2026 AUTUMN BUDGET SUBMISSION

The Autumn Budget should be positioned as a Budget to turbocharge the reindustrialisation of the UK. Manufacturing should be one of the UK's biggest growth strengths, but too many businesses are finding it harder to invest, expand and take on new people. High energy costs, persistent skills shortages and a more challenging investment climate are all taking their toll on business confidence and holding back growth. The cost of employment has become a particularly acute competitiveness challenge, with increases in employer costs reducing businesses' ability to recruit, train and invest in the workforce they need.

If the Government is serious about reindustrialisation, this Budget needs to make the UK a more attractive place to manufacture, invest and create jobs. That means tackling some of the biggest barriers facing industry, from energy costs to the wider cost of doing business.

The Budget should also make better use of public procurement. Manufacturers do far more than produce goods. They create skilled jobs, invest in local communities and support supply chains that underpin economic growth across the country.

Make UK's priority asks

Five Budget actions to deliver reindustrialisation, reduce the cost of doing business, and tackle NEETs and build the next generation of manufacturing talent

Reindustrialisation will only succeed if manufacturers have the confidence to invest, expand and create jobs.

The following measures are grouped around three priorities: deliver reindustrialisation, reducing the cost of doing business, and building the next generation of manufacturing talent. Together, they would help strengthen Britain's competitiveness, unlock investment and drive growth across the UK.

Theme	Budget ask	Why it matters
Building business confidence in late 2026/early 2027	**Expand the British Industrial Competitiveness Scheme (BICS) to all manufacturers and bring forward implementation.**	• Industrial energy costs remain significantly higher than competitor nations. • Lower energy costs would improve competitiveness, unlock investment and support growth.

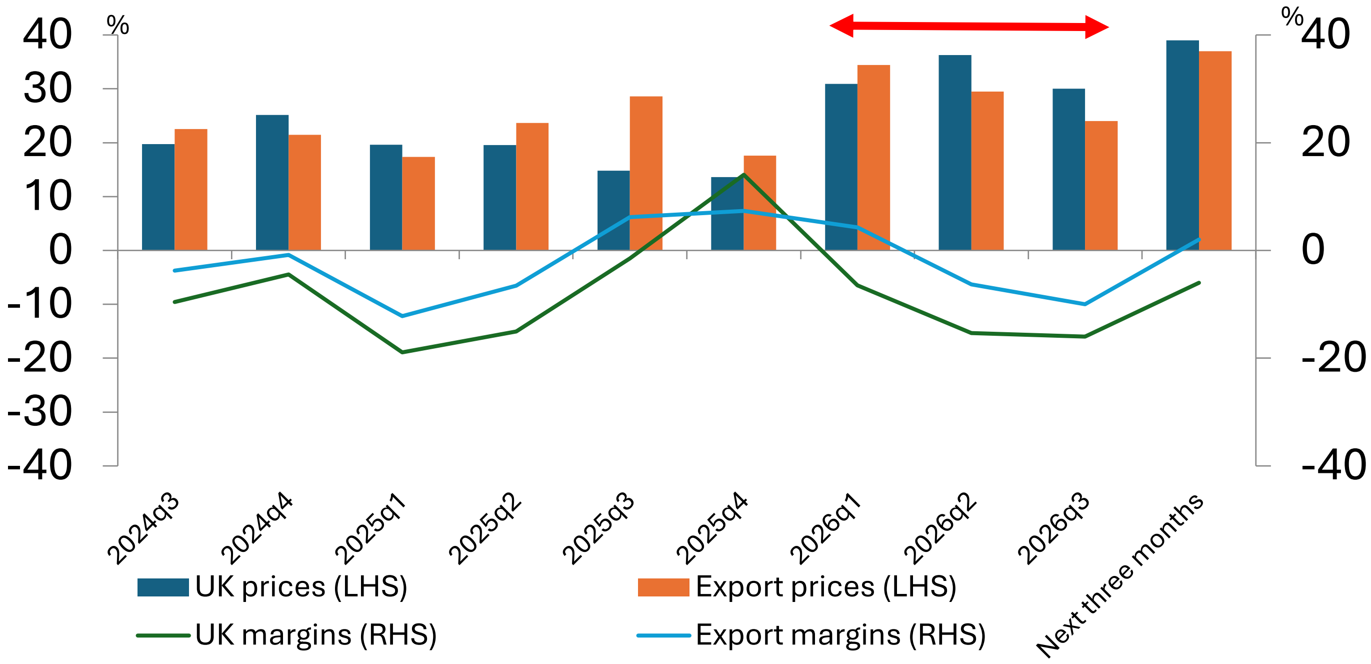
		• Faster implementation would provide an immediate confidence boost to manufacturers.
	Support manufacturers with cost pressures by: **a) Increasing the Business Rates Transitional Relief to 100% for manufacturers in 2026/27.** **b) Increasing the Employer NICs threshold from £5,000 to £7,500.**	• High fixed costs continue to constrain investment and growth. • Business rates remain a disincentive to investment in productive assets. • Lower employment costs would support recruitment, retention and workforce expansion.
	Reduce NEETs and strengthen the manufacturing workforce by: **a) Increasing the maximum apprenticeship funding band to £35,000.** **b) Prioritising advanced manufacturing occupations on the Temporary Shortage List for urgent funding band review.**	• Skills shortages remain one of the biggest barriers to growth. • Higher funding bands would better reflect training costs. • More young people would have pathways into high-value manufacturing careers.
Driving reindustrialisation, investment and growth in all parts of the UK	**Remove policy levies from electricity bills and move them onto general taxation.**	• Electricity costs remain a significant competitiveness challenge. • Removing levies would support industrial investment and electrification. • A lower-cost energy system is essential for long-term reindustrialisation.
	Reform business rates and accelerate the move towards a more proportionate system.	• The current system penalises investment in buildings, plant and machinery. • Reform would encourage expansion and productivity improvements.

