techUK Spending Review Submission

February 2025

About techUK

techUK welcomes the opportunity to feed into Phase 2 of the Government's multi-year Spending Review.

techUK is a membership organisation launched in 2013 to champion the technology sector and prepare and empower the UK for what comes next, delivering a better future for people, society, the economy and the planet.

It is the UK's leading technology membership organisation, with more than 1,100 members (the majority of which are SMEs) spread across the UK. We are a network that enables our members to learn from each other and grow in a way which contributes to the country both socially and economically. By working collaboratively with the Government and others, we provide expert guidance and insight for our members and stakeholders about how to prepare for the future, anticipate change and realise the positive potential of technology in a fast-moving world.

Executive Summary

2025 represents a pivotal moment for the United Kingdom and its economy. The decisions made during this multi-year Spending Review will shape the course for the rest of this Parliament and the decade. We recognise the challenging fiscal position that the Government currently faces. However, by doubling down on digitisation of the economy, this is a crucial opportunity to achieve productivity gains, drive higher business investment and growth, and secure the UK's position as a leader in emerging domestic tech markets.

In the recent Autumn Budget and Phase 1 of the Spending Review, techUK was pleased to see the Chancellor act on recommendations from techUK's Growth Plan.[1] These measures will help drive business investment and productivity increases in the medium term. They include improving technology adoption in public services through clear targets, encouraging digital adoption in SMEs through new pilots, and protecting the UK's R&D budget.

There are reasons to be optimistic. The upgrading of the UK's IMF growth prospects in 2025 shows the UK is moving in the right direction, and the UK has strong fundamentals on tech as well. As outlined in our Growth Plan, and response to the Industrial Strategy,[2] the Government can harness the potential of tech and digitisation to achieve its five missions, including securing the highest sustained growth in the G7. This is a sector now valued at over $1.1 trillion and already transforming daily lives, businesses, sectors, and public services.[3]

The AI Opportunities Action Plan also marked a step in the right direction. The Plan is comprehensive in scope and, if executed, could spark a 'quiet AI revolution' in how the Government and business operate. AI alone could boost UK GDP by £550 billion by 2035.[4] The Prime Minister has also recognised that 'artificial intelligence is the defining opportunity of our generation'.[5]

But there is now a fierce global race over the key technologies that will shape the future. From AI and Quantum to green technologies, competition between governments to attract talent, grow clusters of innovative technology companies, and be the first to deploy revolutionary digital public services has never been greater. These future technologies do not just offer to increase growth but will make working life easier and more rewarding across the economy, improving the quality of life of workers who use these technologies. In this global race for the future, the UK has many of the building blocks, including a robust regulatory system and rule of law,

[1] techUK (2024) 'Growth Plan'
[2] techUK (2024) 'Industrial Strategy Green Paper'
[3] Tech Nation (2024) 'Tech Nation Report 2024'
[4] Microsoft (2024) 'AI could boost UK GDP by £550 billion by 2035, research shows'
[5] Financial Times (2025) 'Britain doesn't need to walk a US or EU path on AI'

already in place to succeed and address potential risks. But our success must not breed complacency.

Despite more positive news for the UK growth,[6] the 2024 Autumn Budget's heavy tax rises on businesses will have an immediate impact. This sentiment was reflected in techUK's member snap reaction survey, where most respondents rated the Budget as having a negative impact on their business.

Failing to seize the moment risks resurrecting familiar challenges: underinvestment undermining the UK's international competitiveness, deepening regional inequalities, reducing living standards, and jeopardising progress toward the Government's tech ambition. As we look back on this decade in 2035, it should be remembered as a time of bold and decisive action.

To achieve these aims, the Government must continue to forge a collaborative partnership with the UK tech sector, working together to swiftly address structural barriers that hinder technological development and deployment across the economy and public services. The modern industrial strategy presents an opportunity for this. Such a strategy must ensure ongoing efforts through the cross-Government review of tech adoption, 10-Year infrastructure Strategy and AI Opportunities Action Plan are consistent and make the most use of public finances to deliver return on investment for taxpayers.

Our response is framed through the following priority areas:

1. **Digital and tech adoption to support growth sectors:** ensuring digital tech can be adopted across all businesses and sectors of the economy. Utilisation of digital tools could save SMEs the equivalent of multiple working weeks annually, and up to 1.2 hours per week per worker.[7]

   This starts with long-term funding package for practical interventions like the Made Smarter Adoption Programme across the identified growth-driving sectors, creating headroom and certainty for all businesses to adopt digital technology.

2. **Enabling the delivery of effective and efficient public services:** leveraging the role of digital and tech adoption, including transformative productivity and efficiency increases, for public services. According to research, if AI is rolled out effectively across public services, it could save the UK's public sector over

[6] IMF (2025) 'United Kingdom and the IMF'
[7] Cambon et al (with additional support from the entire AI and Productivity team at Microsoft (2023) 'Early LLM-based Tools for Enterprise Information Workers Likely Provide Meaningful Boosts to Productivity'

£17 billion by 2035[8] - roughly half of what the UK currently spends on defence each year[9].

This starts with delivering the AI Opportunities Action Plan and outlining a roadmap and funding for implementing the accepted recommendations, with timelines and metrics for success. Along with allocating adequate funding to address legacy technology in public services.

3. **Creating a pro-business environment:** supporting the skills development, infrastructure, tax environment and regulation to underpin the sector to overcome barriers and invest. For instance, HMRC reports that every £1 of tax forgone through R&D tax relief results in up to £2.70 of additional investment in R&D by UK companies.[10]

   This starts with setting out a front-loaded spending profile for R&D to reach 3% of GDP by the end of this Parliament.

4. **Place-based support to create a dynamic tech ecosystem:** unlock the potential of all regions of the UK through the transformative effects the tech sector can bring, including by developing tech clusters.

   This starts with launching a review into the use of SIC codes to capture the true shape of the digital economy and providing funding certainty to deliver on the modern industrial strategy.

Our response aligns with the upcoming modern Industrial Strategy and HM Treasury's call for the multi-year spending review to focus on areas of effectiveness, value for money, support for growth, sectoral impacts and locational impacts. We note that clear prioritisation is integral. Therefore, techUK, on behalf of our members, makes a strong strategic case for spending and policies that we believe will deliver on the Government's missions.

To further ensure delivery, techUK follow the Institute for Government[11] and NAO[12] in calling for the Government to commission ongoing 'Dutch-style' reviews of policy between spending reviews to ensure building the evidence base is a continuous process.

[8] Microsoft and Public First (2024) 'Unlocking the UK's AI Potential: Harnessing AI for Economic Growth'
[9] OBR (2023) 'A brief guide to the UK public finances'
[10] HMRC (2020) 'Evaluation of the Research and Development Expenditure Credit (RDEC)'
[11] Institute for Government (2024) 'How to run the next multi-year spending review'
[12] National Audit Office (2024) 'A planning and spending framework that enables long-term value for money'

Summary of top techUK recommendations

Government mission	techUK recommendation	Expected impact and growth benefit over SR period
Growing the economy	Commit to the ambition for total R&D spending to reach 3% of GDP by the end of Parliament.	£100 million of public R&D investment could be expected on average to yield, in 6 years' time, an increase in annual private sector productivity worth £40 million. [13]
Growing the economy and opportunities for all	Provide funding certainty for the UK Shared Prosperity Fund (UKSPF) to support the delivery of the modern Industrial Strategy.	UKSPF enables local authorities to have flexibility to invest across a range of activities that represent the right solutions for their areas.
Growing the economy and opportunities for all	Ringfence funding to pilot, and rollout, measures accepted by the Government within the interim SME digital adoption report. This will shore up UK SMEs to be digitally confident and take advantage of emerging technologies like AI.	The OBR has predicted that the widespread use of AI technology could support raising productivity by half a percentage point by 2028/29.[14]
Growing the economy	Begin delivering the AI opportunities action plan by outlining a roadmap and funding for implementing the accepted Government recommendations. This should also include timelines and metrics for assessing success.	According to research, if AI is rolled out effectively across public services, it could save the UK's public sector over £17 billion by 2035. [15] The increasing prevalence of AI in people's working lives opens up new opportunities rather than just threatens traditional patterns of work.
Growing the economy	Address legacy technology in critical services, assigning appropriate funding to manage legacy technology and co-ordinate transformation. This is a vital foundation to realise plans to use AI more in public service delivery.	Modern systems can be scaled to handle increased demand, ensuring long-term sustainability.
Growing the economy	Launch a review into the use of SIC codes to capture the true shape of the digital economy.	Government programmes and funding often target specific industries. Updated SIC codes can help ensure that resources are allocated more effectively to the sectors that need them most.
Growing the economy	HMRC resources should be channeled into improving the effectiveness of existing digital services and delivery of flagship digital economy programmes.	Simplifying and digitising the tax system has the potential to significantly boost productivity with some businesses

[13] GOV.UK (2024) 'Returns to Public Research and Development'
[14] OBR (2023) 'Economic and fiscal outlook – November 2023'
[15] Microsoft and Public First (2024) 'Unlocking the UK's AI Potential: Harnessing AI for Economic Growth'

		experiencing gains of up to 11.8%.[16]
Growing the economy and net zero	Extend the Industrial Energy Transformation Fund (IETF) with a funding pot equivalent to current phases until 2030.	The Fund targets existing industrial processes, helping industry to cut energy bills by investing in more efficient technologies and reducing emissions by adopting transformational low carbon technologies.

