techUK
FOR WHAT COMES NEXT

7 TECH PRIORITIES

for the next Government

A UK tech plan

How the next Government can use technology to build a better Britain

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Executive summary

Removing the barriers to technological innovation and deployment in the UK

In June 2023 techUK published our UK Tech Plan. The Plan set out a range of opportunities that the next Government could seize by working with the tech sector to help confront the challenges our country faces.[1]

Since then, and as the applications of technologies such as AI have become more widely recognised, the UK's main political parties are increasingly looking to technological innovation and partners in the tech sector to drive economic growth, reform our public services and contribute to the UK's mission to reach net zero.

The UK technology sector ahead of the election:

The UK has a strong and dynamic technology ecosystem, with a powerful mix of start-ups, scale-ups and large businesses, both domestic and international. Within this ecosystem techUK's own members employ 1.1 million people, had a combined turnover of £329bn in 2023 with an estimated annual growth rate of 10%.[2]

Ahead of the election techUK and Public First surveyed 250 senior decision makers in technology companies. Our survey showed that the UK has built a competitive business environment that is comparatively easy to operate in, supported by strong demand for tech products and services as well as positive ecosystem effects.

The barriers to technological development and deployment:

However, businesses are actively raising the costs of doing business in the UK. High energy costs, the current level of business taxes, the impact of interest rates and regulatory burdens are cited as challenges to growth. Additionally existing structural barriers that we identified in our Tech Plan, such as access to procurement contracts and the lagging digitisation of the UK economy still remain.[3]

Despite these barriers there is an enormous growth opportunity in front of us. The tech leaders we surveyed said their number one ambition over the next five years was to grow their business, while over three quarters said they had plans or were likely to consider expanding their business internationally.

As the election approaches tech business leaders will want our politicians to set out how they will remove the barriers to their ambitions and take action to address the threats to their success.

Seven tech priorities for the next Government:

In this report we set out the findings of our polling and present seven priority actions, that could be taken early in the next Parliament to address the concerns raised by tech businesses. Helping them to innovate and grow as well as creating opportunities for our public services to harness the ingenuity of the tech sector.

In setting out our recommendations we have worked closely with our members to ensure they are practical, that we identify what is already working and build on it, alongside setting out new ideas.

[1] A UK Tech Plan, How the next Government can use technology to build a better Britain – June 2023 • [2] Analysis of the techUK membership using Data City
[3] A UK Tech Plan, How the next Government can use technology to build a better Britain – June 2023

Seven tech priorities for the next Government:

Priority | An updated AI Strategy and incentives for vital capital investment

By **updating our AI Strategy for the mid 2020s** with a focus on deployment and the uptake of AI technology, **classifying strategic digital infrastructure as nationally significant** and **extending the R&D tax credit to cover capital incentives.** The Government can better signal and coordinate the UK's AI ambitions, fast track the delivery of key infrastructure to keep us competitive while reducing business taxes for those who invest in physical capital for R&D.

Priority | Remove barriers to the digitisation of our public services

Through **a new Technology Procurement Delivery Body** the Government can fulfil the aims of the Procurement Act and drive best practice across how Government buys new digital services. **Citizens Health Accounts** and **a new VPAS system for digital health tech** can encourage interoperability of the NHS, give patients more choice and power over their healthcare as well as a platform and funding mechanism for our health tech industry.

Priority | Open the opportunities of the digital economy to everyone

A digital skills toolkit, a comprehensive **plan for digital adoption by 2030** and **a network of Connected Hubs** will help bring the benefits of the tech sector to hard-to-reach communities and underrepresented groups. Additionally, these measures will create new tools and infrastructure, helping spread the opportunities of the tech sector to everyone.

Priority | Leverage new technology to keep us safe online and tackle fraud

By **creating an Online Safety Sandbox** and package of legislation and guidance to **create parity between digital and physical IDs** the next Government can help deliver new digital tools to improve online safety, tackle disinformation and reduce fraud.

Priority | A new regulatory model that recognises the strategic economic importance of our regulators

A **pro-growth framework for our regulators** and a **Commercialisation of Tech Taskforce** will help secure a new balance in how our economy works ensuring, that alongside protecting consumers, regulators must also seek to shepard key parts of the economy into the future.

Priority | Help UK tech companies scale across the country

Building on work already started by DSIT, **continuing the UK's Scale-up sprint**, taking a rapid test and learn approach to policy interventions will help identify new finance options, secure access to talent and open up new technology markets, creating opportunities for tech businesses to scale across the UK.

Priority | A new approach to trade and technology in a more fractious world

By **prioritising Digital Economy Agreements** and **new Tech Bridges** the UK can create a flexible and impactful trade policy, in a more fractious and complex global trading environment.

Summary of results, techUK and Public First Polling

The UK tech sector ahead of the next election: what do tech leaders want from the next Government?

The individuals polled were senior decision makers within their business and were asked a range of questions covering how they saw business conditions in the UK, their ambitions for their business and what kind of new technologies they felt held the greatest potential. Additionally, we asked them what they felt the next Government should prioritise to support them. So, what did they tell us?

Doing business in the UK:

The UK does well against its peers on ease of doing business: when it came to the ease of doing business, only 22% of tech sector leaders felt that it would be easier to do business in other comparable countries in Europe or North America. 38% felt it was neither easier or harder and 36% felt it was easier or much easier to do business in the UK than in comparable countries.

When we asked our leaders to rank the UK out of 10 for ease of doing business, with 1 being very difficult and 10 being very easy, 70% gave the UK a score over five. Around a quarter of businesses (24%) gave the UK as score of 9 or 10 out of 10.

Why is the UK a good place to do business: access to a reliable customer base for their products and services (41%), the ecosystem and ability to work with other tech companies (33%), access to a skilled workforce (33%), digital infrastructure (32%) and the R&D environment (32%) were cited as the top five most common benefits for operating in the UK. When pushed to pick what was the most significant benefit, access to a reliable customer base (22%) and the ability to work with other tech companies (22%) were the top two.

Growth, growth, growth: over the next five years the top ambition for our leaders was to grow their businesses (45%). Onboarding new technologies (30%) and expanding the businesses capabilities, products or services (30%) followed to make up the top three ambitions of the group.

Concerns over the cost of doing business: however, standing in the way of their growth ambitions, our tech sector leaders said energy costs (36%), the current level of tax on business (33%) and interests rates (31%) were the top barriers they faced to reaching their ambitions.

When asked to pick the most significant weakness of the UK's business environment energy costs, the level of business taxes and the amount of regulation were the top three selected.

Outside of London, Manchester is seen as the UK's strongest tech city: when asked to pick a city outside of London that they felt provided a positive environment for tech businesses 58% of those polled chose Manchester. Birmingham (33%) and Cambridge (31%) were the second and third most commonly chosen answers.

A globally minded sector: our tech sector leaders have their sights set on the rest of the world. 77% said they were likely to or already had plans to expand into a foreign market. This was high for both small and large businesses surveyed. While they planned to expand into a range of markets, expansion to the United States was their top preferred destination.

New technologies:

Artificial intelligence is seen as a game changer: when asked which emerging technology held the greatest promise for their business Artificial Intelligence was top. However, general AI tools rather than generative AI technologies were seen as the bigger opportunity. 38% of respondents chose AI excluding generative AI as most likely to provide the greatest opportunity versus 15% who selected generative AI e.g. Large Language Models and image generators.

New technologies were seen to provide a wealth of opportunity: adopting new technologies was seen to have a wide range of benefits such as improving productivity (54%), reaching new customers (50%), growing revenue (47%), becoming more competitive (46%) and developing new products (42%).

Motivation and cost: our tech sector leaders said they were motivated to adopt new technology to remain competitive (42%), grow their revenue (40%) and remain innovative (38%). However, energy costs (34%), software costs (25%) and needing a skilled workforce (25%) were seen as the biggest barriers to technology adoption.

However, getting current technology right should not be overlooked: despite being asked about a range of emerging technologies our tech sector leaders picked high speed internet connectivity (31%) and cloud computing (30%) as second and third when thinking about opportunities.

The next Government:

Protecting them from threats: we asked our tech sector leaders which external risks they felt the next Government should address to support their businesses. Reducing energy costs (36%), tackling the high and rising cost of living (33%) and addressing cyber security vulnerabilities at a national level (21%) were the top answers.

Helping seize opportunities: when asked what choices the next Government could make to help our business leaders meet their ambitions, cutting business taxes (34%), increasing access to finance and investment (26%) and better enabling the use of emerging technologies, such as AI (25%) came out as the top three answers.

In your words what should the next Government do: we gave our tech sector leaders the chance to say in their own words, what would be the single most important thing the next Government could do to support their business. Responses included:

"Invest in research and development" - founder of a microbusiness

"Simplify regulatory processes to reduce compliance costs… enabling businesses to focus more on innovation and growth." - from a C-Level Executive, Global Multinational

"Address skills shortages." - Senior Manager, Large Business

"Bring down the price of electricity and gas." - Founder, Microenterprise

"Invest in digital infrastructure, and foster a supportive ecosystem for innovation and entrepreneurship." - Director, Global Multinational

A UK Tech Plan and seven tech priorities:

In June 2023 techUK published its UK Tech Plan which set out 18 opportunities the next Government could seize to use technology to build a better Britain.

The Plan set the broad landscape of where the next Government could partner with the UK technology industry over the next five to ten years. To ensure Britain maximises the benefits of the coming technological revolution by deploying these new innovations for the benefit of people, society, the economy and the planet.

By acting on the opportunities set out in techUK's UK Tech Plan we believe the next Government could:

- **Secure a £5.69bn pay rise for the British people:** through reforms to the apprenticeship levy, a new Digital Skills Toolkit and accreditation for post-school retraining we can increase digital skills and boost pay.
- **Ensure the NHS is ready for the future:** by effectively allocating the £2.1bn committed to NHS and social care digital transformation reducing pressures on hospitals, moving care to the community and moving to more preventative health system.
- **Reduce the cost of reaching net zero and cut energy bills:** by digitising the national grid and improving the availability and utilisation of good quality and accessible data. This can help cut the capital investment needed to reach net zero by up to £17.6bn a year.
- **Boost the British economy by over £200bn per year:** the UK tech sector has the potential to adding over £200bn to the economy every year by the end of the 2020s. By helping 600,000 SMEs invest in productivity boosting technology, and leading a British 'Scale-up Sprint' to remove regulatory barriers and unlock investment into semiconductors, quantum and AI, we have the opportunity to deliver that economic boost.
- **Improve safety and trust in technology:** by helping test new online safety technology, new data sharing initiatives to significantly cut online fraud and developing a system of AI ethics, governance and regulation, we can help improve public trust in technology and ensure tech is a force for good.

As we look ahead to the next election, leading politicians from all the main political parties are turning to technological innovation and the UK tech sector to deliver their visions for Government. Whether by growing the economy or seeking to deliver more efficient public services that do more for less in a tight fiscal environment.

Example:

Chancellor Jeremy Hunt MP set an aim to position the UK as the next Silicon Valley with the Government enacting reforms to create a regulatory and funding environment designed to support technologies with high potential for the UK, for example AI and bio technologies.

Example:

Shadow Health Secretary Wes Streeting MP has regularly talked about the need for reform of the NHS to improve the use of technology. Highlighting that 80% of NHS Trusts are still using pagers and that a report by Progressive Policy Research shows that automation could save the NHS up to £12.5 billion in staff time.

However, to achieve these aims the next Government will need to build a close and collaborative partnership with the UK's technology industry and move quickly to address structural barriers to technological development and deployment across our economy and public services.

Addressing these barriers will be vital to unlocking the opportunities set out in techUK's UK tech plan and realising the potential of technology to build a better Britain.

The UK tech sector, how are we positioned as we reach the half way point of the 2020s?

In 2024 the UK has established itself as a leading tech economy, with a strong digital sector and globally leading research and start-up ecosystem. The tech sector is one of the UK's modern economic success stories, with its contribution to the economy rising over 25% between 2010 and 2019, and currently adding over £150 billion per year to our economy. This makes it one of the country's most valuable economic assets[4] and the leading tech sector in Europe.

[4] DCMS Economic Es-mates 2019

How technological innovation is already helping the UK:

- **Caring for an ageing population:** Virtual wards are making it easier to care for people in the community saving the health system up to £2,000 per patient per annum. Additionally, more than four in five NHS workers believing greater technology investment can help to attract new people into the NHS.
- **Growing the economy:** Generative AI is already helping boost productivity with a recent survey showing it can increase productivity by 14% with more junior workers benefiting the most, getting more time back to train and upskill.
- **Reducing the cost of public services:** Digital IDs are reducing the cost and accelerating delivery of public services with people in Scotland no longer having to travel into council buildings to verify their identity for a range of services – saving both the public and local authorities time and money.
- **Driving forward the net zero transition:** Internet of things and Artificial Intelligence are already making energy and carbon savings, 62% of manufacturers who have adopted digital technologies reported savings of between £10,000-£100,000 on their balance sheets over the past 12 months.

However, there is now a fierce global race over the key technologies that will shape the future. From AI and Quantum to green technologies and semiconductors, competition between governments to attract talent, grow clusters of innovative technology companies and be the first to deploy revolutionising digital public services has never been greater. In this global race the UK has a pole position, however our success must not breed complacency.

In the research for our UK Tech Plan, techUK consulted widely among our 1000 member companies, asking them about the state of the UK tech sector and how they felt we were performing against our peers. Below we set out that characterisation and what progress has been made since we published our tech plan in June 2023.

When asked to characterise the UK as a market for tech companies, techUK's members said:

While the UK is a strong and dynamic tech market with ambitious plans to further our position as a technology leader, over recent years we have fallen off the pace and our delivery has faltered. Currently we are at risk of losing our position as a leader in tech and the benefits that this brings.

