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Press release

UNDER EMBARGO UNTIL 11 March 2024 AT 00:01 AM

techUK set outs seven priorities for growth as tech businesses raise concern about the cost of doing business in Britain

- *techUK survey of 250 businesses highlights growing cost of doing business in the UK with energy prices raising the greatest concern*
- *Tech leaders however are prioritising growth and plan to expand into new markets*
- *techUK sets out seven recommendations for the next government to capitalise on tech*

LONDON, 11 March 2024: As the UK prepares for the upcoming General Election, techUK, the technology trade association, has outlined seven priorities that the next government should act on to deliver the benefits of technological innovation.

The seven priorities build on techUK's UK Tech Plan, published in June 2023, which highlighted a wide range of strategic opportunities for the government to leverage technology to build a stronger Britain.

Alongside the seven priority actions, techUK has also published polling of 250 senior decision makers within UK tech companies. Conducted with Public First, the poll asked respondents about the business climate in the UK for the tech sector, as well as what businesses wanted to see from the next Government.

Concerns growing about the cost of doing business:

Tech companies continue to view the UK positively in terms of ease of doing business (70% scoring the UK above 5 out of 10) and around one third of respondents (36%) felt it was easier or much easier to do business in the UK than in comparable countries.

However, there are concerns about the weaknesses in the UK's business environment with energy costs (24%), the level of business taxes (23%) and regulation (15%) the top choices when business leaders were asked to pin-point the most significant downsides of operating in the UK.

Energy costs (34%), software costs (25%) and the need for a skilled workforce (25%) were seen as the biggest barriers to technology adoption.

But with the right policies tech can drive economic growth:

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However, with the right policies in place, tech and innovation can help to get the UK back on track to much needed economic growth.

The survey shows the strong growth ambitions of UK tech businesses both in the UK and overseas. The tech leaders surveyed said their number one ambition over the next five years was to grow their business, with just under half picking this option (45%), while over three quarters (77%) said they already had plans to, or were likely to consider, expanding their business internationally.

AI presents a huge opportunity together with the infrastructure needed to deliver it:

Unsurprisingly, AI was seen as the most significant new technology for tech businesses – AI tools, excluding generative AI, were seen as the biggest game changer with 38% of respondents picking this as the technology that held the greatest opportunity for their business. Generative AI was selected by 15% of respondents.

However, AI can only deliver if we have the infrastructure to support it and tech leaders also highlighted high speed internet connectivity (31%) and cloud computing (30%) as key technologies for their business operations.

techUK sets out seven priority actions for the next government:

Economic growth will be essential for the next government to deliver on its manifesto pledges and, with the right policies in place, the tech sector can be a growth engine for the UK.

Building on its 2023 UK Tech Plan, techUK has set out seven recommendations for the next government that build on the UK's strengths and successes to drive the long-term sustainable growth that the UK needs.

The priority actions include:

- **Update the UK's AI Strategy and deliver incentives for vital capital investment** – this would help diffuse AI across the economy, reduce the cost of infrastructure and extend tax breaks to energy intensive tech companies.

- **Remove barriers to the digitisation of our public services –** by implementing existing reforms already on the statute book through a new Technology Procurement Delivery Body and making it easier for citizens to manage their health through the NHS App.

- **Expand the opportunities of the digital economy to everyone** through new skills initiatives, a strategy for digital adoption by 2030 and placing connected hubs in rural communities, replicating a successful scheme in the republic of Ireland.

- **Leverage new technology to keep us safe online and tackle fraud** – through a new Online Safety Sandbox and creating parity between digital and physical Identities.

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- **Create a new regulatory model that recognises the strategic economic importance of our regulators –** taking action driven by the Department for Science, Innovation and Technology and Number 10 to cut the cost of regulation and encourage innovation.

- **Help tech companies scale across the UK** by identifying new funding opportunities and markets for UK scale-ups.

- **Adopt a new approach to trade and technology in a more fractious world –** with new digital economy agreements and '*tech bridges'* with close allies.

By addressing these seven priorities early in the next parliamentary term, the government can unlock the transformative potential of digital innovation.

A concerted effort would not only address the immediate challenges but also equip the government to confront the challenges and opportunities that lie ahead.

Julian David, CEO of techUK, said:

"The UK has strong foundations to build on, with a very competitive business environment for tech. But to achieve the economic growth which the whole economy needs, we must keep raising the ambition.

"By removing unnecessary barriers to innovation and putting in place the reforms and investment needed, we can bolster our innovation ecosystem right across the UK, supporting a stronger economy and better public services.

"This is the UK tech sector saying firmly that it wants to work with the next government to tackle the biggest, long-term challenges we face. These seven actions present some practical steps forward that we can – and need to – take towards the future we need."

-ENDS-

Notes to Editors

The full report can be downloaded here.

A summary of techUK's seven priority actions can be found below:

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

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		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 shepherd 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.

A summary of the polling can be found below:

techUK/ Public First Polling. Fieldwork, 9th Feb - 24th Feb 2024, via Online Survey of senior business decision makers in the Tech Sector. Total sample size 253

Part 1: 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.

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

Part 2: 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

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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.

Part 3: 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

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About techUK

techUK is the technology trade association that brings together people, companies and organisations to realise the positive outcomes of what digital technology can achieve.

With over 1000 members (the majority of which are SMEs) across the UK, techUK creates a network for innovation and collaboration across business, government and stakeholders to provide a better future for people, society, the economy and the planet.

By providing expertise and insight, we support members, partners and stakeholders as they prepare the UK for what comes next in a constantly changing world.