DBT engages with industry stakeholders at various levels of seniority and in a range of ways, from sector councils (see 2.18) and structured forums to ad hoc engagement. DBT additionally engages with stakeholders both individually and through membership organisations. Industry stakeholders can access DBT through different channels depending on their need, beyond the Business Group's sector teams. For example, smaller businesses can benefit from growth support from the Domestic and International Markets and Exports (DIME) Group in DBT, and businesses wanting to access specific markets can receive advice and support through DBT's overseas network. DBT's senior leadership regularly engages with business interest groups at various levels. DBT consults with academics on data collection and analysis matters, such as meta-evaluations and surveys. DBT can also collaborate with stakeholders on data. For example, the British Industry Supercharger scheme involved collaboration with specific industries on data collection and analysis, and stakeholders were invited to inform policy design during a consultation phase (see Case study 1 in Part One).

2.15 A lack of cross-government join-up on respective roles and points of contact risks undermining DBT's stakeholder engagement. Several other government departments also have relationships with industry stakeholders, particularly in the sectors for which DBT does not have sole or lead policy responsibility. Departments told us there were some cases where stakeholders had been confused by the government's position as a result of conflicting or duplicated communications from DBT and other government departments. DBT and other departments also rely on arm's-length bodies and government agencies for delivery. Industry stakeholders we spoke to told us they would prefer a single 'front door' for support, and that DBT would be well-placed to do this.

2.16 DBT is working with others in government to strengthen its stakeholder engagement. Its Business Engagement Unit supports sector teams with account management and maintains a central list of priority businesses divided into sectors. This list is owned by the Permanent Secretary and developed by DBT analysts with input from sector teams. In practice, sector teams take a decentralised approach to stakeholder management. They split key companies and bodies into common categories to capture stakeholders in a consistent manner across the economy: key trade bodies, companies, investment accounts, strategic companies, and small and medium-sized enterprises (SMEs). Sector teams operate an account management model where key stakeholders benefit from a dedicated contact within DBT. DBT recognises the need to improve cross-government business engagement and has various activities underway. This includes a new account management pilot, exploring new platforms to share business intelligence across government, and developing a cross-government framework to assign departmental leads to the most important companies.

2.17 Stakeholders have been affected by the changes within government and seek more consistency to form effective working relationships. Stakeholders we spoke to think that the creation of a single department for business and trade was helpful as they can now engage a single team on both domestic and international business instead of communicating with DIT and BEIS in parallel. However, their experiences have been mixed on day-to-day working. In some cases, stakeholders have felt minimal disruption and change. In others, they have experienced staff turnover and expressed frustration about change following the formation of DBT and change of ministers, highlighting the need for stability in the business environment. To act as the voice for business and deliver economic growth, DBT needs to establish a clear and shared understanding of its role.

Intelligence gathering

2.18 DBT uses its engagement with industry to gather intelligence on industry pressures and needs. There are 16 sector councils that facilitate structured dialogue between government and industry. Although the councils were not set up as part of a single structure and have different origins and purposes, they follow a broadly similar approach: groups of government, business and industry body representatives, generally co-chaired by a minister and industry chief executive. DBT is planning a refresh of the sector councils in the context of the forthcoming Industrial Strategy. It reviewed sector councils in July 2024, finding significant variability in terms of their effectiveness, objectives, set-up, and options for repurposing. The Strategy is an opportunity for DBT to align sector councils on ways of working, using the learning from how effective sector councils operate.

2.19 Sector teams and other government departments have expressed concern about the government not being joined up in gathering, reporting and sharing business intelligence. DBT teams are asked to record their interactions with industry following engagement on DBT's system 'Datahub', but this does not happen consistently. There are also limitations with the functionality of the system and its usefulness since it cannot be accessed across departments. This means that teams do not always know whether industry stakeholders have been in contact with other DBT teams or other departments.

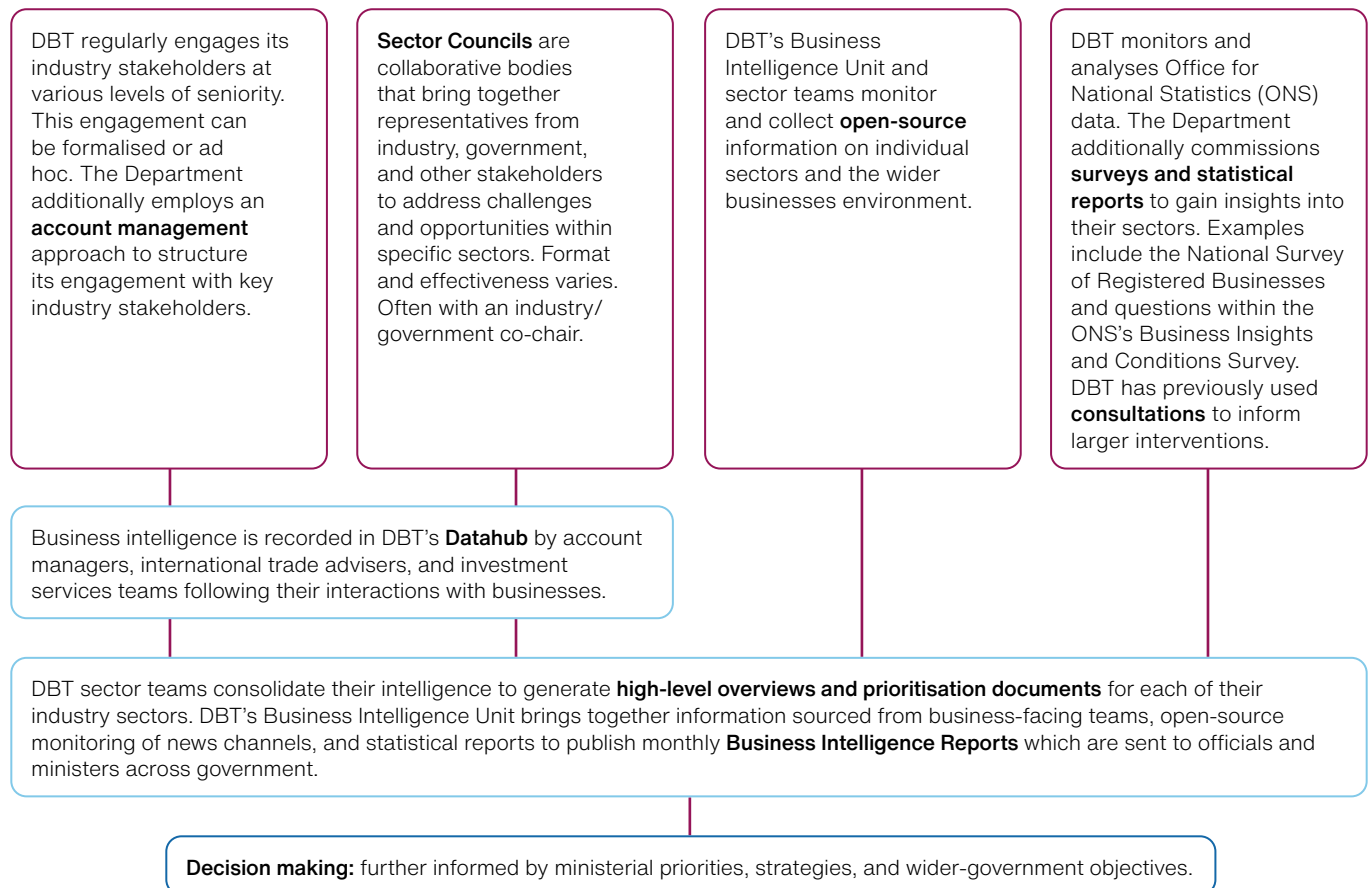
2.20 Sector-specific teams regularly assess the performance of their sectors. As at May 2024, 33 of DBT's 41 sub-sectors were rated as 'amber', meaning "underperforming but able to mitigate/cope with worse impacts".¹⁴ These assessments are combined with wider economic data by DBT's business intelligence function. DBT told us these reports are circulated widely across government, including to DBT ministers, the Prime Minister's Business Unit, and departmental Permanent Secretaries (**Figure 9**). DBT provided examples of this intelligence being used to help monitor risks and inform subsequent action. However, it is aware of the report's limitations. For example, users are unable to search for content based on their area of interest; there are challenges with reporting sensitive information; and the way the report classifies sectors need updating once the definitions for each Industrial Strategy sector are confirmed. See Appendix One for detail on how DBT classifies sectors. DBT plans to undertake a review of what information is collected, how it is collected and how it is shared as part of wider efforts to improve business engagement.

