Liberal Democrats

A plan to GET BRITAIN GROWING AGAIN to deliver our liberal vision

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Treasury Spokesperson Paper

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CONTENTS

FOREWORD

We Liberal Democrats are a resurgent force in British politics.

We are the largest third party in more than a hundred years.

And we occupy a distinctive political space: we are the only political party that is truly international and pro-enterprise in outlook, and which believes in fiscal responsibility.

Economic growth in the UK is necessary and urgent if we are to deliver our vision of a liberal economy. But alone it is not sufficient, and will need to be supported by wider government policy that ensures the benefits of growth are shared fairly, inclusively, and pursued sustainably.

This paper is focussed explicitly on our plan to Get Britain Growing Again. The broader remit, which includes how the benefits of growth create our vision of a liberal economy, is the focus of the wider 'A Thriving Economy' policy working group, due to report in Spring 2027.

This paper includes some adopted Liberal Democrat policy, some new policy suggestions, and some areas still in development that signal our policy direction.

These ideas have been informed through hundreds of meetings and roundtables and thousands more meetings between key spokespeople and the party, and with stakeholders across business and financial and professional services.

We will use this plan to inform such conversations as they continue.

To provide feedback and to engage with us as we develop our Lib Dem Plan to Get Britain Growing Again, please visit **www.LibDems.org.uk/Get-Britain-Growing-Again**.

Acknowledgements

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This paper also incorporates some established party policy and ideas drawn from other policy papers and spokespersons' papers including:

- "*Food and Farming*", policy paper 154
- "*Opportunity for All*", policy paper 159
- "*Universities*", Spokesperson's paper by Ian Sollom MP
- "*A Liberal Vision for AI*" Spokesperson's paper by Victoria Collins MP

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PREFACE

Our values

Our future liberal economic vision is rooted in the values that have guided us for almost 200 years.

At the heart of that vision is a simple belief: wealth creation and social justice are two sides of the same coin.

A strong economy makes social progress possible, and a fair society is needed to create the conditions for sustainable economic success. That belief has defined our liberal tradition. And it is where the two strands of social liberalism and economic liberalism meet.

We defeated the protectionist Corn Laws. We opposed the trade barriers of Brexit. We're standing up to Trump's tariff wars. We are the party that champions international trade, competitive markets, innovation and dynamic enterprise.

We are also the party that established the welfare state: we rolled out the old age pension and free school meals, and conceived of the National Health Service.

We are the party which lifted millions of low-paid people out of paying tax altogether.

We are the party that established the Green Investment Bank, the British Business Bank and Better Society Capital to back new climate technologies, British start-ups and social impact investing.

Our history shows that Liberals have helped Britain succeed by combining enterprise, openness and innovation with opportunity, security and social justice.

Our guiding political principles are clear. We are internationalists. We are environmentalists. We believe that private enterprise is the driving force of our economy. We believe that strong communities are critical to creating thriving local economies.

And we believe the role of government is to create an enabling environment for individuals and businesses, to tear down the unnecessary barriers that stand in their way and unleash our collective potential.

These are the values that guide us as we look at the new economic headwinds.

Britain's strengths

We believe that Britain's strengths are its people and its businesses and in today's global economic climate, we Liberal Democrats believe in talking Britain up.

The United Kingdom remains one of the world's leading economies. As of 2026, it is the world's 6th largest, with a GDP of more than $4 trillion (around £3.03 trillion in cash terms). Our world-leading financial and business services sectors make us a trade superpower: the UK exports more than £500 billion in services a year, more than any other country except the United States.

We combine advantages few countries can match: language, law, location and world-class institutions.

From building the steam engine to the jet engine, from the discovery of penicillin to the creation of the primary COVID-19 vaccine, and from the invention of the television to the World Wide Web, the UK's success in innovation is deeply rooted in our history and national psyche and absolutely critical to our future, especially our future economic growth.

Many of our universities are among the best on the planet, supporting cutting-edge research in everything from life sciences to space travel. The UK is a world leader in the creative industries, and home to the third largest market in artificial intelligence, after only the US and China.

Britain has enormous strengths and even greater potential. But we cannot take our success for granted.

Britain's strengths held back

The challenge is not a lack of talent, ideas or ambition. It's that Britain's strengths are being held back. And we see it as our task to tear those barriers down.

Britain does not have a problem creating value, it has a problem maximising value. And we can see it everywhere.

The UK creates start-ups, but it's often too difficult for them to scale.

The UK generates research, but too little is commercialised.

The UK attracts headline-grabbing levels of foreign direct investment, but not enough domestic capital to drive the levels of long-term business growth we need.

The UK's investment in infrastructure is too low, too slow, too expensive and too complicated.

The UK generates growth locally, but Whitehall captures the rewards.

The UK has businesses ready and keen to trade, but Brexit restricts access to our largest market.

The result? Other countries are moving faster. The UK is losing ground in areas where we once led and failing to seize some of the biggest opportunities of the future.

To unleash Britain's potential, we will tear down the barriers to opportunity, barriers to business and barriers to trade.

Why growth matters

Liberal Democrats understand that economic growth is not an end in itself, but an essential means to deliver on our liberal vision.

