

Digital Sector Plan Update

Report to the Humber LEP Business Development Board, 13 November 2015
Report from Sarah Clinch, Business Development Manager

1. **Summary**

1.1. This paper updates the Business Development Board on the development of the Humber LEP's digital plan and asks the Board for comments and endorsement.

2. **Recommendations**

2.1. That the Business Development Board supports the further development of the digital sector plan.

3. **Activity May-October 2015**

3.1. In April/May 2015, the group presented a sector narrative and set out priorities for LEP activity to the Business Development Board and LEP Board.

3.2. Since May, the group has begun work on communicating the digital sector narrative through the Humber LEP Digital Roundtable and the LEP Skills Network.

3.3. The group has developed project plans for each of the identified priorities (see Appendix 1). These cover:

- Attracting investment
- Startups
- Digital skill
- Innovation

4. **Next Steps**

4.1. The next step is for the Digital Sector Group to use the attached project plans to identify Early Wins and priority "Wow Projects" for delivery in 2016.

5. Digital Sector Communications and Marketing Plan – DRAFT

The group has developed the following draft communications and marketing plan, focusing on reaching key target audiences for the LEP's digital priority areas.

Aim	Audiences	Key Messages	Activities/Channels
Helping established businesses to grow by using digital technology more effectively	<ol style="list-style-type: none"> 1. Established medium and large businesses with innovation and skills needs 2. Small and micro businesses currently under-utilising digital 	<ol style="list-style-type: none"> 1. Local digital expertise and capabilities are relevant to a range of businesses 2. Support is available and accessible for SMEs 	Supporting innovation – C4DI, University of Hull Digital business support - BDUK programmes, Go On UK, UKTI digital advisors, Connected Cities funding. Promotion via - Local/regional press, Bondholders, Growth Hub
Attracting young people to digital sector careers in the region	<ol style="list-style-type: none"> 1. Young people choosing career paths and courses 2. Schools and colleges 3. School, college and university leavers looking for career opportunities 	The Humber offers high quality education and training for digital sector careers. The Humber offers a range of digital career opportunities.	STEM Ambassadors Bridging the Gap website Code Clubs Careers fairs
Promoting the Humber digital offer to potential investors and relocators	<ol style="list-style-type: none"> 1. Start ups 2. Potential investors in Humber companies 3. Established medium and large enterprises looking to relocate whole operation or departments. 4. Companies looking to relocate to the Humber due to opportunities linked to ports, logistics, offshore wind. 	<ol style="list-style-type: none"> 1. The Humber is a great place to start a tech company. 2. The Humber is home to a cluster of young and innovative companies with high growth potential. 3. The Humber offers a low cost base and readily available talent pipeline. 4. Developments within the ports, logistics and offshore wind sectors create opportunities for tech companies to work with local industry clusters to develop innovative products and solutions. 	Industry media – Tech City and TechNorth newsletters, Harvard Business Review, Management Today, Financial Times Industry events – to be identified

<p>Supporting local start-ups</p>	<ol style="list-style-type: none"> 1. Local people considering starting up a digital business 2. School, college and university leavers looking to start a digital business. 	<p>The Humber is a good place to start up as a digital business due to market opportunity, collaborative networks, incubation space and accelerators, connectivity, skills availability and low cost of living.</p>	<p>University and colleges Youth enterprise BDUK programmes Go On UK Local/regional press Bondholders Growth Hub</p>
-----------------------------------	--	---	--

Appendix A: The digital economy in the Humber

Introduction

This document sets out the credentials of the digital economy in the Humber, reflecting identification of digital by the Humber Local Enterprise Partnership (LEP) as a key priority for the region.

The region's growing credibility as a centre for digital excellence and innovation is seen as an important asset in supporting the area's development, both economically, in view of the high growth rates of digital businesses, and culturally, given the strong links between digital activity and the creative industries.

It is also important to note that digital is certainly no longer a niche sector. Digital communication, connection and commerce are now the norm, for both consumers and businesses, while many of the world's biggest companies and brands exist in the digital space.

Indeed, digital technology is critically important to almost every business, while a thriving digital sector will accelerate the growth of existing businesses, stimulate start-ups and encourage inward investment into the region.

To quote David Keel, Global Innovation Director of Hull-based digital brand management business Sonoco Trident: "Every business is a digital business; some of them just don't know it yet".

Economic context

The contribution of digital industries to economic growth is widely recognised.

The G20 group of major economies estimates that the digital and tech sector will contribute 11% of gross domestic product to the UK economy for the next five years, as against 7% for the past five years. This equates to the creation of 500,000 new direct jobs and 5.8 million new indirect jobs between now and 2020.