¹⁴ The format and frequency of DBT's business reporting has changed over time. Reporting packs are now circulated monthly (previously fortnightly). Until May 2024, packs presented RAG (red/amber/green) ratings for DBT's individual sectors conducted by business sector teams. Packs now present sector heatmaps based on the Office for National Statistics' (ONS) Business Impacts Survey.

Figure 9

The Department for Business and Trade's (DBT's) sources of sector intelligence

DBT gathers information from a range of public and non-public sources which are consolidated into recurring business intelligence reports



- Gathering
- Consolidation
- Decision making

Note

- 1 This is a high-level illustration of DBT's approach to processing information. This is based on analysis of DBT's internal documentation and processes as described to the National Audit Office.

Source: National Audit Office analysis of Department for Business and Trade documents

Part Three

The impact of the Department for Business and Trade's activities

3.1 This part covers:

- benefits management and evaluation; and
- a new growth mission and Industrial Strategy.

Benefits management and evaluation

3.2 The Department for Business and Trade's (DBT's) work on benefits management is under-developed and it has work underway to address this. To demonstrate whether support is delivering its intended benefits, DBT needs to have good processes in place for benefits management. Benefits management involves identifying, measuring and tracking benefits from the start of a project to its completion. DBT performed a department-wide review on benefits realisation in late-2023. The assessment found that benefits identification is carried out as part of the business case process, but projects rarely have subsequent plans or success measures in place for realising benefits. It additionally found that, for grant schemes, programmes are often delivered through a partner, resulting in ambiguity regarding ownership of the benefits realisation process. DBT proposed a new benefits framework to its Investment Committee in March 2024 to help it understand the impact of its initiatives and developed support for users. DBT told us that it has also clarified the process to hand projects over to the Performance and Risk Committee. The Department is working to consolidate the delivery and monitoring of the grant programmes it delivers and to improve reporting, something it hopes to have achieved by 2025-26 (see paragraph 1.18). These are positive steps, but efforts to embed benefits realisation have been affected by low capacity and capabilities in delivery teams, and the Department has not determined the roles of its governance committees in embedding this. DBT will have to resolve this resourcing issue to implement the framework and improve the Department's benefits management.

3.3 DBT is taking steps to improve its evaluation practice and can demonstrate areas of good practice. Monitoring and evaluation can support benefits management by illustrating delivery risks during the course of interventions, as well as assessing whether intended and unintended benefits were delivered after completion. Impact evaluations support benefits management by identifying changes in outcomes directly attributable to an intervention as opposed to other external factors. There remain gaps in the Department's work, and a risk it avoids evaluating more challenging interventions. However, it can also evidence some positive steps.

- DBT uses a hybrid 'hub and spoke' model for monitoring and evaluation. Most analysts are embedded within sector teams, but a central team delivers cross-cutting work. This central team works under the Chief Economist to cover issues such as the Industrial Strategy. This model allows the Department a level of flexibility in deploying its analytical resource and ensures there is a central team that can provide input and challenge to individual teams responsible for the appraisal, monitoring and evaluation of interventions.
- Driven in part by a cross-government initiative led by the Cabinet Office, DBT published a refreshed monitoring and evaluation strategy in late-2023. The strategy recognises the new department's role and the importance of embedding monitoring and evaluation into its work. The Department 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 – the Group leading much of DBT's support for industry – told us it was responsible for 32 initiatives to support industry sectors where it expects to undertake some form of monitoring and evaluation. Of these initiatives, the Group provided monitoring and evaluation information for 11. The documents varied significantly in terms of style and scope, and many were produced by the Department's predecessors. However, several documents were publicly available, increasing public transparency.

3.4 The Automotive Transformation Fund (ATF) is a current example of a well-established funding programme with areas of strong monitoring and evaluation. Output from this work has been used internally to justify further funding, and learning has fed into the upcoming Auto2030 programme, creating a positive feedback loop.

