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Dear Sirs

UK Digital Strategy - the next frontier in our digital revolution

The Scale-Up Institute is delighted to contribute to *UK Digital Strategy - the next frontier in our digital revolution* which is such an important subject to scaling businesses in the UK and for long term economic development.

In recent times the Government has done much to support the development of the digital economy and the digitalisation agenda: Both through its national and regional support to Tech-led entrepreneurship and initiatives such as Tech City, Tech North, Innovate UK, the work programmes with the Open Data Institute (ODI), techUK and recently announced IoT Research hub, as well as through its own revolution by embedding digitalisation into the Government's working practices, organisational culture and structures through its Digital Transformation Programme. It is encouraging that the Government is determined to continue this drive and take forward a new UK Digital Strategy fit for the next generation. The UK has the ability to leverage the groundbreaking work already underway as a Tech Nation and to build on this to continue to lead the world in a Digital revolution.

The Scale-Up Institute[1], borne out of the Government commissioned Scale-Up Report, is a private sector led organisation, whose focus is on supporting the needs of the UK's established high growth firms, across sectors and geographies, that are growing on average at 20% per annum, in employees or revenue, over a 3 year period. Scale-up businesses represent the engines to economic growth, productivity and jobs as highlighted in the recent Octopus 'High Growth Small Business Report 2015'. This report found that in the UK, high growth businesses created the equivalent of approx. 4,500 new jobs every week, 3 times as many new jobs as the FTSE 100. It is therefore essential that the Government's new Digital Strategy takes account of the needs of these businesses across the sectors and geographies in which they operate.

The Digital Strategy has the opportunity to provide tools and mechanisms to better support such businesses under the localisation agenda and to help the Growth hubs, LEPs, cities, universities and private sector players enhance the targeting of support to scaling businesses through the ability to leverage data sources and open

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[1] The Scale-Up Institute is a private sector-led organisation that is focused on closing the 'scale-up gap' by creating a supportive public and private sector ecosystem that enables scale-up companies to fulfill their potential. The Scale-Up Institute will build on the pioneering research and recommendations published in the 2014 Scale-Up Report, collaborating with policy makers, corporate partners and educational establishments to make a real and identifiable impact. The institute is supported by the Business Growth Fund, Google, the London Stock Exchange, Smith & Williamson and a range of other advisory, finance, research and industry sector parties.

data/API practices. Digitilisation also represents a key enabler for Government to become more transparent and inclusive on procurement and export activities.

Paramount to businesses scaling fast, as reflected in the Scale-Up Report and recent YouGov Scale-Up survey, is having access to the right skills, markets (corporate, government and overseas), finance and infrastructure. The Government's new Digital Strategy can play an essential role in each of these areas as detailed below and thereby ensure we make the UK not only the best country to start a business but also to scale a business. The Scale-Up Institute recommends the Government considers the following actions in regards to the new Digital Strategy building on the excellent platform of work already underway:

- **Driving productivity and local economic growth through use of data and better targeting of support to scale-up businesses**

The current Government is undertaking world leading work to enhance the usability and openness of all its data sources. The Digital Strategy further represents an excellent opportunity to take this work forward as regards identifying growth companies, specifically on the potential to calculate and release key additional data that identifies growth companies thereby facilitating the targeting of private and local government support to them. This could be achieved under some form of a proof of 'concept' or 'pilot' programme under the Digital Strategy, working with HMRC and as relevant the National Information Infrastructure.

Releasing data that identifies growth companies would be particularly beneficial to improving the speed and efficiency of the supporting, targeting and monitoring of fast growing businesses by the Growth Hubs, UKTI, cities and Catapult Centres as well as the private sector. The key information required is that already collected through businesses in their monthly VAT and NI returns but, as supported by such firms, this data could be used more efficiently and effectively to target the high growth firms on an almost 'real time' basis. For example an algorithm could be created to run after a business has filed its monthly VAT and NI returns online. If the business has become a scale-up since the last filing, then a notification (email, popup or letter) congratulating those that have achieved scale-up status could be given. In addition to congratulating the company, permission could also be sought by the Government to share such status with others (digitally) so that the scale-up high growth company might be identified for programmes designed to help these sort of companies with talent acquisition, customer acquisition, training, finance or office moves to facilitate their growth.