Without growth, we cannot raise living standards. Without growth, we cannot put money back in people's pockets. Without growth, we cannot expand opportunity for all. Without growth, we cannot rebuild our public services. Without growth, we cannot strengthen our national security. Without growth, we cannot meet the costs of an ageing population. Without growth, we cannot invest in the climate transition or create the jobs of the future. Without growth, the broken social contract can never be rebuilt.

But there is a bigger liberal prize too. Because history tells us that when economies are growing, people tend to feel more open-minded, tolerant and willing to support fairness for everyone. When growth stalls people become more defensive, more suspicious of outsiders and quicker to look for someone to blame.

Without growth, Britain faces a future of harder choices, managed decline and the destabilising rise of populism.

Britain's fiscal position makes the quest for growth unavoidable. The public finances are the worst they have been since the early 1960s, with debt at some 95% of GDP, and debt interest payments costing 8% of total government spending. More than ever, it is absolutely critical to control and reduce this deficit and it is equally critical to grow our economy.

Our belief that wealth creation and social reform are two sides of the same coin underpins our current view: long-term economic growth is the only way to get government borrowing and the national debt under control without further punishing tax rises or painful spending cuts. That's why Liberal Democrats believe the central economic mission facing Britain is growth.

Our plan to get Britain growing again

In short, we Liberal Democrats believe that Britain's strength is its people and its businesses.

We believe that strength is being held back, by rules written for incumbents, a tax code only the biggest can afford to navigate, a Treasury that hoards what local leaders create and trade barriers we imposed on ourselves.

If we can tear down those barriers then we can Get Britain Growing Again.

Here is our plan to do just that.

1. **Agree a new Growth and Defence Partnership with Europe** - reduce trade barriers with our biggest partner to grow our markets; create opportunities for business and boost strategic resilience
2. **Boost strategic resilience in critical sectors and lower energy costs to boost industry** - take a proactive approach to national, food and energy security; boost strategic resilience and trade through clean energy technology and manufacturing; ensure Britain is competitive in the high-growth sectors of the future
3. **Deliver resilient infrastructure for the future** - build the energy, water and transport infrastructure and homes we need, using partnership models that maximise community dividends
4. **Finance Innovation** - overhaul the landscape for UK start-ups so they decide to scale up and stay here in the UK
5. **Unlock investment** - help the public and institutions to invest and support British firms in driving growth
6. **Enable businesses to access and build the skilled talent they need** - make it easier for firms to take on and train the workers they need; support those out of work to get back into jobs; make it simpler and cheaper to access international talent; actively manage the adoption and impact of AI on the labour market
7. **Unleash businesses' growth potential** - create a single government 'one-stop shop' for firms; regulate smarter to boost competition and cut compliance costs; remove unnecessary administrative barriers to businesses growing
8. **Reform tax for growth** - simplify the tax code; make tax administration simpler for the self-employed, start-ups and SMEs; remove unfair and damaging barriers to growth, work, and investment
9. **Back regional growth through fiscal devolution** - allow local authorities a greater share of their own decision-making and revenues to better invest locally and grant new powers to attract and direct investment
10. **Focus central government on the growth agenda via a Department for Growth** - split the Treasury to better focus on long-term growth whilst maintaining fiscal management and debt sustainability through a separate Department for Public Expenditure and Financial Management

1. AGREE A NEW GROWTH AND DEFENCE PARTNERSHIP WITH EUROPE

Reduce trade barriers with our biggest partner to grow our markets, create opportunities for business and boost strategic resilience

The world is becoming more dangerous, and more unpredictable. Putin's invasion of Ukraine, Donald Trump's tariffs, and China's use of economic power as a geopolitical weapon have exposed Britain's vulnerabilities. In this new era, we cannot afford to make ourselves poorer by leaving barriers between ourselves and our closest allies and largest trading partners.

Rebuilding our relationship with Europe is the single biggest growth opportunity available to the UK today. It would not only deepen economic cooperation, but would also turbo-charge defence financing and joint procurement, energy security and technological innovation. It would make Britain stronger, safer and more prosperous.

Trade drives growth, boosts productivity, supports British businesses to expand, and creates jobs. Yet Brexit continues to hold firms back through customs checks, rules-of-origin paperwork and regulatory barriers that increase costs and reduce competitiveness.

Brexit is estimated to have kept the UK economy 6 to 8 per cent smaller than it otherwise would have been. This is hardly surprising given that UK firms are now trading in a market which is five times smaller than the one in which they previously traded. Trade deals struck since 2020 have recovered only a tiny fraction of that loss and gains from the current government's UK-EU reset will also be comparatively small. By contrast, recent studies suggest that deeper alignment with Europe could boost GDP by at least 2.5 to 3.6 per cent. That is why reducing trade barriers with Europe is the Liberal Democrats' number one priority for growth.

The prize is enormous. The Conservatives' Brexit deal is costing the Treasury around £90 billion a year in revenue due to lost growth. By tearing down barriers to trade, we could begin undoing that damage and create a powerful "growth corridor" with the EU - supercharging British business, unleashing investment and creating good jobs.

Russia's assault on Ukraine and persistent hostile actions towards the UK show the security threat Europe and the UK face. As Trump weakens the trans-Atlantic alliance, the UK must invest in our defence in cooperation with our European allies.

