National Audit Office

Department for Business, Innovation, Science and Trade 2025-26

November 2026



OVERVIEW

Contents

Summary 3

About BIST 4

How BIST is structured 5

How BIST spends its money 6

Financial management and reporting: Insights from financial audit 8

Financial management and reporting: Climate-related disclosures 9

Financial management and reporting: Post Office 10

Productivity: Spending Review 2025 efficiency plans 13

Productivity: Science and Technology Framework 14

Productivity: Investment in research, science, and technology 15

Productivity: Industrial Strategy 16

Risk and resilience: Principal risks 17

Risk and resilience: Managing organisational change 18

Risk and resilience: Severe space weather 19

Risk and resilience: British Steel 21

Risk and resilience: International trade 24

Risk and resilience: Jobs and skills 27

Risk and resilience: Regulation 28

About the NAO 29

Summary

C&AG introduction

In 2025, we set out our new five-year strategy. In delivering our statutory responsibilities, we aim to maximise our contribution to two outcomes – more productive and resilient public services and better financial management and reporting in government.

Our overviews summarise the key information and insights from our examinations of departments and from their annual report and accounts, and explore departments' progress against these crucial outcomes, highlighting positive examples and opportunities to improve.

If you would like more information about our work, or to arrange a briefing with me or one of my teams, please contact our Parliamentary Relations team at parliament@nao.org.uk.

Machinery of government change	On 21 July 2026, the government set out a machinery of government change, moving the responsibilities for science and innovation from the former Department for Science, Innovation & Technology (DSIT) and transferring the Investment Security Unit from the Cabinet Office into the former Department for Business and Trade (DBT). It was renamed the Department for Business, Innovation, Science and Trade (BIST).
Financial management	
Total spending in 2025-26	In 2025-26, the former DSIT spent £15.5 billion, mainly on providing funding for research and science in the UK. In 2025-26, the former DBT spent £2.7 billion, mainly supporting businesses to invest, export and grow.
Key financial audit risks	DBT's key audit risks in 2025-26 concerned the Post Office compensation scheme, increased investment in British Business Bank, and fraud and error risks associated with the COVID-19 Bounce Back Loan Scheme. All three key audit risks for DSIT in 2025-26 related to UK Research and Innovation (UKRI), which accounted for 64% of the former department's spending. These concerned whether grant funding was used for its intended purposes, the value of UKRI pensions, and risks arising from the introduction of a new accounting system.
Productivity	
Efficiency targets	The former DBT and DSIT identified technical efficiency savings totalling £107 million a year by 2028-29 as part of the 2025 Spending Review.
Managing organisational change	BIST is bringing together responsibilities, staff, systems and ways of working from its predecessor departments. It will need to establish clear priorities and governance, track the costs and benefits of the change, integrate different organisational cultures and maintain delivery during the transition. In 2025-26, the former DSIT employed an average of 3,831 full-time equivalent (FTE) staff. The former DBT employed an average of 7,531 FTE in 2025-26. BIST's audited staff numbers will be published in its annual report and accounts in 2027.
Science, innovation and Industrial Strategy	BIST is responsible for the Science and Technology Framework, sponsors UKRI and is central to coordinating delivery of the Industrial Strategy. Its expanded remit creates an opportunity to connect research and innovation more directly with commercialisation, investment and growth, but it will need to set clear priorities and demonstrate the value secured from substantial public investment.
Risk and resilience	
Principal risks	The former DBT and DSIT each reported 10 principal risks in 2025-26, including risks continuing from 2024-25. Common themes included geopolitical instability, delivery of the Industrial Strategy, cyber resilience, and people, skills and capability.
Risks for the new department	BIST has significant delivery and policy risks, including overseeing Post Office compensation; managing public ownership and support for the steel sector; implementing the Trade Strategy and employment and regulatory reforms; securing value from substantial research and innovation investment and infrastructure, and coordinating preparedness for severe space weather.

About BIST

The Department for Business, Innovation, Science and Trade (BIST) aims to drive growth, jobs and opportunities across the UK. It supports businesses to invest, innovate, export and grow, supported by science and technology.

Machinery of government change July 2026

In July 2026, the Department for Business and Trade (DBT) took on responsibility for science and innovation from the Department for Science, Innovation & Technology (DSIT) and was renamed the Department for Business, Innovation, Science and Trade. The government's rationale was to connect science, research and innovation more directly with commercialisation, industrial strategy and job creation.

Other functions of the former DSIT were redistributed. Responsibility for artificial intelligence (AI) strategy, public sector AI adoption and the AI Security Institute moved to the Cabinet Office, while digital and a wide range of technology policy functions moved to the new Department for Digital, Culture, Media & Sport.

The Investment Security Unit, which reviews investments that may pose risks to UK national security under the National Security and Investment Act 2021, also transferred from the Cabinet Office to BIST.

BIST therefore brings together most of the former DBT with the science and innovation functions previously held by DSIT. Both predecessor departments published annual reports and accounts for 2025-26, but BIST has yet to report as a single department.

BIST's expanded remit

BIST is responsible for business, trade and investment, the Industrial Strategy, reindustrialisation, and science and innovation. Its responsibilities therefore span the innovation and commercial lifecycle, from research and development through to commercialisation, scale-up, exporting and support for the Industrial Strategy's priority sectors.

At the 20 October 2026 evidence session with the Business, Innovation, Science and Trade Committee, the Secretary of State set out four objectives for BIST: leading on place-based reindustrialisation, using the Industrial Strategy as the mechanism; supporting local economies and ensuring markets work for citizens; putting science, innovation and technology at the heart of growth; and supporting an open, connected, secure and resilient trading economy.

BIST's plans and reporting will need to show how it intends to bring together its expanded responsibilities and measure progress.

The government's Machinery of Government changes: Fact Sheet sets out its rationale for forming BIST:

"To signify our global leadership in science and innovation and maximise the growth they can contribute to the UK economy, the Department for Business and Trade (DBT) will be renamed to the Department for Business, Innovation, Science and Trade (BIST).

BIST will focus on new and emerging sectors as part of the reindustrialisation agenda, providing end-to-end support from foundational research to starting and scaling-up innovative firms, and supporting infrastructure through stronger links to the British Business Bank and the National Wealth Fund.

BIST will connect the UK's world-class science and technology base directly to the businesses, places and workers that will drive good growth across the country."

How BIST is structured

BIST is led by the Secretary of State for Business, Innovation, Science and Trade and supported by the Permanent Secretary and a ministerial team. Its structure brings together DBT responsibilities and relevant functions from the former DSIT.

BIST aims to deliver its priority outcomes through its core department and 29 partner organisations, including five executive agencies.

BIST supports the Government Office for Science, Chief Scientific Adviser, and the National Technology Adviser (currently vacant). These functions provide cross-government advice on science, technology and innovation, including support for science and technology policy delivery.

Workforce

In 2025-26, the former DSIT employed an average of 3,831 FTE staff. The former DBT employed an average of 7,531 FTE staff in 2025-26.

Some former DSIT staff have moved to other departments, including the Cabinet Office and the Department for Digital, Culture, Media & Sport. At the BIST Committee evidence session on 20 October 2026, the Secretary of State said that BIST had around 8,500 staff. BIST will publish audited staff numbers in its annual report and accounts 2026-27.

Figure 1

The Department for Business, Innovation, Science and Trade (BIST) core department structure

BIST's structure reflects its responsibilities including support for business, regulations, trade, investment, and science and technology

Business Group

Leads and influences policy, and supports businesses to invest, export and grow. Leads on delivering the Industrial Strategy, including the eight priority sectors and foundation industries. Leads on BIST's sectoral knowledge, overall business engagement and response to economic shocks. Supports BIST's delivery of Post Office redress schemes and contribution to public inquiries.

Competition, Markets and Regulatory Reform

Aims to create the conditions for businesses to grow in a way that benefits all, including workers and consumers, through policy, delivery and regulation.

Domestic and International Markets and Exports

Leads BIST's support for small and medium enterprises and scaling businesses, exports and place-based growth through teams based both in the UK and overseas. Also responsible for supporting businesses to invest and grow.

Economic Security and Trade Relations

Responsible for supporting UK growth through prioritising open but secure trade and strategic advantage, including reforming multilateral trade, building trading relationships and developing and operating economic security regimes. Leads on North and South America, China, Eastern Europe and Central Asia, and Africa, within BIST.

Office for Investment

Leads the government's investment agenda, attracting strategically important domestic and international investment, and working across government to address barriers to investment and growth.

Growth, International, Science and Technology

Responsible for UK science, research and innovation; AI and emerging technologies; supporting science and technology innovation, investment and the ecosystem; international and security policy for science and technology; Office for Life Sciences; UK Space Agency; Regulatory Innovation Office; and support for the Government Office for Science and the Government Office for Tech Transfer.

Trade Group

Leads in BIST on trade policy across Europe, Asia-Pacific, South Asia, and the Middle East and Pakistan, working with the international Trade Commissioner Network. Negotiates and implements trade agreements and aims to increase market access for UK exporters and investors. Also leads on multiple trade policy areas and devolution.

Corporate Services

Supports the organisation to deliver against its strategic priorities including: Finance, Security, Risk and Assurance; Commercial; Data and Technology; Grants Delivery; People and Place and Transformation.

Notes

1 This figure shows BIST's core departmental structure as at 12 November 2026. Each area is led by a Director General.

2 Before the July 2026 machinery of government change, the former Department for Business and Trade (DBT) core department had eight groups, and the former Department for Science, Innovation & Technology (DSIT) had six groups, each led by a Director General.

