

How we can grow tech clusters to drive growth and job creation across the UK

techUK is the trade association for the technology sector in the UK. Our over-1000 members, the majority of which are UK-based SMEs, are based around the United Kingdom. Our members employ 1.1 million people across the UK, with a turnover of £329bn in 2023 and an estimated annual growth rate of 10%.

We have prepared this briefing to help MPs and their teams understand key issues for the UK technology sector, what can be done to tackle these issues and the benefits of doing so.

This briefing draws upon the:

- [Local Digital Index 2023](#)
- [techUK Nations and Regions programme](#)
- [techUK Mayoral Manifesto 2024 'supporting vibrant digital economies & better public services'](#)

Why do we need to understand different tech ecosystems across the UK?

In 2020, during the Covid-19 pandemic, techUK undertook a number of 'digital dialogues' with members, partners, stakeholders and others from across government, the public and private sector. **It was clear the pandemic would have lasting effects on the economy and particularly the digital economy.** This process, to truly understand what makes up a strong tech ecosystem, sought to use data to draw this information together, begin analysis and make policy suggestions on how this can be improved.

techUK's Local Digital Index was born. **This is a tool to aid policy makers and a way to see the impact and value technology can bring to a region,** showcasing its strengths and providing direction for future development, projects and interventions. UK.

Eight components were identified that help determine what is a strong tech ecosystem:

- Digital Infrastructure
- Digital Skills
- Digital Adoption
- Research & Innovation
- Finance & Investment
- Trade Support
- Data Ecosystems
- Collaboration & Coordination

As part of the latest Index data techUK added in a new metric '**Digital GVA**' (Digital Gross Value Added) providing a financial figure with which to compare and analyse the strength of tech ecosystems across the UK. This new data suggested that the UK's median Digital GVA is **£1,945 per person**. When taken at a regional level the six regions with the lowest digital GVA reached the UK median figure it would add £4.8 billion p.a. to the UK economy, and more specifically to regional economies, unlocking new economic growth. Adding over £120billion to the UK economy by 2050.

	Digital Sector GVA per person	GVA per person uplift to reach UK median	GVA uplift	Index Ranking
Greater London	£9,038			1
South East	£5,287			2
East	£2,540			3
North West	£2,203			7
West Midlands	£2,055			5
Scotland	£1,979			4
South West	£1,912	£34	£114,766,949.21	6
East Midlands	£1,587	£359	£1,079,459,062.33	8
Yorkshire and the Humber	£1,563	£382	£1,311,595,171.87	10
North East	£1,561	£384	£640,400,942.76	9
Northern Ireland	£1,517	£428	£505,112,094.75	12
Wales	£1,348	£598	£1,158,413,692.62	11
TOTAL			£4,809,747,913.55	

What do techUK suggest?

We need central government, local government and devolved government to work with industry, the private sector, small businesses and the third sector to help make this a reality. To do this, techUK's 2023 Index recommended some ideas for the next Government:

1. **Improved data leads to improved policy making:** collecting good data is key to understanding if policies, interventions and programmes are working. We aren't collecting good enough, and consistent data, to help drive economic and public service change.
2. **Modernise the National Curriculum:** ensuring digital literacy, digital skills, and digital ethics education are cross-curricular and integrated throughout primary and secondary education.
3. **Update and renew the path for Apprenticeships and Skills:** the UK should help raise British workers' pay by £5.69 billion by making the Apprenticeship Levy more flexible, delivering an Employment Bill, and building an online Digital Skills Toolkit to help individuals and employers identify accredited courses to boost digital skills.
4. **Provide clear support to businesses starting and growing in the UK:** the UK should help provide more certainty to the on-support schemes by making the Enterprise Investment Scheme (EIS) and Venture Capital Trust (VCT) schemes permanent as well as reforming the Seed Enterprise Investment Scheme (SEIS) by raising the cap for both investors and start-ups.