		• A modernised system would support reindustrialisation across all regions.
	Expand Made Smarter to include AI adoption and energy efficiency to boost manufacturing growth in every postcode.	• AI and energy efficiency are increasingly important drivers of productivity. • Many manufacturers need support to move from pilot projects to deployment. • Wider adoption would strengthen competitiveness and unlock growth.

Manufacturing: state of play

Now, years on from the energy crisis in 2022, the sector finds itself in a familiar predicament, with energy once again a driving force of hardship. The combination of factors that brought such difficulty to the sector then are familiar to industry today. Renewed geopolitical instability, rising wholesale energy costs and wider business cost increases, despite little evidence of economic growth and forecasts that barely make it to single-digit growth.

Chart 1: *Manufacturer's pricing behaviour has been elevated in 2026 due to costs and expected to continue increasing, but so far without margin improvement.* (Balance of change figures: proportion of industry indicating an increase or decrease in quarter. Red arrow indicates 2026 elevated pricing behaviour)



The sector is now well versed in industrial crises over the past decade, but it also means we have a stronger intuition than ever before of what will likely happen next. We can already see through our 2026 Q3 research that the sector is cutting its expenditure plans. This serves to further fuel a pessimistic outlook right the way into 2027 where growth isn't even forecast to be in single digit territory. **Manufacturing sector growth is forecast to be only 1.2% in 2026 and a barely visible 0.3% in 2027.**

Previously, when the sector has faced similar circumstances in the past decade, the first move has been to protect cash. This isn't limited to the curtailment of investment, it extends to hiring freezes, limited pay settlements, extraordinary price increases and production stoppages, amongst other cash-saving moves. As of the time of this submission, our latest data shows hiring has slowed to a crawl.

The data indicates that we're at the beginning of a period of persistent price increases. **Despite the fastest increase in the rate of price setting behaviour since 2022, margins have moved into decline**. This is clear evidence of a situation where the cost of doing business is outpacing the sector's ability to pass through these costs, and because of that, we can expect to see continued subsequent increases in pricing as the sector looks to stabilise its faltering margins. The sector thinks so, as illustrated by their sentiment in the 'next three months' category in Chart 1.

There are many policy levers that could be pulled to minimise the disruption to the sector and the wider UK economy, but **there is no lever more immediate and critical than the one on energy**. UK manufacturers already pay the highest industrial costs in the world. Global energy price shocks are exacerbating this problem. Now is the time for immediate action on industrial energy costs. The recent evidence Make UK receives consistently highlights the incoming inflationary spiral the sector looks set to embark upon. Action to make sure UK industrial users pay a fair and commensurate price to what their peers are paying on the continent is now no longer just a question of international competition, it's one of also controlling inflation on our own shores.

What's holding the sector back right now?

As of June 2026, the most pressing issues weighing on manufacturers' ability to operate are almost all cost related, and the nature of these cost pressures cover the full spectrum of production from commodities, energy, labour and so on.

Below follows a table highlighting the two most major growing cost drivers and why they are holding the sector back.

Cost Driver	Why it's so damaging
Energy costs	UK manufacturers pay the highest rates for industrial energy in the world. This isn't just because of global market effects which increase the price of oil, for example recently driven by the war in Iran, the real issue is that the **Government makes a policy choice** to levy a variety of policy charges onto end-user's bills, sending business' bills soaring relative to the

	international competition regardless of the global wholesale oil and energy price. This means that, by design, **UK businesses will always pay significantly more than their competition regardless of a preferential global energy price market or not.** Ultimately, the high cost of electricity creates an inflationary swell in the economy negatively impacting on growth. Our data shows that 58% of manufacturers are passing increased costs through to consumers raising prices creating inflationary pressures. This is coupled with 21% being forced to reduce their headcount which further reduces the spending power within the economy. The broader concern underlying this is that businesses no longer see the UK as an investable environment with 38% of respondents delaying investment. This is restrictive on growth and ultimately results in the offshoring of operations and the deindustrialisation of the UK. Addressing energy prices is therefore a key to a strong economy helping to reduce consumer costs and prompting a healthier employment market whilst preserving investment in the country. An inefficient and ineffective response to the current crisis will only increase the potential impacts particularly in light of delays to contract renewals.
Employment taxes and regulation	Just over one year on from the significant changes to employer National Insurance contributions (NICS), we have been able to see how manufacturers have been impacted by the changes. **These changes have brought an average additional cost to every manufacturer of ~£950 per employee per year.** Having previously had an earnings threshold of £9,100 before employer's NICs were payable, this was reduced to £5,000. The rate payable beyond these thresholds changed from 13.8% to 15%. The nature of the change, beyond the cost concern, has also driven down opportunities for young people and early-career roles as their relative cost is now increased. Rising employment costs are not just a business cost issue; they make it harder for manufacturers to take a chance on young people, early career roles and apprenticeships at exactly the point Government wants more people moving into work. Coming in waves, the changes being brought in by the Employment Rights Act carry significant compliance costs for manufacturers, further adding to the cost burden at a time when margins are already under fire

Wider asks

Energy costs

The cost of energy has remained a primary concern for UK manufacturers with over half of our membership classifying it as their biggest challenge over the coming years. The escalating burden of energy prices is playing a determining role on companies' profitability particularly when coupled with a challenging business environment characterised by heightened capital costs and inconsistent demand. Businesses can only deliver growth if the government takes a serious and holistic approach to tackling high electricity prices for manufacturers.