Source: National Audit Office analysis of information provided by BIST

How BIST spends its money

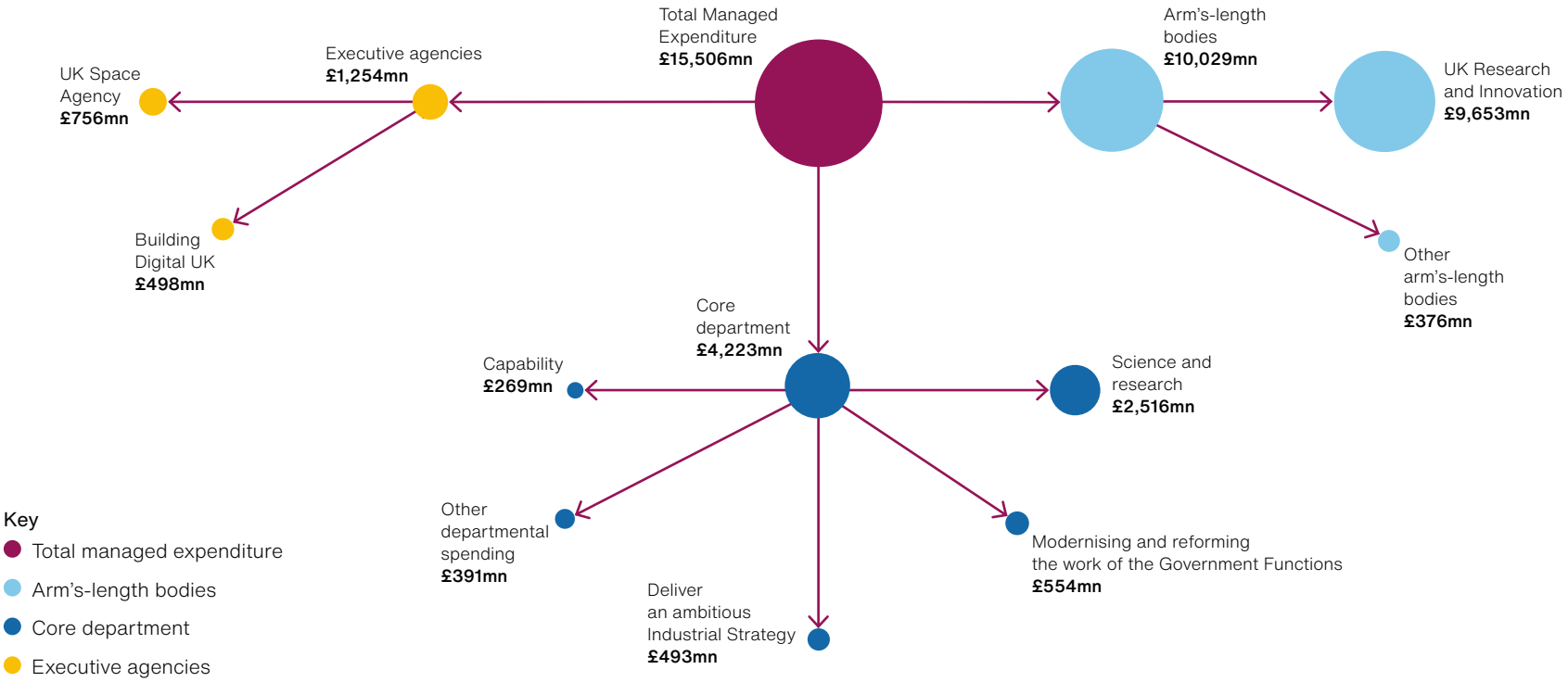
DBT and DSIT published separate accounts for 2025-26. BIST is expected to publish its annual report and accounts for 2026-27 in summer 2027.

In 2025-26, the former DBT reported net spending of £2.7 billion, while the former DSIT spent around £15.5 billion. BIST is expected to continue much of the research and innovation activity previously undertaken by DSIT, although some former DSIT functions and arm's-length bodies will transfer to other departments. This means BIST will have a large and complex spending profile. It will need to harmonise financial management and reporting across its expanded responsibilities.

Figure 2a

The former Department for Business & Trade (DBT) and Department for Science, Innovation & Technology (DSIT) spending in 2025-26

In 2025-26, the former DSIT spent around £15.5 billion, mainly through its arm's-length bodies



Notes

1 Numbers may not sum due to rounding.

2 Building Digital UK became part of DSIT's core department on 1 November 2025, having previously been an executive agency of the department. DSIT's accounts also consolidated other arm's-length bodies including Diamond Light Source Ltd (£181 million spending) and the Advanced Research and Invention Agency (£152 million). Its other departmental spending categories were "support for the digital, broadcasting and media sectors" (£198 million), "government as shareholder" (£185 million), and "promote competitive markets and responsible business practices" (£8 million).

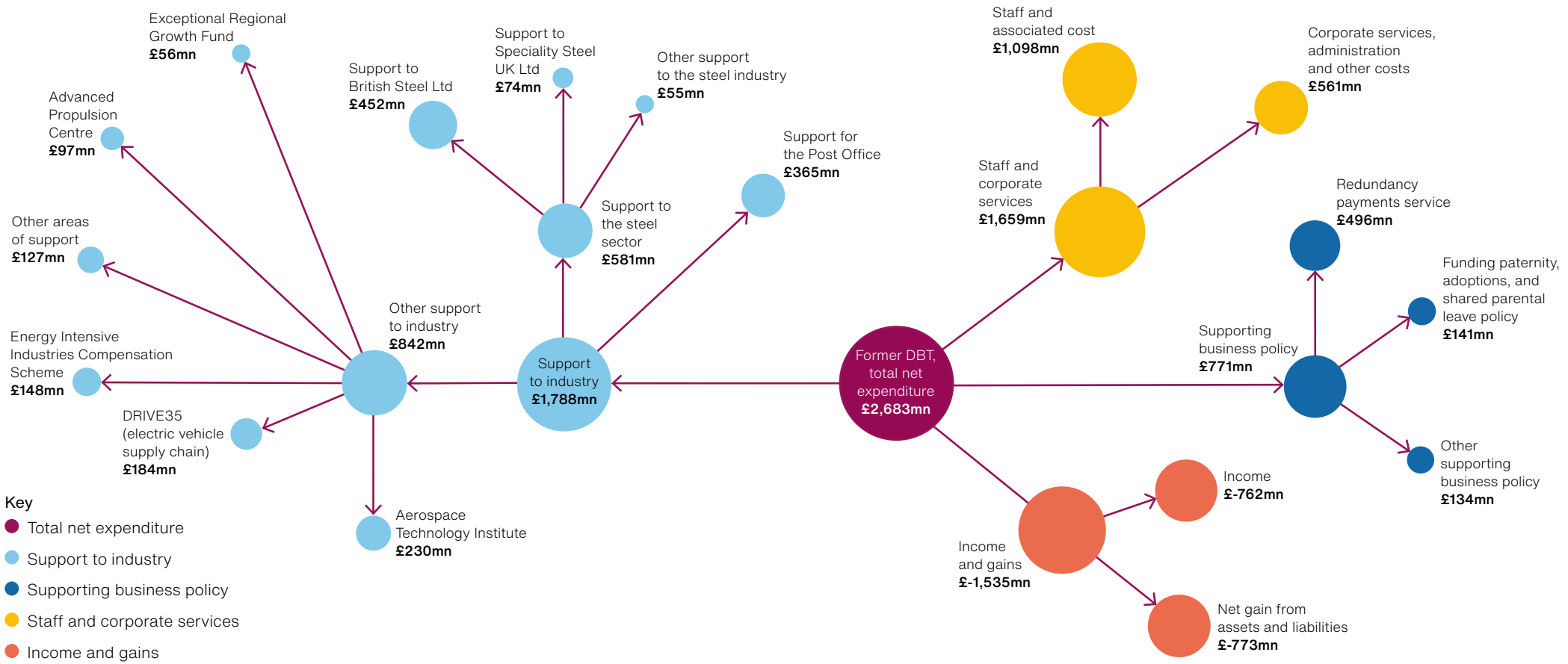
Source: National Audit Office analysis of 2025-26 Annual Report and Accounts for the Department for Science, Innovation & Technology.

How BIST spends its money *Continued*

Figure 2b

The former Department for Business & Trade (DBT) and Department for Science, Innovation & Technology (DSIT) spending in 2025-26

In 2025-26, the former DBT had net expenditure of £2.7 billion, mainly supporting a range of industries



Notes

1 Numbers may not sum due to rounding.

2 Net expenditure by activity excludes DBT's capital spending, which was not broken down by activity in its accounts.

3 Support for the Post Office (£365 million) includes five grants made by DBT to Post Office Ltd for expenditure including new branch IT, the transformation programme, and to support its normal function. This does not include amounts paid as part of the Post Office compensation schemes, which are provided for at the point that the government is committed.

Source: National Audit Office analysis of the 2025-26 Annual Report and Accounts for the Department for Business and Trade.

Financial management and reporting: Insights from financial audit

BIST has inherited key audit risks from both predecessor departments. Its expanded remit means BIST now faces more significant and varied fraud and error risks, including through its grant funding, and continuing risks from its redress schemes.

This page draws on the 2025-26 annual reports and accounts of the former DBT and DSIT, as BIST has not yet published its own audited financial statements. It covers key audit risks that could affect the accuracy and reliability of BIST's future accounts.

Key audit risks for BIST

BIST will need to deliver its aims by working with many partner organisations. Its financial statement risks are likely to differ from the former DBT, as it will include former DSIT spending, including significant funding through UK Research and Innovation (UKRI) and other arm's-length bodies that support science and research in the UK.

Wider financial risks transferring from the former DBT include the nationalisation of British Steel Ltd (see page 21) and from ongoing activity to recover the loans made through the COVID-19 Bounce Back Loan Scheme.

DSIT's key audit risks in 2025-26

The external financial audit of the DSIT Group financial statements identified three main risks. All three related to UKRI, which is responsible for 64% of the former DSIT's spend.

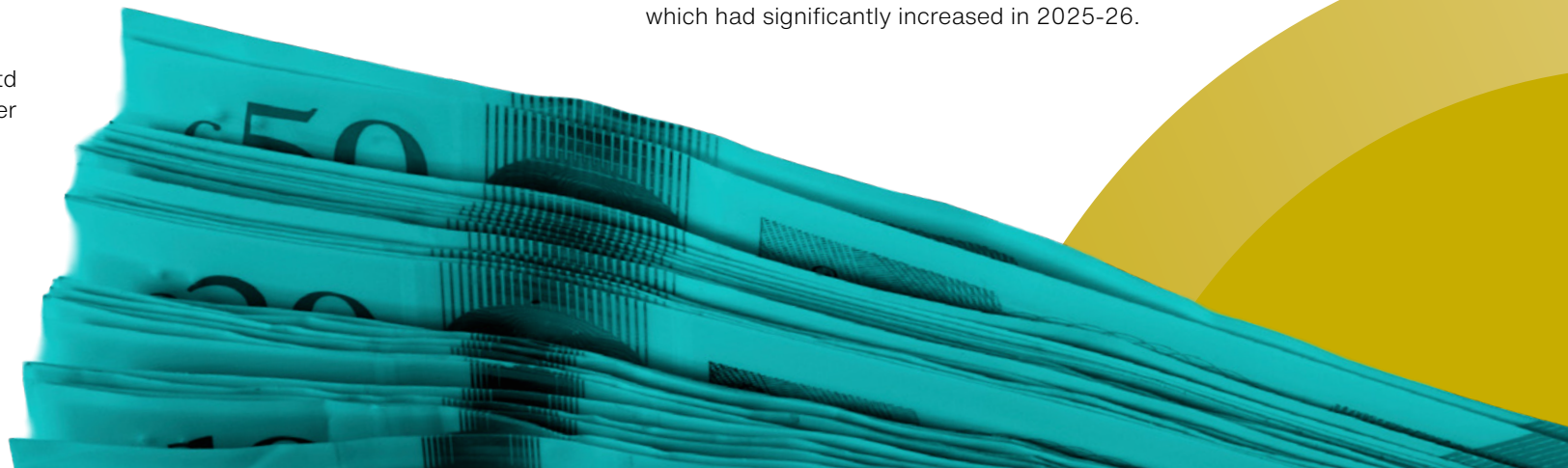
The key audit risks related to the risks of grant funding not being used for the agreed purposes; incorrectly valued assets held by the UKRI pension scheme; and that a new UKRI accounting system could cause errors throughout the accounts.

The audit reviewed these matters and found that none led to a material misstatement, and the Comptroller and Auditor General (C&AG) issued an unmodified audit opinion on the former DSIT's accounts.

DBT's key audit risks in 2025-26

The former DBT's accounts for 2025-26 were laid in Parliament prior to the summer recess for the first time. The C&AG modified his opinion on the Horizon Shortfall Scheme payments (and related prior year balances and transactions) as at 31 March 2025, as no further evidence had been provided since the qualification in the prior year. The provision is an estimate of the total amount to be paid out under the compensation scheme, which DBT has to estimate each year. DBT provided sufficient evidence to support the value of the provision at 31 March 2026 and its use during 2025-26.