Closer cooperation with Europe on defence would also create new opportunities for British industry, allowing for example, UK contractors to bid directly for a share of multibillion-euro European rearmament and joint procurement initiatives, whilst supply chain integration could create new opportunities for small and medium sized manufacturers in particular.

This would include, for example, access to the European Defence Fund, which supports the development of defence technologies. The UK would also be able to participate in the EU's Security Action for Europe (SAFE) €150 billion rearmament programme.

- **Join the single market** as a member of the European Free Trade Area (EFTA) and the European Economic Area (EEA), alongside Norway, Iceland, and Liechtenstein. This would reduce red tape, increase regulatory alignment, grow the market for British businesses, and boost growth
- **Form a new UK-EU customs union** and in so doing scrap the requirement for burdensome rules of origin paperwork
- **Establish a new defence pact** including membership of proposed joint defence initiatives. These include joining a new European Rearmament Bank, securing UK access to the €150 billion SAFE programme, a new European Security Council (tasked with defence industrial rationalisation and the joint development and operation of military capabilities to deliver NATO's operational requirements), and joined-up procurement to turbo-charge our defence industry and crowd in private sector investment
- **Seek to join and reinvigorate the US-EU Trade and Technology Council** to represent British interests in AI and secure high standards and alignment on risk
- **Ensure that British businesses of all sizes can take full advantage of free trade agreements** by producing clear information on their growth opportunities for businesses, with a tailored version for SMEs

2. BOOST STRATEGIC RESILIENCE IN CRITICAL SECTORS AND LOWER ENERGY COSTS TO BOOST INDUSTRY

Take a pro-active approach to national, food and energy security; boost strategic resilience and trade through clean energy technology and manufacturing; ensure Britain is competitive in the high-growth sectors of the future

Liberal Democrats are internationalists through and through and we believe in multilateral trade and institutions. But in a more dangerous and volatile world, economic strength increasingly depends on resilience at home, because having greater capacity to absorb geopolitical shocks enables businesses to be more competitive on the international stage. From Putin's war in Ukraine to growing geopolitical tensions and fragile global supply chains, recent years have exposed the cost of Britain's dependence on imported energy, food and foreign-controlled critical technologies. When global shocks hit, British businesses and households are left paying the price through higher costs, inflation and weaker growth.

We Liberal Democrats recognise the urgent need to reduce energy costs for businesses and households, in order to remain competitive and grow the economy.

Resilience is not just a security challenge. It is a growth challenge. Volatile energy prices and disrupted supply chains deter investment, undermine competitiveness and leave the UK economy vulnerable to events beyond our control.

The 2022 energy crisis revealed the scale of the problem. Britain's reliance on imported gas left us more exposed to rising prices than many other countries, and long-term policy fixes were ignored for expensive short-term relief. Today, British industry still faces some of the highest electricity costs in the developed world, holding back manufacturing and investment. To get Britain growing again, we must harness cheap, clean renewable power, fairly reform the energy system to bring down costs, and strengthen our energy trading ties with Europe.

More broadly, the Liberal Democrats believe in the huge opportunity for growth that strengthening strategic resilience and trade can bring through clean energy technology and manufacturing, particularly in job creation, upskilling and the regeneration of ports and new manufacturing centres.

Liberal Democrats also believe that building domestic capability in food production, defence, AI and other critical technologies is essential for growth. This does not mean that we must build or grow everything ourselves: instead it means being more discerning about product components, assembly, and our overall supply chains such that our national, food and energy security cannot be compromised by unreliable or hostile actors. Greater resilience would reduce costs, provide certainty and strengthen Britain's competitiveness. In an uncertain world, resilience is a growth strategy that will make Britain more productive, competitive and prosperous.

- **Bolster national security by issuing Defence Bonds** worth up to £20bn over two years to be spent on defence capital expenditure (CapEx) and research and development (R&D), with every £1 invested in innovation-focused military R&D generating up to £2 in long-term GDP growth. This investment would supercharge our defence industry and boost economic growth across the nations and regions, creating new jobs and economic opportunities
- **Ensure energy security by urgently lowering energy costs for households and businesses** by decoupling wholesale gas prices from electricity costs; moving policy levies out of energy bills and funding them more fairly through government revenue; bringing back-dated payments forward for the British Industrial Competitiveness (BICS) scheme for internationally-exposed energy-intensive manufacturers; moving old energy generation agreements onto Contracts for Difference and extending their lifetime to 25 years; upgrading grid capacity, including by reducing access costs for grid connections whilst incentivising consumer-led flexibility to make better use of cheap renewable power (including battery storage options) and accelerate electrification; and providing cheap loans to households and SMEs to install cost-saving energy-saving-materials
- **Achieve food security through a Good Food Bill**, add food and farming as a high-growth sector in the Industrial Strategy; and set a food security target, backed by a £1 billion increase in the farming budget to support sustainable and profitable production
- **Scrap the APR/BPR changes** punitively taxing family businesses and farms and create a new targeted 'active family farm' test, thus enabling the growth of family firms which are by their nature long-term investors in the economy
- **Boost the Industrial Strategy and pay particular attention to British firms in the critical sectors of the future**, being more specific about differentiated growth opportunities in each region particularly through clean energy technology and manufacturing, and including the regeneration of ports and supply chains by harnessing the UK's global leadership in floating offshore wind
- **Explore tax incentives targeted at SMEs** for the adoption of stronger cyber-security technology especially for those in strategically important supply chains

3. DELIVER RESILIENT INFRASTRUCTURE FOR THE FUTURE

Build the energy, water and transport infrastructure and homes we need, using partnership models that maximise community dividends

Economic growth depends on infrastructure. Without reliable transport, energy, water and housing, businesses cannot invest and people cannot get to work. Yet for decades Britain has underinvested in the foundations of growth.

