



Economy 2030: An agenda for tech-enabled growth

September 2026

About techUK

techUK is the trade association that brings together people, companies and organisations to realise the positive outcomes of what digital technology can achieve. With over 1,100 members across the UK, techUK creates a network for innovation and collaboration across business, government and stakeholders to provide a better future for people, society, the economy and the planet.

By providing expertise and insight, techUK supports our members, helps the government understand the impact of their policies on business, and draws together the industry and public sector to agree the right approach to how digital technology policy is developed and implemented.

Contents

Executive Summary	04
Introduction	10
Chapter 1: Technology Adoption - <i>Be the Business</i>	14
Chapter 2: People & Skills - <i>TechSkills</i>	20
Chapter 3: Digital Infrastructure - <i>foreword by the Institution of Engineering & Technology</i>	26
Chapter 4: Regulation - <i>CBI</i>	34
Chapter 5: Data - <i>Royal Academy of Engineering</i>	40
Chapter 6: Investment - <i>UK Private Capital</i>	47
Chapter 7: Trade - <i>foreword by the Chartered Institute of Export & International Trade</i>	53
Chapter 8: Public Procurement - <i>foreword by Ben Paxton, Institute for Government</i>	60
Chapter 9: Regional Ecosystems - <i>Tramshed Tech, TechWM and CWConnected</i>	67
Conclusion	76

Executive Summary

Economy 2030 is a clarion call to put technology at the heart of the UK's strategy for growth.

Technology is uniquely well placed to reignite economic dynamism, revive productivity, and rekindle growth in the UK. It is only by restoring the growth rates experienced before the 2008 global financial crisis that the government can improve our public finances, public services and people's living standards.

First, the technology sector is an engine of growth in its own right, with its output expanding much faster than other parts of the UK economy.

Second, technology unlocks growth in all other sectors, as its adoption and diffusion enhances the productivity of businesses across the economy.

Third, technology strengthens the levers of growth at the government's disposal. For example, the development of a skilled workforce is a vital lever of growth; but equipping that workforce with technology leverages the workforce's full potential. Technology ensures that when the government pulls these growth levers, their impact is greater.

No other sector provides the same opportunities across all three domains.

Technology's role in leading the UK's economic recovery is already clear to see. The Office for National Statistics credited the IT sector with driving the UK's stronger-than-expected growth in July 2026.¹ In August, analysts attributed a rise in private sector productivity to increased technology adoption.²

Now is the time to capitalise on these green shoots by harnessing technology – a field in which the UK excels and is internationally competitive – to drive long-term, sustainable economic growth.

This report – developed in collaboration with 11 co-authors and partners, many from beyond the tech sector – puts forwards a series of ambitious but achievable actions that this government should implement between now and the end of this Parliament in 2029. These actions are a starting point towards ensuring that the UK economy is fit to face the 2030s.

The time to implement these is short, but the prize is great: an economy that is future-facing and ready for the decade ahead. After 18 years of economic slowdown, now is the time to prioritise growth and use this to invest in social care, defence or other political and public priorities. Technology provides a path to grow fast and fix things.

1. Office for National Statistics, *GDP Monthly Estimate, UK: July 2026* | ONS, 11 September 2026

2. Financial Times, *"UK finally showing signs of productivity growth, say economists"* | FT, 19 August 2026

Snapshot of the Report

Each chapter of *Economy 2030* focuses on a different lever of tech-enabled economic growth. These chapters are mutually reinforcing, so the government should pull all the growth levers, not pick and choose between the report's recommendations. The report's recommendations are summarised in the table below, with each chapter's headline recommendation in **bold**.

1.

CHAPTER & PARTNER	TODAY	GOAL BY 2030	RECOMMENDATIONS
Technology Adoption Be the Business	Many British firms experiment with digital technologies; too few adopt and embed them. UK ranks 37th for knowledge absorption in the Global Innovation Index, contributing to a 'long tail' of less productive firms	Responsible technology adoption and diffusion accelerates throughout sectors of the economy, helping to solve the UK's 'productivity puzzle' and enabling firms to expand	• Test staged, fiscally disciplined technology adoption incentives that support diagnostics, technology integration, process redesign and training • Make problem-first adoption the standard for publicly funded technology adoption initiatives • Establish a National Technology Adoption Network to coordinate devolved support

People & Skills TechSkills	Almost 1 million young people are not in education, employment or training (NEET), creating a major structural weakness by reducing the talent pipeline for the future workforce	Young people are developing the skills, experience and confidence to adopt digital technologies in the workplace, preparing the UK workforce for the transition to AI-augmented work	• Align skills provision with employer needs and the world of AI-enabled work, with Skills England recognising employer-led quality standards • Reduce the cost of early-career hiring through targeted NICs relief • Provide better pathways into work, including by giving every young person meaningful work experience
Digital Infrastructure Foreword by The Institution of Engineering & Technology	Despite strong internet coverage and a large cloud and data centre market, the UK's high electricity prices, slow planning processes and emerging constraints on compute capacity act as a bottleneck to investment in digital infrastructure	The UK's digital infrastructure is reliable, resilient and internationally competitive. It attracts, rather than deters, investment and acts as an enabler of economic growth, not a limiting factor.	• Move electricity levies off bills and accelerate grid connection queues • Engage with local communities and build public confidence in data centre developments • Develop British leadership in technological niches for frontier compute, supported by clear roadmaps and public procurement

Regulation CBI	Although there are pockets of excellence in the regulatory system, regulation still acts as a burden on business and barrier to innovation	More agile and rapid regulation supports businesses to adopt new technologies, enables innovators to bring new products and services to market, and builds consumer confidence	• Drive the wider adoption of outcomes-based, principles-led regulation and expand the use of standards where appropriate • Prioritise progression of the Regulating for Growth Bill, especially provisions supporting translation of successful sandboxes into regulatory reform • Cut regulatory review timelines for new products and services by 25%, backed by shared learning across regulator clusters
Data Royal Academy of Engineering	The UK has world-class data assets, but these are hard to discover, slow to access, inconsistently maintained and fragmented across multiple organisations	The UK's world-class data assets are easier to securely access and use, allowing business to build new products, researchers to unlock discoveries and AI developers to train, fine-tune and evaluate AI systems	• Create and implement a joint delivery framework for the National Data Library, Smart Data and infrastructure data schemes • Apply FAIR principles consistently across the joint delivery framework • Build professional data stewardship and assurance capability

Investment UK Private Capital	The UK provides a strong environment for technology businesses to start, but a weaker environment for them to scale	Deeper pools of domestic capital and thriving public markets support companies to scale, stay and succeed in the UK	• Unlock domestic institutional capital for venture and growth investment by launching an accredited marketplace to connect pension schemes with private capital funds • Introduce a scale-up reinvestment tax relief to keep successful founders reinvesting in the UK • Support businesses to invest, list and stay in the UK by reviewing stamp duty on UK equities and pursuing capital markets reforms
Trade Foreword by the Chartered Institute of Export & International Trade	The UK performs strongly in digital trade, but UK SMEs struggle to export relative to their international peers.	The UK has opened new international markets and expanded existing ones so that British exporters – of all sizes, but particularly SMEs – can trade overseas and sell their world-leading digital goods and services to more customers	• Secure UK access to the EU's Tech Sovereignty Package • Strengthen technology subject-matter expertise of UK trade officials, including in the Export Control Joint Unit • Leverage diplomatic means to expand market access, including through digital trade agreements

Public Procurement <i>Foreword by Ben Paxton of the Institute for Government</i>	The UK government spends £400 billion annually on goods and services, but often in a way that deters innovation and produces sub-optimal outcomes	The government harnesses the power of public procurement as a deliberate tool for growth, shaping markets, strengthening strategic sectors of the economy, and acting as an early customer for innovative businesses	• Build the state's procurement capabilities to buy better from everywhere including, but not exclusively, buying British • Improve market engagement to drive greater competition and facilitate routes to market for SMEs • Adapt funding models from CDEL to RDEL for the procurement of technology and digital services
Regional Ecosystems <i>Tramshed Tech (Wales)</i> <i>TechWM (West Midlands)</i> <i>CWConnected (Cambridge)</i>	The benefits of economic growth accrue disproportionately to people and places in the Greater South East	All nations and regions of the UK contribute to, and benefit from, tech-enabled economic growth, drawing on their local industrial and technological specialisations	• Use UK regions as testbeds for technology policies, evaluate them, then scale what works across other regions • Coordinate technology policies at the national, regional and local levels • Avoid funding fragmentation to prevent subscale support to regional tech businesses • Embrace regional industrial and technological specialisation

Introduction

Grow fast and fix things

Every promise that a government makes – on social care, defence or welfare – depends first and foremost on economic growth. Without growth, every choice becomes a painful trade-off and every ambition shrinks. But with growth, living standards rise, public services improve and public finances stabilise – and, ultimately, the government can reap the political dividends.

There is cross-party consensus that reigniting economic growth must be the starting point for overcoming the fundamental issues confronting the UK. Former Conservative Prime Minister Rishi Sunak set out in May 2026 that “lots of other challenges sit downstream from [economic growth]”.³ Also in May, former Labour Prime Minister Tony Blair explained that “the priority is growth” because it is “essential not just for prosperity, but for social justice.”⁴ In July, Chancellor John Healey outlined his five priorities, with economic growth ranking above tackling the cost of living.⁵ This is the correct prioritisation: a growing economy is a prerequisite for making life more affordable. In short, the UK needs to grow fast and fix things.

However, economic growth cannot just be spoken into existence. While political figures use the language of growth, this is no substitute for a clear-eyed and coherent theory of how to generate this growth. Indeed, Paul Johnson, the former Director of the Institute for Fiscal Studies, warned only six months into Sir Keir Starmer’s premiership, “what is this government’s theory of growth?” He concluded that the Starmer administration lacked any overarching theory but instead suffered from “a hotchpotch of different approaches.”⁶ The consequences – economic, social, political – of lacking a strong understanding of where growth comes from and how to deliver it have become clear to see.

Therefore, the new government must develop a robust plan for economic growth. And technology – a field in which the UK has very significant strengths and is internationally competitive – must sit at the heart of this plan.

This report, ***Economy 2030***, sets out an agenda for tech-enabled growth, supported by a series of actions that the government should take between now and the end of this Parliament to ensure the UK economy is fit to face the 2030s.

3. Radio 4, Today Programme, 26 May 2026

4. Tony Blair, [The Labour Party Is Playing With Fire Over Its Future and the Future of the Country](#) | Tony Blair Institute for Global Change, 26 May 2026

5. John Healey, [Chancellor John Healey Delivers Speech to Treasury Staff](#) | GOV.UK, 21 July 2026

6. Paul Johnson, [What Is the Government’s Theory of Growth? Nobody Knows](#) | Institute for Fiscal Studies, 20 January 2025

An agenda for tech-enabled growth

Technology is a key driver of growth in three main ways.

First, the technology sector is an engine of growth in its own right. The UK's ICT sector has expanded its output by 43% since 2019, more than seven times the figure for overall growth.⁷ Productivity in the ICT sector has grown at 36% during this period, twice the speed of the next fastest-growing sector.⁸ In 2024, the UK's digital and technology sector accounted for £158 billion in gross value added, with productivity 53% higher than the UK average and wages 50% higher than UK median earnings.⁹ Recent data from the ONS indicated that the stronger-than-expected economic growth in July 2026 was due in large part to the performance of the ICT sector.¹⁰

Second, and perhaps more importantly, technology is an enabler of growth throughout all other sectors of the economy. Polling commissioned by techUK and conducted by Public First in 2026 found that 85% of businesses in non-tech sectors believe that technology plays a significant or vital role in the UK's economic growth,¹¹ due to technology's capacity to enhance productivity. However productivity has become a weakness of the UK economy, which has experienced slower productivity growth than comparable

countries since the global financial crisis.¹² Despite this, recent evidence suggests an uptick in private sector productivity that some economists attribute to the increasing adoption and diffusion of digital technologies.¹³ This matters because productivity growth can boost business dynamism and fuel creative destruction, essential ingredients for strong economic growth. Closely related to this, the 2025 Nobel Prize in Economics was awarded for explanations of how technological progress and innovation lead to sustained growth across the economy.¹⁴

Third, technology strengthens the levers of economic growth at the government's disposal. For example, the development of a skilled workforce is an important lever of growth; but equipping that workforce with the appropriate technology leverages the workforce's full potential. Technology ensures that, when the government pulls these growth levers, their impact is greater.

This is what tech-enabled economic growth looks like. When the technology sector grows and technology's productivity gains are unlocked across sectors, the rest of the economy grows too. On the supply side, the government must continue to nurture and develop the UK's technological strengths. On the demand side, the government must stimulate the widespread adoption and diffusion of these technologies

7. Financial Times, "Can the IT Sector Solve the UK's Growth Problem?" | FT, 28 June 2026

8. Office for National Statistics, [Productivity Flash Estimate and Overview, UK: January to March 2026 and October to December 2025](#) | ONS, 19 May 2026

9. Department for Science, Innovation and Technology, [Digital and Technologies Sector – Economic Statistics](#) | GOV.UK, 2026

10. Office for National Statistics, [GDP Monthly Estimate, UK: July 2026](#) | ONS, 11 September 2026; and Emer Moreau, "AI Boom Helps Drive Surprise UK Growth in July" | BBC News, 11 September 2026

11. Public First and techUK, [Polling Results: techUK Policy Conference](#) | techUK, March 2026

12. Bart van Ark and Mary O'Mahony, [What Explains the UK's Productivity Problem?](#) | The Productivity Institute, 21 February 2024

13. Financial Times, "UK Finally Showing Signs of Productivity Growth, Say Economists" | FT, 19 August 2026

14. Royal Swedish Academy of Sciences, [Popular Science Background: From Stagnation to Sustained Growth](#) | The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel 2025, 13 October 2025

across the private and public sectors. The chapters of ***Economy 2030***, outlined below, set out how to achieve this. Underpinning this plan for tech-enabled growth is the importance of stability: political predictability, stable inflation and credible fiscal frameworks provide firms with the certainty they need to plan and invest.

Economy 2030: purpose, structure and scope

The UK already has a long-term plan for economic growth, as the Industrial Strategy is due to run until 2035. There is a risk, however, that long-term strategies drift: policy priorities shift and political accountability is weak, as ministers are unlikely to still be in the same post a decade later.

In contrast, ***Economy 2030*** aims to provide a short-term plan to reignite economic dynamism and revive productivity by setting out a series of ambitious but achievable actions that the government could plausibly take between now and the end of this Parliament to strengthen the levers of economic growth and place technology at the heart of this process.

This report is composed of nine chapters. The first eight chapters analyse different levers of tech-enabled economic growth; the ninth draws on case studies to consider how some of these levers operate in specific regional ecosystems.

The chapters are collaborative, developed with partner organisations from beyond the tech

sector that have authored the report's chapters or written chapter forewords. By drawing on these organisations' insights and expertise, ***Economy 2030*** builds momentum for its policy recommendations.

Chapter 1, authored by **Be the Business**, focuses on **technology adoption and diffusion**. It examines why the UK is strong at invention and innovation, but relatively weaker at technology adoption, and assesses how to drive up tech adoption and productivity, particularly amongst SMEs.

Chapter 2, authored by **TechSkills**, focuses on **people and skills**. It considers how to develop an AI-augmented workforce by aligning employers and the education system to ensure young people have the skills, experience and confidence to apply AI productively in the workplace.

Chapter 3, with a foreword by the **Institution of Engineering and Technology**, focuses on **digital infrastructure**. It considers how the UK's connectivity, data centres and compute – the backbone of the UK's current and future economy – can become internationally competitive so that they act as an enabler of economic growth, not a bottleneck.

Chapter 4, authored by the **CBI**, focuses on **regulation**. It analyses how outcomes-based and agile regulation can promote – and not constrain – innovation and tech-enabled economic growth, while building consumers' confidence in new technologies.

Chapter 5, authored by the **Royal Academy of Engineering**, focuses on **data**. It argues that the UK must convert its fragmented data assets and initiatives into trusted, usable and interoperable systems that generate economic and societal value.

Chapter 6, authored by **UK Private Capital**, focuses on **investment**. It assesses how greater institutional capital and capital markets can be unlocked and invested in innovative tech companies to allow them not just to start in this country but also to scale and stay.

Chapter 7, with a foreword by the **Chartered Institute of Export & International Trade**, focuses on **trade**. It considers the barriers that are holding back UK companies – particularly SMEs – from engaging in digital trade, and what can be done to overcome these.

Chapter 8, with a foreword by **Ben Paxton** of the **Institute for Government**, focuses on **public procurement**. It highlights the potential of public procurement to shape markets and grow important sectors of the economy and strategic technologies – but, currently, the procurement process deters innovation and can lead to sub-optimal outcomes.

