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Press release

FOR RELEASE: 16 October at 00:01

Improvements in Scotland's tech sector highlighted in techUK's Local Digital Index

- *Scotland's digital ecosystem makes strides but mustn't lose momentum*

LONDON, 16 October 2023: Scotland's tech ecosystem has made significant strides, showcasing impressive growth and resilience, according to the latest techUK Local Digital Index, however some areas are at risk of being left behind.

The Local Digital Index (LDI) ranks regions in the UK based on various key performance indicators, shedding light on the digital landscape of different areas. In this year's report, Scotland has emerged marking substantial advancements in several areas of the digital components the Index analyses.

- **Digital Infrastructure:** Scotland's digital infrastructure has seen remarkable improvement, with notable gains in gigabit broadband coverage. Eastern Scotland, which includes Edinburgh, has experienced a surge in gigabit broadband availability, increasing from 50.1% of premises to an impressive 70.6%. Meanwhile, West Central Scotland, home to Glasgow, has seen its 4G coverage grow from 90.3% to 94.2%. Additionally, the Highlands and Islands have shown progress, with a notable rise in gigabit broadband access from 14.9% to 23.1% of premises. However, there are still challenges in rural areas, such as the Highlands and Islands, which lag in terms of digital infrastructure. Nevertheless, the report emphasises the positive news that every area in Scotland has seen improvements across various digital metrics, which is crucial for fostering a thriving tech ecosystem.
- **Digital Skills:** Scotland has also made headway in nurturing its digital talent pool. In particular, North Eastern Scotland has shown promise, ranking seventh in digital skills. The region's emphasis on education and skills development is paying off, with a high percentage of the population engaged in computing and engineering technology studies.
- **Finance and Investment**: Scotland has attracted increased investment in information and communication technology (ICT), despite global economic uncertainties. The report highlights that Scotland, along with several other regions, has seen growth in ICT investment. This influx of capital demonstrates the attractiveness of Scotland as a destination for tech businesses and investors. Venture capital in tech, a vital aspect of tech growth, is predominantly located in London but has started to diversify across regions. Scotland is showing promise in attracting tech investments, with a notable increase in venture capital deals.

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- **Trade and Export**: The Local Digital Index acknowledges that goods and services exports have increased across all regions across the UK, including Scotland. However, it underscores the persistent regional disparities. To ensure more equitable growth, efforts should be directed towards closing these gaps, particularly in service exports.
- **Research and Innovation:** Scotland has risen to fourth place in research and innovation, thanks to an increase in Innovate UK grants. Greater London, East of England, and South East England continue to lead the way, but Scotland's impressive performance shows its strength in securing long-term funding for innovation. The region is also investing in R&D, which is crucial for driving innovation and technology advancements. With a focus on improving R&D incentives, reducing the cost of research facilities, and fostering the commercialisation of emerging technologies, Scotland is poised to further enhance its research and innovation capabilities.
- **Data Ecosystems:** Scotland is ranked fourth in data ecosystems, a new component introduced in the 2023 report. While London leads in this metric, the report notes that the gap between different regions in this component is smaller than in others, indicating room for growth. Scotland has a significant number of people in data roles, and there's potential for further development in this field. However, the report highlights that businesses in some areas of Scotland need to improve their data acquisition and sharing practices to fully harness the potential of data ecosystems.
- **Digital adoption:** This continues to be one of the most challenging components to track. Of concern is the drop, across the UK, in the number of businesses defined as operating in the 'digital sector' which has also resulted in a drop in digital jobs over the last year, with only 4,265 jobs advertised over the last year.

Unlocking the Significance of Digital GVA

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

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

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

Scotland Recommendations

Scotland's digital ecosystem is improving but certain areas continue to show a mixed picture since 2022.

The Local Digital Index notes significant employment and business counts being driven by Edinburgh, Glasgow and Aberdeen, and the cumulative growth in tech companies in Scotland had increased by 82% in 10 years.

The report provides specific recommendations for each region in Scotland to further develop its tech ecosystem. These recommendations focus on improving digital infrastructure, enhancing digital skills, attracting investments, and fostering innovation.