This view was informed by a number of key reflections. Below we restate these, as well as providing a progress update on what has changed since last year.

Reflections from techUK members, June 2023	Progress since the publication of the UK Tech Plan
Fundamentals: the fundamentals of the UK are strong for tech – we are a tech positive society with a high level of internet and smartphone penetration, a flexible labour market, good incentives for innovation and strong and innovative services sectors.	Our survey shows the UK continues to have good market fundamentals that make it a good economy for tech businesses. Further we have the opportunity to cement clear advantages in high value technology markets that will be globally important in the medium to long-term including, AI, Space, Quantum, Fintech and health technologies. However high energy costs, interest rates, business taxes and regulatory costs are being raised by tech companies as barriers to growth.
Long-term planning: while the advent of the Department for Science, Innovation and Technology (DSIT) and a recent policy by the current Government has begun to turn this around, there was a common sense of frustration that across Government and its agencies, the UK lacked a comprehensive long-term plan for technology and the digitisation of the economy and public services.	The Department for Science, Innovation and Technology has significantly improved the way the UK conducts its science and technology policy. The Department has set out a clear framework for supporting strategic technologies and has improved coordination across Government. While the Department still faces its challenges one year on from its founding, it has proved its value and should be maintained by any future Government.
Regulation: despite warm words from the Government on having a light touch and pro-innovation approach to regulation, the regulatory burden and cost of doing business has continued to rise. A confused approach to how we approach EU rules has emerged, in some cases resulting in the UK becoming an expensive and awkward market.	While divergence with EU rules can remain a challenge, particularly for physical product areas, the UK has taken a more innovation friendly regulatory approach to technologies such as AI. However, UK regulation is not always better and the general cost of regulation for tech businesses is one of the major concerns highlighted in our survey
Delivery: the UK has often put out strategies and policy papers with high ambitions, however when it comes to delivery, there has been a failure of follow through, often resulting in a cycle of new strategies being produced and cutting off the enactment of their predecessors.	DSIT's focus on policy delivery and regular reporting has improved UK Government policy implementation for the digital and tech sectors. However, DSIT is still very limited in its ability to authorise spending and deliver its own projects, meaning delays in areas that require direct support, e.g. semiconductor manufacturing. Further, the Department needs to grow its influence in Whitehall to be able to better defend the tech sector against harmful policies from other government departments.

Seven tech priorities for the next Government

Our UK Tech Plan contains our sector's key contribution to the political parties ahead of the next election, with 18 opportunities identified that could deliver huge value to the UK.

However, to unlock the benefits of these opportunities techUK and our members believe the next Government will need to rapidly confront seven structural barriers to the development and deployment of technological innovation.

Each of these barriers has been selected following conversations with tech UK members after the launch of our UK Tech Plan and reflecting on how our members have described the UK market.

In this paper we suggested a few policy suggestions to address these seven barriers, in some cases focusing on the delivery or existing policy while also considering new policy interventions.

By prioritising overcoming these barriers early in the next Parliament, we can make progress to unlocking the benefits of technological innovation that ultimately will help the next Government confront many of the challenges it will face.

Priority | An updated AI Strategy and incentives for vital capital investment

By **updating our AI Strategy for the mid 2020s** with a focus on deployment and the uptake of AI technology, **classifying strategic digital infrastructure as nationally significant and extending the R&D tax credit to cover capital incentives.** The Government can better signal and coordinate the UK's AI ambitions, fast track the delivery of key infrastructure to keep us competitive while reducing business taxes for those who invest in physical capital for R&D.

Priority | Remove barriers to the digitisation of our public services

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A digital skills toolkit, a comprehensive **plan for digital adoption by 2030** and **a network of Connected Hubs** will help bring the benefits of the tech sector to hard-to-reach communities and underrepresented groups. Additionally, these measures will create new tools and infrastructure, helping spread the opportunities of the tech sector to everyone.

Priority | Leverage new technology to keep us safe online and tackle fraud

By **creating an Online Safety Sandbox** and package of legislation and guidance to **create parity between digital and physical IDs** the next Government can help deliver new digital tools to improve online safety, tackle disinformation and reduce fraud.

Priority | A new regulatory model that recognises the strategic economic importance of our regulators

A **pro-growth framework for our regulators** and a **Commercialisation of Tech Taskforce** will help secure a new balance in how our economy works ensuring, that alongside protecting consumers, regulators must also seek to shepard key parts of the economy into the future.

Priority | Help UK tech companies scale across the country

Building on work already started by DSIT, **continuing the UK's Scale-up sprint**, taking a rapid test and learn approach to policy interventions will help identify new finance options, secure access to talent and open up new technology markets, creating opportunities for tech businesses to scale across the UK.

Priority | A new approach to trade and technology in a more fractious world

By **prioritising Digital Economy Agreements** and **new Tech Bridges** the UK can create a flexible and impactful trade policy, in a more fractious and complex global trading environment.

Priority:
An updated AI Strategy and incentives for vital capital investment

While the digital economy relies on a range of intangible assets, at its core is a complex array of digital infrastructure that is the root of all the benefits the digital economy provides.

The rise of AI and the continued spread of digital services that will soon be embedded across every business has shown a new relationship between technology services and infrastructure. This new relationship requires a mix of policy solutions ranging from planning, energy costs and incentives for capital investment to rules around liability, incentives for digital adoption and a pragmatic approach to regulation.

As the UK seeks to grow our digital economy, we also need to ensure that our digital infrastructure keeps pace with increasing demands. This will be particularly important as we reach the point, likely before 2030, where effectively every business will rely on cloud based digital and AI powered services.

To meet this new dynamic, the UK must take a strategic approach to AI more akin to a traditional industrial strategy, covering not only regulation but also the infrastructure and enablers needed to deploy the technology effectively and accessibly across our economy.

Delivering this will not only require an updated AI Strategy, but also ensuring the right mix of supply side and financial incentives to build the digital infrastructure we need.

- 78% of business leaders in the UK reported they have adopted cloud services in most areas of their organisations.
- The cloud computing market is expected to grow significantly off the back of increased demand reaching $1.25 trillion by 2028, while the global market for supercomputers, valued at around $12 billion in early 2023, is expected to see annual growth of 9 per cent annually over the next five years.
- While cloud and compute costs have remained low for many years the rapid adoption of AI, delivered via cloud services, is requiring greater investment in infrastructure.
- AI tools have the potential to save the average worker in the UK over 100 hours a year, an enormous productivity increase.
- However, despite this potential economic benefit and the associated productivity gains a global survey run by Cisco found that only 14% of businesses are fully ready to integrate AI, while further surveys by IBM and Public First have shown that transparency, reliability and possible liability concerns around AI products are driving business hesitancy around the broad adoption of AI technology.

An updated AI Strategy for the mid 2020s:

The last UK AI Strategy was published in September 2021, since then our understanding of the technology, the products available now and its use by businesses and public services has utterly transformed.

With the AI White Paper now setting the regulatory framework for AI regulation in the UK, we must move rapidly into a period of delivery, implementing our chosen regulatory framework while also refreshing the AI Strategy so it is ready for the mid 2020s.

This strategy should not seek to revisit the theory of regulation, but instead focus on delivering the approach set out in the AI Whitepaper as well as seeking to enableAI across the economy.

This will mean moving beyond defining AI as mainly a regulatory policy area and instead approach it more akin to an industrial strategy, with policy interventions across infrastructure, business adoption, R&D partnerships, and procurement as well as regulatory policy.

Additionally, the strategy will need to recognise that AI policy is inherently iterative and, in its construction, will need to include close consultation with those on the ground, provide strategic oversight as well as clear delivery and reflection points.

Case study | RELX: RELX is a FTSE 100 indexed data analytics and AI company headquartered in London, the company uses machine learning and artificial intelligence based on its vast data sets, with three generative AI products: Lexis + AI, which can help lawyers draft and analyse documents; Scopus AI, an academic search tool; and Clinical Key AI, which provides medical information. The company has achieved significant growth, and operates across 40 different countries.

Planned reforms to the UK's data protection rules enabling digital ID technologies and the expansion of the UK R&D tax credit to cover data and cloud computing costs have all been features of the UK market that have supported the company's presence in the UK. Continuing to build an attractive market for data intensive companies such as RELX will need to be a key aim of any future AI Strategy.

Four Pillars for an updated AI Strategy

AI for the Day to Day Economy	AI for Innovation Intensive Business	AI for the Public Sector	Frontier/Cutting Edge AI Development
Enabling agencies Government departments, regulators, business support agencies	**Enabling agencies** Government departments, UKRI, Innovate UK, regulatory sandboxes, British Business Bank and National Infrastructure Bank, Universities	**Enabling agencies** Cabinet Office, GDS, devolved government, local and combined authorities, major public services, e.g. NHS	**Enabling agencies** AI Safety Institute, Government Departmentss, No.10, Universities, ARIA, UKRI and Innovate UK, Foreign Office
Supportive environment Access to affordable compute and cloud services Access to talent, retaining and upskilling support Digital adoption support Proportionate liability for end users	**Supportive environment** Access to super computing/ cloud capacity Availability of high skilled talent R&D incentives and partnerships Access to finance and patient capital Low energy and infrastructure costs	**Supportive environment** Good public IT infrastructure Guidance and support for public servants Digital talent Piloting and public consultation Effective procurement	**Supportive environment** Ability to build and access large scale compute Access to top global talent R&D incentives and partnerships Access to significant patient capital Highly capable oversight body
End Users Broad business community, not for profits, charities, local and central govenment	**End Users** R&D intensive sectors (e.g. digital tech, aerospace, manufacturing, semiconductors, financial services), AI developers, start-ups, scale-ups	**End Users** Central, devolved and local government, key public services, i.e. NHS and criminal justice	**End Users** R&D intensive start-ups and scale-ups, universities, frontier labs, large technology companies, broad business community, public services

Across these four pillars there will be some priority areas, for example (i) ensuring that regulation and liability is fairly apportioned across the supply chain of an AI system, (ii) that we speed up the delivery of key infrastructure including data centres and compute capacity, (iii) supporting access to talent, and (iv) support and mentoring for small businesses who have traditionally struggled with digital adoption.

To enable the safe deployment of the most highly capable general-purpose AI, the AI Safety Institute must remain effective, expert, and able to operate as part of a global framework for the development of frontier AI technology. This will mean presenting clear safeguards with the institute able to assess systems in good time.

Case study | Harnessing the adoption of AI for industrial manufacturing: generative AI can bring significant benefits to innovation intensive businesses such as industrial manufacturing. Siemens and Microsoft recently partnered to introduce Siemens Industrial Copilot. This is an AI-powered assistant aimed at enhancing human-machine collaboration in manufacturing. It will allow users to rapidly generate, optimise and debug complex automation code, and significantly shorten simulation times, it will also significantly reduce task completion time.

Further, the strategy will also need to use a range of policy levers to support a competitive AI economy. This will mean looking at infrastructure, liability, access to finance and procurement alongside a permissive environment for the use of open-source AI technologies to ensure that businesses have a range of offerings as they seek to begin their AI journey.

We will also need to ensure that we establish international partnerships to pool compute resource. An early step could be for the UK to associate to the European High-Performance Computing Joint Undertaking (Euro HPC). Association is available to Horizon Europe members, of which the UK is one, and provides access to new funds to invest in high end compute infrastructure as well as access to a network of European Supercomputers.

How to put this policy into action

Implementation

When should the Strategy be developed and published: the Government should begin a consultation on a future AI Strategy by the end of 2024. This consultation should frame an updated AI strategy under the four pillars suggested by techUK and should centrally be focused on AI deployment and adoption. The Strategy should be published by mid-2025 at the latest.

By starting consultations at the end of 2024, sufficient progress on the implementation of the AI Whitepaper should have been made so that the new strategy doesn't revisit or reset the clock on debates that have already happened. To enable an updated AI Strategy by mid-2025 both main political parties should commit to passing the Data Protection and Digital Information Bill before the election.

Questions of further regulation should be viewed through the lens of how these aid deployment and adoption across the economy and public services. For example, by getting the right balance between training AI models and protecting the copyright and IP of creatives. This will require close collaboration and consultation with industry and techUK members.

Engagement around the AI Strategy: the development of the AI Whitepaper and AI Safety Summit was sometimes criticised as a closed shop for stakeholder engagement. As the Government develops a new updated strategy it should establish a stakeholder engagement forum under each pillar, ensuring the right voices are heard in policy development across all key parts of the UK's AI strategy. Doing so recognises that AI policy is iterative and therefore needs to hear from the voices on the ground and be able to flex when circumstances change.

Targets and implementation: the Strategy should have a three-year lifetime with annual targets for new policy development and the delivery of enabling schemes.

The Strategy should also be supported by an External AI Board made of up of experts across the ecosystem to help anticipate future technological and deployment challenges. The board should have a rotating membership to bring in new expertise across the lifetime of the strategy.

Implementation continued	The AI Strategy should be principally run by DSIT through the AI Directorate, however both senior representation from No.10 and the Cabinet Office should be included in its design and share responsibility for implementation.
Costs	No expected major financial costs for designing the strategy as this will be driven by DSIT's AI Directorate, however there will be costs attached to policy interventions to support the strategy. Membership of Euro HPC may require additional funding as part of the UK's contribution to Horizon Europe. However, the funding would achieve a significant increase in compute capability for the UK, greater than through direct public investment in compute.
Benefits	A clear framework for driving up AI deployment and adoption, providing confidence to investors, a coordinating steer across Government and regulators and supporting enablers to AI development and deployment. Greater access to compute through Euro HPC with specific benefits for the UK's innovation intensive industries.