The result is an economy held back by bottlenecks. Water companies have accumulated more than £60 billion of debt, yet no major reservoir has been completed since the early 1990s. Businesses can wait years for a grid connection. More than 1.3 million households in England are on social housing waiting lists. These failures constrain growth, raise costs, and reduce productivity.

The problem is not just a lack of investment, but a lack of delivery. Successive UK governments have announced projects only to delay, redesign or cancel them. That creates uncertainty, drives up costs and prevents the UK developing the pipeline of projects, skills and expertise needed to deliver infrastructure efficiently. Businesses cannot plan ahead if the government does not.

Too often, communities also feel that infrastructure is something done to them rather than with them. Residents are asked to bear the disruption of major projects but are rarely given a meaningful stake in the benefits. That undermines trust, fuels opposition and makes delivery slower and more expensive.

With £725 billion committed through the Government's ten-year infrastructure plan, even modest improvements in delivery could save taxpayers billions and unlock faster growth.

The Liberal Democrats would restore certainty through a long-term, prioritised pipeline of nationally significant infrastructure projects, giving businesses the confidence to invest alongside government. Britain does not just need more infrastructure. It needs to become better at delivering it, and that means certainty for investors, partnership with communities and a long-term commitment to the projects that will drive growth for decades to come.

- **Set clear political priorities:** these include expanding the grid, fixing the broken water regime with a new regulator and a mutually-owned public benefit model for water companies; building the social homes we need; and delivering Northern

Powerhouse Rail. In doing so, we will guarantee policy stability and lower infrastructure costs

- **Create a single window for approving strategic national infrastructure projects in our new Department for Growth** to streamline the approval process and thereby attract greater investment
- **Back the National Infrastructure and Service Transformation Authority (NISTA) as a delivery agency and reinstate an independent watchdog** to review the 10 year infrastructure delivery plan
- **Retain the overarching 10 year infrastructure strategy and signal a longer 20 year pipeline.** This will give investors clarity and certainty, working with insurers upfront to derisk and ensure value for money for tax-payers, making investment more attractive and increasing deliverability
- **Strengthen the government's Land Use Framework** - something we have campaigned for, for years - to protect food production, enhance nature and provide for the homes, energy and economic development that is needed
- **Extend the duty to work with applicants for Nationally Significant Infrastructure Projects (NSIPs) in a positive and proactive manner to include all statutory consultees**, requiring them where necessary to seek solutions to problems arising from initial proposals, to enable a timely decision
- **Establish an agreed industry standard for community benefit** creating a level playing field across all national energy infrastructure and ensure all major infrastructure projects support local projects on 'down days' using existing best practice
- **Mitigate the impact of AI data centres' extra energy demands** by facilitating their connection to renewable energy sources. This would help absorb excess wind and solar generation, thereby reducing "constraint payments" made when renewables generators are switched off, and helping the UK meet its Net Zero objectives
- **Create an expert roving infrastructure team within the Department for Growth** to improve project delivery and retain knowledge from across government departments and benefit all of the UK. Ensure local authority engineering capacity, recognising the need to prioritise maintenance of our existing infrastructure
- **Require NISTA to publish periodic Infrastructure Resilience and Maintenance Reviews** rather than leaving this to industry bodies. This would extend the Government Resilience Action Plan to the condition of the whole public asset base, in line with Climate Change Committee recommendations

- **Require NISTA to publish standard reference designs for repeatable** assets (grid substations, station typologies, water treatment works). Apply a comply-or-explain duty on public bodies that depart from them
- **Require an enduring formal design freeze at Final Investment Decision for publicly funded projects above £500m**, with any subsequent scope change requiring ministerial sign-off and publication of its cost and schedule impact to limit gold-plating, in line with the Stewart Review, to prevent spiralling project costs

4. FINANCE INNOVATION

Overhaul the landscape for UK start-ups so they decide to scale up and stay here in the UK

Britain is brilliant at creating new businesses. The problem is that we are far less successful at helping them grow into global champions on our shores. Too often, innovative British firms reach a critical stage of growth and relocate overseas, particularly to the United States, where access to capital, talent and commercial support can be easier to find.

These barriers create one of the biggest missed growth opportunities in the British economy. A small number of high-growth firms generate a disproportionate share of new jobs, investment and productivity growth. Yet when they move abroad, Britain misses out on the rewards.

Worse still, British taxpayers have often helped shoulder the risks through public research funding, university spin-outs and tax incentives. But when companies leave, the high-value jobs, investment and tax revenues leave with them.

