

UK tech sector achieves best year ever as success feeds cities outside London

- New levelling up power tech league revealed

Cambridge is the leading regional tech city in the UK thanks to its combination of high levels of VC funding, venture capital rounds, advertised tech salaries, number of unicorns (tech companies worth more than \$1 billion) and futurecorns, according to new analysis for the UK's Digital Economy Council by Dealroom and the smarter job search engine Adzuna.

Manchester was only narrowly beaten by Cambridge to the number two position, and Edinburgh, Cardiff and Belfast are also in the top ten for capital raised, showing how the tech sector has spread across all regions and countries in the United Kingdom. The number of jobs in Manchester increased by 164.6% in 2021 and the highest advertised average salaries outside London were in Edinburgh – £58,405.

With more money than ever flowing into UK tech – £29.4 billion this year, up 2.3x from last year's figures of £11.5 billion – almost £9bn of all VC invested went into startups and scaleups outside London and the South East and the regions are home to nine of the 29 unicorns formed this year. The combined value of UK tech companies founded since 2000* is now £540 bn, after the biggest year-on-year increase since 2013/14.

Levelling Up Power Tech League 2021:

1. Cambridge
2. Manchester
3. Oxford
4. Edinburgh
5. Bristol
6. Leeds
7. Birmingham
8. Newcastle
9. Cardiff
10. Belfast

Record investment in UK tech

This regional growth took place against the backdrop of an incredible year for the UK tech industry. Tech investment grew 2.3x this year, the highest growth since 2013 to 2014 when it grew from \$2 billion (£1.5 billion) to \$4.6 billion (£3.5) billion.

UK tech captured more than a third of investment into Europe

The £29.4bn raised by UK startups and scale-ups was double the figure raised in Germany (£14.7billion) and almost three times that raised by France companies (£9.7 billion). UK tech investment accounted for a third of the

total £89.5 billion that flowed into the European tech ecosystem this year.

UK venture capital firms have also had a record year and raised £7 billion with record-breaking fundraisings from London firms including Index Ventures, Balderton Capital, 83North and Eight Road Ventures.

More US investment

The majority of the money coming into UK tech is from the US, with 37% of all funding coming from the States, up from 31.5% last year, with the majority of it going into fintech and health tech companies. Over 28% of UK venture funding came from domestic capital. Competition for deals among VC funds is heating up as more US venture funds launch offices in the UK, including Bessemer Venture Partners, General Catalyst, Lightspeed Venture Partners and Sequoia Capital.

More unicorns created than ever before + more than France and Germany combined

More funding means more unicorns, with 29 created this year including the e-commerce platform Depop, car selling platform Motorway, insurance disrupter Marshmallow, and the challenger bank Starling Bank. This takes the UK's total unicorn figure to 115 meaning 25% of the UK's total unicorns were created in 2021 alone. The UK has more unicorns than France (31) and Germany (56) combined.

30% of new unicorns created this year are outside of London

Nine out of the 29 unicorns created this year are outside of London including Interactive Investor in Glasgow, Vertical Aerospace in Bristol and Touchlight Genetics in Hampton. Of all the unicorns created in the UK, 35% are outside of London and 35% of futurecorns are also based outside of the capital, suggesting that the growth in tech in the regions will continue strongly in the next five years.

Record IPO capital raising in London since 2007

The publication of Lord Hill's UK Listings Review in March supported a strong year for the London markets, with 118 companies choosing to list in the UK raising over £16.8bn (YTD), the most capital raised since 2007. This made the UK the most active venue globally for IPOs outside the US and Greater China.

The London Stock Exchange has hosted more than twice as many transactions as the next most active European market, with a combined £49.0bn raised through IPOs and Follow-On Issuance. The 37 tech and consumer internet companies that have listed this year achieved a combined market cap of £31bn. The London Stock Exchange has also supported 30 founder-led companies to list this year.

Standout performers such as Oxford Nanopore and Wise have demonstrated the significant appetite from investors for quoted high-growth companies and this positive momentum is set to continue into 2022. The value of UK tech companies that exited via IPO, SPAC or acquisition reached a record £84bn, in

a year which saw IPOs and SPAC listings for companies including Deliveroo, Darktrace, Cazoo, Arrival, Babylon and Depop.

More job opportunities in London and outside

The increased levels of money going into UK tech also mean companies are in need of trained technical and business staff. There has been a 50% rise in overall UK tech job vacancies advertised this year compared to 2020's figures, with advertised tech vacancies hitting 160,887 in November. Currently, tech vacancies make up 12% of all available jobs in the UK, with just over 50% of these jobs available outside of London and the South East.