Spotlight on techUK reports I For further information read:

AI Adoption in the UK: Putting AI into action (techUK 2023)
Making AI Work for Britain (techUK 2023)
techUK will soon publish a new report on updating the UK's National Data Strategy

Enable digital infrastructure to be built more quickly and reduce operating costs:

In the Autumn Statement of 2023, the Government recognised the need to accelerate planning permission for business investment and increase the speed at which energy connections can be made and upgraded5. While these steps are welcome the UK needs to go further to improve how quickly we can build significant new digital infrastructure. This is not only vital for our economic competitiveness, but also our security as secure digital infrastructure increasingly becomes the backbone of our economy.

Classify strategic technologies as Nationally Significant Infrastructure: in the same way that generating stations, electricity lines, and pipelines all power industry, the Government's five priority technologies under the DSIT Science and Technology Framework, quantum, AI, engineering biology, semiconductors and future telecoms will be central to our future economy. Each of these technologies also often requires significant infrastructure to support them, whether that is with manufacturing sites, cabling, equipment installations, supercomputing or data centres. Nationally Significant Infrastructure Projects (NSIPs) can have faster planning permission granted, cutting costs and the time it takes to get new infrastructure built. The Government should create a new category of Nationally Significant Infrastructure focused on strategic technologies as laid out in the Science and Technology Framework[6].This category should consider the value of the investment and the overall benefit to the UK so that it helps fast track the most significant investments with the largest benefit. As the NSIP regime only applies to planning decisions in England and Wales and the UK Government should work with the devolved Governments in Scotland and Northern Ireland to support the policy consistency.

[5] Autumn Statement 2023 – HM Treasury 2023
[6] UK Science and Technology Framework – DSIT 2023

Case Study | deploying OpenRAN technology: OpenRAN has the potential to radically evolve the telecoms industry. Globally, we are seeing signs of this in the United States, the Republic of Korea and Japan. Unlike traditional radio access networks, OpenRAN is not limited to a single supplier. Its structure enables other specialist or smaller suppliers to help build out mobile networks, as well as support the UK's Telecommunications Diversification Strategy by adding resilience and diversity to the telecoms supply chain. OpenRAN could also result in more energy-efficient telecoms equipment, as well as increasing the speed at which mobile operators can deploy next generation networks.

Samsung, through ongoing research and development, have been a leader in delivering 5G OpenRAN solutions around the world. In 2023, in partnership with Vodafone UK, they have delivered the largest-scale deployment of OpenRAN in the UK. Sites in Wales and the South-West of England marked a significant moment for the UK in making Open RAN a real-world technology– demonstrating its ability to enable greater network capacity and capability, as well as network efficiency using AI. For this technology to go from strength to strength, long-term government support we need to ensure that future telecoms technologies can be deployed at scale. This will help the UK benefit from a more resilient and capable network.

Improve the operations of the Planning Inspectorate: while Nationally Significant Infrastructure Projects can move faster than under the traditional planning system the planning inspectorate can still take up to six months to examine an application, and three months to make their recommendation to the Secretary of State. When it comes to renewable energy projects, investment timelines stretch to 12 years for offshore wind, 10 years for onshore wind, and four years for large solar projects to be implemented. Further planning permission has become a major bottleneck for investment generally across the economy.

Improving the speed at which Nationally Significant Infrastructure Projects are approved, as well as increasing resource for planning appeals and decisions, would be a low-cost intervention with potentially significant benefits. To support this, the Planning Inspectorate's 50-person team working on NSIP applications should be expanded to 100 people. There should be an aim to reduce the case lag time by over 50%, with the body seeking to employ new technologies or speed up the application process and review processes across its functions.

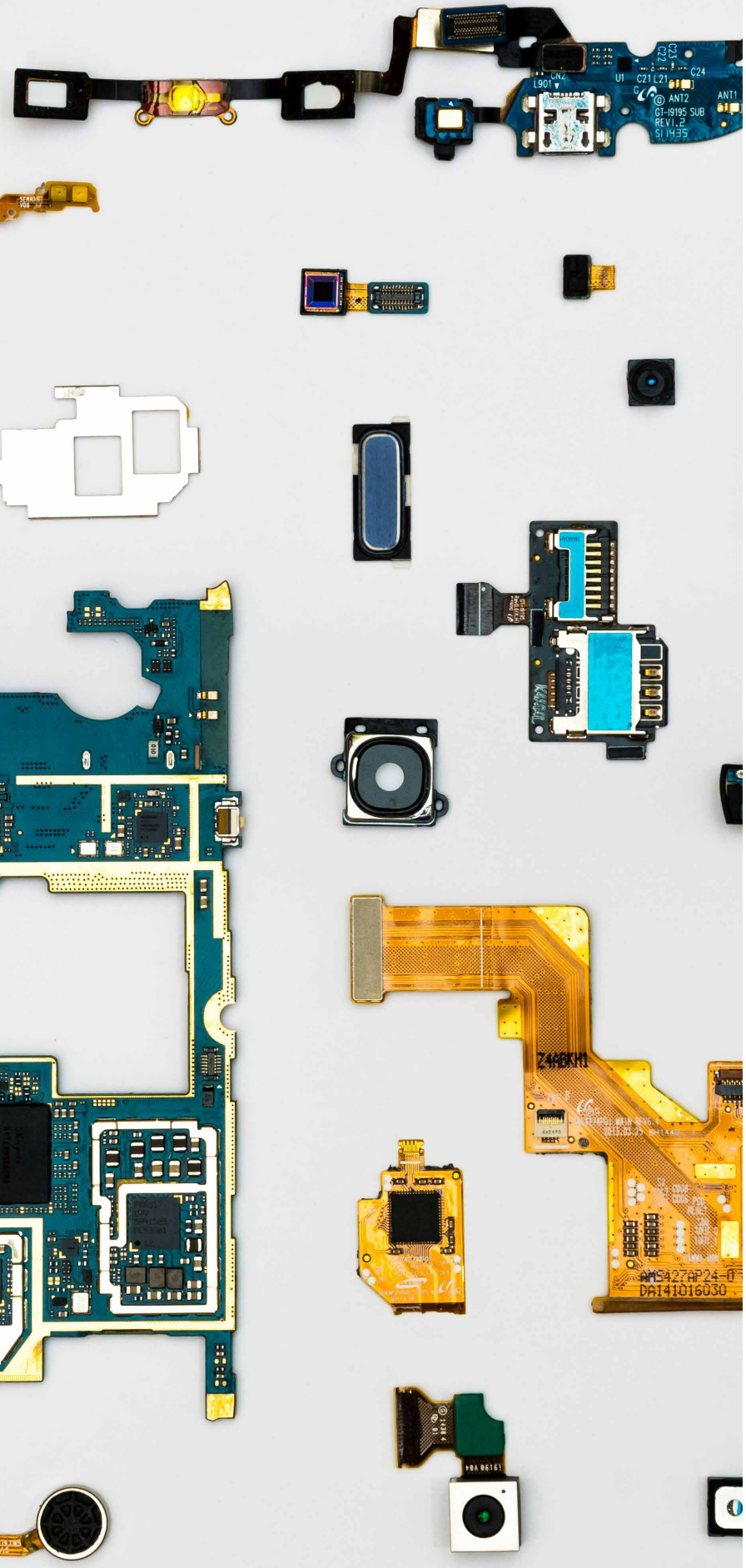
Case Study | delivering secure connectivity infrastructure: Ofcom's introduction of unrestricted physical infrastructure access to Openreach's ducting network in 2019 enabled competing fixed networks to rollout at a fraction of the cost of replicating their own passive network footprint - resulting in over 100 alternative fixed networks delivering gigabit capable connectivity, usually over Fibre-to-the-Premises (FTTP) technology.

Collectively, these operators are investing over £35 billion, which has driven gigabit capable network coverage from 6% to 77% in the last 5 years alone. This digital infrastructure underpins good jobs, strong public services and UK plc. However, our rising dependence on seamless connectivity increases the economic damage and overall negative impact of outages. To safeguard network resilience, network operators need to know who is accessing our physical networks, especially where we are sharing assets between multiple networks.

To do this, Vorboss has developed its own easy to use, location-aware tool, used by all Vorboss teams out in the field to log their work, their environment, and ensure they are reviewing all risks and hazards around them. Using a geographic information system (GIS), the tool integrates with Openreach (and other) systems to submit accurate location information, in real-time, of what parts of the Openreach network are being worked on, by whom and for precisely how long. This means that both Vorboss and Openreach can more easily identify if unauthorised personnel are accessing their infrastructure. This commitment to security will help to prevent attacks and identify unauthorised access to the UK's digital infrastructure.

Rethink our approach to data centres and compute infrastructure:

data centres and compute infrastructure are poorly served by the existing planning system, resulting in important infrastructure being blocked. Many data centres will not be at the scale to qualify as Nationally Significant Projects and therefore we need to rethink how we support general new builds across the country. There are steps that could be implemented to do this. **(1) Updating the National Planning Policy Framework to include specific references to data centres:** this document, which sets out the Government's economic, environmental, and social planning policies, could be updated to specifically mention datacentres and provide guidance to councils with respect to how to approach decisions on datacentre planning applications. **(2) Develop and publish a principles-based policy statement:** as an example, the Irish and Norwegian Governments have published significant policy statements to inform and guide decisions on future datacentre developments. These statements signal the preference for developments that are associated with positive economic impacts, such as sustainable and renewable energy and skilling. **(3) Establish a separate Use Class category for data centre construction.** Currently, data centres are categorised similarly as storage facilities. By amending existing legislation to create a bespoke class for data centres and other digital infrastructure, councils will be able to consider such applications in their own category. This would have benefits for economic growth in the UK and enable the UK to be a world leading digital nation. Additionally, increasing the UK's data centre capacity would likely unlock more opportunities for businesses to access wider Government contracts with many procurement bids requiring data to be stored in UK data centres – without matching supply to demand this could create a wider barrier to entry across the public sector.



Include digital infrastructure within the Energy Intensive Industries Scheme (EIIS):

High energy costs for digital infrastructure mean high costs for the whole of the economy, including consumers and SMEs. Energy costs were highlighted in our survey as the most significant barrier for tech businesses seeking to achieve their business goals over the next five years, including growing the business and onboarding new technology.

The Energy Intensive Industries Scheme (EIIS) provides relief to energy intensive users, however due to legacy EU State Aid Guidelines on Energy & Environment this scheme is limited only to more traditional energy intensive sectors and does not cover digital infrastructure. This makes the UK a less attractive market for investment in digital infrastructure, such as telecoms networks, compute facilities and semiconductor manufacturing where energy costs are a major and increasing determinant of site selection. High energy costs of digital infrastructure, where these power AI and digital services, are likely to be passed on to business users.

Given the need to incentivise the growth of this infrastructure and keep costs down for end users, the scheme should be targeted at sectors such as telecoms networks, supercomputing, data centres and semiconductor manufacturing.

How to put this policy into action	
Implementation	The Government should launch a review of Nationally Significant Infrastructure Projects, how we classify data centres and the Energy Intensive Industries Scheme (EIIS). The review should engage with major investors in digital infrastructure as well as end users to estimate the benefits of reform and the potential return on investment and reduced costs.
Costs	Reform of the criteria for Nationally Significant Infrastructure and how we approach data centres should be able to be run out of the operational budget of the Department for Housing, Levelling-up Communities and Local Government. Expanding the number of staff at the planning inspectorate is estimated to cost an additional £2.7 million per year resulting from staff costs. Expanding the EIIS could have significant costs, however the return on investment through making the UK more competitive as a location to build and run new digital infrastructure, as well as cost saving to end users, is likely to have significant benefits.
Benefits	Faster planning decisions can help deliver major projects such as Google's recent £1bn investment as well as Microsoft's £2.5bn investment in UK computer infrastructure. These kinds of infrastructure investments will have benefits for local communities, mostly outside of cities, through both the construction and operations phase. Expanding the EIIS to reduce energy costs for infrastructure providers and costs for end users would be a welcome intervention for the wider economy. In our survey, energy costs were the most significant barrier to business growth in the tech sector, while preventing further energy price rises was seen as the top external threat which tech companies wanted the Government to tackle.

Spotlight on techUK reports I For further information read:

Warming Up to Efficiency: Understanding the potential benefits and pitfalls of data centre heat export in the UK (techUK 2024)

Ensure the UK's R&D regime helps drive further investment into tech capital:

While the UK has developed a competitive R&D tax credit, repeated changes to the scheme have shaken business confidence and driven some R&D investment abroad.

The UK needs a long-term strategy for its R&D incentives that gives business the confidence to invest and helps the UK raise the amount of GDP invested in R&D – which is directly linked to increased productivity.

To improve how the R&D tax credit operates, the Government should set out a five-year plan for the future of the R&D tax credit focused on improving the operations of HRMC and providing better customer service, including the speed of and clarity around claims. After improving HMRC's operations the Government can then consider how to expand the scope of the credit.

Case study | supporting semiconductor manufacturing in the UK: Semiconductor manufacturing is extremely capital intensive over a long period of time. Increasing R&D tax incentives like grants to the sector has been a long term ask and will be vital for reducing the overall cost of manufacturing chips in the UK. The UK has an opportunity to grow new semiconductor fabs such as from companies like Pragmatic Semiconductors and a range of compound semiconductor manufacturers. However, to do so, steps will need to be taken to make the sector more competitive. Reforming planning rules, reducing energy costs and crucially supporting capital intensive R&D will be key.