Regionally, in 2013 the Regional Economic Intelligence Unit (REIU) identified 9,310 jobs in the Creative and Digital Industries in 1,112 companies, contributing £582.8m gross value added (GVA) to the Humber economy. It found that the vast majority of companies operating in the sector are small or micro businesses, but noted the important presence of larger companies including KC, Press Association, SGS Packaging, APD Communications, Phoenix Software and Sonoco Trident.

Hull was featured as one of top 16 leading UK digital clusters in the Tech Nation report, published in February 2015 by the TechCity UK Cluster Alliance and endorsed by Prime Minister David Cameron. It found that 12,219 people were employed in digital jobs and that there had been a 57% increase in new digital companies between 2010 and 2013.

Further evidence of the size and impact of the digital economy within the region is due from the results of a current project commissioned by KC to establish the number of companies, employees and total revenues within the digital and technology sector in Hull and East Yorkshire, as well as its potential for further growth.

Digital infrastructure

In today's digital age, super-fast connectivity is fundamentally important, indeed indispensable, to economic growth. In the same way that the development of the railways once powered the industrial revolution, super-fast broadband networks are today driving the digital revolution.

In Hull and part of East Yorkshire communications provider KC is investing tens of millions of pounds in the deployment of its state-of-the-art fibre broadband service, KC Lightstream, to create a best-in-class digital network. Across the KC network Lightstream is currently available to more than 45,000 residential and business premises, with KC due to announce a significant increase in the rate of rollout.

Crucially, KC's deployment takes fibre all the way into customers' homes and businesses (Fibre To The Premises, or FTTP), ensuring connection speeds that are not just truly super-fast, but also guaranteed. This is in contrast to most other parts of the UK, where much slower speeds are delivered because copper cables remain as the final link into customers' properties.

FTTP is acknowledged by telecoms experts as the only future-proof broadband access technology, as the connection speeds achievable are limited by the terminal equipment, rather than the fibre itself. KC already offers a 350Mbps service – almost 20 times faster than the UK's average broadband speed – and plans to introduce faster speeds based on customer demand.

Another provider, CityFibre, has announced plans to invest £5.5m to install 70km of fibre network in Hull, in a link-up with mobile network operators EE and Three UK. The network will provide EE and Three with the ability to deploy high-speed access to their masts, improving the customer experience for mobile internet users.

Connectivity in Hull was given a further boost in the March 2015 Budget when it was announced that the city would join the SuperConnected Cities scheme under which small and medium sized enterprises (SMEs) receive funding to get connected to superfast broadband.

The initiative offers eligible businesses a voucher for up to £3,000 which can be used towards the connection charge for superfast broadband via a provider of their choice. It is expected to encourage companies that haven't yet made the switch to unlock the many benefits of enhanced connectivity.

Elsewhere in East Yorkshire, £14m is being invested in the Broadband East Riding project which will see 42,000 rural homes and businesses receive BT broadband connections of at least 24Mbps (officially defined by the Government as super-fast) by December 2015.

On the south bank of the Humber £9 million is being invested in the Northernlincs Broadband project which has a target for BT to bring super-fast connections to 92 per cent of premises in North and North East Lincolnshire by the end of June 2015. This investment will build upon existing infrastructure, including Virgin Media's cable network which is available in Scunthorpe, Immingham, Grimsby and Cleethorpes, and offers speeds of up to 120Mbps.

Development of the region's broadband network could not come at a better time, as it puts in place the digital infrastructure required to support economic growth at a time of unprecedented opportunity. The Humber's economy is set to benefit from a series of transformational developments, including the £310m Siemens wind turbine manufacturing and assembly facilities at Alexandra Dock in Hull; the Able Marine Energy Park on the south bank; investments driven by Hull's status as the 2017 UK City of Culture; and global health and hygiene giant RB's plans for a £100m Centre for Scientific Excellence in Hull.

Skills

The digital economy in the Humber is well supported by skills provision within the region, led by the University of Hull. The Department of Computer Science at the University of Hull was recently rated equal 5th out of all 89 UK computer science departments in terms of its "impact" on the UK economy, according to the UK's Research Excellence Framework ranking. The University of Hull produces over 200 exceptional computer science graduates each year, ensuring digital businesses have a strong pipeline of talent.

Skills developed at the Department of Computer Science and the Hull School of Art and Design were the inspiration for Platform Expos, which was set up five years ago in Hull to help to address a "brain drain" of the city's digital gaming talent. As well as running the annual Platform Expos gaming event, Platform Studios now provides workspace and business support at creative hubs located at Hull College and Grimsby Institute for start-ups looking to establish themselves in the video games industry and related sectors.

The University of Hull is also working with several University Technical Colleges and their industry partners in providing potential projects for students at the pre-university stage of the digital skills pipeline. The Humber UTC in Scunthorpe, due to open in September

2015, and Scarborough UTC, scheduled for opening a year later, are both sponsored by the University of Hull and have a focus on engineering with strong digital elements.