The Liberal Democrats want Britain to be the best place in the world for businesses to start, scale and stay - keeping high-value economic activity in the country. That means fixing the entire journey from innovation to commercial success.

In an age of AI and the prospect of one-person unicorns (privately held AI startup companies that reach a valuation of US$1 billion or more), we need companies to stay in the UK to shore up our tax base too.

We need to tear down barriers to unlock university research, improve access to growth capital, ensure investment incentives back firms that grow in Britain, and open up public procurement to innovative British SMEs too often locked out of government contracts.

Here, the problem for companies is often not only accessing capital but accessing a first major customer. The government can be an enormously powerful customer for British innovation, particularly in health, defence and technology, yet procurement processes frequently exclude the very SMEs the government says it wants to support.

If we are serious about growth, we cannot keep exporting our biggest business success stories. Britain should capture more of the jobs, investment, productivity gains and tax revenues created by the companies it helps to build.

- **At the ideas stage, ensure university research can be commercialised and support spinouts:** Increase Proof-of-Concept funding five-fold to £200m over five years, roll the Northern Gritstone university-affiliated-fund model out to all regions, standardise IP frameworks to give inventors and investors more certainty, and move toward academics owning their IP by default to incentivise commercialisation. These reforms would eliminate institutional bottlenecks, so inventors can directly pitch to venture capitalists, form spin-outs, or license their technology faster.
- **Further simplify InnovateUK's complex grant-making process** so companies can submit one form without needing expert grantwriter help and make the grant process more reflective of the innovative nature of growing companies
- **As young firms invest in R&D, tax credits should offer certainty up front** moving to a system of subject-expert (not HMRC) pre-approval as in South Africa and the Netherlands, and with longer timeframes for applying via increased Advance Notification Form (ANF) submission windows to favour fast-growing firms
- **Prioritise smaller, younger firms by reviewing the UK Patent Box's effectiveness, and its scope and user-base** - this relief currently prioritises patented inventions and especially those of larger pharmaceutical companies, but could be reformed to support broader innovation in other sectors, and ensure additionality, in tandem with assessment of R&D tax credits
- **Help scaling firms to grow beyond the 'valley of death'** and access more risk-taking growth capital by committing to indexing investor and founder relief rates and limits (SEIS, EIS, VCT) and by reviewing how they interact
- **Explore which approaches to Venture Capital and Private Equity funding used in the US can be applied in the UK to cut bureaucracy**, time and cost, such as creating Exempt Reporting Advisers
- **Continue to expand funding and lending opportunities for SMEs** via the British Business Bank, building on the expansion of the Growth Guarantee Scheme (GGS) and with dedicated collaboration with Community Development Finance Institutions (CDFIs)
- **Launch a review into the barriers holding back traditional bank SME lending**, to boost small businesses in communities across the UK
- **Deepen domestic capital markets** so growing firms can access patient capital, incentivise British pension funds to invest in British start-ups, including through tax incentives on top of the Mansion House Accords and Scale-Up Fund
- **Develop a digital assets strategy** to harness digital assets and digital payment innovation, so that Britain leads on responsible digital finance - ensuring stable, fair

and proportionate regulatory conditions for innovators, while protecting consumers and safeguarding financial stability

- **Reform government procurement** to allow pre-revenue companies to bid for government contracts if they can deliver a public good, and encourage greater competition by addressing 'bid-rigging', which the OECD identifies can add 25% to government tender costs. Recognise the ambition of the spending departments' SME procurement targets, work with them to achieve these, and simplify systems for roll-out and uptake across public sector agencies so success story providers can be adopted wholesale, rather than jettisoned

5. UNLOCK INVESTMENT

Help the public and institutions to invest and support British firms in driving growth

Investment is the fuel of economic growth. Yet Britain has been underinvesting for decades. Gross fixed capital formation stood at just 18.6% of GDP in 2025, the lowest in the G7, and the UK has ranked last in the G7 for total investment in 24 of the last 30 years.

Brexit made a bad problem worse. By the end of 2025, uncertainty and weaker growth prospects had reduced business investment by an estimated 12%, as firms delayed decisions, diverted management time and looked elsewhere for opportunities.

A major reason is that not enough British capital is backing British growth. UK pension funds now invest just 4% of their assets in UK equities, down from more than half twenty-five years ago. Only 1% of the £4.6 trillion held by pensions and insurers is invested in unlisted UK companies. As a result, too many British firms struggle to access the patient capital they need to grow.

Households are missing out too. Of the £872 billion held in ISAs, around £360 billion sits in cash rather than productive investments that could deliver higher long-term returns.

The Liberal Democrats would reverse this trend by making it easier and more accessible for households, businesses and institutions to invest in the British economy, while providing the long-term policy certainty companies need to invest with confidence. If we want faster growth, higher productivity and rising living standards, we need to get British capital backing British success once again.

