

# Using public sector digitisation to accelerate growth

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## Government's investment in public sector digitisation should be implemented strategically to drive growth

Government is rightly investing significant resources into its own digital transformation, aiming to improve public services as set out in the *Blueprint for a Modern Digital Government*. These investments aim to achieve long-term savings by improving operational efficiency, totaling a planned spend of £23 billion per year on public sector digitisation, including

- £10bn for the digital transformation of the NHS
- £1.9 billion for digital government and various departmental overhauls<sup>1</sup>
- £3.25 billion Transformation Fund to drive public service reform through digitisation introduced in HM Treasury's Spring Statement
- An additional £500 million for HMRC digitisation, with an ambitious goal of becoming a 'digital first organisation' by 2029.

These initiatives underscore government's recognition of digitisation as a cornerstone for boosting service quality and cost-effectiveness, and the role of technology and innovation in working towards government's missions as set out in the *Plan for Change*.

Given this significant level of public investment, it is important that it is invested in a way that not only improves public services but seeks to maximise spillover impacts and growth across the wider economy. There are multiple routes for partnership between public and private sectors to ensure public sector transformation drives growth, including:

- Collaboration with industry to drive growth through innovation.
- Using public sector digitisation to spur private sector technology adoption and drive economy-wide growth.

There are a range of mechanisms through which public and private sector technology adoption could be mutually reinforcing, including through:

- Skills: Collaboration and spillover impact from public sector upskilling and reskilling initiatives
- Learning by example: Using public procurement and wider government adoption to provide use-case examples for wider adoption
- Implementation: Strategic and timely implementation of digital processes to spur private adoption

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<sup>1</sup> HM Treasury (2025). Spending Review 2025.

- Standards and regulations: Setting standard and regulation to provide the clarity that businesses seek.

## **Government should collaborate with industry to drive growth through innovation**

Industry is clear that government will only achieve the missions through collaboration with the private sector. Fuelled by competitive advantage and return on investment, the private sector seeks innovation with speed and agility, embracing failure and quick learnings to develop marketable, innovative solutions. Government will need to work with business to achieve these ambitious plans for transformation. While this government has strong innovation ambitions and has worked to pull through innovation in certain areas like defence, there are inherent challenges to delivering a truly innovative public sector. In contrast, the distinct drivers in the private sector, including the need to deliver competitive advantage and return on investment, mean businesses are well-placed to deliver innovation at pace, embracing failure and quick learnings to develop scalable, innovative solutions. Collaboration with the private sector therefore offers a strategic pathway to accelerate transformation as government seeks innovative solutions to address its missions. This drive from the public sector also serves to increase private investment in areas of government focus, with benefits for the broader economy and exports where solutions developed can be applied elsewhere. The public sector thus serves as both a beneficiary and a catalyst, driving private investment and aligning transformation with its missions.

### **Case Study**

An example of where this collaborative approach is working well is in cyber security. In 2024, the UK Government announced the Laboratory for AI and Security Research (LASR), an initiative between the public and private sectors 'dedicated to mitigating AI security risks for UK national security and economic prosperity.'<sup>2</sup> LASR involves UK government, leading universities and research institutions, and innovation company Plexal in partnership with Cisco, a leading multinational technology company. Cisco's partnership includes 'sharing strategic insight and investment alignment, to supporting innovation challenges and showcasing AI security capabilities.'<sup>3</sup> Cisco tells the CBI that since partnering with LASR in May 2025, they have already increased their investment in AI security research and development of solutions. The partnership has already completed one challenge, and as a result Cisco has identified several start-ups and scale-ups with whom they seek to innovate going forward. The consortium approach builds resilient ecosystems resulting in solutions greater than the sum of their parts. Government could replicate this approach in other areas, leveraging industry's strength in research and innovation, including through partnerships and public procurement of innovation, to increase private sector investment in areas where government seeks to deliver for itself and which will bring benefits to the broader economy.

