

## Consultation on the UK National Data Strategy – Sage Response

December 2020

### About Sage

Sage is a UK FTSE100 company and the global market leader for software that provides small and medium businesses (SMEs) with the visibility, flexibility, and efficiency to manage finances, operations and people. This technology includes integrated accounting, payroll and payment systems, as well as on-premise and connected cloud.

We are passionate supporters of the UK's small and medium sized business community. Our 2,500 Sage colleagues in the UK support over 1 million businesses through our products, partners, and advice.

### Summary

Sage welcomes the important and timely opportunity to provide input into the UK's National Data Strategy. An ambitious National Data Strategy underpinned by the right regulatory frameworks and infrastructure will be vital to the future competitiveness of a UK economy severely weakened by the COVID-19 pandemic.

Sage has spoken extensively to businesses about their attitudes to data. As a trusted provider of software tools for businesses we know that:

- Data privacy and security are critical to small and medium businesses who want choice over how we use their data and that those choices are easy to exercise
- Businesses want clarity and transparency about why and how we collect, use and share their data
- Data insights and technologies should be used to empower businesses and create value for them
- The value of data is intrinsically linked to its quality

Earlier in 2020, Sage commissioned two major pieces of research into SME attitudes to data sharing to guide our own actions: a quantitative survey on the data practices of 1,000 businesses in the UK and US covering both corporate and personal data, and a qualitative survey of a smaller sample on the strategies companies are putting in place to improve data sharing. Sage's response to the National Data Strategy consultation draws on the findings of this research.

### Key insights

A resounding 100% of 1000 surveyed SMEs say that data is important to their business (75% said it was extremely important).

92% are planning to invest in improved access to data either in the short or longer term.

Only 3% of SMEs say they do not have plans to adopt technologies and techniques to support data analysis

And yet today business performance is still held back by:

- Lack of access to data sets or information needed to evaluate, forecast or boost performance
- Complex and expensive processes, exacerbated by lack of trust between institutions
- Low levels of digitisation or end-to-end automation
- Absence of a standardised way to prove identity within a digitally connected ecosystem - traditional paper-based identity and verification systems are not fit for the 21<sup>st</sup> Century

It is no surprise therefore that the most important benefits SMEs are looking to gain from data analytics and insights are:

- productivity and efficiency improvements (65%)
- increased competitive advantage (55%)
- and using data to understand their customers better (50%)

### Priority Outcomes

Sage is calling for three priority outcomes from the UK's National Data Strategy:

- 1) **Ambitious targets** that align government and industry groups around a plan for data innovation to benefit citizens and businesses. For example, from an SME perspective, a timetable to extend 'Open Banking' to more sectors and to introduce the Open Data Platform to benefit SMEs. Confirmation of a roll out of such initiatives and allowing time for industry to prepare would give a clear signal that the government is serious about harnessing the potential of data.
- 2) **Agreed and clearly communicated outcomes** for data sharing for different sectors, citizen groups or businesses must be agreed as part of this data strategy. For example, in the case of SMEs two key outcomes would be 'more real time insight into how my business is doing' or 'a portable credit file to help me access finance'.
- 3) **Giving people and businesses more control over what happens to their data** – government and industry must work together to enable citizens and businesses to build trust through increased control, but without holding back innovation. The use of trusted data intermediaries, data trusts or anonymisation should become more widespread, along with trusted frameworks such as Digital Identity.

Overall, Sage is supportive of the UK's efforts to boost the better use of data across businesses, government, civil society and individuals. The National Data Strategy is a good starting point and Sage looks forward to working with government to take it further and address the remaining barriers to its uptake.

### **1. To what extent do you agree with the following statement: Taken as a whole, the missions and pillars of the National Data Strategy focus on the right priorities.**

- Somewhat agree

Please explain your answer here and, if applicable, identify any areas you think the government should explore in further depth.