Case study 4

Automotive Transformation Fund (ATF)

Sector: Advanced manufacturing

Type of support: Finance (grants)

The ATF was launched in July 2020 to create an internationally competitive electric vehicle supply chain in the UK, offering a share of up to £1 billion of grant funding for capital and research projects. The ATF is delivered by the Department for Business and Trade (DBT) in partnership with the Advanced Propulsion Centre and Innovate UK, engaging closely with HM Treasury. It builds on processes and learning from past programmes. The ATF is part of the Government Major Projects Portfolio. As of September 2024, the government had committed to grant worth £550 million.

To date there have been three external evaluation reports. An impact evaluation is planned for 2025. There have been known delivery challenges, such as grant payments being paid in arrears, causing budgets to slip when there are delays. However, it is viewed by DBT as a well-established funding programme with areas of strong monitoring and evaluation. The ATF's monitoring and evaluation arrangements received a positive assessment from a Cabinet Office-led review and is viewed as an area of good practice within DBT.

Notes

- 1 The type of support is based on the categories set out in Figure 2.
- 2 See Appendix One for detail on the case study approach.

Source: National Audit Office analysis of Department for Business and Trade documents and interviews

3.5 The forthcoming Industrial Strategy raises challenges and opportunities for DBT's monitoring and evaluation work. The Department's current monitoring and evaluation work focuses on individual, high-value programmes. With limited resource, it is critical the Department understands if its interventions to support sectors are effective and contributing to the government's wider growth mission.

A new growth mission and Industrial Strategy

3.6 Most governments engage in some form of industrial policy, to shape the economy by targeting specific industry sectors, businesses or economic activities. Major industrial interventions in recent years include the European Green Deal, Made in China 2025, and the US Inflation Reduction Act.¹⁵ Some governments choose to coordinate their work through an overarching industrial strategy.

¹⁵ The European Green Deal is a set of policy initiatives to make the European Union climate neutral in 2050, incentivising economic growth and innovation. Made in China 2025 is a national plan to boost the country's manufacturing sector. The US Inflation Reduction Act was signed into law in August 2022. The Act is wide ranging and enhanced or created tax incentives for clean energy and manufacturing.

3.7 The UK government is taking a 'mission-driven' approach to government (see Figure 1). It defines this as departments working together to deliver key priorities in a more effective and efficient way. The government has announced five national missions, the highest priority of which is economic growth. This is in the context of GDP growth that has been steady (on average 1.6% per annum between 2014 and 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 2008.¹⁶ To support this growth mission, in October 2024 the Secretary of State for Business and Trade and the Chancellor of the Exchequer announced a new Industrial Strategy – *Invest 2035: the UK's modern industrial strategy*. Clare Barclay (Chief Executive Officer of Microsoft UK) was named chair of the Industrial Strategy Advisory Council, an independent group of business leaders, academics, and trade unionists that will support and challenge the government's Strategy. The Strategy is expected to be published in Spring 2025 alongside the multi-year Spending Review.

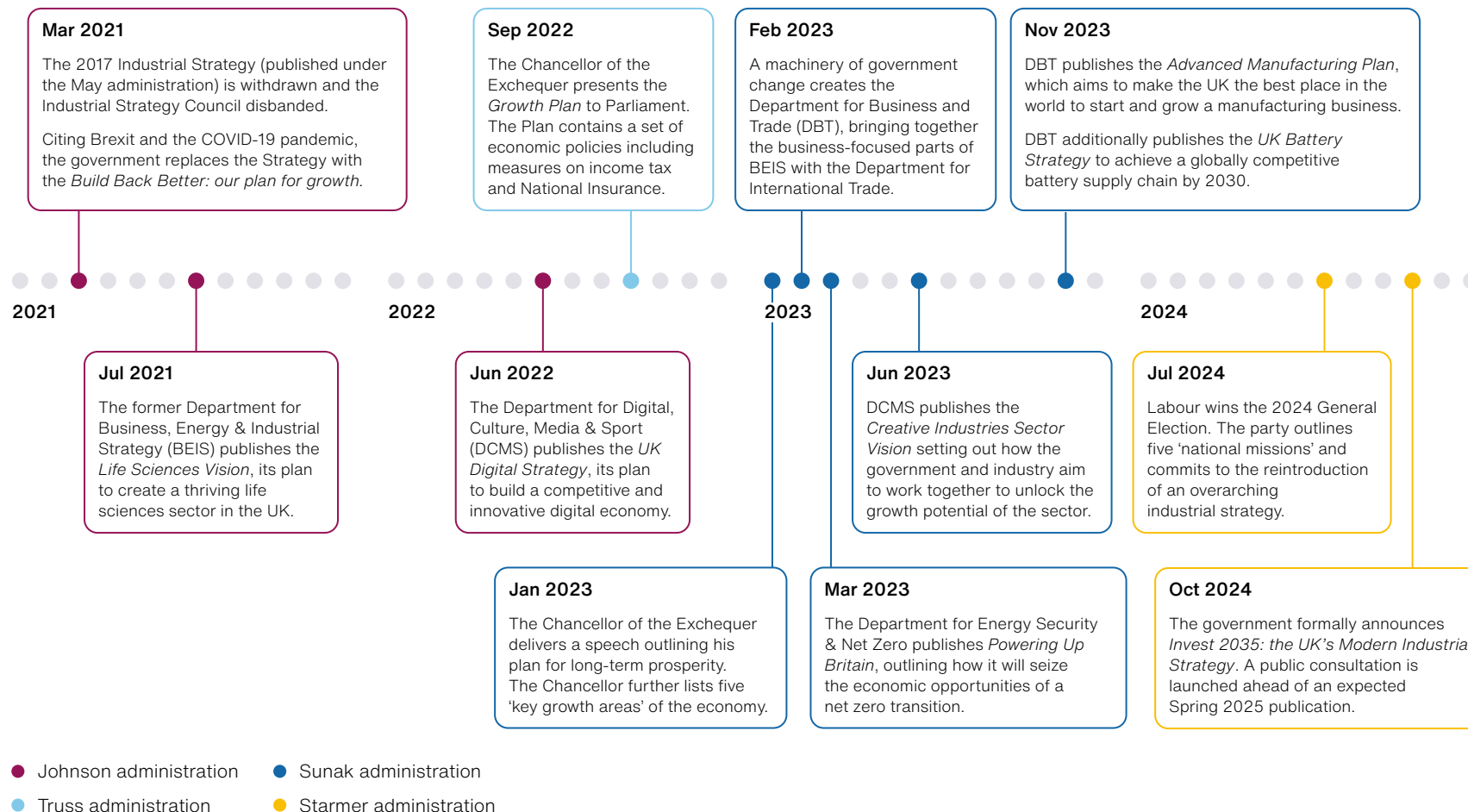
3.8 The forthcoming Industrial Strategy is not the UK's first (see **Figure 10** overleaf) - it is the latest of five industrial strategies and related growth plans over the last 10 years. It does however represent a significant departure from the previous government's approach to industry. The UK's last overarching strategy was published in 2017 but was withdrawn in 2021, with the then government citing a changed landscape following EU exit and the COVID-19 pandemic. The then government's decision to discontinue the strategy was criticised by several prominent industry groups and academics. While it can take many years to measure the impact of industrial policies, criticisms of the 2017 Strategy include instability at the top of government, the relationship between former Department for Business, Energy & Industrial Strategy (BEIS) and HM Treasury, and the plan's short lifespan. The 2017 strategy was replaced by a series of growth and innovation strategies.