<sup>2</sup> LASR (2024). *A public-private partnership dedicated to advancing AI security.*

[LASR | Mitigating AI Security Risks for UK Prosperity & National Resilience](#)

<sup>3</sup> Cisco (2025). *Building Trustworthy AI: Cisco supports LASR's Open Call for Secure Innovation.*

[Building Trustworthy AI: Cisco supports LASR's Open Call for Secure Innovation - Cisco UK & Ireland Blog](#)

## **Public sector digitisation should seek to spur private sector technology adoption to drive economy-wide growth**

Government can additionally drive growth by strategically implementing the use of digital tools in the public sector in a way that encourages and accelerates investment and adoption in the private sector. The CBI recommends that government strategies for public and private sector technology adoption are actively coordinated to ensure maximum benefit is delivered from the government's investment. This should form a key part of a National Technology Adoption Plan.

## **Private sector technology adoption is a strategic lever to address productivity in the UK**

The case for accelerating business technology adoption is stronger than ever: the UK continues to lag behind international peers on productivity, with productivity levels trailing those of France, Germany, and the US.<sup>4</sup> Despite the clear economic potential—digital technology adoption could add £520 billion to the UK economy by 2030<sup>5</sup>, with AI alone contributing £400 billion<sup>6</sup>—businesses face persistent barriers to adopting new technologies, including lack of skills, infrastructure gaps, and financing constraints.

## **A National Technology Adoption Plan would provide clarity and support delivery of technology adoption initiatives**

The government has taken important first steps towards accelerating business adoption of technologies, including undertaking the Technology Adoption Review and the appointment of a Minister accountable for digital adoption. Businesses had hoped the Industrial Strategy and accompanying Technology Adoption Review would build on this momentum. However, while the Industrial Strategy was clear on the importance of technology adoption for growth and expanded the Made Smarter adoption support programme to the professional & business services sector, businesses were disappointed in the lack of sector-specific analysis and solutions, clear incentives, and actionable interventions to support business technology adoption within the published strategies. Between the Industrial Strategy, Technology Adoption Review, SME Digital Adoption Report, and HMRC Transformation Roadmap, government has published a number of reviews, recommendations, and initiatives, which businesses are keen to see brought together into a cohesive national plan. The CBI and its members are thus calling on government to build on the momentum in this space by establishing a strategic National Technology Adoption Plan. This should establish clear ownership and accountability for technology adoption policy within DSIT, a dedicated unit to deliver work in this space, and a coordinated roadmap for accelerating business adoption of technology with measurable review mechanisms, informed by the findings of the Technology Adoption Review and related work.<sup>7</sup> We also outline here how and why

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<sup>4</sup> CBI (2021). 'Seize the Moment. How can business transform the UK economy?'

<sup>5</sup> Amazon (2024). [Digital technology could add £520 billion to UK economy by 2030](#)

<sup>6</sup> Google (2025). AI's potential to tackle the UK's productivity puzzle. <https://blog.google/around-the-globe/google-europe/united-kingdom/ais-potential-to-tackle-the-uks-productivity-puzzle/>

<sup>7</sup> Department for Science, Innovation & Technology (2025). *Barriers and Enablers to Advanced Technology Adoption for UK Businesses*. [Barriers and Enablers to Advanced Technology Adoption for UK Businesses - GOV.UK](#)

alignment with public sector transformation should be a key element of this plan – to maximise the impact of government’s investment.

### **Public sector upskilling should be implemented strategically to maximise spillover effects in the private sector**

As the *Blueprint for Modern Digital Government* and associated digitisation initiatives are actioned and implemented, there will be a need for increased digital skills among both the public sector workforce and in the wider public to enable citizens to engage effectively with digital public services. Building these skills will have spillover benefits for skills levels in the private sector as well, contributing to greater business technology adoption.

