

## **Written evidence submitted by Boardwave (UAIG0014)**

### **Introduction**

Launched in May 2022, [Boardwave](#) is an independent “social enterprise” that has grown rapidly with over 1,900+ European software CEOs, Founders & their Investors as members, of which 1,100 are in the UK.

For a generation, Silicon Valley’s collaborative community has fostered some of the world’s most valuable companies. Committed to creating similar conditions for success, Boardwave aims to propel the UK and European software industry forward, nurturing the next generation of global leaders. Whilst the UK has a vibrant start-up ecosystem for tech firms, support falls away during their “scale-up” journey. This means that today, whilst 36 of the top 100 companies in the US by value are software companies, supporting US economic growth and innovation, there is only one company in the top 100 UK firms that is a software company.

Boardwave is contributing to tackling this by providing a comprehensive ecosystem of support for free to its members, offering leaders access to expertise, knowledge sharing, mentoring, and coaching, thought leadership, and personal development. It also facilitates access to capital and ensures a clear voice to governments.

Boardwave is privately funded by a consortium of over 90+ blue chip organisations, including Venture & PE Investors, Strategy Consultants, Lawyers, Advisors and service providers to the tech community.

We welcome the Committee’s inquiry into the Government’s adoption and usage of artificial intelligence (AI) and advocate for leveraging this transformation to achieve two simultaneous goals: enhancing public sector productivity and strengthening the UK’s AI and software sectors.

The UK is at a pivotal moment. While our AI ecosystem is thriving, ranking third globally in AI readiness behind the US and Singapore, its full potential remains untapped, and there is a risk that the UK’s AI sector may yet be overtaken by our larger and better resourced global competitors. The UK Government’s adoption of AI in the public sector provides a unique opportunity to mitigate this risk. By doing so, we can accelerate the development of globally competitive AI companies in the UK, while modernising critical public services.

### **Risks and Opportunities of AI Adoption in Government**

The public sector’s adoption of artificial intelligence represents a transformative opportunity—not only to modernise government operations but also to champion the UK’s thriving AI sector. With over 3,500 AI companies, including globally recognised innovators like DeepMind, Faculty, and Mind Foundry, the UK is a hub of cutting-edge technology and talent. These firms are developing world-leading solutions in areas such as machine learning, natural language processing, predictive analytics, and explainable AI, technologies that are critical to the future of efficient, secure, and innovative public services.

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### The UK has a strong AI Ecosystem

The UK's AI ecosystem ranks third globally in AI readiness according to the 2023 Global AI Readiness Index. Home to four of the world's top ten universities for computer science, including Oxford, Cambridge, and Imperial College London, the UK benefits from a robust pipeline of skilled talent feeding into its AI sector. Companies like Faculty have already demonstrated their ability to deliver impactful solutions, showcasing how domestic firms can tackle high-stakes challenges with national importance.

Some examples of AI deployment in the UK public sector include:

- [Healthcare Resource Optimisation](#): Faculty supported the NHS during the COVID-19 pandemic by using AI to optimise resource allocation, ensuring critical medical supplies and staff were deployed efficiently during the crisis.
- [Border Security and Immigration](#): The Home Office has implemented AI systems to enhance border security and streamline visa application processes, increasing efficiency while maintaining high levels of scrutiny.
- [Fraud Detection in Benefits Administration](#): AI systems have been deployed to identify fraudulent claims within public benefit schemes, saving taxpayers millions of pounds annually by improving accuracy and reducing manual effort.
- [Predictive Analytics in Policing](#): Some UK police forces have adopted AI to analyse crime patterns, enabling more effective deployment of officers and improving community safety outcomes.

Moreover, the broader UK tech sector is a major contributor to the economy, with the software industry alone valued at £1 trillion. AI companies represent a fast-growing segment within this ecosystem, driving innovation and productivity. In 2022, the UK attracted £24 billion in tech investment, second only to the US, with a substantial share directed toward AI-focused firms. These use cases and the dynamic ecosystem underscore the potential for UK AI companies to lead the transformation of public services.

### Challenges Faced by UK AI Companies

Despite these strengths, UK-based AI firms face systemic challenges that hinder their growth and global competitiveness. One of the most significant issues is access to capital. While the UK tech sector has seen increased investment in recent years, 85% of venture funding still flows to US firms, leaving domestic companies underfunded and struggling to compete on a global stage.

Additionally, UK companies often lose out in public-sector bidding processes due to a lack of prior credentials in delivering large-scale government projects. This creates a negative cycle: without opportunities to demonstrate their capabilities domestically, these firms are often overlooked for international contracts, further limiting their growth. The fragmented nature of public-sector procurement in the UK exacerbates this issue, making it difficult for innovative scale-ups to navigate the system and secure meaningful contracts.

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### **Utilising Procurement**

The public sector spends approximately £300bn annually on products and services, making it one of the most significant levers the government can use to drive economic growth and innovation. Yet, this vast spending power remains largely untapped as a mechanism to support domestic innovation and the growth of UK-based scale-ups. Despite various initiatives aimed at opening up procurement opportunities to SMEs, scale-ups continue to face substantial barriers, particularly in sectors like healthcare, defence, and infrastructure.

