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techUK response to Communications and Digital Committee Inquiry

Scaling up - AI and creative tech

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About techUK

techUK is the trade association which brings together people, companies and organisations to realise the positive outcomes of what digital technology can achieve. With around 1,000 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 our members, partners and stakeholders as they prepare the UK for what comes next in a constantly changing world.

techUK represents scaling firms from across the tech and science sector. This includes scale-ups from AI and creative industries sectors. On behalf of our over 1,000 members, techUK works to support high-growth firms to scale and stay in the UK.

However, we note, while this Call for Evidence focused on specific sectors of AI and creative industries, the Committee should look to the growth potential of scale-ups within the whole tech and science sector. As an example, techUK's Scale-Up Council is made up of scaling firms from sectors including telecoms, cloud service providers, autonomous vehicles, health tech, smart data who leverage the use of AI. The full Council list can be accessed here.

We also flag that the recent 'Small Business Equity Tracker 2024'[1] reveals fintech remains the UK's biggest strength, but the UK also has improved its market share in software, green tech and deep tech sectors. AI and creative industries present huge opportunities for the UK. However, limiting the review to solely AI and creative industries misses the growth potential of verticals contributing to the UK's growth and where the UK VC market has developed an advantage across the tech sector.

[1] British Business Bank (2024) 'Small Business Equity Tracker 2024' https://www.british-business-bank.co.uk/sites/g/files/sovrnj166/files/2024-07/sbet-2024-report.pdf?attachment

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1. **What is the economic potential for improving the UK's scale-up landscape, and what are the consequences of failing to capitalise on this?**

The UK has undeniably cemented its position as a global leader in technology and science, with the tech sector now valued at over $1 trillion. [2] Ranking third worldwide and first in Europe for AI innovation and venture capital (VC) investment, this success is underpinned by a thriving start-up ecosystem and a robust foundation for high-growth firms, including world-class scientific research. According to Dealroom, the UK became the top destination for venture capital in deep tech in 2022, attracting $5.1 billion—more than double the combined investments of France ($2.4 billion) and Germany ($2.3 billion). [3]

Doubling down on efforts to make the UK an even more attractive environment for scaling firms will deliver substantial returns, given their crucial role in driving future prosperity. The ScaleUp Institute reports that while scale-ups make up just 0.5% of UK businesses, they contribute 58% of SME output, equivalent to £1.3 trillion. [4] techUK analysis on Data City estimates an average headcount growth rate of 36.6% for the group and the potential to reach over £2 billion in turnover in the near future. These companies are essential to the UK Government's strategic goals, offering innovative solutions to some of the country's most pressing challenges—whether improving NHS efficiency, combating crime with real-time communication tools, or accelerating the transition to net zero.

Scaling firms also play a vital role in the broader economy, disproportionately contributing to job creation, productivity, and exports. The ScaleUp Institute found that scale-ups are five times more likely to export than other businesses, significantly boosting the UK's global trade presence. [5] Without the necessary support and investment, these firms face barriers to growth, leading to missed economic

[2] Tech Nation (2024) 'The Tech Nation Report 2024' https://technation.foleon.com/research/tech-nation-report-2024/#:~:text=The%20Tech%20Nation%20Report%202024&text=Discover%20the%20investment%20data%20and,in%20the%20age%20of%20AI.&text=%E2%80%9CThe%20UK%20tech%20sector%20reached,in%20our%20remarkable%20growth%20story.%E2%80%9D

[3] Dealroom 'The European Deep Tech Report' https://dealroom.co/uploaded/2023/01/Dealroom-European-Deep-Tech-2023report.pdf?x16740

[4] The ScaleUp Institute (2023) 'Explore the ScaleUp Annual Review' https://www.scaleupinstitute.org.uk/wp-content/uploads/2023/11/SUI_AR23_Highlights_-Website-Version-FINAL-v2.pdf

[5] The ScaleUp Institute (2024) 'ScaleUps in the UK' https://www.scaleupinstitute.org.uk/reports/scaleups-in-the-uk/

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opportunities, slower innovation, and a weakened global standing. Notably, the UK is currently ranked 5th out of 133 economies in the 2024 Global Innovation Index. Enhancing support for scaling firms could help push the UK higher in global innovation rankings.