[16] GOV.UK (2020) 'Building a trusted, modern tax administration system'

Digital and tech adoption to support growth sectors

The modern Industrial Strategy green paper [17] highlights that accelerated technology adoption, particularly beyond our frontier firms, could drive significant productivity gains.[18] While the UK ranked fifth out of 133 countries in the World Intellectual Property Organisation (WIPO) 2024 global innovation index, it ranked only 31st in knowledge absorption - an organisation's ability to integrate new information and processes into its day-to-day operations.[19]

To drive success across identified growth-sectors, including digital and technology, the Government must work with businesses, both large and small, to address current obstacles to adoption. It should recognise that SMEs often face different challenges to larger businesses and therefore require targeted, tailored support to create headroom and cashflow for technology adoption and investment.

Second, 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, around 20% of the total UK workforce,[20] and yet participation in adult learning has not increased significantly since the early 2000's.[21]

Overcoming these skills and adoption challenges will be vital to ensure that our skills base and businesses are positioned to compete and will be ready to take advantage of emerging technologies such as AI.

[17] GOV.UK (2024) 'Invest2035: the UK's modern industrial strategy'
[18] ONS (2023) 'Trends in UK business dynamism and productivity'
[19] WIPO (2024) 'Global Innovation Index'
[20] Oxford Learning College (2023) 'Skills Gap Statistics UK 2023'
[21] IFS (2023) 'Adult skills spending down by a third since early 2000s'

Government mission	techUK recommendation	Expected impact and growth benefit over SR period
Growing the economy and breaking down barriers for all	**Ringfence funding to pilot, and rollout, measures accepted by the Government within the interim SME Digital Adoption Taskforce report.** **Situation:** The Government must act to better support digital adoption among SMEs (particularly micro and small businesses), unlock untapped productivity and keep ahead in the race to leverage technologies like AI for businesses. This a question of international competitiveness, with the UK already falling behind competitors on digitisation. While UK SMEs have digital capability, it is generally overstated with a perception gap between how SMEs view their digital confidence and readiness versus that of SMEs in the UK's international peers.[22] **Complication:** Across the UK's 5.5 million small and medium-sized enterprises (SMEs) — which account for 99% of all businesses — digital adoption remains a persistent challenge. Although management and technology uptake are deemed critical by many SMEs, research by Be the Business indicates they invest less in these areas compared with peers in other G7 nations. Research by the Federation of Small Businesses[23] has shown that small businesses do want to innovate and digitise, but often lack the time, resources and expertise of larger organisations to make this a reality. Demonstrating a lack of confidence among SMEs, the British Chambers of Commerce's Insights Unit recent survey from 2024[24] of over 1,200 businesses (predominantly SMEs) found that 43% of businesses had no plans to use AI technology. When looking at the barriers to adopt AI, many businesses reported thinking that they had a lack of understanding of AI, as well as concerns around investment cost, reliability, or risks of scams or privacy. **Resolution:** The Autumn Budget 2024 confirmed the release of an interim report led by the industry-led SME Digital Adoption Taskforce. This report explored key challenges and proposed initial recommendations to better support SMEs digitisation.	The UK is home to some of the most innovative firms in the world and a natural place for businesses to adopt digital and emerging technologies. We are currently ranked fourth on the Global Innovation Index 2023 and highest ranking G7/G20 economy.[26] Research from the Federation of Small Businesses reveals small businesses that introduced innovations into their business have seen a 14.8% increase in revenues as a result of doing so.[27] Additionally, research from techUK member Sage found that solving untapped tech adoption could boost the UK economy by £232 billion annually.[28] **Department:** Department for Business and Trade

[22] Be the Business (2023) 'Be the Business G7 Productive Business Index'
[23] Federation of Small Businesses (2023) 'The Tech Tonic'
[24] British Chambers of Commerce (2024) 'Most SMEs still struggling to embrace AI'
[26] WIPO (2024) 'Global Innovation Index 2024'
[27] Federation of Small Businesses (2023) 'The Tech Tonic'
[28] Sage (2022) 'Digital Britain: How small businesses are turning the tide on tech'

	techUK contributed to the development of this (some of which are outlined below) and recommend allocating funding to implement the accepted recommendations. This will support on delivery of a modern industrial strategy. We note that Help to Grow: Digital was previously allocated £296 million. [25] Following its failure, the Government should look to use this budget elsewhere to support the digitisation of UK SMEs.	
Growing the economy and breaking down barriers for all	**Begin delivering the AI opportunities action plan by outlining a roadmap and funding for implementing the accepted Government recommendations. This should also include timelines and metrics for assessing success.** **Situation:** In January 2025, the Government released the AI Opportunities Action Plan.[29] The Plan outlines how the UK can take advantage of the opportunities offered by AI, including the policies necessary to remove barriers too, and in turn accelerate, AI adoption. techUK strongly welcomed[30] the announcement and the Government's acceptance of Matt Clifford's recommendations, many of which reflect priorities we have long championed in our engagement with industry, policymakers, and regulators. This included a more strategic approach to data, aiming to improve data quality and accessibility – key drivers for AI development. Along with addressing the AI skills and talent gap to build, diffuse and use AI products. **Complication:** While the plan is a good start, the real test will be whether the Government can deliver on the accepted recommendations that have been well received by the tech sector and business leaders in the wider economy. **Resolution:** The Government should outline a timetable for delivery on the AI Opportunities Action Plan, complete with financial backing and key performance indicators to measure success. As part of this, techUK emphasise the need for secure, sustainable AI infrastructure and sufficient compute power as a critical ingredient to sustain the future digital economy. We therefore reiterate the need for the Government to deliver	By setting out a timeline and specifying funding for implementing each of the accepted recommendations, the Government will provide certainty and stability that can unlock private investment to augment Government plans. AI adoption could grow the UK economy by an additional £400 billion by 2030 through enhancing innovation and productivity in the workplace.[31] Alongside this, if AI is rolled out effectively across public services, it could save the UK's public sector over £17 billion by 2035.[32] **Department:** Department for Science, Innovation and Technology

[25] GOV.UK (2023) 'Evaluation of Help to Grow: Digital'
[29] GOV.UK (2025) 'AI Opportunities Action Plan'
[30] techUK (2025) 'The UK's AI moment: An ambitious new plan for innovation and growth'
[31] Public First (2024) 'Google's Impact in the UK 2023'
[32] Microsoft and Public First (2024) 'Unlocking the UK's AI Potential: Harnessing AI for Economic Growth'

	long-term plan at pace, backed by a 10-year investment commitment.	
Growing the economy and breaking down barriers for all	**Create an AI powered support tool available to all SMEs to support their digitisation journey** **Situation:** Every business is different, and techUK consistently hear that small businesses need to receive support that is tailored to their business sector and requirements. **Complication**: The UK currently lacks a scalable and tailored solution to more specialised support (such as the Made Smarter Adoption programme) for SMEs digitisation. Research from Be the Business[33] identified five main barriers that SMEs experienced by adopting technology: (i) technology products are often built for enterprises, not SME customers, (ii) adoption looks too hard and costly, (iii) switching from one technology to another feels too high risk, (iv) lack of expertise and execution support and (v) end-user adoption problems. **Resolution:** The Government should look to explore how to commission an AI-powered support tool that could provide diagnostics and guidance to SMEs, helping them to adopt new digital technologies. This tool should (i) contain both localised and sector specific information; (ii) have low barriers to entry and (iii) be accessible for those with relatively little technological expertise. Based on estimates provided by SME Digital Adoption Taskforce members, offering a self-led digital service to all SMEs could cost around £50 million to deliver and promote over a 10-year period (i.e., £5 million per annum). However, costs could potentially be controlled by leveraging industry partnerships and close working with technology companies.	Take steer from international best practice, including Singapore's SME Go Digital programme.[34] The Singaporean initiative collaborates with digital solution providers to streamline technology adoption while offering unbiased, actionable advice. Key features include a 'Digital Health Check' designed to assess an SME's current digital maturity, pinpoint gaps, and chart a clear path toward effective digitisation. Similar outreach programmes in Singapore (50,000 'benefitted') and New Zealand (32,000 'registered') achieved significant success, and this is without leveraging more mature generative AI solutions. If the UK achieved similar levels of success we could therefore hope to reach between 300,000 and 450,000 businesses (estimate based on levels of success proportionate to business populations with the lower band equivalent to New Zealand's success and upper band similar to Singapore's. Note this estimate is without considering the additional benefits and further scale of an AI solution). **Department:** Department for Business and Trade
Growing the economy	**Leverage existing institutions for better access to monitoring and evaluation data to inform future policy decisions and ensure cross-Whitehall support for SME digital adoption.** **Situation:** Institutions play a critical role in driving plans and initiatives across the economy. They provide the overarching framework to support businesses and organisations to	Targeted interventions that have precision and impact, using relevant data and careful evaluations to guide actions, will help ensure the meaningful impact of policy and initiative.