We know from recent research conducted by YouGov, that the overwhelming majority (97%) of high-growth businesses support these calculations being performed and their 'scale-up status' being shared further. The release of / open sharing of their 'scale-up status' would decrease the time-lag for targeted engagement with such businesses across the public and private sector on finance, exports, skills, apprenticeships and procurement by circa 12-18 months. This would facilitate these businesses' interactions with universities, large corporates, local government programmes and render the UK a much better, if not the best, environment in the world in which to continue to grow their business to be even larger.

- **Talent and Skills**

The Scale-Up Report issued in 2014 emphasised that young people should be made aware of the skills they need for the jobs that will be available to them when they are finished with full-time formal education. For example, The Royal Society has predicted that the UK will need one million new science, engineering and technical professionals by 2020. In our recent YouGov Survey, taken by CEOs of over 350 high growth firms across sectors, nearly 80% felt that they would be able to grow their company faster if university graduates had the skills needed to meet their customer demand.

Digital skills and digitilisation are essential to all industries - it is clear from evidence that the more innovative a company, the more productive and growth oriented it is, as exemplified in the recent Goldman Sachs' report, *'Unlocking UK Productivity: Internationalisation and Innovation in SMEs'.* The need to equip our generations of today and tomorrow with the right digital skills to work in our evolving and emerging industries is essential if we are to remain a growth economy central to the Digital revolution.

It is vital therefore that the UK Digital Strategy ensures that schools, apprenticeships, and universities are digitally 'savvy' and enabled. It is tremendous progress that computer programming is now part of the national curriculum but those teaching it also need the skills to deploy it and to be continuously updated. A techUK survey in September 2015 revealed that nearly half (43%) of primary school teachers did not believe that they had received adequate training. We support the £3.5m funding for CPD training for teachers being maintained, and also support techUK's view of exploration to be made of the potential to increase it. Continuous improvement of digital knowledge and teaching at schools is essential and needs ongoing prioritisation.

There is a potential role for Catapult Centres and universities to support the skills agenda by aligning to local schools and developing a schools programme using MOOCS, code clubs etc. The National Pupils Database could also be utilised to better effect by the creation of data feeds/APIs allowing private sector digital education specialists such as Code Club to better assess skills gaps in given geographical areas and thereby match their digital experts to the areas of most need. Such a data feed/usage would also help edtech entrepreneurs and their investors find out faster what best helps teachers in their digital education to students, thereby enabling better and more relevant teachings and learnings for students. It will should also address the skills gap faster as it should assist teachers in identifying who are the best edtech partners to work with. If Government is running code clubs for its staff it should consider how teachers/schools can take part.

The newly proposed Teaching Excellence Framework (TEF) represents a further opportunity for the Government to create one single source of comprehensive open data on universities. TEF should be available online in keeping with the Government's Digital strategy drive. For optimal use it should not only include the academic TEF results but also highlight employment options for students. The online environment should also link in with entities providing employment opportunities including high growth firms. There are various online tools and programmes that can help universities and Colleges identify such firms such as NACUE, NCUB, Founders4Schools etc which could be embedded to any online TEF gateway making sure that universities are matching skills training and courses to the jobs of tomorrow. Such an online portal could also be leveraged for schools and students.

Potentially apprenticeships or internships aligned to the Digital economy in scaling businesses, in whatever the sector, should be given support from the apprenticeship levy and the Government should consider how all of its Digital and Innovation Catapults have programmes that support scale-ups, such as the recently announced Scale Up Boost programme at the Digital Catapult Centre.

Whilst the above can ensure the UK has the homegrown talent, it needs to also recognise that some of the digital skills/coding expertise needed for a scaling business may come from overseas and the UK Government must ensure that changes made under Tier 2 Visa scheme do not hamper the recruitment of such specialists. The Government should also continue to review ways in which scaling businesses requiring specific data scientist or digital skills can recruit quickly and effectively from abroad. We are encouraged by the use of Tech City for such support but consideration should also be given to a regional model of Visa support through LEPs or City Mayors.

- **Markets - procurement, exports and collaboration**

In the YouGov Scale-Up Survey 2015, taken by CEOs of over 350 high growth firms across sectors, nearly 80% felt they would be able to grow their company faster if it were easier to attract large corporates as customers overseas, and if they were invited to join international trade missions that introduced them to potential overseas companies they could sell to or partner with. Over 60% said that they would be able to grow their company faster if 'the government' procured from them and if UKTI helped to introduce them to investors from the US or Asia.