The time for action is now, and industry can be the heart of decarbonisation within the country. If action is not taken now, then the risk of rapid deindustrialisation will grow at pace, and the country will be left behind by international competitors. The UK must kickstart the process of electrification within industry finding routes to bring down electricity prices through structural reforms, support funding for investment into new technologies and better prepare the grid for existing industrial demand.

These challenges cannot be solved without proper funding. This means that Government will need to consider funding routes to achieve the goals on energy outlined in the Industrial Strategy and to allow industry to properly contribute to decarbonisation. The crisis in the Middle East and increased cost of gas means that there should be additional funding made available as a result of the existing windfall tax on those industries. Government should further consider that revenue raised from opening Jackdaw and Rosebank be used to support industrial decarbonisation to mitigate the expected environmental impacts of this. The opportunities are there but we must see Government seizing the moment.

Ask	Analysis	Estimated costing, if available
Expand the British Industrial Competitiveness Scheme (BICS) to all manufacturers and bring	The British Industrial Competitiveness Scheme (BICS) has been a step in the right direction, however, the current proposal only covers 1 in 10 manufacturers and will not be sufficient to protect the vast majority of manufacturers. If this scheme is to have an impact, it must cover all 130,000 manufacturers and set the framework for permanent rebalancing of policy costs. We have estimated this could cost up to £3bn but would be outweighed by growth benefits. Ultimately, manufacturing cannot handle further fossil fuel price shocks which will risk hitting production, jobs, and supply chains. SMEs in the supply chain will be hit the hardest.	£3bn

forward implementation		
Remove policy levies from electricity bills and fund them through general taxation	Moving policy costs into general taxation would end a system that picks winners and losers (as we have seen with BICS) and deliver a clear, structural solution to the UK's longstanding competitiveness challenge. It would signal that Government is serious about restoring industrial competitiveness. Our modelling has indicated that this policy would deliver measurable economic growth. Every £10 reduction per MWh in energy bills across manufacturing boosts the economy by £800 million (0.03%) a year if sustained over the medium term (with an associated direct fiscal cost of £750 million a year).	Dependent on scale, if Gov targeted the Renewables Obligation, Feed in Tariff and Climate Change Levy, this would cost around £1.6bn focused on manufacturers
Commit to review of network charges	Network charges place the largest non-commodity burden on bills. They include the Transmission Network Use of System (TNUoS) charge, the Balancing Service Use of System (BSUoS) charge, the Distribution Use of System (DUoS) charge and the Residual Cashflow Reallocation Cashflow (RCRC) charge. The Department for Energy Security and Net Zero (DESNZ) has indicated that Britain's electricity network will require upgrades of up to £240bn to support the Government's clean power targets in the next 24 years, which will be funded through additional levies on electricity bills. The excess burden for increased national electricity infrastructure build-out disproportionately falls on manufacturers, and after industry took on a 33% increase in transmission network charges from 2024-2025, these costs are forecast to rise by another 23% by April 2027. Industries are paying increasing constraint costs to help balance the grid and turn off supply when there is no demand to receive it (showing up in increased BSUoS charges), whilst the opportunity for manufacturers to instead take on excess supply and increase production, remain unrealised. Government must commit to review how these non-commodity costs are levied onto bills ensuring that the consistent rises in energy costs are slowed and managed properly to allow for industry to take the opportunities of electrification.	

Electrification Accelerator Fund	Manufacturers have been left without a dedicated source of support for electrification following the closure of the Industrial Energy Transformation Fund (IETF), which provided a route for energy-intensive businesses to reduce both energy costs and carbon emissions through investment in energy efficiency and low-carbon technologies. Industry retains a strong appetite to electrify industrial processes but will require further support while electricity prices remain high. We propose a fund, like the Targeted Electrification Discount, for manufacturers switching from fossil fuels to electricity-based technologies for industrial heat and process power. This could operate alongside existing schemes, including the Demand for Constraints programme, to encourage greater uptake of electrification. The discount would support manufacturers with viable electrification projects that fall outside the scope of existing government schemes, focusing on operational cost support to address one of the key barriers to industrial fuel switching. Where appropriate, it could also help bridge the additional capital costs associated with moving from conventional technologies to electricity-based alternatives. This should include Incentives for flexibility should sit alongside, rather than within, any electrification support scheme to keep delivery simple and accessible. Government should provide clear guidance on electrification pathways, grid connections and the future benefits of flexibility services, alongside a single access point that helps manufacturers understand the options available and plan future investment with confidence. An electrification accelerator scheme could offer further benefits in the future, with a turn-key solution for manufacturers, so long as businesses commit to investing. These might include: ○ A single, coordinated access point providing clear information on electrification pathways and demystifying the process of securing grid connections. ○ Support for consultation for onsite electrification options, which could include on-site generation (with excess sold into the grid) in areas with slower grid build-out. Further CapEx support for those who need it, with a form of repayable funding drawn down potentially from the National Wealth Fund or other viable sources	

Labour market and employment

Growing employment costs and labour market regulation are increasing manufacturers' caution in hiring decisions, meaning that they are less willing and able to invest in the development of younger workers, those with health conditions or others who may require more practical and pastoral support in the workplace. As the Government considers the recommendations of Alan Milburn's Young People and Work report, the ongoing implementation of the Keep Britain Working review, and continues to re-shape the Growth and Skills Levy, now is the time for a strong commitment to putting in place the conditions in the education system, the labour market and employment support that will deliver the skilled workforce needed for the reindustrialisation of the UK.