Chapter 9, authored by **Tramshed Tech**, **TechWM** and **CWConnected** focuses on **regional ecosystems**. It assesses how some of the levers of tech-enabled economic growth set out in the preceding eight chapters operate in Wales, the West Midlands and Cambridge – and the possible impact of greater devolution on the tech ecosystems in these areas.

It is important to view the chapters of **Economy 2030** as mutually reinforcing. The government should look to pull all these levers of tech-enabled growth, not pick and choose between the report's recommendations.

The issue of digital sovereignty, while not the focus of **Economy 2030**, cannot be separated from economic growth. Done badly, a government's approach to sovereignty imposes costs on the very firms that the UK needs for growth, narrows their markets and weakens their competitive position internationally. But done well – by investing in the UK's underlying strengths and shaping the world we trade in – a government's pursuit of sovereignty can strengthen the UK's ability to build, scale and export technology. For more information, see techUK's September 2026 paper on *Confident Sovereignty*.¹⁵

Economy 2030 does not simply echo previous calls, even pleas, for growth. Instead, it presents a series of recommendations to deliver economic growth grounded in a clear understanding of where growth comes from and how technology can provide political decision-makers with the levers necessary to enable that growth.

The time to implement these is short, but the prize is great: an economy that is future-facing and fit for the 2030s. And the growth that comes from this will be good for business, good for the UK's standing in the world and, most importantly, good for the British people.

15. techUK, *Confident Sovereignty: techUK's Framework for Sovereignty to Support Growth, Security and Resilience* | techUK, 8 September 2026

Chapter 1: Technology Adoption

Be the Business

 **be the
business**

Technology Adoption & Economic Growth

The adoption of digital technologies – ranging from enterprise software to cloud computing, robotics to AI tools, and many more – is one of the primary engines of long-term economic growth. Using technology well improves productivity, releases capacity and enables firms to expand. The gains extend beyond the business: more productive firms strengthen local economies, create better jobs rooted in place and support stronger communities.¹⁶ Recent data, from the ONS and others, suggests that an uptick in the UK's productivity growth could be attributed to increased technology adoption.¹⁷ However, the UK needs to go much further and faster if businesses of all sizes and from different nations and regions of the country are to successfully adopt technology by the year 2030.

The UK context: strong at innovation, weak at adoption

The UK excels at developing technology but is less successful at putting it to work. Thousands of businesses are experimenting with digital tools and AI, but few are embedding them into their operations.

This is not new. Be the Business's 2020 report, *The UK's Technology Moment*, described an economy strong at creating technology but weaker at spreading it.¹⁸ Today, the UK ranks

sixth in the Global Innovation Index but 37th for knowledge absorption¹⁹, while the OECD finds that SME adoption falls away as technologies become more advanced.²⁰ Too little of our strength in innovation is converted into wider economic performance.

AI adoption

This chapter does not focus on AI specifically. Its policy recommendations are deliberately technology-agnostic. However, it is important to recognise that the rise of AI increases the urgency of improving the adoption of technologies amongst British businesses. AI is the most significant acceleration in technology for a generation, giving even the smallest firm access to computing power and capabilities previously available only to the largest organisations. Used well, AI can level the playing field. Used poorly, it could widen it.

That is why digital adoption matters. AI sits at the centre of the opportunity, but successful adoption depends on good data (see also Chapter 5 of this report), connected systems (see Chapter 3 on digital infrastructure), capable leaders and employees who understand how work must change (see Chapter 2 on people and skills). While access is becoming easier, adoption is not. Experimenting with a tool is different from integrating it into a process and producing a measurable result.

16. Be the Business, *AI-Powered Potential* (2024), pp. 13–14

17. Reuters, *UK economy grows by most since early 2025 on possible AI boost*, 2026; Financial Times, *UK finally showing signs of productivity growth, say economists*, 2026

18. Be the Business and McKinsey & Company, *The UK's Technology Moment* | Be the Business, 2020, pp. 3–7

19. World Intellectual Property Organization, *Global Innovation Index 2025: United Kingdom* | WIPO

20. OECD, *SME Technology Adoption in the United Kingdom* | OECD, 2026

Research that Be the Business is conducting with UCL and Stanford University illustrates the gap. Among 420 SME leaders, more than nine in ten report using AI, but fewer than one in ten have implemented it across several business functions. Nearly half report that none of their employees have received AI training.²¹ The findings are preliminary but suggest that businesses are using AI much faster than they are embedding it.

Business leaders often start in the wrong place by asking which tool they should buy. The better question is: where is the business losing time, capacity or revenue, and what needs to change? Only then can they judge whether technology is part of the answer. The harder barriers lie in diagnosing the problem, redesigning work and leading change.

Government has recognised the opportunity through adoption pilots, the Business Growth Service and the expansion of Made Smarter. The SME Digital Adoption Taskforce set the right ambition: UK SMEs should be the most digitally capable and AI-confident in the G7 by 2035.²² The test is whether that intent translates into adoption that improves productivity, resilience and sustainable growth inside businesses.

Be the Business's work with thousands of SME leaders points to three recurring barriers. First, businesses struggle to diagnose the right problem and manage implementation. Second, the costs and risks of adoption are difficult to

assess and are not always well aligned between businesses and technology providers. Third, support is fragmented, making it difficult for businesses to find the right help and for effective approaches to spread. Financial incentives can play a role in helping to overcome these barriers, but they must be targeted at a specific business problem, tested and evaluated, and coordinated nationally but delivered locally.

1. Make problem-first adoption the standard for business support

The common mistake is to start with the technology: buy licences and encourage experimentation. Successful adoption starts with a valuable business problem. Where is time wasted, money lost or opportunity missed? What would improvement look like?

Smaller businesses rarely have teams able to define requirements, compare providers and absorb failed experiments. The person responsible for adoption is often also running the business. Implementations stall when they overrun, integrate badly or fail to win employee support.

Recommendation 1:
By 2027, government should make a problem-first pathway a design requirement for publicly funded SME technology-adoption support.

21. Be the Business, preliminary research among 420 UK SME leaders (2026). The ongoing sample is not nationally representative.

22. Department for Business and Trade, *SME Digital Adoption Taskforce: final report* | GOV.UK, 31 July 2025

It should take businesses through five stages: diagnose the problem, test the use case, implement the solution, embed the change and measure the result.

The Business Growth Service should provide the national front door and direct businesses towards appropriate sectoral and local support. Combined authorities, sector bodies and trusted local partners should determine how the pathway is delivered. Provision could include kick-off workshops, independent advice, mentoring and communities of practice.

Funding and performance measures should follow businesses through the journey rather than reward isolated activity. Success means changed ways of working and demonstrable results: time saved, errors reduced, sales increased, capacity created or customer service improved, not licences purchased or training places filled.

2. Reward additional growth and productivity, not technology purchases

Cost matters, particularly when implementation takes longer and proves more expensive than expected. But government should not subsidise routine software purchases or activity businesses would have undertaken anyway. Support should target investments capable of producing additional growth and, over time, higher tax receipts.

**Recommendation 2:
By 2027, the government should test staged, fiscally disciplined incentives for technology adoption.**

A modest first stage could support an independent diagnostic, credible business case and baseline. Controlled pilots should then compare matched implementation funding with time-limited tax relief. Both should require a business contribution and support integration, process redesign and training.

The incentive should align suppliers and customers. Providers should offer transparent pricing, interoperability and implementation support. Where public funding meets supplier implementation costs, a proportion should be released only when the customer reaches agreed adoption milestones. This would keep providers engaged after the sale without making them responsible for every factor affecting business performance.

The pilots should be independently evaluated against a credible counterfactual and scale only where additional growth and productivity justify the cost.

Skills provision must serve the same outcome. Generic technology or AI training may build confidence without changing performance. Instead, learning should address a live operational challenge and equip leaders to

assess opportunities, manage risk and implement change. Skills England's AI leadership apprenticeship units offer a strong foundation and should connect leadership development directly to the wider adoption offer.²³

3. Use a national adoption network to make devolved support more effective

The UK does not need another stand-alone portal or institution. It needs a delivery system that joins up existing assets and improves through evidence.

Made Smarter, sector bodies and supply chains can provide specialist expertise; combined authorities and trusted intermediaries can deliver close to firms; Skills England can connect adoption with workforce development. The US Manufacturing Extension Partnership and Germany's Mittelstand-Digital centres demonstrate the value of combining national capability with hands-on local support.²⁴

Recommendation 3:
By 2028, the government should establish a National Technology Adoption Network to act as the operating system connecting this provision, not a new delivery body.

Nationally, it should maintain the common pathway and quality standards, build a shared evidence base and spread effective approaches between sectors and places. It should not deliver support directly or replace existing institutions.

This would allow places to tailor support to local needs while benefiting from shared national infrastructure and evidence about what works. In England, combined authorities and local partners could commission support around local needs without having to build the underlying model from scratch. The network should also connect with the devolved governments and their business-support systems so that evidence and effective practice can spread across the UK. National government would provide infrastructure for learning and accountability; devolved institutions would determine delivery.

Government has accepted the case for a single point of ministerial accountability for digital technology adoption, including AI.²⁵ That responsibility should be explicit, durable and supported by the authority to coordinate business support, skills, tax, procurement and regional policy. Delivery decisions should sit close to businesses and reflect the needs of different places, while government should organise the evidence, infrastructure and accountability needed to support effective devolved delivery.

23. Skills England, [AI leadership apprenticeship units AU0009, AU0010 and AU0011](#) | Skills England, approved for delivery 21 April 2026

24. US National Institute of Standards and Technology, [Manufacturing Extension Partnership](#) | NIST; Federal Ministry for Economic Affairs and Energy, [Mittelstand-Digital](#) | BMWK

25. Department for Business and Trade, [Backing your business: policy annex](#), updated 9 January 2026, section on digital adoption; and Department for Business and Trade, [SME Digital Adoption Taskforce: 2026 update](#) | GOV.UK, 26 June 2026, recommendation 2

Conclusion

Government analysis suggests the adoption of emerging technologies could add £223 billion to real GDP by 2035, including around £79 billion from AI and machine learning.²⁶ Converting that potential into growth will not be easy. It requires a clear connection between national ambition, diagnosed business problems, successful implementation and measurable improvement—supported by a system capable of spreading what works. Success should not be judged by how many businesses attend an AI course, claim an incentive or buy software. It should be measured by how many use technology to solve an important problem, change the way they work and improve their performance.

Get that right and, by 2030, AI can give even the smallest firms access to computing power and capabilities that, until now, only the biggest businesses could afford. Used effectively, that can support more productive businesses and better jobs in communities across the country.

Get it wrong and today's adoption gap will become tomorrow's productivity divide, between the businesses and countries that adopt technology fast and reap the rewards, and those that lag behind.

26. Department for Science, Innovation and Technology, [The wider economic impacts of emerging technologies in the UK](#) | GOV.UK, 9 April 2025, baseline scenario

Chapter 2: People & Skills

TechSkills

techskills

People, Technology & Economic Growth

The outcomes of technological transitions are determined by the decisions and actions of people. There is no guarantee that technological innovations in themselves will lead to higher productivity or better jobs. However, as we enter the age of AI, human capital - the cumulative stock of people's knowledge, skills, abilities, experience and health - remains the key to turning technological opportunity into real benefit for people, society and the economy. In short, people still power economic growth.

For the UK, one of the central economic questions for the 2030s is not simply how fast we adopt AI, but how effectively we turn adoption into improved productivity, jobs and opportunity. This question is particularly acute for young people who are entering the workforce just as the true productive potential of AI is starting to emerge.

The UK context: areas of strength, but structural weaknesses persist

The UK is entering the AI transformation from a mixed starting point. We have world-class universities and remain attractive to global talent, but these strengths sit alongside persistent digital skills shortages, regional disparities, low employer-led training investment, heightened levels of long-term sickness, and an ageing workforce. These weaknesses are not new, but

AI raises the cost of leaving them unaddressed. A major structural weakness is the youth workforce. A decade ago, the UK's rate of young people aged 16 to 24 Not in Education, Employment or Training (NEET) was close to the EU average. Today it is among the worst in Europe with the number of young people affected nearly a million.²⁷ Tackling the NEET issue is critical to the UK's long-term economic competitiveness and its ability to build the strong talent pipeline that a tech-driven economy requires.

1. Make it easier for businesses to hire young people

There is a perception that AI has had a negative impact on early-stage career opportunities and graduate roles in particular. The evidence is still unclear but research suggests that AI will have a growing impact on entry-level roles over the coming years.²⁸ Ensuring young people can reach the first rung on the job ladder is critical to both their career progression and the UK's future productivity. In the short term, any rise in youth unemployment will act as a drag on productivity at a time when the UK needs rapid productivity growth. In the longer term, if entry-level roles become harder to access, fewer young people will gain the experience needed to progress, and employers will lose the pipeline of talent into more experienced and senior roles.

What is causing changes to entry-level hiring is uncertain. Skills England found that firms more

27. Office for National Statistics, [Young People Not in Education, Employment or Training \(NEET\), UK: August 2026](#) | ONS, 27 August 2026

28. Financial Times, ["AI Will Lead One in Four Big UK Businesses to Cut Staffing, Research Shows"](#) | FT, 10 November 2025

exposed to AI reduced their employment by 4.5% and junior roles by 5.8% and 87% of employers expect AI adoption to reshape graduate and apprentice roles.²⁹ However, with one in three UK employers cutting entry-level jobs, these trends cannot simply be attributed to AI alone.³⁰

Weak economic growth, reduced business confidence and changing recruitment practices are also affecting graduate and junior recruitment in the UK. Businesses cite rising employment costs as a major disincentive to hiring young people, following increases in employer National Insurance Contributions (NICs) rates, reductions in the threshold and increases in the minimum wage since 2024. Government should recognise that changes to National Insurance rules have had a disproportionately negative impact on youth hiring and address this.

Recommendation 1: Reduce the cost of early-career hiring through targeted NICs relief.

The cost of employing people has increased significantly in recent years: the rate of employer NICs has risen from 13.8% to 15%, while the secondary threshold has fallen from £9,100 to £5,000, creating additional pressure on employers. To make it easier for employers to create opportunities for young people and remove some of their disincentives, government should extend the National Insurance Upper Secondary Threshold so that employers pay no

National Insurance Contributions for employees under 25 until their earnings exceed £967 per week. Government should ensure that any extension of relief is communicated clearly and simply to employers, so that eligible businesses are aware of the support available and able to benefit from it. This exemption is currently available to under-21s; this recommendation would extend the exemption to under-25s, tipping the balance back in favour of hiring more young people and young graduates.

2. Align skills with employer needs and the world of AI-enabled work

The education and training system must create the skills and abilities that employers require. There is a need for closer alignment between training provision and the labour market as AI changes what it means to be 'work-ready'. Schools must be given the resources and support to deliver curriculum reforms effectively. Given techUK research found just 51% of parents and guardians working in the tech sector are confident the current education system is preparing children for future jobs, the goal should be a curriculum that combines strong foundational knowledge with essential digital skills and AI fluency, critical thinking and practical exposure to the world of work.³¹

Government must ensure that universities and colleges work closely with employers to keep courses relevant to emerging technologies and

29. Department for Work and Pensions and Skills England, *Skills England Annual Skills Report 2026* | GOV.UK, 2026; and Institute of Student Employers, *Entry-Level Work Reshaped Not Replaced* | ISE, 7 May 2026

30. Reuters, "One in Three UK Employers Have Cut Entry-Level Jobs, Survey Shows" | Reuters, 25 August 2026

31. techUK, "Education System Must Adapt to Prepare Young People for Future of Work, techUK Survey Says" | techUK, 28 November 2024

changing job roles, including the co-creation of modular learning opportunities that are eligible under the Lifelong Learning Entitlement, as well as embedding work-based learning, employer encounters and placements across the breadth of education.

Employer engagement should also be strengthened within apprenticeships, including through AI-focused apprenticeship standards and industry-led accreditation. TechSkills provides an established model through its employer-led Tech Industry Gold accreditation: employers help define the skills and standards needed in the workplace, while its online platform helps people navigate pathways into technology careers, including apprenticeships, degrees, bootcamps and flexible learning.³² This combination of employer input and trusted quality standards can help people make informed choices and build the skills, experience and confidence they need to progress into work. Alongside this, short courses including AI micro-credentials, bootcamps and other flexible forms of training, can help people build confidence.