The first change the Government should examine is including capital investment within scope of the R&D tax credit. A 2021 analysis showed that expanding the qualifying expenditures in the UK Research and Development Expenditure Credit (RDEC) scheme to cover capital expenditure, such as new plants and machinery, could generate a net additional £4bn over 10 years, providing 12,200 new R&D jobs.[7]

[7] New report by WPI strategy calls on the chancellor to reform R&D tax credits – WPI Strategy 2021

How to put this policy into action	
Implementation	The Government should launch a five-year plan for the R&D tax credit. The plan should be sequential with specific stages designed to improve the operations of HMRC in administering the credit ahead of possible expansions. This will help reassure claimants as well as those concerned about fraud and misuse in the system. The first phase of the plan should review HMRC's capabilities at administering the credit, including the time it takes to have claims accepted, tackling clawbacks and wrongful assessments and exploring an option for upfront approval allowing businesses a higher degree of certainty when making R&D investments. These improvements should aim to better assess rightful claims while seeking to reduce fraud and misuse. Once there has been a measurable improvement in HMRC's performance the first expansion should include bringing capital investment into scope of the qualifying expenditures. This would bring the UK's credit in line with those of Ireland and South Korea and has been called for by a wide range of industry voices. Further expansions should consider reviewing the definition of R&D used under the credit so that it aligns the OECD Frascati definition as well as reviewing how the UK's credit could better mirror the Dutch Innovation Box which is often cited as a globally leading R&D incentive.
Costs	Expanding the costs of the R&D tax credit will have a cost to the exchequer in the form of uncollected tax. However, the R&D tax credit results on a return on investment for the UK Government and helps reduce business taxes for companies investing innovation, something our tech sector leaders have called on the Government to do in our polling.
Benefits	Expanding the qualifying expenditures in the UK Research and Development Expenditure Credit (RDEC) scheme to cover capital expenditure such as new plants and machinery could generate a net additional £4 billion over 10 years, providing 12,200 new R&D jobs. Improving the process for claims will allow for greater certainty for businesses when making R&D investments. This is likely to have a positive effect increasing the number of R&D projects started in the UK.

Priority:
Remove barriers to the digitisation of our public services

The COVID-19 pandemic demonstrated how digital technology could help us to reimagine the running of key public services, from justice to health and even Parliamentary debates. However, since the end of the pandemic, the rate at which we are digitising and strengthening our public services has not kept up this pace.

The complexity of the demands on public services is only set to increase and this is not a problem that can be solely fixed by increasing budgets. In the future public services will have to do more with less. Digitising public services can not only save money but also improve quality, interoperability and allow for more tailored service delivery.

This means that reform and investment in technology and digitisation will be critical to ensuring the British people can depend on fast, reliable and high-quality public services. To do this we need to change the way the Government approaches public services and removes barriers to the rollout of modern digital public services.

- **During the pandemic 8 out of 10 people surveyed interacted with public services over the internet, over half (51%) used their smartphones to do so and over half (53%) saw improving ease of logging in as a key feature they would like to see.**
- **84% wanted more public services to be available online but wanted these to be easier to use using tools like how-to videos.**
- **71% of respondents also valued more interactive services. Optimised chatbots that show "empathy" were seen as a beneficial innovation for public services.**
- **AI software that predicts missed appointments and then offers new bookings is already proving majorly successful potentially allowing 100,000 more patients to be seen a year in each of the UKs over 200 NHS Trusts.**
- **AI diagnoses have the potential to reduce treatment costs by up to 50% and improve health outcomes by 40%.**

Fixing how the Government buys digital with a new Technology Procurement Delivery Body:

The UK has a large procurement budget, with £379 billion spent across the UK on procurement in 2021/22. How Government, local authorities and major public services go about procuring new technology and services has a major effect on (i) the value for money for taxpayers get of this budget, (ii) the quality of services procured and (iii) how these funds are used to support the UK economy.

Firms seeking to engage with the procurement system in the UK face a number of challenges that prevent best value for money, can reduce the quality of services and limit the benefits to the UK and local economies. These challenges are:

- **Early and pre-market engagement:** across a range of services, from health to defence to justice and emergency services, Government does not do sufficient, high quality early or pre-market engagement to signal the direction of travel. This kind of engagement helps contracting authorities to have sight of what the market can offer and better shape their procurement requirements. When early engagement is used effectively it can improve the quality of bids as well as opening up contracts to a wider range of suppliers, including start-ups and scale-ups.
- **The capability of Government buyers:**a lack of experience and risk aversion among buyers in Government means that bids for contracts are often given to the 'safe bet' – frequently large incumbent firms, meaning SMEs and start-ups can lose out. Similarly, Government is often reticent to adopt pre-build platforms for its services, instead adopting the approach of developing its own which can often be more costly, time consuming.

Case study | Norfolk County Council: Norfolk County Council have shown the value of Local Authorities engaging early with the market and local communities to find technology-based solutions to issues facing the local area. These have led to the Council taking chances on trials. One such trial includes working with Adult Social Services in the county to trial sensors that track patient activity. This data can be used to support patient independence for longer, as variations in daily routine that indicate a potential issue can lead to earlier interventions to support patients. These trials have come primarily through the early-market work Norfolk County Council has done, alongside collaboration with the communities and partner agencies.

- **Social Value:** social value requirements can often be given a weighting of 10% of the overall score that determines a procurement contract. Social value has the benefit of delivering extra value from a procurement contract, such as additional training opportunities and investment in local areas. However, the requirements can often be ill-defined, mis-aligned with the main contract or otherwise difficult for a range of firms to meet – resulting in an exclusionary practice in procurement contracts.

- **Cyber security:** The past 12 months have reminded us of the risks to our security coming from every corner of the globe from nation-states, criminals, and rogue actors. Cybercrime continues to be a significant threat to government and public sector institutions. There has been a welcome focus on supply chain security, but more needs to be done to ensure secure hardware architecture and software. Procurement levers can be leveraged to help achieve this and the National Procurement Policy Statement (NPPS), which provides national priorities and guidance for contracting authorities, could better set out cyber security requirements for procured goods and services.
- **Legacy IT:** across Government, legacy IT remains a serious problem, costing the taxpayer £2.3 billion annually to maintain IT systems that are less capable and secure. The National Audit Office has estimated that upgrading legacy IT could result in multiple billion pounds of cost savings and help deliver more adaptable and robust public services.
- **Liability:** Government contracts often place significant liability on bidding firms. Excessively onerous contract terms and conditions present are significant unwarranted barriers for commercially sensible SMEs and Scale-ups to engage in procurement. This can result in firms not bidding or conservative service and product designs if the right balance is not struck.

Despite these ongoing challenges the UK has made significant progress in developing world leading procurement approaches with the passage of the Procurement Act, the creation of G-Cloud, the Digital Marketplace buying platform and the Digital, Data and Technology Playbook developed by the Cabinet Office in collaboration with the CDDO and techUK members.

The next Government does not need to spend time establishing new frameworks and instead should focus on driving good practice across the public sector with clear targets and progress reports. This will be particularly important given the new Procurement Act is set to go live in October 2024.

Case study | Recruitment Partnering Project (RRP) natural language processing: Each year around 130,000 people apply to join the military. As part of the army recruitment partnership, around 20,000 applicants currently undergo rigorous medical assessment to determine if they meet the service's standards for the role for which they are applying, including submitting their whole medical record.

Each applicant's record consists of between 50-100 pages of medical information. In 2023, Capita's AI team worked with the Army to build a natural language processing solution. This is helping scrutineers reduce the manual handling time by 40%.

This has made the medical assessment process quicker, cheaper and more efficient in 2023 which we expect to continue in future years of the contract. Capita's Solution was designed and built in accordance with the MOD's 5 Ethical Principles for AI in defence: Human Centricity, Responsibility, Understanding, Bias and Harm Mitigation, and Reliability. The solution also received accreditation for its adherence to the MOD's data privacy and security standards.

Case study | Buckinghamshire Council and Microsoft Copilot: During its trial of Microsoft Copilot, Buckinghamshire Council has seen Contact Centre call times go down with Project Managers saving a substantial amount of time. With Copilot automating the document creation process and streamlining the management of projects this has helped deliver significant productivity savings. One team has seen each member of staff save 90 minutes a day.

The Council is now considering how to integrate Copilot into its social care systems, and following a workshop with Buckinghamshire Adult and Children's services, it has created a wish list of what it would like Copilot to do. This has been shared with other Councils via a Copilot Local Authority group. and will form the basis of further discussions around procuring new technology.

The Government should establish a new Technology Procurement Delivery Body to implement existing policy effectively and at speed. Led by the Cabinet Office, this new Body should bring together Ministers and senior civil servants at a Director General level across key departments with significant procurement footprints, aiming to drive best practice across a broad range of public services and evaluate the effectiveness of public procurement practice.

How to put this policy into action

Implementation	Establish the new Technology Procurement Delivery Body under the leadership of the Cabinet Office in the early stages of the next Government. Membership of the body should include senior civil servants and external appointees. The stated objective of the Delivery Body should be to meaningfully improve procurement processes, tackling the known existing barriers to procurement and having its progress measured against a range of metrics such as SME contracts won, value for money, better outcomes for citizens and positive industry feedback being used to assess success. The Body should be set up with a lifetime of between late 2024 (close to the commencement of the Procurement Act) and 2030. It should be set targets for implementation and annual progress reports. Early focuses should include establishing a new playbook for social value in procurement, establishing timelines for removing legacy IT, supporting start-up and scale-up companies to better access procurement contracts and reviewing cybersecurity requirements. Further, the Body should seek to review and promote best practice in Local Government procurement looking at early and pre-market engagement, standardisation and interoperability of services. The Body should also ask the Public Accounts Committee (PAC) and National Audit Office (NAO) to undertake a full evaluation of how the social value model is performing against its objectives and the extent to which it is providing value for money. Any such assessment should look at the ease with which different sectors are able to deliver social value objectives.
Costs	Broadly cost neutral, relying on driving best practice across departments and reallocation of existing budgets. The Body should have the ability to appoint external advisors and auditors where necessary. Requests for input from the PAC and NAO are also likely to be deliverable within their existing operating budgets.
Benefits	Better outcomes for public services and citizens, creating new opportunities for SMEs and Scale-ups to access the UK's £379 billion procurement budget. Removing legacy IT will help reduce operational costs with old IT systems currently costing £2.3 billion annually on maintenance and repair.

Spotlight on techUK reports I For further information read:

Improving Social Value in Technology Procurement (techUK 2023)

Local Public Services Innovation: Creating a catalyst for change (techUK 2022)

Empower citizens with access to their health data and more choice over services:

A digital approach to providing healthcare will be essential to the future of the NHS. Currently 9.3% of GDP is spent on public healthcare, multiple times the amount spent on national defence. Despite this, overall satisfaction with the NHS, as measured by the British Social Attitudes Survey 2022, has fallen to an all-time low stemming from worsening access, growing waiting times and staff shortages.

Moving towards 2030, the number of people economically inactive will rise to 2.4 million, with most of the increase driven by those aged over 65, making it essential to continue to modernise our health and social care system to ensure we keep our population healthier for longer and support independence throughout the life course.

Doing so means investing in the digital transformation of health and care services to relieve system pressures by improving efficiency, moving care into the community, and enabling a preventative approach to healthcare. From better use of electronic patient records and e-triaging systems, through to virtual wards and data-sharing to provide targeted, early interventions, technology has the potential to transform the delivery of NHS and social care services.

Case Study | techUK's digital health evidence pack showcases over twenty organisations whose digital, data and technology products and services are realising significant benefits for patients, staff and healthcare systems every day.

University Hospitals Coventry and Warwickshire partnered with IBM to implement changes that would improve performance and patient satisfaction in the outpatient department. IBM focused on an approach called intelligent workflow - using process mining, AI, and user centered service design. Within just 8 weeks the numbers of DNAs (appointments not attended nor pre-notified by patients) fell from 10% to 4% (for those eligible for 2 text messages), saving £473,000. Additionally, outpatient flow increased, reducing the patient backlog by 10-15% according to early estimates. Estimates suggest that if this approach was replicated in other Trusts, the increased outpatient capacity would support clearing the current elective backlog within 12 months.

In her review of Integrated Care Systems, Patricia Hewitt recommended the creation of 'Citizen Health Accounts', requiring all health and care providers to publish relevant data they hold on an individual into an account outside the health and care IT systems. This would enable people to be empowered to proactively manage their own health and care. By linking the data to the NHS app, the next Government could provide citizens with a personal gateway to healthcare services, both public and private as well as research activities, such as clinical trials.

This approach was recently recommended by The Times' Health Commission, with so called 'Patient Passports' allowing for an overhaul of outdated and fragmented systems that prevent data sharing between different parts of the NHS and social care.

Case Study | Patients Know Best: In a joint project with the Luton & Dunstable Hospital and Cambridgeshire Community Services, Patients Know Best (PKB) piloted a patient-controlled medical record for children living with epilepsy. Parents were empowered in their role as care coordinators, and primary care data was integrated.

This would ultimately provide a single health and care record around the patient for them to share with every health care provider they encounter and will run until 2023. PKB has had a significant impact on patients, carers, and family. For instance, when a child with epilepsy was admitted into St Mary's Hospital in London, the clinicians had access to the medication regime and medical history, and at discharge, the MRI scan and test results were all available in real time for clinicians in Luton to see.

A single point of access through SystmOne was a significant enabler in the onboarding of other settings including schools and community nurses who can also access and add to PKB. This provided a solution for the interoperability and governance issues frequently encountered and was not confined to a locality. Many stakeholders found that PKB is the first solution to have built in infrastructure to be scalable and interoperable, with the potential to go beyond epilepsy.

By creating Citizens Health Accounts, there is the opportunity to provide citizens with more information and knowledge about their health, more choice over services and health and social care options and the freedom to opt in and out of research, trials and other services. Additionally, this kind of portability and service is likely to encourage greater standardisation across the health service, including across the four nations.

