



HM Treasury



Department for
Business & Trade

Dame Clare Barclay
Professor Dame Nancy Rothwell
Chair and Deputy Chair
Industrial Strategy Advisory Council
3 Piccadilly Place
Manchester
M1 3BN

2 December 2025

Dear Clare and Nancy,

Industrial Strategy Advisory Council Mandate

The Prime Minister is emphatic that growth is this government's number one mission. Productivity growth in the UK averaged 2.1% annually leading up to the Global Financial Crisis (1998-2007), compared to 0.6% post-Global Financial Crisis (2010-2019). If productivity had remained at the previous rate of 2.1% then GDP per capita would be around £15,000 higher in 2024's prices. Only better economic growth can deliver the opportunity, security and prosperity the British people demand. Our modern Industrial Strategy is a central part of the growth mission, resolving long term challenges around growth, productivity and investment, aiming to accelerate growth in our eight growth-driving sectors. The Council's role in supporting the delivery of the Strategy by influencing government policy on the projects set out in this letter forms a crucial part of supporting the government's growth ambitions.

The publication of the modern Industrial Strategy in June marked a significant milestone, setting out our 10-year plan to drive up economic growth by making the UK the best place in the world in which to invest and grow a business. The Strategy greatly benefitted from the Council's expert advice, including on measures to improve the regulatory environment, expand access to finance and drive innovation. The Strategy also reiterated the critical role of the Council as a strong and enduring pro-growth institution, helping departments to deliver on their commitments and supporting agile decision-making and prioritisation. That is now our focus for your vital role moving forward – driving further ambition in the high-impact areas that can unlock productivity and innovation to stimulate investment and growth.

In light of this, we are writing to commission the Council's work for the next year on our top priorities for delivery of growth-enhancing policies, and further advice. The work programme (*attached*) is designed to make best use of Council members' wide range of expertise, to advise on a small set of priorities for further policymaking. Firstly, on labour markets and skills, it is imperative that the forthcoming Jobs Plans set out tangible action to ensure businesses in the eight Industrial Strategy sectors have access to the talent and skills they need. Moreover, we agree that the Industrial Strategy must be a living frame-

work, and your role in support of Monitoring and Evaluation is an important part of that. Finally, we know that market dynamism can be an enabler of growth and is an area worthy of further analysis and evidence-led advice.

To achieve its objectives, the Industrial Strategy must be an enduring partnership with business, evolving based on an understanding of its impacts across sectors and across the UK. The Council is at the centre of this partnership. You should continue your extensive programme of engagement with businesses, local leaders, policy experts and trade unions across the UK to understand the challenges and opportunities in different sectors and places, to inform your advice. In addition, you should continue to liaise with international counterparts; in particular, Japan's Industrial Structure Council and the French Conseil National de l'Industrie in the context of the Industrial Strategy Partnerships.

Discussion papers and outputs of projects should be shared directly with DBT and HMT in the first instance. In line with your Terms of Reference, you should consult on any plans to publish reports or papers with DBT and HMT.

In accordance with the Terms of Reference, the Council should produce a public report, no later than one year on from the date of this letter, to inform Parliament and the public of the work it has done. It should be mostly forward-looking, contributing to future policy development and within the scope of the Industrial Strategy. Because of the long-term nature of the Industrial Strategy, it should not assess policy impacts on an annual basis. It should cover: summaries of the Council's projects; factual reports from its engagement with businesses and other stakeholders; updates on the Secretariat's work on underlying research and data functions; and a horizon scan of future milestones of IS delivery and areas of future interest.

This represents an ambitious programme of work for the Council in its first year following publication. We look forward to receiving the Council's advice on these important issues as we work together to deliver on the commitments in the Strategy. We may issue further commissions in due course, subject to your capacity. In addition, we may seek ad hoc advice from members of the Council on live or short-term policy issues relating to the Strategy and its implementation.

Yours sincerely,



Rt Hon Peter Kyle MP
Secretary of State for the Department for
Business and Trade &
President of the Board of Trade



Rt Hon Rachel Reeves MP
Chancellor of the Exchequer

ISAC priorities for delivery of growth-enhancing policies and further advice

1. Labour markets and skills

A thriving labour market that provides businesses with access to talent and skills is vital to the Government's priority mission to deliver strong, secure, and sustainable economic growth to boost living standards for working people in every part of the UK.

a. Supporting the delivery of effective Jobs Plans through participation in the Labour Market Evidence Group

You are already working with the Migration Advisory Committee, Skills England (and equivalent organisations in the devolved governments) and the Department for Work and Pensions, as the Labour Market Evidence Group. The Group will be integral to delivery of the government's objectives to rebalance the UK labour market away from reliance on international recruitment and towards domestic workers, while ensuring that the eight Industrial Strategy sectors have access to the skilled workers they need to drive the economic growth of the future.