The need for employer-led accreditation is particularly clear when considering the pace at which specialist technology roles are emerging. TechSkills tracks 67 specialist tech career domains. Cross-referencing these against the national apprenticeship standards register maintained by the Institute for Apprenticeships and Technical Education (IfATE) shows that only 19 of the 67 (28%) have a matching, current

apprenticeship standard. This indicates that the national standards and classification system only reaches around half of the specialist tech roles employers are actively recruiting for today. It also reflects the challenge of developing and approving national standards quickly enough to keep pace with roles that are rapidly evolving. Employer-led accreditation can therefore play an important complementary role as a trusted quality signal for emerging and specialist roles where national standards have not yet caught up.

Recommendation 2: Skills England should recognise employer-led quality standards.

Government should progress its AI skills framework so that it recognises established employer-led quality standards, such as TechSkills's Tech Industry Gold when designing new AI and digital apprenticeship units now fundable through the Growth and Skills Levy. It should also publish a timetable for expanding that course list in line with employer demand and ensure a strong role for industry in the design of these courses.

3. Provide better pathways and signposts into work

While young people need clearer pathways into work and better information about the skills valued by employers, employers need confidence that education and training are developing

32. TechSkills, [Find Your Path into a Tech Career with Confidence](#) | TechSkills

relevant, job-ready skills. High-quality work experience and industry placements for young people are an effective mechanism to bridge this gap.

Research shows that participating in work experience can reduce a young person's risk of becoming NEET by as much as 80%.³³ High-quality work experience is particularly important at the start of a young person's career, when they are more vulnerable in the labour market.

Government should ensure that the refreshed school curricula connects what is taught with potential careers, so that young people understand how classroom learning relates to real employment pathways, including those in technology roles where the link between subject content (in areas such as Computing, Science, Design and Technology and Maths) and the range of jobs available in the sector is not always clear to students.

In a rapidly changing labour market, people can struggle to identify how they can make their skills and capabilities relevant. Government should work with employers and training providers to help people identify pathways to skills and jobs that are right for them. The TechSkills platform, with its built-in career planner engine, provides a practical example of how this can work in practice. Rather than simply pointing a young person towards a broad career family, the platform matches them to one of 67 specialist technology domains, shows live apprenticeship

vacancies within 25 miles of their postcode using the government's own Find an Apprenticeship data, and matches them to suggested programmes based on their preferred route into work. This creates a more clearly signposted and personalised pathway from an individual's interests and aspirations to actual opportunities in the labour market. Government should work with employers and learning providers to provide effective tools that enable workers to identify their own tailored routes through training into work.

Recommendation 3: Deliver on giving every young person meaningful work experience.

Government must work more closely with employers to deliver the ambition set out in statutory careers guidance to guarantee two weeks of work experience for every young person by the end of Key Stage 4. The new two-week entitlement should be a minimum starting point, not an end point, to build sustained relationships between schools and employers. Industry should be a delivery partner, helping shape programmes, provide workplace projects and mentoring, and create pathways into apprenticeships and employment. However, government must address the practical barriers that businesses, particularly SMEs, will face in providing placements.

Industry should be supported to deliver high-quality experiences for young people aligned with

33. DHL UK Foundation and Education and Employers, [Work Experience: Past, Present and Future](#) | Education and Employers, June 2026

the Careers & Enterprise Company's Employer Standards for Careers Education, helping young people develop both technical knowledge and essential skills and gain meaningful insights into the sector.

Government must work with business to reduce administrative burdens, provide practical support and consider incentives for high-quality placements and flexible employer encounters, especially in underserved regions and sectors. Schools should also ensure that this sits alongside strong pastoral and careers support, particularly for young people at risk of becoming NEET, receiving the guidance they need to build confidence, overcome barriers and make the most of these opportunities. The aim must not be to simply tick a box of work experience provision but to build strong relationships between schools and employers across the country, that create better knowledge and understanding on both sides of how to support young people in the transition into work and the 'work-ready' skills and capabilities that employers require. The curriculum changes planned for 2028 should be used as an opportunity to embed this.

Conclusion

As we approach the 2030s, the rapid development of AI is creating uncertainty for young people and their families about the future of work and career choices. To help them navigate these changes, the government ought to work with industry to reduce the cost of early-career hiring, align skills provision with employer needs and the world of AI-enabled work, and provide better pathways into work. Tech can only drive growth if young people have the skills, experience and confidence to apply it creatively and productively in the workplace.

Chapter 3: Digital Infrastructure

techUK

techUK

Foreword by the Institution of Engineering and Technology



Digital infrastructure is critical national infrastructure. Connectivity networks, telecommunications and data centres all underpin the UK's economy. They facilitate the adoption of digital technologies, connect businesses with customers, and lead to the development of new products and services. In this way, digital infrastructure is a facilitator of economic growth – both now and into the 2030s. And that is why protecting and preserving this infrastructure is a key question of economic resilience.

In this chapter, techUK identifies three main bottlenecks constraining the UK's digital infrastructure: electricity, planning and local community engagement, and compute. Overcoming these constraints would catalyse investment and allow digital infrastructure to drive economic growth further and faster. Of the three challenges, the IET is particularly interested in the one relating to electricity.

As the UK progresses towards its net zero targets there will be changes to the country's

energy mix, supply and demand. The UK must become not only a global leader in innovation and technology, but a leader in sustainable innovation. It is vitally important to consider the capacity of the UK electricity grid when planning the development of data centres. That is why investment in grid infrastructure to support a more independent power mix based on renewable energy is necessary.

In the face of climate-related risks, resilience of the grid and of data centre infrastructure is also key. To create this resilience, there needs to be a technical understanding of the issues, processes, and interdependencies when assessing risks, with a whole-system engineering perspective informing decisions.

Digital infrastructure depends on reliable energy infrastructure, grid capacity, planning regulations and other supporting systems. This shows the extent to which technology, energy and economic growth are ultimately interdependent. This chapter makes valuable proposals for how these can work harmoniously.

Digital Infrastructure, Technology & Economic Growth

Digital infrastructure is the backbone of the UK's economy. Every online public service, every smart factory sensor and every AI agent a business deploys depends on digital infrastructure – and its importance is set to expand as digitisation intensifies across every sector of the economy.

Digital infrastructure is therefore a fundamental enabler of economic growth. Connectivity networks transmit data that supports the adoption and diffusion of technologies, a key driver of productivity. The storage and processing of data underpin e-commerce platforms and online payment systems, which allow SMEs to reach more customers and access new markets. In 2026, analysis by BCG found that investment in digital infrastructure generates very strong economic returns in advanced economies.³⁴

The UK context: genuine strengths, but mounting risks

In broad terms, digital infrastructure is comprised of the networks that move data; the data infrastructure that stores and manages this data; and the compute capacity that processes it.³⁵ In each of these three areas, the UK has significant

strengths, but emerging constraints could act as bottlenecks to investment and growth.

On connectivity, the UK performs well on coverage. Gigabit-capable broadband is available for 89% of homes. Outdoor 5G coverage extends to 97% of the UK. However, the UK's networks underperform in terms of speed, latency and reliability, all of which are prerequisites for digital adoption. On median download speeds, the UK ranks 44th globally for fixed connections and 59th for mobile.³⁶ This weakness stems from regulatory burdens, planning policy and energy costs that make it challenging to build, maintain and upgrade networks.

On data infrastructure, the UK has Europe's largest data centre market, contributing £4.7 billion in GVA annually to the UK economy and employing 43,500 people.³⁷ Services account for over 80% of the UK economy, which means there is strong market demand for cloud and data services which translates into demand for data centre expansion. There is an announced investment pipeline worth an additional 6.2 GW of data centre capacity across 52 locations in the UK by 2030.³⁸ But there are concerns that energy costs, slow electricity grid connections and planning regulations will curtail some of this expansion.

34. Boston Consulting Group, *Infrastructure Investment in an Uncertain World* | BCG, 27 January 2026

35. This chapter focuses on terrestrial digital infrastructure. However, it is important to note that the UK's space and satellite sector also plays an important role in delivering connectivity across the whole of the UK and through a number of current and future use cases. For more information about our work in this area, please visit techUK's [Telecoms](#) page.

36. ISPreview, *2025 vs 2024 – UK Broadband and Mobile Speeds vs the World* | ISPreview UK, 27 December 2025

37. techUK, *Foundations for the Future: How Data Centres Can Supercharge UK Economic Growth* | techUK, 4 November 2024

38. Oxford Economics, *The UK's Data Centre Boom: Growth Trends, Drivers, and the Rising Power Challenge* | Oxford Economics, 2026

On compute, the UK is one of Europe's leading markets for compute investment and cloud services. However, supply for AI-related compute will struggle to match demand, which is expected to grow at least four-fold between now and 2035.³⁹

Despite digital infrastructure's strong potential to drive growth in the UK, the opposite can also be true. If networks cannot move data fast enough or if data centres are unable to process the volume of data, then this is a major constraint on growth. Therefore, the UK must take three main actions between now and 2030 to ensure that the country's digital infrastructure acts as a lever – and not a limiting factor – for growth.

1. Deliver cheaper, more resilient electricity and accelerate grid connections

Investment is essential to prevent the UK's digital infrastructure from acting as a bottleneck to growth in the coming years. However, relative to its international peers, the UK is in a less competitive position to attract private capital because investors find it more challenging to get returns from UK investments due to the high energy costs incurred to operate this infrastructure.

Industrial electricity prices run around 63% above the median of the 31 countries in the International Energy Agency, and data centres and network operators in the UK face electricity prices roughly four times those in the United States.⁴⁰ In 2023, it cost approximately £226.5 million per year to power a 100MW data centre in the UK, against £156.3 million in France and £56.8 million in the US.⁴¹ For a national mobile network operator (MNO) and techUK member, standing charges represent an increase in annual energy costs of up to £25 million, and a second MNO is facing staggering increases in non-commodity costs from 2026 to 2027: 198% increase in Nuclear RAB; 90% in Capacity Market; 54% in Transmission; 23.5% in Balancing; and 6.5% Distribution.

To make matters worse, UK data centre operators face delays to get connected to the electricity grid of up to eight years, a wait matched only by the world's most constrained markets such as the Netherlands and Tokyo.⁴² These delays threaten project timelines, drive up costs and erode returns, all of which is causing investors – both current and prospective – to reconsider their investments in UK digital infrastructure.

The good news, however, is that many of the potential solutions are within the UK government's control. Electricity levies and

39. techUK, [Digital Infrastructure 2035](#), September 2026

40. Department for Energy Security and Net Zero, [International Industrial Energy Prices](#) | GOV.UK

41. Social Market Foundation, [How to Power AI: Boosting Compute Capacity for UK AI](#) | SME, Sam Robinson and John Asthana Gibson, 10 February 2025

42. Roadnight Taylor, [Data Centre Report](#) | Roadnight Taylor, September 2025

network charges, not wholesale costs, now make up the majority of the price gap with the UK's competitors, and government sets or directly controls nearly all of them: Contracts for Difference and Renewables Obligation levies, the Climate Change Levy, and Transmission Network and Balancing Services Use of System (TNUoS and BSUoS) network charges.

Recommendation 1: Government should move all levies from electricity bills to general taxation by 2029.

The government should also bring forward the Energy Independence Bill promised in the 2026 King's Speech to support a power mix based increasingly on renewables and nuclear.

On grid connections, Ofgem and NESO's 'Curate, Plan and Connect' reforms are a welcome start. Government, Ofgem and NESO should now accelerate reforms to embed a 'first ready and needed, first connected' approach to managing the demand connections queue. These should include a fair and proportionate data centre commitment fee, reasonable queue management milestones, prioritisation mechanisms for strategically important demand, optionality for projects to build their own connections, and much stronger incentives for flexibility. This new approach would prioritise committed and viable projects over speculative applications to the grid.

2. Win hearts and minds: build public confidence in data centre development

Even if the UK succeeds in lowering electricity costs, investors face an additional deterrent: the risk of local opposition causing delays to data centre development. Recent analysis of 33 UK data centre planning applications found the average time to secure consent was 490 days, rising to over five years in the longest case. Poor community engagement was cited as a major cause of these delays.⁴³ Emerging international evidence suggests that lenders increasingly price local opposition into data centre financing decisions.⁴⁴ This risks driving up the cost of capital for UK data centre projects.

To mitigate this risk, there is a need for government – both national and local – to work with industry to set out a strong, positive and evidence-based case for data centres, emphasising their potential benefits to local communities.

First, it is important to raise public awareness about what functions data centres fulfil. Data centres store and process the data needed both for everyday services – sending emails, making a bank transaction – and critical functions – such as managing NHS patient records or national-security and defence data. This is why data centres were designated Critical National Infrastructure in 2024.

43. Hoare Lea, *Powering Places: Integrated Planning Strategies for Data Centres & Communities*, 2026

44. Reuters, *Lenders scrutinize US data center financing as community opposition builds*, 2026

Second, communications must accentuate data centres' strong economic case. Public First research finds that doubling data centre access could lift local GVA by up to 2.07%, worth around £36.5 billion nationally.⁴⁵ Construction at one recent site alone generated 14,000 person-years of work and £1 billion in local GVA; the jobs that remain once the data centre is operating pay roughly £10,000 more than comparable local roles.⁴⁶

Third, it is important to rebut some strongly held but evidence-free opinions, particularly around data centres' water consumption. They account for just 0.2% of England's non-household water use, according to independent analysis for MOSL.⁴⁷ A 2025 techUK and Environment Agency survey of 73 data centre facilities found over half use no water for cooling at all, and most of the rest use less in a year than water companies lose through leaking pipes in a single day.⁴⁸

None of this means every site is the right site for data centre developments. But if the UK does not build domestic data centre capacity, the demand does not disappear. It gets served overseas, and the jobs, investment and control over the UK's valuable and sensitive data assets go with it.

Recommendation 2: Government should work with industry to make the case in favour of data centres directly and consistently, and persuade local communities of their local benefits.

This should include analysis setting out the advantages of data centres to local economies and employment. It should also rebut unfounded concerns around data centre water use with empirical evidence.

3. Develop a leading position in frontier compute

The major constraints on the UK's digital infrastructure outlined above can be eased in part by a new generation of computing technologies. Photonic⁴⁹, neuromorphic⁵⁰ and quantum computing⁵¹ – referred to collectively in this chapter as frontier compute – have the potential to process data with greater energy efficiency than more conventional computing. Although they will not replace conventional computing architectures, each is expected to play a growing role as demand for AI computing capacity strains

45. Public First, [Data centres access and local economic growth](#), 2025

46. Oxford Economics, [The Local Economic Impact of a Proposed Data Centre Campus in London](#), 2022

47. MOSL, [Data centre study calls for new reporting framework to manage water use](#), 2026

48. techUK, [Understanding data centre water use in England](#), 2025

49. Photonic computing uses light rather than electrical signals to process data, avoiding much of the resistive heat loss while increasing bandwidth and easing the cooling load that drives a large share of data centre power demand.

50. Neuromorphic computing takes a different approach, mimicking the brain's architecture so that processing and memory sit in the same place and circuits only draw power when they are actively handling a signal, rather than running continuously – an approach that can cut the energy needed for AI inference by an order of magnitude or more compared with conventional processors.

51. Quantum computing addresses the problem from yet another angle: for certain classes of problem, it can in principle deliver exponential rather than incremental gains in computational speed, meaning the same task could eventually be solved with a fraction of the hardware and energy footprint required today.

the limits of existing chip technologies. Whether or not the UK can access frontier compute at scale will be a major enabler or significant limiting factor of digital infrastructure and, by extension, economic activity in the 2030s.

The UK has strengths in all three of these frontier compute technologies. The photonics research base is highly regarded, with the University of Southampton's Optoelectronics Research Centre one of the world's most cited photonics institutions.⁵² The UK has emerging strengths in neuromorphic R&D, centred around the UK Multidisciplinary Centre for Neuromorphic Computing, led by Aston University. The UK's quantum ecosystem is more mature, with major quantum hubs around Bristol, Scotland and the Golden Triangle and the world's second-highest venture capital investment in quantum. However, the UK faces two main challenges. First are the recurring difficulties with commercialising this research base and developing domestic capabilities at scale. Second, like every other country, the UK will remain partly dependent on complex international supply chains for frontier compute.

The government lacks a coordinated strategy to address these challenges. The UK's Compute Roadmap, published in 2025, makes only very brief references to photonic, neuromorphic and quantum technologies, despite their increasing importance to the country's digital infrastructure.⁵³ The government has committed to refreshing the Compute Roadmap in 2030, but

this is too late given the rapid pace at which other countries are developing these technologies. Although the government published a standalone neuromorphic roadmap in September 2026, it must be joined up with the other, complementary frontier compute technologies.