The audit also considered key risks around the valuation of the other Post Office redress scheme provisions (see page 10); financial guarantees (including the COVID-19 Bounce Back Loan Scheme), which could be subject to fraud and error; and investments (including the Future Fund and those held by the British Business Bank), which had significantly increased in 2025-26.



Financial management and reporting: Climate-related disclosures

The Climate Change Committee has identified multiple climate hazards, in the UK and overseas, that can affect the UK economy and finance system. Climate hazards, including storms, flooding and heatwaves can adversely affect business operations, supply chains, and workers' health and productivity.

BIST will need to reassess climate-related risks and reporting across its expanded remit, drawing on the different approaches taken by predecessor departments DBT and DSIT in 2025-26.

Our 2025 report, *Implementation of climate-related reporting in central government annual reports*, set out the important role the government has in managing climate-related risks, both in its own estates and operations and in ensuring climate resilience and decarbonisation across the economy. It noted that the former Department for Business, Energy & Industrial Strategy had set requirements for large companies to report climate-related disclosures in line with the Task Force on Climate related Financial Disclosures (TCFD) framework in 2022-2023.

From 2025-26, central government departments were required to make full TCFD-aligned disclosures in their annual reports and accounts. The former DBT and DSIT adopted different approaches to meeting this requirement:

DBT did not consider climate change to be a principal risk, having de-escalated the risk from the previous year because it considered that other significant risks required oversight by its Executive Committee. It therefore reported against the recommended disclosures applicable where climate change was not assessed as a principal risk. DBT noted the risk was being managed at group level, through alignment with other departments including the Department for Energy Security & Net Zero (DESNZ), Department for Environment, Food & Rural Affairs (Defra), and at sector level through its departmental strategies, including the Industrial Strategy and Trade Strategy.

DSIT did not consider climate change to be a principal risk, and therefore only needed to comply with the recommended disclosures in its annual report. However, it identified climate risks and opportunities over the short, medium, and long-term and described their impacts. These included risks relating to climate governance, insufficient consideration of climate risks, and climate-related disruption to supply chains.

Good practice guides on managing and reporting climate-related risks include:

National Audit Office report (2021) *Good practice guide - Climate change risk: a good practice guide for Audit and Risk Assurance Committees*

The government's *good practice guide* supports departments to prepare for, and report against, the TCFD framework in their annual reports and accounts.

Our report *Government's climate risk: insights from 25-26 disclosures* reviewed climate-related disclosures by central government bodies for 2025-26, including progress, case studies of new and interesting information, common gaps and challenges, and emerging themes in the government's response to climate change.

Financial management and reporting: Post Office

BIST has inherited responsibility for the former DBT's financial support to the Post Office, including compensation schemes for postmasters and others affected by the Horizon IT scandal. As at 28 August 2026, around £1.7 billion had been paid to over 13,500 claimants across four Post Office Horizon schemes. BIST expects to pay out £2.3 billion in total.

Changes in compensation schemes

The Horizon compensation schemes are:

- the Horizon Shortfall Scheme (HSS), which closed to new applications in January 2026 while the HSS Appeals process opened in April 2025;
- the Overturned Convictions Scheme (OC), which closed to new applications in June 2025;
- the Group Litigation Order Scheme (GLO) which closed to new applications in July 2026; and
- the Horizon Convictions Redress Scheme (HCRS).

In October 2025, the former DBT opened the Capture scheme to provide redress to postmasters affected by the pre-Horizon Capture software and in July 2026 it opened the Horizon Family Member Redress Scheme for registration for close family members of those most affected by the Horizon scandal.

The former DBT's 2025-26 accounts identify provisions of £210 million for HCRS, £172 million for HSS Appeals, £69 million for OC, £11 million for GLO and £31 million for Capture.

Future of the Post Office

In February 2026, the government published its response to a consultation on the future of the Post Office. The government committed to supporting a network of 11,500 branches, providing £180 million over three years for 'essential services' including getting cash and paying utility bills. It also committed £483 million over the next two years to modernisation, including a technology transformation programme. BIST will need to oversee these commitments while continuing to manage the cost and delivery of Horizon redress.

Our April 2026 report *Government's compensation and financial recognition schemes* examined four Horizon compensation schemes. It found that the schemes had been open longer than initially expected and the number of claimants and final payout has been greater.

HSS, under which most payments have been made, was launched in May 2020, then closed to new applications in November 2020. Post Office Ltd initially expected a few hundred people to apply, but 2,417 had applied by the initial deadline. The scheme was reopened in October 2022, and finally closed to new applications in January 2026. As at the end of August 2026, Post Office had received 14,865 claims. GLO opened to claims in March 2023 and initially had a deadline for applications to be submitted by August 2024, but the scheme's deadline was removed in January 2024 as so few claims had been submitted.

The report also found that groups representing affected communities felt that Horizon schemes should be administered with greater independence from the Post Office and DBT.

As at August 2026, the former DBT estimated that 86% of claims across HSS, GLO and HCRS had been settled.

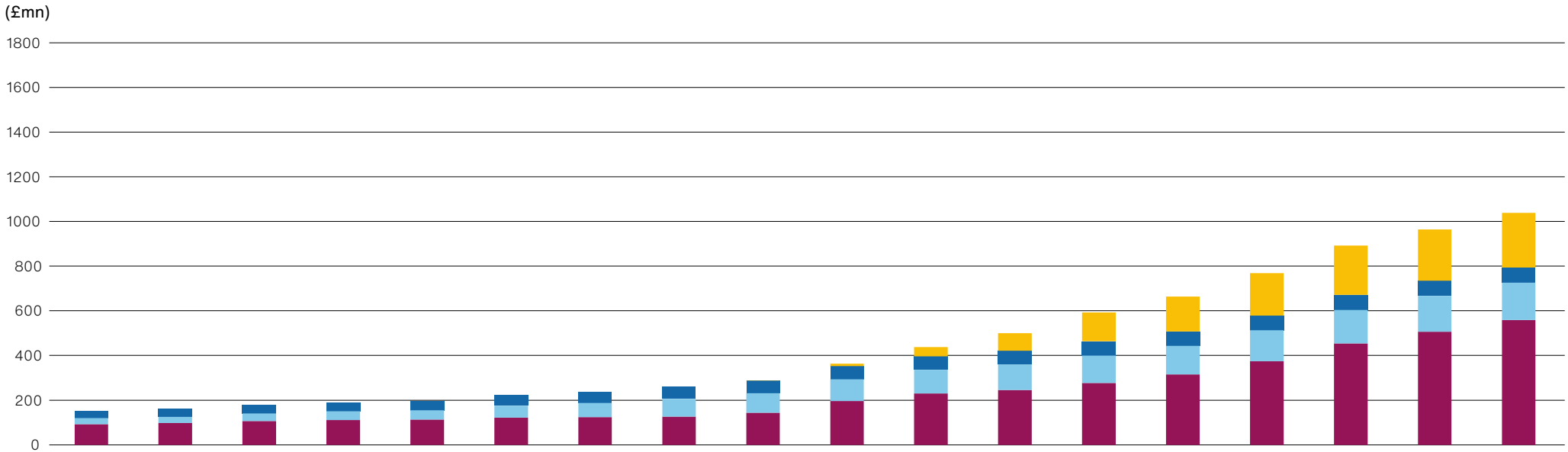
Our January 2026 report *Audit Insights: lessons and findings from the National Audit Office's financial audits in 2024-25* noted that the former DBT had acted on our recommendations to enhance visibility of the HSS and its associated costs, to enable more informed planning and decision-making.

Financial management and reporting: Post Office *Continued*

Figure 3

Payments from Post Office redress schemes, December 2023 to August 2026

A total of £1.697 billion has been paid out by 28 August 2026



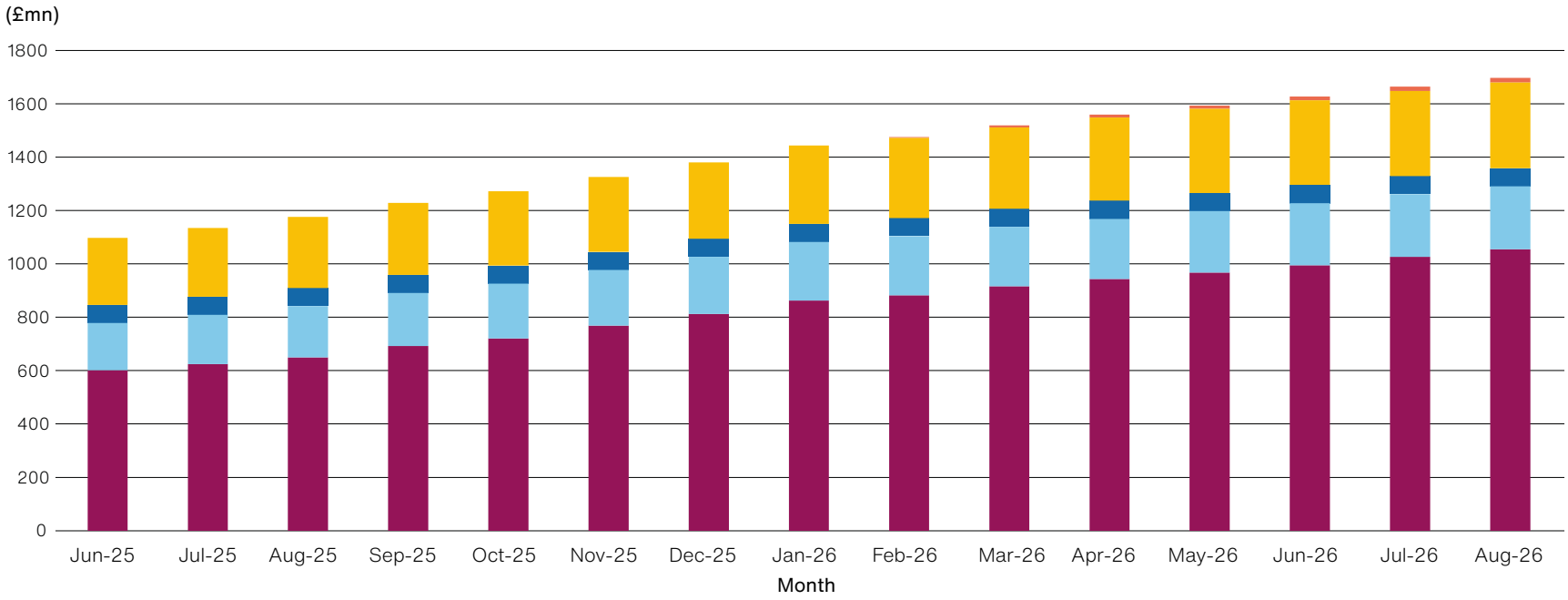
	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
HSS	93	98	107	111	113	122	124	126	144	196	230	245	277	315	374	454	507	599
GLO	27	27	34	39	42	54	64	80	87	97	106	155	122	128	139	150	160	167
OC	33	35	38	41	42	46	49	54	56	59	60	61	65	65	66	67	68	68
HCRS									1	11	42	79	129	156	190	221	229	245
HSSA																		

Source: National Audit Office analysis of Post Office Horizon financial redress data

Financial management and reporting: Post Office *Continued*

Figure 3 *continued*
Payments from Post Office redress schemes, December 2023 to August 2026

A total of £1.697 billion has been paid out by 28 August 2026



	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26
HSS	601	624	650	692	721	769	812	863	882	916	943	967	995	1026	1055
GLO	177	185	192	199	205	208	214	219	222	223	226	231	233	235	236
OC	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68
HCRS	252	258	266	270	278	281	286	294	300	305	312	315	317	319	321
HSSA									4	7	11	12	14	17	17

Notes

1 Amounts shown are cumulative.

2 The four schemes are: Horizon Shortfall Scheme (HSS); Group Litigation Order Scheme (GLO); Overturned Convictions Scheme (OC); and Horizon Convictions Redress Scheme (HCRS). Additional money has been paid out through the HSS Appeals (HSSA) process which opened in April 2025, with the first payments being recorded in February 2026.