3.9 DBT's predecessor, the Department for Business, Energy & Industrial Strategy, undertook work to diagnose the causes of low growth and identify potential solutions. For example, it explored the role of geographic clusters in economic growth as well as the rationale for supporting specific industrial sectors. This work was supported by extensive analysis and drew on a range of data sources and academic publications. DBT continued to undertake similar analysis, and it produced an internal 'Growth Playbook' which was finalised shortly after the 2024 general election. This brings together DBT's understanding of the key growth and productivity issues facing the UK economy. It has been used to inform the development of the forthcoming Industrial Strategy, as well as the strategic direction of DBT's broader contribution to the government's growth mission.

¹⁶ The Group of Seven (G7) is an informal bloc of industrialised democracies. Its member countries are: Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States of America.

Figure 10
Government's changing approach to industrial strategy

In March 2021, the government withdrew the 2017 Industrial Strategy to instead pursue a series of growth plans and sector-specific strategies



Notes

- For June 2023, DCMS refers to the Department for Culture, Media & Sport.
- Over the last 10 years there have been five industrial strategies and growth plans. These are the *Industrial Strategy (2012-15)*; the *Industrial Strategy: building a Britain fit for the future (2017-21)*; *Build Back Better: our plan for growth (2021-22)*; *The Growth Plan 2022*; and the forthcoming *Invest 2035: the UK's modern industrial strategy*.

Source: National Audit Office analysis of government strategies

3.10 The government has designated eight growth-driving sectors in the new Industrial Strategy that present the greatest opportunity for output and productivity growth over the long-term. Although DBT's current sector groupings can be used to illustrate the expected size and importance of the growth-driving sectors (**Figure 11** overleaf) these have not yet been fully defined. The government intends to channel support to these sectors and produce a targeted sector plan for each. DBT Business Group's existing Sector Views and Action Plans can provide a valuable evidence base for this work. The government recognises that these sectors are broad and aims to identify and prioritise more targeted support for sub-sectors for which there is evidence that policy change can deliver change and support growth. With limited resource, this selection must be made with care – underpinned by robust analysis, subject-matter expertise within government, and a nuanced understanding of barriers, levers, and trade-offs.

3.11 Stakeholders generally welcomed the government's announcement of a new Industrial Strategy. While many were optimistic regarding the Strategy's potential, some cautioned that success will depend on the government's ability to translate its ideas into action and address challenging cross-sectoral issues. Some organisations commended the government's prioritisation of eight sectors, while other industry groups expressed concern at the omission of their sectors from the Strategy.









3.12 We have previously reported on government support for industry, and some of the barriers to growth are highlighted in our work on skills and innovation.¹⁷ Our report on cross-government working provides insights into what effective cross-government working looks like and highlights some of the barriers.¹⁸ These include structures and bureaucracy hindering planning and delivery; ministerial priorities not being well understood; inconsistent join-up in spending decisions and allocations; a lack of routine data-sharing between departments; and poor arrangements for sharing best practice and learning. Appendix Two summarises learning from past NAO reports, highlighting aspects that need to be in place for functioning industry support.

17 Comptroller and Auditor General, *Business support schemes*, Session 2019-20, HC 20, National Audit Office, January 2020; Comptroller and Auditor General, *UK Research and Innovation's management of the Industrial Strategy Challenge Fund*, Session 2019-21, HC 1130, National Audit Office, February 2021; Comptroller and Auditor General, *Support for innovation to deliver net zero*, Session 2022-23, HC 1320, National Audit Office, May 2023; and Comptroller and Auditor General, *Developing workforce skills for a strong economy*, Session 2022-23, HC 570, National Audit Office, July 2022.

18 Comptroller and Auditor General, *Lessons learned: Cross-government working*, Session 2022-23, HC 1659, National Audit Office, July 2023.

Figure 11
Characteristics of the Industrial Strategy's eight growth-driving sectors

The Industrial Strategy will channel support to eight growth-driving sectors with a combined Gross Value Added (GVA – a measure of economic output) of around £1 trillion in 2023

								
Sector	Advanced Manufacturing	Clean Energy Industries	Creative Industries	Defence ⁵	Digital and Technologies	Financial Services	Life Sciences	Professional and Business Services
Sector GVA in 2023 ²	£81bn	£68bn	£66bn	£10bn	£105bn	£209bn	£20bn	£452bn
Percentage of total UK GVA in 2023	3.4%	2.9%	2.8%	0.4%	4.4%	8.8%	0.8%	19.0%
Number of people employed in the UK in 2023 ³	822,000	184,000	1,468,000	See note 5	1,235,000	1,157,000	51,000	9,351,000
Number of UK businesses in 2023 ⁴	36,005	7,235	118,430	See note 5	140,990	59,215	645	677,150