Ask	Analysis	Estimated costing, if available
Lower NICs bills to reduce costs and incentivise hiring	Increases in employer NICs introduced from April 2025 – particularly lowering the threshold at which NICs become payable – have had a significant impact on hiring among manufacturers. Combined with the National Living Wage and the Employment Rights Act, the cost of employing people in the UK has risen rapidly in recent years and continues to do so, to the detriment of businesses' ability and willingness to hire. There has also been an impact on investment in training and other benefits as workforce budgets have been squeezed - money set aside for hiring and training an apprentice, for example, in many cases has been swallowed up by higher NICs bills, regardless of whether the apprentice would themselves have attracted NICs. Therefore, to encourage hiring, investment in training and development of young workers, the Government should change course on taxation of employment. The lower NICs threshold should be reversed, returning to the previous £9,100 threshold. To further encourage recruitment, retention and training of young people, the Government should extend existing NICs reliefs on workers under the age of 21 and apprentices under the age of 25 to all workers under the age of 25.	
Minimise costs from the Employment Rights Act	Employment costs are stifling recruitment. Outstanding policy decisions risk making it even harder for manufacturers to bring in the skilled workers they need at the right time and in the right place. The recently closed consultation on the right to guaranteed hours estimates that the cost of obligations including reasonable notice of shifts and entitlement to payment for shifts cancelled or curtailed at short notice could reach £2.9 billion, if a maximalist application of the policy is the chosen approach. This would immediately quadruple the total expected cost of the entire ERA to businesses.	

	The right to guaranteed hours should be targeted at workers with the least financial security. The Government committed to addressing 'exploitative' examples of workers employed on zero-hours contracts when setting out plans for the ERA, yet even the lightest touch proposals consulted on go far beyond this. To minimise unnecessary costs to business, genuinely achieve 'two-sided flexibility', and reflect seasonal working patterns, regulations should restrict eligibility for guaranteed hours, reasonable notice of shifts and payment for shifts cancelled or moved at short notice to workers guaranteed no more than eight hours per week, and set the guaranteed hours reference period at 52 weeks. To reflect the delay in consulting on measures and cumulative burden on employers of the wide-ranging Employment Rights Act, the right to guaranteed hours should not be implemented until at least April 2028.	
Reconsider proposals for earned settlement	Proposals for the earned settlement model for workers living in the UK on skilled worker visas could significantly extend the time employers sponsor their workers, further increasing the already high costs of employing highly valued workers in roles they cannot fill from the domestic labour market. Manufacturers have strongly and vocally opposed the suggested changes, applying both to workers already on a pathway to settlement and those arriving in future. This is particularly the case for those working in occupations on the Temporary Shortage List, who will have entered the country because their job role is identified as critical to economic growth and yet will have even longer to wait for settlement – in all cases, increasing the financial cost to employers of retaining the skills they need. To avoid higher costs and significant disruption, the existing approach to settlement should stay in place.	
Increase the National Living Wage proportionately and delay moving the age threshold to 18	The National Living Wage has increased by 46% since 2020, bringing more workers into scope as the age threshold has lowered. While manufacturers want to pay all of their workers a decent wage – and the sector pays above the average salary nationally and in all regions of the country - this has been a steep rise in the cost employing people in the UK which has constrained hiring. Manufacturers are currently settling pay on average around 3-4% and expect to do the same in 2027. We support the LPC's proposal for a 3.7% increase in the NLW from April 2027 and urge the Government to commit to increasing the NLW by no more than this. The new NMW rates for 18–20-year-olds, 16-17 year olds and apprentices should also rise by no more than 3.7%.	

	The Government should not implement its policy of lowering the NLW age threshold to 18 at least until the end of this parliament - allowing sufficient time for interventions like the Youth Guarantee to bed in before assessing the impact that NLW eligibility from 18 would have on youth employment.	
Keeping Britain working by incentivising more employer investment in workforce health	The Government should revisit proposals for expanding tax relief on occupational health to support employer investment in the most effective health and wellbeing interventions, and this should include private health insurance. In addressing the NEETs challenge, the Government has rightly recognised that it needs to look beyond education and skills. Health issue faced by workers go beyond the usual conditions that might be associated historically with work in sectors like manufacturing; Milburn has correctly highlighted the challenge of mental ill health for young people. Keep Britain Working is a positive start in solving the workforce health problems we face. Improving employer responses to different stages of ill health and absence, reforming fit notes and acting on better data will all help reduce workplace absence, inactivity and delays in making reasonable adjustments. Employers continue to raise concerns over the high cost of investment in occupational health. Investment can have a strong return, with employers wanting to do investment more in EAPs, counselling etc – but provision is expensive and of variable quality/effectiveness, due in part to how existing tax reliefs shape the market. The Government has raised employer NICs as part of an effort to ensure that the NHS has sufficient resources. However, employers still note that workers have long waits for treatment which would enable their return to work, meaning there is still an ever-greater expectation that – in addition to higher tax bill – they are investing more directly to treat workers' health conditions, whether work-related or otherwise. As statutory sick pay entitlement has also increased, employers are looking for the most effective way to address challenges around sickness absence and support returns to work. KBW recommendations and fit note reform will help with this, but only if employers can afford to access high-quality OH services to facilitate a return and make any necessary adjustments to working conditions.	