Source: National Audit Office analysis of Post Office Horizon financial redress data

Productivity: Spending Review 2025 efficiency plans

The government's Spending Review in 2025 identified efficiency plans for all departments. The former DBT and DSIT agreed efficiency targets and outlined plans to meet these by, for example, making better use of technology and reducing headcount. BIST will need to integrate teams, processes and systems, and identify ways of sharing best practice to ensure it is working efficiently as a new department.

The former DBT and DSIT identified technical efficiency savings totalling £107 million a year by 2028-29, as set out in *Spending Review 2025: Departmental Efficiency Plans*.

DBT planned to achieve **£75 million a year in efficiencies by 2028-29**, through the following:

- **Organisational design**: Reviewing its operating model to focus on growth generating areas.
- **Digital improvements**: Harnessing AI, streamlining government advice, and reducing the burden of regulation and providing support for small and medium-sized businesses.
- **Corporate functions**: Reducing support functions by reviewing organisational design, adopting AI tools, and reducing commercial spend, for example on temporary staff.

DSIT planned to achieve **£32 million a year in efficiencies by 2028-29** through the following:

- **AI and automation**: Developing and rolling out tools and platforms for summarisation tasks and repetitive processes.
- **Improving and expanding shared services:** Sharing common functions with other departments reduced costs.
- **Organisational effectiveness**: Streamlining and enhancing operating structures, reviewing its workforce to reduce headcount and shifting grade mix, including replacing digital specialists and contractors with civil servants.
- **Streamlining arm's-length body (ALB) sponsorship**: Reducing duplication and strengthening alignment of policy and strategy functions within DSIT and its ALBs.

BIST has not yet set out revised efficiency targets following the machinery of government change.

National Audit Office insight: effective workforce planning and reducing workforce costs

Our *Government workforce planning - lessons learned* report (July 2026) discusses how effective workforce planning supports more productive, resilient and affordable public services. It highlights how government workforces are being reshaped by AI and digital technologies, and how departments need to respond – for example, by identifying future skills needed to unlock improved productivity. This report is supported by our updated *Government workforce planning audit framework*, which provides practical guidance for departments on conducting workforce planning. Our related good practice guidance on *Government exits and redundancies* (September 2025) sets out challenges that departments must address when making staff reductions. These include protecting organisational capability to deliver, retaining high performers and skilled staff, and ensuring staff reductions (and associated cost savings) are sustainable.

BIST will need to ensure organisational resilience while it delivers these efficiencies. Our good practice guide *Financial management in government: allocating resources* highlights the need for departments to:

- use information intelligently to identify where savings can be made using cost, performance and activity data;
- prioritise effectively, using clearly defined and measurable goals, strategic objectives and outcomes to understand how to find efficiencies; and
- avoid short-term savings that increase future costs or reduce capability.

Productivity: Science and Technology Framework

In April 2025, the former DSIT published its updated Science and Technology Framework (the Framework). The Framework sets out a system-wide approach to embedding science and technology in decision-making across government to drive economic growth and improve public services.

It emphasises the need for an integrated, systems-level approach to ensure the UK can effectively harness technological advances and remain internationally competitive. The Framework is intended to ensure that science and technology inform all aspects of the Industrial Strategy. BIST will need to support implementation of the Framework across government and use its new combined remit to connect science and technology policy more directly with business, investment, commercialisation and growth.

A systems-level approach to science and technology

The Framework outlines 10 'critical levers' that the government can use to embed a full range of considerations into decision-making. These levers are:

- developing and deploying critical technologies;
- signalling UK strengths and ambitions;
- investment in research and development;
- talent and skills;
- financing innovative science and technology companies;
- procurement;
- international opportunities;
- research and innovation infrastructure (physical and digital);
- regulation and standards; and
- innovative public sector.

Focus on critical technologies

The Framework identifies a set of priority technologies where the UK is seeking to build and sustain strategic advantage. These are:

- advanced connectivity technologies (formerly called future telecoms);
- artificial intelligence;
- engineering biology;
- quantum technologies; and
- semiconductors.[1]

The government has committed to making strategic choices about investment and policy support in these areas. More broadly, the Framework aims to drive growth, create jobs, and help ensure that citizens live healthy, secure and sustainable lives.

1 Following the machinery of government change, DCMS is the department responsible for Advanced Connectivity. Responsibility for AI is split between DCMS, BIST and Cabinet Office.

Productivity: Investment in research, science, and technology

UKRI is the UK's largest single public funder of research, with net expenditure of £9.5 billion in 2025-26. Established in 2018, UKRI is a non-departmental public body formed of seven disciplinary research councils, Research England (which supports research and knowledge exchange at higher education institutions in England), and the UK's innovation agency, Innovate UK.

BIST is the sponsoring department for UKRI. From July 2026 it is responsible for providing end-to-end support from foundational research to the creation and scaling of innovative firms and supporting infrastructure. It will need to set out how it will prioritise funding across long-term discovery research, targeted research aligned to government objectives, and support for innovative businesses. It will also need to monitor whether this investment is securing value for money and work with other government departments to support effective management of the government's wider research and development investment portfolio.

Our May 2025 report UK *Research and Innovation: providing support through grants* found that government departments expect UKRI to support the delivery of a range of objectives, alongside its own work, but these are not brought together coherently. Government departments indicate their priorities to UKRI, but these are not consolidated or ranked, meaning that the government does not currently have an overall picture of what it is asking UKRI to do. The government has recently set out its intention to define and justify more clearly the allocation of research and innovation (R&I) funding under three categories.

- Curiosity-driven basic research
- Targeted research aligned to government ambitions (including economic growth)
- Investment to support innovative businesses (including scale-up).

We concluded that providing effective support for R&I that secures value from public sector investment is a complex challenge: new ideas will not have a track record of achievement or delivery, outcomes of innovation carry a higher degree of uncertainty, and many projects will potentially lead to different discoveries or may fail altogether. It is vital that UKRI uses all available levers to ensure it is taking as much risk as it would like to in its funding decisions to achieve strategic objectives and to prevent missing out on high-reward opportunities. UKRI has demonstrated that it can respond effectively to emerging challenges – such as to the COVID-19 pandemic. However, there is still more that UKRI could do to maximise the value for money it secures from supporting R&I.

Research infrastructure consists of the facilities, resources and services used to conduct research and innovation activities and can include specialist equipment, laboratories, supercomputers, and large-scale multi-use facilities. BIST will need to work effectively with UKRI to invest in research infrastructure to achieve its ambition to embed science and technology as a foundation for economic growth. For BIST, the challenge will be to bring these funding streams together as a coherent portfolio, balancing investment in new research, support for commercialisation, and maintenance of the infrastructure needed to sustain the UK's research base, and implement appropriate governance and assurance.

Developing and managing the UK's research infrastructure landscape

Research infrastructure underpins the government's ambition for the UK to be a leading global science and technology economy. Our March 2026 report *DSIT's investment in research infrastructure* explored the potential impacts of research infrastructure for society and the economy. An example of the link between supported research and potential benefits is:

- **the John Innes Centre**, which reported in 2022 that its work on delivering sustainable wheat productivity will allow farmers to increase yields and produce more food.

Our report also found that the former DSIT and UKRI were too slow to replace ageing supercomputers. UKRI and universities have not spent enough on maintaining research infrastructure. Research England estimates that universities would need to spend £5.6 billion to restore all the infrastructure they are responsible for to a fully operational condition. UKRI has set out plans to provide universities with around £120 million each year which will be ring-fenced for maintenance of existing infrastructure.

We concluded that UKRI should take a broader view of portfolio management to ensure that the infrastructure it funds (cumulatively) is on track to achieve its objectives including investments in new projects and maintenance of existing infrastructure. It could also allow UKRI to take on more risk where this is justified by the potential reward.

The *2025 UK's Modern Industrial Strategy* sets out the government's 10-year plan to increase investment and support for eight growth-driving sectors, as well as industries that are foundational to growth, and emerging technologies at the cutting-edge of those sectors. BIST is central to coordinating delivery, working with other departments, regulators, industry and investors. It will need to maintain momentum across the sector plans, show how individual interventions contribute to overall objectives, and track whether commitments are leading to measurable economic benefits.

One year on, the government has set out measures to show how it is coordinating efforts to boost growth, and put forward a timeline for how it will achieve its aims by 2035. Sector plans have now been published for each of the eight key sectors (**Figure 4**). Several sector plans, such as those for financial services, clean energy and life sciences, also have specific jobs plans that set out how the government will address employment and skills barriers to growth in these sectors.

Figure 4

The 2025 Modern Industrial Strategy sector plans: examples from the year one update

The government published its first annual update in July 2026, Delivering the UK's Modern Industrial Strategy: year one, highlighting progress and planned next steps for each sector

Sector plan	Year one progress examples reported by government	Year two next steps
Advanced manufacturing	Awarded over £533 million in grants to businesses, and a further £650 million in electric vehicle grants as part of DRIVE35 – a programme to support research and development in the automotive sector.	Open Somerset gigafactory focusing on manufacturing lithium-ion battery cells.
Clean energy industries	Allocated £204 million to support offshore wind supply chain investment in the UK as part of the Clean Industry Bonus.	Deliver £300 million in grant funding through Great British Energy's Offshore Wind and Networks Supply Chain Fund, with a further £700 million for clean energy supply chains this Parliament.
Creative industries	Supported emerging artists with a £30 million Music Package, including support to increase exports of music made in the UK and £1.4 million distributed to 68 artists through the Music Export Growth Scheme.	Expand creative industries research and development through additional CoSTAR labs and a new wave of research and development clusters in early 2027.
Defence	Published a 10-year Defence Investment Plan.	Continue reforms to defence procurement and acquisition.
Digital and technologies	Started programme to invest nearly £4 billion in frontier technologies through UKRI, the largest public funder of research and innovation (to conclude in 2029-30).	Begin construction of five AI growth zones in North Wales, South Wales, Lanarkshire, the North East, and Oxfordshire.
Financial services	Held the first trading event for PISCES, a new stock market to help businesses prepare for a future stock market listing.	Progress the Financial Services and Markets Bill including proposed reforms to the Financial Ombudsman Service and Financial Conduct Authority.
Life sciences	Reduced the average commercial clinical trial set-up time by almost a third.	Continue reforms to approvals for medicines and healthcare products via the regulator, so that the UK is on an equal footing to global competitors.
Professional and business services	Published an AI Adoption Plan and appointed a Professional and Business Services AI champion.	Launch English Law Promotion Panel strategy to promote English and Welsh law as a leading choice for businesses internationally, strengthening the UK's global competitiveness in this sector.

