

Digital North East

boosting the digital sectors and
their impact on the region's economy



Digital North East – overview

WHAT	<p>World-class digital sectors For the North East to be recognised internationally for excellence in digital sectors; to use the region’s active network of sector support agencies and its specific digital strengths to drive growth and innovation, enhance the region’s profile and attract skilled workers and new businesses.</p>	<p>Digital technologies driving the wider economy For North East business use of digital technology and media to overtake the UK average, with pioneering and innovative use focusing on the key high-growth sectors.</p>
WHY	<p>A more prosperous region The North East’s ambitious aims to develop its knowledge-based industries and create a more prosperous region require, alongside the many other strands of economic development, a transformation of the digital landscape. Obtaining a growing share of high-productivity digital sectors and ensuring a greater use of digital technologies across the wider economy could together add an estimated 5% to the region’s economy.</p>	
WHEN	<p>Significant and demonstrable progress made by 2016</p>	
HOW	<p>Transformation needs to be delivered both by improving activity across the board and by developing high-profile expertise in specific fields. Change at this scale and speed can only be delivered through effective partnership and requires comprehensive action focused on five overlapping and interdependent themes: Innovation, Infrastructure, Business Support, Skills, and Culture & Attitudes</p>	
WHO	<p>Bodies focused on the digital sectors: Codeworks, DigitalCity, Sunderland Software City, Northern Film & Media</p> <p>Business support organisations</p> <p>Public sector bodies</p> <p>Academic and education sector</p> <p>The Private sector</p> <p>National bodies</p> <p>The Third sector</p>	

1. A Digital North East

Why a strategy?

Digital media and technology are a key focus for both central Government and the region. This has been highlighted through the *Digital Britain* report and the New Industry, New Jobs agenda. This has established a platform for the North East of England to accelerate the development of its digital sectors – particularly as it has the added imperative of closing its productivity gap with the rest of the country. The potential impact is two-fold: firstly, growing the digital sectors themselves and, secondly, stimulating the wider economy. While this could be two separate strategies, they are strongly interconnected: more robust digital sectors will stimulate the broader economy and greater digital adoption will help grow the sectors. Therefore, it is important the two aims are brought together in a single strategy. Essentially, this is aimed at stimulating action and coordination. It is about building on the region's strengths and capturing the opportunities that new industrial growth is bringing, while tackling weaknesses – particularly the under-use of technology across the economy.

Growing the digital sectors: Digital industries are growing rapidly and they are also highly productive, with digital workers adding far more GVA per head than the average. Therefore, the North East needs to take the opportunity to grab a bigger share of this ever-increasing part of the economy. *Digital Britain* itself states how difficult the sectors are to define, but estimates suggest that growing these sectors to reach the UK average could add about 1.5% to the region's economy. This is not about recreating a generic digital industry, but building on the region's already-significant strengths. With Sage, it has the only digital company in the FTSE 100, and it has active and well-networked sector bodies: DigitalCity, Sunderland Software City, Codeworks and Northern Film & Media. The media and technology go hand-in-hand: technology driving content production and content driving digital adoption.

Stimulating the wider economy: Both the scale of the challenge and the potential of the reward are great. About 25% of North East businesses do not currently use the internet, compared with 19% nationally (BERR, 2008). In addition, the sector skills body e-Skills (Adroit, 2008) says more effective use of technology could add 3.8% to the region's GVA over the next five years. This is, of course, a complex picture and the region has significant strengths. Parts of the economy use technology very well and it is just as important to encourage more innovative use amongst these businesses as it is to tackle under-use amongst other businesses.

This strategy builds on the discussion paper shared within the region in spring 2009, which looked extensively at the evidence base to inform the way forward. It encompasses an outline set of interventions that will evolve into a more formal, agreed set of actions in the coming months. This will be the next stage of the strategy, with each of the key players in the region establishing what will be their contribution. Achieving the scale of change that is needed means the region must be transformational, innovative and creative, and this will require significant input and partnership by all involved.

The aims

This strategy puts forward two intertwined aims:

- For the North East to be recognised internationally for excellence in digital sectors; to use the region's active network of sector support agencies and its specific digital strengths to drive growth and innovation, enhance the region's profile and attract skilled workers and new businesses.
- For North East business use of digital technology and media to overtake the UK average, with pioneering and innovative use focusing on the key high-growth sectors.