[33] Be the Business (2025) 'The UK's Technology Moment – why 2020 can be the year that changed our trajectory'
[34] IMDA (2025) 'SMEs Go Digital – Singapore'

	embrace digital transformation and leverage emerging technologies. To better support SMEs digitisation, the UK Government will need to identify and collect the right data against which progress can be measured. For specific interventions, it is critical to embed robust data gathering, monitoring, and evaluation strategy from the outset. This will ensure accountability, measure impact and drive continuous improvement. At the national level, the UK should leverage its existing institutions, such as the ONS, and collaborate with key international data providers to ensure its inclusion in the most prominent, comprehensive, and credible benchmarks. For instance, data provided by the International Institute for Management Development. **Complication:** First, techUK members note the lack of cross-government co-ordination to deliver on digital adoption. Second, while the UK has some good (if disparate) sources of data and research on businesses' digital adoption and performance, better data will be needed both at the national and intervention levels to monitor and evaluate impact and track performance. **Resolution:** The Government has placed a focus on institutions to ensure delivery of their policy objectives. This includes the Industrial Strategy Council. We propose that such institutions have the strategic priority of SME digital adoption embedded into their policy thinking and work. This could be done officially through Council terms of reference, framework or workplans. Second, to ensure the UK has access to the best possible data and evidence, the Government should strive to rejoin the data collection process for the European Commission's DESI dashboard for the Digital Decade. While the EC's DESI dimension 'Digital transformation of businesses' is the most pertinent for measuring digital adoption, the UK should aim to publish methodologically consistent data across all DESI indicators. This may necessitate special arrangements with Eurostat, which the ONS or another appropriate government department should negotiate and implement.	This will also help improve the UK's position on international technology indices like those published by the International Institute for Management Development and European Commission's DESI dashboard for the Digital Decade. **Department:** Department for Business and Trade.

Growing the economy and breaking down barriers for all	**Develop a policy proposal for Connected Hubs, aligning with, and building on, existing Growth Hubs.** **Situation:** Currently, Growth Hubs are a network of 41 Hubs across the country, with a focus on technology, innovation and finding new markets.[35] Within Ireland, Connect Hubs act as a highly coordinated and powerful delivery vehicle to support individuals and SMEs business growth and digital transformation. **Complication:** SMEs are facing tax rises that have hit many of their cashflow and headroom for growth. This was reflected in techUK's snap reaction member survey to the Autumn Budget. SMEs should be supported to fully engage in the digital economy, with workplace solutions that provide digital connectivity and foster networking. **Resolution:** One suggestion could be for the Government to use committed funding allocated to Growth Hubs[36] to repurpose existing Hubs to better serve the digital adoption needs of SMEs. This could look to model Ireland's successful Connected Hubs model. Such hubs, linked to Combined and Local Authorities, would guide SMEs to resources, funding, and workspaces while encouraging local facilities to adopt the model. Beyond offices, public spaces like Universities, libraries and community centers could be used as co-working hubs at times when they are not being used by local communities. These could be accessible through a digital platform with interactive maps for booking. A national map is a key feature of Connected Hubs,[37] providing a platform that is navigable and accessible – vital for SMEs and scaleups often pressed for time.	techUK point to successful examples of hub networks over recent years. This includes Ireland's model, which now has 369 hubs, 5281 desks available and 599 meeting rooms. Ireland's model is also linked to entrepreneurial support and start-up and accelerator programmes.[38] **Department:** Department for Business and Trade
Growing the economy and breaking down barriers for all	**Use the model of the Made Smarter Adoption Programme for SMEs across the growth-driving sectors.** **Situation:** The Made Smarter Adoption programme provides SMEs with a range of fully funded support services to help manufacturers realise, and engage in, the benefits of adoption digital technologies.	The expansion of Made Smarter would support businesses with the advice and funding they need to adopt digital technologies and thrive. Firms that adopted digital technologies through Made

[35] The Growth Company (2024) 'Business Growth Finder'
[36] At the Autumn Budget 2024, the Government assigned over £200 million for wider small business support including continued funding for practical support through Growth Hubs (along with Help to Grow Management).

[37] Connected Hubs (2025) 'Connected Hubs: National Network'
[38] Connected Hubs (2024) 'The Irish Hub Network at your fingertips'

	Complication: Previous Government efforts to support SMEs digital adoption have failed to achieve the broader impact required to drive impact. For instance, evaluation of 'Help to Grow: Digital''s failure revealed the programme fell short due to a narrow focus, design flaws, limited reach and lack of a well-thought through marketing campaign, along with misalignment with SME needs. **Resolution:** To support the delivery of the Industrial Strategy, the Government should identify deployment plans for regional, local, and sectoral support. Building on existing infrastructure and existing programmes techUK and our members would advise that this should be inspired by successful models such as the Made Smarter Adoption Programme. Aligning with the Industrial Strategy, this could be expanded to the identified growth-driving sectors. The CBI previously estimated that the fiscal cost of this measure to be £425 million annually. Note, this was based on the expansion of the programme to all regions and sectors of the economy. We expect this cost to be lower with targeted expansion across the identified growth-driving sectors within the Industrial Strategy. To get started on this, the Government could utilise the £4 million set aside for digital adoption pilots.[39]	Smarter, 97% reported benefits, including improved production and planning efficiency, and reduced costs.[40] **Department:** Department for Business and Trade
Growing the economy	**Establish a pilot (MOD) for the adoption of a data-led approach to timely analysis of all-source data and generation of insight and intelligence.** **Situation:** In its recent SDR commissioning letter to industry, the Ministry of Defence signalled the requirement for modernised and enhanced information sharing across the intelligence community, with a particular emphasis on the rapid adoption of more digital technology. The UK Government's modern industrial strategy green paper acknowledges that improvements can be made in the way organisations use data to generate new insights and knowledge, including the untapped opportunity to exploit data for AI or automated decision-making. **Complication:** This pilot will aim to solve the current under-exploitation of data, which would be remedied by investment in a modern data fabric that ingests all-source, structured and unstructured data to generate game-changing insights that are currently out of reach.	At pace, generation of business and operational insight will improve productivity and efficiency, helping the UK to maintain its competitive edge. **Department:** Ministry of Defence

[39] HM Treasury (2024) 'Autumn Budget 2024' https://assets.publishing.service.gov.uk/media/672b9695fbd69e1861921c63/Autumn_Budget_2024_Accessible.pdf

[40] Made Smarter (2025) 'Adoption'

	Resolution: Acknowledging the demand signal from the SDR commissioning letter for modernised and enhanced information sharing across the intelligence community, supported by the wider strategic shift to greater use of data (including machine-generated) to generate insight and knowledge, this proposal would see the MOD committing to an Intelligence-led pilot. The objective should be to generate business and operational insight at pace, improving productivity and efficiency and helping UK maintain its competitive edge. Key components of the pilot could be: the establishment of a baseline of metrics against which improvements can be tracked; definition and adoption of a data fabric equipped with data services and tooling with access to a wide range of all-source data feeds.	

Enabling the delivery of effective and efficient public services

Millions of people nationwide depend on digital services provided by their local authorities, hospitals, schools, and various public sector organisations to support their daily lives.

The Prime Minister has recognised the game-changing nature of AI, outlining that 'it offers credible hope of a long-desired boost in public sector productivity.[41] This Government has outlined a commitment to usher in a golden age of public sector reform and techUK, and our members, stand ready to support the delivery of this.

However, since the end of the pandemic, the pressure on public services has only increased, while the rate at which we are digitising and strengthening these has faltered or in some cases gone backward. The recent State of Digital Government[42] revealed 47% of central government and 45% of NHS services still lack a digital pathway, and very few services avoid manual processing altogether.

Key challenges include critical services depending on decades-old legacy technology, where 28% of red-rated legacy systems lack remediation funding, along with a continued high cyber risk.

For the Government to embrace the era of AI and emerging technology opportunity and innovation, it must be more ambitious to create a modern digital Government and reform public services. A bedrock of this is continuing to deliver the digital infrastructure and connectivity needed to support frontline public service workers.

The growth benefits are clear, with analysis revealing that over £45 billion per year of unrealised savings and productivity benefits, 4-7% of public sector spend, could be achieved through full potential digitisation of public sector services.[43]

[41] Financial Times (2025) 'Britain doesn't need to walk a US or EU path on AI'
[42] GOV.UK (2025) 'State of Digital Government review'
[43] Same reference as above.