Furthermore, the university is a sponsor of the Ron Dearing UTC in Hull, which will specialise in digital technology and mechatronics – a combination of mechanical engineering, computing and electronics as used in the design and development of manufacturing techniques. The Ron Dearing UTC, which is due to open in September 2016, aims to enable local young people to thrive in the digital economy and provide employers with the advanced technical skills they require.

Meanwhile, Hull College has made digital skills a major priority, through its Digital Manifesto, and has been working with employers to develop a range of digital apprenticeships.

On the south bank, Academy Grimsby – part of Grimsby Institute and delivering learning to 14 to 16-year-olds – will include a digital academy from September 2015 to inspire and equip young people in North East Lincolnshire to aim for careers in the growing creative and digital sectors.

Enterprise and entrepreneurialism

The Humber has a vibrant and well-connected entrepreneurial community of high-growth digital businesses and is rapidly emerging as a hotbed for digital start-ups.

Tech Nation's 2015 "Powering the Digital Economy" report identified that the Hull and the Humber digital cluster has strengths in advertising and marketing, games development, software development and e-commerce. Our companies have key capabilities in payment infrastructure, computer simulation and visual and audio design, reflecting the strong skills provision in these specialisms at the University of Hull and regional FE colleges.

The Hull Digital network, which began with a meeting of just 10 people in a coffee shop in 2009 and now has a membership of more than 600 digital entrepreneurs and specialists.

Hull Digital has been a key driver of the Centre for Digital Innovation (C4DI) tech hub currently housed within a former bonded warehouse in Hull's Fruit Market. C4DI will soon move to a £15m purpose-built development, @The Dock, privately funded by the Hull-based Wykeland Group, which will ensure Hull's digital economy has a physical heart.

Grimsby has its own digital centre – the £1.5m Business and Digital Hub which forms part of the regeneration of Freeman Street Market and opened in 2014. It offers 1,000 square metres of offices, workshops and seminar rooms.

Flagship digital businesses

The region's digital credentials are further reinforced by a cluster of very substantial digital businesses employing hundreds of people that have grown entirely through revenue growth, rather than reliance on public sector funding or angel investors.

Flagship digital businesses within the region include:

- **KC:** Part of communications provider KCOM Group, KC is investing tens of millions of pounds to create Britain's fastest and most robust digital network in Hull and East Yorkshire. Because of this rollout, a third of all the UK's fibre to the premises connections are in the Hull area.
- **Sonoco Trident:** Founded in Hull 20 years ago, Sonoco Trident is the world's fastest-growing and most innovative digital brand management business. It has achieved growth averaging 30% annually for two decades. It now employs 650 people worldwide at 22 sites, almost half of them at its Hull headquarters, and has a blue-chip client roster of many of the world's biggest and most admired brand owners including P&G (Procter & Gamble), Unilever, L'Oreal, RB, Coca-Cola and Diageo.
- **Summit:** One of the most extraordinary success stories of the UK's digital media industry, Summit started in 2000 at Wolds Prison in East Yorkshire, providing businesses with highly-effective online marketing services supported by a pioneering training and rehabilitation scheme for prisoners leading to employment upon release. Summit has grown to 120 employees, across four offices, and works with some of the biggest brands on the high street including Arcadia Group, Argos, Homebase and Selfridges.
- **Ebuyer:** Based in Howden, East Yorkshire, Ebuyer is the UK's largest independent online retailer of computer and electrical goods, processing over 1.3 million orders per year. More than 39 million people visit the Ebuyer website every year to view its range of over 70,000 products from more than 1,000 brands.

National connections and context

The Humber's digital credentials are now being recognised on a national scale.

Hull is a member of the TechNorth programme, which aims to promote and develop digital technology as a key element of the North's current and future economy, and is helping plan its future activities and strategy.

The city is also a member of the TechCity UK Cluster Alliance that connects London's TechCity centre with digital hubs across the regions. This gives a powerful insight into the region's standing at national and international levels.

Hull's growing links with these national digital networks bore fruit with the positive profile for the city in the aforementioned Tech Nation report, the most comprehensive and thorough survey of digital businesses ever undertaken in the UK.

Tech Nation identified Hull's super-fast broadband network as a strong asset of the region, but researchers found poor transport links and the region's negative image hampered the development of digital businesses. The report also noted that skills and access to finance were issues locally, but this was consistent with the national picture.

Tech Nation also highlighted:

- The size of many indigenous tech companies such as Sonoco Trident, Ebuyer and Summit.
- The significant levels of private sector investment into the local tech community from businesses such as KC and Wykeland.
- The strength of the University of Hull's Computer Science provision.
- The range of large companies actively supporting start-ups locally, such as PwC, Ebuyer, Amazon and Spencer Group.

John Meehan
Member,
Humber LEP Digital Sector Group
March 2015