It is therefore vital that the UK sets out a coordinated and comprehensive plan for which specific technological niches it intends to develop and maintain in frontier compute. Investing in these technological niches and carving out leadership in these key areas would allow the UK to play a strategic role in important parts of the photonic, neuromorphic and quantum supply chains. This would ensure that the UK can engage with international partners from a position of relative strength, allowing the UK to secure access to other parts of the supply chains that it does not directly control. In short, the UK needs to both build capability in frontier compute that other countries depend on and simultaneously strike partnerships with like-minded countries.

Recommendation 3:
Government should publish in 2027 an interim update to the UK Compute Roadmap with new, dedicated and detailed sections on photonic, neuromorphic and quantum technologies.

52. techUK, [Photonics: A Vision for UK Leadership in Light-Based Technologies](#) | techUK, 26 May 2026

53. Department for Science, Innovation and Technology and UK Research and Innovation, [UK Compute Roadmap](#) | GOV.UK, 17 July 2025

The Roadmap should signal to industry and investors which technological niches the UK intends to prioritise, outline a coordinated programme of government support for these niches, and set out the UK's approach to engaging with international partners.

Additionally, to develop the UK's domestic market and provide strong demand signals, the government should embed early-adopter procurement commitments for frontier compute technologies in public research infrastructure and across the wider public sector.

Conclusion

By 2030, the UK must be on track to deliver reliable, resilient and competitively priced digital infrastructure, all of which will attract, rather than deter, investment. By overcoming the digital infrastructure bottlenecks and securing access to frontier compute, the UK will be better positioned to deploy digital technologies across a range of industries and release the pent-up potential in the economy.

Chapter 4: Regulation

CBI



Regulation, Technology & Economic Growth

Regulation is too often seen as a barrier to economic growth – a burden that businesses and innovators must overcome. But the opposite can also be true. The appropriate regulatory environment can stimulate a thriving economy and dynamic innovation system. ‘Good’ regulation provides the certainty and predictability required to boost business confidence and support long-term investment, promotes competitive markets, and builds consumer trust in innovative products. This is especially important for the emergence of new technologies, which have the potential to unlock significant economic and strategic value for the UK.

The UK context: pockets of regulatory excellence, but still lagging other countries

According to the World Intellectual Property Organization the UK ranks 6th overall in its Global Innovation Index, but only 14th for regulatory quality, suggesting that the UK’s regulatory environment is an area of underperformance.⁵⁴ While there are pockets of excellence in the UK’s regulatory system, there are also areas where the UK does worse than our international peers. If businesses cannot bring new products and

services to market at pace or lack confidence to adopt new technologies, investment will move elsewhere. This is a real challenge to UK growth. This chapter outlines three key features of a pro-growth regulatory system – an outcomes-based approach, agility, and the ability to move at pace – and steps the UK can take to put them in place by 2030.

1. Embed an outcomes-based approach to regulation

The starting point for ‘good’ regulation is a system that is outcomes-focused, principles-led and evidence-based – a point made by the CBI⁵⁵, techUK⁵⁶ and others.⁵⁷ In contrast, prescriptive, process-led regulation is administratively burdensome, and some businesses face compliance costs of up to £50m annually.⁵⁸ This is also an opportunity cost, as this capital could otherwise be invested more productively to support increased hiring or business expansion. Prescriptive regulation also prevents businesses from taking new approaches. This limits innovation and is particularly challenging for new market entrants or firms with disruptive business models.

Instead, a focus on principles and outcomes establishes guidelines for businesses, while granting them the flexibility to determine the

54. World Intellectual Property Organization's Global Innovation Index 2025, UK Economy profile [OnePager: Global Innovation Index 2025 - United Kingdom data](#), 2026

55. CBI Good Regulations Guide [A good regulation guide for a stronger economy](#) | CBI, 2025

56. techUK, [techUK Report - Evolving Digital Regulation for Growth and Innovation](#), 2025

57. E.g. Regulatory Horizons Council: [The role of regulation in supporting scaling-up](#) - GOV.UK, 2024

58. CBI Good Regulations Guide [A good regulation guide for a stronger economy](#) | CBI, 2025

most effective way to achieve compliance, facilitating innovation. Desired outcomes, such as safety or customer protection, also change little over time even as products, services and technologies evolve. Some UK regulators already use an outcomes-based approach, such as the FCA's consumer duty. But this is not consistent across the system.

The UK's approach to AI governance provides an interesting case study. Businesses have broadly welcomed the UK's sector-based, outcomes-driven approach, which recognises that AI is already governed by existing law, from data protection to equality and employment. The priority now is ensuring this approach is applied consistently across sectors, so businesses across the economy have confidence to adopt the technology at pace.

However, where individual regulators issue their own AI guidance without coordinating with others, this can lead to duplication and contradiction. What makes an outcomes-based approach work in practice, rather than only on paper, is coordination between regulators and early engagement with the firms expected to comply to ensure it does not edge towards becoming prescriptive by accident.

An outcomes-based approach also depends on good evidence. Regulators and businesses

need clarity on desired outcomes, robust cost-benefit analyses of regulatory intervention, and alternative approaches such as the use of standards. This makes the effective use of Impact Assessments (IA) and Post-Implementation Reviews particularly important. Currently, businesses report that inconsistent application has significantly reduced the value and credibility of these processes. The Regulatory Policy Committee identified a marked decline in IA quality, with only 59% rated 'fit for purpose' in 2023–24, down from 82% in 2020–21⁵⁹, while the RPC issued ten formal criticisms that year to government departments for failing to submit IAs on time or at all.⁶⁰ It is important that these exercises are undertaken robustly, with a clear focus on the evidence and intended outcomes, rather than treated as a tick-box process.

Recommendation 1: Government should drive the wider adoption of outcomes-based, principles-led regulation by setting clear expectations for regulators.

By 2027, regulators should set out how they will implement and measure this approach within their sectors, including expanding the use of standards where appropriate as a flexible alternative to regulation.

59. [Regulatory Policy Committee Corporate Report 2023-24](#)

60. [Regulatory Policy Committee blog 2023](#)

2. Increase the agility of the UK's regulatory system

Another key feature of a pro-growth regulatory system is agility: the ability to adapt quickly as technologies and markets change. Increasingly rapid technological advances require regulators to develop new governance approaches for emerging technologies and sectors, as well as for established industries being transformed by innovation.

Building regulatory agility is challenging. Major regulatory shifts require legislation, which is rightly constrained by the pace of Parliamentary scrutiny and democratic oversight. Regulators therefore need a broad toolkit of approaches to keep pace, reserving legislative change for significant changes in regulatory approach or outcome.

Regulatory sandboxes are an important tool in building agility into the regulatory system. These allow regulators and businesses to test new technologies in controlled environments, generating evidence to inform future regulatory approaches. The UK has been a global leader in their use, particularly through the FCA's FinTech sandbox. However, sandboxing too often stops at experimentation and is not translated into regulatory reform. The new Regulating for Growth Bill is therefore welcome, not only for facilitating increased use of sandboxes

but, importantly, providing a mechanism for successful sandboxes to transition rapidly to regulatory change and roll-out.

That final point is key: the real value of the Regulating for Growth Bill will come from leveraging sandboxes to make statutory changes to regulations. The Bill will grant ministerial authority to temporarily adjust or suspend specific regulations for controlled testing, and permanent modifications validated through that process can be made by secondary legislation. That combination, temporary disapplication plus a defined route to permanent reform, is what distinguishes a statutory sandbox from a supervised pilot or an advisory sandbox. It is these statutory sandboxes that have the potential to lead to long-lasting reform and increased regulatory agility.

The impact of the Bill will depend on the use of the Bill's powers by regulators. Regulators across the economy, particularly those that have not previously used sandboxes, should therefore be actively engaged by the Bill team throughout the Bill's development and encouraged to work with their sector to develop sandbox proposals that can be deployed at pace once the reforms are enacted. This will ensure that the Bill contributes to innovation, investment and growth across the UK within the short- to medium-term, rather than missing out on first-mover advantage or pushing these benefits too far into the future.

Recommendation 2:
Throughout 2026 and into 2027, the government should prioritise progression of the Regulating for Growth Bill, particularly the measures that support the translation of successful sandboxing into regulatory reform.

Regulators should work with businesses to develop proposals for use of the Bill's powers that can be implemented as soon as possible following enactment.

3. Accelerate the pace of regulatory decision-making

Regulatory systems must move at pace to enable innovators to bring new products and services to market in a timely manner. Businesses report that even where UK regulators take pragmatic, outcomes-based decisions, the pace of the UK regulatory system is too slow – both for individual regulatory decisions and for deciding regulatory approaches across emerging technologies or sectors. This significantly delays innovation reaching UK markets, allowing international competitors to leapfrog UK businesses, or driving UK businesses to launch innovations in other territories. For example, one business noted that the UK's slow decisions on regulatory and policy approaches to 5G technology meant the UK market for associated

technologies lags comparator countries and their business investment has focused elsewhere.⁶¹

Two key factors influencing these delays are regulator capacity and regulatory fragmentation. First, businesses report that resource shortages and a lack of specialist expertise within regulators, exacerbated by the pace of technological change, are contributing to delays. This is particularly challenging for smaller regulators, and those in traditionally 'adopting' rather than 'innovating' sectors, which can struggle to acquire new technical capabilities at pace. Second, fragmentation makes the overall regulatory pathway slower and more complex. A lack of coordination means that innovators must often interact with multiple regulators sequentially and navigate conflicting requirements before they can bring a product to market.

AI demonstrates both the capacity and fragmentation challenges. Its broad application across the economy means that almost all regulators need emerging expertise in how the technology applies to their sector and regulatory context, creating widespread demand for scarce skills. At the same time, regulators are issuing guidance that reflects their own sector priorities without a mechanism to identify and resolve cross-sector tensions, including coordinating with fellow regulators, slowing routes to market for innovators and reducing confidence to invest for adopters.

61. CBI Innovation Investment: Firm foundations for growth [Investing in innovation to kickstart UK business growth](#) | CBI 2025

The Digital Regulation Cooperation Forum is beginning to address issues of capacity and fragmentation across the main digital regulators, but the challenge spans the whole regulatory landscape. The goal should be a “no wrong door” model, in which the first regulator a business approaches can orient it, identify the other relevant regulators, and indicate how existing rules apply. This should be complemented by cross-government recognition of approved scientific approaches, so businesses are not required to repeat the same assessment across multiple departments or regulators. Together, these measures would build regulatory capability and coordination, enabling clearer and faster routes to market.

Recommendation 3:
By the end of 2026, Government should set a target to reduce regulatory review service level timelines for new products and services by 25%.

This builds on the existing target to reduce the administrative cost burden of regulation by 25% by the end of this Parliament. This should be underpinned by expansion of the cluster model for regulators to accelerate sharing of learning, expertise, and good practice, and adoption of a ‘no wrong door’ model, reducing business experience of regulatory fragmentation.

Conclusion

The UK’s challenge is not a lack of innovative businesses, but ensuring they have a clear route to market in the UK, including a regulatory system that can keep pace with them. By 2030, that system must be outcomes-based, agile and able to move at pace. This means embedding outcomes-focused, principles-led regulation; translating experimentation into timely regulatory change; and strengthening capability and coordination across the system. Together, these reforms can support the development, adoption and scaling of innovation, helping to unlock investment, productive capacity and high-value jobs across every region of the UK while maintaining public trust.

Chapter 5: Data

*Royal Academy
of Engineering*



Royal Academy
of Engineering

Data, Technology & Economic Growth

Data creates value when it changes what people and organisations can do. It helps businesses build products, researchers unlock discoveries, AI developers train, fine-tune and evaluate AI systems, infrastructure operators prevent failure and improve services for customers, and public services move from crisis response to prevention. Economic growth comes not from more data sitting in a catalogue, but in leveraging that data for better decisions, faster action and new ideas.

The UK context: strong data assets, but weak connections between them

The UK is not short of data assets or initiatives. It has some of the world's richest public data, commercially valuable private sector data, operational data from infrastructure, and successful data-enabled markets. However, much of this data remains hard to discover, slow to access, inconsistently maintained, or held across many organisations under separate arrangements. Users often know

the problem they want to solve, but not what data exists, how long access will take, whether it is fit for purpose, or who maintains it.

The UK is comparatively weak at creating accessible public data assets that generate social and economic value. In the OECD's Open, Useful and Re-usable Data Index, the UK scored 0.50, below the OECD average. The UK scored particularly weakly in turning available data into usable data.⁶²

To leverage the full potential of its data assets, the UK must make its distributed data ecosystem work more coherently. This means establishing common approaches to data standards, metadata, access routes, data assurance, interoperability and security.⁶³

The government cannot achieve this alone and needs to work closely with those that are most familiar with the barriers and opportunities associated with data use: business, infrastructure operators, researchers, and consumers. Coordinating the UK's disparate data assets

62. The maximum possible score in the OECD's Open, Useful and Re-usable Data Index is 1.0. France is the top-scoring country overall with a score of 0.96. The UK also scored 0.55 on data accessibility, compared with France's 0.98, and 0.28 on government support for reuse, compared with 1.00 in France. OECD [Digital Government Outlook 2026: United Kingdom](#) | OECD, 2026

63. **Data standards** are agreed rules or specifications for how data is structured, formatted, represented and exchanged. **Metadata** is information that describes and provides context about data, such as its source, meaning, format, ownership or conditions of use. **Access routes** are the mechanisms through which authorised users or systems can discover and obtain or interact with data, such as APIs, secure data environments or controlled data-sharing arrangements. **Data assurance** refers to processes used to provide confidence that data is sufficiently accurate, reliable, complete and fit for its intended use. **Interoperability** is the ability of different systems, organisations or datasets to exchange, interpret and use data consistently. **Security** refers to the measures used to protect data and associated systems against unauthorised access, disclosure, alteration, loss or disruption.

and initiatives – in a way that is accessible to machines but governed by and for humans⁶⁴ – is the key to unlocking a data-driven economy fit for the 2030s. The UK needs to make world-class use of its world-class data.

Three routes through which data can support growth

Despite the fragmented nature of the UK's data ecosystem, three routes exist that aim to increase the coherence and usability of data assets: the National Data Library; Smart Data schemes; and various infrastructure data schemes. If these initiatives are given sufficient time and support to embed themselves, they can maximise the economic value of this data.

1. The National Data Library

The NDL is a government-led programme that has the potential to make public-sector data – from government departments, agencies, local authorities and other public bodies – easier to access and reuse.⁶⁵ This represents an enormous economic opportunity. The public sector holds valuable data, much of which is unique, difficult to reproduce and capable of supporting innovation.

The NDL's contribution to growth will depend on whether users can find relevant data, understand its permitted uses, access it quickly, link it securely and receive support when use becomes difficult. For more advice on trusted data sharing, see the Royal Academy of Engineering's guidance and case studies.⁶⁶

Introduced in Labour's 2024 General Election Manifesto and with the first public update in 2026, the NDL remains in its initial phase. If implemented effectively, it could support a wide range of data-enabled applications. For example, one of the NDL's first 'kickstarter' pilot projects aims to develop AI-powered legal guidance for businesses by making authoritative legal data from the National Archives AI-ready. This could enable AI systems to use high-quality information, providing businesses with cost-effective legal support and giving them the confidence to invest and grow.⁶⁷

Going forwards, the NDL could also aim to support local authorities by delivering more joined-up data to support vulnerable people. The Royal Academy of Engineering's recent work with Barnsley Council emphasises the importance of using data to improve outcomes in children's services.⁶⁸

64. Where personal data is involved, organisations must comply with applicable data-protection law, including the UK GDPR and Data Protection Act 2018 as amended, and identify a lawful basis before sharing. Legal compliance does not by itself resolve every ethical or safety issue: safeguards should be proportionate to the use, context and risk, drawing where relevant on the government's Data and AI Ethics Framework.

[ICO Lawful basis for sharing personal data](#) | ICO, 2024

[GOV.UK Data and AI Ethics Framework](#) | GOV.UK, 2025

65. National Data Library [National Data Library - The home of UK public data](#) | [data.gov.uk](#), 2026

66. Royal Academy of Engineering [Towards Trusted Data Sharing: Guidance and Case Studies](#) | Royal Academy of Engineering, 2018

67. DSIT [National Data Library: progress update, January 2026](#) | GOV.UK, 2026

68. Royal Academy of Engineering [Getting the foundations right: what it takes to use data and AI in children's services](#) | Royal Academy of Engineering, 2026

2. Smart Data

While the NDL aims to connect data across the public sector, Smart Data focuses on private-sector data. A Smart Data scheme enables the customer – whether an individual consumer or a business – to securely share their data with an authorised third party. This third party can then offer new services built on the customer's data. In this way, Smart Data increases efficiencies, stimulates innovation and drives greater competition.

