Department for Science, Innovation & Technology

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Rt Hon Liam Byrne MP
Chair of the Business and Trade Committee
House of Commons
London
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Dear Liam,

Digital and Technologies Sector Plan: Year One Update

One year ago, this Government published the Digital and Technologies sector plan – the first dedicated, long-term plan for the sector – as part of the Modern Industrial Strategy. The ambition in the plan is clear: by 2035, we will make the UK one of the top three places in the world to create, invest in and scale up a fast-growing technology business. We are working to secure the UK's first trillion-dollar technology company.

Today, I am writing to update the Committee on the publication of 'Digital and Technologies Sector Plan: Year One Update,' an implementation update which highlights the progress made in the plan's first year. A copy of this publication will be deposited in the Libraries of both Houses. The Government committed to deliver this 10-year plan in partnership with industry and a range of other key stakeholders and over the past year, we have taken decisive action to back the six frontier technologies where the UK has world-leading strengths – advanced connectivity, artificial intelligence, cyber security, engineering biology, quantum, and semiconductors – while also reforming the wider business environment to support technology-led growth.

In the past twelve months, we have delivered on the commitments set out in the sector plan, whilst also expanding our ambition. We have announced record public investment in R&D to back frontier technologies at the earliest stage, including committing nearly £4 billion of funding until 2029/30 through UK Research and Innovation. We have launched TechFirst, which has already reached over 100,000 young people, to grow our domestic skills pipeline for our six frontier technologies. We have expanded the British Business Bank's mandate, with a new activist focus on scale-ups to back British DeepTech champions, such as its recent £100 million investment in the UK-based spinout, Oxford Quantum Circuits. We have introduced tax reforms to encourage frontier technology companies to start, scale and stay in the UK. And we are delivering world-class infrastructure, including the telecoms infrastructure that is fundamental to our digital economy.

This Government is taking an active and strategic approach to grow the UK's technological capabilities. Earlier this year, we expanded and extended the Engineering Biology Mission awards with £20 million funding and delivered our third Engineering Biology accelerator programme in collaboration with Science Creates. We have launched Sovereign AI, a new sovereign venture fund which will invest £500 million to scale AI companies in the UK. This week we announced the AI Hardware Plan to back British companies developing the chips and semiconductor technologies behind AI and invest in the scientists, engineers and technicians needed to turn new ideas into products and good jobs in the UK. We have published the Cyber Growth Action Plan to boost the UK cyber security industry and we are scaling the National Security Strategic Investment Fund to invest in strategic science and technology companies. And expanding on our sector plan commitments, earlier this year, we announced up to £2 billion to establish the UK as a world-leader in quantum, including skills and talent, research, and a world-first commitment to procure large scale quantum computers in the early 2030s.

One year into delivery, we can already see this work is paying off. The UK alone has captured 48% of all European VC funding so far in 2026. Last year, Digital and Technologies companies received £8.3 billion of equity investment and strategic companies are choosing to anchor and scale in the UK.

While we have made strong progress in the first year of delivery, this remains a ten-year commitment and there is much more to do. Over the coming year, we will continue working with industry, investors and local leaders to deliver the sector plan and unlock the growth potential of this sector which is so critical to the future of the UK.

Yours sincerely,

Lord Vallance
Minister of State for Science, Innovation, Research and Nuclear