Government mission	techUK recommendation	Expected impact and growth benefit over SR period
Growing the economy	**Address legacy technology in critical services, assigning appropriate funding to manage legacy technology and co-ordinate transformation.** **Situation**: Public services should be fit for purpose and reliable enough to meet users' needs. However, a significant portion of the public sector's current technology infrastructure relies on high-risk legacy systems. A recent parliamentary update outlined that MoJ, HM Courts and Tribunals Service (HMCTS), and the Home Office have a combined total of 33 red-rated legacy systems. As the Government's 'Blueprint for a modern Digital Government'[44] makes clear, reducing dependence on decades old legacy systems is a vital foundation to realise plans to use AI more in public service delivery. This inhibits organisation agility, increases operational risk and cost, and reduces service experience. **Complication:** First, 28% of red-rated legacy systems lack remediation funding. Second, the scale of the challenge is not clear. While some central government departments such as MOD, Home Office and MOJ classify and track their legacy assets, most public sector organisations do not have comprehensive records or quantification of the legacy risk they carry.[45] **Resolution:** techUK calls for appropriate funding to manage legacy technology and co-ordinate transformation across central Government departments. Efforts to tackle legacy systems must be focused, coordinated, and well-governed. We propose: (1) Allocating adequate funding to public services to upgrade or replace ageing legacy IT systems that are vulnerable to cyber-attacks, and deploy modern technology to continuously monitor systems; (2) Spend should be reviewed to address current bias towards new programmes and insufficient prioritisation of the effective operation and maintenance of existing systems and legacy assets;	Many organisations, such as DWP and NHS England, spend as much as 70-85% of their technology budgets on upkeep instead of modernisation or innovation. This is relative to 67-70% among heavily regulated private sector industries.[46] Over the next five years, outdated legacy IT systems represent a £13-22 billion risk for the UK Government.[47] Addressing this represents significant cost savings for the Government and taxpayers as well as significantly increasing the cyber resilience of public services (and consequently the safety and security of our citizens). **Department:** Government Digital Service as part of the Department for Science, Innovation and Technology

[44] GOV.UK (2025) 'A blueprint for modern digital government'
[45] GOV.UK (2025) 'State of digital government review'
[46] Same reference as above.
[47] GOV.UK (2021) 'Organising for digital delivery'

	(3) Comprehensive data record to understand the IT estate and legacy risk. This will allow departments to continuously identify, plan, and monitor complex programmes; (4) Increased use of automation to coordinate the transformation and remediation of legacy IT across Government departments. This would also enable cross departmental interoperability, data sharing and analysis.	
Growing the economy	**Commit to funding for cyber resilience across the public sector.** **Situation:** As set out in the National Cyber Security Centre's Annual Review 2024[48] "we face enduring threats from hostile states and cyber criminals looking to exploit our dependency on the technology that now underpins all aspects of modern life". techUK member Cisco's recent Cybersecurity Readiness Index[49] revealed that three almost three quarters of companies (73%) believe a cybersecurity incident will disrupt their business in the next 12-24 months. As critical public services, like the NHS get AI ready, they must have cybersecurity measures in place. For our most critical organisations, that means using the Cyber Security and Resilience Bill to modernise cyber security regulations to require the use of state-of-the-art cyber defences that can protect against AI-powered attacks. **Complication:** The NAO's report report on Government Cyber Resilience,[50] recognised the cyber threat to the UK Government is severe and advancing quickly. Half of Government's legacy systems lack fully funded remediation plans (as outlined in the previous recommendation); there is a persistent shortage of cyber skills within government departments; and Government is unlikely to meet its 2025 cyber resilience target.	Put simply, it is not just another growth sector: if we get cyber security and resilience wrong, all other sectors will suffer. To realise the benefits of digital services across the public sector, the Government must recognise that cyber resilience is a critical enabler of those services – and it must ensure that this resilience is underpinned by the right skills and talent. Microsoft research [51] has found that the widespread adoption of AI-enabled cybersecurity systems organisations could collectively save the national economy as much as £52 billion every year. Adequate and protected funding will help to ensure the 2025 cyber resilience target for critical functions are met, and support the Government's digital transformation goals, while ensuring that wider public sector resilience is achieved by 2030. **Department:** Various HMG Departments

[48] NCSC (2024) 'NCSC Annual Review 2024'
[49] Cisco (2024) 'Cybersecurity Readiness Index'. This Index is based on a survey of over 8,000 business and cybersecurity leaders across 30 global markets.
[50] NAO (2025) 'Government cyber resilience'
[51] Microsoft (2024) 'Unlocking the UK AI Opportunity through cybersecurity'

	The report calls for urgent action to address these issues – not only to avoid significant cyber incidents, but also to protect the value of money for Government. Investment shortfalls to cyber security funding streams for public services (including as specifically outlined later in this submission for health and social care systems) carry significant operational impacts. **Resolution:** techUK proposes implementing NAO's key recommendations including: (1) Enhancing Departments' cyber resilience measures, including asset management, protective monitoring, and response planning; (2) Tackling the persistent shortage of cyber skills by recruiting and retaining qualified staff.	
Growing the economy	**Target for 95% of senior civil servants to be upskilled in AI and data essentials, with budget set aside for training.** **Situation:** The Central Digital and Data Office (now Government Digital Service) implements a specific goal of 'over 90% of Senior Civil Servants' (SCS) being upskilled on digital and data essentials. The State of Digital Government Review identified deep systemic challenges, including inconsistent leadership and a skills shortfall.[52] Alongside this, the review identified that, unlike the private sector, digital capabilities are not seen as essential for policy formulation or operational delivery. In the private sector, digital and technical expertise are regarded as essential management skills. **Complication:** In July 2021,[53] the NAO explicitly linked the underperformance of digital transformation projects with lack of capacity among senior civil servants. Similar sentiment was reiterated in July 2023[54] and the recent State of Digital Government review. According to data, only 21% of SCS are confident in digital and data essential skills.[55] We note that this number is low given the urgency to deliver a digital	For a modern digital economy, the Government must embrace emerging technology and ensure leaders are digitally confident and upskilled to use the latest digital tools. Upskilling Senior Civil Servants will also boost capability across departments to identify digital opportunities and risks within a modern Civil Service. The adoption of AI could also generate economic benefits by increasing productivity. **Department**: Department for Science, Innovation and Technology and Government Digital Service

[52] GOV.UK (2025) 'State of Digital Government Review'
[53] NAO (2021) 'The challenges in implementing digital change'
[54] NAO (2023) 'Digital transformation in government: addressing the barriers to efficiency'
[55] GOV.UK (2024) 'Upskilling Senior Civil Servants with the Digital Excellence Programme'

	transformation across central government and the leadership needed to drive this. **Resolution:** Continue to treat digital leadership skills as essential for Senior Civil Servants, ensuring all leaders are confident with digital essentials, including AI. This starts with setting a target for 95% of senior civil servants to be upskilled on digital and data essentials, further expanding this to include AI. This learning should be embedded into performance and development standards, with appropriate funding to deliver relevant training. Consideration may also want to be given to mandating training Government Regulators, i.e., Ofsted and OfQUAL, ensuring that education leaders are digitally upskilled. In turn, they will be effectively upskilled to reskill young people and the existing workforce. techUK would reiterate that industry is well placed to support delivery of this target through existing digital skills programmes.	
Growing the economy	**HMRC resources should be channelled into improving the effectiveness of existing digital services and delivery of flagship digital economy programmes.** **Situation:** Given HMRC is responsible for delivering flagship programmes that support a digital economy, including the R&D tax relief scheme and Making Tax Digital, it is vital that digital services work effectively. With around 60% of its activities now digital,[56] HMRC has the potential to enhance customer delivery. In 2023-24, the HMRC app received 88.5m logins by 3.8m unique users – a growth rate of over 64% when compared with the previous year. Around 97% of self-assessment tax returns are filed online. The digital transformation roadmap and this multi-year spending review present pivotal opportunities for reform. **Complication:** Despite spending £881 million[57] on customer service in 2022 – 2023, HMRC's performance has been below expectations for telephone and correspondence services over the past five years.	Within the tax system, digitisation can improve the speed and quality of recording keeping, reduce the duplication of data requests for business and make it easier to share information and communicate with HMRC. These changes can free up time and reduce complexity for taxpayers. Simplifying and digitising the tax system has the potential to significantly boost productivity with some businesses experiencing gains of up to 11.8%.[59] **Department:** HMRC

[56] National Audit Office (2024) 'Customer Service'
[57] NAO (2024) 'HMRC Customer Service'
[59] GOV.UK (2020) 'Building a trusted, modern tax administration system'