Open Banking is the UK's leading Smart Data scheme, allowing over 18 million users to share their financial data securely and seamlessly, based on common rules and trusted standards.⁶⁹ This empowers customers to switch to cheaper tariffs in the utilities sector and helps businesses to receive payments faster. Open Banking generates £2 billion in annual value and is an important factor in the development of the UK's world-leading FinTech sector.⁷⁰

The UK plans to build on the success of Open Banking and pursue further Smart Data schemes. Analysis suggests that Smart Data schemes in four additional sectors could generate £71.2 billion in net social value from 2028 to 2043.⁷¹ The government is exploring Smart Data

schemes in specific sectors, such as energy, transport or property. But the greatest Smart Data benefits would come from breaking out of sectoral silos and connecting multiple Smart Data schemes.

3. Infrastructure data

Infrastructure data is another area of untapped potential for the UK. This data – which includes the location, condition, performance and maintenance of physical assets and networks – could have many uses. Work by the Royal Academy of Engineering shows how heat-loss mapping can help councils and utilities target retrofit activities, but only if data, models and local decisions are joined up.⁷² Sensor data can reveal road safety risks, but the public and private sectors need the tools and capacity to act.⁷³ This demonstrates that, despite the many use cases, there are also many barriers to turning this infrastructure data into decision-ready information and action.

Infrastructure data is also a vital input for digital twins. A digital twin is a virtual model of a physical object, connected to its real-world counterpart by a two-way flow of data. This allows decisions to be tested virtually before they are made to the physical counterpart. Digital

69. Open Banking Limited [About Open Banking Limited](#) | Open Banking, 2026

70. Open Banking Limited [Unlocking the Everyday: The value, growth and opportunity of open banking in the UK](#) | Open Banking, 2026

71. DBT [Smart Data 2035: The UK's Smart Data Strategy](#) | GOV.UK, 2026

72. Royal Academy of Engineering [Practical AI: The 'Google Maps of heat loss' with Kestrix and E.ON](#) | Royal Academy of Engineering, 2026

73. Royal Academy of Engineering [How sensor-based AI systems are rewriting road safety to reduce incidents](#) | Royal Academy of Engineering, 2025

twins are being applied across energy, transport, health and urban planning. Higher-quality, timely infrastructure data could improve digital twin simulation and decision-making. However, condition, maintenance and operational data can sit across disconnected systems, creating conflicting records and costly reconciliation before the data can be used.

Several programmes are improving how infrastructure data is shared and used; but these programmes can be fragmented and led by different organisations. For example, the National Underground Asset Register provides standardised location data from over 600 asset owners. The National Energy System Operator is developing the energy Data Sharing Infrastructure. The Department for Transport (DfT) has launched the Integrated Transport Digital Twin programme, while the National Digital Twin Programme is developing interoperable data-sharing, including with a formal Memorandum of Understanding with DfT. Extending these approaches to more data-holders, data assets and sectors, will require cybersecurity, organisational capability and a realistic account of integration and legacy system costs.

Recommendation 1: Data Coordination: create and implement a joint delivery framework for the UK's principal data initiatives

The 2026 machinery of government reorganisation redistributed responsibility for digital, data and AI across several departments, increasing the risk of further fragmentation in the UK's data assets.

By the end of 2026, the Cabinet Office should convene DCMS, BIST, NISTA, relevant regulators, devolved administrations and local government to develop a framework for coordinating and delivering the flagship data initiatives outlined above: the NDL, Smart Data, and infrastructure data schemes.⁷⁴

The framework should act as a practical roadmap and identify:

- The purpose and scope of each data initiative
- What components can be built once, updated and then shared
- Which organisation is responsible for each initiative, and where responsibility passes between organisations
- What each data initiative needs from the others
- What each data initiative will deliver by the end of this Parliament

Once the framework is established, it should be tested through a small number of data 'challenges', where a defined problem requires data from more than one of the initiatives. For example, a home-retrofit challenge could use the framework to bring together public property

74. DCMS: Department for Digital, Culture, Media & Sport. BIST: Department for Business, Innovation, Science & Trade. NISTA: National Infrastructure and Service Transformation Authority.

and housing data (from the NDL), customer-authorised energy and financial data (from Smart Data) and building-condition data (infrastructure data). It is important that these challenges do not become one-off pilots, but lead to sustained improvements in how data is accessed and used. The government should publish a regular scorecard of the framework's outcomes. The primary measure should be value created: new products, better investment decisions and public service outcomes. Supporting measures include time taken to access the data, the proportion of priority datasets with complete and up-to-date metadata and supporting documentation, named data stewards,⁷⁵ quality and provenance coverage, and engagement with the framework by firms of different sizes.

Significant public funding is already committed to the NDL, Smart Data and infrastructure data initiatives, so the framework should make funding responsibilities explicit, including who pays for shared components and operation.⁷⁶

Recommendation 2: Data Standards: apply FAIR principles consistently across the joint delivery framework

The joint delivery framework, set out in the previous recommendation, coordinates the UK's flagship data initiatives and explains how they can be harnessed to solve complex data problems that cut across multiple initiatives.

However, the framework alone does not specify what standards the data (and metadata) should adhere to: how it should be managed so it can be found, accessed under appropriate conditions, combined and reused across organisations and programmes.

FAIR principles – that data and metadata should be findable, accessible, interoperable and reusable⁷⁷ – provide a useful common foundation. FAIR does not prescribe a single standard or technical approach: it must be translated into practical requirements suited to different types of data, use cases and risks.

75. Data stewards refers here to a clearly identified person or organisation responsible for the management and quality of each dataset.

76. Government has committed over £100 million to the NDL over the Spending Review period, £36 million to support the development of new Smart Data schemes across the economy, and up to £30 million of capital funding for DfT's Integrated Transport Digital Twin programme for 2026-30.

DSIT [National Data Library: progress update, January 2026](#) | GOV.UK, 2026

DSIT [AI Opportunities Action Plan: One Year On](#) | GOV.UK, 2026

DfT [Applying for the integrated transport digital twin fund](#) | GOV.UK, 2026

77. Findable means the dataset and the information describing it can be located and identified

Accessible means there is a clear route to retrieve and use the data.

Interoperable means the data can be combined with other datasets and workflows because they use shared formats.

Reusable means the dataset is thoroughly described so that it can be reliably replicated and reused in the future.

Government guidance already supports these principles. Its 2026 Data Ownership Model makes the commitment explicit for government data: it should be FAIR, with common standards applied wherever possible.⁷⁸ It also acknowledges that data governance maturity varies across government.⁷⁹ The task now is to turn that general commitment into consistent implementation across programmes.

By 2027, the organisations responsible for the joint delivery framework should therefore specify how the FAIR principles will be implemented across the NDL, Smart Data and infrastructure data schemes. This should identify where common or compatible standards, metadata and assurance requirements are appropriate, while allowing for different data types, uses and risks.

The ability to combine interoperable datasets is particularly important for infrastructure data because decisions about maintenance, resilience and public safety can depend on combining data held by different asset owners and operators. Common or compatible standards would allow data about infrastructure asset condition and system performance to be combined across organisations and systems in the energy, transport, water and built environment sectors. To support FAIR implementation, requirements for infrastructure data should also include information on data provenance, when data was collected or updated, how long the data remains relevant and reliable, and who is responsible for maintaining it.

Recommendation 3

Data Capability: build professional data stewardship and assurance capability

Finally, the drive towards better data coordination and data quality in the first two recommendations depends on a workforce with sufficient capability to maintain the data. By the end of 2027, government should agree with industry, universities and professional bodies a capability development plan, setting out priority skills needs, delivery responsibilities and milestones for strengthening this capability, not just in data analysis, but in data curation, quality assessment, provenance, security, interoperability, licensing, permitted-use conditions and lifecycle management. This could build on the Royal Academy of Engineering's data-centric engineering work and support wider public understanding of why data matters.⁸⁰

Conclusion

By 2030, clearer data coordination, consistent data standards and stronger data capability should ensure that the UK's data assets are easier to discover, quicker to access and better maintained. In this way, the UK's data initiatives will no longer be underused and become infrastructure for growth.

78. Government Digital Service, [Guidance: Data Ownership Model](#), 2026

79. See also the Data Maturity Assessment for Government (2023) and Data Quality Action Plan: Implementation Guide (2025). Central Digital and Data Office [Data Maturity Assessment for Government](#) | GOV.UK, 2023
GOV.UK [Data Quality Action Plan: Implementation Guide](#) | GOV.UK, 2025

80. Royal Academy of Engineering [New blueprint for embedding data-centric engineering skills in UK HE](#) | Royal Academy of Engineering, 2026

Chapter 6: Investment

UK Private Capital



Investment, Technology & Economic Growth

If growth is the challenge, investment is a major part of the solution. Venture capital (VC) helps to translate innovation into economic value, by funding the development and commercialisation of new technologies and businesses. Private equity (PE) offers long-term investment for more mature businesses, alongside operational expertise and management advice. This allows these businesses to engage in digital transformation programmes, invest in commercial research and development, improve data readiness and adopt new technologies – all of which drives productivity growth. Taken together, private capital enables businesses to enter new markets and diversify their products, fuelling their expansion, creating high-quality jobs and generating sustainable economic growth across all nations and regions of the UK.

This is supported by the data. The private capital industry – which consists of VC, PE, private credit and venture debt – backs 13,000 UK businesses. 90% of these businesses are SMEs, while 57% of them are located outside of London. The technology sector is the largest recipient of this investment. Cumulatively, UK businesses backed by private capital employ 2.5 million people in this country and contribute 7% to GDP.⁸¹

The UK context: strong at start-ups; weaker at scale-ups

The UK already provides a strong environment for starting a business. The UK remains Europe's leading VC market by ecosystem depth and start-up activity.⁸² The UK alone accounts for over a third of Europe's total VC investment, making the UK the world's third-largest VC market.⁸³ Similarly, the UK ranks third for the number of 'unicorns' – start-ups with a valuation exceeding \$1 billion – and is home to more unicorns than Germany, France, the Netherlands and Sweden combined.⁸⁴

However, we cannot afford to get complacent. And there is more that the government could do to drive investment into start-ups, by reversing the cut in the rate of Venture Capital Trust (VCT) tax relief and maintaining its commitments to the Seed Enterprise Investment Scheme (SEIS), Enterprise Investment Scheme (EIS) and Higher Education Innovation Funding (HEIF). However, given the relative strength of the UK's start-up environment, it is not the focus of this chapter. The far greater challenge between now and 2030 is to ensure that businesses choose to scale and stay in the UK, which is the key to unlocking and retaining the economic value created by British innovation.

81. UK Private Capital [Report on Investment Activity 2025](#) | UK Private Capital, 2026

82. UK Private Capital [Venture Capital in the UK](#) | UK Private Capital, 2026

83. British Business Bank [Why UK venture capital](#) | British Business Bank, 2026

84. The Times [UK has third highest number of billion-dollar start-ups in world](#) | The Times, 2026

1. Unlock UK pensions investment

Scaling businesses require larger pools of long-term capital than are typically available at the start-up stage. But the UK continues to face a challenge in providing sufficient domestic capital to help businesses scale. This is not due to a shortage of domestic capital, as the UK pensions market is worth over £2.5 trillion.⁸⁵

However, structural and regulatory barriers mean that only a small – and declining – share of this capital is invested in UK companies. On average, sixteen times more pension capital from overseas is invested into UK private capital funds than capital from UK pension schemes.⁸⁶ In 2000, some 50% of assets in UK pension funds were invested in UK equities; by 2024, this had fallen to just 4.4%, well below the 10.1% global average.⁸⁷

This has at least two significant consequences. First, UK savers miss out on opportunities to contribute to and benefit from the growth of innovative British companies. And second, these growing companies remain heavily reliant on international investors. As a result, in their pursuit of sufficient capital, leading British technology companies – such as Arm (semiconductors), DeepMind (AI) or Oxford Ionics (quantum computing) – have been acquired by international competitors or listed on international stock

exchanges in recent years. This has deprived the UK of both the full economic value of these companies and the strategic value of their critical technologies.

The government has recognised that this is a major challenge and the Pension Schemes Act 2026 is a significant step towards encouraging greater investment into productive assets. However, progress is still far too slow. The 2023 Mansion House Compact committed eleven of the UK's largest pension providers to invest at least 5% of their defined contribution (DC) default funds in unlisted equities by 2030; but by 2025, only 0.6% of DC default funds had made such an investment.⁸⁸ Reinforcing this impression, a survey by UK Private Capital found that 76% of VC and growth equity firms had struggled to engage meaningfully with DC pension providers and 48% were not optimistic that the Mansion House agreements would deliver greater investment by 2030.⁸⁹ Government reforms must therefore go further and faster.

Recommendation 1:
The government must work in partnership with the private capital industry and the British Business Bank to establish a new marketplace to facilitate UK pensions investment into venture and growth capital funds.

85. UK Private Capital [Pension and private capital industry leaders seek to help savers and unlock investment in venture capital and growth equity backed businesses](#) | UK Private Capital, 2024

86. BVCA [Pensions & Private Capital Expert Panel: Final Report](#) | BVCA, 2025

87. Financial Times [UK pension funds' allocations to British stocks hit historic low](#) | Financial Times, 2024

88. UK Private Capital [VC funds still waiting for Mansion House commitments to materialise](#) | UK Private Capital, 2026

89. UK Private Capital [VC funds still waiting for Mansion House commitments to materialise](#) | UK Private Capital, 2026

Dubbed NOVA (New Opportunities for Venture and growth Acceleration), the marketplace would bring together accredited private capital funds with DC pension schemes, helping them to build connections, confidence and expertise. The NOVA marketplace would allow participating DC schemes to compare private capital funds from a certified, pre-approved pool and engage with these funds to discuss investment terms and structures.

NOVA is modelled on France's Tibi scheme which has secured around €20 billion of investment from French institutional investors to private capital funds investing in France's technology ecosystem. In this way, NOVA is intended to create an investment pipeline of high-potential venture and growth capital fund opportunities for UK pensions, enabling them to deliver on their Mansion House commitments, accelerate the scale and speed of pensions investment into UK private markets and drive long-term economic growth.⁹⁰

2. Recycle capital and expertise into the next generation of high-growth UK companies

Once successful UK companies are sold or listed, there are limited incentives for founders or early investors to reinvest their capital and expertise into the next generation of UK growth companies.

Existing tax incentives support innovation and entrepreneurship while companies are growing (for example, SEIS, EIS, VCT, R&D tax credits) or as they exit (Business Asset Disposal Relief, BADR). However, the tax system does not encourage the recycling of gains generated from successful business exits.

Currently, there is the risk that globally mobile, successful UK founders choose to relocate to other jurisdictions, meaning the UK loses out on their capital, their ambition, their knowledge and their networks. This weakens the 'flywheel effect' through which experienced founders become repeat entrepreneurs, angel investors and mentors, helping create the next generation of high-growth businesses in the UK.

Recommendation 2:
The government should introduce a Scale-up Reinvestment Relief (SRR) to incentivise successful founders to remain active and invested in the UK ecosystem.

Under SRR, Capital Gains Tax (CGT) would be deferred on the condition that gains from a UK business exit are reinvested into qualifying UK scale-up companies, UK-focused venture and growth funds, or R&D-intensive businesses within three years. This would be followed by a 10% CGT rate on eventual disposal of the reinvested asset.

90. UK Private Capital [NOVA](#) | UK Private Capital, 2026

The SRR would be linked to long-term investment, encouraging capital to remain committed to productive UK assets rather than being withdrawn from the growth ecosystem.⁹¹

By encouraging both capital and expertise to be recycled into future businesses, SRR would strengthen UK growth capital markets, support the UK's entrepreneurial ecosystem and help ensure more UK companies grow and scale in this country.

3. Support companies and investors to stay in the UK

A competitive investment ecosystem should help companies at every stage of their development, from start-up and scale-up through long-term growth as UK-headquartered businesses to listing in the UK's public markets.

Strong public markets are a major part of this. Private and public markets should be viewed as complementary sources of finance. VC helps businesses start and scale and PE helps established businesses grow and expand, while public markets typically provide access to larger pools of capital and long-term growth opportunities.

Initial public offerings (IPOs) are an important route through which VC and PE investors list and realise returns, whilst companies stay in the UK and their economic benefits – tax revenues, job creation, innovation – continue to accrue domestically.

It is cause for concern, therefore, that in 2025 London dropped out of the world's top 20 IPO markets for the first time in decades after a 69% year-on-year drop in IPO volume.⁹² When the flow of capital to listed companies is reduced, the entire investment pipeline can weaken.⁹³

Despite this, appetite for IPOs could be returning. One-third of private capital investment firms are considering an IPO within the next 12 months and, of these, 40% are considering the UK as a potential listing venue, the most popular option in Europe.⁹⁴ After all, the UK has many advantages, including world-class financial services, deep pools of expertise and a strong pipeline of innovative businesses.