The cost of not capitalising on this growth potential is clear, and research shows that around 60% of UK businesses fail within their first three years. [6] However, within the tech ecosystem, the average age of SMEs is 7.5 years, indicating a diverse range of companies at various stages of growth, many of which have the potential to scale further. Despite the UK's leadership in fintech, there are notable investment gaps in life sciences and deep tech, especially beyond the seed stage. [7] If the UK fails to address these gaps, firms may choose to list or scale their operations elsewhere.

With intensifying global competition and the EU offering an increasingly attractive market, [8] it is critical that the UK government closes the support gap for scaling firms. Ensuring these businesses have the resources to grow and thrive will not only secure the UK's competitive edge but also safeguard its long-term economic growth and innovation leadership.

[6] Nerd Wallet (2022) 'How many businesses fail in the first year in the UK?' https://www.nerdwallet.com/uk/business/start-up-failure-statistics/
[7] British Business Bank (2024) 'Small Business Equity Tracker 2024' https://www.british-business-bank.co.uk/sites/g/files/sovrnj166/files/2024-07/sbet-2024-report.pdf?attachment
[8] European Commission (2023) 'Long term competitiveness of the EU: looking beyond 2030' https://commission.europa.eu/system/files/2023-03/Communication_Long-term-competitiveness.pdf

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2. **What specific barriers do SMEs face when seeking to scale in AI, and in creative technology? a. To what extent are these challenges unique to their respective sectors? b. What role does access to finance play?**

   And:

4. **What further measures (financial and non-financial) are needed to address barriers to scale in AI, and creative technology?**

techUK, working closely with our Scale-Up Council and wider membership, representing AI and creative technology scale-ups, identified key challenges for firms to scale in the UK. Through conversations with our members, we conclude that, while there are some challenges unique to the respective sectors of AI and creative technology, the main barriers for these firms to scale are cross cutting and not unique. Our response to this question is therefore formulated this way.

Scale-ups primary barriers when seeking to scale are on accessing, attracting and retaining talent, accessing domestic and international markets and securing growth capital. Along with ensuring a level playing field for procurement and ensuring the availability of local infrastructure for scaling.

First, on accessing, attracting and retaining talent, overall, the attitudes and experiences of scale-ups tend to align with those of large businesses, with scale-ups facing challenges in recruiting and retaining key staff. However, scale-ups often lag behind larger businesses in offering certain financial incentives, such as signing bonuses, to attract potential employees.

Of note, one member outlines that there is often the challenge of embedding tech talent across the whole of the organisation. Ensuring senior level staff, and junior staff, are equipped with the tools to leverage digital technologies like AI can be a real challenge to scale-ups. Talent also comes in at board and NXD level, founders need to ensure they've got the right support around them, and the right people to challenge and support growth.

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Specific schemes, like the Enterprise Management Incentive scheme, are therefore a vital channel for addressing this challenge. The incentive supports scale-ups by allowing smaller, higher-risk companies to offer tax-advantaged share purchase schemes and aid recruitment and retention of employees.[9]

Second, scaling firms often have the challenge of accessing domestic and international markets. Members anecdotally note that they often lack the headroom to seek opportunities internationally and lack the expertise to embed their company in a new culture or understand the regulatory environment within that market. The UK Government should therefore deepen, and further align export-focused resources towards scaleups. Actions to support this include enhancing the in-house International Trade Advisor service. techUK, for instance, follow the ScaleUp Institute recommendation for a 'ScaleUp Desk'[10] within all overseas embassies and innovation agencies to provide scaleups with vital local market insights. This approach will ensure that export-ready firms have every opportunity to enter new markets.

Alongside this, Scale-up-focused trade missions should be integral to local growth strategies. The Mayor's International Business Programme[11] in London and Manchester's Global Scaleup Programme provide examples of this. The private sector, including financiers and corporates, should also be incentivised to integrate these missions into their client and supplier engagement strategies.