### **Public sector upskilling should be implemented strategically to support skills in the wider workforce**

Public sector transformation will require significant digital upskilling and involve partnership with private sector as seen in the partnership between government and leading tech providers to deliver AI skills training to 7.5 million workers in the UK, announced in the Industrial Strategy. This public sector demand for upskilling should accelerate the development and delivery of new courses and programmes, with spillover benefits for businesses also looking to upskill their staff. There may also be benefits to public and private sector staff studying alongside each other, sharing use-case examples, applications, and best practice. Government and industry should explore opportunities for peer-to-peer cohorts and learning opportunities.

The AI Knowledge Hub provides both public and private sector audiences with best practice and use-case examples from public sector digitisation experiences, demonstrating how AI and digital technologies can be applied. This best practice sharing should also include signalling the skills required for adoption and tools and methods used by the public sector to achieve necessary skills. In providing the skills training needed for civil servants to engage with new technologies, government can highlight both the skills needed and signpost examples of upskilling and reskilling delivery.

### **Government ambition for wider digital inclusion can support private sector upskilling**

The wider public will also need increased digital skills to engage with digital public services. For example, HMRC has a target 90% of interactions being self-service by 2029, requiring users to possess adequate digital competencies. Currently, however, 28% of the population remains unable to engage with digital services, compared to just 7% in Singapore, which boasts similar digital public services.<sup>8</sup> Government has published an ambitious Digital Inclusion Action Plan to address the digital skills gaps throughout the UK, including collaborating with the private sector to deliver skills training and connectivity. Delivery of this programme at pace will also benefit the private sector, as boosting basic digital skills in the wider population will address the persistent digital skills challenges businesses face at all levels of their workforce.

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<sup>8</sup> Access Partnership (2024). The UK’s Digital and Data Opportunity: public services for a new era. [The UK’s Digital and Data Opportunity: Public Services for a New Era - Access Partnership](#)

Recommended actions include:

- Government should implement the Digital Inclusion Action Plan at pace, including delivering the Digital Inclusion Innovation Fund and the Digital Inclusion and Skills Unit established in the Plan to deliver skills training throughout the economy.
- Deliver the Regional AI Adoption Hubs to build digital skills with positive impact for the public sector, private sector, and engagement with digital public services, including exploring options for peer-to-peer learning cohorts across public and private sectors.
- While the AI Knowledge Hub provides accessible use-case examples that businesses seek prior to adopting technologies, DSIT should consider using the Hub to also indicate digital skills needed to engage with AI and signpost available upskilling programmes.

## **Public procurement allows government to serve as a first mover in technology adoption, paving the way for the private sector**

### **Government can drive private adoption by providing use-case examples of technology in action**

Public sector digitisation projects often require the adoption of new technologies to modernise services, creating opportunities for technology companies to develop and deliver innovative solutions for government as a customer through public procurement. By acting as an early adopter or “first mover,” government not only enhances public service delivery through innovation but also showcases emerging technologies in use. These use-case examples can demonstrate the benefits of the technologies, reducing risk and uncertainty for businesses and making it easier for the private sector to adopt similar technologies with confidence.

A successful example of government acting as an early adopter is their Cloud First policy, which requires government departments to prioritise cloud-based solutions.<sup>9</sup> This has positioned government as an early cloud adopter, stimulating demand across the economy, setting standards for cybersecurity and data governance, and helping de-risk private sector adoption of cloud services through trusted use-case examples. Cloud First has therefore not only accelerated cloud adoption across government but has also catalysed private sector uptake. By creating sustained demand and setting high standards for security and compliance, it has encouraged cloud providers to scale UK-specific offerings. This, in turn, lowers barriers to adoption for private firms, many of whom have aligned their services and internal standards with public sector requirements. The programme also includes training for public sector employees which is sign-posted on government websites so can be referenced by private sector adopters as well.<sup>10</sup>

Government should consider how its ongoing internal digitisation and AI adoption can drive private sector uptake in a similar way – where, by acting as a lead customer they can demonstrate practical use-case examples, clearly set out the benefits and impact, and set

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<sup>9</sup> Government Digital Service (2017). Government Cloud First policy. [Government Cloud First policy - GOV.UK](#)

<sup>10</sup> Gov.uk (2024) Get Cloud Certified this Autumn. [Get Cloud Certified this Autumn – applications now closed! – Digital people](#)

standards for businesses to follow, reducing the risks and uncertainties associated with private sector adoption.