Notes

- 1 Industry sectors are most commonly classified using Standard Industrial Classification (SIC) codes. The data shown here – unless otherwise stated – use the Department for Business and Trade's (DBT's) categorisation of sectors and grouping of underlying SIC codes established in Spring 2024 (see Figure 12, Appendix One). At the time of publication the precise coverage of the forthcoming Industrial Strategy's growth-driving sectors had not yet been confirmed, meaning that DBT's definitions are not formally aligned with these. For example, 'Clean Energy Industries' covers SIC codes mapped by DBT to 'Energy and Green Industries' which captures the wider energy sector and includes sectors, such as the manufacture of petroleum, that are not clean energy. The value of the 'Professional and Business Services' includes the entire education sector, covering both public and commercial parts. 'Life Sciences' only includes pharmaceuticals manufacturing. For detail on mapping and approach, see Appendix One. Using SIC codes also comes with some further limitation since: they are updated infrequently and often fail to capture new sectors; include overlaps between sectors; and companies can be misclassified.
- 2 GVA is a measure of economic output. It is the value generated by any unit engaged in the production of goods and services. This figure uses the sector classification described in note 1 and GVA data published by the Office for National Statistics in the quarterly dataset 'GDP output approach – low-level aggregates'. Data as at December 2024. The GVA contribution is for the calendar year 2023 except for defence which covers 2022 (see note 5).
- 3 Employment estimates are sourced directly from DBT's business intelligence reporting. For defence, see note 5.
- 4 Business counts are taken from the Office for National Statistics' annual dataset 'UK business, activity, size and location, 2023' and uses the number of VAT and/or PAYE (Pay as You Earn) based enterprises. For defence, see note 5.
- 5 DBT does not monitor the health of the defence sector as part of its business intelligence activities. For illustrative purposes, the figure presented here is taken from the Joint Economic Data Hub's (JEDHub's) *2024 Annual Economic Report*. The GVA estimate presented in the report is £9.5 billion (rounded to £10 billion in the table). The report also lists a full-time equivalent – rather than headcount – of 83,889 for the defence sector in 2022. No business count is available for the sector and DBT does not collect this information.
- 6 The rounded GVA estimates for each sector in the figure sum to £1,011 billion in total. This is around £1 trillion.

Source: National Audit Office analysis of Department for Business and Trade documents and Office for National Statistics data, and JEDHub reporting

3.13 To fully realise the opportunities presented by the Industrial Strategy, DBT needs to build on its current approach to supporting industry. As described previously in this report, while progress has been made, there are areas that DBT needs to develop further, including work to:

- consolidate its understanding of spending on its support for industry;
- improve the clarity of its aims, objectives and responsibilities;
- develop an understanding of what types of interventions work when;
- consider the needs of its individual sectors and the economy as a whole;
- understand where it can and cannot influence, and strengthen its relationships with other government departments;
- build on its business intelligence capabilities to inform interventions and long-term planning;
- develop its understanding of its skills and capabilities;
- further its work on monitoring and evaluation; and
- learn from previous work, including the 2017 Industrial Strategy.

3.14 A lack of proper prioritisation will limit DBT's impact on growth and may have a negative effect in some sectors of the economy. The prioritisation of growth-driving sectors and sub-sectors to be set out in the Industrial Strategy will help focus DBT and wider government's future work to support growth. DBT should take a similar approach as it selects the interventions supporting each of the sectors. While multiple interventions could support a sector to deliver growth, some will be more effective than others. DBT needs to consider its overall portfolio of interventions and decide how it will weigh its growth objective versus other success metrics.

3.15 The forthcoming Industrial Strategy will require buy-in from across government and be developed in a way that supports the government's missions. The government is taking a structured approach to developing the Strategy. The Industrial Strategy Programme and Council boards are forums to progress the aims of the Strategy. They meet regularly, have good cross-government membership and engagement, provide advice to ministers, and feed into the cross-government ministerial Growth Mission Board. They have also drawn on learning from previous Industrial Strategies and wider government experience, for example what to consider when setting up an advisory council, and from other countries. However, these boards are new and are focused on developing the Industrial Strategy and establishing the Council.¹⁹ They will need to develop further once the Industrial Strategy is in place, and when the focus turns to implementation.

¹⁹ The Industrial Strategy Advisory Council was launched on 17 December 2024 on a non-statutory basis. The government will legislate to establish the body in statute when Parliamentary time allows, at which point it will be called the Industrial Strategy Council.

3.16 There are some areas that need to be clarified as the Industrial Strategy develops, in order to help DBT prioritise its resources and fulfil its aspiration to be a 'front door' to business. These are as follows:

- **The type of growth pursued:** The type of growth that the Industrial Strategy is pursuing needs to be clear and easy to communicate across government.
- **The coverage of growth-driving sectors:** The eight growth-driving sectors do not currently align with DBT's existing sector categorisation used by sector teams, or in business intelligence reporting. DBT needs to develop its methodology to ensure there is a shared understanding of the size and nature of sectors.
- **The role of sectors not identified as growth-driving:** The government recognises there are foundational industries, such as minerals and steel, which support growth-driving sectors, and is developing its approach to these. For example, these industries may instead form critical parts of supply chains or be of strategic importance.
- **Arrangements for emerging sectors:** To ensure its work is forward-looking rather than reactive, DBT needs to ensure it has in place arrangements to monitor the growth potential of emerging sectors.
- **Planned interactions between the Industrial Strategy and other strategies:** There will be overlaps between the Industrial Strategy and strategies owned both by DBT and other departments. For example, DBT's forthcoming Trade Strategy needs to be aligned with the objectives of the Industrial Strategy, as do complementary strategies in other parts of government, such as infrastructure.

Appendix One

Our audit approach

Our scope

1 This report examines whether the Department for Business and Trade (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.

2 We have assessed how DBT's support for industry has been operating since bringing together the business functions of the former Department for Business, Energy & Industrial Strategy (BEIS) and Department for International Trade (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.

Our evidence base

3 Our independent conclusions are based on our analysis of evidence collected between March 2024 and January 2025. Our audit began before the July 2024 General Election and the government's decision to pursue an overarching Industrial Strategy. We expanded our audit's scope and timeline to reflect this change.

Interviews

4 We carried out more than 30 interviews with DBT officials. Officials were selected because of their roles and relevance to the audit. This included staff responsible or involved in:

- analysis;
- business engagement;
- departmental strategy;
- high-level governance;
- monitoring and evaluation of support schemes;
- resourcing, staffing, and skills within the Department;
- supporting industry sectors;
- the delivery of grants and financial monitoring;
- the gathering, analysis and reporting of business intelligence;
- the merger of the former BEIS and former DIT;
- the previous and forthcoming Industrial Strategy; and
- the redesign of DBT's Business Group.