Scotland needs to continue rolling out improved digital infrastructure especially in hot spots, targeting and supporting further foreign direct investment into the tech sector in Scotland, increasing the number of digital occupations to retain more homegrown talent and harnessing the R&D spend to raise the profile of innovation in Scotland.

Julian David, techUK CEO, said:
"Scotland's tech ecosystem is making impressive strides, with significant growth in infrastructure, skills, and innovation. To ensure equitable progress, we must focus on improving infrastructure, attracting investment, and nurturing local talent, ensuring that every part of Scotland benefits from this digital transformation.

"This isn't an easy challenge, and is replicated in other areas of the UK, but it is one that should be addressed when considering future growth."

Sheila Flavell, COO of FDM Group and President of techUK, said:
"It is encouraging to see Scotland putting digital skills at the heart of their digital ecosystem. Growing Scotland's pool of digital talent isn't just about boosting their tech capabilities; it's an investment in using technology to support people and businesses in the long run.

"FDM Group has been operating in Scotland for 20 years and we look forward to continuing our work to ensure people have the digital skills they need to operate in both their personal and professional life."

Alec Harley, Leidos Portfolio Director for Scotland, said:
"The report certainly validates the trends we are seeing play out in Scotland. Rapid investment in Scotland's digital infrastructure is allowing global companies like Leidos to embrace the new normal of hybrid working. With improved and robust connectivity we can now employ more technology colleagues to work from home offices as well as giving the option of collaborating in modern offices found in the traditional investment hubs of Glasgow, Edinburgh and Aberdeen. Benefits include more investment in the regions, improved employee engagement and a more diverse employee pool to support our operations and clients."

-ENDS-

Notes to Editors

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- The Local Digital Index is being launched at Birmingham Tech Week today at BT's offices.

- The Index relies on publicly available and transparent data sourced from various government agencies across the UK's nations and regions.

- The regionals press releases for the national and West Midlands are available here.

- The full report can be downloaded here. (from 16 October at 00:01)

- techUK's Nations and Regions website hub

techUK also emphasises the need for ongoing intervention to support the tech sector at a national level through ten recommendations to businesses and local and central governments.

1. **Improve data leads to improve policy making**: collecting good data is key to understanding if policies, interventions and programmes are working.
2. **Modernise the National Curriculum**: ensuring digital literacy, digital skills, and digital ethics education are cross-curricular and integrated throughout primary and secondary education.
3. **Update and renew the path for Apprenticeships and Skills:** the UK should help raise British workers' pay by £5.69 billion by making the Apprenticeship Levy more flexible, delivering an Employment Bill, and building an online Digital Skills Toolkit to help individuals and employers identify accredited courses to boost digital skills.
4. **Provide clear support to businesses starting and growing in the UK:** the UK should help provide more certainty to the on-support schemes by making the Enterprise Investment Scheme (EIS) and Venture Capital Trust (VCT) schemes permanent as well as reforming the Seed Enterprise Investment Scheme (SEIS) by raising the cap for both investors and start-ups.
5. **Incentivise businesses to stay in the UK:** having a pro-growth approach to regulation, digital IDs in financial services, Smart and Open Data schemes, leading on AI governance, with a long term strategy for R&D incentives and reducing the cost of R&D facilities to incentivise businesses to stay in the UK as they expand oversee.
6. **Meet regional digital strategies with a new National Digital Inclusion Strategy:** a new National Digital Inclusion Strategy could create specific funding to support digital inclusion projects across the regions allied to data shared and a specified need for tech and business engagement in digital inclusion strategies.
7. **Create a Small Business Digital Growth Allowance:** a new Digital Growth fund is required to keep digitising the UK economy and support SME to adopt digital technologies.
8. **Provide digital support to Rural & Coastal areas:** DSIT and DEFRA should coordinate flexible support to help farmers adopt equipment and products, update practices and embrace digital technology.

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9. **Provide Digital Infrastructure – from coverage to uptake:** Government should work with telecommunication companies, devolved government across the UK, and elected Mayors to measure the uptake of better digital infrastructure.
10. **Ensure Investment Zones' regulation reform and planning is expedited:** increasing pace to ensure all Investment Zones are agreed and operating by January 2025. In addition, the absence of an Investment Zone in the South West of England should be remedied.

About techUK

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

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

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