One reason for the uptick in UK IPO sentiment could be the government's decision last year to exempt newly listed companies from stamp duty at IPO. However, the UK remains an outlier among major financial centres in continuing to apply a 0.5% stamp duty reserve tax on purchases of UK-listed shares.

91. UK Private Capital [UK Private Capital response to the Call for Evidence on Tax Support for Entrepreneurs](#) | UK Private Capital, 2026

92. Bloomberg [London Drops Out of Top 20 IPO Markets After Falling Behind Mexico](#) | Bloomberg, 2025

93. Enterprise Britain [Time to Act](#) | Enterprise Britain, 2026

94. UK Private Capital [Private Capital Pulse Survey](#) | UK Private Capital, 2025

Recommendation 3:

The government should review the impact of stamp duty on UK equities to understand whether reforms or abolition could improve the liquidity and competitiveness of UK public markets.

Capital markets are a vital part of the picture but are only one element of a broader competitiveness challenge. Founders also consistently cite challenges relating to talent, commercial scaling opportunities and access to customers when deciding where to grow their businesses. This is why, as set out elsewhere in this report, the government should also develop a strong skills pipeline (Chapter 2), continue efforts to improve market access for UK growth companies at home and abroad (Chapters 4 and 7) and use public procurement more strategically to back innovative businesses (Chapter 8).

Conclusion

Investment is a prerequisite for growth. Without investment, growth does not happen. By unlocking pension capital through a new NOVA marketplace, incentivising successful entrepreneurs to reinvest their capital and expertise into the UK ecosystem, and enhancing the competitiveness of UK public markets by 2030, the government can ensure that more ambitious tech companies start, scale and crucially stay in the UK.

Chapter 7: Trade

techUK

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Foreword by the Chartered Institute of Export & International Trade

Marco Forgione MCIEx, Director General



CHARTERED
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INTERNATIONAL
TRADE

Trade and technology are intertwined. Trade opens new markets for tech businesses to export, scale and grow. In turn, technology – digital platforms, logistics, data flows – cuts costs and friction, letting even small businesses trade globally. But all of this depends on stability and certainty.

However, the next decade is likely to bring trade shocks, conflicts, and disruption. None of these are new. But as we stand on the cusp of what is possibly the most significant technological revolution in centuries, what is new is the immense cost of missing out.

techUK is right, a thriving British economy depends on getting tech businesses of all sizes – but especially SMEs – trading and growing internationally.

It's clear from the regular conversations I have with businesses and through our work with the International Trade & Investment APPG, the Women in Trade Hub UK, our special interest groups and the wider ecosystem, that what businesses need is a sound policy bedrock so they can make investment decisions.

Support is improving. UK Export Finance has expanded its budget and markets. Long-term strategies have been developed. The Business Growth Service is up and running.

We can't control decisions made overseas. But by actively embedding anti-fragility and supply-chain resilience as core elements of business planning, companies can establish realistic growth strategies.

Where government does have control, it must move faster to reform institutions which slow down businesses. It must cut red tape, build digital integrations that simplify compliance, and ensure that debates around digital sovereignty do not compromise the openness Britain needs to ensure trade in technology goods and services.

And through a stronger partnership between government and industry, more must be done to equip smaller firms for export.

Raising SME exports is not a side issue. It is one of the clearest routes to growth by 2030. We ignore it at our peril.

Trade, Technology & Economic Growth

International trade opens new markets for firms to export into. Access to large export markets is particularly important for an economy like the UK, with a medium-sized domestic market of some 70 million customers and an export-led technology sector. Open trade promotes the exchange of new goods, services and ideas, fosters competition and spurs innovation. In this way, trade helps to grow the UK economy, including and especially the digital economy.

The reverse is also true: digital technologies help to grow the volume and value of trade. The digital transformation has made UK exporters more competitive by streamlining the trade process, through digital trade portals, tech-enabled compliance with customs and other trade requirements, real-time tracking of exports, or supply chain management.

The UK context: strong and open digital trade, with one main weakness

The UK economy depends on international trade. For the UK, trade accounts for a much larger share of GDP (66%) than it does for China (38%), the United States (27%) or the EU (22%).⁹⁵ Therefore, maintaining an open and resilient

trading regime is vital to growing a dynamic UK economy and tech sector.

A majority of the UK's exports are in services, which have grown significantly from £276.7 billion in 2016 to £545.3 billion in 2025.⁹⁶ This growth in services exports is powered by technology, with 74.9% of UK service exports digitally delivered.⁹⁷ The UK's digital trade exports have grown three times faster than other exports and now account for more than half of the UK's exports, twice the OECD and EU averages.⁹⁸ In 2019, some 2.2 million jobs in the UK depended directly on the export of digital-intensive services.⁹⁹

However, the UK faces one notable weakness: SMEs are under-represented in international trade. Despite accounting for 60% of UK employment and 52% of business turnover, only 12% of SMEs export¹⁰⁰ and their exports represent 26% of total UK exports.¹⁰¹ This is less than in peer countries and below the OECD average, where SMEs account for 31% of exports. This matters because SMEs that trade are typically more innovative than those that do not,¹⁰² and when SMEs underperform, this can act as a drag on the economy as a whole.

95. techUK, [Enabling Growth and Resilience: The UK Tech Sector in an Uncertain World](#) | techUK, 29 January 2025

96. Figures in current prices. Department for Business and Trade, [UK Trade in Numbers \(Web Version\)](#) | GOV.UK, updated 20 March 2026

97. Office for National Statistics, [Digital Trade, UK: 2020](#) | ONS, 5 September 2022

98. Digital trade is defined by the OECD as "all trade that is digitally ordered and/or digitally delivered" and includes both goods and services.

99. Sebastian Benz, Alexander Jaax, and Elisabeth van Lieshout, [Digital Trade and Labour Markets in the United Kingdom](#) | OECD, OECD Trade Policy Papers No. 284, 5 September 2024

100. Department for Business and Trade, [Number of Exporting Registered Businesses in the UK, 2016 to 2023](#) | GOV.UK, 31 July 2025

101. Department for Business and Trade, [Backing Your Business: Our Plan for Small and Medium-Sized Businesses](#) | CP 1358, 31 July 2025

102. Halima Jibril, Innovation, [Exporting and Productivity: A Review of the Evidence Base](#) | Innovation Research Caucus, IRC Insight Paper 007, 26 October 2023

Therefore, supporting tech SMEs to export offers the greatest potential for gains in trade by 2030.

While SMEs are the focus of this chapter, the challenges outlined below have some impact on technology firms of all sizes. Similarly, the recommendations to improve the UK's digital trade environment will benefit technology firms of all sizes.

Challenges

In 2026, techUK conducted interviews with 34 SME member companies across a range of technologies, including AI, quantum, smart cities, fintech, cybersecurity and telecoms.¹⁰³ These interviews identified several recurring barriers to exports and international expansion.

Cost and complexity of international regulatory compliance

Compliance with complex regulatory requirements – that often vary across countries – is a persistent challenge, acting as a drain on SMEs' relatively limited resources. Regulatory issues around data localisation, privacy and intellectual property are particular causes for concern, with firms highlighting the EU's General Data Protection Regulation or India's Digital Personal Data Protection Act as especially difficult. Given that many SMEs lack the capacity to navigate these regulatory barriers, they may have to resort to guidance from expensive consultancies to avoid the risk of paying a large compliance fine.

Government support

UK government advice and support – which, in theory, could guide SMEs through these complex compliance hurdles – is often fragmented or lacking. It should be noted that several techUK members praised targeted and high-impact interventions: for example, UK Export Finance introduced exporters to local banks and underwrote bonds, while account managers at the former Department for Business and Trade provided detailed guidance. However, other techUK members raised concerns about the fragmentation of government support and overlapping responsibilities across departments. In particular, there was significant criticism for the perceived lack of sector-specific expertise amongst government trade officials, who struggle to understand the underlying technology and provide suitable advice to prospective SME exporters.

Difficulties with obtaining export licences for a range of technologies is a notable example of limited government capacity and capability. The lack of resourcing and expertise in the Export Control Joint Unit means that export licences take too long to be confirmed, UK export potential is lost and, ultimately, technology companies can redirect their investment to other countries with more agile export regimes.

103. techUK, [Spreading Wings: Taking Innovative SMEs Global](#) | techUK, 3 March 2026

The emerging sovereignty debate

A significant potential barrier has emerged in the form of the European Union's Technology Sovereignty Package, which includes the proposed Cloud and AI Development Act (CADA) and Chips Act 2.0. These acts, likely to come into force in 2027, form the basis of a European industrial strategy aimed at increasing EU production capacity and technological capability to strengthen European economic security and resilience. The geopolitical context is key: at the core of the Package is the EU's desire to reduce its dependence on non-European technologies and providers

For UK tech exporters, both SMEs and large companies, a fundamental question is to what extent the proposed sovereignty framework will include companies established outside the European Union, such as those established or operating in the UK. CADA does include provisions allowing third countries – such as the UK – to be recognised as providing sufficient assurances for certain sovereignty requirements. However, the details are still to be negotiated. A failure to conclude successful negotiations could create new barriers for UK-based cloud and technology providers to sell into European public sector and other sovereignty-sensitive markets.¹⁰⁴

There is therefore a not-insignificant danger that by 2030, UK-established firms could be excluded from certain key EU procurement and market

opportunities. A short-term, direct effect of this would be to reduce UK digital and technology exports, hampering economic growth. A more medium-term effect could be to push technology firms operating in the UK to move overseas, for example to the EU, to seek better market access and trading opportunities.

What links many of the above challenges is that they show the risks of not having in place the right structures – domestic, international and diplomatic – to support exporters of all sizes, but especially SMEs. Measures focused on helping tech SMEs to overcome these barriers are likely to have a positive effect on all exporters, large and small, which also face these barriers.

Recommendation 1: Strengthen technology subject-matter expertise of UK trade officials, including in the Export Control Joint Unit

The government must strengthen the technology expertise of UK-based and in-country trade officials by hiring staff with industry experience, providing greater training to staff on the technology that the UK exports, and improving links between existing sources of government expertise in different departments.

In an increasingly complex and fragmented regulatory and trade environment, technology

104. techUK, "Europe's Technology Sovereignty Package: What Do the Cloud & AI Development Act and Chips Act II Mean for UK Tech?" | techUK, 3 June 2026

SMEs are increasingly going to government for advice. Trade officials must be able to provide high-quality guidance on international regulations, standards and export controls. This applies to both digital services and also physical goods essential for the operation of technology.

Offices such as the Export Control Joint Unit must be properly staffed and should introduce a formal triage system so that low-risk applications are processed rapidly (or removed from the scope of Category 5 Part 2 controls)¹⁰⁴ to reduce costs and waiting times for export licenses and to allow government to focus more time on higher-risk licenses.

Recommendation 2: Leverage diplomatic means to expand market access, including through digital trade agreements

Diplomatic means must be used to promote technology trade. This entails using negotiations with partner countries, namely those resulting in free trade agreements and digital trade agreements, to expand market access for SMEs. For example, the UK already has a Digital Economy Agreement with Singapore,¹⁰⁵ a Digital Trade Agreement with Ukraine¹⁰⁷, a dedicated chapter on digital trade in the

UK-India Comprehensive Economic and Trade Agreement,¹⁰⁸ and the ambitious digital trade chapter in the UK-Switzerland FTA¹⁰⁹, amongst others. The government should look to strike more of these agreements with international partners.

Government should also work with other countries individually and through plurinational and multilateral institutions to address structural barriers to trade like slow business visa approvals, the absence of mutual recognition of qualifications and standards, and delays in certification processes and security clearances. Similarly, there should be greater support for targeted technology trade shows and missions that are sufficiently funded to allow SMEs to attend, with a focus on facilitating commercial diplomacy. techUK members have cited La French Tech as a particularly good example that the UK could emulate.¹¹⁰

Recommendation 3: Secure UK access to the EU's Technology Sovereignty Package

In the face of mounting debate around digital sovereignty, the UK technology industry must maintain access to international markets. This applies to all export markets, but this recommendation focuses primarily on the

105. Export Control Joint Unit, Department for Business and Trade, [UK Strategic Export Control List](#) | GOV.UK, in force as of 16 December 2025

106. UK Government, [UK-Singapore Digital Economy Agreement](#) | GOV.UK, agreement signed 25 February 2022, entered into force 14 June 2022

107. UK Government, [UK-Ukraine Digital Trade Agreement](#), 2024

108. Department for Business and Trade, [UK-India CETA Chapter 12: Digital Trade](#) | GOV.UK, 24 July 2025

109. Department for Business and Trade, [UK-Switzerland Enhanced Free Trade Agreement: Conclusion Summary](#) | GOV.UK, 13 July 2026

110. French Tech Mission, [La Mission French Tech](#) | French Tech Mission

EU, given the size of the EU market, the close trade ties with the UK, and the EU's emerging Technology Sovereignty Package.

The government must ensure that the UK technology industry is within the remit of the EU's Technology Sovereignty Package. To achieve this, the UK government should work closely with EU institutions and Member States as the Sovereignty Package goes through the legislative process to ensure that the UK is recognised as a trusted partner under any third-country recognition mechanism. Developing a strong working relationship with European counterparts on regulatory cooperation, interoperability, shared standards and security assurance could increase the likelihood of the UK becoming a trusted partner. In short, the UK government should look to shape, not merely respond to, the EU's changing technology policy landscape.¹¹¹

The UK must also recognise that safeguarding its access to the European market entails maintaining reciprocal access to the UK market for European technology providers. Therefore, as set out in Chapter 8, the UK must avoid setting restrictive 'Buy British' nationality requirements in its public procurement processes.

Conclusion

If the UK can build and hone its in-house trading expertise at all levels of government, address both tariff and non-tariff barriers to digital trade in its agreements with other countries, and secure itself firmly inside the EU tent on technology sovereignty, then the government will improve the trading environment for the UK's digital and tech exporters, and tech SMEs specifically, by 2030.

111. techUK, [Confident Sovereignty: techUK's Framework for Sovereignty to Support Growth, Security and Resilience](#) | techUK, 8 September 2026

Chapter 8: Public Procurement

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Foreword by Ben Paxton, Senior Researcher, Institute for Government

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The UK government spends over £400bn each year buying goods, works and services. This immense buying power inevitably shapes markets and the wider economy. The question for any government, then, is how to harness the power of procurement.

As techUK sets out in this chapter, the way government goes about buying things is a fundamental barrier to the public sector using procurement to drive innovation. Overspecified procurements leave little room for new solutions. Slow and inefficient procurement processes deter SMEs that cannot afford to wait. Risk aversion stymies attempts to innovate. But both past Institute for Government research and this chapter show these barriers can be overcome.¹¹²

We agree with this chapter's prescription that procurement must become more outcomes-focused, particularly to enable government to buy new technological solutions from innovative and growth-enhancing suppliers. Doing this well means policy, digital and commercial experts working effectively together to understand the problem government is trying to solve and define the outcomes in a way that the market can respond to.

Key to this is engaging with the market, as this chapter sets out. We have said that government commercial leaders should make early, proactive market engagement a core procurement activity – and build the appropriate commercial and technical expertise to do this well. Similarly, senior commercial leaders should prioritise gathering and using stronger procurement data to help identify where competition is weak – and act to ensure the public sector is buying from the best providers.

Crucially, politicians and senior public sector leaders must empower officials to innovate. To consider the risks of maintaining the status quo, and weigh this against the legal and delivery risks of trying something new. And to use flexibilities in the Procurement Act, rather than defaulting to the same processes and products used before.

Andy Burnham has set out an ambition for “good growth in every postcode”, but he inherits a weak economy and constrained public finances. In this chapter, techUK provides a blueprint for how Burnham's government should begin to grasp the opportunity of improving public procurement to deliver on his agenda.

¹¹² B. Paxton and N. Davies, *The Role of Procurement in Delivering Mission-Led Government I*, Institute for Government, 2025

Public Procurement, Technology & Economic Growth¹¹³

Public procurement has the potential to grow the economy and strengthen the country's competitiveness. Indeed, the value of the UK's public procurement expenditure – totalling around £400 billion annually¹¹⁴ – allows the government to create predictable demand and steady revenue for businesses, support innovative companies to scale and grow, back strategic technologies and important sectors, and crowd in private investment.¹¹⁵

Approximately two-thirds of public procurement expenditure in the UK is by central government and one-third by local government and the NHS.¹¹⁶ In general, central government procurement tends to see greater participation from larger suppliers that bid for larger, framework-based contracts; while local government procurement sees considerable activity from smaller suppliers, bidding for smaller, longer contracts. As a major, and in some cases the only, customer, the government can use its buying power to actively shape markets, ensuring they are aligned with its own economic or social policy goals.