Notes

1 The table shows illustrative examples from the government's year one update and is not a comprehensive summary of progress or planned next steps across the sector plans.

2 For the life sciences highlight in year one, the time period compared the average trial set up time between the first six months of 2024-25 and the first six months of 2025-26.

3 Convergent Screen Technologies and performance in Realtime (CoSTAR) supports research and development infrastructure for the creative industries in the UK.

Source: National Audit Office analysis of *Delivering the UK's Modern Industrial Strategy: year one*

Risk and resilience: Principal risks

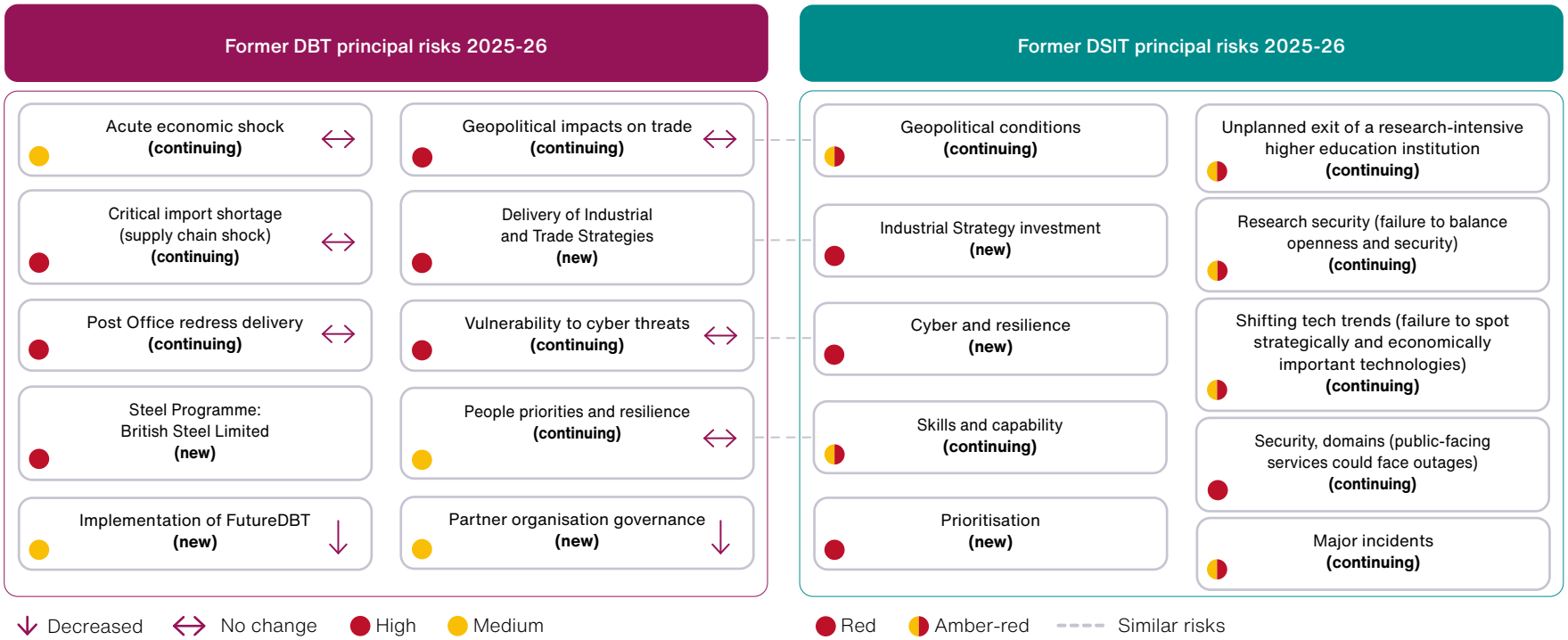
Robust and effective risk management is essential to securing long-term value for money.
BIST will need to reassess risks from the former DBT and DSIT alongside new risks created by its expanded remit, including coordinating delivery across business, trade, science and innovation.
BIST is expected to publish information on its principal risks, mitigations and risk management arrangements in its annual report and accounts for 2026-27.

Our good practice guide *Overcoming challenges to managing risks in government* highlights the need for departments to balance immediate and competing demands with long-term value for money.

Figure 5

Former Department for Business and Trade (DBT) and Department for Science, Innovation & Technology (DSIT) principal risks, including new and continuing risks, in 2025-26

The former departments reported some common risk themes, including geopolitical volatility, cyber resilience, and having the right people, skills and capacity



Notes

1 Risk ratings are taken directly from the former DBT and DSIT's own assessments of risk based on probability and impact.

2 'New' risks are those risks the department has identified in the financial year 2025-26. Continuing risks are risks that were on the principal risk register from at least 2024-25 and which the department is continuing to monitor and mitigate against. For DBT, these continuing risks have been shown with an arrow indicating a change in their rating (decreased or no change).

3 Only the former DBT published information about risk rating changes in the year 2025-26 in its 2025-26 annual report and accounts.

4 In 2025-26, DSIT closed five risks (details are available in its 2025-26 annual report and accounts). DBT closed one risk, incorporated 'economic challenges' into its Industrial and Trade strategies risk, and de-escalated three risks: grant management and fraud, Post Office stability and viability, and climate and environment-driven economic transformations.

Source: National Audit Office analysis of 2025-26 annual report and accounts from the former *Department for Business and Trade* and the former *Department for Science, Innovation & Technology*

Risk and resilience: Managing organisational change

Machinery of government changes can deliver benefits, but only where departments are clear about the intended outcomes, plan implementation realistically and maintain focus on operational delivery. Our work has found that reorganisations often take longer and cost more than expected, while departments have not always tracked the full costs and benefits sufficiently to demonstrate value for money.

The following six insights draw on our past work on reorganising government and highlight what BIST will need to manage as it integrates its responsibilities, people, systems and ways of working.

1 **Be clear about why the change is being made**. The government has said that bringing science and innovation into the same department as business and trade will strengthen the UK's leadership in science and technology and make research and development a stronger foundation for entrepreneurship and growth. BIST will need to turn this into clear priorities, intended outcomes and measures of success.

2 **Track costs and benefits from the outset**. Our past work has found that departments have not always tracked the costs and benefits of reorganisations, making it difficult to assess whether they represent value for money. Our review of the merger that created the Foreign, Commonwealth & Development Office (FCDO) found that the department had not systematically tracked the benefits of the merger and could not fully assess its value for money. BIST will need baseline measures and appropriate arrangements to track the costs and benefits of the change from the outset.

3 **Integration takes longer and costs more than expected**. Our work on machinery of government changes has found that departments can underestimate transition costs, management effort and disruption to normal business. BIST can also draw on lessons from the previous reorganisation in 2023, which created the former DBT and DSIT. BIST will need realistic milestones for integrating teams, systems, governance and reporting arrangements.

4 **Culture, capability and people issues matter more than structures**. BIST will need to bring together teams with different responsibilities, operating models and ways of working. It will also need to understand its future workforce and skills requirements, while managing any workforce reductions or efficiency targets.

5 **Maintain business-as-usual delivery during transition**. BIST will need to minimise disruption to support for businesses, trade negotiations and implementation, and funding and oversight of research and innovation. It will need to ensure that businesses and other stakeholders understand where to go for support during the transition.

6 **Strong leadership and governance are critical**. BIST has a new Secretary of State, who previously served as Secretary of State for Business and Trade from 2024-25. A new Permanent Secretary has also been appointed. Senior leaders will need to establish clear ownership, decision-making arrangements and programme controls early to manage transition risks and support delivery.

Relevant reports and insights on managing change include:

Reorganising government? Six things to consider (2026)

Government workforce planning – lessons learned and *Government workforce planning - audit framework* (2026)

Progress with the merger of the FCO and DFID (2024)

Reorganising central government (2010)

Risk and resilience: Severe space weather

Severe space weather has been on the National Risk Register since 2011 as one of the most serious natural and environmental hazards. In 2025, the government considered the likelihood of a severe space weather event occurring within the next five years to be 5% to 25%. As the department responsible for science, innovation and civil space strategy, policy and delivery, BIST will need to coordinate work across government on preparedness for severe space weather and oversee development of the next preparedness strategy.

Space weather originates from solar activity (**Figure 6**) and mostly causes no tangible disruption. However, it is expected that if a severe space weather event did occur, it would have significant and wide-ranging impacts due to advancements in, and increasing dependence on, technologies. For example, an event could cause the widespread disruption of air travel for multiple weeks, localised power outages in the UK, and disruption to satellite services such as satellite navigation and timing services used by many sectors. DSIT coordinated the government's work on severe space weather, having formally taken on this role in December 2025.

In September 2021, the government published its *UK Severe Space Weather Preparedness Strategy* setting an ambition to build the UK's resilience to the risk of severe space weather, while also collaborating with international partners and making science and technology integral to addressing this risk. The former DSIT told us it is planning to develop a new severe space weather preparedness strategy and is currently in the evidence-gathering phase. BIST will be responsible for coordinating the government's work on this risk going forward.

Our March 2026 report *The UK's resilience to severe space weather* found the following.

- The government has invested in developing and enhancing the UK's space-weather-forecasting capability and raised awareness of the risk it presents.
- The Met Office is well respected internationally, has built the UK's forecasting capability and is taking steps to increase its resilience while taking account of the developing science and user needs.
- The government has drawn on expertise in the scientific community to inform its assessment of the risk and has begun collating and exercising departmental response plans.