	Many areas remain slow and unresponsive, affecting productivity, costs, investment decisions, and cash flow, especially for tax repayments like R&D tax credits. **Resolution:** Digitisation efforts should streamline and speed up the process for businesses to manage their tax affairs while minimising additional administrative burdens for both businesses and HMRC. In the Autumn Budget 2024, the Government committed to total DEL funding of £6.7 billion in 2025-26. This came alongside measures to invest in HMRC resource and digital infrastructure. The Government also recently committed to 5,000 new HMRC compliance staff to reduce the tax gap.[58]. This shows commitment to address shortfalls and move forward with HMRC's digitisation roadmap. Going forward, digitisation and reform should focus on proactive business support including (i) technical specialists to give business and HMRC support and (ii) undertaking an assessment of the data to consolidate and simplify taxpayer data requirements.	
Growing the economy	**Re-introduce sector specific expert teams within HMRC to deliver the UK's flagship R&D tax relief scheme.** **Situation:** Previously in HMRC, specialist R&D units were set up in 2006[60] who worked across different vertical sectors. Anecdotally, techUK members note that this created 'geography specific' specialists within HMRC due to the clustered nature of R&D investments. **Complication:** HMRC is currently under delivering to administer the R&D tax credit scheme effectively. This is leaving many techUK members facing uncertainty and inconsistency, impacting on their confidence to engage with the scheme. Considering the technical complexity of many R&D tax credit submissions, generalist case workers often hinder the process and results in a technical deficit. **Implementation:** Given these units have now been disbanded, we advise reintroducing specialist R&D units across sectors. HMRC staff would be operating with a greater understanding of the local economies, industries, and challenges specific to their areas.	Robust delivery of the UK's flagship R&D tax relief scheme to stimulate business R&D investment will be central to the delivery of a modern industrial strategy. Re-introducing specialist units would help evaluate the impact of the R&D tax relief on a sector-by-sector basis. This also help to better understand how the scheme supports the UK's identified high-growth industries. A sectoral focus could also benefit a specialised group of compliance officers assigned to deal with claim processes within a particular sector. **Department:** HMRC

[58] GOV.UK (2024) 'Chancellor unveils package to deliver on promises of new government''
[60] HMRC (2025) 'Corporate Intangibles Research and Development Manual'

Growing the economy and an NHS fit for the future	**Commit to funding for digital transformation and cyber resilience in health and social care, including, at a minimum, £2 billion per year in NHS technology and digital.** **Situation:** Recent years have seen health and social care digital transformation funds repeatedly at risk of de-prioritisation and re-allocation to alternative causes. Towards the end of 2023 the Health Service Journal reported on the re-allocation of digital transformation funding[61] to cover funding shortfalls. Crucial funding for cyber security initiatives protecting the critical infrastructure and operational resilience of health and social care systems - and ultimately, ongoing care - has also been subjected to significant cuts. **Complication:** Investment shortfalls and interruptions to digital transformation and cyber security funding streams prevent health and social care systems from completing vital projects and carry significant operational and clinical impacts. **Implementation:** techUK propose ring-fencing funding for digital transformation and cyber resilience in health and social care. This includes, at a minimum, £2 billion per year in NHS technology and digital for the remainder of the multi-year spending review period. The recent Autumn Budget and Phase 1 of SR2025 confirmed boosting investment in 2025-26, with more than £2 billion in NHS technology and digital to run essential services and drive NHS productivity improvements. techUK further propose the **long-term benefit of spending on prevention is routinely considered in both HM Treasury and departmental spending decisions**. Preventative services play a crucial role in enabling individuals to lead fulfilled, happy, and productive lives. Digital services are vital for wider population health management efforts, including prevention. Additionally, they are essential for mitigating the economic burden caused by socioeconomic inequality and poor health. Therefore, increased term investment in digital and data services that underpin vaccinations, screening, health checks and personalised prevention services is vital to	techUK's Digital Health Evidence Pack showcase[62] industry innovations that have improved citizen outcomes, reduced service demand and transformed health and care delivery. For example, working with Lewisham & Greenwich NHS Foundation Trust, Sopra Steria's RPA solution consolidated 18,000 pharmacy invoices per month into around 300, saving 20 hours per month in processing time, and leading to £40,000 annual savings, equating to a 266% return on investment. According to the recent Autumn Budget, by investing in NHS technology and digtial, DHSC (including the NHS) will deliver 2% productivity next year. **Department:** Department for Health and Social Care

[61] HSJ (2023) 'Exclusive: National tech budget slashed by £350m to plug deficits'
[62] techUK (2024) 'techUK publish evidence pack making the case for continued investment in digital transformation for health and care'

	enable the effective delivery of health interventions and proactive care.	
Growing the economy and an NHS fit for the future	**Realise the potential of health data as a strategic asset for the UK's competitive advantage and support industry with appropriate funding allocation.** **Situation:** Every day, health and care professionals, researchers and policymakers use health data safely to improve people's health and lives. Smooth access to high quality, linked health data at scale in the UK has been recognised as a UK USP, one that can be the foundation to grow domestic life sciences and healthtech / AI companies as well as pharma, and attract global investment. An example, the UK Bio Bank[63] is a large-scale biomedical database and research resource that is enabling new scientific discoveries to improve public health. **Complication:** The Government must guarantee sufficient and sustained funding for secure access to health data beyond 2025. This funding needs to be commensurate with the size of the challenge and the opportunity presented by health data. **Resolution:** In line with the Sudlow Review recommendations and concept of a national health data research service, the NHS Data for R&D Programme should be continued, scaled, and funded. This programme laid the initial foundation for cohering the complex UK data landscape, focusing on funding and incentives to make the UK a destination of choice for largescale studies, trials and incubators of new medicines and technologies. In SR2021, the Government committed to £200 million investment to improve quality, linkage, and industry access to NHS data at scale. Much of which went into the NHS 'Data for R&D Programme', with £175m for the period of 2022/23 to 2024/25. The Tony Blair Institute estimated a minimum of £200m (ringfenced) is needed for the next spending review period to develop full programme functionality along with a sustainable commercial income model for a world class data infrastructure.	By aiming to deliver safe, sustainable, and trusted health data services, the Data for R&D Programme aligns with the Government's key missions to harness AI for diagnostics, improve data access, and enhance clinical trials efficiency. **Department:** Department for Health and Social Care and Department for Science, Innovation and Technology

[63] UK Biobank (2025) 'Our impact'

	To improve collaboration and accelerate clinical research, techUK members also note the need for underlying standards to enable federated data and analytics. This should be back by investment that builds on the existing work of HDRUK.	

Creating a pro-business environment

When deciding where to build a major global hub, a business will weigh up several factors about each potential destination. These include access to talent and skills, investment community and access to markets. Along with wider policy areas including regulation, infrastructure and running costs.

The modern Industrial Strategy[64] hopes to create a pro-business environment and tackle sector specific and cross-cutting challenges. Across a range of these factors the UK scores well and should feel confident in its ability to continue supporting a thriving and growing tech sector. This includes the potential for strong partnerships between the business, UK's world leading universities, and well-regarded regulators.

techUK's polling with over 253 senior business decision makers in the tech sector[65] further revealed:

- **The UK does well against its peers on ease of doing business:** 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. 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 in Europe or North America.
- **Why the UK is a good place to do business:** Our survey said 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.

However, while this survey outlined some of the UK's strengths, there are several underlying barriers to investment which must be addressed for the UK to continue its position as a leading tech hub. These include an R&D spending gap in comparison to international competitors, the need for a more digitally capable workforce, greater access to markets and continued delivery of the digital infrastructure enabling digital services. We note that ongoing Government efforts to address these areas - through Skills England, the 10-Year Infrastructure Strategy or development of the Business Growth Service – must be consistent and co-ordinated.

[64] GOV.UK (2024) 'Invest 2035: the UK's modern industrial strategy'
[65] techUK (2024) 'New Polling for techUK'

Government mission	techUK recommendation	Expected impact and growth benefit over SR period
Growing the economy and breaking down barriers for all	**Commit to an ambition for total R&D spending to reach 3% of GDP by the end of this Parliament.** **Situation:** Businesses need certainty to be able to make investment decisions that will deliver the economic growth needed to drive growth and a digital economy. **Complication / problem statement:** A risk to the UK's international competitiveness, we note that spend falls below many other OECD nations including the US, Belgium, Japan and Germany.[66] **Resolution:** techUK calls for the Government to aim higher, committing to an ambition for total R&D spending to reach 3% of GDP by the end of this Parliament. At SR2021, the previous Government committed to increasing public R&D investment to £20 billion by 2024-25, an ambition of spend to £22 billion on R&D by 2026-27 and an economy-wide target to invest 2.4% of GDP in R&D in 2027. For Phase of SR2025, this Government announced the highest ever level of Government investment in R&D at £20.4 billion for the next year.[67]	A strong R&D environment, backed by ambitious Government R&D investment plans, will incentivise business to invest in the UK, drive growth and support the delivery of all missions. A study found an average rate of return to public R&D of 40% 6 years after the investment is made.[68] Or, in other words, £100 million of public R&D investment could be expected on average to yield, in 6 years' time, an increase in annual private sector productivity worth £40 million. **Department:** Various HMG Departments
Growing the economy and breaking down barriers for all	**Make digital pathways more accessible through the reformed Growth and Skills Levy.** **Situation:** The success of a modern Industrial Strategy rests on ensuring businesses have access to people with the right skills. The UK faces a dual challenge: a growing need for upskilling and reskilling alongside a decreasing pipeline of workers, teachers, and talent entering the tech sector. Skills England[69] identifies digital technologies as one of four critical sectors for economic growth, which cannot happen without a concreted focus on the advanced digital skills needed to support AI and automation. There is now a chance to improve digital pathways through the Growth and Skills Levy to be delivered by Skills England.	The skills challenges faced by the UK are significant and it has remained consistently a top growth barrier over many years. Due to a lack of digital skills, research outlines that the UK is losing out on £12.8 billion in extra growth, as well as up to £63 billion per year in lost GDP,[71] and British workers are earning a whole £5.69 billion less. **Department**: Department for Education