5 We additionally held interviews with officials from other departments and bodies involved in economic growth, supporting industry sectors, or working with DBT. This included:

- Department for Culture, Media & Sport (DCMS);
- Department for Education (DfE);
- Department for Energy Security & Net Zero (DESNZ);
- Department for Environment, Food & Rural Affairs (Defra);
- Department for Science, Innovation & Technology (DSIT), including the Office for Life Sciences (OLS);
- HM Revenue & Customs (HMRC);
- HM Treasury (HMT);
- Ministry of Housing, Communities & Local Government (MHCLG); and
- Skills England.

6 We prepared for interviews by performing desk research, reviewing our evidence base, and producing thematic topic guides. We took a comprehensive meeting note for each interview, capturing key points, actions, and further documents and interviews to pursue.

7 Our interviews took place between March 2024 and January 2025. We mostly conducted interviews online, but some were held in DBT offices, including the Department's Old Admiralty Building headquarters in London.

8 We additionally attended some meetings of the Industrial Strategy Council Programme Board (chaired by DBT) and the Industrial Strategy Programme Board (co-chaired by DBT and HMT) in an observational capacity, to understand progress and to observe cross-government working.

Stakeholder interviews

9 Industrial support spans the economy and is an area of active debate. We selected a range of external stakeholders from business, think-tanks, and academia to understand the outside perspective of DBT's work and triangulate findings. Non-government interviewees included:

- the Bennett Institute;
- British Chambers of Commerce (BCC);
- Business and Trade Committee (House of Commons);
- Centre for Economic Performance (CEP; London School of Economics);
- Confederation of British Industry (CBI);
- Enterprise Research Centre (ERC);
- Federation of Small Businesses (FSB);
- Industry and Regulators Committee (House of Lords);
- Institute for Government (IfG);
- Make UK;
- Office for Budget Responsibility (OBR);
- Organisation for Economic Co-operation and Development (OECD; see **International comparisons**);
- Office for National Statistics (ONS); and
- UK Steel.

International comparisons

10 We interviewed officials from the OECD regarding its work on industrial policy and its work to measure and compare industrial policy expenditure across member countries.

11 We further contacted 37 of our international counterparts (Supreme Audit Institutions) asking questions on four themes:

- government engagement with industry;
- objectives of government support of industry;
- responsibility within government for economic growth; and
- support provided to industry by government.

12 Fifteen countries provided a response to our questions. We analysed the responses thematically to understand the different approaches taken by countries as well as common challenges, and areas of good practice.

Document review

13 We reviewed a range of published and unpublished departmental documents to assist with defining the parameters of the audit and improve our understanding of government support for industry. This included a review of:

- business cases;
- business intelligence reports;
- the Industrial Strategy green paper;
- internal audit reports;
- monitoring and evaluation output;
- organisation charts;
- papers relating to the set-up of the forthcoming Industrial Strategy;
- past strategies; and
- sector strategies.

14 Our review was carried out between February 2024 and January 2025.

Case studies

15 To provide tangible, illustrative examples of DBT's support for industry, we examined three interventions, and one cross-sector policy area identified as a barrier to growth (skills) in greater detail. These case studies were:

- the Automotive Transformation Fund (ATF);
- British Industry Supercharger;
- skills; and
- UK-Texas BioBridge.

16 We selected these case studies using a multi-stage process and with input from the National Audit Office's (NAO's) qualitative centre of expertise and feedback from DBT teams. The final selection provided insight on a range of factors, including support type, purpose, origin and ownership.

17 For each case study, we initially performed desk research. We then received a teach-in from each responsible team, requesting follow-up meetings and documents where required. For the skills case study, we additionally shadowed two meetings of DBT's recurring Skills Forum.

Quantitative analysis

18 We primarily analysed data from DBT. The key data are as follows:

- business support programme data;
- departmental budget data;
- grants data;
- internal 'Sector Action Plans', 'Sector Views' and 'Handshake' documents;
- sector RAG (red/amber/green) ratings and Key Performance Indicators from business intelligence reporting packs;
- staff numbers across teams and directorates within Business Group;
- staff survey results; and
- risk registers.

19 We additionally analysed published data from the UK Office for National Statistics to inform analysis of growth-driving sectors. This included:

- quarterly GDP output data; and
- UK Business, activity, size and location.

20 To estimate Gross Value Added (GVA) and the number of businesses broken down by sector we applied DBT's grouping of SIC codes used by its business intelligence team to monitor sector performance. This is set out in **Figure 12** on pages 56 and 57.

Thematic analysis

21 We shortlisted 13 barriers to businesses, including skills shortages and poor infrastructure, from various DBT strategic papers. We then queried these barriers against 33 internal sector summary documents ('Sector Views') to map common challenges across the economy.

22 Our approach used a sentence transformer model, BERT (a type of deep learning model) to capture the semantic meaning of summary documents paragraphs and the pre-defined barriers. We calculated a similarity score for each theme-paragraph pair using a well-established metric (cosine similarity). The model converts sentences into a numeric representation that captures their meaning. This conversion was applied to paragraphs and the pre-defined themes, which enabled us to calculate how semantically similar each paragraph and topic are. Following guidelines from the field of text analysis, we initially considered pairs with a similarity score above 0.5 to indicate the presence of a topic in the text.

23 To ensure accuracy, we manually reviewed output from the model, removing any pairs incorrectly identified as similar. We then aggregated the results and counted the number of documents mentioning each topic to assess the prevalence of challenges across sectors (see Figure 3 and **Figure 13** on pages 58 and 59).

Past National Audit Office work

24 We have drawn from the NAO's back catalogue of reports on business support and prioritisation within government. Reports referenced during the course of our audit include:

- *Business support schemes*, January 2020;
- *COVID-19 business grant schemes*, March 2023;
- *Department for Business and Trade, Departmental Overview 2022-23*, March 2024;
- *Department for International Trade and UK Export Finance: Support for exports*, July 2020; and
- *Lessons Learned: Monitoring and responding to companies in distress*, October 2023.