Software developers are still the most in-demand tech job across the UK. These positions make up 9% of all tech jobs with prospective developers being offered an average salary of £64,318, a 12% increase on 2020's figures. Specialist staff such as java developers and IT systems architects continue to be able to command high salaries with the average advertised wage for these roles being £80,076 and £93,004 respectively.

Remote jobs spread tech success

The UK tech industry continues to lead the way when it comes to hiring practices since technical jobs are well positioned to be carried out remotely. In fact, 21.6% of all job ads in the IT sector are advertised as remote roles. This is also contributing to the spread of the UK tech ecosystem beyond London as businesses can hire across the country and find the staff that they need, regardless of location.

Increase in R&D

The government has increased its investment in R&D to £20bn by 2024-25, in order to support the UK's research institutions, universities and businesses with an aim to increase this to £22bn by 2026-27. This investment is aimed at securing the UK's future as a global science superpower, supporting businesses as they transition to becoming more innovative and productive and creating highly skilled jobs across the country. At the same time, there has been increased private investment in deep tech firms, totalling £6.2bn in 2021, up from £2.8bn in 2020. One of the biggest deep tech deals of the year was the £396m Series D raise by AI drug discovery company Exscientia, of Oxford, which helped the company achieve unicorn status.

Digital Minister Chris Philp said:

It's been another record-breaking year for UK tech with innovative British startups helping solve some of the world's biggest challenges.

Capitalising on this fantastic investment across the country is a crucial part of our mission to level up, so we are supporting businesses with pro-innovation policies and helping people to get the skills they need to thrive in this dynamic industry.

Saul Klein, partner and co-founder at LocalGlobe, said:

It's taken 20 years for UK tech to get to the starting line and things start to get interesting in the next 20 years. We have all the ingredients to become the leading tech ecosystem in the world, with record levels of R&D, financing and established tech hubs across the country from New Palo Alto in Kings Cross, to Cambridge, Edinburgh and Manchester. But the key differentiator for investors in future will be a willingness to take an ethical approach to building businesses. We can be world-class in this and over the long term this will set our companies apart from those built in the US and China.

Yoram Wijngaarde, founder and CEO at Dealroom, said:

The UK tech ecosystem has exploded in the past year, with an increasing number of mega rounds minting new unicorns and futurecorns every day. This is significant because we know from research that employees at \$1b+ companies often go on to found their own startups, some of which become unicorns themselves, which helps to shore up the ecosystem and lead to a new generation of global companies.

Andrew Hunter, co-founder at Adzuna, said:

The growth of tech companies across the UK has led to a surge in hiring across the country. The number of IT job openings is higher than its ever been and is consistently growing week on week. In particular, it's great to see strong hiring in cities like Manchester and Birmingham which are showcasing some of the highest figures outside of London. The struggle for businesses across the country is having enough skilled staff to fill these positions to allow them to keep growing.

Gerard Grech, founding Chief Executive, Tech Nation, said:

With such a record tech investment year, it's becoming increasingly evident that the UK is very good at rearing and cultivating startups and scale-ups into successful global companies right across the UK, unlike its continental European neighbours, where it tends to be more in capital cities. A true network of digital excellence is emerging right across the country through entrepreneurship, driving new job and wealth creation. Tech Nation is committed to identifying and fueling the growth of these high-potential businesses through its programs and initiatives, removing geographic and financial barriers as quickly as possible.

Luisa Alemany, Associate professor of management practice in strategy and entrepreneurship at London Business School's Institute of Entrepreneurship and Private Capital, said:

The UK startup and scale-up sector is very attractive right now and investors don't want to miss out on this opportunity. We are living in a 'founders' market' and investors want to be there at the very beginning. We have seen top series A and B VCs moving into seed during 2021. What's notable compared to other countries in Europe is that talented founders are starting companies right across the UK. Given that difficulty hiring is one of the main headaches for growing tech startups, this geographic spread should translate into another structural advantage for UK tech.

Eileen Burbidge, Partner at Passion Capital, said:

Every day more and more ambitious entrepreneurs are launching the startups in the UK that will become future category-defining businesses to improve customer outcomes. With more and more investment capital directed at the UK, it's clear that even more businesses with global ambitions will be created here and at Passion we are thrilled to be able to continue supporting the earliest-stage companies that make this ecosystem such a brilliant place to be.

Ronan Harris, VP and MD, UK and Ireland, Google, said:

It's wonderful to see how UK tech has thrived this year, despite the ongoing challenges of the Covid-19 pandemic. It's important that we continue to harness the opportunities that technology brings to everyone through digital skills initiatives so anyone, regardless of their location, can be a part of this rewarding industry.

Julia Hoggett, CEO of London Stock Exchange plc, said:

Intent matters and the changes to listing regime have supported a great year for the London Stock Exchange. We have seen a diverse range of companies list in London raising over £16.8bn, the most IPO capital raised since 2007. Of these, 37 have been tech and consumer internet companies representing the continued evolution of the exchange. It has also been pleasing to see 30 founder-led companies list. It provides a platform for an equally exciting 2022.