How to put this policy into action	
Implementation	techUK has called for NHS England to take an international, open standards first approach when developing national assets and infrastructure, as well as to provide clarity by centrally mandating, assessing, and enforcing the use of interoperability standards. This will be vital to any approach to Citizens Health Accounts or Passports. The NHS Standards and Interoperability Strategy will therefore need to establish interoperability standards to support sharing of data across the NHS as a first step. A procurement tender will need to be designed to build and support the infrastructure of the citizens health account. Scoping of the project should begin shortly after the election with an ambition to deliver the project by 2030 with trials starting before then in select NHS Trusts.
Costs	Cost estimates will need to be established however requiring interoperability of data across the health service and completing the Federated Data Platform should help bring down costs.
Benefits	Potentially significant improvements in health management and awareness. The creation of new health tech markets and new services, both public and private. Improving preventive care through new services and increasing the awareness of clinical trials.

Spotlight on techUK reports I For further information read:

techUK's Five Point Plan for CareTech
techUK's Integrated Care System report, Right from the Start
techUK's Ten Point Plan for Healthtech

Devise a Scheme for Healthtech Access, Pricing, and Growth:

The UK digital health and life sciences sectors are becoming increasingly intertwined, as technologies such as remote monitoring and AI, drug discovery, apps for medication adherence, and many more, present the potential to improve the pace, precision, and outcomes of many medicines.

For many years the life sciences industry has benefitted from substantial investment, resulting in a thriving sector. In addition, the one-of-a-kind voluntary scheme for branded medicines pricing and access (VPAS), now reformed as VPAG, agreed between the UK Government, NHS England, and the pharmaceutical industry, commits all parties to increasing the access and uptake of the most transformative and cost-effective medicines to support patient outcomes, helping the NHS to plan future spending and resources.

Case study | Big Health and the Scottish Government: In September 2021, the Scottish Government partnered with Big Health, a British digital therapeutics company, to commission nationwide access to two clinically proven digital treatments: Sleepio (for insomnia) and Daylight (for anxiety).

Sleepio and Daylight were integrated into Scotland's computerised Cognitive Behavioural Therapy (CBT) programme. National and local teams collaborated with Big Health to embed the treatments at place-level, across multiple clinical and non-clinical settings. Training was delivered to multidisciplinary teams to avoid siloes and ensure coordinated, joined-up provision, with direct-to-patient promotional activity used to raise awareness outside the clinical sphere, thereby increasing citizen-access.

Given Sleepio and Daylight are fully automated and instantly accessible via laptop or mobile device, this created a truly seamless, destigmatised service. People can now access safe and effective non-pharmacological treatment for insomnia and anxiety wherever and whenever they need it, putting people firmly at the heart of care.

Between September and December 2021, Sleepio and Daylight were accessed by over 4,000 people. Patient-reported data and outcome measures are shared with the Scottish Government to demonstrate impact and identify opportunities for further integration. The partnership continues to expand into 2022 and beyond.

As digital health technologies evolve and innovations within digital therapeutics, AI, data analytics and decision-making support tools continue to improve, the next Government should explore the feasibility and potential benefits of a VPAS adapted for health tech.

If individual NHS Trusts continue to procure health technologies on a one-off basis, there is a risk that health inequalities will widen. For technologies that demonstrate the necessary level of evidence, the Government should consider how it might support national access and uptake. Currently, many digital health technologies (such as digital therapeutics) are required to provide the same level of data as a prescription only medicine in order to receive positive NICE guidance. Despite this, there is no clear reimbursement pathway on the other side.

Digital health suppliers should not have to compete for one off funding pots, and a sustainable approach to reimbursement will be essential to support the continued growth of the health tech industry, as well as securing the benefits it can provide to patients.

How to put this policy into action	
Implementation	Conduct a feasibility study for the introduction of VPAS scheme adapted for health technologies. The study should estimate the future health benefits and cost savings of digital therapeutics and accessibility to patients as the health care system becomes increasingly digitised.
Costs	There would be an increase in day-to-day spending by the health service as a result of this scheme however this would see more money spent on preventative healthcare solutions and held drive longer term savings in the health service by improving health outcomes over time. A VPAS like scheme is also likely to be the most cost-effective way of delivering digital health technologies while also supporting reimbursement for providers.
Benefits	If adopted this would lead to improvements in preventative healthcare as well as increased funding for the UK's digital health technology sector. Additionally, patient choice would be improved as would the population's access to health care.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Priority:
Open the opportunities of the digital economy to everyone:

The UK has a flexible labour market and an open society that can make attracting and bringing in talent relatively easy compared to our competitors.Despite this, the demand for digital skills continues to massively outstrip supply, and upskilling those already in work for the jobs of tomorrow is a major challenge.

By 2030, 7 million workers could be under-skilled for their job requirements, that is around 20% of the total UK workforce.[8] Furthermore, UK firms, especially SMEs, are slower at adopting productivity boosting technologies than our peers in the OECD and EU. Overcoming these skills and adoption challenges will be vital to ensure that our skills base and businesses are positioned to compete and be ready to seize the advantages of AI technologies as these become embedded in the economy.

Additionally, while the tech sector has made major strides to become more inclusive, we need to go further to ensure that women, people from underrepresented backgrounds and those who are not digital natives see technology and the tech sector as an opportunity open to them.

Removing barriers to inclusion requires action to open up learning and retraining pathways, encouraging businesses to be more open to digital adoption and supporting infrastructure that helps everyone feel they can be part of the tech sector, no matter where they live.

- Employers say that only 48% of people leaving full-time education have the advanced digital skills required. Yet demand for these skills continues to grow from businesses across the economy.
- Formal education is just one route to supplying digitally skilled talent, increasing lifelong learning and retraining will be essential. However, in 2022, 55% of adults had either not engaged in any learning since leaving full time education or had done some post-education learning, but not in the past three years.
- In our surveys access to skilled talent has been cited as a significant barrier to the adoption of new technologies.
- A quarter of UK SMEs do not use basic digital tools such as e-commerce, accounting and HR which have been found to boost sales by 18%, 11.8% and 7.5% respectively over 3 years.
- Connected Hubs in Ireland have seen over 10,000 people across rural communities register for hot desks in remote working hubs supporting greater access to tech sector jobs across the country.

[8] UK Skills Mismatch in 2030 – Industrial Strategy Council, 2019

Develop an online Digital Skills Toolkit 2.0:

The Government will need to work with the private sector to deliver transformational package to ensure every individual has the opportunity to explore and build digital skills over their lifetime. Building on the success of the government's Skills Toolkit[9], an end-to-end 'Digital Skills Toolkit 2.0' should be funded to make digital opportunities and pathways more transparent and accessible to more people. It would enable people across all areas of society to understand the digital job opportunities available to them and access training.

Businesses already offer a wide variety of online and in-person training, from basic digital skills right through to courses on the latest technological developments. We need to find a way to bring these initiatives together and increase the confidence people have in investing their time in training opportunities.

Case Study | Amazon aims to provide free AI skills training to 2 million people by 2025: Amazon is announcing "AI Ready," a new commitment designed to provide free AI skills training to 2 million people globally by 2025. To achieve this goal, they are launching new initiatives for adults and young learners and scaling existing free AI training programs—removing cost as a barrier to accessing these critical skills with the creation of eight new and free AI and generative AI courses.

Case Study | Deliveroo in work retraining: Deliveroo is building a stronger gig economy, offering self-employed riders, the flexibility they value, while strengthening the benefits offered to riders, including representation through the GMB union. Riding is often a stepping stone to a new career - and for some, their first taste of work.

Deliveroo offers riders digital skills training through Open Classrooms, an online learning provider, which they can fit around their fully flexible schedules. Around 3,000 riders have completed digital short courses, and 200 have completed more intensive associate degree level qualifications in web development, digital marketing and IT technician programmes. Over 50 have now moved into full-time careers in their chosen area.

Not only would this help businesses, but also the IT and computer science teachers who are instructing the next generation. A digital toolkit will allow them to keep up with the latest developments in computing and pass these on in lessons, improving the digital skills of Britain's young people.

[9] The Skills Toolkit – gov.uk

How to put this policy into action	
Implementation	Open a tender for the construction of a digital skills toolkit platform, techUK worked with Deloitte to produce a model for a Digital Skills Toolkit that could be used as the basis for any procurement contract.
Costs	Funding for a new Digital Skills Toolkit could be drawn from the operational budgets of the Department for Education and DSIT.
Benefits	The platform is likely to have a wide range of benefits for users from across learners, jobseekers, employers and those seeking to return to the workforce. The platform would be able to be utilised by a range of stakeholders and could be a significant tool to tackle the digital skills gap which is estimated to cost the UK up to £63 billion per year in lost GDP.[10]

Spotlight on techUK reports I For further information read:

Digital skills: Establishing a digital learning pathway – our model for a Digital Skills Platform.

Making AI work for Britain – our report on how to take advantaged of AI in the workplace.

Fast Forward for Digital Jobs – recommendations to support learners and employers on digital skills.

[10] The UK's Digital Strategy– DCMS 2022

A comprehensive plan for digital adoption by 2030:

The UK is home to some of the most innovative firms in the world, yet currently over, a quarter of UK SMEs still do not use basic digital tools. This is despite the fact Software such as customer relationship management (CRM) software, digital accounting software and E-commerce software have been found to boost sales by 18%, 11.8% and 7.5% respectively over a 3-year period.

Low adoption rates for UK SMEs are a particular risk as AI technologies begin to come onstream. AI will first be deployed through updates to currently in use business software, meaning if UK companies are behind on basic digital adoption, they will soon be behind on AI adoption as well.

This is a fundamental issue of competitiveness. Businesses that are less able to adopt and utilise digital and AI technologies will be outcompeted by their rivals, who will be able to produce larger volumes of goods and services significantly more cheaply. Generative AI tools, which are beginning to be rolled out across a range of digital products, are already showing an ability to increase business productivity by 14%.[11]

The digitisation of business also helps Government better understand what is going on in the economy. From oversight of payments and transactions to tax collection, to the health of our businesses. Had our economy been more digitised when the pandemic hit, the widespread use of Digital ID, e-invoicing and the completion of making tax digital would likely have allowed the Government to take deliver more targeted support and more effectively combat fraud as well as reducing the impact of late payments for SMEs.

Case study | Australia's Single Touch Payroll (STP): Australia launched its Single Touch Payroll in July 2018. The system works by automatically reporting tax data to the Australian Tax Office whenever an employee is paid. Data about the amount of tax paid is then displayed to employers and employees in real time, with 13.5 million Australian employees having real time access to their tax and super payments position.

The data collected can be utilised across Australia's government agencies, including the Australian Social Welfare Agency, who can use the data to streamline welfare claims and ensure claims are decided upon more quickly. The STP was made mandatory from July 2018 for employers of 20 employees or more, with smaller employers given until July 2019 to ensure they could transition to digital solutions.

As well as reducing the cost and complexity of filing tax returns, the STP allowed Australia to provide JobKeeper wage subsidies to employers during the Covid-19 pandemic, the largest economic stimulus measure in Australian history, just several weeks after the policy was announced.

[11] Generative AI at Work, National Bureau of Economic Research - 2023

Around the world our competitors are seizing on the benefits of digital adoption. The EU's Digital Decade programme[12] sets targets to digitise the economy by 2030 while countries like Singapore's tax digitisation programme has shown that businesses could achieve time savings of 95% (from 8 hours to 15 minutes) by using accounting software to prepare and file corporation tax returns[13].

In the UK however we have not had a coordinated and consistent strategy to support digital adoption. With the Help to Grow Digital Programme failing and the delayed rollout of Making Tax Digital for self-assessed taxpayers costing the Treasury £1.75 Billion in lost revenue, according to the House of Commons Public Accounts Committee[14].

The rollout of AI technologies across digital services could be a major game changer, with research from Amazon suggesting that with AI now embedded digital technologies could add an additional £520 billion to the UK economy by 2030[15]. However, at the moment UK SMEs are poorly position to seize this opportunity. We therefore need action and to develop a comprehensive plan to drive digital adoption.

According to our members, the best global examples of government's supporting SMEs to digitalise tend to have the four main characteristics:

1. **Financial Incentives to adoption:** overcoming the cost barriers SMEs face to digital adoption. Costs were cited in our survey as a barrier to adoption and micro businesses in particular tend to benefit from financial incentives.

Case study | Digital Adoption fund: an analysis by one of techUK's members found that a 140% deduction against corporation tax to support the adoption of productivity boosting could knock 10% off the cost of most software purchases. If a cap on claims were set at £50,000 and the incentive was restricted to SMEs it would allow each company to benefit from up to £5000 off new software. A costed analysis suggests this incentive scheme could be run for a year by utilising the £300 million originally earmarked for the Help to Grow: Digital programme. Up to 600,000 SMEs could benefit with the most likely beneficiaries being micro businesses.

2. **Innovative infrastructure and underpinning regulation:** well-designed regulation and infrastructure such as e-invoicing, making tax digital, open finance and digital ID encourage digital adoption across businesses.
3. **Peer to peer learning:** businesses learn best from one another. Peer to peer learning has been effective in other jurisdictions. The UK's Made Smarter Programme has also shown how this kind of support can help drive adoption of complex technologies in manufacturing.

[12] Europe's Digital Decade: Digital Targets for 2030 – European Commission
[13] Seamless Filing from Software (SFFS) for business/ employers – Inland Revenue Authority of Singapore
[14] House of Commons Committee of Public Accounts, Progress with Making Tax Digital - 2023
[15] Accelerated Adoption of AI could help the UK achieve tech superpower status by 2028 – Amazon 2024

Case study | Belgium's e-invoicing programme: governments around the world have identified that the advancement of electronic invoicing in businesses can result in significant administrative savings. The Belgian Government has set a target of requiring all B2B invoices to be done electronically by 2026. An analysis in 2014 found that the total cost of invoicing for Belgian private sector businesses in 2014 amounted to €3.47 billion (0.96% of GDP).