Third, scaling firms struggle to secure growth capital, and key subsidies and grants are essential to support firms to establish and grow in the UK**.** Interventions such as the Seed Enterprise Investment Scheme (SEIS), Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCT) scheme have supported firms to start and then scale in the UK. But there are some limits to the schemes in supporting deep-tech and R&D intensive scale-ups. This includes the size of enterprises in which investments can be made to get relief. For instance, for VCT and EIS, there is a cap before investment on

[9] HMRC (2024) 'Executive summary: research into access to talent issues faced by scale-up businesses'
[10] Scale-Up Institute (2023) 'ScaleUp Annual Review 2023' https://www.scaleupinstitute.org.uk/scaleup-review-2023/executive-summary/
[11] Grow London (2024) 'The Mayor's International Business Programme' https://www.grow.london/about-us/mayors-international-business-programme

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gross assets of £15m and 250 full-time employees. For SEIS, the period under which businesses can claim is currently two years. techUK believes that the Government should review the current limitations of these schemes, especially given recent inflationary pressures for scaling firms. Once reviewed, the Patient Capital Review[12] provides suggestions such as extending the EIS and VCT to focus on Knowledge Intensive Companies (KICs) that could be explored.

One member representing a scaling firm, who was recently interviewed for upcoming techUK research, previously received £2.5 million in angel and seed investment. The company had recently begun its Series A funding round. They felt the investors engaged in the round were much more focused on the short-term pipeline rather than the promising long-term potential of the company. Another respondent highlighted that many investors demand an exit strategy within three to five years, which is an insufficient timeframe to build a sustainable business. Government support is therefore vital to provide the capital and create an environment that is supportive of longer-term investments.

The Government must act to generate greater interest in UK-listed high-growth companies among institutional investors and make the London Stock Exchange a more attractive market for UK companies to float. Recent steps, including the FCA's overhaul of the listing's regime, better aligning the UK's regime with international market standards,[13] and Pensions Schemes Bill, mark steps in the right direction. Priority areas to assess should include the supporting regulatory environment, valuations and performance (where currently the NASDAQ offers higher valuations)[14], the emphasis on technology and innovation companies. techUK do not provide specific recommendations on this but call for the Government to continue working with the FCA, and consulting with industry to tackle this.

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[12] GOV.UK 'Patient Capital Review Industry Panel Response' (2017) https://assets.publishing.service.gov.uk/media/5a82f16b40f0b62305b95264/PCR_Industry_panel_response.pdf
[13] FCA (2024) 'FCA overhauls listing rules to boost growth and innovation on UK stock markets' https://www.fca.org.uk/news/press-releases/fca-overhauls-listing-rules-boost-growth-and-innovation-uk-stock-markets#:~:text=The%20overhaul%20of%20listing%20rules,they%20co%2Down%20to%20account.
[14] Pinsent Masons (2023) 'Why companies should consider the London Stock Exchange' https://www.pinsentmasons.com/out-law/analysis/companies-consider-london-stock-exchange

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Fourth, the level playing for procurement is often a challenge for scaling firms. Scale-ups are often missed out on public procurement frameworks. Anecdotally, techUK members have outlined that the procurement system often acts as a sign-off procedure rather than a formative part of the decision-making or selection process. techUK members outline impacts on their ability to scale and stay in the UK, with a system that often hinders newer and smaller companies.

To combat this, techUK call for reform to public procurement to further drive social value and support the UK's scale-ups and create a scale-up category in public sector procurement. Support the UK's innovative scale-up companies by streamlining public procurement to remove entry barriers and take advantage of competition to drive meaningful social value and economic growth. Priorities should include: (1) better transparency of tenders, pipeline and spend data, (2) clearer framework to support SMEs to define social value commitments (3) consultation to introduce financial viability requirements and (4) webinars and pre-market engagement more accessible for SMEs and scaling firms.