5. **Incentivise businesses to stay in the UK:** having a pro-growth approach to regulation, digital IDs in financial services, Smart and Open Data schemes, leading on AI governance, with a long term strategy for R&D incentives and reducing the cost of R&D facilities to incentivise businesses to stay in the UK as they expand overseas.
6. **Meet regional digital strategies with a new National Digital Inclusion Strategy:** a new National Digital Inclusion Strategy could create specific funding to support digital inclusion projects across the regions allied to data shared and a specified need for tech and business engagement in digital inclusion strategies.
7. **Create a Small Business Digital Growth Allowance:** a new Digital Growth fund is required to keep digitising the UK economy and support SME to adopt digital technologies, targeted to those sectors and areas that need it most.
8. **Provide digital support to Rural & Coastal areas:** DSIT and DEFRA should coordinate flexible support to help farmers, rural businesses and those in coastal communities to adopt new equipment & products, update practices and embrace digital technology.
9. **Provide Digital Infrastructure – from coverage to uptake:** Government should work with telecommunication companies, devolved government across the UK, and elected Mayors to measure the uptake of better digital infrastructure.
10. **Ensure Investment Zones’ regulation reform and planning is expedited:** increasing pace to ensure all Investment Zones are agreed and operating by January 2025. In addition, the absence of an Investment Zone in the South West of England should be remedied.

In March 2024 techUK published our ‘Mayoral manifesto’. Providing easy steps and quick wins that Mayors, devolved and central government could adopt and other elected politicians could support and get behind to grow the tech sector and local economy, as well as supporting public services.

These ideas can sit comfortably with Levelling Up Funding bids, Towns Deals or other local initiatives.

- **A long-term plan for digitising the economy** by appointing a single identified individual with responsibility for accelerating digitisation across the economy, speeding up Investment Zones to make them champions of tech, supporting SMEs and allowing the public to interact with new technology
- **A digital skills journey** for people by providing a plan for creating a talent pipeline, a digital curriculum offer for schools that works with industry and championing cyber literacy as a part of training programmes for all age groups. Digital inclusion, so no person or community is forgotten, has to be at the heart of this.
- **Nurture a start-up and scale up environment**, supporting innovative tech businesses that would benefit quickly from scale-up support and those businesses where digitisation will help them improve productivity quickly and efficiently.
- **Support digital infrastructure**, to encourage local plans that factor in digital infrastructure, engage with the sector and identify potential nationally significant

infrastructure projects. And moving toward data on broadband and 5G/6G that considers digital uptake data, not just digital coverage.

- **Create local data dashboards**, to have regional data that can be compared as well as used to assess the impact of programmes in different localities. Pursuing a more common language and impact dashboard model will allow greater transparency, the quick adoption in new areas of what's working and to quickly intervene when it is not.
- **Digitally empower places and services**, defining a digital strategy and vision for the region that considers everything from the economy to transforming local public services and ambition to use digital to solve key challenges.
- **Appoint a Chief Digital Officer**, by putting in place an empowered champion cutting across all services and functions, Mayors will send a clear signal of commitment that digital and collaborative working are the new norm.
- **Set up an Office for Tech & Innovation**, work with the CDO across the region to foster new partnerships and offer practical support to test new ideas and embed digital across the place
- **Bring together data and people and places**, map out the city regions assets and put in place a strategy for how this data can be used to generate revenue and finance future initiatives.
- **Launch a Digital Public Services Sprint**, to grow regional investment and attract new innovators and business to the area an annual Digital Public Services Sprint would showcase the regions digital ambition, needs and share the challenges.

So what's next?

Supporting and growing local tech and digital economies helps create jobs, new companies, new products and new services. Every person, community, home and business is now touched and impacted by the digital economy.

techUK's new [Nations and Regions Council](#) includes companies from all parts of the UK tech sector and representatives from all across the UK. In 2024-2026 we will be focused on how productivity can be improved across the UK through digital technology and examining further what areas can adopt and deliver to grow their local tech ecosystem.

Further actions:

We want to help MPs, (as well as Mayors, MSPs, MSs MLAs and Cllrs) with this agenda. If you would like to know more about our work across the UK's Nations and Regions please visit our [Nations and Regions hub](#).

techUK can also arrange a call with yourself and our policy managers so we can brief you on this topic in more detail. If this would be of benefit to you, please contact archie.breare@techuk.org and alice.campbell@techuk.org.

techUK is also able to arrange a meeting between yourself and a member company of ours who has premises in your constituency if possible. This would provide you with an opportunity to discuss the importance of these issue further with a company operating in your constituency.