- **Strengthen retail investment culture:** making government, regulators and industry track participation rates, confidence levels and outcomes, and embedding financial inclusion in educational institutions and workplaces
- **Repeal the mandation provisions of the Pension Schemes Act 2026** so that trustees' first duty remains to the savers whose money they invest, and instead fix the barriers that deter domestic investment through measures such as signalling a 10-20 year pipeline of investable and deliverable projects
- **Identify measures to boost investment in UK public markets,** including through a review of Stamp Duty on shares and pension fund allocation incentives
- **Explore the possibility of greater investment from the Local Government Pension Scheme in housebuilding and other projects**, by working alongside the pensions industry, public finance institutions and the ONS to review the current

system which caps LGPS investment by treating it as public, even though the scheme is not controlled by the Government

- **Consider a phased broadening of qualifying assets for full expensing**, including intellectual property, to lower the upfront after-tax cost of business investments, and which could generate growth and revenue in the medium term
- **Review the landscape of the UK's Public Finance Institutions, innovation agencies and business support organisations**, so businesses can more easily find investment partners and the right support or funding for their needs

6. SUPPORT AND UPSKILL WORKERS

Make it easier for firms to take on and train the workers they need; support those out of work to get back into jobs; make it simpler and cheaper to access international talent; actively manage the adoption and impact of AI on the labour market

Economic growth depends on a skilled and dynamic workforce. Yet Britain is failing both to get enough people into work and to help workers develop the skills businesses need so they succeed in the jobs they do have. More than nine million working-age people are economically inactive, of which some 2.7 million are inactive due to long-term sickness: a near record high. On top of this, the OECD attributes around 1.2 million of England's inactivity alone to a lack of skills. This comes at a huge human cost: long-term decline in physical and mental health, lower lifetime earnings and social scarring. But building on the findings of the Mayfield Review, this is also an area for growth that Britain cannot afford to ignore or waste.

Helping people who can work off benefits and into work would be a double boost for growth: the direct boost from them working, and the indirect boost from limiting government borrowing.

The UK's labour market gets only half the equation right. Historically, we have had relatively flexible hiring and firing rules, which should support a dynamic, fast-moving economy, though the Employment Rights Act 2025 has curtailed this somewhat. When people lose their jobs, support is often too limited, leaving many forced into the first job they can find or out of the labour market altogether.

We would deliver our Skills Strategy, expand access to lifelong learning and reform both Skills England and the Apprenticeship Levy to prepare workers for an AI-driven economy, and support NEETs amidst a collapse in entry-level jobs.

We would also align skills and migration policy more effectively, allowing businesses to fill critical shortages while building a stronger domestic talent pipeline.

Through all of these, we would insist on employer involvement in designing training provision, so government courses deliver the skills businesses actually require. At the same time, by joining the Single Market, we would secure firms' ability to hire the workers and talent they need.

Together, these reforms would unlock Britain's greatest economic asset, its people, creating a larger, more skilled and more productive workforce to drive growth, boost living standards and strengthen the public finances.

- **Recognise our world-leading universities as an engine of growth** both as innovation incubators and in their critical role in producing a more skilled and knowledgeable workforce. Encourage universities to embed employer-identified skills as assessed components throughout undergraduate curricula. Expand modular learning and lifelong learning opportunities such as by creating more flexibility in module delivery to enable mature learners and those from non-traditional backgrounds to access modular education delivered by universities
- **Implement the Liberal Democrat Skills Strategy** to prioritise training and upskilling that meets business needs, including Skills Tax Credits, apprenticeship reform, and a Lifelong Training Grant
- **Establish Skills Cooperatives of SMEs** to pool training resources and rotate apprentices locally between member businesses in conjunction with existing learned societies and institutions, trade unions, employee organisations or collectives with a responsibility for training and continued professional development of their members
- **Explore more dynamic employment models** to boost labour productivity and tackle long-term unemployment and sickness
- **Streamline skilled pathways**, including by allowing PhD and MRes students to found startups, so the ambition to attract the best brains and talent is reflected in visa processes
- **Enable firms to access international talent** through membership of the Single Market, and by transferring policy-making over work visas out of the Home Office
- **Address urgent skills pressures and boost British professionals' employment prospects** by securing a deal with the EU on the mutual recognition of professional qualifications, ahead of joining the Single Market
- **Reform visa processes and reduce visa costs** in critical sectors
- **Mandate Skills England and the Migration Advisory Committee to work together** so that decisions on shortage occupation routes are made alongside a credible long-term domestic training plan for those sectors
- **Give stability to workers** and businesses by reversing the Government's retrospective increase of Indefinite Leave to Remain residency requirements
- **Introduce a capped reciprocal UK-EU Youth Mobility Scheme prior to Single Market entry,** like the UK has with Australia, Canada and South Korea, to allow Britons aged 18-30 to work and live in EU countries and EU citizens to do the same here, delivering mutual economic benefit

7. UNLEASH BUSINESSES' GROWTH POTENTIAL

Create a single government 'one-stop-shop' for firms; regulate smarter to boost competition and cut compliance costs; remove unnecessary administrative barriers to businesses growing

Too many businesses spend too much time dealing with the government instead of growing their business. Regulation and bureaucracy cost UK firms an estimated £22 billion a year, diverting time, money and effort away from growing their businesses.

Too often, the problem is not regulation itself, but how it operates. Businesses are forced to navigate duplicative processes, provide the same information multiple times, and comply with rules that focus on process rather than outcomes. For small and medium-sized businesses in particular, dealing with multiple government agencies can be costly, confusing and time-consuming - it also directly stunts growth by holding back investment.