Fifth, the UK's scale-up ecosystem is often fragmented, and it can be hard for firms looking to scale to know which networks to involve themselves in. While there are strong hubs in London, Cambridge and Manchester, there are less cohesive support networks elsewhere**.**

Linked to this, location and regional disparity for scaling firms can also be a challenge when raising investment. The percentage of SMEs receiving equity investment can vary by region. One member based in Leeds previously highlighted to techUK that at the time of seeking investment in 2019, only six private equity and venture capital type firms were available in the region. When they first approached the London market, they did not get an investment offer from pitching to over 30 investors.

A better ecosystem, led by the UK Government who can play a role as the convenor, bringing together scaling firms with their customers, investors and Government stakeholders would help solve this challenge. On this, techUK call for developing a scale-up support service that would also help address the UK's scale-up funding gap.

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This should prioritise navigating the support and funding out there, and a relationship management system to more effectively deal with scale-ups enquiries. techUK members anecdotally cite an account management style system with direct relationship into Government would support in addressing regulatory or policy challenges and how changes may impact their business.

Alongside this, a 'one-stop shop' homepage to share the relevant grant and support out there to help scaling firms navigate the support already out there. An example of this includes Start-Up Estonia programme run by the Estonian Business and Innovation Agency since 2022.

For AI firms specifically, barriers for firms to scale in the UK include infrastructure, data availability and quality, the AI skills gaps and copyrighted material. On infrastructure, organisations often struggle with integrating AI into legacy systems and face technological and compliance uncertainties.

Access to compute resources varies widely, with larger organisations typically having better access than scale-ups. Advanced computing infrastructure and robust cybersecurity measures are also critical enablers. There is a need for clearer guidelines and support structures to help organisations overcome these barriers.

On data availability and quality, challenges around this include:

- Access to high-quality, labelled data is a major challenge, with issues around data privacy and sharing compounding the problem.
- Organisations also struggle with data silos and inconsistent data standards.
- There's a need for better tools and frameworks to manage and improve data quality for AI applications.
- Access to compute resources varies widely, with larger organisations typically having better access than SMEs.
- Improved data storage and processing capabilities are also highlighted as critical.

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Providing regulatory clarity for how AI companies can consume and use material available on the internet is a major source of uncertainty for the sector, creating uncertainty for AI developers and deployers as well as the creative industries.

In his 2023 Pro-Innovation Review of Digital Technologies[15] the, then National Technology Advisor, Sir Patrick Vallance urged the UK Government to provide clarity the legal framework for training material found on the web for AI development.

However, despite the UK Government accepting the recommendations of the Vallance review, the UK government has not yet provided the regulatory clarity to AI developers and deployers, or the creative industries. It is of vital importance that this issue is addressed.

techUK supports an opt out model for the training of data on AI systems. An opt out model finds the right balance between protecting the interests of rights holders while ensuring that the large quantities of uncopyrighted data available on the public web can be used for AI training. The opt out model is used by several other jurisdictions such as the EU.

The Government should provide that clear signal that the UK wishes to adopt an opt out model. From there, we can move on to answering the policy questions that need to be addressed to make this work. For example, exploring to what extent a text and data mining exemption should be introduced in the UK (for example should this cover commercial R&D), what transparency requirements are needed to operationalise the opt-out model, and looking at what additional support is needed to support right holders such as providing support for the creation of data intermediaries, where these are needed.

The UK Government should clarify at the earliest opportunity that the UK intends to adopt an opt out model when it comes to the training of AI systems. After which it can begin a consultation seeking views on the underpinning policy questions.

[15] Pro-innovation Regulation of Technologies Review: Digital Technologies – HM Treasury 2023

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5. **How effectively are existing organisations (such as UKRI), catalyst programmes, industry schemes and other Government initiatives addressing these issues?**

There are also a wealth of UK Government policy supporting the innovation economy and scaling firms to grow. This includes the likes of:

- Tax subsidies for private investors in early-stage companies through the Enterprise Investment Scheme (EIS), Seed Enterprise Investment Scheme (SEIS) and Venture Capital Trust (VCT) schemes.
- Grants and funding through the Government's arm's length body of InnovateUK and public finance institutions including the British Business Bank and British Patient Capital.
- R&D tax reliefs, including the R&D tax and expenditure credits.
- Business Relief and its role in supporting unlisted and Alternative Investment Market (AIM) listed companies.