Figure 12

The Department for Business and Trade's (DBT's) categorisation of sectors

DBT splits the economy into 10 sectors and 41 sub-sectors, and has defined these using Standard Industrial Classification (SIC) codes

DBT sectors and sub-sectors	DBT SIC code grouping
<p>Advanced Manufacturing</p> <p>Sub-sectors: automotive; civil aerospace; defence; electronics and machinery</p>	<p>(26) Computer, electronic and optical products, (27) Electrical Equipment, (28) Machinery and equipment (not elsewhere classified), (29) Motor vehicles, trailers and semi-trailers, (30) Other transport equipment, (33) Repair and installation of machinery and equipment</p>
<p>Consumer Sectors</p> <p>Sub-sectors: consumer goods; farming; fisheries; food and drink – manufacturing; food and drink – wholesale and retail; hospitality and personal care; motor retail; retail (excluding food); veterinary medicines and services; visitor services</p>	<p>(1) Crop and animal production, hunting and related service activities, (2) Forestry and logging, (3) Fishing and aquaculture</p> <p>Manufacturing of: (10) Food, (11 and 12) Beverages and tobacco, (12) Textiles, (13) Wearing apparel, (14) Leather and related products, (31) Furniture, (32) Other manufacturing, (45) Wholesale and retail trade and repair of motor vehicles and motorcycles, (46) Wholesale trade, except of motor vehicles and motorcycles, (47) Retail trade, except of motor vehicles and motorcycles, (55) Accommodation, (56) Food and beverage service activities, (75) Veterinary activities, (79) Travel agency, tour operator and other reservation service activities, (94) Activities of membership organisations, (95) Repair of computers and personal and household goods, (96) Other personal service activities</p>
<p>Creative Industries</p> <p>Sub-sectors: arts and heritage; gambling; media and design; sports</p>	<p>(58) Publishing activities, (59) Motion picture, video and TV programme production, sound recording and music publishing activities, (60) Programming and broadcasting activities, (90) Creative, arts and entertainment activities, (91) Libraries, archives, museums and other cultural activities, (92) Gambling and betting activities, (93) Sports activities and amusement and recreation activities</p>
<p>Energy and Green Industries</p> <p>Sub-sectors: civil nuclear; energy; oil and gas</p>	<p>(5) Mining of coal and lignite, (6) Extraction of crude petroleum and natural gas, (7) Mining of metal ores, (8) Other mining and quarrying, (9) Mining support service activities, (19) Manufacturing of coke and refined petroleum products, (35) Electric power generation; transmission and distribution; Gas; distribution of gaseous fuels through mains; Steam and air conditioning supply</p>
<p>Finance and Insurance</p> <p>Sub-sectors: financial services and insurance</p>	<p>(64) Financial service activities, (65) Insurance and reinsurance and pension funding, (66) Activities auxiliary to financial services and insurance activities</p>
<p>Life sciences</p> <p>Sub-sectors: life sciences</p>	<p>(21) Manufacturing of pharmaceuticals and pharmaceutical products</p>
<p>Materials</p> <p>Sub-sectors: chemicals and plastics; materials sector; steel, aluminium and metals</p>	<p>Manufacturing of: (16) Wood and products of wood, (17) Paper and paper products, (17) Printing and reproduction of recorded media, (20) Chemicals, (22) Rubber and plastic products, (23) Mineral products, (24) Basic iron and steel and other basic metals and casting, (25) Fabricated metal products</p>

Figure 12 *continued*

The Department for Business and Trade's (DBT's) categorisation of sectors

DBT sectors and sub-sectors	DBT SIC code grouping
Professional and Business Services Sub-sectors: business services; education – commercial; professional services	(69) Legal and accounting activities, (70) Head offices, Management consultancy activities, (71) Architectural and engineering activities; Technical testing and analysis, (72) Scientific research and development, (73) Advertising and market research, (74) Other professional, scientific and technical activities, (77) Rental and leasing activities, (78) Employment activities, (80) Security and investigation activities, (81) Services to buildings and landscape activities, (82) Office administrative; office support and other business support activities, (85) Education
Technology Sub-sectors: digital; telecoms	(61) Telecommunications, (62) Computer programming, consultancy and related activities, (63) Information service activities
Transport and Infrastructure Sub-sectors: aviation; construction; logistics; maritime; passenger land transport; postal and courier services; rail manufacturing; residential property sales and lettings; waste; water	(36) Water collection; treatment and supply, (37) Sewerage, (38) Waste collection; treatment and disposal activities, (39) Remediation and other waste management services, (41, 42, 43) Construction, (49) Road and Rail transport, (50) Water transport, (51) Air transport, (52) Warehousing and transport support activities, (53) Postal and courier activities, (68 excluding) Real Estate (excluding imputed rent)

Notes

- 1 Sectors, sub-sectors, and underlying SIC codes as grouped by DBT in Spring 2024.
- 2 DBT's grouping of sectors has changed over time and will need to develop further to align with the forthcoming Industrial Strategy.

Source: National Audit Office analysis of Department for Business and Trade documentation

Figure 13
Sectors and barriers identified in the Department for Business and Trade's (DBT's) sector views

Skills and international competition were the most frequently cited barriers faced by business in DBT's sector views

DBT's Sector Grouping	Sector	Barriers												
		Skills	International Competition	Research and Development	Infrastructure	Regulation	Planning	Recruitment	Technology Adoption	Grid Connections	Energy Prices	Weak Competition	Access to Finance	Data
Advanced Manufacturing	Advanced Manufacturing	●	●				●	●		●	●	●	●	
	Aerospace			●										
	Automotive	●	●	●										
	Space		●											
	Defence and Cyber Security	●	●		●				●					
Consumer Sectors	Agriculture, Food and Drink	●	●	●		●						●		
Creative Industries	Creative Industries	●	●	●										
Energy and Green Industries	Electricity Networks	●					●			●				
	Energy Storage	●								●				
	Offshore Wind	●	●	●	●		●		●	●				
	Heating and Cooling					●	●				●			
	Hydrogen, Carbon Capture, Usage and Storage		●		●									
	Nuclear	●												
	Nuclear Waste Management and Decommissioning	●				●								
	Oil and Gas Decommissioning	●	●		●	●	●							
	Waste to Value		●		●		●		●					
Life Sciences	Healthcare		●											
	Life Sciences	●	●	●	●				●					
Materials	Chemicals and Plastics	●	●	●	●	●				●	●			
	Rail	●		●										
Professional and Business Services	Education	●		●										
	Financial Services		●			●								
	Professional Business Services	●						●						
Technology	Digital Commerce	●	●						●					
	Strategic Technology	●	●	●		●			●	●				
Transport and Infrastructure	Airports			●										
	Built Environment	●												
	Logistics	●			●			●			●	●		

Notes

- 1 The barriers are based on the themes identified. A purple circle indicates that documents evidence a theme.
- 2 The analysis identified two sub-themes for competition. Whereas international competition could stifle growth, so can overall weak levels of competition by disincentivising innovation and risk-taking.