Sage is in broad agreement with the 5 Missions set out in the draft Strategy:

- 1) Unlocking the Value of Data Across the Economy
- 2) Maintaining a pro-growth trusted data regime
- 3) Transforming government's use of data
- 4) Ensuring the security and resilience of data infrastructure
- 5) Championing the international flow of data

However, we believe alongside the named Pillars Foundations, Skills, Responsibility and Availability should sit Trust and Collaboration.

### Trust

Increased trust should be a goal of greater data sharing. For example, increased and more real-time transparency of business performance based on trusted data removes the need for third party

auditing and reduces the risk of poor credit ratings. During COVID, real-time data sharing would provide government the reassurance that it could direct more and targeted financial support to those who needed it the most.

But conversely, without strong data principles and established frameworks for data sharing, lack of trust becomes a major barrier and will stifle adoption of data-led services such as open banking or agreeing to share data for improved insights. 8 out of 10 SMEs would like greater control over how third parties use their data, and 42% are only prepared to share their data if it is anonymized. So empowering people to take charge of what is happening with their data and therefore minimize risk of adverse effects of data sharing is going to be a critical pillar for the National Data Strategy.

#### Collaboration

The success of the National Data Strategy hinges on its ability to accelerate and link up to the different government and industry initiatives as well as keep pace with international developments. Sage is pleased to see the increasing importance placed on data across government, through the proliferation of initiatives like Open Finance, Digital Identity and Open Data for SMEs, and believes that the National Data Strategy can provide the overarching framework to align and drive these initiatives forward.

Without clear leadership and alignment across government, there risks duplication which may result in small businesses becoming reluctant to be more innovative using data. More attention and ambition behind initiatives that relate to data, coordination across government as well as clear communications on the benefits to business and citizens could deliver a step change in access to data.

**2. We are interested in examples of how data was or should have been used to deliver public benefits during the coronavirus (COVID-19) crisis, beyond its use directly in health and social care. Please give any examples that you can, including what, if anything, central government could do to build or develop them further.**

*Please note that we are only looking for examples outside health and social care data.*

The COVID-19 crisis has highlighted the importance of accessing real time economic data. Since the beginning of the pandemic, Sage has regularly polled SMEs and learnt of the significant negative impact on sales, productivity and operations, the challenges in access to finance and difficult decisions around the future of their workforce. We have learnt that the experience and outlook amongst SMEs varies enormously, and that a huge amount of uncertainty lies ahead. Access to real-time data on the economy, and detail about the impact on different sectors and micro verticals would help businesses and government to target the impact of COVID-19 more effectively in coming months.

Sage is therefore supportive of the Global Open Finance Center of Excellence - an industry-academic collaboration with the ability to obtain financial data and other information held by the private sector and other third parties for improved insight into how businesses are doing. Through its economic observatory, GOFCoE, endeavors to use business data to provide real time regional and sectoral insights to better understand the impact of COVID-19 on SMES and inform policy decisions. Such a fact-based approach will lead to be better informed and targeted relief efforts necessary to accelerate the recovery of small businesses.

The Government should work with third parties that hold on to valuable data to agree trusted mechanisms for data sharing that keep businesses or individuals' interests at the heart of any future

data sharing initiatives. For example, a priority should be that all individuals whose data is used should have access to the insights that the project provides.

**3. If applicable, please provide any comments about the potential impact of the proposals outlined in this consultation on individuals with a protected characteristic under the Equality Act 2010.**

N/a

**4. We welcome any comments about the potential impact of the proposals outlined in this consultation on the UK across all areas, and any steps the government should take to ensure that they take account of regional inequalities and support the whole of the UK.**

Sage welcomes the development of a National Data Strategy that uses data to address regional inequalities and seeks to empower local governments with the necessary skills and infrastructure to drive inclusive growth:

- To be effective in addressing these regional inequalities and improve allocation of public funding, better access and quality data is needed. Access to real-time aggregated data from businesses and government across the UK would enable local government and support groups with the information they need to provide better funded and more targeted interventions. For example central government could share data held on businesses, their location, size and performance with regional and local government for more targeted allocation of grant funding.
- Sage welcomes government's evidence-based approach towards maximising the use of trusted data in innovation at the national, as well as local level, through a new UK R&D roadmap.
- Sage also welcomes the government's commitment to investing in digital infrastructure and skills training. Without the right infrastructure and skill sets there will be a ceiling to the ambition for improving data collection and use when developing local services and strategies.