Cutting unnecessary bureaucracy is therefore one of the fastest ways to boost productivity and growth. While the Government has pledged to reduce regulatory costs by 25% over this Parliament, progress has been slow, with only £1.5 billion of the targeted £5.5 billion delivered so far.

The Liberal Democrats would move faster and go further. We would create a single digital one-stop shop for businesses, bringing together requirements from Companies House, HMRC, the Department for Business and Trade, and other government bodies. Today, some 55% of CBI-surveyed businesses report being accountable to more than three regulators, which companies would be able to raise and address. And through our "Clearing the Way" initiative, we would review and remove regulations that have outlived their purpose while maintaining strong consumer, workplace and environmental protections.

Growth depends not only on reducing unnecessary regulation, but on ensuring markets remain open, competitive and innovative. Liberal Democrats believe that clear regulation, properly enforced, drives up competition, drives down costs, protects the consumer, and attracts investors who can have confidence that the rules will be followed. One of Britain's longstanding problems is that too many sectors are dominated by a small number of firms that face weak competitive pressure.

Among the UK's utility companies and local government contracted service providers particularly, several have been bought out by foreign private equity funds and run for short-term profit with job cutting, asset stripping, debt loading and underinvestment, storing up long-term problems. Liberal Democrats support stronger competition through regulation in sectors where consumers face poor value and high prices, ensuring that innovative firms can challenge incumbents and grow - meaning consumers benefit from lower prices, better products and greater choice.

The goal is simple: less time spent navigating bureaucracy, more time spent growing businesses, creating jobs and driving economic growth and having a level playing field.

- **Create a single digital 'one-stop-shop' service** combining tax, regulatory, legal, Companies House and general business services under a **"Tell us once"** model, situated in the new Department for Growth proposed by the Liberal Democrats, and including a single portal where businesses can report contradictory and overlapping regulation
- **Regulate smarter** - move towards regulatory budgeting and full regulatory impact assessments to avoid constant regulatory tinkering that adds costs for firms, and address the backlog of crucial departmental Post-Implementation-Reviews (PIRs) on regulation
- **Clear the way** - we will outline our priorities for clearing business red tape that could be scrapped, simplified or streamlined to help small and medium-sized businesses compete and grow while retaining consumer protections
- **Build on the "Regulating for Growth" agenda** by facilitating greater coordination between the Government, regulators, Parliament and the private sector on strategic issues such as risk appetite
- **Improve the effectiveness and efficiency of regulators** so they can deliver on their statutory objectives whilst being more dynamic

8. REFORM TAX FOR GROWTH

Simplify the tax code; make tax administration simpler for the self-employed, start-ups and SMEs; remove unfair and damaging barriers to growth, work, and investment

Tax is not just about raising revenue. It can either drive economic growth or hold it back. Too often, Britain's tax system does the latter.

At more than 21,000 pages, the UK has the longest tax code in the world. The result is a system that is too complex, too costly and too time-consuming. Businesses spend time and money navigating tax rules that could be better spent investing, hiring and growing. The burden falls especially heavily on the self-employed and small businesses, where complicated reporting requirements and tax cliff edges can become barriers to expansion.

The system also contains too many penalties for work and enterprise. Some workers face punishing marginal tax rates, while many parents are discouraged from increasing their hours because they can lose so much of their additional income. That is bad for families, productivity and growth. Meanwhile, key parts of the tax system have failed to keep pace with the modern economy. Council Tax, Business Rates and Stamp Duty are all outdated, discouraging investment and making it harder for people and businesses to move and grow.

The Liberal Democrats believe Britain needs a tax system that is simpler, fairer and more pro-growth. That means reducing unnecessary complexity, improving HMRC's ability to collect the tax already owed, and reforming taxes that discourage work, investment and labour mobility. A better-designed tax system would not just be fairer. It would help unlock investment, boost productivity and support stronger economic growth across the country.

- **Tax cuts for growth** - when fiscal circumstances allow, we will prioritise tax cuts that incentivise work and boost household disposable incomes, acting as pro-growth measures
- **Make capital gains tax fairer** - asking the 0.1% wealthiest to pay their fair share while cutting tax or keeping things the same for everyone else. We would support entrepreneurs through a dedicated relief, raise the annual exempt amount from £3,000 to £5,000, and introduce an indexation allowance (an "inflation allowance"), so that any gains that are purely the result of inflation are not taxed at all. This would move CGT closer to income tax whilst recognising the need to incentivise risk and reinvestment of capital

- **Further simplify tax administration** by building on HMRC's Transformation Roadmap to further reduce administrative burdens, accelerating the move to pre-filled tax returns for individuals and small businesses; and re-establish the Office for Tax Simplification, which was set up by the coalition government and scrapped in the 'mini-budget'
- **Work towards a clear multi-year tax roadmap for businesses** to support stability, investment and growth, building on the Corporation Tax roadmap
- **Address disincentives to work** created by perverse marginal rates and cliff-edges affecting personal tax to unleash productivity, including earnings limits and taper rates within the welfare system, where they act as employment disincentives
- **Establish a Commission to propose property tax reforms for growth**, with a view to overhauling outdated taxes such as Council tax, Stamp Duty, and Business Rates
- **Work with international partners and institutions to restart discussions on Base Erosion and Profit Shifting (BEPS),** ensuring large multinationals pay their fair share of tax in the UK and create a level playing field for smaller competitors

9. BACK REGIONAL GROWTH THROUGH FISCAL DEVOLUTION

Allow local authorities a greater share of their own decision-making and revenues to better invest locally and grant new powers to attract and direct investment

Britain is leaving billions of pounds of economic growth on the table because too much power remains concentrated in Whitehall.