These aims share the Regional Economic Strategy target of 2016. This is highly challenging and requires the regional partners and stakeholders to work together on five overlapping themes:

- **Business Support:** focused support for the digital sectors; integrating digital activity into wider support, driving take-up and use across the economy
- **Skills:** addressing the skills gaps across the wider economy (at all levels, from users and suppliers up to leaders), and the skills shortages faced by the digital sectors
- **Culture and Attitude:** a pressing challenge for the region, which has seen good levels of connectivity but poor take-up and continued under-use amongst businesses and individuals
- **Innovation:** both innovation within the digital sectors and more innovative use of digital media and technology by the wider economy
- **Infrastructure:** Next Generation Access (NGA) broadband delivered in key business and knowledge hubs across the region

Each of these is important, but none, by itself, will deliver the transformation that is needed. Therefore, action to address one theme must be shaped where possible to impact the other themes. For example, NGA broadband access is fundamental for the region's long-term growth and attractiveness to start-up companies, growing businesses and inward investors; but such infrastructure improvements will achieve little if the region does not have businesses and people with the necessary skills to harness its potential or the willingness to use it. As noted above, good connectivity in the region did not automatically lead to widespread adoption.

Developing the aims

Growing the digital sectors

- Enabling the creation and growth of more businesses to become significant employers.
- The North East becoming one of the top UK locations to study digital technology and media; training focusing on developing the skills needed by business, supplemented by a programme of talent retention and attraction.
- Pioneering new multidisciplinary digital technologies; not only showcasing the region internationally but stimulating innovative start-ups; this includes building on the region's strengths (or potential strengths) in virtual worlds, developing public service content, cloud computing, digital government, digital security and digital inclusion.
- Developing clusters that are a magnet for start-ups, relocations and inward investment; businesses attracted by high-quality places, excellent connectivity, strong business support and the dynamism of other businesses.
- Creating effective linkages between Universities, businesses, sector bodies, business support networks and local authorities will be central to catalysing innovation and enterprise throughout the region.

- Building on the region’s high-profile digital and creative conferences to showcase the region’s strengths and attract skilled people to the region.

Stimulating the wider economy

- **Making the best better:** ensuring existing and new high-growth sectors – such as low-carbon vehicles, renewable energy, industrial biotechnology, printable electronics and healthcare – are exemplar adopters of digital media and technology; and that digital businesses understand the opportunities and possible applications within these sectors.
- **Making the poor good:** ensure businesses across the region adopt digital business tools and build on best practice so that technology use exceeds the national average.
- Providing NGA broadband to allow businesses throughout the region to start, grow and diversify without connectivity barriers. This will be driven by private sector investment, with the sector providing funding and support where necessary, as set out in *Digital Britain*. This sits alongside the Government’s universal target of a minimum 2mB/s broadband.
- Harnessing the commitment to digital inclusion to develop skills and aspirations.
- Ensuring digital content is both catalysed by and catalyses technology take-up; as high-quality content, together with services such as banking and digital Government, can transform the attitudes of both businesses and individuals.
- Ensuring the region’s public sector and business support bodies lead by example in their knowledge of and innovative use of technology, driving take-up by businesses through procurement and other business transactions.

This strategy’s five overlapping themes reflect the five core objectives that run through *Digital Britain*: infrastructure, innovation, public service content, skills and digital inclusion. However, the key differences reflect the need here in the North East to drive productivity, with more emphasis therefore on business support and transforming attitudes across all stakeholders.

Through this strategy, One North East sets out a roadmap for the region to achieve digital success, with delivery needing to be owned and driven by stakeholders across the region as a whole and costs shared as appropriate.

As recognised within *Digital Britain*, the digital sectors are difficult to define given their fast-changing nature and the impact of convergence between the technology and creative sides. However, within the North East the majority of activity takes place under the broad banners of software, gaming, digital and creative agencies, and digital and media content developers.

The economic downturn has left businesses with less money for investment, but it does not diminish the need to invest in digital technology solutions or the skills that are critical to survival in a downturn and to emerging strongly in an upturn.

The region’s assets

The region already has a strong and effective research base and many of the elements of support needed to deliver this strategy. However, there needs to be much stronger collaboration between partners, as well as better understanding that transformation will not be achieved by focusing on a handful of areas: all parts of the digital sectors and their impact need to be addressed. Importantly, there is significant willingness to improve this

engagement. National bodies – notably the Technology Strategy Board (TSB) and the sector skills councils – also recognise the region’s strengths and are keen to harness and develop them.

Digital sectors support: DigitalCity aims to create a vibrant, successful and self-sustaining supercluster based on the digital technologies, digital media and creative sectors. It is driven by the Institute of Digital Innovation at Teesside University, and by DigitalCity Business based in the Boho Zone, Middlesbrough. **Sunderland Software City** is building on the region’s strengths in business-focused software. **Northern Film & Media** uses a variety of innovative ways to accelerate growth in the region’s creative industries, including harnessing the potential of new technologies. It is based at the dynamic new media cluster in Hoult’s Yard, Newcastle. **Codeworks** is connecting and networking the region’s digital companies, entrepreneurs, researchers and students via Codeworks Connect. Its Thinking Digital & GameHorizon Conferences bring digital leaders from around the world to the North East and showcase what the region has to offer.