By moving to fully digital invoicing by 2026 this could cut the cost to the private sector by more than half, brining it down to just €1.46 billion (0.38% of GDP). The additional benefits of this target will go beyond cost savings scheme will include encouraging wider digital adoption, giving the Belgian Government greater oversight of the health of the economy and helping tackle late payments.

4. **Coordinated Government:** having an overarching and well publicised vision and strategy with clear targets, a responsible senior Minister and additional responsibilities spread across Government and its agencies have helped drive success in other jurisdictions.

How to put this policy into action

Implementation	The Government's digital adoption taskforce should complete a comprehensive review of the barriers to digital adoption and make recommendations to the Government by the end of 2024. However, these recommendations won't be enough on their own. A single Minister should be identified, with responsibility for driving digitisation across the economy and delivering on the taskforce's recommendations. In our view, this should be the DSIT Secretary of State with other lines of responsibility in the Treasury, the Department for Business and Trade and No.10. The Government should produce a comprehensive digital adoption plan with targets for 2030, including recommendations across financial incentives, regulatory nudges, supporting peer to peer learning with clear delivery dates to support coordinated Government action.
Costs	Most of the plan and regulatory changes will be able to be enacted using existing Government operational spending. Targeted financial incentives would cost the same as the Help to Grow Digital programme that was allocated a budget of £300 million.
Benefits	This would have significant benefits for economic growth and productivity, as well as improving Government oversight of the economy, and providing a greater ability to enact targeted policy interventions.

Develop a network of Connected Hubs to open tech sector to everyone, no matter where they live

Taking inspiration from the Irish Government's Connected Hubs policy the Government should explore a scheme to deliver connected hubs across the UK. In Ireland the policy involves the creation of remote and co-working spaces across rural and suburban communities in Ireland, known as Connected Hubs.[16]

The Connected Hubs network began with four hubs in the West of Ireland and has grown to almost 400, providing over 5000 desks and 500 meeting rooms in suburban and rural communities across Ireland with excellent internet connectivity and co-working software.[17]

The programme is delivered through a bidding system and the Irish government has also launched a Connected Hubs Voucher Scheme, which will give remote workers free use of their local digital hub. Where free access is not available, use of the hub can cost as little as €10 per day.[18]

The policy is expected to drive economic activity in rural and regional areas. It aims to support local enterprise activity, broaden the customer base for local areas, and create new routes into the tech sector. Further benefits include supporting local economies, helping communities co-locate support services such as childcare, and assist in reducing carbon emissions.

Case study | BT and OneWeb work with UK Government to provide internet to Lundy Island: Lundy Island lies 19 kilometres off the coast of North Devon, and is home to a Marine Conservation Zone, 21,000 seabirds, and 28 people on a permanent basis.

BT and OneWeb have partnered with the UK Government to provide connectivity to this very hard to reach area of the United Kingdom. Connection is delivered though a OneWeb terminal on Lundy, which connects to BT in London and the wider internet via OneWeb's 630 Low-Earth Orbit satellites.

The scheme will support activities across the island that require the internet, with one resident saying the scheme will make scientific conservation easier, allow increased engagement between the island and mainland students and researchers, as well as support video contact with the mainland in case of emergency.

An initial €5 million was announced to support the development of Ireland's first national network of remote working hubs[19], with additional funds added to the policy over time due to high take-up. The Connected Hubs policy has also helped leverage in private investment A notable example is the partnership with Zoom, a global peer-to-peer and online collaboration platform.

The policy is expected to have significant place-based economic benefits and will help increase access to tech sector and digitally intensive jobs across the UK. The Government should review the feasibility of such a scheme in the UK and launch an exploratory taskforce in the early stages of the next Parliament.

[16] Our Rural Future: Minister Humphreys announces a new partnership between the national Connected Hubs network and Zoom – gov.ie 2022
[17] Connected Hubs ie. – Connected hubs ie
[18] Subsidy to help pay cost of working in remote hubs under consideration – Irish Times 2022
[19] Our Rural Future: Minister Humphreys announces €5 million Connected Hubs Fund – gov.ie 2021

How to put this policy into action	
Implementation	DSIT and the Department for Levelling-up Housing and Communities should conduct a feasibility study of a mirror scheme to the Irish Connected Hubs programme in the UK. This study should begin as soon as possible and aim to report back ahead of the next fiscal event.
Costs	The connected hubs programme began with an initial investment of €5 million and was increased over time due to high take-up. A similar scheme in the UK might require up to £50 million of initial investment based on the difference in size of population. Costs could be reduced or high value for money obtained through a range of public/ private partnerships, such as the one between the Irish Government and Zoom.
Benefits	Creating new co-working space across rural and sub-urban communities. These co-working hubs will have direct benefits for their users as well as local economies. Hubs could be used to co-locate services such as childcare and fitness centres as well as providing a focal point for local economies. Additional benefits will be obtained by reducing road traffic and carbon emissions.

Priority:
Leverage new technology to keep us safe online and tackle fraud

Access to the online world has been one of the great achievements of time. Opening up our economy and democratising information in a way never thought possible only a generation ago.

However, like the offline world, Governments, industry and society at large need to take steps to secure our public sphere and protect us from new emerging threats. While the UK made significant progress through the passage of the Online Safety Act, the next Government must continue to work closely with the industry and regulators to ensure the law is working effectively and it helps encourage and promote companies to take action and develop new products and technologies to uphold the aims of the Act.

techUK has led work with the Government both through collaboration on legislation but also via partnerships to tackle online fraud and cyber threats. Over the next five years these kinds of partnerships need to be developed in order to build the responsive and adaptable framework envisaged by the Online Safety Act to keep the British public safe and to deal with new threats to our society, economy and national security.

- **The UK is a highly internet enabled society with 93% of adults over 16 having access to the internet at home, according to Ofcom's 2023 Online Nation Report.**
- **The benefits of the internet are widely seen with 71% of adult internet users in the UK saying that, for them personally, the benefits of being online outweighed the risks. Just 6% disagreed.**
- **However, UK adults and children are increasingly aware of online harms and new legislation in the Online Safety Act aims to reduce these harms while maintain the benefits of the internet.**
- **Following misinformation and offensive content, scams, fraud and phishing were the third most common online harms experienced by UK adults.**
- **Technologies such as AI scanning and digital IDs can play a powerful role in helping people avoid online harms and can provide extra security against fraud – while still preserving the benefits of internet access.**

An Online Safety Sandbox:

In today's digital age, the internet plays a pivotal role in our lives, offering significant economic and social benefits. However, it also exposes individuals to various online harms, from traditional threats such as fraud and violence against women and girls to emerging harms, including the threat of deepfakes and mis and disinformation. While legislation such as the Online Safety Act is now in place, we need to further encourage in scope services and the wider tech supply chain to develop innovative tools and services to improve Online Safety.

Case Study | Chainalysis and the Shutting Down of iSpoof: iSpoof was a tool that enabled scam callers to impersonate institutions such as banks, allowing scammers to steal over £100 million. An international group of law enforcement agencies, including the Metropolitan Police Service, the FBI, the Dutch National Police and others, worked together to shut down the iSpoof website and sentenced the administrator to 13 years in prison. Operation Elaborate was the largest ever proactive fraud operation in the UK.

Using tools such as Chainalysis' Reactor and KYT to investigate the cryptocurrency flows that were a part of this fraud, law enforcement agencies and the private sector were able to use effective data analysis and sharing to bring down a significant fraud-enabling organisation.

Case Study | ICO Regulatory Sandbox: The ICO's Regulatory Sandbox is a free service which supports organisations who are creating innovative products and services which utilise personal data and focus on emerging technologies and biometrics. Participants engage with the Sandbox team and draw upon wider ICO expertise and advice on mitigating risks and embedding 'data protection by design' into new products, helping them get to market with a high degree of confidence they meet regulatory standards.

The sandbox enables companies who want to test new ways of using data to trial this in a secure environment with regulatory oversight. It also helps the regulator to better understand developments in the market. Evidence from fintech companies' use of sandboxes shows companies who utilise sandboxes are on average 50% more likely to raise capital than those who don't, and firms entering the sandbox see an increase of 15% in the amount of capital raised post-entry.

An Online Safety Sandbox dedicated to help companies test and develop new technological solutions that help them, or their customers, deliver the objectives of the Online Safety Act would provide an invaluable tool for a range of businesses who would benefit from regulatory oversight, particularly in the sensitive areas the Online Safety Act touches on.

The sandbox could cover a range of the issues that are subject to the new Act. Such as protecting children online, preventing fraud, tackling disinformation and misinformation and helping tackle foreign interference. Establishing such a sandbox will also be important as Metaverse and Web 3.0 technologies continue to be developed and deployed. Providing companies with an important new tool to test safety features.

Similar to other sandboxes an Online Safety Sandbox would have both benefits for the regulator by giving it greater sight of the state of the technology in the market, and for businesses allowing better testing, learning and supporting investment into new safety technologies.

How to put this policy into action	
Implementation	Ofcom should lead the development of the Sandbox. Government should provide support through a Strategic Steer as well as via letters to other regulators and organisations requesting they support the sandbox.
Costs	The cost of the sandbox will depend on the numbers of companies Ofcom intends to select and the kinds of projects it is able to support. While the coverage of the sandbox will be a matter for Ofcom we would suggest child protection, fraud, misinformation, foreign interference and preventing violence against women and girls should be covered by the sandbox. If the cost of the Sandbox is not able to be covered from Ofcom's existing budget it could bid for funding from the Regulators Pioneer fund or discretionary funding could be provided by Government.
Benefits	The Sandbox would have the dual benefit of helping develop new technology solutions to support the implementation of the Online Safety Act as well as improving the work of the regulator.

Ensure that digital ID technologies can be used across all sectors and public services:

The development of digital identity technology provides a promising means for people to participate in the digital world with ease as well as providing significant protection themselves from growing online threats, such as fraud.

There is enormous opportunity in giving parity to digital IDs across the economy and public services, empowering citizens with the choice to use them. The use of physical IDs must remain an option for those who want to use them, particularly when job seeking or accessing public services, however a health digital ID market could significantly cut the cost of accessing public services as well as improving functionality.

Helping this nascent market grow into a strong tech ecosystem should be a key priority for the coming years in order to help UK companies seize a stake in a global market predicted to value $40.44 billion by 2027.[20]

Therefore, the next Government should introduce a package of statutory measures and guidance to enable Digital IDs to be used widely and with as little friction as possible.

Scottish Improvement Service' partnership with Yoti Digital ID to provide secure access to public services: In 2014, the Scottish Improvement Service launched myaccount, a single sign-on portal that gives citizens access to different online public sector services with one username and password. Citizens could create an account to do things such as pay council tax, request a parking permit or pay for school meals. However, to carry out services that required a higher level of identity assurance, citizens had to attend an office with ID documents to prove their identity in person. The Improvement Service wanted a way that citizens could prove their identity from within the myaccount and securely re-authenticate themselves to access services from multiple service providers. With Yoti embedded into the myaccount portal, people no longer need to go into an office to verify their identity in person. Instead, they can prove who they are digitally during the registration process. Using Yoti to sign in to myaccount offers a high level of security that protects accounts with 2FA biometric authentication rather than username and password.

[20] Unlocking UK Digital Identity in 2022 – techUK

How to put this policy into action

Implementation	The Cabinet Office show engage in a short policy sprint of no more than six months bringing in Digital ID companies to identify a package of measures to create a parity between digital and physical IDs across the economy. This would build on the provisions contained in the Data Protection and Digital Information Bill and a consultation on digital ID for age verification on alcohol purchases. The Cabinet Office should develop the sprint into a clear set of recommendations and guidance to be implemented in the early days of the next Government. Devolved Government's will need to be engaged to ensure that there is a consistent policy for Digital IDs across the UK.
Costs	Costs should be able to be absorbed by the Cabinet Office and Government's existing operational budgets.
Benefits	Significant benefits in the growth of the UK Digital ID industry, reductions in costs for a range of public services and a reduction on lost economic activity through stronger fraud mitigation.

Priority: A new regulatory model that recognises the strategic economic importance of our regulators

As technology has become more ubiquitous and central to our day to day lives the regulation of digital services and cross cutting technologies has grown.

The UK's post-Brexit settlement has been to delegate increasing powers to regulators. While on balance this is the correct approach, allowing experts to interpret the policy aims set by Government and take technical decisions closer to the market, it has put significantly more power in the hands of a range of independent regulators. These regulators will now take enormous market shaping decisions across key technologies, such as AI.

96% of tech sector output and 81% of exports is in services, where regulation is key for product deployment and R&D. Many tech companies now will see their regulators as their key decision makers, with regulatory policy and behaviours increasingly determinative for decisions around investment and growth.[21]

While more power has been handed to regulators, they have also gained more responsibilities, from taking on files that were previously held at an EU level to being asked to respond to the effects of rapid technological innovation.

A greater role and greater responsibilities for our regulators needs also to be met by greater resourcing, but also greater accountability and direction. Without this regulators are likely to either buckle under the pressure they face, or drive major policy decisions that are not sufficiently informed and may run counter to the overall aims of the Government.