The Government should therefore continue under the Digital Strategy its work on simplifying its procurement process, as well as what can be tracked through large corporate government contracts in their work with smaller growth businesses in the supply chain. All UKEF export products should be available through online application and digital means of customer verification. Under both procurement and exports repeat business users should find it easier and more seamless to interact with Government services, and for UKEF services the use of facilities/delegated authorities, when developed with banks, should be digitally enabled.

As highlighted earlier, by release of additional HMRC data points already collected from businesses, better targeting of high growth companies can be made by UKTI, etc for overseas missions / export contract support etc and this should be developed under the umbrella of the Digital Strategy - recent World Bank research shows that Government expenditure on export support that is targeted to established growth businesses achieves far greater results, economic benefit and export opportunity. The Government in its Digital strategy should review the data it holds to better harness its resource to ensure optimal impact of its GREAT campaign to target growth businesses.

Larger corporates and business can be also be further encouraged to play their part in supporting the digital agenda. Level 39 is a good example of an environment created to support Fintech innovation bringing together the worlds of large and scaling businesses - such environments should be considered to be further developed in other sectors such as health, bio, creative and manufacturing. Embedding such collaborative models into Growth Hubs and regional centres will also be important.

- **Finance**

The Government has undertaken a great deal of work in diversifying the finance landscape and supporting the evolution of the Fintech industry to support financial innovation both within the traditional banking sector and the emerging new finance options, such as crowd and peer to peer funding. A scaling businesses knowledge and choice of finance options can further be broadened and optimised by the progression of the recent work the Treasury has undertaken with the private sector under the Open Bank Working Group. By adopting the recommendations under it and using the ODI to develop it further, working with the private sector, even more choice and understanding of finance options should be forthcoming which is crucial to maintaining a finance ecosystem that has a continuum that supports growth businesses. The opening up of the banking data proposed should also place the UK at the forefront of data usage and enable our scaling Fintech businesses to grow even further. It is an exemplar for other sectors, as well as cross Government, on how collective collaboration can enhance competitive edge and opportunities. How Know your Customer procedures can be supported by the digitalisation agenda and shared 'platform' processes such as those being developed by the private sector Business Data Interchange should also be considered further.

- **Infrastructure**

The most critical matter for fast growth businesses is the ability for such to quickly identify available real estate. The Government working with LEPs and Cities should consider an online digital tool to showcase available business real estate around the country, making it easier for scaling businesses to identify available offices in a quick and efficient manner.

The Government's work on broadband in the Broadband Delivery UK programme is vitally important to progress and thereby improve the country's infrastructure. We fully support greater access to super-fast broadband from all regions and remote areas opening up the geographical options to a scaling busines. This work must continue to completion under the new Digital Strategy. We also support the Royal Society and the ODI in its recommendation that the Infrastructure Commission consider data as actual infrastructure that is fundamental to the operation of a modern society and its economy, across closed, shared and open data sources. The time is right with the UK Digital Strategy and Infrastructure Commission to further look at how Government operates in a joined up manner across departments, sectors and geographies to strengthen its data infrastructure at national and local level to get better use of its data and value from it. Taking time now to review and strengthen operating models will stand us in good stead to revolutionise the business and growth opportunities for the future. The Policy Exchange 'Smart Devolution' paper further develops ideas on how such data and infrastructure can be leveraged in this digital age,

In conclusion, the Scale-Up Institute supports the Government in taking these important next steps in evolving the UK's Digital Strategy for the next frontier enabling better open useable data and digital access to such, we hope the above reflections are helpful in your considerations. It is vital that in developing the UK Digital Strategy that the needs of high growth firms are taken into consideration and their views be part of the evolving Governance structure. We welcome the opportunity to provide input through this submission and are happy to assist in next steps. Should you require any further immediate information or discussion then please do not hesitate to contact the undersigned.

Yours faithfully,

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The Scale-Up Institute is a private sector-led organisation that is focused on closing the 'scale-up gap' by creating a supportive public and private sector ecosystem that enables scale-up companies to fulfill their potential. The Scale-Up Institute will build on the pioneering research and recommendations published in the 2014 Scale-Up Report, collaborating with policy makers, corporate partners and educational establishments to make a real and identifiable impact. The institute is supported by the Business Growth Fund, Google, the London Stock Exchange, Smith & Williamson and a range of other advisory, finance, research and industry sector parties.