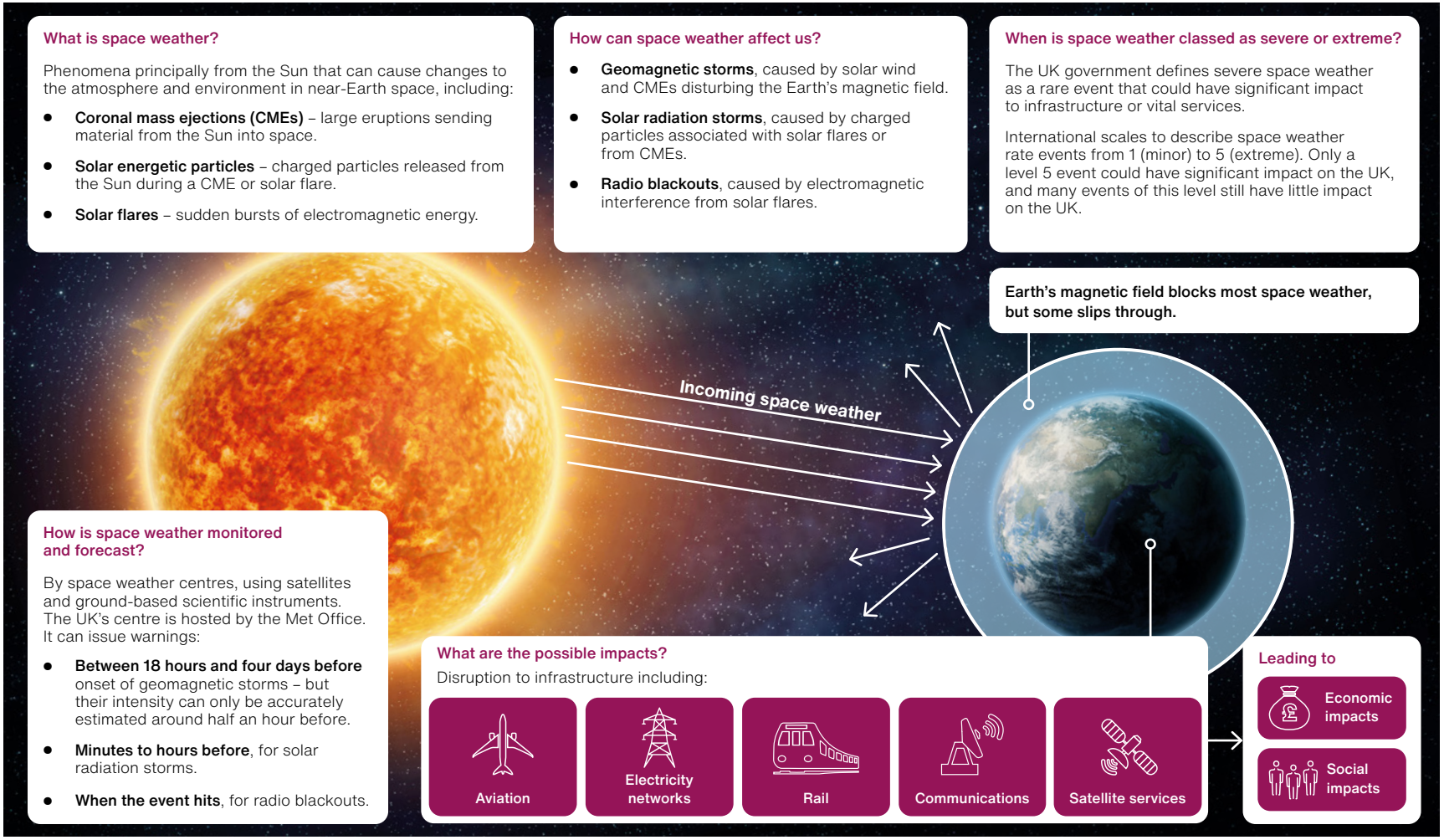
However, we highlighted a number of issues that could undermine the UK's ability to prepare for and respond effectively to a severe space weather emergency which the government needs to resolve. Roles and responsibilities for managing the risk remain unclear, accountabilities could be stronger, and the government has yet to set out what outcome it is looking to achieve and the level of residual impacts it is willing to accept (risk appetite).

We found that the centre of government did not have a complete understanding of how sectors plan to respond to a severe space weather emergency, including whether they would use risk-specific or generic plans. Testing of response plans through simulation exercises has been limited, constraining the government's understanding of vulnerabilities.

Risk and resilience: Severe space weather *Continued*

Figure 6
Introduction to space weather

Severe space weather is a low-frequency but potentially high-impact risk that could disrupt multiple critical services



Source: National Audit Office analysis of publicly available information

Risk and resilience: British Steel

Steel is used in construction, defence, manufacturing and transportation. The government has supported the sector by cutting energy costs for businesses, issuing guidance for the public sector to ensure UK-made steel is considered in public procurement projects, and providing grant funding for decarbonisation initiatives. Four of the six largest steelworks in the UK are currently receiving some form of government support. BIST is responsible for the *UK steel strategy* which aims to increase domestic production from around 30% of UK demand in 2024 to 40% to 50%, and strengthen the resilience of the steel sector.

British Steel nationalisation

The Steel Industry (Nationalisation) Act 2026 received Royal Assent on 15 July 2026, enabling the former DBT to nationalise steel companies if a public interest test is met. The department assessed that the test was met for British Steel and brought the company into public ownership from 16 July 2026. It created a new government-owned company, for which BIST has departmental responsibility, and transferred British Steel's name, assets and most of its liabilities to it. An independent valuer will determine whether any compensation will be paid to the former owner.

The former owner has indicated that it may challenge the government's position, including through investor–state dispute mechanisms linked to the China–UK Bilateral Investment Treaty.[2]

Future of British Steel

BIST has appointed new non-executive directors for British Steel, and they aim to develop a plan to transform British Steel into a commercially and environmentally sustainable steelmaking enterprise, and explore possible options for private sector investment. The government stated that it had provided £751 million in working capital to support British Steel from April 2025 to 31 October 2026. This does not include all costs associated with the intervention, such as advice, staff costs, potential compensation to the former owner or future support.

In September 2026, the Public Accounts Committee published its report *Government's intervention in British Steel Ltd*. It recommended BIST set out a credible plan for the future of British Steel, including setting out costs, governance arrangements and how it would involve the local community and trade unions in decisions.

Wider developments

BIST will need to manage the financial, operational and policy risks associated with public ownership of British Steel. These include uncertainty over the future cost of support, the commercial and environmental viability of the transformation plan, potential compensation to the former owner, and the balance between maintaining domestic steelmaking capability and funding other departmental priorities.

For example, Speciality Steel UK Ltd (SSUK), the UK's third largest steelworks, entered liquidation in August 2025. In September 2026, BIST announced it would work towards public acquisition, after concluding it could not support a proposed private sector sale. BIST estimated that acquisition of SSUK could cost £350 million and take four to six months to achieve.

In addition to its intervention in the steel sector, in May 2026 the government announced £470 million in support for the UK's chemicals and ceramics industries, which it said would support the long-term resilience of both industries. The funding is designed to support specific factories and sites, strengthen supply chains, and support energy efficiency and decarbonisation initiatives. It is also intended to support thousands of skilled jobs.

2 A bilateral investment treaty (BIT) is an agreement between two countries regarding promotion and protection of investments made by investors from respective countries in each other's territory. The China–UK BIT entered into force in 1986. (Source: China - United Kingdom BIT (1986) | International Investment Agreements Navigator | UNCTAD Investment Policy Hub Terminology)

Risk and resilience: British Steel *Continued*

Figure 7

Spending on the government's intervention in British Steel, April 2025 to October 2026

Since 12 April 2025, the government has spent more than £750 million on the intervention

	Up to 31 January 2026		Up to 18 June 2026	Up to 31 October 2026
	(£mn)	(£mn/day)	(£mn)	(£mn)
Funding provided to British Steel	359.3	1.2	555	751
Adviser costs	15.0	0.05	Not published	Not published
Staff and other costs	2.6	0.01	Not published	Not published
Total	**376.9**	**1.3**	–	–

Notes

1 Spending to 31 January 2026 taken from our report *Investigation into the government's intervention in British Steel's Scunthorpe site*. Columns in dark shade: spending to 18 June 2026 taken from Written Ministerial Statement made on 18 June 2026 (HCWS122). Spending to 31 October 2026 taken from Written Ministerial Statement made on 3 November 2026 (HCWS445).

2 Data from our report included a further breakdown of costs which are not available in subsequent public statements. This includes the cost of advisers and of staff working on the intervention.

3 The former Department for Business and Trade (DBT) was responsible for the intervention on 12 April 2025. The responsibility is now with the Department for Business, Innovation, Science and Trade following the machinery of government change in July 2026.

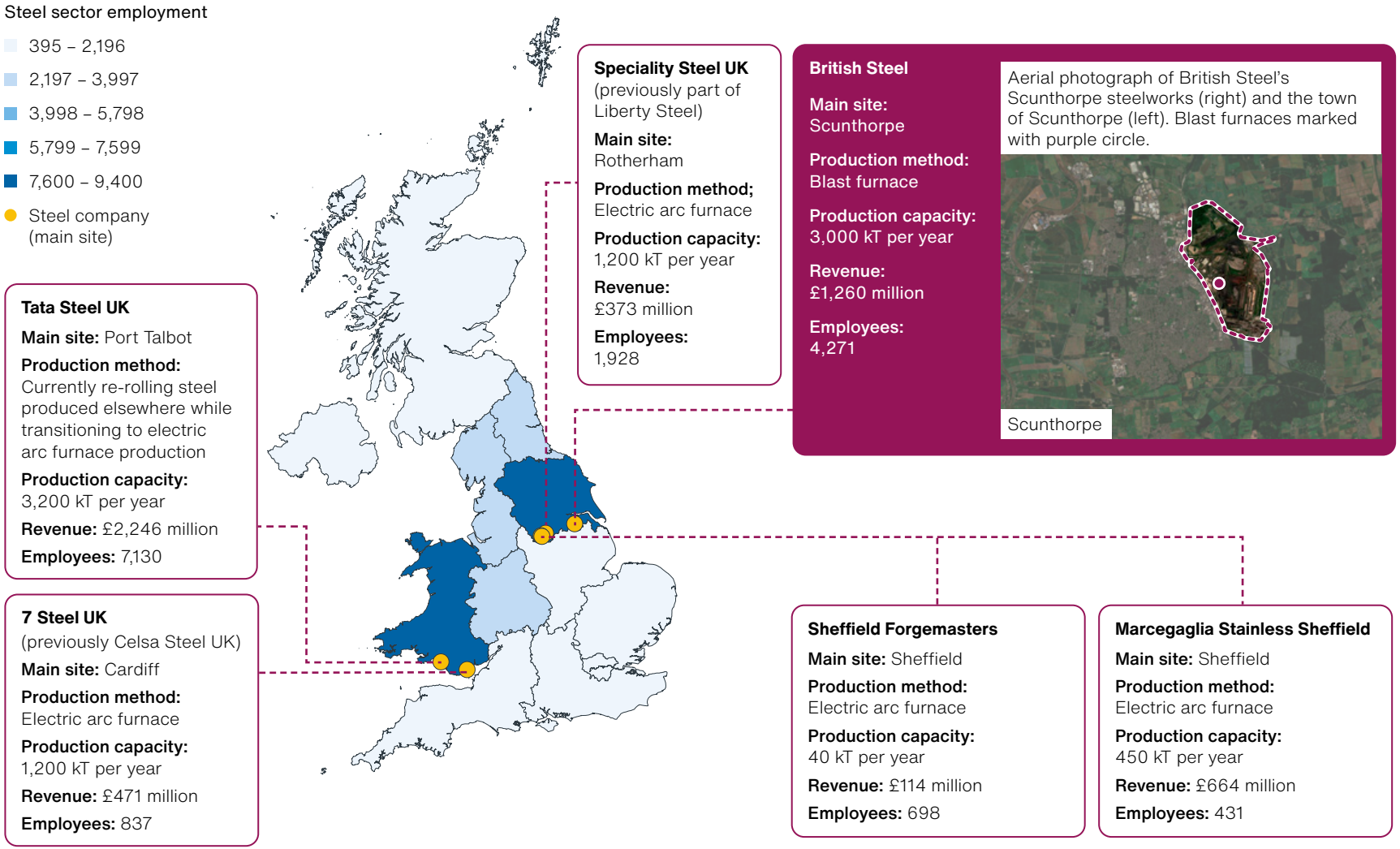
Source: National Audit Office analysis of financial information from the Department for Business, Innovation, Science and Trade



Figure 8

Largest UK steel producers and regional employment in the steel sector

Steel production and employment is largely concentrated in the North East of England and South Wales, with lower levels of employment elsewhere



Notes

1 Figure shows details of the six largest UK steel producers by capacity. Capacity is the estimated amount of steel that can potentially be produced in a year, in kilotonnes (kT), as reported in UK Steel's Member Directory 2025. In October 2024, Tata Steel paused steelmaking at its Port Talbot site pending the construction of an electric arc furnace. The furnace is expected to have a capacity of 3,200 kT per year and is due to be completed in 2028.