Skills

Manufacturers provide more than 2.5 million skilled workers across the UK with good jobs. However, there are persistent challenges to hiring, training and retaining the skills our sector needs to grow and thrive. Skills England analysis shows that advanced manufacturing ranks among the sectors with the highest and most stubborn rate of skills-shortage vacancies, and our own research shows that nearly two-thirds of employers say a lack of technical skills is their biggest barrier to successful recruitment.

Ask	Analysis	Estimated costing, if available
Increase the maximum apprenticeship funding band to £35,000 and prioritise advanced manufacturing standards for urgent review:	Apprenticeship starts in engineering and manufacturing have fallen significantly (by more than 40%) and many manufacturers cannot access the training they need locally. The current £27,000 limit on funding bands is restricting both provider and employer capacity to train apprentices in occupations already in shortage and for which demand is expected to grow – welders, CNC machinists, fabricators, engineering technicians. Funding bands do not meet the cost of delivery, leaving employers to make up a shortfall of up to £8k per apprentice – added to rising employment costs and regulations, this is making employers less willing and able to hire new apprentices, meaning lower growth and fewer opportunities for young people in their local area. Higher funding bands would support the Government's ambitions on youth employment, the Youth Guarantee and domestic workforce growth by making it easier for employers to recruit and train apprentices. This would help tackle skills shortages, create pathways for young people and support the workforce needed for reindustrialisation	
If the Government were to lift the cap, it should prioritise standards linked to the TSL for review and	The Prime Minister's ambition for stronger local and regional skills provision can also only be addressed if funding for apprenticeships is sustainable, rather than local anchor institutions like FE colleges and other providers being weakened by inadequate support. We estimate that an additional 5,000 apprentices per year would cost around £200 million under this policy. This should be funded by directing additional revenue from the Immigration Skills Charge to the Growth and Skills budget. In the immigration white paper last year, the Government committed to allocating all revenue from the 33% increase in the ISC to the skills system – this money should fund the training that will directly contribute to growing the domestic workforce, fulfilling the promise of the Jobs Plan and reducing any reliance on overseas recruitment.	

increase to the cost of delivery.		
An alternative proposal: use additional levy revenue to create a High Value Apprenticeship Premium	There is a strong precedent in other areas of education and skills policy for high-cost study and training in priority subject areas to attract a funding premium based on employment outcomes. A number of engineering and manufacturing level 3 vocational and technical courses are eligible for the High Value Course Premium, while in higher education the Office for Students allocates high-cost subject funding for courses whose costs per learner exceed the undergraduate tuition fee cap. In both cases the courses must lead to positive labour market outcomes. There is no equivalent financial support for high-cost apprenticeship training leading to well-paid, secure full-time employment, beyond funding bands which can be rigid, slow to update and capped at too low a level to sustain key standards. The unallocated additional revenue raised by the Immigration Skills Charge could be used to create a High Value Apprenticeship Premium, topping up delivery costs not met by the maximum funding band for those apprenticeships which are critical to shortage occupations and deliver a positive labour market return.	
Support more technical education options at 14 through the Skills Mission Fund	Manufacturers are fully behind the Government's aim to properly value technical and vocational education in all areas of the country. This relies on building school capacity, both through additional capital funding and through closer collaboration with local post-16 providers and employers. The Government established the Skills Mission Fund primarily to support new Technical Excellence Colleges develop the resources they need to deliver for the IS-8 sectors. As TECs are intended to become broader institutions that follow a 'hub-and-spoke' model – supporting their growth sectors and regions of the country – there should be a strong role for them to play in fulfilling the Prime Minister's commitment to broadening technical pathways for school pupils. The Skills Mission Fund should be used to address the potential infrastructure challenges associated with meeting the Government's commitment. This could be through addressing transport and timetabling issues for 14-16 pupils visiting external provider sites to access equipment, and to roll out the UTC Sleeve model, building on the success of UTCs to develop stronger employer connections to schools and supporting them with putting in place the necessary equipment and infrastructure on their existing sites.	
Consider scope for enhancing	Manufacturers value the effective support they receive through the tax system for investment in physical capital, but lack the same incentives for investment in their workforce. Given the pressing	

tax relief on employer investment in skills training	need to increase work-based training at all levels – including existing workers - there could be an opportunity to use the tax system to greater effect to stimulate employer investment in training which drives higher productivity. The Government should conduct a full evaluation of existing tax relief and exemptions on work-related training, and consider whether there is scope for enhancing relief to enable higher employer investment in areas where there is most likely to be a strong economic return and occupations critical to reindustrialising the UK.	

