

Supporting the UK Government's Spending Review 2025 and Strategic Role of the Engineering Industry

The Institute of Highway Engineers (IHE) is pleased to share this briefing to highlight the strategic role the engineering sector can play in supporting the UK Government's upcoming 2025 Spending Review. The IHE supports policies and investments that strengthen infrastructure, skills, and innovation to drive sustainable economic growth and resilience.

The UK Government's 2025 Spending Review will define departmental budgets from 2026/27 to 2028/29 and investment priorities for a further year from 2026/27 to 2029/30.

This review focuses on:

- Boosting economic growth
- Enhancing regional productivity
- Improving infrastructure and national security
- Using innovation and technological advancements

The engineering sector is a key enabler of these outcomes, both through delivery capacity and by driving innovation, workforce development, and sustainability.

Strategic Priorities and the Engineering Sector's Role

1. Infrastructure Investment & Regional Connectivity

Government plans

Over £15.6 billion is to be allocated to improve local transport networks outside London, and a long-term infrastructure strategy to be disclosed.

Engineering role

To design, manage, and deliver smart, sustainable transport systems and provide technical solutions that reduce costs and the impact on the environment.

What the sector can do

Engage with combined authorities and delivery bodies early to help shape regional schemes and ensure engineering led resilience.

2. Economic Growth & Industrial Strategy

Government plans

Growth framed as the “number one mission”, upcoming Invest 2035 strategy to promote high value sectors including advanced manufacturing.

Engineering role

Provide the industrial capability to scale production, automation, and export competitiveness and support SMEs across the supply chain.

What the sector can do

Partner with manufacturing groups and local growth hubs to embed engineering innovation in regional economies.

3. Skills, Workforce Expansion & Skills England

Government plans

To invest £625 million to train 60,000 new construction and engineering workers, launch of Skills England as the executive agency overseeing skills strategy and delivery.

Engineering role

To fill the skills gaps in digital design, green technology, and systems engineering and offer career pathways through apprenticeships, foundation programs, and upskilling initiatives.

Skills England's role

To lead the UK's skills planning, work with employers and providers, and simplify access to training aligned with economic priorities and sectors like engineering.

What the sector can do

The sector can collaborate closely with Skills England and further education providers to influence curricula that align with infrastructure and net-zero goals. They can also support the rollout of foundation apprenticeships focused on engineering and manufacturing from August 2025 and enhance youth engagement in the sector. As well as engage with Skills England to help adapt skills bootcamps and local training initiatives for quick workforce upskilling.

4. Defence & National Resilience

Government plans

The defence budget is set to rise to 2.5% of Gross Domestic Measure (GDP) by 2027 and expanded support for defence manufacturing.

Engineering role

Provide and deliver Research and Development and production capacity in, cyber defence, robotics and aerospace, ensuring that there is technological independence in key systems.

What the sector can do

Align with Ministry of Defence (MoD) strategic suppliers and access innovation funding through the Defence and Security Accelerator (DASA).

5. Innovation, Technology and Net Zero

Government plans

Continued support for low carbon technologies and green infrastructure with an emphasis on digitalisation across sectors.

Engineering role

Lead delivery of net zero solutions including HVAC, retrofitting, clean energy, develop digital twins, smart infrastructure, and sensor-based systems.

What the sector can do

Support Innovate UK, Catapult centres, and zero emission demonstrator projects to scale innovation.

Recommendations for policy engagement

- Help to shape delivery of policies by responding to consultations and engaging with devolved administrations.
- Collaborate with Skills England to ensure the engineering sectors skills needs and innovation capabilities are embedded in national and regional skills strategies.
- Produce and provide engineering case studies that demonstrate value for money, public benefit and sustainability.
- Promote Research and Development incentives and long-term funding certainty, particularly for climate focused, and digitally supported engineering.
- Ensure that workforce development strategies are aligned with public sector hiring plans to ensure readiness and smooth delivery.

The upcoming Spending Review marks an opportunity for the engineering industry to support the UK's ambitions across economic growth, sustainability, and national security. Through aligning technical expertise, innovation capacity, and workforce development efforts with government priorities and Skills England's strategic framework, the engineering and technology sector can act as a supplier and a strategic partner in delivering the UK's future growth and development.



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Documents of reference

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- <https://researchbriefings.files.parliament.uk/documents/CBP-10276/CBP-10276.pdf>

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