2 Revenue and employee data are taken from the latest published accounts of each company. Data are illustrative of size and not directly comparable as companies have different financial years. The data shown relate to the following: Speciality Steel UK, year-ending 31 March 2019; British Steel, 31 December 2023; Tata Steel, 31 March 2025; Sheffield Forgemasters, 31 March 2025; 7 Steel, 31 December 2024; and Marcegaglia Stainless Sheffield, 31 December 2024. Employee numbers are an average number of people employed and include administration as well as engineering roles for some companies.

3 Steel company markers are accurate to city or town level. Markers for Marcegaglia Stainless Sheffield and Sheffield Forgemasters overlap as both companies have sites in Sheffield. Scunthorpe steelworks boundary line (dashed purple line in aerial image) was manually drawn and should be considered illustrative rather than definitive.

4 Employment data show the number of people employed in all companies with Standard Industry Classification (SIC 2007) codes 241, 242 and 243. Employment data for England, Scotland and Wales from 2024; employment data for Northern Ireland from 2022.

Source: National Audit Office, *Investigation into the government's intervention in British Steel's Scunthorpe site,* March 2026.

Risk and resilience: International trade

International trade can support growth and prosperity by increasing competition, productivity, consumer choice and the exchange of knowledge and innovation. BIST is responsible for the government's *Trade Strategy*, which was published in June 2025.

Trade Strategy and geopolitical risks

The government's Trade Strategy sets out a variety of measures aimed at tackling unfair trading practices, improving economic security and reducing barriers to trade. For BIST, the challenge will be to support open and rules-based trade while helping UK businesses manage disruption from geopolitical tensions, tariff changes, supply chain pressures and domestic industrial priorities.

Figure 9

Key trade agreements and economic arrangements between 2021 and 2026

The UK has agreed, partially implemented, and entered several key trade agreements into force since 2021

Agreement	Date agreement concluded, implemented or entered into force	Status
UK–India Comprehensive Economic and Trade Agreement	15 July 2026	**In force**
UK–Switzerland enhanced Free Trade Agreement	13 July 2026	**Agreement concluded**
UK–Gulf Cooperation Council Trade Deal	20 May 2026	**Agreement concluded**
UK–Republic of Korea Free Trade Agreement	15 December 2025	**Agreement concluded**
UK–US Economic Prosperity Deal	8 May 2025	**Partially implemented**
UK accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership	15 December 2024	**In force**
UK–Ukraine Digital Trade Agreement	1 September 2024	**In force**
UK–Australia Free Trade Agreement	31 May 2023	**In force**
UK–New Zealand Free Trade Agreement	31 May 2023	**In force**
UK–Norway, Iceland and Liechtenstein Free Trade Agreement	1 September 2022 in Liechtenstein, Norway and the UK and on 1 February 2023 in Iceland	**In force**
UK–Singapore Digital Economy Agreement	14 June 2022	**In force**
EU–UK Trade and Cooperation Agreement	1 May 2021	**In force**
UK–Japan Comprehensive Economic Partnership Agreement	1 January 2021	**In force**

Notes

1 Stages and dates correct as of November 2026.

2 Trade agreements that have concluded mean negotiations have finished and the details have been agreed upon and formally approved.

3 The UK-EU Trade and Cooperation Agreement is managed by Cabinet Office.

4 The UK joined CPTPP on 15 December 2024. It entered into force between the UK and individual members as they completed ratification and it applied between the UK and all other members from 1 September 2026.

Source: National Audit Office analysis of The UK's trade agreements, last updated August 2026

Risk and resilience: International trade *Continued*

Monitoring

In the 12 months to the end of August 2026, the value of UK total trade (total imports plus total exports) was £1,947.6 billion in current prices. Of this, 54.6% was trade in goods and 45.4% was in services. The UK has signed 40 trade agreements with 74 countries and territories, plus the EU. In January 2026, the government published monitoring information on the UK's agreements with Japan, Australia and New Zealand (**Figure 10**). The report examined implementation, trade trends and businesses' use of preferential tariffs. It did not seek to determine the agreements' impact on trade, which will require later evaluation. The report found evidence that businesses were using preferential tariffs available under the agreements, although utilisation varied by country and trade flow.

Trade-offs

The UK–India FTA entered into force on 15 July 2026, shortly after the government introduced a new steel measure limiting tariff-free imports and applying a 50% tariff above agreed quotas. This illustrates the need for BIST to balance its commitment to open trade with its objectives for domestic industry and economic security. Trade measures can create different effects across sectors. For example, the introduction of a preferential duty-free quota for US ethanol raised concerns among UK producers about competition and the implications for domestic production.

BIST's forward challenge

BIST will need to continue implementing measures in the Trade Strategy, in alignment with its new responsibilities and priorities. These measures include:

- ensuring that trade arrangements and engagement with key partners, including the EU, United States and China, benefit UK businesses and consumers;
- participating in multilateral and plurilateral groupings such as the World Trade Organization and Comprehensive and Progressive Agreement for Trans-Pacific Partnership; and
- ensuring better support for exporters, especially small and medium-sized enterprises, for example through its overseas network of trade commissioners and working effectively with UK Export Finance.

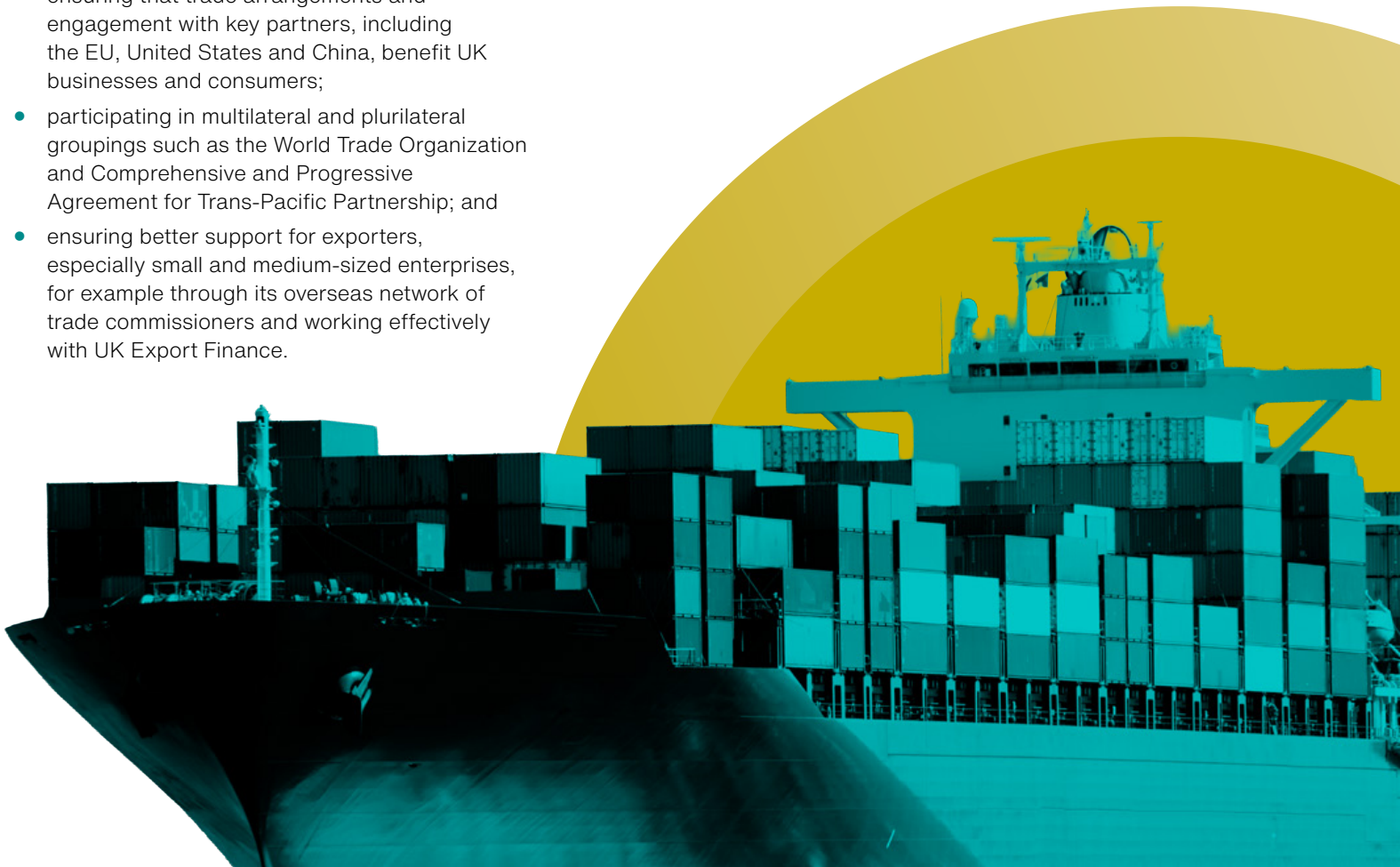
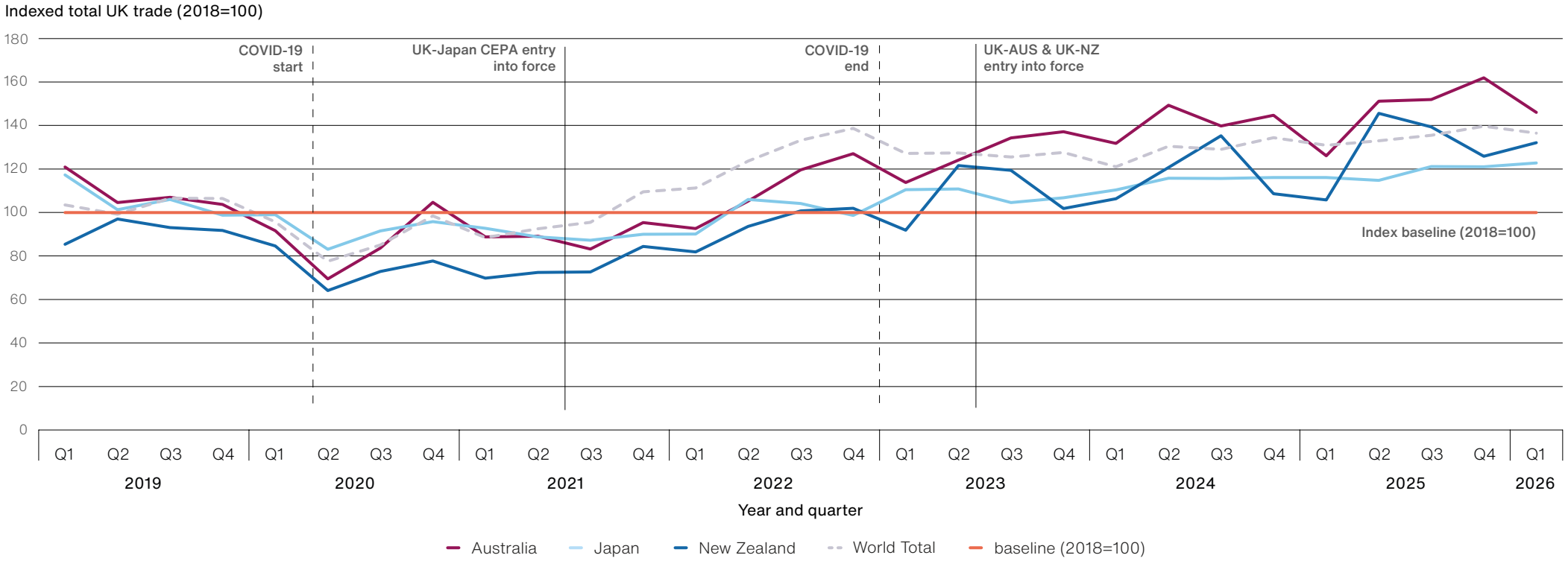


Figure 10

Indexed changes in UK quarterly trade with selected countries, 2018–2026 (2018=100)

Set against a 2018 baseline, the proportional increase in the value of UK total trade with Australia was greater than the proportional increase in the value of UK trade with New Zealand and the world total; the proportional increase in the value of trade with Japan remains consistently below the equivalent increase in the world total



Notes

1 Data are indexed to the average of 2018 total trade, which is recommended as a baseline for pre-COVID analysis by the Office for National Statistics (ONS). Data thereafter are quarterly at current prices and have not been seasonally adjusted. Data are based on best estimates and may be subject to revision. All figures are presented in current prices. Data should be interpreted considering seasonal variations and global economic conditions.