Source: National Audit Office analysis of Department for Business and Trade documents

Appendix Two

Learning from previous National Audit Office (NAO) reports

Figure 14

Learning from previous National Audit Office (NAO) reports

Our previous reports made a series of recommendations to government on topics relevant to the forthcoming Industrial Strategy

Theme	Detail	Past reports
Cross-government working	<p>Government stakeholders need to work across cross-departmental barriers to tackle challenges for the sectors they support as a system.</p> <p>Cross-government working is an opportunity to address challenging issues which cut across government departments, such as the Industrial Strategy. It also helps maximise impact by ensuring interventions considered cover a range of policy perspectives and take a long-term and preventative approach.</p>	<p><i>Business support schemes</i></p> <p><i>Carbon capture and storage: the second competition for government support</i></p> <p><i>Cross-government working: good practice</i></p> <p><i>Department for International Trade and UK Export Finance: Support for exports</i></p> <p><i>Developing workforce skills for a strong economy</i></p>
Strategic planning and objectives	<p>Long-term planning is necessary to support growth and enables cross-government working towards commonly understood goals.</p> <p>Plans should – in as far as possible – be underpinned by data and intelligence that inform the direction and understanding of deliverability (see 'Intelligence and data').</p>	<p><i>Carbon capture and storage: the second competition for government support</i></p> <p><i>Decarbonising the power sector</i></p> <p><i>Department for International Trade and UK Export Finance: Support for exports</i></p> <p><i>Progress with trade negotiations</i></p> <p><i>Support for innovation to deliver net zero</i></p>
Planning delivery	<p>Strategic planning needs to be translated into clear delivery plans. High-level delivery plans can also support transition from government support to self-sustaining businesses within supported sectors.</p>	<p><i>Carbon capture and storage: the second competition for government support</i></p>
Consultation	<p>Consultation and engagement build trust and support data collection (see 'Intelligence and data'). Consultation with relevant stakeholders can help identify improvements and provide feedback for current and proposed schemes that enable improvement.</p> <p>Consultation is also a tool to identify barriers that businesses need to overcome and develop sector strategies, as well as areas of competitive advantage.</p>	<p><i>Developing workforce skills for a strong economy</i></p> <p><i>Supporting investment into the UK</i></p> <p><i>UK Research and Innovation's management of the Industrial Strategy Challenge Fund</i></p>

Figure 14 *continued*

Learning from previous National Audit Office (NAO) reports

Theme	Detail	Past reports
Financing: Transparency and certainty	Certainty of plans and financing options is important both to build trust between government and business, and to help business and investors plan for the future. There should be transparency in how financing is allocated and prioritised.	<i>Business support schemes</i> <i>Carbon capture and storage: the second competition for government support</i> <i>Decarbonising home heating</i> <i>Investigation into the British Business Bank's accreditation of Greensill Capital</i>
Intelligence and data	The government needs to have a good, UK-wide, understanding of growth, exports, and barriers to achieve these. This is the case for both established and emerging sectors.	<i>Cross-government working: good practice</i> <i>Supporting investment into the UK</i> <i>Department for International Trade and UK Export Finance: Support for exports</i>
Appraisal and evaluation	Appraisal and evaluation are key parts of effective benefits management. Considering a comprehensive set of options during the options appraisal reduces the risk of missing novel solutions. Departments should use past learning to inform their work. Evaluation should be designed in at the inception of a scheme, with clear objectives and monitoring arrangements in place.	<i>Business support schemes</i> <i>Cross-government working: good practice</i> <i>Evaluating government spending</i> <i>Supporting investment into the UK</i>

Notes

- 1 This is based on a back catalogue review of past reports looking at different forms of government support and management of schemes, focusing on the Department for Business and Trade and its predecessor departments after 2015. It is not a complete and exhaustive list of the National Audit Office's work to date.
- 2 Comptroller and Auditor General, *Business Support Schemes*, Session 2019-20, HC 20, National Audit Office, January 2020; Comptroller and Auditor General, *Carbon capture and storage: the second competition for government support*, Session 2016-17, HC 950, National Audit Office, January 2017; National Audit Office, *Cross-government working: good practice*, July 2023; Comptroller and Auditor General, *Decarbonising home heating*, Session 2023-24, HC 581, National Audit Office, March 2024; Comptroller and Auditor General, *Decarbonising the power sector*, Session 2022-23, HC 1131, National Audit Office, March 2023; Comptroller and Auditor General, *Department for International Trade and UK Export Finance: Support for exports*, Session 2019-21, HC 574, National Audit Office, July 2020; Comptroller and Auditor General, *Developing workforce skills for a strong economy*, Session 2022-23, HC 570, National Audit Office, July 2022; National Audit Office, *Evaluating government spending: an audit framework*, April 2022; Comptroller and Auditor General, *Investigation into the British Business Bank's accreditation of Greensill Capital*, Session 2021-22, HC 301, National Audit Office, July 2021; Comptroller and Auditor General, *Progress with trade negotiations*, Session 2021-22, HC 862, National Audit Office, December 2021; Comptroller and Auditor General, *Support for innovation to deliver net zero*, Session 2022-23, HC 1321, National Audit Office, May 2023; Comptroller and Auditor General, *Supporting investment into the UK*, Session 2022-23, HC 1080, National Audit Office, January 2023; Comptroller and Auditor General, *UK Research and Innovation's management of the Industrial Strategy Challenge Fund*, Session 2019-21, HC 1130, National Audit Office, February 2021.

Source: National Audit Office analysis of past reports

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