However, members have anecdotally noted that more can be done to support scaling firms in the UK.

Recent techUK research with SME firms (some of whom were scaling firms) indicated that many have been successful in securing funding from public grants that enabled it to accelerate the business or pivot it to a new and emerging market. Several had received substantial funding from organisations such as Innovate UK, Horizon Europe and the British Business Bank, and have received additional support alongside the funding.

Specifically on grant funding from InnovateUK, one member notes that this is welcomed but can be cumbersome. Alongside this, there should be more focus on making it easier for both founders, and assessors, to support diverse companies and founders. However, another member who recently received series C investment spoke positively of InnovateUK grants to enable them to get to this stage.

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techUK members anecdotally cite positive interaction with schemes such as Grow London that offers a range of business support for firms in the early stage of their growth, looking to grow in London. In particular, one member spoke highly of the networks created through the scheme, with a suggestion that such an initiative could be mirrored across other regions of the UK to support scaling firms outside of London. This was a recommendation previously suggested by the Scale-Up Institute in their recent annual review.[16]

Of further note, is the role of the British Business Bank in providing capital support for scale-ups. The Bank plays a role in supporting UK smaller business equity deals, for instance, supporting 15% of equity deals in 2023.[17] From 2023 activities and funded commitments, an expected 39,400 new jobs and £8.4bn of gross-value ad (GVA) over the life of the finance.[18]

This includes through their Future Fund: Breakthrough that supports R&D intensive companies of breakthrough technologies across areas of compute and life sciences. Future Fund: Breakthrough helps bridge the equity finance gap by co-investing with private investors in rounds above £20m, focusing on strategically important sectors for UK growth, such as medicine development and the transition to a net-zero economy. Independent evaluation on the early impact of the Future Fund: Breakthrough programme showed that 85% of recipient firms increased the number of staff employed or hiring individuals to fill key positions to expedite growth fund.[19] 100% of recipient firms also stated that Future Fund: Breakthrough funding has or will positively impact their R&D activity.

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[16] Scale-Up Institute (2023) 'ScaleUp Annual Review' https://www.scaleupinstitute.org.uk/wp-content/uploads/2023/11/SUI_AR23_Highlights_-Website-Version-FINAL-v2.pdf
[17] British Business Bank (2024) 'UK now the third largest venture capital market in the world, with biggest increase in share of global investment' https://www.british-business-bank.co.uk/news-and-events/news/uk-now-third-largest-venture-capital-market-world-biggest-increase-share-global-investment#:~:text=The%20UK%20has%20also%20become,of%20investment%20across%20the%20continent.
[18] British Business Bank (2024) 'British Business Bank commits record £2.3bn in smaller business finance to the market in 2023/24, but reports unrealised loss due to short-term fall in valuations' https://www.british-business-bank.co.uk/news-and-events/news/british-business-bank-commits-record-ps23bn-smaller-business-finance-market
[19] British Patient Capital (2024) 'British Patient Capital Response to the Future Fund: Breakthrough Early Impact Assessment' https://www.britishpatientcapital.co.uk/news-insights/insights/british-patient-capital-response-future-fund-breakthrough-early-impact

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6. **What further measures (financial and non-financial) are needed to address barriers to scale in AI, and creative technology?**

And:

6. **What can the UK learn from overseas?**

While the UK has a great start-up environment and has had success in providing support for firms to grow a business, there are key lessons that can be learnt from success overseas. Recent league table of UK-listed 'Technology Companies' includes only 8 valued at over £1 billion as of 2 May 2024.[20]

First, according to Dealroom, 60% of global scale-ups are based in North America, while 8% of global scale-ups are based in the EU.[21] The US., China, and the UK. are the top countries by number of total scale-ups, with 7.1K based in the US. That's 4.8x more scaleups than China and 11.5x more than the U.K.

There are **key lessons that can be learnt from the success of the US** to create an environment favourable for firms to scale.