As part of this and as outlined in the Industrial Strategy, we are asking the Council to support the process of sector teams' development of Jobs Plans (formerly known as work-force strategies) for the IS-8 sectors. For December 2025, you should help support their development through advice to sector teams on the credibility and quality of employer commitments.

We ask that you provide expert insights and analysis to the Labour Market Evidence Group on questions such as the criticality of certain occupations to the Industrial Strategy and the best ways to secure joint commitments with industry that are ambitious and deliverable in support of growth, as well as providing regular updates to HMT and DBT. The Council should provide analysis and share evidence to support the development of the plans and help government ensure that UK businesses in the IS-8 have access to the skilled workers they need. The Council should help to ensure commitments sought of industry are reasonable and deliverable, and that Job Plans consider the need for the immigration system to give sufficient time for shortages to be addressed by action on domestic recruitment, skills and the economically inactive, and flexibility to incorporate future needs.

b. Advice on greater employer engagement in the skills system

We ask that you work with the Chair of Skills England to explore and advise on how employers, individuals and local and central government work together to address the UK's skills needs to support jobs of the future in the growth-driving sectors, and in particular opportunities for further business engagement and investment into the skills pipeline.

The Council should undertake stakeholder engagement and research to produce two discussion papers, with concurrent sharing of insights with government, to support departments' delivery of Jobs Plans and to build the evidence base for longer-term pro-growth policy making.

- Firstly, we would be grateful for an analytical discussion paper and accompanying data to understand the current skills needs of the IS-8, how they may evolve over time, and how they vary across places. This should build upon existing research (from Skills England, the Migration Advisory Committee and sector teams) and support sector leads to develop and evolve effective Jobs Plans in future, to drive growth.
- Secondly, we would be grateful for the Council, working with the Chair of Skills England, to provide evidence-based advice by Summer 2026 on options to support increased employer investment in skills to drive growth. This could, for example, include:
 - What is driving the reduction in employer investment in skills training we have seen over recent years?
 - If we are to adequately address skills shortages and future demand, what gaps in employer investment in skills exist for the IS-8 sectors and what would a good level of engagement and employer investment look like?
 - What lessons can we learn from successful initiatives in the UK (at a national, devolved or regional level) and other countries that have spurred business investment in skills?
 - How can we reverse this decline in employer investment and create the conditions where businesses invest at the levels needed, both locally and nationally, to secure the pipeline of skills needed by the IS-8?

In due course, we hope that insights from your research and work in the Labour Market Evidence Group will have significant application to wider pro-growth labour markets and skills policy, beyond the initial focus on Jobs Plans.

2. Monitoring and Evaluation (M&E)

As set out in the Industrial Strategy, monitoring and evaluating the impact of policy interventions and economic developments will be important to ensure the Strategy is a living framework. It will be for departments and public bodies to conduct M&E of their policies. The Council will oversee this and provide advice, in the following ways:

- a. Supporting HM Treasury and the Department for Business and Trade to drive forward effective implementation of the strategy across Government, helping to maintain an unwavering focus on delivering growth enhancing interventions in implementing departments.
- b. Providing independent advice and intelligence on relevant developments within the IS-8 sectors, frontier industries, foundational sectors and key geographical clusters. This may include work with departments, public bodies, and external experts to improve and report on sector data (e.g. developing better solutions for emerging sectors) and structured engagement with industry in each sector.
- c. Developing the impact pathway over time, refining it to ensure it provides an effective framework guiding the development of metrics which capture key causal links between interventions and outcomes.
- d. Supporting and advising on the long-term data development required for an effective and transparent approach to M&E.

3. Dynamism

The Government is pursuing a range of policies to support the ability of markets to evolve, innovate, and support high-growth businesses. We particularly want to address issues preventing disruptive business models, which can be an enabler of growth, focusing on IS-8 sectors of Clean Energy and Defence in the first instance, and have assembled a team to consider this. Acting as strategic advisers, reporting by April 2026, we ask the Council to:

- Offer insight and challenge to this project, based on members' industry expertise
- Convene their networks to share business perspectives to identify barriers and solution for these sectors
- Review emerging evidence on what policy levers have/have not worked in encouraging innovation and disruption

There is also a place dimension to dynamism. Successful places need a dynamic, diverse business base that helps high-growth firms in the IS-8 to scale up, "creative destruction" of lower-productivity firms, and workers to easily move to jobs into IS-8 sectors. But we know that city regions and clusters across the UK face barriers to achieving this: as seen in London's productivity slowdown since 2007, to high-potential city regions like South Yorkshire needing to diversify their business base, and the transition challenges of places specialising in "brown" industries.

We ask the Council to use its expertise and networks to work with DBT, HMT and MHCLG over the coming months on how to boost business dynamism in different types of place across the UK, in support of growth, with a focus on the IS-8. This could include consideration of the area-specific barriers to starting or growing IS-8 businesses in different places across the UK, and policy lessons from places which have been successful in encouraging disruptive innovation and dynamism and more productive job re-allocations in local labour markets.