## **Mission one: Unlocking the value of data across the economy**

**5. Which sectors have the most to gain from better data availability? Please choose all relevant options, below.**

*This list is based on the Standardised Industry Classification (SIC) framework for categorising work of organisations.*

Please give any further details about your selections here:

Sage believes that all sectors stand to gain from better availability of and access to data. In a recent Sage survey of SMEs across all sectors in the US and UK, 100% of organizations highlighted that data is important to their business. Businesses across all sectors want to better use their data to become more productive, competitive, innovative and secure. Small businesses tend to be using data for finance planning, strategy, reporting and profitability – the more basic processes, while medium businesses use more advanced analytics, usually integrating with data from other parts of the business.

COVID-19 had a significant impact across industries, and all business would benefit now more than ever by having greater access to data. This would enable them to benchmark their performance and

resilience and use to data to help forecast and manage their workforce as well as enable greater access to finance.

As an aside, the SIC framework needs to be updated to enable a true reflection of the digital economy as it largely based on hardware as opposed to software services.

#### **6. What role do you think central government should have in enabling better availability of data across the wider economy?**

The government has a fundamental role to play in the development of interoperable frameworks and as a convener of industry and key groups in the creation and coordination of voluntary B2B data and digital initiatives. Sage welcomes the development of the FCA Open Finance initiative, the Bank of England proposal for Open Data for SMEs and the DCMS Digital Identity Trust Framework recognizing their collective potential to enable better access to data across the economy. Industry and cross-governmental collaboration in these areas is essential in building trust and will be critical to facilitating their widespread uptake.

Government must work in collaboration with industry to build on current best practices in data sharing to provide process frameworks, standards, and guidelines. Without a formal mechanism and standards in place the cost to data sharing can be high. Clear, user-friendly guidance highlighting the benefits of data sharing could also address business concerns around security, privacy, liability, and competition.

Further, the central government can play a more proactive role in sharing government data with third parties and in real time. Making government data sets available, through G2B data sharing, can enable innovation and stimulate growth. (Please see our response to question 12 for further details.)

#### **6a. How should this role vary across sectors and applications?**

There will be no one-size-fits all solution when it comes to supporting voluntary sector-specific data sharing mechanisms and sectoral regulators must have a statutory duty to promote innovation. Government can play an important role in supporting and driving greater data availability and use by being a convener of specific industries and sectors where there is a particular need or demand for the use of data that has been identified.

#### **7. To what extent do you agree with the following statement: The government has a role in supporting data foundations in the wider economy.**

Strongly agree

Please explain your answer here. If applicable, please indicate what you think this role should be.

In addition to regulatory or trust frameworks, and setting a shared ambition for open data, government has an important role in coordinating standardisation activities for the data economy. The government should work with industry and standard bodies to define these standards and continue to provide necessary funding to ensure open standards and funding to test standards in practice. Sage is in favour of standards in carefully selected areas that drive quality, transparency and the robust security of dataset. We have experienced challenges in the use of third party data sets due to a lack of interoperability. Access to large quantities of data is no use if its quality cannot be assured.