At the core, is the demand for innovation, that underpins the operation and driving force for many scaling firms. For instance, according to the Global Innovation Index (GII) based on factors such as human capital and research, infrastructure, technology outputs and market sophistication, the US economy is the 3rd most innovative economy in the world (behind Switzerland and Sweden).[22] Where the UK is currently fifth. While the UK is one of the most innovative countries in the world, other competitors are more R&D intensive when adjusting for the size of the economy.

So, a lesson that can be learnt is creating a better environment for innovation and driving more research and development into the UK. According to research, the US

[20] Taken from CBR report (2024) 'Selling less of the family silver'. This took figures from Disfold Top 151 Largest UK Companies in the Technology sector by Market Cap, January 2024; https://disfold.com/united-kingdom/sector/technology/companies/
[21] Startup Genome (2023) 'Global Scaleup Mapping' https://startupgenome.com/article/global-scaleup-mapping
[22] WIPO (2024) 'GII 2024 results' https://www.wipo.int/web-publications/global-innovation-index-2024/en/gii-2024-results.html#h2-innovation-leaders-in-2024

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accounts for 30% of global R&D spending, spending over $700 billion per year.[23] This compares to the UK, where expenditure was £70.7 billion in 2022.[24] Changes to the UK's regime, including more stability of the UK's flagship R&D tax credit scheme, and better delivery of the credit from HMRC would support scaling firms to scale in the UK.

The US is also home to a large and mature venture capital industry, which provides a significant source of funding for technology startups. The competition amongst the VC market and ecosystem, attracts founders and early investors. The UK largely keeps pace with the US on funding levels for early-stage investments (adjusted for economy size) but is behind when it comes to later-stage firms that are scaling up.

To plug the later stage funding gap, the UK must combat the risk averse investment culture and tackle the lack of institutional funding. Given in the US around 70% of VC funding comes from pension funds, compared to 20% in the UK,[25] the UK can learn lessons on mobilising greater amounts of pension capital into scaling firms. Recent action from the Government through the recent Pension Schemes Bill mark steps in the right direction.

One techUK member specifically outlined **Singapore's trade missions** as an area that has significantly helped their business to scale. They note that Singapore's model instilled match making with customers and facilitated introductions throughout the mission. Other aspects, including the generative AI sandbox for SMEs,[26] further supported their firm to experiment promising innovations that can be tested in the market and have a chance for wider adoption. Along with strengthening AI development and ecosystem in Singapore.

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[23] NCSES (2024) 'Business R&D performance in the US nears $700 billion in 2022' https://ncses.nsf.gov/pubs/nsf24334

[24] ONS (2024) 'Gross domestic expenditure on research and development, UK: 2022' https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/researchanddevelopmentexpenditure/bulletins/ukgrossdomesticexpenditureonresearchanddevelopment/2022

[25] Labour (2024) 'Start-Up, Scale-Up: Making Britain the best place to start and grow a business' https://labour.org.uk/wp-content/uploads/2022/12/WEB-17247_22-Start-up-review-v12-ALT-2.pdf

[26] IMDA (2024) 'Singapore's first generative AI Sandbox to familiarise and help SMEs get head start in capturing new AI opportunities' https://www.imda.gov.sg/resources/press-releases-factsheets-and-speeches/press-releases/2024/sg-first-genai-sandbox-for-smes#:~:text=Singapore's%20first%20generative%20AI%20Sandbox,in%20capturing%20new%20AI%20opportunities&text=The%20new%20sandbox%20will%20allow,productivity%2C%20and%20elevate%20customer%20experiences.

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As a further international example, **the German Governments' policy designed to foster growth and investment has supported the growth of the Mittelstand economy** (mid-sized companies) now responsible for 36% of German exports and more than half of economic output.[9] Mittelstand companies often focus on niche markets and highly specialised products that drive innovation, making these companies leaders in their fields and enabling them to scale effectively.

Of note, the German government offer specialised funding programs and streamlined bureaucratic processes, to fund start-ups and growing companies.[10] These include low-interest loans, venture capital and grants for investments in growth, with a priority focus on providing capital through public funds and leveraging private capital. While the UK has higher VC investment than Germany, there are lessons that can be learnt in providing or highlighting targeted support for businesses at different stages of their scaling journey (i.e., during / after seed stage, follow-on and growth financing).