Finance, investment and tax

The manufacturing sector is one of the most investment intensive sectors in the UK, accounting for 17% of total private sector investment. Though we have a strong tax relief incentive system due to the Full Expensing and Annual Investment Allowance regime, we rank as only the 16th best across the OECD for capital cost treatment (Tax Foundation). To make the UK an attractive place for investment we should target being at least a top 5 nation in this area. This must include ensuring the balance between tax relief and burden is right, whilst also fostering a business environment that improves access to finance for growth.

Ask	Analysis	Estimated costing, if available
Increase Transitional Relief for business rates to 100% for the 2026/2027 period following the recent revaluation	The industry property sector on average experienced a 10% increase in their rate bills leading to a £939m rise in costs for the sector. Although transitional relief is in place to slow down the speed of cost increases, many manufacturers were given insufficient time to update their budgets and plan for the year ahead. To give businesses breathing room, Transitional Relief should be increased to 100% for all manufacturers for the current financial year. This is effectively the same as delaying the cost of business rates incurred since April 2026 by 12 months, allowing manufacturers to focus on growth.	Up to £939m
Replace the existing business rate system with a	Explore alternative models of taxing physical properties that account for business performance or occupancy type. For example, link business rates to business size and type, so charges better reflect	

proportionate system linked to business performance	who is occupying a property with a reduced multiplier for SMEs, or link directly to turnover and sales to ensure taxes are proportional to performance.	
Expand full expensing (FE) to allow for the leasing of capital equipment and refurbished second-hand plant & machinery (to improve sustainability and efficiency)	14% of manufacturers access capital equipment through leasing, so expanding FE will improve the flexibility of the tax relief to support investment in capital equipment. It would also ensure businesses have more options available to them when considering different ways of adopting modern technologies, either through outright purchases or rental models. 45% of manufacturers believe this move would support growth.	
Simplify capital allowances for claims on software investment	62% of manufacturers believe making capital allowances easier to claim for software investment would support digital adoption. HMRC currently treats software investments as “plant” in certain cases, but many manufacturers do not fully understand the conditions for application. Capital allowances must be simplified so that all businesses, particularly SMEs, can take full advantage of them.	
Expand R&D tax credits to allow for claims on capital equipment	Currently capital expenditures in some cases can be claimed for under R&D allowances, which operates similarly to capital allowances. However, 48% of manufacturers believe that capital expenditure (specifically equipment bought for the purposes of R&D) should be claimable within R&D tax credits. This would simplify R&D tax credits by bringing all potential claims within a single scheme and improve accessibility for small to medium sized businesses.	
Invest £7.5bn in the Defence Budget to fill DIP spending gaps	Funded through making the Patent Box tax relief scheme open to SMEs only. This would save £1.88bn per year as 95% of the £1.98bn spent on the scheme last year was distributed to big business. Despite the significant cost to the UK Government, there is limited evidence of the scheme providing any economic return for the UK economy. Over four years, this saving would be more than enough to cover the £4.7bn DIP blackhole as well as going further to support the UK’s push to reach 3.5% of GDP on defence by 2035.	

AI and tech adoption

Artificial intelligence has the potential to transform productivity, competitiveness and growth across UK manufacturing. Yet many manufacturers, particularly SMEs, lack the expertise needed to assess their readiness for AI adoption, identify capability gaps and navigate the support available. Without practical guidance, businesses delay investment, productivity gains are missed and promising projects fail to move beyond the pilot stage. Government should accelerate industrial AI adoption by providing targeted support to help manufacturers understand their digital readiness and implement AI technologies at scale. Many manufacturing companies say energy cost is the main barrier to growth. Industrial AI and wider digitalisation can strengthen competitiveness, support sustainability and support investment by addressing the issue of high energy cost, sustainability and low productivity across the manufacturing sector. For communities, it would mean higher value jobs, stronger local economies and faster economic growth.

Ask	Analysis	Estimated costing, if available
Allocate funds from the Government Adoption package to deliver the foundation phase of the Advanced Manufacturing AI Adoption Plan through Made Smarter, High Value Manufacturing Catapult and Advanced Manufacturing AI Champion.	This would provide manufacturers with a clear and coordinated pathway from AI readiness to deployment. Funding should support practical diagnostics, leadership capability, workforce training, data readiness assessments and hands-on implementation support, helping businesses overcome the barriers that currently prevent adoption. Many manufacturers recognise the potential of AI but lack the data foundations, specialist skills and in-house expertise needed to scale deployment. By building these capabilities and providing trusted support through established manufacturing networks, Government can accelerate AI adoption across the sector, boosting productivity, improving competitiveness and supporting the wider reindustrialisation of the UK economy. .	£20m
Scale up and broaden Made Smarter to accelerate digital	Strengthen Made Smarter to help manufacturers learn about capturing and use data more effectively, what use of it would improve energy efficiency by making decision-making, increasing operational visibility, reducing costs and supporting sustainability goals. Better use of data is the foundation for higher productivity and scaling adoption of Industrial AI and other advanced technologies.	

adoption. Use industrial data to increase energy efficiency.		
Integrate cyber resilience into Government support for AI and industrial digitalisation	As Government accelerates AI adoption, it should embed cyber resilience into manufacturing support programmes. Cyber incidents are now a routine business risk for manufacturers, yet cost and a lack of in-house expertise remain significant barriers to improving cyber security. Strengthening cyber resilience would reduce the risk of production disruption, protect supply chains and help manufacturers realise the productivity benefits of AI and other digital technologies. Encouragingly, more than half of manufacturers already provide cyber security training and almost two-thirds have arrangements in place to recover from a major cyber attack, providing a strong foundation on which to build	

Materials retention

In an increasingly volatile global environment, the UK cannot rely on international supply chains for critical materials. Government should accelerate delivery of supporting industrial policies, including the Critical Minerals Strategy, Circular Economy Growth Plan and recommendations from the Metals Circularity Group.