## **8. What could central government do beyond existing schemes to tackle the particular barriers that small and medium sized enterprises (SMEs) face in using data effectively?**

There are several ways that central government can play a role in tackling the particular barriers that SMEs face in using data effectively, but from our perspective here are the key areas for support:

### **I. Government incentives for digital adoption**

Improved access to data is essential to SME growth, but there remain significant barriers to adoption. 40% of SMEs said that they had invested in data analytics tools to support their response to the COVID 19 pandemic. Yet although 72% would like to invest more in technology, only around 41% will be able to realise that investment in light of the crisis. Government should therefore consider grants and funding to help SMEs invest in digital tools to make the most of shared data as it become available and to 'clean up' data already held. For example, to enable SMEs to invest in data tools such as cloud computing, data analytics and Artificial Intelligence and Machine Learning products and services. With increased data sharing, such as the extension of Open Banking, it is vital that we avoid an increased digital divide emerging that would see non-digitised businesses with less access to benefits.

### **II. Extension of Open Banking and Expanding Data Sources for Lenders**

Building on the success of Open Banking, initiatives like Open Finance and Open Data for SMEs that aim to make information easier to share, could enable small businesses to better harness the power of their data and access the finance they need to grow. It is therefore essential that central government play a more prominent role in getting these initiatives over the line.

Real-time financial data sharing could expand traditional information sets and enable better and more inclusive lending decisions for SMEs. Take Open Finance as an example, through enabling better access to financial data, small businesses could benefit from access to personal finance management dashboards and their lenders having access to better, more holistic creditworthiness assessments. By opening up data on pensions, mortgages and benefits, businesses would have a more comprehensive overview of their financial health and be better informed to make decisions, increasing their financial literacy.

Similarly, Sage supports the Bank of England proposal for an Open Data Platform for SMEs to provide SMEs with more choice and better access to a productive finance through a portable credit file. This would expand the sources of data that lenders could access (insurance, utilities, ratings) building a richer more real time picture of creditworthiness and, enabling more innovative and inclusive ways of assessing credit risks. In both proposals, SMEs can benefit from increased financial insights and access to finance and lenders can benefit from a streamlining of processes and increased productivity.

### **III. Government to Business (G2B) data sharing**

SMEs across the UK would benefit from G2B data sharing. Easier access to government statistical datasets would generate important socio-economic benefits, including democratising data access for SMEs, empowering better decision-making, and providing targeted support based on economic analysis combined with the high-value data sets. (Further details are provided in response to question 12).

#### IV. Interoperability of data sets

Sage has experienced challenges in the use of third-party data sets due to a lack of interoperability. Standards may be one way to address this challenge. Sage believes for example, standardising activities on metadata schema could be useful. Metadata will only grow in importance as businesses try to better predict and understand their customers' choices. However, it is important to caution that standards that takes a long time to develop can become a barrier for innovation or fail due to industry becoming impatient. Any standards set forth as part of the National Data Strategy must strike the right balance between maintenance of standards and agility. Any initiative should be very selective and pragmatic about where standards will help and focus quite tightly, rather than attempt anything too wide ranging and over-ambitious

#### V. Support for wider use of Data Intermediaries

Data intermediaries in the finance and banking sector that gather data or support payment processing often act as a crucial link in the chain that enables SMEs to provide services in the data economy. However, many data intermediaries still face uncertainty in sharing their data on account of low trust levels. In line with the National Data Strategy, Sage would welcome a regulatory framework that provides more certainty for data intermediaries and enables trust for the data subject whose data could flow through the process. The Australian CDR (Consumer Data Act, Aug 2019) legislation is a good example of how separate legislation can specifically target the challenges encountered by data intermediaries.

### **9. Beyond existing Smart Data plans, what, if any, further work do you think should be done to ensure that consumers' data is put to work for them?**

Sage applauds the government's ambition for smart data – the creation of a more efficient and secure ecosystem, where trusted third parties are enabled to help consumers and small businesses access, make sense of, and use their own data. Sage also welcomes the launch of a cross-sector Smart Data working group with the mission of coordinating and accelerating existing Smart Data initiatives across regulators and government, to ensure consistence and avoid duplication. As a strong proponent of Open Banking and Open Finance, Sage also recognizes the benefits that would extend to the BofE Open Data Platform for SMEs.