Susannah Odell, CBI Head of Digital Policy, said:

It's great to see the UK retain its crown as a world-leader in tech, bringing in record-breaking investment this year. From Cambridge to Manchester, the digital economy is unlocking vast opportunities and growth across the country. To ensure businesses continue to grow, scale, and invest, equipping the workforce with the right digital skills, and ensuring regulation supports innovation and builds trust in tech, will be essential.

Alex Ferrara, partner, Bessemer Venture Partners, said:

We know great companies can come from anywhere, but the UK's track record as the leading tech hub in Europe is so consistent that we are delighted to be here on the ground in London. The UK is forging a reputation for itself in many sectors, not least cloud computing, financial technology and DeFI, and we think that many more outstanding global companies will be born here.

Dayo Akinrinade, founder and CEO of Wisdom, based in London said:

It is great to see an increased number of underrepresented founders getting a share of VC funding. As a black woman in tech, I am passionate about providing a level playing field to access opportunities across the UK's tech ecosystem. In 2021, I raised capital to grow Wisdom – a social audio community that connects mentors to knowledge seekers, with a mission to democratise access to mentorship. I am excited to see this momentum continue and for more overlooked founders to thrive in 2022 and beyond.

Sandy McKinnon, Partner at Pentech Ventures, based in Edinburgh said:

Edinburgh has steadily been growing as a tech hub over the past few years and this list recognises that. The combination of world-class universities, established IT businesses and unicorns like Skyscanner and FanDuel means there is a lot of exciting talent and innovation in the city. We're seeing this with newcomers like TravelNest, Desana, Amicus, Biomage and many others that are disrupting traditional industries – there really is so much potential around the city.

Ashley Ramrachia, co-founder of Academy, based in Manchester said:

While acknowledging the huge achievements the UK tech sector has made, we also need to realise that difficulty recruiting and

retaining talent could affect the success of an increasing number of scaling tech companies. That is why we urgently need to reinvent recruitment and development by putting diversity and inclusion at its heart.

Nigel Toon, Co-Founder and CEO at Graphcore, based in Bristol said:

There is no longer any debate over whether you can build a multi-billion dollar tech business in the UK. The investments made over the past few years into startups and scaleups across the country are producing outstanding results and I look forward to seeing how ecosystems like Bristol's grow and thrive over many years to come.

Matthew Scullion, CEO of Matillion, based in Manchester said:

These figures are evidence that high-growth start-ups are thriving all across the UK, and it's no surprise to see Matillion's home of Manchester appearing so highly. While the city has not always had the playbooks, flow of capital, or awareness that we can build unicorns, the data shows that's changing and doing so rapidly. We're very proud to have played our part in this upwards trajectory, as the region's most recent (and only enterprise software) unicorn, and we hope we can play our part in making the flywheel spin even faster in over the coming years.

ENDS

Contact: aimee@burlington.cc

About DEC

The Digital Economy Council is a non-statutory advisory committee of independent members set up to provide advice to the government. Its purpose is to harness the expertise of industry and the wider tech community to develop a world-leading digital economy that works for everyone.

About Dealroom

Dealroom.co is the foremost data provider on startups, growth companies and tech ecosystems in Europe and around the globe. Founded in Amsterdam in 2013, Dealroom.co now works with many of the world's most prominent investors, entrepreneurs and government organizations to provide transparency, analysis and insights on startups and venture capital activity.

About Adzuna

Adzuna is a smarter, more transparent job search engine used by tens of millions of visitors per month. We love using the awesome power of technology

to bring together every job in one place, help match people to better, more fulfilling jobs and keep Britain working.

Adzuna supplies real-time data to the Number 10 Dashboard, the Cabinet Office and Office for National Statistics labour market indices. In 2018, Adzuna won the contract to run Find a job, one of the British government's most used online services.

Adzuna.co.uk was founded in 2011 by Andrew Hunter and Doug Monro, formerly of eBay, Gumtree, Qype and Zoopla and is backed by leading Venture Capital firms Passion Capital, LocalGlobe, Index Ventures and Smedvig Capital. It has spent a decade developing smarter, more transparent job search so jobseekers worldwide (in 16 countries) can zero in on the right role faster.

Methodology

To create the Levelling Up Power Tech League we gathered data for each city on venture capital (VC) funding, the number of VC rounds, the number of available jobs, the average salary, the number of Unicorns and the number of Futurecorns for each of the regions. For each category, we ranked each region from 1 to 10. We then calculated the sum of the rankings for each category within each region, and the region with the lowest overall ranking was the winner.