Anecdotally cited by our members and the wider ecosystem, **Estonia has gained significant recognition among scaling firms for its success in providing robust and active support for scaling firms**. Programmes include Start-up Estonia,[11] enabling tech firms to navigate legal and regulatory barriers and providing a support environment for start-ups to grow. Estonia's scale-up visa makes it easier to attract international talent by enabling scaling firms to sponsor non-EU nationals without being subject to immigration quota and unemployment fund permission.[12]

In the UK, better signalling on visa approval would provide high-growth firms with more confidence and certainty to access talent and skills and support their growth. Note, this was a recommendation within the Harrington Review on Foreign Direct Investment.[27] Investors would benefit from greater certainty in visa processing times and easier tracking. UK Visas and Immigration met its 15-working-day target for most work visas 96% of the time in Q2 2024[28] indicating a reliable service. But there is room for

[27] GOV.UK (2023) 'Harrington Review on Foreign Direct Investment' https://assets.publishing.service.gov.uk/media/655f62310c7ec8001195bd5f/231123_Harrington-Review-Report-FINAL-2__HH_Global_.pdf
[28] GOV.UK (2024) '2024) 'Visa processing times: applications outside of the UK' https://www.gov.uk/guidance/visa-processing-times-applications-outside-the-uk

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improvement in speed and accessibility, to ensure a high level of consistency for scaling businesses.

The Government should look to remove fees from the Scale-up Worker visa, currently costs are over £822 for the application fee alone. [29] This compares to approximately £80 in Estonia. Skilled worker visa costs for UK-based staff can be up to six times more expensive than for EU-based staff – given the Scale-up visa only lasts two years, fees should be waived for further visas after the scale-up visa has expired

Overall, techUK members reiterate that collaborating with scale-ups on policy is critical, they are uniquely placed as non-incumbents to understand the changes policy will have on growth and the overall investment environment.

[29] GOV.UK (n.d.) 'Scale-up Worker visa' https://www.gov.uk/scale-up-worker-visa

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5. What role do academic institutions play here, and what can be done to boost commercial links with AI and creative technology?

techUK believes that academic institutions support and enable research to generate world-leading IP in science and technology. They further play a vital role in supporting scaling firms, including AI and creative technologies scale-ups. In 2021/22, businesses spun out of the 24 Russell Group universities alone supported over 80,000 jobs and generated £17.8bn in economic output.[30]

techUK member Sage, for instance, is listed among UK technology companies valued at over £1 billion as of May 2024. Founded in 1981, Sage originated as a spin-out from a small printing business.

As well as supporting to nurture technical talent, academic institutions play a key role as a facilitator and convening stakeholders in the local ecosystem. An example of this in practice, built in collaboration with Imperial College London, Scale Space White City[31] is a 23-acre platform dedicated to innovation and entrepreneurship. It allows for companies, SMEs, start-ups and entrepreneurs to work alongside the University at stages of their growth and development.

techUK members point to some great ongoing initiatives, however, note that more can be done to boost commercial links between academic institutions and scaling firms, including in AI and creative technology sectors.

techUK have long called for the Government to create **a Connected Hubs programme**, similar to the scheme run in Ireland, opening remote and co-working locations across the UK. A primary economic benefit is their role in job creation and creating professional networking opportunities, often outside of major cities. We advise that such hubs should have direct links to Combined Authorities and Local Authorities, who will be able to signpost people, new spaces and encourage their own facilities to become 'ConnectedHubs'. Along with assessing whether public spaces could be used as hubs,

[30] Russell Group (2024) 'Briefing – Maximising the impact of University spin outs' Russell Group (2024) https://russellgroup.ac.uk/policy/policy-documents/briefing-maximising-the-impact-of-university-spinouts/
[31] Scale Space (2024) 'Imperial's White City Campus' https://www.scalespace.co.uk/london-white-city/imperial-college-london

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not just office spaces. An option could therefore be to ensure these Hubs are linked to academic institutions, facilitating further commercial links.

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