2 The lines compare quarterly values of total UK trade from 2019 Q1 to 2026 Q1, relative to their average value in 2018. The 2018 average equals 100 for all series.

3 UK–Japan Comprehensive Economic Partnership Agreement (CEPA) entered into force in January 2021 during the COVID-19 pandemic. The Free Trade Agreements with Australia and New Zealand came into force in May 2023.

4 Growth in UK trade with Australia and New Zealand was in part driven by increased UK exports of services to both Australia and New Zealand. UK services exports to Japan have grown since 2018 but are behind the growth of UK's trade with all countries (world).

Source: National Audit Office analysis of Department for Business, Innovation, Science and Trade, *UK FTA monitoring report* and Office for National Statistics, *UK total trade: all countries, non-seasonally adjusted*, updated 20 August 2026

Risk and resilience: Jobs and skills

BIST is responsible for employment rights policy and has an important role in ensuring that businesses can access the skills they need in order to grow. Although it does not lead the whole skills system, it identifies business and sector skills needs and works with other departments to align employment, skills and industrial policy. It works closely with the Department for Work & Pensions and the Department for Education to ensure the skills system is able to support business needs and deliver growth.

The government's 2024 *Make Work Pay* plan is a package of reforms designed to better protect employees' rights in the workplace. It aims to improve living standards and support growth by tackling low pay, poor working conditions and poor job security.

Changes to employment rights

The Employment Rights Act 2025 gained Royal Assent on 18 December 2025, as a key pillar of the government's Make Work Pay plan. The Act was developed in collaboration with businesses and trade unions. From April 2026, employees gained day-one rights to paternity leave and unpaid parental leave, while statutory sick pay became payable from the first day of sickness absence and available to more employees. Stronger whistleblowing protections also took effect. Further employment and trade union reforms are being introduced in stages.

Alongside the Act, the new National Minimum Wage and National Living Wage rates came into force on 1 April 2026. The Fair Work Agency, which aims to enforce workers' rights, was established on 7 April.

Further reforms are planned from 2027, including fire and rehire protections; regulations to prevent the misuse of non-disclosure agreements (NDAs) in cases of workplace harassment or discrimination; bereavement leave; and enhanced protections during pregnancy and following maternity or other statutory family leave. BIST will need to oversee implementation of these reforms, monitor their impact on workers and employers, and help businesses comply with the new requirements.

Supporting skills

Access to the right skills is important for productivity and delivery of the Industrial Strategy. The skills system involves government, employers, training providers, mayoral strategic authorities, local bodies and individuals. The Industrial Strategy recognises that there are significant skills shortages across priority sectors and foundation industries, presenting a barrier to economic growth. BIST will need to continue to work with other departments, industry and stakeholders to ensure that Industrial Strategy sector plans are supported by credible jobs plans, particularly where delivery depends on scarce technical, digital, engineering or construction skills and where reindustrialisation is a focus.

Supporting skills for innovation

In August 2026, BIST, UKRI and the Home Office expanded the Global Talent visa route, enabling more than 100 research-intensive businesses to host leading international researchers working on eligible funded projects. The change aims to strengthen the UK's ability to attract world-class talent in priority sectors, including advanced manufacturing, clean energy, life sciences, AI and creative industries, enabling key businesses to innovate, scale and stay in the UK.

The construction industry illustrates how skills shortages can become a constraint on delivery of wider government commitments. Our July 2026 report *Increasing construction skills* found that government estimates indicated that between 201,000 and 755,000 additional construction workers could be needed by 2030 to meet major housing, energy-efficiency and infrastructure commitments (depending on assumptions used). It also found that 45% of construction vacancies in 2024 were hard to fill because applicants lacked the required skills. The government's £625 million-construction skills package aims to support up to 60,000 additional workers by 2029.

Challenges and trade-offs

The government consulted between June and August 2026 on regulations to implement new rights for workers on zero hours and similar contracts, including guaranteed hours, reasonable notice of shifts and payments for short-notice cancellations. In finalising and implementing the reforms, BIST will need to balance its objectives to improve job quality, security and living standards with the need for employers and workers to retain appropriate flexibility. It will also need to monitor whether the reforms improve outcomes without creating disproportionate burdens or unintended consequences.

Risk and resilience: Regulation

Across government, regulation is often designed by individual departments and implemented by regulators. Effective regulation protects the rights and safety of citizens, supports fair markets and ensures the delivery of public goods and services. When regulation fails, it can have serious consequences for people's finances, safety, the economy as a whole or the environment.

DBT led on policy design for regulatory reform, and, following the machinery of government change, BIST is expected to continue to lead efforts to improve the regulatory environment to encourage growth, investment and trade. For BIST, the challenge will be to tackle complexity and the burden of regulation, reduce uncertainty across the regulatory system and challenge risk aversion. A key risk for BIST is that regulatory reform is pursued without sufficient evidence on whether changes are improving growth, reducing burdens or maintaining protections for consumers, workers and markets.

Improving regulation to support growth

In March 2025, HM Treasury (HMT) and the former DBT published an action plan. It sets out measures to encourage regulators to support innovation and economic growth and included a commitment to cut the annual administrative burden on businesses by 25% by the end of the Parliament. HMT and the former DBT set up a joint unit to drive delivery and designated 16 regulators as key to economic growth, including the Competition and Markets Authority, for which BIST now has the principal departmental relationship.

The *Regulation Action Plan Progress Report*, published in July 2026, valued the 25% target at £5.6 billion a year and reported that the government had delivered or identified around £2 billion of estimated net annual administrative savings. BIST and HMT jointly oversee delivery of the plan.

The Budget 2026 also announced a new Better Regulation Executive, which aims to drive implementation of the government's approach to regulatory reform, working closely with BIST. BIST will need to work with HMT, other departments and regulators to ensure that the regulatory system supports growth while preserving independence, accountability and effective consumer and market protection.

Our January 2026 report *Regulating for growth* found that regulators were implementing changes in line with the Growth Duty and Action Plan. However, the former DBT and HMT did not have sufficient information to assess whether these changes had a material impact on growth.

Our report also showed that, since 2018, the Regulators' Pioneer Fund has provided £33.6 million over four rounds to support regulators and local authorities to adopt new and experimental regulatory approaches. The Fund is delivered through the Regulatory Innovation Office, which has moved from the former DSIT to BIST. We recommended HMT and DBT articulate how regulation can support growth and manage risk simultaneously, acknowledging the trade-offs regulators face.

BIST is responsible for bodies with a wide range of regulatory functions. These examples illustrate the different regulatory challenges BIST will need to manage, such as strengthening enforcement, protecting workers and markets, and adapting rules to emerging technologies:

- Companies House maintains a register of company information. It has been given new powers to scrutinise information and to verify the identities of company officers. We will be reporting on progress in implementing these reforms in 2027 (Reforms to Companies House - NAO work in progress)
- The Fair Work Agency was created in April 2026. It enforces workers' rights including minimum wage, regulates employment agencies and businesses in England, Scotland and Wales, and licenses labour suppliers to the agriculture and food sectors. See page 27 of this Overview for further information on jobs and skills.
- The Intellectual Property Office oversees intellectual property rights, including patents, trademarks and copyright. In March 2026, DSIT published responses to a consultation on the use of copyrighted work in the development of AI systems. While AI developers said that exceptions to copyright would support AI innovation in the UK, the creative industries expressed concern that a broad exception from copyright law would allow generative AI to use creative work without compensating creators. The government has paused work to reform copyright law while it gathers further evidence. The creative industries are one of the eight growth-driving sectors in the government's Industrial Strategy (see page 16).

About the NAO

The National Audit Office (NAO) is the UK's independent public spending watchdog and is responsible for scrutinising public spending for Parliament. We audit the financial accounts of all departments, executive agencies, arm's-length bodies, some companies and charities, and other public bodies. We also examine and report on the value for money of how public money has been spent.

The NAO is independent of government and the civil service. The NAO's wide remit and unique access rights enable us to investigate whether taxpayers' money is being spent in line with Parliament's intention and to respond to concerns where value for money may be at risk.

We support all Members of Parliament to hold government to account, and we use our insights to help those who manage and govern public bodies to improve public services.

We produce reports:

- on the annual accounts of government departments and their agencies;
- on the economy, efficiency and effectiveness with which government has spent public money; and
- to establish the facts where there are concerns about public spending issues.

We do not question government policy objectives. We look at how government has spent money delivering those policies and if that money has been used in the best way to achieve the intended outcome.

How the NAO supports Parliament

Through our website or our Parliamentary Relations team, MPs, peers and staff can:

- request a personal briefing on areas of our work that are of interest to them;
- sign up to receive embargoed copies of our reports on subjects of interest;
- make general queries about public spending, or raise concerns with us about value for money; and
- request advice on understanding and scrutinising departments' annual reports and accounts.

Our dedicated Parliamentary team can offer you support and put you in touch with our experts on subjects of interest to you and your constituents. If you would like more information about our work, or to arrange a briefing, please contact our Parliamentary Relations team at parliament@nao.org.uk.

Other relevant publications

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About this report

This report has been produced to provide an overview of the NAO's examination of the spending and performance of the Department for Business, Innovation, Science and Trade (BIST).

It is intended to support the Department for Business, Innovation, Science and Trade Committee and members across the House in their examination of BIST.

This report updates our previous reports, An Overview of the Department for Business and Trade, 2024-25 and An Overview of the Department for Science, Innovation & Technology 2024-25, both published on 18 December 2025.

How we have prepared this report

The information in this report draws on the findings and recommendations from our financial audit and value for money work, including the annual report and accounts of the former DBT and DSIT and their partner organisations. In some cases, to provide the most up to date information, we have drawn on information from publicly available documents. We have cited these sources throughout the guide to enable readers to seek further information if required.

Where analysis has been taken directly from our value for money or other reports, details of our audit approach can be found in the Appendix of each report, including any evaluative criteria and the evidence base used. Other analysis in the guide has been directly drawn from publicly available data and includes the relevant source as well as any appropriate notes to help the reader understand our analysis.