- **Individual regulators have oversight of significant parts of the economy. For example, sectors regulated by Ofcom, Ofgem and Ofwat account for 13% of all UK private investment with these regulators not subject to a growth duty until 2024.**
- **The UK is served by around 90 different regulators, many of these regulators will have a diverse range of duties and responsibilities with none of this clearly published or regularly reviewed.**
- **When researching our UK Tech Plan members highlighted unclear regulation as one of the main hesitations for building an investment case for the UK.**
- **In our polling business regulation emerged as a top three weakness of operating in the UK market.**
- **Sir Patrick Vallance's Pro-innovation review highlighted the importance of regulatory clarity and certainty for businesses focused on commercialising emerging tech.**

[21] UK Tech Plan – techUK 2023

A new pro-growth framework for regulators:

To account this era of rapid technological innovation we need a new pro-growth framework for our regulators. One that provides sufficient resources for them to do their jobs while creating greater strategic oversight and direction setting commensurate with their growing responsibilities and importance.

- **National Audit Office, 'State of the Regulators' report:** the National Audit Office should have a new role to examine the UK regulatory system, publishing at least annually a 'State of the Regulators' report setting out publicly and clearly each regulators responsibilities, duties and sectoral coverage. The report should also analyse whether regulators are providing responsive services, such as licensing and approvals, as well as analysing the resourcing and skills requirements across the system. The report should also take a view on the extent to which regulators are fulfilling their duties and supporting better consumer outcomes and economic growth.
- **An enhanced Growth Duty:** The Growth Duty should be extended across all UK regulators and comparable authorities. Regulators should be required to report against the statutory guidance for the Growth Duty and its focus on sustainable economic growth. In addition to its existing guidance the Growth Duty should encourage regulators to horizon scan and actively identify opportunities to support businesses to innovate and bring new products to market in a safe way.

  In its operations the Duty should encourage regulators to find new routes to raise finance or create efficiencies. This might include mechanisms to pay for faster authorisation or looking to provide automatic approvals if other similar regulators in other jurisdictions have already done so.
- **Increased strategic direction from Government:** Government must play a greater role in overseeing increased delegated responsibilities to regulators. We have already begun to see this, however this has largely been through ad hoc events such as via the AI White Paper. This must be changed so there is a more regular series of strategic dialogues. Strategic Steers to regulators should continue to be used, however, to account for issues that may develop between steers being issued, the Government should have an ability to issue 'Interim Strategic Directions' to regulators. These should be used in response to urgent emerging issues with the ability to set regulators tasks to work with industry and stakeholders to address regulatory questions. Such Task and Finish Groups have been successful in the past, for example in coordinating activity to respond to online fraud and could be used to help quickly answer regulatory questions across a range of markets.

  These kinds of measures must however never compromise the independence of the regulatory system and should be focused on questions of future regulation and regulator behaviours, not on regulatory decisions or enforcement.

Case study | Online Fraud Steering Group: Set-up in 2021 the Online Fraud Steering Group (OFSG) was assembled by Government bringing together techUK, UK Finance, the National Economic Crime Centre and the Home Office to coordinate a response to the growth of online fraud. The Group which was give strategic direction from Government has over a short space of time significantly reduced financial scam ads, almost eliminating these on some tech platforms and delivered further commitments including major platform redesign through the Government's Online Fraud Charter.

Further task and finish groups plan to tackle push-payment fraud and task and finish groups. The OFSG shows how commitment work between Government, regulatory bodies or agencies and the private sector can achieve significant results in response to fast moving and emerging issues without the need for legislation.

- **A mechanism for a policy steer:** There is a growing recognition that where regulators require a clarification in their remits when they run into complex policy questions or those with significant trade-offs then Government should step in. This should take the form of a mechanism to allow regulators and the sectors they regulate to request a policy steer from Ministers. Such an approach has been recommended both by techUK and the House of Lords Industry and Regulators Committee[22] as a route to speeding up and clarifying UK regulation.
- **Increase funding for the regulators pioneer fund:** the fund currently supports regulators through grants to test new approaches to regulation aimed at encouraging business innovation and investment. The fund has been successful but is oversubscribed. Further the single competition window per funding round limits the ability for longer term, higher impact projects that could help drive innovation, automation and stronger business services from regulators. The fund should therefore be given budgets that stretch over the course of a Parliament (5 years) and the value of the fund should be quadrupled to £60 million with half of the fund earmarked for regulators. This will be vital given the increasing demands likely over the next decade on regulators.
- **Regulatory collaboration:** the Digital Regulation Cooperation Forum (DRCF) has been a welcome innovation by regulators to collaborate on cross cutting areas of regulation. The DRCF's work as helped improve the process of developing regulation as well as improving the joint working by critical regulators for the digital sector. Government should continue to encourage regulators to collaborate in this way, by encouraging MoU's, supporting access to shared resources, for example via funding from the Regulators Pioneer fund and enabling access to shared infrastructure such as computing power.

[22] Who watches the watchdogs? Improving the performance, independence and accountability of UK regulators - House of Lords Industry and Regulators Commi6ee 2024

How to put this policy into action	
Implementation	No.10 Downing Street should commission a cross economy review of our regulatory system and task key lead departments such as DBT, DSIT, the Cabinet Office, DCMS and DEFRA among others to enact the new pro-growth framework for regulators following the suggestions made by techUK. This would build on the existing work already completed in the Government's Smarter Regulation review. Additionally, responsibility for 'Better Regulation' should be moved from DBT to DSIT reflecting the growing importance of the regulatory system to new and emerging technologies.
Costs	Much of the new framework can be implemented using strategic steers, letters, and the ability of Government to set direction for regulators. However, costs will be incurred to increase the funding of the Regulators Pioneer Fund and provide the NAO with new resourcing to run the state of the regulators report.
Benefits	Given the importance of good regulation to many high value sectors, such as AI, bio-tech, fin-tech etc, developing a strong comparative advantage in the regulatory environment could have significant benefits for private investment into technology markets in the UK.

A commercialisation of tech taskforce:

Providing clear regulatory guidance, getting products authorised and sending out pro-innovation signals to industry is vital to enable innovation at the boundaries of different sectors and seize first mover advantages in new technology areas.

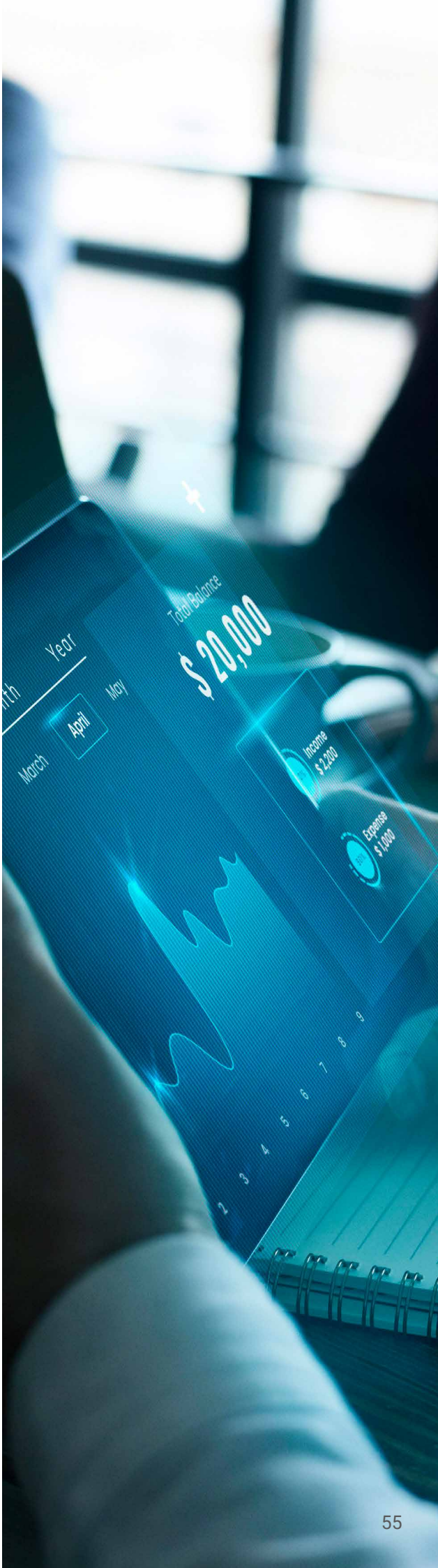
For example, the UK Fin-tech sandbox and supportive regulatory environment for financial technology has been credited as part of the success of the UK's fintech sector which accounts for over 10% of the global fintech market and generates over £11bn in revenue in the UK.

However, while the UK has seized the advantage in fin-tech we lost ground in other areas. The slow regulatory process for lab grown and cultivated meats has been seen as a missed opportunity for UK start-ups who want to take part in a global market estimated to be worth half a billion dollars by 2030. Currently none of these products available for sale at the beginning of 2024. This is despite the first regulatory approvals in Singapore taking place in 2020.

To address this the Government should establish a permanent commercialisation of tech taskforce that can identify select technologies with high potential and move to provide regulatory certainty at speed.

The taskforce should bring together regulators, businesses and Government in a series of Task and Finish Groups aiming to identify and resolve fundamental barriers to commercialisation within the regulatory system. The taskforce should run 12-month sprints focused on a select number of technologies that can then be extended if necessary.

Some immediate opportunities for such taskforces include, web 3.0, mobile pay as you go, lab grown and cultivated meats, open-source AI technology and the deployment of self-driving vehicles.



Case study | Mobile Pay as You Go (PAYG): Mobile PAYG has the potential to transform rail journeys across the UK. Delivering "London style" best fare promise, addressing the key customer concern about choosing the right fare, and the perception that rail is too complex.

Customers use their mobile phone to activate their journey, and to pass through any ticket gates. The app uses a range of technologies to determine the journeys made, charging the best fare for the customer. It works with the existing infrastructure on the rail network, and therefore can be quickly implemented in all regions, without the need for public investment. The app also allows for discounts, such as railcards, and provides customers information such as times, platform numbers and delays.

Responsibility for rolling this out resides with Great British Rail Transition Team (GBRTT). GBRTT appears to be following an approach of centrally specifying, piloting, procuring and implement such a solution, and have spoken of a summer 2024 proposal to Ministers, with potential trials Winter 2024, and rollout in 2025.

It does not need to take this long. Instead of centrally specifying, piloting and procuring a solution, GBRTT could simply give permission to existing retailers to offer these capabilities. This would be quicker to market and would have no cost to GBRTT/Government. Identifying these opportunities and moving quickly to commercialisation could therefore have significant benefits for both the public and private sectors.

How to put this policy into action

Implementation	A permanently staffed taskforce should be set up within DSIT. The taskforce should be staffed by civil servants but be able to utilise industry secondments and appoint temporary members of staff and paid external advisors to help deliver its policy sprints. A member of staff within the Secretary of State's private office should also sit within the taskforce to ensure that the taskforce can leverage the convening and motivating power of the Secretary of State.
Costs	There will be a cost attached to standing up the taskforce and brining in the necessary external expertise. These costs could be covered by DSIT's operational budget however the Government should consider a specific funding pot to establish the unit and give it a clear budget. This budget need not be significant. Given the taskforce would be a significantly smaller undertaking than the AI Safety Institute its annual budget could be £2 million per year.
Benefits	Improving commercialisation and targeting specific markets every 12 months could see the taskforce make significant returns on investment. For example, the Automated Vehicles Market could be worth £41.7bn to the UK economy by 2035 if commercialisation can take place[23]. Similarly, the UK Quantum industry contributes £1.7bn to the UK economy and has grown by 81% since 2013[24]. Quantum technologies are on the verge of a range of commercial applications and could deliver even more significant benefits to the UK economy if they can be rolled out.

Spotlight on techUK reports I For further information read:
Quantum Commercialisation: Positioning the UK for success (techUK 2022)

[23] Transport and environment statistics 2022 - Department for Transport
[24] What's the value of the quantum economy? – CBI 2023

Priority:
Help UK tech companies scale across the country

The UK has established itself as a strong place to start a tech business, with our polling highlighting the ease doing a business and good networks for collaboration within the tech sector as particular strengths.

Further a strong university and spin-out environment, good routes to access talent through specialised visa routes, and the good availability of early-stage capital also contribute to making the UK a strong tech market.

However, as start-ups grow, the UK's business environment creates barriers to that growth and scaling.

From energy costs to access to key infrastructure such as lab space and manufacturing sites to access to long term patient capital to regulatory barriers and a difficult procurement system, scaling a company in the UK can be a major challenge for many tech business leaders. While some will be successful many more will opt to exit the market or sell up.

Cracking Britain's scale-up challenge is now more important than ever. A difficult year in VC markets have meant that once available capital is more restricted. Government efforts to open new investment options from pension funds and institutional investors are the right policies, but it will take time. In the interim we will need to do more to create new funding opportunities, for example through procurement, opening up markets to tech solutions and moving quickly to remove regulatory barriers that can artificially hold companies back.

Getting this right will be vital for the future of our tech industry as well as for the wider economy. Scale-ups have enormous potential, an analysis of the 100 scale-ups within techUK's own membership shows a potential growth rate of 36.5%. techUK 's group of tech scale-ups having doubled the number of people they employ over the past five years and could employ as many as 20,000 people in the near future.

- Only 1% of UK SMEs are scale-ups, however these companies generate nearly £500bn of turnover.
- techUK's own Scale-up companies more than doubled their headcount between 2019 and 2024.
- Scale-ups cite skills shortages, regulation, tax, late payment, availability of premises and finance as some of their main barriers to growth.
- In our survey over one third of tech leaders in SMEs (36%) found it difficult to access Government support while a quarter (25%) said they found it difficult to access finance in the UK.
- Poor market regulation and difficult procurement frameworks can close of new customers and valuable contracts to growing British tech scale-ups.
- Successful scale-ups have powerful innovation and ecosystem effects helping bolster local economies and supporting the growth of other tech companies.
- An analysis using platform Data City by techUK shows that if we could keep the UK's scale-ups on their current trend growth we could add an additional £30 billion in revenue in the information and communication sector alone.