Business support: One North East supports the key sector bodies directly and together with **The Centre for eBusiness*** plays a central role in general business support through **Business & Enterprise North East (BENE)**. Support is also driven through MAS-NEPA and Digital Factory. The region has seven **Innovation Connectors**, which are driving growth in key industries. These include DigitalCity and Sunderland Software City, but the others will also play a central role in capturing the benefits of digital media and technology for their respective fields. It is also important that finance bodies understand the digital sectors, and the JEREMIE fund, which launches in 2010, will provide major opportunities to digital businesses.

Universities: The region’s five Universities have significant research strengths and are a key source for talent and graduate placement, as well as graduate start-up. Specific expertise includes: **Durham** – computing science, interactive media technology and software engineering; **Newcastle** – infomatics (inc telemedicine), digital inclusion, the Digital Economy Research Hub, biomedical, CultureLab and cloud computing; **Teesside** – gaming, virtual entertainment, digital media economy, 3D web applications (immersive technologies); **Sunderland** – software development and engineering, user engineering, intelligent systems, grid computing, bioinformatics and vehicle digital systems; **Northumbria** – IT infrastructure, intelligent modelling, optical networks, design school, human-computer interaction, digital security, forensic computing, record management, digital librarianship and smart homes.

Local authorities: The local authorities have a central role to play across many aspects of the digital agenda. These range from tackling social exclusion through addressing skills and employability to finding innovative ways to boost connectivity and take-up of NGA broadband. Projects underway include Gateshead’s fibre-optic network at the Baltic Business Quarter, extensive NGA programmes in Northumberland and Durham and Sunderland’s Digital Challenge programme is aimed at economic growth and social cohesion.

*Formerly known as The North East Regional Portal (TNERP)

2. Making it Happen



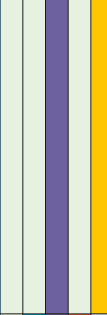


The key interventions

This section outlines 12 areas where significant improvements can and should be made. While, ideally, action will need to be taken on all of them, there are five 'central interventions' that will have a significant impact. This should not be seen as a simple prioritisation, however, as some of the other programmes and activities might have low costs but significant reputational or functional benefits.

Activity is already underway across all 12 interventions – in some cases stimulated by the development of this strategy. However, the region needs a step change in the way it collaborates across agencies and partners if it is to fully meet its potential; it must exploit its size (making a virtue of its relatively compact nature) to do so.



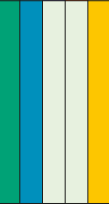

Consideration has been given to identify the most appropriate partners for each intervention. In many cases, the best result will be delivered by a mix of private, public and educational sector organisations. Each partner will bring a differing market perspective, different expertise and its own funding mechanism.

The suggested interventions have also been labelled to indicate which of the core themes they address. However, it is crucial that – where possible – programmes are designed to impact on more than one theme. So, for example, a skills project does not stimulate culture change and innovation by chance... it stimulates them by design.

What	Potential partners	Impact
<p>Central Interventions</p> <p>As a minimum, these interventions will be needed to drive the necessary combination of general improvements and transformational change</p>		
<p>1. New and growing digital businesses:</p> <p>Develop a pipeline of new, growing and interlinked digital businesses; ensure mainstream business support and finance programmes meet needs of digital sector.</p>	<p>Digital companies, Sunderland Software City (SSC), DigitalCity (DC), Northern Film & Media (NFM), Codeworks, Universities, Business & Enterprise North (BENE), finance bodies</p>	
<p>2. Digital adoption:</p> <p>Build on the e-business benchmarking work to promote the comprehensive opportunities and benefits of digital technology to businesses extensively across the region and to embed in pre-start and enterprise programmes.</p>	<p>Private sector, BENE ONE, The Centre for eBusiness, Manufacturing Advisory Service, TSB, knowledge transfer networks, Codeworks, Universities & colleges, e-skills, business membership bodies</p>	
<p>3. Broadband connectivity:</p> <p>Ensure region meets 2mb/s target; develop NGA broadband roll-out – for urban centres, main business hubs, knowledge hubs and market towns – backed by activity to cut roll-out costs such as coordinating civil works, setting connectivity requirements for new developments and local authority duct mapping.</p>	<p>Local authorities, Homes and Community Agency, ONE, Adit, The Centre for eBusiness</p>	
<p>4. Increase digital skills pool:</p> <p>Develop both the digital sector skills pool and applied digital skills for the wider economy. Coordinate activity from schools (including aspirations) to University and business training (including talent retention); embed digital sectors in education activity, notably the STEM (Science, Technology, Engineering & Maths) agenda.</p>	<p>Universities, ONE, LSC, BENE, e-skills UK, Skillset, Codeworks, Innovation Connectors, local authorities, The Centre for eBusiness</p>	
<p>5. Enhance collaborations:</p> <p>Develop collaborations between technical and creative bodies and academia to enhance convergence; and between these bodies and the high-growth industries identified in the Industrial Activism agenda to stimulate interdisciplinary innovation.</p>	<p>SSC, DC, Codeworks, TSB, NFM, other Innovation Connectors, ONE, BENE, local authorities, digital companies, e-skills and Universities</p>	