Government could maximise the impact of acting as an early adopter by:

- **Expanding the use and public promotion of platforms like the AI Knowledge Hub** to provide a central repository for sharing insights from the public sector, including expansion to specifically tailor content for the private sector.
- Expand innovation programmes which demonstrate how early engagement in technology trials can yield valuable insights that support further adoption in the public and private sector. **Government and the private sector can collaborate to test emerging technologies**, generating real-world use-case examples and helping to identify critical skills gaps. This kind of joint experimentation not only supports innovation but also informs technology-specific use-cases and identifies skills needs. For example, the testbed environments run by Connected Places Catapult allow businesses to trial solutions in live settings, providing opportunities to feed back to innovators in real time, as well as helping businesses adopt and upskill to use new technology effectively. This offers a model that could be replicated or scaled to support broader digital adoption, including involvement of the public sector.

### Case Study

Wincanton, a logistics company now part of GXO, partnered with the Connected Places Catapult to create a real-time, low-risk environment for testing innovative solutions in freight power. Wincanton tested out power banks intended for freight use, and throughout the testing repurposed the banks for warehouse energy storage, finding an unintended use-case that was most effective for the purposes of the company. This provided Wincanton with an understanding of the role the technology could play in their processes and what skills would be needed to maximise benefit.

This model illustrates how the private sector can similarly act as a testbed for technologies with potential public sector applications in a mutually beneficial exchange. By embedding experimentation in real-world settings, this approach accelerates learning and de-risks adoption for the private sector and provides use-case examples for future public sector deployment and further private adoption.

## Government can set standards and regulations to give the private sector clarity and confidence to adopt

As government implements new technologies across departments, they will likely face similar barriers as businesses, including data access and use and the need for regulatory clarity. Government is well-positioned to establish clear standards and regulatory frameworks, for example for cybersecurity and data management as they implement technologies themselves. Having clear standards and application of regulation to defined

government use-cases, around cyber, AI, and data will give the private sector clarity and confidence to adopt these technologies themselves.

The following initiatives would allow strategic progress on infrastructure, standards, and regulation to enable both the public and private sectors to unlock the full potential of digital transformation.

- Delivering the National Data Library would be a foundational step in enabling AI adoption across both the public and private sectors. By providing streamlined access to high-value public datasets and offering legal and regulatory clarity around their use, the Library would reduce friction, lower compliance costs, and accelerate innovation. For the public sector, it would serve as a critical enabler of AI deployment by supporting secure, efficient data use, and providing business with use-case examples of data-use and compliance. For businesses, aligning with government standards data management and use would unlock the ability to not only leverage public datasets but provide the foundations also to better harness their own data for further innovation.
- Providing clear and transparent AI regulations and use cases of their application, can help address the uncertainty and risks that hold businesses back from adopting AI, particularly in certain sectors such as legal and professional services. As government departments implement AI tools themselves, they are uniquely positioned to identify regulatory gaps, ambiguities, and practical barriers. Government should proactively capture lessons from its own AI deployment alongside input from business, as it seeks to provide clear, agile, adaptive regulatory and governance framework for AI. Government's own deployment of AI can also demonstrate regulatory compliant use of AI, allowing businesses to invest confidently in AI. This angle should be included in case studies within the AI Knowledge Hub.

### **Strategic implementation of public sector digitisation can directly accelerate business technology adoption**

In some cases, public sector digitalisation will directly drive private sector technology adoption. Government should prioritise resources based on impact to maximise spillover benefits of public sector transformation for business adoption and growth. An example of this would be e-invoicing, where government consideration of expanding and requiring e-invoicing through the recent e-invoicing consultation has potential to drive the uptake of e-invoicing technology by businesses across the economy. This would likely spur further private sector adoption, with Sage research finding that 90% of SMEs who adopted e-invoicing went on to adopt further technologies.<sup>11</sup> As government continues to digitise, it should prioritise digitising systems like e-invoicing, that would directly impact private sector productivity and technology adoption. This should be accompanied by effective communication and signalling of plans and timelines, as well as support for businesses to engage with digital processes in a cost-effective way - giving them the time, resources, and confidence they need to effectively implement new technologies. This priority digitisation can happen in various areas of government digitisation, including e-invoicing, broader HMRC and Valuation Office Agency digitisation, and trade digitisation.