The UK's economy is overly reliant on London and the South East and many of our largest cities underperform compared with international competitors. In most advanced economies, major cities outside the capital are at least as productive as the national average. In Britain, the opposite is true. The Centre for Cities estimates that the economy would be £47 billion larger if the eight largest cities outside London closed their productivity gaps.

Economic activity is too concentrated in London, which in 2023 accounted for 13% of the UK's population but 23% of our GDP. Average incomes of people living in Westminster, Kensington and Chelsea are more than four times those of people in Bradford, Hull, Leicester, Nottingham and Stoke.

A major reason is that Britain is the most fiscally centralised country in the G7. Only a small share of tax revenue is retained by mayors and local authorities. As a result, when local leaders attract new businesses, new housing or new investment, almost all of the financial benefit flows back to the Treasury rather than staying locally. The incentive to pursue growth is too weak.

The system also holds back investment. Because councils depend heavily on annual grants from central government rather than revenues they raise themselves, they often lack the ability to borrow against future income to fund the transport, infrastructure and regeneration projects that drive productivity and growth.

The result is an economy that is too dependent on London and financial services, where productivity elsewhere has lagged and regional inequality is high. While the UK's North-South divide often gets the headlines, there remains considerable inequality between the North East and North West and the South East and South West of England. Scotland, Wales and Northern Ireland persistently lag England, hamstrung by limited and often seemingly ad hoc devolved powers.

The Liberal Democrats would give local government a real stake in the growth it creates, allowing communities to retain more of the rewards of success. We would devolve greater fiscal powers to mayors and councils, alongside the tools they need to invest in infrastructure, transport and innovation, with additional dedicated support for both rural and coastal areas. We would also set an explicit objective, requiring the Government to tackle inequalities between and within regions and communities through its growth strategy. If we want faster growth, we need every part of the UK creating it. Britain's economic potential will not be unlocked from Whitehall alone.

- **Ensure any meaningful tax reform results in greater local powers over revenues,** complementing the ongoing devolution and local government reform processes
- **Commit for devolution to support all communities** including the specific needs of coastal and rural areas
- **Ensure that local areas have the financial, staffing and administrative support to deliver reforms** with best practices and expertise shared routinely across regions and levels so local authorities are equipped to maximise the benefits of devolution
- **Devolve Transport and Works Act Orders (TWAOs)** to more easily approve local transport projects
- **Expand the British Business Bank to perform a more central role in the economy** to ensure that viable small and medium-sized businesses have access to capital, and enable it to help 'crowd-in' private investment, in particular in zero-carbon products and technologies

10. FOCUS CENTRAL GOVERNMENT ON THE GROWTH AGENDA VIA A DEPARTMENT FOR GROWTH

Split the Treasury to better focus on long-term growth whilst maintaining fiscal management and debt sustainability through a separate Department for Public Expenditure and Financial Management

One of the biggest barriers to growth in Britain is that the government is too focused on the short term. Time and again, long-term investment is sacrificed to meet immediate political pressures. The problem is built into the system. The UK is unusual in giving the Treasury responsibility both for driving economic growth and controlling departmental spending. As a result, decisions that would boost growth over decades are too often crowded out by short-term budget pressures. Capital investment is repeatedly disrupted by Spending Reviews, while governments are tempted to prioritise politically attractive tax cuts or giveaways over long-term economic strategy.

The result is an economy that struggles to plan for the future. Businesses are less willing to invest when policies change frequently, infrastructure projects are delayed, and growth priorities are constantly overtaken by short-term fiscal decisions.

The Liberal Democrats believe that government itself must become more focused on growth. That is why we would split the Treasury into a Department for Growth and a Department for Public Expenditure and Financial Management. The Department for Growth would also incorporate the Department for Business, Innovation, Science and Trade.

A Department for Growth would focus on the long-term drivers of prosperity, coordinating investment, business policy and economic strategy while setting the fiscal framework needed to meet the fiscal rules. Alongside it, a Department for Public Expenditure, would oversee departmental budgets, improve procurement and ensure public spending is delivered more effectively across government. If we want stronger growth, we need institutions designed to deliver it.

- **Create a new Department for Growth**, incorporating the Department for Business, Innovation, Science and Trade, focused on long-term fiscal direction, business and investment engagement, and tax policy
- **Create a single window for approving strategic national infrastructure projects in our new Department for Growth**, to streamline the approval process and thereby attract greater investment

- **Form a Department for Public Expenditure** to ensure value-for-money in government spending and joined-up procurement across departments
- **Review the Budget process, allowing greater scope for public scrutiny and parliamentary amendments,** as in other countries where this process helped to ensure debt sustainability and reduce debt servicing costs
- **Continue to guarantee the independence of the Bank of England**