Sage highlights the DCMS Trust Framework for Digital Identity as an important vehicle to realizing and accelerating Smart Data plans. A Digital Identity that enhances trust will be fundamental to the success of Smart Data initiatives.

## **Mission two: Maintaining a pro-growth and trusted data regime**

### **10. How can the UK's data protection framework remain fit for purpose in an increasingly digital and data driven age?**

The UK data protection framework should maintain high standards for data protection. Sage supports the government's ambition to reduce burdens and complexity, particularly for SMEs, within the framework of high data standards that will allow the UK to obtain and maintain EU data protection regime adequacy following the end of the Brexit transition period. Sage calls for a balanced approach that recognizes the cost of divergence to business and the need for a framework that encourages innovation and is fit for purpose over time.

11. To what extent do you agree with the following statement: the functions for the Centre for Data Ethics and Innovation (CDEI) should be Artificial Intelligence (AI) monitoring, partnership working and piloting and testing potential interventions in the tech landscape?

- Strongly disagree
- Somewhat disagree
- Neither agree nor disagree
- Somewhat agree
- Strongly agree

Please explain your answer here:

N/a

### **Mission three: Transforming government's use of data to drive efficiency and improve public services**

The government is going to set an ambitious package of work in this space and wants to understand where we can have the biggest impact.

12. **We have identified five broad areas of work as part of our mission for enabling better use of data across government:**

1. Quality, availability and access
2. Standards and assurance
3. Capability, leadership and culture
4. Accountability and productivity
5. Ethics and public trust

**We want to hear your views on any actions you think will have the biggest impact for transforming government's use of data.**

#### Ethics and Public Trust

Improving and maintaining trust is fundamental to the success of the National Data Strategy. As cited above, businesses view trust as a precondition for data sharing, therefore collaboration and co-creation of standards and principles across government departments and industry is essential. Though Sage is broadly supportive of the National Data Strategy, more information is needed on how the strategy will bolster trust in third party data sharing. Mechanisms such as data trusts or data portability can support trust by increasing individuals' control and delivering benefits like new products, services, and insights. Sage calls on the government to prioritize and clearly communicate trust as a valuable outcome to data sharing. Individuals and businesses will only align with a strategy if it provides value and engenders trust. Trust in the organization handling their data, but also trust in the accuracy and quality of their data.

#### Quality, Availability and Access

Sage urges the government to prioritize access and availability of high-quality data. To date, data sharing across organisations is inconsistent in its representation and availability. In order to spur

innovation, businesses like Sage need access to real-time, high quality data sets to develop, test and launch new products and features for SMEs.

Sage believes there remains huge potential for more G2B data sharing and welcomes recognition of the opportunity this could create in the strategy. SMEs operating in today's data economy would especially benefit from liberating more government economic and statistic data, for example datasets used to benchmark company performance, empowering more informed decision making, as well providing for more targeted support. SMEs across the UK need easier access to statistical datasets, especially private-sector related statistics (procedural data of the tax authorities), and access to datasets pertaining to company ownership (business registers, registration identifiers, industry and geographic classification, business size, annual financial statements, solvency, etc).

When considering the factors that are needed to select these datasets, Sage would stress the importance of open and accessible Application Programming Interfaces (API), and, particularly, the corresponding security of these APIs. The availability of these APIs will facilitate data re-use. The conduct of data protection impact assessments by government will be essential to reassure third parties that their personal and pseudonymised data is obtained with consent and will not breach the trust of data subjects.