Demand for aluminium in growth sectors is projected to rise from 1.8 million tonnes to 8 million tonnes over the next decade, yet the UK has lost around 45% of its aluminium billet production capacity in the past two years. At the same time, competition for recyclable materials is intensifying, with non-EU aluminium scrap exports rising by 84% over the last decade. Without action, the UK risks increasing dependence on imports and undermining its critical minerals ambitions.

Faster implementation of the Critical Minerals Strategy, alongside measures to improve domestic material retention and recycling, would strengthen supply chain resilience, support industrial capacity and help meet the Government's target of sourcing 20% of critical mineral demand from recycled materials by 2035.

Ask	Analysis	Estimated costing, if available
Invest in domestic critical materials processing,	Government should urgently publish the Circular Economy Growth Plan and accelerate the work of the Metals Circularity Group to support delivery of the Critical Minerals Strategy. This should include targeted investment in domestic aluminium scrap sorting and pre-processing capacity, alongside	

recycling and retention capacity	time-limited incentives for advanced sorting technologies such as de-coating, shredding and alloy separation. Support should be delivered through a combination of circularity-linked tax incentives, co-investment opportunities and infrastructure funding to increase domestic remelt capacity, improve supply reliability and retain more valuable materials within the UK economy. These measures should align with the Deposit Return Scheme and help ensure the UK's circular economy contributes to meeting the projected increase in aluminium demand under the Critical Minerals Strategy.	

Procurement

Public procurement represents a major opportunity to support UK manufacturing, strengthen supply chain resilience and deliver wider social and economic value across the country. Recent reforms, including the Most Advantageous Tender (MAT), are welcome, but opportunities remain to apply these principles more consistently across government, including defence procurement, strengthen SME participation and improve the definition of what constitutes a UK-based business. Procurement should move beyond lowest-cost purchasing and better recognise the broader benefits suppliers deliver through investment, skills, apprenticeships, regional growth, decarbonisation and resilient UK supply chains. It should support industrial resilience by reducing strategic dependence on high-risk suppliers while maximising long term value for taxpayers, local communities and the UK economy.

Ask	Analysis	Estimated costing, if available
Review procurement frameworks to reduce over reliance on lowest cost evaluation criteria	Conduct a cross-government review of procurement frameworks, framework agreements and tender evaluation methodologies to ensure that lowest cost is not the dominant factor in contract awards. Departments should be required to adopt a more balanced approach that gives greater weighting to factors such as: • Supply chain resilience • UK economic value • Social value, including job creation, apprenticeships, skills development and local economic growth • Quality and performance • Sustainability and decarbonisation • Innovation and R&D investment	

	• Long-term value for money Procurement decisions based primarily on lowest price can disadvantage suppliers that invest in UK manufacturing capability, workforce development, apprenticeships, innovation and resilient domestic supply chains. A stronger focus on economic and social value would help ensure public procurement supports growth, skills and industrial capability alongside delivering value for money.	
Expand Procurement Policy Note 025	Extend the principles contained within PPN 025 beyond the initial four key sectors (steel, shipbuilding, AI, energy infrastructure) to include wider defence procurement for military equipment and other strategic capabilities where supply chain resilience is critical to national security.	
Strengthen the definition of a UK-based business	Develop a more robust definition of a UK based business that considers factors such as employment, manufacturing activity, R&D, tax contribution, operational footprint and IP creation in the UK. This should distinguish long term investment from purely administrative presence while continuing to encourage investment from multinational firms that contribute to the UK economy.	

Trade

International trade has taken on greater strategic importance since the UK left the EU. The Government has had to establish a new trading relationship with the EU while pursuing an ambitious programme of free trade agreements. At the same time, the COVID-19 pandemic, geopolitical instability in Ukraine and the Middle East, and US tariffs on UK goods have exposed the vulnerability of global supply chains and reinforced the need for properly funded trade support.

As a major importer of goods and intermediate inputs, the UK also needs a customs and border system that moves goods as efficiently and cost-effectively as possible. Lower import costs benefit consumers, but they are equally important for manufacturers: imported components and raw materials feed directly into production costs and determine the competitiveness of UK-made goods in overseas markets.

Exporting gives businesses access to larger markets, supports higher sales and helps firms scale. Yet the UK continues to underperform on goods exports compared with many international competitors. This points to a clear need for stronger, better-resourced export support that helps more businesses, particularly SMEs, enter new markets and capitalise on the opportunities created by the UK's trade agreements.