[66] OECD (2021) 'Gross domestic spending on R&D'
[67] GOV.UK (2024) 'Government backs UK R&D with record £20.4 billion investment at Autumn Budget'
[68] GOV.UK (2024) 'Returns to Public Research and Development'
[69] GOV.UK (2024) 'Skills England'
[71] The Prince's Trust (2024) 'Decoding the Digital Skills Gap'

	Complication: According to the IFS,[70] the Apprenticeship Levy raises around £3.5 bn per year from large employers in the UK. But our members tell us the previous Levy did not work. The IFS, found that, despite large subsidies, around £550 million of the levy pot was not used to subsidise apprenticeships. **Resolution:** The Growth and Skills Levy could include high-quality short courses focused on functional and digital skills, enabling existing employees to upskill and retrain. Ensuring that SMEs, scale-ups, and some of the UK's fastest growing companies can benefit from the reformed levy will be key to its success, particularly in tech. Due to the ownership structure of many start-up and scale-up companies they were unable to use the former Apprenticeships Levy and we encourage the Government to consider potentially providing the levy through a voucher system which all companies can utilise. techUK believes that employers need to be able to address their workforce skill needs by allowing them to choose the eligible provision most appropriate to them.	
Growing the economy and breaking down barriers for all	**Offer world-leading computing education by continuing to fund the National Centre for Computing Education (NCCE).** **Situation:** The UK tech sector has grown by over 40% in the last two years and employs over 2 million people. Despite this, the number of young people studying computer science has only gone up by 2%.[72] A survey conducted by techUK of parents and guardians working in tech[73] revealed only 51% are somewhat confident and only 27% are very unconfident that the education system is preparing children for future job markets. 70% of respondents believe schools are not focusing enough on core competencies like critical thinking and problem-solving—skills that will define success in a world dominated by AI, automation, and data.	Demonstrating impact, since September 2020, over 1 million Teach Computing Curriculum resources were downloaded by schools in England.[74] **Department:** Department for Education

[70] Institute for Fiscal Studies (2024) 'Labour's Growth and Skills Levy would give more flexibility to firms – but employers would need to get on board'
[72] NCCE (n.d.) 'Our Vision'
[73] techUK (2024) 'Education system must adapt to prepare young people for future of work, techUK survey says'
[74] NCCE (2022) 'Impact Report 2022'

	While technical skills are crucial, 68% of respondents see a mix of soft and technical skills as the ultimate career preparation—an area where education is falling short. Despite this, 59% of children are not pursuing computing qualifications, and just 34% of parents feel schools adequately encourage tech education for all genders. **Complication:** Without further action, the digital skills gap in the UK will continue to widen significantly, hampering the ability of UK-based businesses to compete globally. **Resolution:** The NCCE plays an important role in addressing this gap, backed by leading businesses including BT, Rolls Royce, and Arm. With continued funding support, the NCCE can continue to offer world-leading computing education, aligning with the Government's ambition to break down barriers to opportunity. The offer to schools in England can continue support teachers prepare the future workforce for technological realities, with the potential of being expanded to support the growing need for digital skills and AI.	
Growing the economy	**Ensure the Department for Science, Innovation and Technology has the resources and funding to deliver a targeted scale-up support package.** **Situation**: Scaling companies are an engine of growth for the digital economy, and the UK has an opportunity to become a 'scale-up nation'[75] with many of the building blocks already in place. The Government must use its full growth offer, most importantly the Industrial Strategy, to simplify operations and reduce costs for tech businesses to invest, scale up and stay in the UK. **Complication:** techUK scale-up members consistently note that access to markets remains a major barrier to their further expansion and growth. This echoes insights from the Scale-Up Institute that 64% of UK scale-ups identify it as their top challenge.[37] **Resolution:** The UK should commit to the right framework for investment and send a powerful signal to the rest of the world that it is open for business. At the	Despite representing less than 0.6% of the SME population, scale-ups account for over 55% of UK SME output at £1.45 trillion.[76] By creating an environment that nurtures high-growth tech businesses, the UK can empower them to continue tackling some of the most pressing critical economic challenges – from achieving net zero, shoring up the UK's national security and delivering on public services. **Department:** Department for Science, Innovation and Technology

[75] GOV.UK (2023) 'The Harrington Review of Foreign Direct Investment'
[76] ScaleUp Institute (2024) 'ScaleUp Annual Review'

	heart of this should be a dedicated tech and science scale-up support service easing access to new markets. techUK call for the Government to establish a dedicated concierge service, run through DSIT, to address key barriers to market access. This streamlined, accessible service would connect scale-ups with relevant experts across Government and industry, leveraging, and working with, successful models like Grow London. This concierge service would not only enable scale-ups to overcome market challenges but also provide the Government with valuable insights to inform system-wide policy interventions and enhance collaboration across departments.	
Growing the economy	**Launch a review into the use of SIC codes to capture the true digital economy.** **Situation:** As the UK looks to continually support innovative and emerging industries, it's important that data and statistics remain up to date and continue to reflect the true economy. **Complication:** techUK members have anecdotally noted that the UK SIC code system, last updated in 2007,[77] remains outdated and doesn't account for modern industries – with many tech businesses 'falling between the cracks' and not accurately captured by the codes. According to Data City,[78] 15% of UK companies cannot be accurately classified and analysed using SIC. **Resolution:** With plans to update SIC codes in the coming year, the Government has an opportunity to review how well SIC codes service the digital economy and the UK Government. This should start with industry consultation and consideration of the use of automation to better acquire, analyse and visualise company data.	Businesses rely on SIC codes for market analysis and strategic planning. Updated codes can help businesses identify emerging sectors, understand market trends, and make more informed investment decisions. We further note that Government programmes and funding often target specific industries. Updated SIC codes can help ensure that resources are allocated more effectively to the sectors that need them most. **Department:** Office of National Statistics as part of the UK Statistics Authority
Growing the economy and achieving net zero	**Extend the Industrial Energy Transformation Fund (IETF) with a funding pot equivalent to current phases until 2030.** **Situation:** Businesses have used the IETF for all manner of innovative energy-saving initiatives – including	The Industrial Energy Transformation Fund (IETF) is a core pillar of the Government's industrial support package. The Fund targets existing industrial processes, helping industry to cut

[77] ONS (2022) 'UK SIC 2007'
[78] Data City (2023) 'SIC codes are outdated – policy of the future requires accurate data'

	projects to capture waste heat or generate electrical energy from non-combustible waste products, which are good for the environment as well as firms' bottom line. To date, every competition window for the IETF has been oversubscribed. The fund also helps to tackle one of the main barriers for industrial sector firms, which is the availability of capital to invest in longer payback period investment **Complication:** The IETF is the main form of capital funding for industrial decarbonisation, but the last planned application window for funding ends in 2028. Meanwhile, other countries (including France 2030 Investment Plan)[79]have announced big investments towards securing the opportunities of industrial decarbonisation and achieving the net zero transition. **Resolution:** Support industrial firms, including those within the tech sector, to improve their energy efficiency, reduce bills and emissions by extending the Industrial Energy Transformation Fund (IETF), with a funding pot equivalent to current phases until 2030. The IETF launched in 2020 and is in 3 phases with £500 million of funding available up until 2028. Phase 3 provided £185 million in funding between 2024 and 2028.[80]	energy bills by investing in more efficient technologies and reducing emissions by adopting transformational low carbon technologies. **Department:** Department for Energy Security and Net Zero
Growing the economy and achieving net zero	**Renew the Net Zero Innovation Portfolio (NZIP) with commitment to NZIP 2.0.** **Situation:** Since its inception in 2020, the Net Zero Innovation Portfolio (NZIP) has invested significantly across the UK economy to drive forward the net zero ambition. NZIP provides funding for low carbon technologies and systems, along with disruptive technologies including 'Artificial Intelligence for Decarbonisation Innovation Programme' and the 'Energy Entrepreneurs Funding.' **Complication:** Government commitment and funding for the NZIP runs until March 2025, with a current cliff edge in further funding support. **Resolution:** NZIP 2.0 has the chance to build on the success of the last four years and support other technologies that have not yet received focus.	According to the StartUp Coalition, NZIP has invested £200 million in ClimateTech startups across the economy, supporting 199 firms at the edge of climate innovation to grow, employ people across the UK, and accelerate climate impact. **Department:** Department for Energy Security and Net Zero and the Department for Science, Innovation and Technology.