Challenges to optimising public sector procurement

However, public procurement in the UK still faces significant challenges, some already constraining its effectiveness and others emerging as risks. These need to be addressed between now and 2030 to unlock public procurement's full potential and ensure procurement is harnessed to strengthen the UK's economic growth, as well as improve its public services.

Procurement processes are disproportionately focused on outputs rather than outcomes.

Current procurement rules incentivise public sector bodies to focus on outputs, as these are easier to specify and measure at the point of award. However, meeting specified outputs does not guarantee good outcomes: techUK's GovTech Procurement Landscape 2025 report found that 70% of local government buyers felt at least some of their scoring criteria did not match the outcomes they sought.¹¹⁷ The gap between outputs and outcomes often only becomes apparent later, prompting costly re-procurement that slows delivery further. This mismatch impacts the public finances and, by extension, wider economic growth, as public-sector buyers pay for solutions that deliver on specs but not value, ultimately wasting public spending.

113. The authors are grateful to Malcolm Harbour CBE for his thoughtful feedback on an earlier version of this chapter.

114. HM Treasury, [Public Expenditure Statistical Analyses 2025](#) | CP 1363, 17 July 2025

115. OECD, [Mobilising Private Investment to Address Societal Challenges: The Role of Business in Mission-Oriented Innovation Policies](#) | OECD, OECD Science, Technology and Industry Policy Papers No. 190, 16 March 2026; and OECD, [Public Procurement, Trade and Industrial Policies: Supporting National Priorities](#) | OECD, 19 June 2026

116. Ben Paxton and Nick Davies, [Improving Accountability in Government Procurement](#) | Institute for Government, in partnership with Tussell and AutogenAI, September 2024; and Tussell, "New IfG Report: [Improving Accountability in Government Procurement](#)" | Tussell, September 2024

117. techUK, [Public Sector Procurement Landscape 2025](#) | techUK, 26 September 2025

Beware nationality requirements. Recent rhetoric from the Burnham government hints at an emerging risk: increased emphasis on nationality or origin tests in public procurement processes. In his first speech to HM Treasury, Chancellor John Healey spoke of using “every procurement pound spent” to “buy British not if possible, but by design”.¹¹⁸ It is absolutely right that government procurement expenditure should support investment and jobs in the UK. But strict nationality requirements risk being counterproductive, stifling economic growth, driving up costs, curbing innovation and delivering poor value for taxpayers’ money. They could also trigger reciprocal nationality tests from other countries, potentially locking out UK tech companies from lucrative export markets (see also Chapter 7). Ultimately, a stringent buy British approach could contravene the World Trade Organization’s Agreement on Government Procurement.

Government risk aversion deters innovation. Procurement teams are reluctant to be first movers, as officials at all levels fear the consequences if a new, more innovative approach fails. This creates an organisational culture that meets risk with avoidance rather than mitigation, underweighting the risks of the status quo against those of change, so new innovative solutions tend to lose out to incumbents. The Procurement Act 2023 was designed to give buyers greater flexibility to prioritise innovation and long-term value over lowest price, yet legislative reform alone cannot resolve a deeper

cultural problem within government procurement. techUK’s *GovTech Procurement Landscape 2025* report flags that many buyers cite playing it safe and fear of making the wrong decision among their biggest frustrations with procurement outcomes. 74% of buyers also said that at least half of their recent procurements failed to achieve the best outcome for their organisation. Fixed-term contracts compound this, transferring risk onto suppliers, who absorb the cost of any unforeseen delay or scope change once price is locked.

Government funding models are misaligned with how digital services actually work. techUK’s 2025 *Financing the Future* report found a persistent mismatch between Resource and Capital Departmental Expenditure Limits (RDEL and CDEL).¹¹⁹ Traditionally, IT spending was drawn from CDEL for one-off capital purchases like mainframes, other hardware and even software. However modern digital suppliers increasingly offer off-the-shelf solutions that use subscription-based models (e.g. Software as a Service, SaaS), which are categorised as RDEL rather than CDEL. Despite this change, government spending on digital services is often funded through CDEL by default because RDEL budgets are usually tight and investment is narrowly viewed through a capital spending lens. However, this practice entrenches a static, output-focused approach and discourages genuine innovation. Furthermore, when digital spending is drawn from CDEL, service maintenance tends to be deprioritised. Departments are less free to update services

118. John Healey, *Chancellor John Healey Delivers Speech to Treasury Staff* | GOV.UK, 21 July 2026

119. Henham Strategy, *Financing the Future: Building a Smarter State Through Digital Public Services* | techUK, commissioned by techUK’s Public Services Board, 9 September 2025

and change providers as required. This limitation results in mounting technical debt with outdated legacy systems and hampers competition and progress.

Even beyond the need to realign RDEL and CDEL spending, the public sector underuses innovative approaches to funding digital transformation projects. Contracts that employ arrangements like gain sharing and public-private partnerships allow access to projects when traditional funding might be scarce. Gain sharing ties payment to efficiency gains or the additional value the project actually generates, meaning both suppliers and government are rewarded for the same outcome rather than one absorbing the cost.

Procurement remains slow, closed and under-resourced. In many cases, the procurement process remains lengthy and under resourced. Buying teams often lack budget and, at times, digital expertise. As a result, market engagement becomes more of a formality instead of real dialogue that could better shape innovative outcomes. Suppliers end up spending resources on bids that ultimately get cancelled or are not fully assessed and awarded to incumbents as buyers default to known solutions. This leaves the suppliers potentially best placed to deliver value locked out of the process.

Social value requirements need to strike the right balance. Government's announcement in August 2026 to reframe social value is a mixed picture. On the one hand, the removal of social

value requirements from contracts under £1 million is welcomed, and the narrower focus on jobs and skills plays to a strength of the tech sector. On the other hand, the increase in social value weighting from 10% to 20% for contracts over £5 million is a misstep as it places a disproportionate weight on social value. Social value should not come at the expense of overall value, especially for large value contracts. To overcome some of these key challenges and unlock public procurement as a driver of growth for the tech sector and the wider economy, the government ought to implement three recommendations.

Recommendation 1: Build the state's procurement capabilities

By the end of 2027, the government ought to establish a technical capability programme to strengthen the skills of public-sector procurement teams, particularly those that buy technology. This programme could consist of above-market compensation for technical procurement roles, especially in strategic government departments, to attract sought-after expertise. The capability programme should also provide routes for those with industry experience to move into government procurement roles and then return to industry – and vice versa. These features already exist in other government programmes. For example, the AI Security Institute proves that the government can develop a world-leading

technical institution and hire talent at the top of the market. Similarly, the No10 Innovation Fellowship shows the government can draw on senior technical talent without permanently matching private-sector salaries. Now, the government ought to incorporate these features to attract the top technical talent to staff a government procurement function that is capable of specifying and enforcing contracts at scale.¹²⁰

A skilled state buyer that takes appropriate risks would go a long way to resolving many of the challenges described in the previous section. But this is particularly effective at countering the need for rigid and restrictive nationality requirements in public procurement processes. The Procurement Act 2023's shift from Most Economically Advantageous Tender (MEAT) to Most Advantageous Tender (MAT) already allows the state buyer to weight criteria such as resilience, supply chain diversity, portability and SME participation. However, a state buyer that lacks technical expertise will struggle to specify these criteria, evaluate suppliers against them and enforce the criteria throughout the life of the contract, especially for contracts that purchase innovation. In contrast, a technically literate and well organised state buyer is able to operationalise MAT, which can have the outcome of directing procurement spending in

ways that boost the UK economy, but based on a firm's capabilities and not their nationality. In short, developing the government's technical procurement skills allows the state to buy better from everywhere including, but not exclusively, buying British.¹²¹

Recommendation 2: Improve market engagement to drive greater competition and facilitate routes to market for SMEs.

The Procurement Act 2023 encourages the public sector to undertake Preliminary Market Engagement (PME) as a stage before a tender is published. PME can be utilised to help buyers understand what solutions the market can offer and to mitigate the risk of procuring untested, innovative solutions. Yet in practice, public bodies remain reluctant to undertake PME, and continued progress is needed to drive widespread improvement in the procurement of innovation. Therefore, by 2027 the government ought to publish guidance on how to facilitate meaningful PME across the public sector. Undertaking PME in this way will also encourage a move away from solution-focused tenders towards outcome-focused ones. Finally, where appropriate, large contracts should be broken into smaller modular components, so that SMEs can deliver a portion of the contract without having to match the financial resilience of larger companies.

120. techUK, *Confident Sovereignty: techUK's Framework for Sovereignty to Support Growth, Security and Resilience* | techUK, 8 September 2026

121. techUK, *Confident Sovereignty: techUK's Framework for Sovereignty to Support Growth, Security and Resilience* | techUK, 8 September 2026

Recommendation 3: Adapt funding models for the procurement of technology and digital services.

Within the current Spending Review period, the government should put in place adequate RDEL funding to enable effective digital procurement, rather than defaulting to CDEL funding which is poorly suited to iterative delivery. Funding cycles should be extended so that departments can budget longer-term for ongoing service deployment. This will shift value for money towards whether a service is delivering against its intended outcomes over time. Internal capability should also be built to manage RDEL-funded relationships properly as sustained investment will only pay off if departments have the commercial and digital expertise to hold suppliers to outcomes. A gain-sharing model should also be adopted where appropriate to reward innovation, align supplier and government incentives and enable shared success between them.

Conclusion

Taken together, these reforms would help ensure that public procurement functions as a genuine engine of economic growth into the 2030s: building sovereign capability as a by-product of good buying, giving SMEs a fair route to compete, and ensuring that the billions the public sector spends on digital transformation each year deliver value that matches its ambition.

Chapter 9: Regional Ecosystems

*Tramshed Tech,
TechWM,
CWConnected*



The first eight chapters of this report have set out the major levers of tech-enabled economic growth. This ninth and final chapter examines how some of these levers work in practice, drawing on case studies from around the UK.

The new UK government's commitment to devolving more powers away from Westminster and adopting a greater place-based focus in its policymaking provides the backdrop to this chapter. The Cabinet statement *Rewiring the State* in July 2026 set out the broad direction of travel, with further details expected in the fiscal devolution roadmap alongside the Autumn Budget.¹²²

Therefore, the case studies deliberately represent a broad cross-section of the UK, coming from one nation (Wales), one region (West Midlands) and one city (Cambridge).

[Tramshed Tech](#), one of the leading innovation hubs and business accelerators in Wales, assesses how investment – from private and public capital – is supporting local technology companies to start and scale.

[TechWM](#), the convenor and amplifier of the West Midlands tech ecosystem and one of techUK's strategic partners, analyses the importance of technology adoption for productivity growth in the region's industries.

[CWConnected](#), the Cambridge-based organisation specialising in connectivity and digital technology and another of techUK's strategic partners, sets out how digital infrastructure is key to sustaining innovation and economic growth.

Each of these parts of the UK has distinct economic strengths; each faces distinct economic challenges. But what they have in common is that technology is essential to driving their prosperity: technology's geographic dispersal and decentralised nature means that its reach can and should extend to all nations and regions of the UK.

The chapter concludes with four overarching recommendations to help every part of the UK both contribute to, and benefit from, tech-enabled economic growth as we enter the 2030s.

¹²². techUK, [Rewiring the State: Prime Minister Sets Out Government Plans to Drive Growth and Deliver on Devolution from Whitehall](#) | techUK, 26 August 2026

Case Study 1 | Tramshed Tech¹²³



Capital and the Welsh tech ecosystem - investment as an engine for Welsh growth

Wales's tech sector is proving that regional investment translates directly into economic growth, by supporting companies to commercialise innovative products and services and expand into new markets. This case study illustrates with concrete examples many of the insights from Chapter 6 of this report.

In the first half of 2026, total equity investment into Welsh businesses reached £159.3 million – a rise of over 530% on the second half of 2025, making Wales the fastest-growing region for investment anywhere in the UK (Barclays Regional Investment Map – produced by Barclays Eagle Labs and Beauhurst).¹²⁴

That figure was anchored by an £81 million funding round for IQE, a semiconductor materials supplier in the Welsh compound semiconductor sector, now central to the UK's advanced manufacturing and defence supply chains.¹²⁵

It was followed by an oversubscribed \$65 million Series B financing round in July 2026, by Cardiff-based biotech Draig Therapeutics, led by Deep Track Capital, with participation from the British Business Bank (via its British Growth Partnership Fund) amongst others, to accelerate its clinical development pipeline.¹²⁶

Public capital has played a catalytic role: the Development Bank of Wales, ranked a top 10 UK tech investor by Beauhurst and Experian, has deployed £90 million directly into 292 Welsh tech ventures, unlocking a further £195 million in private co-investment and supporting over 2,000 jobs.¹²⁷

The British Business Bank's £130 million Investment Fund for Wales has added a further £37 million into 93 Welsh businesses since launch in November 2023, crowding in £9.5 million of additional private co-investment (with

123. This case study was authored by Louise Harris and Mark John, Co-Founders of Tramshed Tech.

124. Business News Wales, "Wales Emerges as UK's Fastest-Growing Region for Investment" | Business News Wales, 21 August 2026

125. IQE plc, Completion of Fundraising | IQE Corporate, 28 May 2026

126. British Business Bank, British Growth Partnership Fund | Invests in Draig Therapeutics Series B Financing Round | British Business Bank, 15 July 2026

127. Development Bank of Wales, £90m for Welsh Tech Ventures Unlocks Co-Investment of Over £195m | Development Bank of Wales, 24 November 2025

the Bank's wider Welsh portfolio forecast to deliver a £300 million uplift to the Welsh economy).¹²⁸

At Tramshed Tech, we see the downstream effects of this capital deployment first-hand: tech founders in our sites across Wales converting seed investment into jobs, exports and follow-on funding rounds, and increasingly attracting international partners and delegations to Wales, starting to reverse the previous capital outflow. Ultimately, the capital flow in Wales translates into tangible economic benefits as it creates jobs, drives business growth, and keeps talent in Wales. These benefits compound over time, contributing to broader UK economic growth.

Despite this positive momentum, capital does not flow evenly.

Three structural challenges stand out:

Scale-up capital is thin, as Chapter 6 of this report confirms. Wales's strength is concentrated at seed and early-stage investment up to Series A, and the "Valley of Death" between early traction and growth-stage funding remains wide, pushing scaling companies to relocate or seek later-stage capital from London-based funds.

Geographic concentration also persists. Investment activity clusters around Cardiff and the Newport semiconductor corridor; ecosystem infrastructure and investor

density thin out further from the capital, even as talent and founders do not.

The gender investment gap is acute. Wales has a high share of women-led deals by volume, but almost entirely at seed-stage. Women-led businesses are not converting seed funding into growth-stage and follow-on rounds. The Invest in Women Taskforce is now addressing this imbalance at a national, UK level, but Welsh seed-stage businesses need specific targeted scale-up support.

Cardiff Bay and Westminster should jointly work to close these gaps. The national and devolved governments should jointly capitalise a follow-on/scale-up fund, specifically targeted at companies that have proven seed traction, but are being lost to the scale-up gap. A proportion of this should also be specifically focused on closing the seed-to-growth conversion gap for women-led businesses in Wales, which already has one of the highest volumes of women-led seed deals for any part of the UK. They should also provide government-backed loans or co-investment guarantees that reduce the risk private investors take on when following Welsh public capital into growth rounds, building on the co-investment logic of the British Business Bank's Regional Angels Programme.

These recommendations would help to ensure that investment can drive growth in Wales's technology ecosystem into the 2030s, with positive spillover effects for the wider economy and UK.

128. British Business Bank, [A Landmark £3.5m Investment into Advantiv from the Investment Fund for Wales Comes as the Fund Surpasses Two-Year Milestone](#) | British Business Bank, 16 February 2026

Case Study 2 | TechWM¹²⁹



Turning Technology Adoption into Growth: a West Midlands delivery ask for this Parliament

As techUK's report makes clear, growth must be re-prioritised for the remainder of this Parliament, with technology at its core, so that the UK economy is fit to face the 2030s. As Chapter 1 demonstrates, technology adoption and diffusion is vital to these growth ambitions, as it drives increased productivity. The West Midlands has the environment to prove this agenda works: the region's digital economy is valued at £15.8 billion and sits alongside advanced manufacturing, mobility and a large SME supply-chain base.¹³⁰ All of this creates substantial demand for applied technology. Through devolution, the West Midlands already controls some of the levers to support local adoption. Modest changes to national funding and support could let the region demonstrate a tech adoption model government can replicate nationally.