Ask	Analysis	Estimated costing, if available
Reinstate the Tradeshow Access Programme and provide additional funding for international trade shows, inbound buyer missions and business matchmaking programmes.	Previous government support helped UK manufacturers, particularly SMEs, attend major trade events and connect directly with overseas customers, suppliers and investors. As new trade agreements create opportunities in markets such as India, CPTPP members and the Gulf, businesses need practical support to translate these agreements into commercial outcomes. Enhanced funding would help bring international buyers to the UK, connect manufacturers with new customers and supply chain partners, and generate export opportunities, investment and jobs across the UK economy.	The previous TAP programme was budgeted at £6 million per year
Increase the funding and lending capacity of UK Export Finance (UKEF), including expanding the Small Export Builder programme.	Following the increase in UKEF's lending capacity, the organisation delivered record levels of support to UK businesses, including many first-time exporters. As new trade agreements with markets such as India enter into force, and others including the GCC and future CPTPP accessions progress, demand for export finance and insurance is likely to increase. Additional funding would help more manufacturers, particularly SMEs, access the finance needed to enter new markets, secure overseas contracts and convert trade agreements into tangible export growth.	
Provide additional funding for sector-specific trade intelligence, market guides and international market support services.	Manufacturers need access to timely information on both export opportunities and international sourcing options as global trade patterns continue to evolve. Improved guidance would help businesses identify new customers, access more competitive supply chains, navigate regulatory requirements and reduce barriers to trade. This would support export growth, improve competitiveness and help manufacturers maximise the benefits of the UK's trade agreements.	

Commit to a review of the global tariff and import duties on industrial inputs and components to reduce costs across UK manufacturing supply chains.	Many manufacturers rely on imported raw materials and components that are not readily available from domestic sources, yet tariffs continue to add costs to production. Targeted tariff reductions would improve competitiveness, support export growth and help manufacturers invest and expand in the UK.	

Devolution and growth in every postcode

The Industrial Strategy will only succeed if regions have the powers and resources to deliver it. Decisions affecting growth, investment and jobs have been taken too far from the communities they affect, and the status quo of Whitehall hasn't moved the dial.

While Strategic Authorities are increasingly expected to drive economic growth, many still lack the funding, capacity and freedoms needed to do so effectively. Government should provide long term, flexible funding settlements and devolve greater control over skills, transport and local infrastructure investment. This would enable local leaders to attract investment, support business expansion and align policy with the needs of their local economy. For communities, this means more high quality jobs, better access to training, improved transport connections and stronger local economies that create opportunity closer to home.

Ask	Analysis	Estimated costing, if available
Establish a Devolution Capability Fund for Strategic Authorities	Many Strategic Authorities are being asked to deliver increasingly ambitious growth, skills and infrastructure agendas without the capacity and skills required to do so effectively. Government should establish a dedicated Capability Fund to support specialist expertise, project development and delivery capacity. This would help local leaders bring forward investment opportunities more quickly, improve delivery of the Industrial Strategy and ensure communities benefit from more jobs, better skills provision and stronger local economies.	
Expand Integrated Settlements and provide funding	While Government has made progress through Integrated Settlements, the funding horizon remains too short to support the long term regional infrastructure, skills and economic development projects needed to drive growth. Strategic Authorities should be given greater certainty over future funding	

certainty beyond Spending Review cycles.	allocations, enabling them to develop stronger investment pipelines, attract private capital and deliver growth more effectively.	

Infrastructure and planning

Reliable infrastructure is essential to economic growth, productivity and investment. Yet manufacturers continue to face delays to planning decisions, grid connections and transport improvements that increase costs, deter investment and slow expansion. Government should accelerate planning reform, bring forward investment in energy and transport infrastructure, and ensure the planning system supports the rapid delivery of projects that drive economic growth. This would help unlock private investment, support business expansion and strengthen the UK's industrial competitiveness. For communities, it would mean better transport connections, more job opportunities and growth that improves living standards across the country.

Ask	Analysis	Estimated costing, if available
Invest in more multi-modal transport infrastructure projects (such as Logistic Hubs	61% of manufacturers need long-term investment that integrates road, rail, port infrastructure to increase supply-chain resilience. This includes progressing large scale infrastructure projects such as HS2. Despite the challenges these projects face, 9/10 manufacturers still believe the UK needs investment in high-speed rail.	
Fast track strategic manufacturing investment through the planning system	Manufacturers report that delays to planning decisions increase costs, create uncertainty and can undermine otherwise viable investment projects. Government should introduce a dedicated fast track planning route for strategically important manufacturing investments, particularly those supporting productivity, supply chain resilience, industrial decarbonisation and economic growth. This would accelerate business investment, support job creation and help bring forward projects that strengthen local economies and the UK's industrial competitiveness	

Regulation

A stable and proportionate regulatory environment is essential to economic growth, productivity and investment. Yet manufacturers continue to face regulatory uncertainty, increasing compliance burdens and policy divergence that raise costs and make long-term planning more difficult. Government should ensure that new regulations are designed with competitiveness in mind, provide businesses with sufficient time to prepare for change, and minimise unnecessary complexity wherever possible. This would help unlock investment, support innovation and strengthen the UK's industrial competitiveness.

Ask	Analysis	Estimated costing, if available
Establish a UK-EU regulatory alignment and monitoring framework.	This should include a regulatory divergence database and structured dialogue on new regulations, to identify emerging barriers early and support alignment where it benefits UK manufacturers.	

About Make UK

Make UK, The Manufacturers' Organisation, is the representative voice of UK manufacturing, with offices in London, every English region, and Wales. Collectively we represent 20,000 companies of all sizes, from start ups to multinationals, across engineering, manufacturing, technology, and the wider industrial sector. Everything we do – from providing essential business support and training to championing manufacturing industry in the UK and internationally – is designed to help British manufacturers compete, innovate, and grow. From HR and employment law, health and safety to environmental and productivity improvement, our advice, expertise and influence enable businesses to remain safe, compliant, and future focused.

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