[79] IEA (2023) "France 2030' Investment Plan – Heavy industry decarbonisation investment'
[80] GOV.UK (2024) 'Industrial Energy Transformation Fund'

	A key enabler of the Government's modern industrial strategy, NZIP can play a complementary role to key programmes including the National Wealth Fund. To lay the foundations for this, techUK follow the StartUp Coalition in calling for public commitment to the future of the NZIP. We note that SR2021[81] previously confirmed £1 billion of funding for the portfolio. techUK further note that the next phase of this fund could be overseen by the 'AI Energy Council' announced in the Government's recent AI Opportunities Action Plan.	
Growing the economy	**Commit to the full £2.5 billion funding for UK Quantum to be deployed over 10 years.** **Situation:** The UK should view its commitment to building a thriving quantum sector as one of its key successes since the establishment of the National Quantum Technologies Programme (NQTP) in 2014.[82] While the biggest impacts for quantum technologies are expected longer-term, time-bound and immediate commitment is needed to solidify efforts, focusing the activity and investment across public and private sectors. **Complication:** A withdrawal of Government funding from the programme at this stage would be damaging to the UK's ambitions to develop a world-leading quantum sector. This would also represent a 'cliff edge' for emerging quantum industries, resulting in a loss of business confidence to invest in the UK. **Resolution:** The previous Government had committed to investing £2.5 billion of Government funding in quantum R&D over the ten years from 2024.[83] techUK propose commitment to this funding (this includes funding the associated five Quantum missions to ensure the commercialisation of all quantum technologies).	The National Quantum Technologies Programme (NQTP) has already delivered £1 billion investment across quantum technologies.[84] The UK already boasts a thriving quantum ecosystem. For instance, the UK has 11% of the world's quantum startups – the largest amount in Europe – and 12% of global private equity investment in the technology.[85] **Department:** Department for Science, Innovation and Technology

[81] GOV.UK (2021) 'Autumn Budget and Spending Review 2021: documents'
[82] UK NQTP (2025) 'Transforming the world with quantum technology'
[83] GOV.UK (2023) 'National Quantum Strategy'
[84] GOV.UK (2019) '£1 billion investment makes UK a frontrunner in quantum technologies'
[85] InnovateUK Business Connect (2024) 'Overview of UK's Quantum Technology Ecosystem'

Place-based support to create a dynamic tech ecosystem

The Government has announced a new partnership with business to stimulate growth nationwide, a move welcomed by techUK and our members. A core objective of the modern industrial strategy is unleashing the full potential of cities and regions across the UK and concentrating efforts on places with the greatest potential for our growth sectors: city regions, high-potential clusters, and strategic industrial sites.[86]

The Chancellor's recent speech was promising and demonstrated the modern industrial strategy in action. The plans to unlock investment in homes, labs, roads, and rail links to create 'Europe's Silicon Valley', along with a wave of new infrastructure projects centred on the arc between Oxford and Cambridge, will provide investor certainty and continue to drive a thriving tech ecosystem.

techUK continue to advocate for a place-based approach to support the Government's growth mission. This must empower local authorities, who know their local places and their needs better than anyone, with the digital services, tools and expertise to design and implement the higher quality local services digital transformation can offer.

Across the nations and regions, digital and technology investment is already improving public services and fostering the growth of innovative firms. Cities like Manchester, Bristol and Edinburgh are seeing significant changes due to these investments. In Manchester alone, tech companies raised a record £532 million in 2022 alone, with a total of over £1.8 billion in venture capital funding from 2018 to 2023.[87]

Despite the UK's robust tech ecosystem, there are notable regional disparities. For instance, adoption usage intensity of Advanced Digital Technologies (ADT), with London showing higher adoption rates and greater integration of technologies such as AI and Robotics.[88] The adoption rate of ADT is notably higher in regions with established business hubs, such as London, the Northwest, and the West Midlands.

To ensure delivery, there is also a continued role for central Government in partnership with local and devolved governments to best support and enable digital transformation across the UK.

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[86] GOV.UK (2024) 'Invest 2035: the UK's modern industrial strategy'
[87] Greater Manchester Business Board (2023) 'Manchester confirmed as biggest tech hub outside of London as tech firms raise record £532m funding in 2022'
[88] The Productivity Institute (2025) 'Adoption of Advanced Digital Technologies and Platforms: Insights from a UK National Survey'

Government Mission	techUK recommendation	Expected impact and growth benefit over SR period
Growing the economy	**Provide funding certainty for the UK Shared Prosperity Fund (UKSPF) to support the delivery of the modern Industrial Strategy.** **Situation:** The Government's Invest 2035 document sought to collect views on how the Government should design its flagship Industrial Strategy document, which it seeks to use to direct economic growth for the next 10 years. **Complication:** Currently, it is not clear how the Industrial Strategy itself will be institutionally governed, and how the sector plans devised by Government will be implemented in reality. There is also a lack of certainty as to whether the Industrial Strategy Council will have any funding that it needs to deliver on the plans in the Industrial Strategy. **Resolution:** The Government should commit to giving the Industrial Strategy Council control of the UKSPF to give it the capabilities to deliver on the plans contained within the Industrial Strategy. The recent Autumn Budget confirmed funding the UKSPF for a transition year, providing £900 million for local authorities to invest in local growth, in advance of wider funding reforms.	Given the priority of the Industrial Strategy going forward, regional and haphazard regional growth funds, including the UKSP and Levelling Up Funds, should be re-evaluated and deployed in accordance with the IS. This is vital for delivery and long-term certainty for businesses across growth-driving sectors such as the digital and technology sector. **Department:** Ministry of Housing, Communities and Local Government
Growing the economy	**As advocated by the Local Government Association, establish a Local Government Centre for Digital Technology (LGCDT).** **Situation:** Local government delivery is often fractured and, by its nature, dispersed geographically. This leads to variations in both approach and procurement across different local government jurisdictions. techUK, through our members and Local Public Service Committee,[89] note that local authorities are often at the forefront of delivering innovative services and delivering solutions that meet local needs. However, they must be further empowered through secure and inclusive use of digital technology across councils. **Complication:** The inherent structure of local government increases fragmentation of talent, buying and systems. Individually, local councils lack the purchasing power to secure discounts and favourable	Such a Centre for digital technology would bring cost benefits. By harnessing collective purchasing power, the Centre will ensure access to innovative solutions while securing the best value for money for local government. **Department:** Department for Science, Innovation and Technology

[89] techUK (2025) 'Local Public Services Committee'

	access to services, in particular from legacy technology providers. The Local Government Centre for Digital Technology (LGCDT) would seek to remedy these problems. Alongside this, local government has the lowest proportion of digital data professionals in the workforce across the public sector, at 2%.[90] **Resolution:** Establish a Local Government Centre for Digital Technology (LGCDT) with investment from the Department for Science, Innovation and Technology to cover financial years for the full multi-year spending review period. The Centre will support local authorities in streamlining operations and enhancing service delivery. According to the LGA, this would include investment in training and development programmes to upskill local government staff and build digital capacity.[91]	
Growing the economy and breaking down barriers for all	**Outline how BDUK will evolve once the rollout of standalone 5G and gigabit-capable broadband is complete.** **Situation:** Building Digital UK has supported an estimated 1,064,500 total premises in hard-to-reach places across the UK to receive gigabit-capable broadband,[92] and represents the private and private sectors working together to ensure the delivery of fast and stable internet connection across the UK. BDUK's flagship programmes include the Shared Rural Network (SRN) and Project Gigabit (PG) – funding commitments to these programmes are not clear. **Complication:** Once the rollouts of gigabit broadband and standalone 5G are complete, BDUK will cease to have a purpose in its current form. However, techUK would reiterate that the executive agency is an established and successful architecture for the delivery of Government policy within the Department for Science, Innovation and Technology. **Resolution:** The Government should not waste the institutional framework of BDUK and proactively engage with the telecoms sector to best understand how the	Gigabit-capable broadband enables businesses to operate more efficiently, access new markets, and adopt cutting-edge technologies like cloud computing and IoT. As of November 2024, ThinkBroadband reports that 85.4% of UK premises are now able to access a gigabit-capable connection.[93] Supporting the delivery of public services, according to research, the national rollout of 5G Standalone network could save 11 million hours annually for UK police.[94] **Department:** Building Digital UK, executive agency within Department for Science, Innovation and Technology

[90] GOV.UK (2025) 'State of digital government review'
[91] Local Government Association (2024) 'Autumn Budget and Spending Review Submission 2024'
[92] BDUK (2024) 'BDUK annual performance report 2024: bulletin'
[93] GOV.UK (2024) 'Project Gigabit progress update – November 2024'
[94] Vodafone (2024) 'National rollout of 5G SA network could save police 11 million hours annually for UK police'

	agency can support future digital infrastructure delivery. I.e., through the continuation of existing programmes or future areas, such as BDUK supporting the changes in the Future of Television. techUK would note that BDUK should begin looking at future proofing SRN by investing in to ensure that sites built under the existing programme are 5G capable, capitalising on investments already made.	
Growing the economy and net zero	**Place digital at the heart of the local plan development process.** **Situation:** The tech sector has a strong presence throughout the UK. Advances in technology offer a chance to make local plans more innovative and responsive to social and economic objectives. **Complication:** Local growth plans are currently being drawn up with the aim of supporting a place-based approach to economic growth. But local authorities need more expertise to ensure digital is at the heart of these plans. **Resolution:** Local Authorities should formalise the Digital Champion model to lead on the digital transition, including the digital infrastructure needed to support the transition. This should be backed by funding and drive consistency across local authorities with clear guidance on the requirements, seniority and role. Local and Combined Authorities should also be empowered to experiment with best practice from overseas, for example learning from Ireland's Connected Hubs programme.[95]	techUK's 2024 Local Digital Index[96] shows there is a digital and technology presence everywhere, with innovative companies and InnovateUK funding reaching every corner of the UK. **Department:** Ministry of Housing Communities and Local Government
Growing the economy and breaking down barriers for all	**As part of the 10-Year Infrastructure Strategy, deliver a 'Future Connectivity Strategy' to support industry on delivery and uptake of future facing digital infrastructure and technology.** **Situation:** The rollout of full fibre broadband and wireless connectivity (including 4G, 5G and Wi-Fi), over recent years is a true UK success story. The question now revolves around what connectivity needs are facing the UK in the next 10-15 years that the Government should prepare for.	The expansion of full-fibre broadband and wireless connectivity, including 4G, 5G, and Wi-Fi, in recent years stands as a remarkable UK success story. On full fibre alone, this has been delivered to over 69% of UK premises across the regions,[97] including many of the most deprived areas. **Department:** Department for Science, Innovation and Technology