#### Case example HMRC

HMRC data could be used to:

- release benchmarking data on performance of businesses
- help regional governments to identify which businesses are in their area and therefore how to target business support
- help software providers such as Sage deliver programmes such as Making Tax Digital with data on current behaviour compared to expected behaviour. We would welcome access to latest data on how many taxpayers are mandated by MTD for income Tax Self-Assessment in 2023 or how they have been previously submitting their returns. Currently HMRC data sets are only available to qualified researchers.

Sage also recommends much greater data sharing between central government departments and also with regional and local governments. For example central government should share data with regional government about which businesses are operating within their area. This would enable much more effective use of public money for business support, this lack of information has been highlighted during the pandemic, when local authorities struggled to pay out grants to local businesses on account of a lack of data.

Sage reiterates the importance of G2B data sharing and emphasizes its ability to change the culture of how businesses engage with government through data. Data drives policy development and innovation in government, and data-informed decisions is one of the key principles of experimentation. Augmenting "small data" with "big data" makes small businesses and the UK economy as a whole more competitive.

**13. The Data Standards Authority is working with a range of public sector and external organisations to create a pipeline of data standards and standard practices that should be adopted. We welcome your views on standards that should be prioritised, building on the standards which have already been recommended.**

N/a

## **Mission four: Ensuring the security and resilience of the infrastructure on which data relies**

Sage supports the government prioritising the security of data infrastructure. However, the government must be clear about how this aspect of the National Data Strategy will align with the National Cyber Security Strategy. It is recommended that for the overall government approach to Cyber Security to be clearer, that the National Data Strategy focus on unlocking value of data and what safeguards need to be in place, and that cyber security be addressed in the National Strategy for Cyber Security.

In general, Sage underlines the need to take a risk-based, proportionate approach that supports and does not discourage international cooperation.

### **14. What responsibilities and requirements should be placed on virtual or physical data infrastructure service providers to provide data security, continuity and resilience of service supply?**

N/a

#### **14a. How do clients assess the robustness of security protocols when choosing data infrastructure services? How do they ensure that providers are keeping up with those protocols during their contract?**

N/a

### **15. Demand for external data storage and processing services is growing. In order to maintain high standards of security and resilience for the infrastructure on which data use relies, what should be the respective roles of government and data service providers, their supply chain and their clients?**

N/a

### **16. What are the most important risk factors in managing the security and resilience of the infrastructure on which data use relies?**

*For example, the physical security of sites, the geographic location where data is stored, the diversity and actors in the market and supply chains, or other factors.*

N/a

### **17. To what extent do you agree with the following statement: The government should play a greater role in ensuring that data use does not negatively contribute to carbon usage?**

Somewhat agree

Please explain your answer here. If applicable, please indicate how the government can effectively ensure that data does not negatively contribute to carbon usage.

## **Mission five: Championing the international flow of data**

### **18. How can the UK improve on current international transfer mechanisms, while ensuring that the personal data of UK citizens is appropriately safeguarded?**

The UK government has started positively post-Brexit with the EU Withdrawal Act by continuing to recognise as adequate EEA member states and other jurisdictions considered adequate from a data protection perspective by the EU.

To ensure that the UK obtains and maintains a post transition arrangement adequacy decision from the EU the UK should continue to align as closely as possible to the EU position, including alignment to the GDPR, and other relevant data protection laws, and the European Data Protection Board's four "European Essential Guarantees":

- Processing should be based on clear, precise and accessible rules
- Necessity and proportionality with regard to the legitimate objectives pursued need to be demonstrated
- An independent oversight mechanism should exist and
- Effective remedies need to be available to the individual.

### **19. What are your views on future UK data adequacy arrangements (e.g. which countries are priorities) and how can the UK work with stakeholders to ensure the best possible outcome for the UK?**

The UK government should focus on key mutual trading jurisdictions, including the EU, US and India, to ensure the least friction to flows of personal data. Further, the UK Government's encouragement of, and involvement in, key data protection regime adequacy and consistency initiatives by global bodies is fully supported by Sage to further the success of our industry and SME customers.