Continue the Scale-up Sprint:

techUK worked closely with the Government on the development of its Scale-up support package, including a scale-up forum, scale-up advice service and support to help scale-ups navigate regulation and gain access to Government data. As part of this the Government announced a scale-up policy sprint, acting on the recommendations of techUK's UK Tech Plan.

The Policy Sprint should take a test and learn approach to interventions to support scale-ups. The sprint should use the announced Scale-up forum to co-design policies between scale-ups and Government officials.

The policy sprint and scale-up support package should be accepted by all political parties and the next 12 months should focus on rapidly building out this package into practical, deliverable recommendations for change.

The policy sprint should be led by the Scale-up Forum and DSIT but bring in regulators, the British Business Bank, National Infrastructure Bank investors and representatives from the tech and financial services industries to tackle key policy questions.

Subgroups should be established to work directly on key policy questions. The sub-groups should focus on:

- **The scale-up visa:** reviewing the effectiveness of the scale-up visa and UK visa system for scale-ups to support access to global talent.
- **Planning and infrastructure:** analysing the availability of lab spaces and infrastructure for UK scale-ups. The sprint should consider additional support or guidance to support scale-ups to overcome planning barriers, for example through a planning approval fund and account manager style support through the advice service to encourage Scale-ups to seek approval for new investments.
- **Talent pipelines**: developing practical ideas to connect to scale-ups to pools of talent, for example by facilitating partnerships with universities, allowing greater certainty over when visas will be granted by the Home Office and connecting scale-ups to national and devolved Government skills initiatives.
- **Finance:** reviewing the progress of the Governments Mansion House and Edinburgh reforms, the culture of investment in the UK and the skill base of public investment banks. The review should also include working with banks and scale-ups on new forms of lending against Intellectual Property and intangible assets as well as alternate finance options such as debt financing.

  A group similar to the Productive Finance Working Group should be created within the Scale-up Forum and with partners such as techUK, the financial services sector and others to develop suggestions for new finance packages for scale-ups and identifying any policy or regulatory barriers.
- **Opening markets:** identifying markets within the UK where tech innovation could drive significant change but where there are blockers to commercialisation. For example, enabling the use of Mobile Pay as You Go technologies, delivering smart data schemes, digital health products and supporting the commercialisation of autonomous vehicles could provide much needed additional customers for tech scale-ups.

Case Study – ORCHA, waiting and recovering better: NHS Humber and North Yorkshire (HNY) Integrated Care Board (ICB) looks after the NHS spending and performance across a region home to 1.7 million people. As part of its Recovery in Primary Care Plan the ICB used the Health App Library provided by the Organisation for the Review of Care and Health Apps (ORCHA), utilising the library to put the right apps in the hands of the right people at the right time. ORCHA enabled the library to be highly configurable, adding a dedicated campaign landing page to drive targeted health app adoption.

During August and September, the programme saw 7,648 people visit the page, and approximately 27% of these people download a health app as a result. Based on NICE evidence, each download helps save the NHS £93 in costs. Over eight weeks, this campaign not only helped provide support to people when they needed it, but also saved the NHS £189,906. If continued over one year, the saving could exceed £1 million to this one Care Board.

However, as a tech scale-up ORCHA and its partners need routes to access public service markets and secure reimbursement for their investment. Currently these pathways are difficult or not available for many scaling companies.

- **Nations and regions:** reviewing different scaler and start-up support initiatives across the UK's nations and regions, identify how to better facilitate joined up thinking and reflecting on best practice. This Sprint should bring in representatives from local and devolved Government.
- **Diversity and Inclusion:** A sub-group of the Scale-up Forum should be created with the specific aim of exploring routes to overcoming barriers for female scale-up leaders as well as those form other underrepresented backgrounds.
- **International expansion:** with tech companies minded expanding into new markets a sub-group of the forum should explore what information and support scale-ups need to expand and export internationally. The findings of the sub-group should inform the scale-up advice service and makes suggestions such as how to improve and update the great.gov website to reflect opportunities for expansion across a range of within foreign market.

How to put this policy into action	
Implementation	The Government's Scale-up Forum should aim to constitute itself and establish the membership of its relevant subgroups by the summer of 2024. Sub-Groups should be tasked to produce a report including practical and implementable recommendations within six months of being formed. The Government should engage with and respond to these reports, setting out how it will deliver any recommendations by mid 2025. The sub-groups working, and reports could follow a similar model to the successful Sir Patrick Vallance Pro-innovation Regulation of Technologies Review.[26]
Costs	No additional fiscal cost is expected in the near term. DSIT should leverage external expertise and support from trade associations and industry forums to enable the delivery of the scale-up forum's sub-groups recommendations without straining the resources of the Department. Depending on the policy recommendations made by the sub-groups there may be further fiscal costs.
Benefits	The forum's recommendations could have significant benefits to science and technology scale-ups potentially supporting significant increases in employment and value add to the economy.

Spotlight on techUK reports I For further information read:

techUK creates new Scale-up Group to support the UK Government's Scale-up Sprint Initiatives (techUK 2024)

[26] Pro-innovation Regulation of Technologies Review: Digital Technologies - Sir Patrick Vallance and HM Treasury 2023

Priority:
A new approach to trade and technology in a more fractious world

In a more fragmented global economy and a less secure world, the UK tech sector is exposed to disruptions, risks in global supply chains and the erection of new trade barriers.

Technology products need diverse raw materials and minerals that often come from unstable places. Meanwhile, tech manufacturing is heavily located in East Asia, and companies rely on sea routes to deliver these goods to markets across the globe. The trade in ICT services, on the other hand, has also been facing growing uncertainty as companies need to navigate increasingly complex regulatory requirements in different jurisdictions.

With heightened geopolitical tensions, countries in the West have focused on building strategies for 'economic security'. However, these policies, such as the United States of America's CHIPS Act and the Inflation Reduction Act, and the responses from the EU with the Net-Zero Industry Act, demonstrate a lack of coordination and result in potentially costly competition between allies.

In our recent report Open and Secure: Charting a path for UK tech in a world of resurgent strategic competition[27], techUK set out a number of recommendations on how the Government can support its growing tech sector in navigating this new world. From building out partnerships to secure our supply chains, ensuring the UK remains a committed campaigner to support the multilateral system, reviewing our investment screening rules to developing a new way to work with industry on trade policy.

- Over 67% of the UK's service exports worth £190.3 billion are digitally delivered.
- Services exports to non-EU countries increased by 17.9% between 2021 and 2022, while services exports to the EU increased by 22.7% in the same period.
- Analysis from Salesforce found that the UK and Japan lead the G20 countries when it comes to the ease of cross-border data flows (Data Free Flow with Trust), followed by Australia, Singapore, and the United States.
- According to the British Business Bank, around 9% of British SMEs are exporting, compared to 44% of German SMEs.
- Trade openness, measured as the sum of a country's exports and imports divided by its gross domestic product (GDP), fell 8 percentage points between 2019 and 2021.
- Tech companies want to expand globally, our survey found 77% of tech leaders either already had plans to expand into other markets or would likely consider doing so in the next five years.

[27] Open and Secure: Char/ng a path for UK tech in a world of resurgent strategic compe//on – techUK 2023

Put Digital Economy Agreements at the heart of UK trade policy:

The United Kingdom has a unique opportunity to be a standard-bearer for digital trade. The UK has been a major beneficiary of the rise of digital trade with over 67% of service exports worth £190.3 billion being digitally delivered. It must ensure that these services providers are not subject to data localisation requirements or tariffs, which would be especially burdensome for UK tech SMEs.

By securing digital economy agreements that support seamless data flows across borders while upholding robust data protection standards, the UK can foster an environment conducive to innovation, sustainable growth, and international cooperation.

Furthermore, with the landmark Electronic Trade Documents Act now on the statue book, the next UK Government can play a key role in promoting the adoption and interoperability of electronic trading systems around the world through pilot projects with key partners, involving industry stakeholders and key regulators.

Case Study | UK-Singapore Digital Economy Agreement: The UK-Singapore Digital Economy Agreement (DEA) aims to capitalize on the UK's strengths as a major services and digital exporter, fostering a new era of modern goods and services trade between the UK, Singapore, and the broader region.

The agreement also facilitates the cross-border free flow of data, supporting efficient manufacturing, supply chains, and infrastructure. The DEA includes five associated cooperation agreements that cover fintech, digital customs, cybersecurity, digital identities, and electronic trade documents. The DEA establishes new tech partnerships, fostering collaboration in artificial intelligence, fintech, lawtech, and data innovation between the UK and Singapore. The DEA is akin to a 'living FTA', making it able to be adapted to new innovations without renegotiation. The deal provides a mechanism for the UK and Singapore to use cross-stakeholder engagement to inform the implementation and further modernisation of the agreement.

Using DEA's to cut the cost of exports through adoption and mutual recognition of border processes and paperless trade with e-signatures, and e-contracts is a key way in which can help boost UK tech exports – especially from SMEs – by making exporting cheaper and easier.

How to put this policy into action

Implementation	The next Government should review a priority list of countries to deepen bilateral digital trade ties with, with a view to increasing exports of digitally delivered services. This should consider series of promotional domestic roadshows and webinars that advertise the agreements that are already signed and those that will be signed in the future. Webinars should be targeted at suitable firms that are not exporting or could increase their export potential and should focus on explaining to businesses what these agreements mean and how they can be operationalised. The UK-Australia & NZ FTA Roadshows are a good example where the Department for Business and Trade have run interactive sessions across the country and virtually to educate companies on how they can utilise these agreements.
Costs	The Department for Business and Trade can subsume the operational cost of a review and subsequent promotional activities under its wider annual budget.
Benefits	The key benefit of digital economy agreements being signed with likeminded nations would be to boost UK exports while solidifying the next Government's credentials as a digital trade leader. A key part of boosting trade can be achieved by adoption and interoperability of the Electronic Trade Documents Act with other electronic trading systems. The need to boost adoption is needed at the country and legislative level as well as at the company level. If implemented properly, DEAs can be effective on both of these levels. The Electronic Trade Documents Act is set to add £1bn to the UK economy over the next decade. Experts at the Institute of Export and International Trade predict that the full digitalisation of trade data could add £25bn to UK GDP. DEAs can play a key role in boosting SME trade , analysts at Capital Economics claim that unlocking just 10% of SME export potential could add £29 billion per year to export revenues, supporting around 215,000 direct jobs and 50,000 additional jobs in the professional and scientific sectors alone.

Establish more Tech Bridges to support high growth sectors access key markets:

One of the key barriers to UK SMEs and Scale-ups exporting internationally are the rules and regulations behind the border. With the rising levels of tech regulation around the world, a new government will need to work with like-minded partners to ensure we diminish trade barriers arising from regulation.

One way to do this is the establishment of international regulatory sandboxes in appropriate markets, enabling cross-border experimentation while ensuring compliance with applicable regulations and standards.

These can be built on the success story of the UK-Australia fintech bridge. A key reason for the success of these Tech Bridges are the bilateral regulatory sandboxes offered to selected companies. Regulatory sandboxes offer a controlled environment for testing innovative products and services within a flexible regulatory framework, and help those companies scale into new markets.

The next Government should do a review high-growth emerging technology sectors and their needs in regard to international expansion - especially the technologies chosen in the FCDO's International Tech Strategy - and identify a selection of Tech Bridges that it should aim to negotiate in the next Parliament. Tech Bridges can either be negotiated in addition to existing FTAs or with partners where an FTA is harder to reach.

Case study | The UK-Australia Fintech Bridge: the UK-Australia Fintech Bridge, like the other Fintech Bridges that the UK has signed, is aimed at improving the regulation of fintech companies, strengthening trade flows, improving access to capital, and improving the scale-up opportunities internationally. As part of the Bridge, the Department for Business and Trade and AusTrade have brought delegations of their own fintech companies into each new market.

Under this agreement, the regulatory authorities, the FCA and Australia's ASIC, commit to supporting the entry of FinTech start-ups from each other's jurisdictions into their regulatory sandboxes. Additionally, there is a commitment to regular dialogue, occurring at least quarterly, to exchange information on emerging market trends and their regulatory implications. The UK-Australia FinTech Bridge aims to enable the testing of innovative ideas across both countries. This can improve the quality of domestic and international fintech regulation and thus have a positive impact on helping fintech companies scale-up.

The Fintech Bridge has seen 42 UK fintech companies expand into Australia, with a further 16 due to expand over the next year. The Fintech Bridge with Australia works so effectively because it is combined with the removal of data localisation in the UK-Australia FTA and provisions around mobility, services, intellectual property, and more, making it much easier for fintechs to operate between both countries.

How to put this policy into action

Implementation	The next Government should review the lessons learnt from the success of the UK-Australia and Singapore Fintech bridges, and consider some of the other subsectors of technology that could feature in similar future agreements. The next Government should make regulator-to-regulator dialogue – which leads to more effective, adaptable, and harmonised legislation – a key reason for the success of the UK-Australia Fintech Bridge. Another reason for the initial success of the UK-Australia Fintech Bridge was the delegation of fintech companies that were taken over to Australia on a trade and fact-finding mission. The Government should strongly consider implementing similar trade missions for targeted sectors in future agreements.
Costs	Costs should be able to be absorbed by the Department for Business and Trade and Government's existing operational budgets.
Benefits	The benefit of following this policy would lead to the further expansion of high-growth UK tech sub-sectors such as fintech, as well as sectors in the International Tech Strategy. The UK-Australia Fintech Bridge was a huge success in terms of helping UK Fintechs expand overseas (42 since 2018) but also in terms of boosting inward investment.

Spotlight on techUK reports I For further information read:

Open and Secure: Charting a path for UK tech in a world of resurgent strategic competition (techUK 2023)

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