[95] ConnectedHubs (2025) 'Ireland's National Hub Network'
[96] techUK (2024) 'Local Digital Index 2024'
[97] Ofcom (2024) 'Connected Nations: UK Report 2024'

	Complication: Currently, there is no Government strategy for embracing the future of connectivity. This is despite connectivity underpinning the growth and delivery of emerging technologies like AI. **Resolution:** As part of the upcoming 10-Year Infrastructure Strategy, initiate a Future Connectivity Strategy to support industry on delivery and take-up of future-facing digital infrastructure and connectivity. This should focus on realising the long term economic and social gains that will be delivered through continued investment and cover fibre broadband, public 5G, private networks, future telecoms R&D and academia engagement. Within this, the Government should also embed a horizon scanning function of the rapidly changing market and landscape, for instance, looking at the changing role of Fixed Wireless Access and Non-Terrestrial Networks.	
Growing the economy	**Appropriate funding for local authority planning resources to deal with the volume of technically complex applications from the tech sector.** **Situation:** The Government's reforms to the National Planning Policy Framework, including the inclusion of data centres as Critical National Infrastructure and the encouragement of telecoms infrastructure construction, are a step in the right direction. It was promising to see the National Planning Policy Framework outline that planning policies should "pay particular regard to facilitating development to meet the needs of a modern economy, including by identifying suitable locations for uses such as laboratories, gigafactories, data centres, digital infrastructure...".[98] **Complication:** Planning departments have faced significant cuts impacting on their effectiveness in delivery. This includes a 16% fall in planning funding in England, 50% fall in Wales and 38% fall in Scotland since 2010, alongside declining numbers of lower-paid planning officers.[99] Planning processes for digital infrastructure currently vary across regions, causing inconsistencies, delays, and increased costs.	According to the previous Government's Spring Budget 2024, AI solutions to support planning authorities to streamline their local plan development processes could produce plans in 30 months rather than the current average of 7 years.[101] **Department:** Ministry of Housing Communities and Local Government

[98] Ministry of Housing, Communities & Local Government (2024) 'National Planning Policy Framework'
[99] MobileUK (2024) 'Failing to plan, planning will fail'
[101] GOV.UK (2024) 'Spring Budget 2024'

	If the Government hopes to unlock growth and deliver reform to the planning system, planning teams in local authorities must be sufficiently resourced to do so. **Resolution:** techUK continues to call for (i) placing digitisation at the heart of an improved planning inspectorate resourcing, (ii) encouraging consistency across councils and (iii) digital infrastructure specialists within planning teams to deal with technically complex applications. To support this, the Government should ringfence money earned from planning fees so that it can only be used for planning purposes, including planning officers, to ensure that there are enough well-qualified planning officers to operate the UK's planning system. The Government should also encourage Local Authorities to look into novel solutions to help money go further. This includes continuing to roll out the use of automation and AI to improve efficiency and streamline local plan development process.[100] Along with options to pool planning officers over several authorities.	
Growing the economy and breaking down barriers for all	**Support high-growth tech scale-ups by sufficiently funding public finance institutions to bridge the late-stage capital gap.** **Situation:** By embedding tech scaleup success in its missions and modern industrial strategy, the Government can unlock high-growth companies' potential for UK economic and social benefits. The UK has a range of public finance institutions – including the British Business Bank (BBB), National Wealth Fund (NWF) and National Security Strategy Investment Fund (NSSIF) – aiming to drive further private investment to support the growth of high-potential SMEs and scale-ups. **Complication:** techUK scale-up members consistently note the later-stage funding gap, hindering their growth ambitions and potential to scale and stay in the UK. A case in point, according to the BBB, 10 percent of Britain's venture capital pool comes from pension	Empowering the British Business Bank (BBB) to invest more in growth capital and support investment in scaling firms will see economic growth benefits for the UK. The BBB's 'Power of 10: 10 Year Impact Report' revealed that 209,000 smaller businesses have been supported and 84% of businesses are located outside of London.[105] Specifically for the Future Fund: Breakthrough programme, independent evaluation on the early impact showed that 85% of recipient firms increased the number of staff employed or hiring individuals to fill key positions to expedite growth fund.[106] 100% of recipient firms also stated that funding had, or will positively impact, their R&D activity.

[100] GOV.UK (2024) 'Spring Budget 2024'. This Budget confirmed piloting the use of AI solutions to support planning authorities to streamline their local plan development processes.
[105] British Business Bank (2025) 'British Business Bank marks a decade of transformative impact on the economy and smaller businesses across the UK'

	funds, compared to 72 percent in the US. In Canada, pension funds invest 15 times what UK pension funds invest in private equity and VC.[102] **Resolution:** Drive further private investment into scaling tech firms by sufficiently supporting public finance institutions to bridge the gap in later-stage scale-up capital. This includes continuing support and backing for vital British Business Bank to deliver on programmes, i.e., Future Fund: Breakthrough (FF:B),[103] and the Long-Term Investment for Technology and Science (LIFTS). The NSSIF could also be a greater vehicle for the growth of tech firms specialising in cybersecurity.[104]	**Department:** Department for Business and Trade
Grow the economy	**Establish a National Semiconductor Centre, creating a hub to shore up the UK's semiconductor capability.** **Situation**: Semiconductors are present in almost every device within the digital economy - from day-to-day consumer electronic devices, vehicles, defence, products in healthcare and data centres powering AI. **Complication**: There is a global race for countries to support their domestic semiconductor industries, securing their supply chains and as much of the world market as possible. While the UK is not able to offer subsidies competitive with countries and regions such as China, the USA and EU, it can continue to support an already thriving semiconductor sector, particularly in UK strengths such as Design and Intellectual Property. **Resolution**: The Government should establish a National Semiconductor Centre, a key recommendation from the Institute for Manufacturing's Semiconductor Infrastructure Initiative Feasibility Study.[107] This Centre could focus on outward facing representation and support, allowing both semiconductor businesses and end users to navigate the UK's semiconductor market. The Centre could also foster industry readiness through a semiconductor	Semiconductors are fundamental to future growth in each of the eight growth-driving sectors identified within the Government's Industrial Strategy Green Paper. The UK has globally competitive capabilities in design and IP, primarily around Cambridge, as well as a strong cluster in niche non-leading-edge manufacturing such as compound semiconductors, primarily around South Wales. The UK's current leadership in these areas is the result of tailored policy interventions that have supported these businesses to scale.[108] **Department:** Department for Business and Trade

[102] British Business Bank (2024) 'British Business Bank – written evidence – House of Lords Communications and Digital Select Committee Inquiry: Scaling Up: AI and creative tech'
[103] British Business Bank (2025) 'Future Fund: Breakthrough'
[104] Future Governance Forum (2024) 'A mountain to scale'
[107] Institute for Manufacturing (2023) 'UK Semiconductor Infrastructure Initiative Feasibility Study: Summary of findings'
[108] Same reference as above.

	Readiness Programme. In turn, connecting semiconductor companies with key sectors such as energy, automotive, and healthcare, and providing collaboration opportunities for new users of semiconductor innovations.	

Annex. Non-structural tax reliefs

Tax / Duty: Capital Gains Tax (CGT)

- **Relief or Duty: Enterprise Investment Scheme (EIS) and Venture Capital Trust (VCTs) Scheme**
    - **Objective for EIS:** To incentivise individuals to make new equity investments in high risk, early stage Small and Medium-sized Enterprises (SMEs) to help them grow and develop.
    - **Objective for VCT:** To incentivise individuals to make new equity investments in early-stage SMEs indirectly through an approved financial intermediary.
    - **techUK recommendation:** Consult with industry to leverage the UK's world-leading Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCT) schemes. As an example, to better support start-up and scale-ups outside of London, the Government could look to increase the age limit for raising investment. This would recognise that firms elsewhere in the UK can take longer to become established. As recognised by the Treasury Committee,[109] the maximum company age limit of seven and ten years written into the tax reliefs currently hinders economic growth and innovation.
    - **Benefit:** Extending the age limit could also incentivise greater investment into scaling businesses across all regions of the UK.

[109] UK Parliament (2023) 'Government agrees further work needed to broaden the Venture Capital sector'

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