What	Potential partners	Impact
<p>Rapid Implementation</p> <p>These interventions could be implemented relatively quickly; they are time-sensitive so need swift action for maximum impact to help deliver the central interventions</p>		
<p>6. Pathfinder for Digital Government:</p> <p>Encourage public sector and business support agencies to become exemplar users of digital technology; enhance e-procurement and e-delivery of business support and skills provision; help identify and spread best practice across UK.</p>	<p>ONE, BENE, local authorities, SSC, DC, Codeworks, TSB, NFM, e-skills, The Centre for eBusiness</p>	
<p>7. Pilot skills initiatives:</p> <p>Develop a regional pathfinder for the National Skills Academy; lead way on developing IT teacher skills.</p>	<p>e-skills, Codeworks, SSC, DC, NFM, digital companies, The Centre for eBusiness, local authorities</p>	
<p>8. Economic downturn response:</p> <p>Promote digital training and innovative use of new technology as a key response for businesses to the economic downturn.</p>	<p>BENE, ONE, Learning and Skills Council (LSC), Universities & colleges, local authorities, e-skills</p>	



What	Potential partners	Impact
<p>Ongoing Programmes</p> <p>These are longer-term interventions, which will bring ongoing benefits to the region</p>		
<p>9. Accelerating ideas:</p> <p>Develop technical appraisal panels for software and gaming to accelerate time to market; horizon scanning to identify, disseminate and take forward key sector opportunities; increasing spin-outs and graduate start-ups.</p>	Universities & colleges, SSC, DC, Codeworks, NFM, other Innovation Connectors, ONE, TSB, digital companies	
<p>10. External promotion:</p> <p>Embed digital sectors within outward-facing programmes to promote the sectors and the region and ensure a coordinated external 'offer': notably for talent attraction and retention, the North East Ambassador Programme and Inward Investment; establish region's digital events on international stage; maximise opportunities of the virtual city to integrate the region's knowledge and innovation base and as an innovative promotional tool for the region.</p>	ONE, Universities, private sector, DC, SSC, NFM, Codeworks, local authorities, Animex, Northern Design Centre, other Innovation Connectors, digital companies	
<p>11. Vibrant business hubs:</p> <p>Develop high-quality, vibrant, NGA-connected clusters that will attract new digital businesses and skilled people; promote these hubs as a complementary region-wide offer.</p>	Local authorities, DC, NDC, SSC, NFM, digital companies, The Centre for eBusiness	
<p>12. Digital inclusion:</p> <p>Deliver <i>Digital Britain's</i> inclusion agenda in the region – including access to technology itself.</p>	Government, local authorities, ONE, Universities, Jobcentre Plus, Third Sector, The Centre for eBusiness	



3. Next Steps

A coordinated approach

Irrespective of how the key interventions are taken forward and by whom, opportunity will be lost if the interventions are not coordinated and if partners do not collaborate on their delivery. One North East, as author of this document on behalf of the region, will need to lead this coordination role. However, individual leadership will need to be shown by partners across the region for particular areas. Therefore, the primary audience for this strategy is those organisations that will work to deliver it – the next stages around its implementation will need to be far more in the public domain, engaging directly with businesses.

Importantly, there is already significant work underway on many of the interventions. It has been imperative throughout the development of the strategy that it adds impetus to digital programmes – and does not delay them. This work will continue and over the coming months other programmes will either begin or accelerate where possible. Alongside this, One North East will work with partners to develop a working Implementation Plan, which may effectively take the form of a collection of Memoranda of Understanding from organisations setting out what they will do to make the strategy happen. The aim is to have this agreed by March 2010.

The strategy, implementation plan and progress against them will be reassessed the following year.

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