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<sup>11</sup> Sage (2024). E-Invoicing Paving the way to a Connected, Real-time Economy.

## Case Study

The Making Tax Digital (MTD) for VAT initiative was introduced 2019 to modernise the tax system in the UK. MTD required VAT-registered businesses to maintain digital records and submit returns using a compatible software. Prior to MTD, 72% of businesses used specialised software or apps for VAT record keeping, rising to 87% after MTD implementation. 28% of businesses had not used any software or apps before MTD, and of those, nearly two-thirds (64%) adopted digital tools as a direct result of the policy. This demonstrates how government regulation can spur technological uptake in the private sector, especially among those lagging in digital adoption. By setting clear digital standards and requirements, the public sector not only improves its own efficiency but also creates demand for private sector innovation, such as accounting software, app development, and digital services. MTD illustrates the broader potential for government-led digital initiatives to catalyse private sector modernisation and create ripple effects across industries.

Government can seize these benefits through the following actions:

- Publish the Roadmap for modern digital government announced in the *Blueprint for Modern Digital Government*<sup>12</sup> to clearly set out government's digitisation plans for the public sector, giving the private sector insight into upcoming digitisation projects. This will allow businesses to prepare to engage with digital services, particularly where it requires upskilling or digitisation from users.
- Businesses indicate the following digitisation of HMRC processes would improve productivity and streamline processes. With proper signalling and support for businesses to engage, these improvements would also help businesses digitise – accelerating productivity and growth.
  - Create a business rates system for the 21st Century, ensuring that the Valuation Office Agency is adequately resourced to support the move to more frequent revaluations and that the Digitalising Business Rates (DBR) programme is delivered by March 2028.
  - Digitalise paper-based tax forms before implementing any further real-time reporting regimes. Digitalising paper-based tax forms such as VAT groups, VAT Option to Tax records and Corporation Tax Group Payment Arrangements would significantly reduce processing times and costs for both businesses and HMRC, leading to faster certainty of tax treatment, and would enhance productivity and customer experience by eliminating manual processes and delays.
  - Ensuring there is meaningful stakeholder engagement and an extensive lead-in time if the government intends to implement Making Tax Digital (MTD) for Corporation Tax in the future, to align compatibility between HMRC and businesses' systems.
- In trade, businesses have indicated that they would benefit from a more efficient and predictable experience at the border, including more digitised processes to reduce

<sup>12</sup> Department for Science, Innovation and Technology (2025). *A Blueprint for Modern Digital Government*. [A blueprint for modern digital government - GOV.UK](#)

duplication and interoperability between systems. Government have indicated in the recent UK Trade Strategy that they are poised to deliver a modern goods border to address these areas<sup>13</sup>. Rolling out trade digitalisation would stimulate business adoption of relevant digital technologies, with likely impact on other areas of technology adoption and productivity.

The interaction between public and private sector technology adoption should form a key part of a National Technology Adoption Plan. A joined-up approach that recognises the enabling role of public sector transformation in driving private sector uptake would harness the reciprocal role of public and private technology adoption.

## **Contact**

Melissa McLaughlin

Policy Advisor

[Melissa.mclaughlin@cbi.org.uk](mailto:Melissa.mclaughlin@cbi.org.uk)

Nicola Eckersley-Waites

Policy Manager

[Nicola.Eckersley-Waites@cbi.org.uk](mailto:Nicola.Eckersley-Waites@cbi.org.uk)

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<sup>13</sup> Department for Business and Trade (2025). *The UK's Trade Strategy*. HM Government.