High-growth firms are often excluded from public contracts due to the complexities of the bidding process, a lack of transparency, and a preference for larger, more established vendors. Boardwave members have repeatedly expressed frustration over these challenges, noting that government contracts tend to favour incumbent suppliers. This not only limits opportunities for scale-ups to showcase their innovative solutions but also reduces competition and hinders the development of a dynamic, competitive procurement ecosystem.

### **The Untapped Potential of Scale-Ups in Procurement**

Analysis by Tussell revealed that between July 2017 and June 2018, only 397 scale-up companies secured 1,415 public sector contracts, representing just 1% of the estimated 35,000 scale-ups in the UK at the time. Similarly, research by the ScaleUp Institute shows that scale-ups account for only 4% of public sector contracts and make up just 3.54% of government suppliers. These figures highlight a stark underrepresentation of scale-ups in public procurement, pointing to the need for systemic reform to unlock the potential of these innovative companies.

Public sector contracts offer scale-ups invaluable opportunities to build credibility, secure stable revenue streams, and scale operations. Establishing a procurement target for scale-ups could address this imbalance. For instance, the government could aim to award 5% of all public sector contracts to scale-ups initially, with a view to increasing this target to 10% over time. This would provide scale-ups with the visibility and stability needed to grow while driving greater competition and innovation within public procurement.

### **The Investment Gap and Its Impact on Public Procurement**

The investment gap between UK scale-ups and their overseas counterparts, particularly in the U.S., means that foreign investors, often from Silicon Valley, dominate larger funding rounds for UK companies. This dynamic not only reduces the proportion of economic value retained within the UK but also positions U.S. firms as frequent acquirers or competitors of UK businesses, further entrenching their global dominance.

Contracting with U.S. AI companies for public sector projects exacerbates this issue, directing taxpayer-funded opportunities away from UK firms and reinforcing the disparity. By contrast, partnering with UK AI scale-ups offers a strategic advantage: it keeps economic value within the UK, supports domestic innovation, and strengthens the ability of UK

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companies to scale globally. Public procurement represents a unique opportunity to provide these scale-ups with the track record and visibility needed to attract investment, bridge the funding gap, and compete on a global stage.

### Strengthening Sovereignty and National Resilience

Prioritising UK AI companies in government contracts ensures that public sector spending becomes a tool for nurturing domestic champions rather than accelerating the dominance of foreign players. Every pound spent on UK-based firms stays within the economy, driving job creation, R&D investment, and regional development. By reducing reliance on foreign providers, the UK can also retain control over critical data and infrastructure, ensuring national security and safeguarding sensitive information.

Domestic firms bring the additional advantage of agility and a deeper understanding of local contexts and regulatory frameworks, enabling them to deliver tailored, innovative solutions for the public sector. Public-sector projects serve as a "stamp of approval" that enhances their credibility, enabling them to secure additional investment and expand into international markets.

### Reforming Procurement for Scale-Up Success

The implementation of the Procurement Act 2023 offers a timely opportunity to address these challenges. The Act's provisions, coupled with a revised National Procurement Policy Statement, should aim to simplify bidding requirements, improve transparency, and remove barriers that currently prevent scale-ups from participating in public sector opportunities.

Such reforms would empower scale-ups to bring fresh ideas and agile solutions to government challenges, enhancing the quality of public services while fostering the growth of the UK's innovation ecosystem. This approach would not only stimulate economic growth but also position the UK as a global leader in technology and innovation.

By utilising the services and products of UK AI scale ups within Government, the Government can:

1. **Build Public-Sector Expertise in UK Firms:** Enabling domestic firms to deliver AI solutions for critical government functions will help them build track records that enhance their credibility. Public-sector projects serve as a "stamp of approval" that can open doors to further investment and international opportunities.
2. **Foster Economic Growth and Innovation:** Every pound spent on UK-based firms stays within the economy, driving job creation, R&D investment, and local economic development. The software sector already employs over 3 million people in the UK, and scaling AI firms would create thousands of high-value jobs across regions.
3. **Enhance National Resilience and Sovereignty:** By reducing reliance on foreign providers, the UK can retain control over critical data and infrastructure, ensuring national security

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and safeguarding sensitive information. Domestic firms also provide more agile and tailored solutions, as they better understand local contexts and regulatory frameworks.

4. **Create a Virtuous Cycle of Growth:** Government support can catalyse a cycle where successful projects lead to increased investment, faster scaling, and greater international competitiveness for UK firms.

### **Acknowledgment**

This response draws significantly on insights from [A Mountain to Scale](#), a comprehensive report authored by Charlotte Holloway and published by the Future Governance Forum in December 2024. This document examines the challenges and opportunities facing the UK's scale-up ecosystem, with a particular focus on high-growth technology companies. It highlights systemic barriers such as limited access to late-stage funding, regional disparities, and talent shortages, while proposing actionable policy recommendations to address these issues. Through rigorous analysis and contributions from industry leaders, the report underscores the critical role of scale-ups in driving economic growth, fostering innovation, and delivering on national missions. Its evidence-based approach provides valuable context for exploring how government procurement and investment can unlock the full potential of the UK's burgeoning AI and technology sectors.

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