

Press release

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techUK's Local Digital Index unveils key insights into the UK's tech landscape

- *Levelling up the UK's regions could add £4.8 billion to the economy*

LONDON, 16 October 2023: techUK, the leading technology trade association, is today publishing the third iteration of its annual Local Digital Index. The Local Digital Index, which has expanded significantly since its inception in response to the evolving tech landscape, offers valuable insights into key aspects of the UK's tech ecosystem.

Three years on, the Local Digital Index still presents a varied picture of the UK's tech sector across the nations and regions amidst challenging economic conditions, both domestically and internationally. While the digital ecosystems across the UK have overall improved since 2020 thanks to government and business intervention, a concern emerges that technological innovation may be outpacing the speed at which the UK is embracing these transformative changes.

Notable findings across the Index's seven components show:

- **Digital Infrastructure:** improvements in digital infrastructure observed across the UK, even in rural areas, with better broadband speeds and expanded mobile coverage nationwide. Notably, the West Midlands ranks second nationally through good 5G connectivity to over 80% of homes and gigabit broadband to over 73% of premises.
- **Digital Skills:** although there are ongoing concerns about the availability of digital skills in the current and future workforce, exacerbated by the scarcity of reliable digital skills data, many regions perform well in this component. 61% of people in London and the East of England access public services online.
- **Digital Adoption:** the Index presents a mixed picture with declining business counts and varying regional digital employment shares everywhere in the UK except Yorkshire & The Humber.
- **Finance and Investment:** the Index observes increased Foreign Direct Investment (FDI) in the Information and Communication Technology (ICT) sector in some regions, although venture capital and equity finance are still heavily concentrated in London. The nationwide fall in high growth companies since last year is a concern, especially as this continues a trend going back to 2018.

- **Research and Innovation:** a welcome rise in spending has been observed nationwide, with the South East leading the way, but concerns arise from reductions in R&D tax credits and grant funding in certain regions, including the North East.
- **Trade:** the data on goods and services exports is up across every region, however, the regional disparities remain, and gaps aren't closing between regions since 2022's Index. For example, the gap in service exports between London and the North West of England has increased since 2022 (by £1,608m).
- **Data Ecosystems:** as an important component that was added to the 2023 edition of the Index, it highlights 33% of businesses in the North East say they share their data with public bodies, charities and not for profits, the highest of any area in the UK.

Unlocking the Significance of Digital GVA

In a significant addition to the Index, techUK has incorporated regional Gross Value Added (GVA) data for the digital sector and its per capita implications. This data reveals that:

- **London:** the digital sector's GVA per person in London stands at £9,083.
- **West Midlands:** by comparison, the West Midlands reports a GVA per person of £2,055.
- **Scotland:** Scotland records a GVA per person of £1,979.
- **Wales:** Wales reports a GVA per person of £1,348.

The Index highlights the potential for growth and economic development by bridging the gap in Digital GVA between regions. If the six regions with the lowest Digital GVA – the South West, East Midlands, Yorkshire and the Humber, North East, Northern Ireland, and Wales - reached the UK median, it could contribute a remarkable £4.8 billion to the UK economy. This infusion of resources would result in new jobs, companies, opportunities, growth, and improved productivity, positively impacting regional economies across the country.

techUK's recommendations

While the UK's tech sector has displayed resilience in the face of challenges, techUK emphasises the need for ongoing intervention to support the sector through ten recommendations to businesses and local and central governments.

1. **Improve data leads to improve policy making:** collecting good data is key to understanding if policies, interventions and programmes are working.
2. **Modernise the National Curriculum:** ensuring digital literacy, digital skills, and digital ethics education are cross-curricular and integrated throughout primary and secondary education.
3. **Update and renew the path for Apprenticeships and Skills:** the UK should help raise British workers' pay by £5.69 billion by making the Apprenticeship Levy more flexible, delivering an Employment Bill, and building an online Digital Skills Toolkit to help individuals and employers identify accredited courses to boost digital skills.

4. **Provide clear support to businesses starting and growing in the UK:** the UK should help provide more certainty to the on-support schemes by making the Enterprise Investment Scheme (EIS) and Venture Capital Trust (VCT) schemes permanent as well as reforming the Seed Enterprise Investment Scheme (SEIS) by raising the cap for both investors and start-ups.
5. **Incentivise businesses to stay in the UK:** having a pro-growth approach to regulation, digital IDs in financial services, Smart and Open Data schemes, leading on AI governance, with a long term strategy for R&D incentives and reducing the cost of R&D facilities to incentivise businesses to stay in the UK as they expand overseas.
6. **Meet regional digital strategies with a new National Digital Inclusion Strategy:** a new National Digital Inclusion Strategy could create specific funding to support digital inclusion projects across the regions allied to data shared and a specified need for tech and business engagement in digital inclusion strategies.
7. **Create a Small Business Digital Growth Allowance:** a new Digital Growth fund is required to keep digitising the UK economy and support SME to adopt digital technologies.
8. **Provide digital support to Rural & Coastal areas:** DSIT and DEFRA should coordinate flexible support to help farmers adopt equipment and products, update practices and embrace digital technology.
9. **Provide Digital Infrastructure – from coverage to uptake:** Government should work with telecommunication companies, devolved government across the UK, and elected Mayors to measure the uptake of better digital infrastructure.
10. **Ensure Investment Zones' regulation reform and planning is expedited:** increasing pace to ensure all Investment Zones are agreed and operating by January 2025. In addition, the absence of an Investment Zone in the South West of England should be remedied.

As we move forward, techUK calls on all stakeholders to recognise the importance of these findings and work collaboratively to ensure that the UK's tech sector continues to thrive.

Julian David, techUK CEO, said:

"techUK's Local Digital Index paints a revealing picture of the UK's tech landscape, showcasing both its strengths and opportunities. Most importantly, the report underscores the immense potential of bridging the Digital GVA gap between regions, which could inject a staggering £4.8 billion into the UK economy and create more jobs for people across the UK.

"To realise this potential, we urge businesses, governments, and stakeholders to embrace the recommendations outlined by the report. By embracing digital literacy, supporting skills development, and enhancing infrastructure, we can build a thriving tech ecosystem that benefits every corner of the UK."

Minister for Tech and the Digital Economy Paul Scully said:

"We are focused on making the UK the best place for tech firms to start, scale, and stay, a mission underscored by our status as the third country in the world to build a \$1 trillion tech sector.

"We're steadfast in our commitment to ensuring that the benefits and growth of the tech sector are felt in every corner of the country. This report not only affirms our progress so far but also demonstrates the vast potential of regional hubs like Birmingham. Building a nation where innovation thrives all the way from Land's End to John O'Groats is central to our plans to cement the UK's status as a science and technology superpower by 2030."

-ENDS-

Notes to Editors

- The Local Digital Index is being launched at Birmingham Tech Week today (16 October 2023) at BT's offices.
- The Index relies on publicly available and transparent data sourced from various government agencies across the UK's nations and regions.
- The regionals press releases for the West Midlands and Scotland are available [here](#).
- The full report can be downloaded [here](#). (from 00:01 on 16 October)
- [techUK's Nations and Regions website hub](#)

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 around 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.