A 2026 Lloyds survey found 83% of West Midlands businesses reported using AI – the highest in the UK – and 78% had invested in it.¹³¹ However, the former Department for Science, Innovation and Technology found that, among

West Midlands businesses using AI, 88% had deployed it across less than half of their workforce.¹³² Only 22% of employers surveyed across the West Midlands Combined Authority area (WMCA) were very confident they had the digital skills needed to realise technology's benefits.¹³³ This is a depth gap: most West Midlands firms use AI, but only a minority have scaled it. Closing this gap means treating adoption as a journey: trial, implementation, integration, and then resilient scale.

Through its AI Special Interest Group, TechWM has traced where that adoption journey stalls. Business leaders struggle to select valuable use cases; SMEs lack capacity to redesign workflows; and TechWM's feasibility work repeatedly finds growth constrained by manual, legacy and key-person-dependent processes rather than lack of demand. As Chapter 1 explains, assessments and diagnostics are key to matching technology solutions to business problems: in the West Midlands, the TechWM and B13.ai Digitalisation Programme funds digitalisation assessments

129. This case study was written by Anushka Malhotra, TechWM's Head of Marketing.

130. TechWM, [West Midlands Tech Review 2026](#) | TechWM, May 2026

131. Lloyds Banking Group, [Impact of AI Adoption on Business](#) | Lloyds Banking Group, 11 March 2026

132. Department for Science, Innovation and Technology, [AI Adoption Research](#) | GOV.UK, originally published January 2026, updated 13 February 2026

133. Greater Birmingham, Coventry and Warwickshire, and Black Country Chambers of Commerce, with Netcom Training, [Mastering the Future with Digital Skills](#) | Greater Birmingham Chambers of Commerce, 2025

before larger investment; that feasibility work turns identified business problems into scoped implementation opportunities, often requiring investment beyond the assessment stage.¹³⁴

The challenge is that regional adoption support has tended to run as discrete programmes rather than one connected pathway, a pattern Project MADE identifies in supply-chain interventions in the West Midlands too.¹³⁵

The West Midlands Integrated Settlement gives WMCA responsibility for coordinating local business-productivity programmes and non-apprenticeship adult skills funding, with an outcomes framework that already measures new-to-firm technology adoption.¹³⁶ Devolution has brought levers such as the Business Growth Service into regional hands. With further devolution likely under the new Burnham administration, this presents an opportunity.

Technology adoption across sectors of the economy and digital adoption skills remain unresolved in the 2025 UK Industrial Strategy; three practical steps would address both. First, WMCA should explore commissioning, with national government support, a single regional adoption journey linking diagnostics, implementation and secure, resilient deployment, with demonstrator sectors such as advanced manufacturing and mobility, extending across

the region's wider priority clusters and shared measures for completed deployments, productivity and workforce outcomes.

Second, the Department for Business, Innovation, Science and Trade (BIST) and WMCA should agree common assurance standards for regional adoption support, so SMEs face one trusted route rather than fragmented advice. Third, HM Treasury and BIST should confirm at the 2027 Spending Review that Business Growth Service funding in the West Midlands can flex towards implementation support, so firms with an investable technology adoption plan can fund the workforce and workflow changes needed to scale it.

None of this needs new machinery of government and with prioritised investment, the redirection of policy levers creates a real opportunity to create valuable test beds and use cases to close known adoption gaps and drive productivity and growth.

If the West Midlands closes its adoption-depth gap, its vibrant tech sector would have a stronger customer base to sell into and more capacity to scale. And other sectors of the regional economy – such as advanced manufacturing and mobility – would reap the productivity benefits of increased technology adoption. That is what a national proving ground for technology adoption looks like before this Parliament ends, and could act as a model for the rest of the UK to follow into the 2030s.

134. AND Digital, *Bridging the AI Gap with the AI Adoption Accelerator* | AND Digital, in partnership with TechWM, June–September 2024; and TechWM and B13.ai, *West Midlands Digitalisation Programme* | TechWM, 2025–2026

135. Project MADE, *A Vision and Action Plan for Advanced Manufacturing Growth Across the West Midlands* | Project MADE, chaired by Steve Rigby, 20 May 2026

136. UK Government, *Functional Responsibilities for the Integrated Settlements 2026 to 2030* | GOV.UK, 26 November 2025; and UK Government, *West Midlands Combined Authority – Integrated Settlement Outcomes Framework 2026/27 to 2028/29* | GOV.UK

Case Study 3 | CWConnected¹³⁷



Building the infrastructure behind Innovation: lessons from Cambridge

Cambridge is one of Europe's most intense innovation clusters, home to more than 5,000 innovation-led businesses and over 120 AI companies.¹³⁸ The city and its surroundings have developed world-leading strengths in communications, semiconductors, AI and deep technologies, supported by globally recognised businesses including Arm, AstraZeneca, Microsoft, Nokia Bell Labs, and Qualcomm. As a net contributor to the UK Exchequer, Cambridge's continued success has implications that extend well beyond the region itself.¹³⁹

As Chapter 3 of this report highlights, digital infrastructure is the backbone of the UK's current and future economy, underpinning the technology that powers productivity and economic growth. In Cambridge, the combination of strong compute and connectivity has allowed the city to position itself as an attractive location for investment and research, particularly as AI adoption accelerates.

The DAWN supercomputer is a notable example, having supported more than 350 research projects. Building on this success, the UK government recently upgraded DAWN's supercomputing capacity sixfold through the £36 million Zenith project. Zenith's computing power is expected to deliver breakthroughs in health and clean energy, helping to unlock the economic benefits of science and research.¹⁴⁰

Connectivity has also played an important role in driving local economic growth. More than 99% of Cambridge premises can access partial or full-fibre broadband at speeds above 24Mbps and over 95% have access to gigabit-capable broadband.¹⁴¹ The region also exceeded the Government's target of 85% gigabit coverage by 2025 one year ahead of schedule. Regional leadership has been helpful, with the Cambridgeshire and Peterborough Combined Authority (CPCA) coordinating a Digital Connectivity Strategy that brings together public and private sector partners.

137. This case study was written by Michaela Eschbach, CEO of CWConnected, and Leanne Davidson-Town, Marketing Manager.

138. Cate Lawrence, "Innovate Cambridge Launches Strategy to Accelerate Innovation Through Increased Startup Investment" | Tech.eu, via Innovate Cambridge, 24 October 2024

139. Cambridge Ahead, "Increasing Investment into Industry – Cambridge as a Bellwether for the UK Economy" | Cambridge Ahead, 11 July 2025

140. Department for Science, Innovation and Technology, "Cambridge Supercomputer Set to Get 6 Times More Powerful as Government Backs British AI Innovation" | GOV.UK, 26 January 2026; and University of Cambridge, "DSIT Minister Attends Launch of Cambridge Zenith AI Supercomputer" | University of Cambridge, 10 June 2026

141. Connecting Cambridgeshire, [District Overview: Cambridge | Connecting Cambridgeshire](#), April 2026

Infrastructure risks becoming the limiting factor for growth

As we approach the 2030s, Cambridge's technology sector is increasingly reliant on digital infrastructure. As a result, surging demand for AI, advanced computing and data-intensive technologies is placing greater pressure on compute capacity, power availability, connectivity and data infrastructure. Cambridge Ahead has highlighted that future demand for compute infrastructure may be underappreciated in planning and infrastructure policy, creating uncertainty around whether existing and planned capacity will be sufficient.¹⁴²

As Cambridge's AI and deep-tech ecosystem expands, this becomes a growth challenge as much as a technology challenge. Without sufficient capacity, companies face greater barriers to scaling and commercialising new technologies, as the compute available to them falls short of what their AI products require, putting Cambridge's position as a global leader in AI at risk as companies may choose to relocate to jurisdictions overseas with more accessible infrastructure. Continued investment in digital infrastructure will be critical if Cambridge is to translate world-class research and innovation into long-term economic growth and competitiveness.

The newly formed Greater Cambridge Development Corporation – whose mandate includes “achieving transformational economic growth, delivering infrastructure-led development and enabling innovative investment” – should coordinate planning across government departments, local authorities, utilities, infrastructure providers and private investors around a shared long-term vision for growth, working with CPCA to align priorities beyond its Cambridge City and South Cambridgeshire boundary.

Building on the Corporation's existing access to central government grants and borrowing, Government should also provide fiscal mechanisms such as greater flexibility to reinvest growth revenues and attract private investment, to support infrastructure delivery and unlock long-term investment. The timely deployment of strategic infrastructure, including data centres, advanced compute facilities, fibre networks and associated energy infrastructure is essential to meet growing demand for AI and advanced digital services.

Together, these measures would strengthen the digital infrastructure foundations that underpin productivity, innovation and long-term economic growth, allowing Cambridge to continue delivering benefits for the local economy and wider UK economy in the 2030s and beyond.

142. Andrew McGowan, “Blog – Data Centres and Compute Capacity in Cambridge City Region” | Cambridge Ahead, 17 June 2026

Conclusion

The case studies point to four overarching recommendations for stimulating tech-enabled growth in regional ecosystems. These recommendations are especially timely given the expectation that the new UK government will devolve more powers and funding from Westminster to other parts of the country. There is no guarantee that greater devolution will produce greater economic growth. However, these recommendations provide guidance to increase the likelihood of better outcomes.

1. Coordinate regional technology policies. The recurring message from Wales, the West Midlands and Cambridge is the need for clear coordination between national, regional and local levels of government. This is to enable tech businesses to understand which institutions control which policy levers and to avoid policy contradictions or duplication. One possible solution is to empower the new No10 North – which recently became responsible for economic growth – to coordinate technology and growth policies across combined authorities, mayoral authorities and devolved governments. A single digital platform that signposts businesses to the appropriate national, regional and local business support could help to enact this. The coordinating function should also ensure that local growth plans align well with one another and with national priorities.

2. Embrace regional specialisation.

The case studies reveal technological and industrial specialisations across the different regions: compound semiconductors in Wales, advanced manufacturing and mobility in the West Midlands, AI and life sciences in Cambridge. The report's other chapters have highlighted Bristol and Scotland's strengths in quantum or Southampton's strengths in photonics. The UK's technology policy should double down on these regional strengths and support the development and growth of innovation clusters.

3. Avoid funding fragmentation. The Wales case study refers to multiple British Business Bank funds, as well as the Development Bank of Wales. Other sources of public capital – such as the National Wealth Fund and Innovate UK – are also in operation. There is already the risk of subscale support for UK technology businesses, which could be exacerbated by increased devolution of funding.

4. Establish tech policy testbeds. Greater devolution could also lead to greater regional policy experimentation. This is an opportunity that the UK should capitalise on. Policies – for example to support business tech adoption – should be piloted in individual regions, tested and refined there, and rigorously evaluated. Depending on the evaluation, these policies could then be adapted to the needs of other regions and expanded. This approach reduces the risk and cost of a national rollout while accelerating the diffusion of productivity-enhancing technology in regions outside London and the Southeast.

Conclusion

It is only by restoring the growth rates experienced before the 2008 global financial crisis that the government can improve our public finances, public services and living standards.

Talking about the need for growth is not enough. The UK needs a clear plan to reignite economic dynamism, revive productivity and rekindle growth.

This report makes clear that any plan to grow fast and fix things must have the technology sector at its heart.

Not just because the technology sector is an engine of growth in its own right, but because it offers the opportunity to unlock growth in all other sectors of the economy and to strengthen and augment the levers of growth at the government's disposal.

The report – developed in collaboration with 11 co-authors and partners, many from beyond the tech sector – puts forward a series of ambitious but achievable actions that this government should implement between now and the end of this Parliament in 2029 so that the economy is fit to face the 2030s.

If the government pays heed to the recommendations in this report, this is what the UK economy could look like by the year 2030:

People and technology, together

By 2030, the gains from technological advancement are not confined to a privileged few but are felt by workers in every sector of the economy.

The British workforce – including and especially young people – has the skills, experience and confidence not just to experiment with AI and other digital technologies, but also to apply it productively.

A future-facing regulatory system fosters innovation and helps companies bring new technologies to market while, simultaneously, building and maintaining the trust of the people using this technology.

Taken together, the UK's AI-augmented workforce and agile regulations support the responsible adoption of technologies, at speed and at scale, across the whole economy. Widespread technology diffusion helps to resolve the UK's long-standing productivity puzzle, enabling businesses to expand, creating better jobs and leading to higher wages.

Foundations of the future

By 2030, the UK is well on its way to laying the foundations for the next technological and industrial era.

The UK's digital infrastructure – the connectivity networks that transmit data, the data centres that store and manage it, and the compute power that processes it – is robust, resilient and internationally competitive, supported by affordable electricity, accelerated grid connections and streamlined planning.

The country's world-class data assets – the product of the UK's rich research base and services-oriented economy – are now easier to securely access, use and maintain, becoming the raw material that underpins much of the economy. Businesses, researchers and AI developers leverage this data to build, innovate and discover new and improved products and services.

And ambitious businesses no longer depend on overseas investment to grow, because deeper pools of domestic capital and thriving public markets mean that the next generation of high-growth companies choose not just to start in the UK, but to scale and stay here too. Infrastructure, data and investment form the foundations of future growth.

Shared growth and shared prosperity

By 2030, technology's unique geographic reach and potential has unlocked growth and prosperity in every part of the country and for every kind of business.

The UK has harnessed the power of public procurement as a deliberate tool for growth, using the muscle of the British state to shape markets, strengthen strategic sectors of the economy, and act as an early customer for innovative businesses including, but not exclusively, SMEs.

Internationally, the UK has opened new markets and expanded existing ones so that British exporters – of all sizes and from all corners of the country – can trade overseas and access more customers for their world-leading digital goods and services, expertise and know-how.

And a genuinely regional approach – tailoring business support to local industrial and technological specialisations – means that the dividends of tech-enabled economic growth are felt in every nation and region. In this way, prosperity becomes something that is shared throughout the UK, rather than something that is concentrated.

This is our vision for what the British economy could look like in 2030, powered by the potential of technology that is already evident today. We want the benefits of growth to be felt by businesses, workers, people and places, right across the UK. This report sets out an achievable plan to get there. The opportunity is real. The government must now reach out and claim it.

Summary of recommendations

CHAPTER & PARTNER	RECOMMENDATIONS
Technology Adoption <i>Be the Business</i>	• Test staged, fiscally disciplined technology adoption incentives that support diagnostics, technology integration, process redesign and training • Make problem-first adoption the standard for publicly funded technology adoption initiatives • Establish a National Technology Adoption Network to coordinate devolved support
People & Skills <i>TechSkills</i>	• Align skills provision with employer needs and the world of AI-enabled work, with Skills England recognising employer-led quality standards • Reduce the cost of early-career hiring through targeted NICs relief • Provide better pathways into work, including by giving every young person meaningful work experience
Digital Infrastructure <i>Foreword by the Institution of Engineering & Technology</i>	• Move electricity levies off bills and accelerate grid connection queues • Engage with local communities and build public confidence in data centre developments • Develop British leadership in technological niches for frontier compute, supported by clear roadmaps and public procurement
Regulation <i>CBI</i>	• Drive the wider adoption of outcomes-based, principles-led regulation and expand the use of standards where appropriate • Prioritise progression of the Regulating for Growth Bill, especially provisions supporting translation of successful sandboxes into regulatory reform • Cut regulatory review timelines for new products and services by 25%, backed by shared learning across regulator clusters

Data Royal Academy of Engineering	• Create and implement a joint delivery framework for the National Data Library, Smart Data and infrastructure data schemes • Apply FAIR principles consistently across the joint delivery framework • Build professional data stewardship and assurance capability
Investment UK Private Capital	• Unlock domestic institutional capital for venture and growth investment by launching an accredited marketplace to connect pension schemes with private capital funds • Introduce a scale-up reinvestment tax relief to keep successful founders reinvesting in the UK • Support businesses to invest, list and stay in the UK by reviewing stamp duty on UK equities and pursuing capital markets reforms
Trade <i>Foreword by the</i> Chartered Institute of Export & International Trade	• Secure UK access to the EU's Technology Sovereignty Package • Strengthen technology subject-matter expertise of UK trade officials, including in the Export Control Joint Unit • Leverage diplomatic means to expand market access, including through digital trade agreements
Public Procurement <i>Foreword by</i> Ben Paxton of the Institute for Government	• Build the state's procurement capabilities to buy better from everywhere including, but not exclusively, buying British • Improve market engagement to drive greater competition and facilitate routes to market for SMEs • Adapt funding models from CDEL to RDEL for the procurement of technology and digital services
Regional Ecosystems Tramshed Tech (Wales), TechWM (West Midlands) and CWConnected (Cambridge)	• Use UK regions as testbeds for technology policies, evaluate them, then scale what works across other regions • Coordinate technology policies at the national, regional and local levels • Avoid funding fragmentation to prevent subscale support to regional tech businesses • Embrace regional industrial and technological specialisation



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