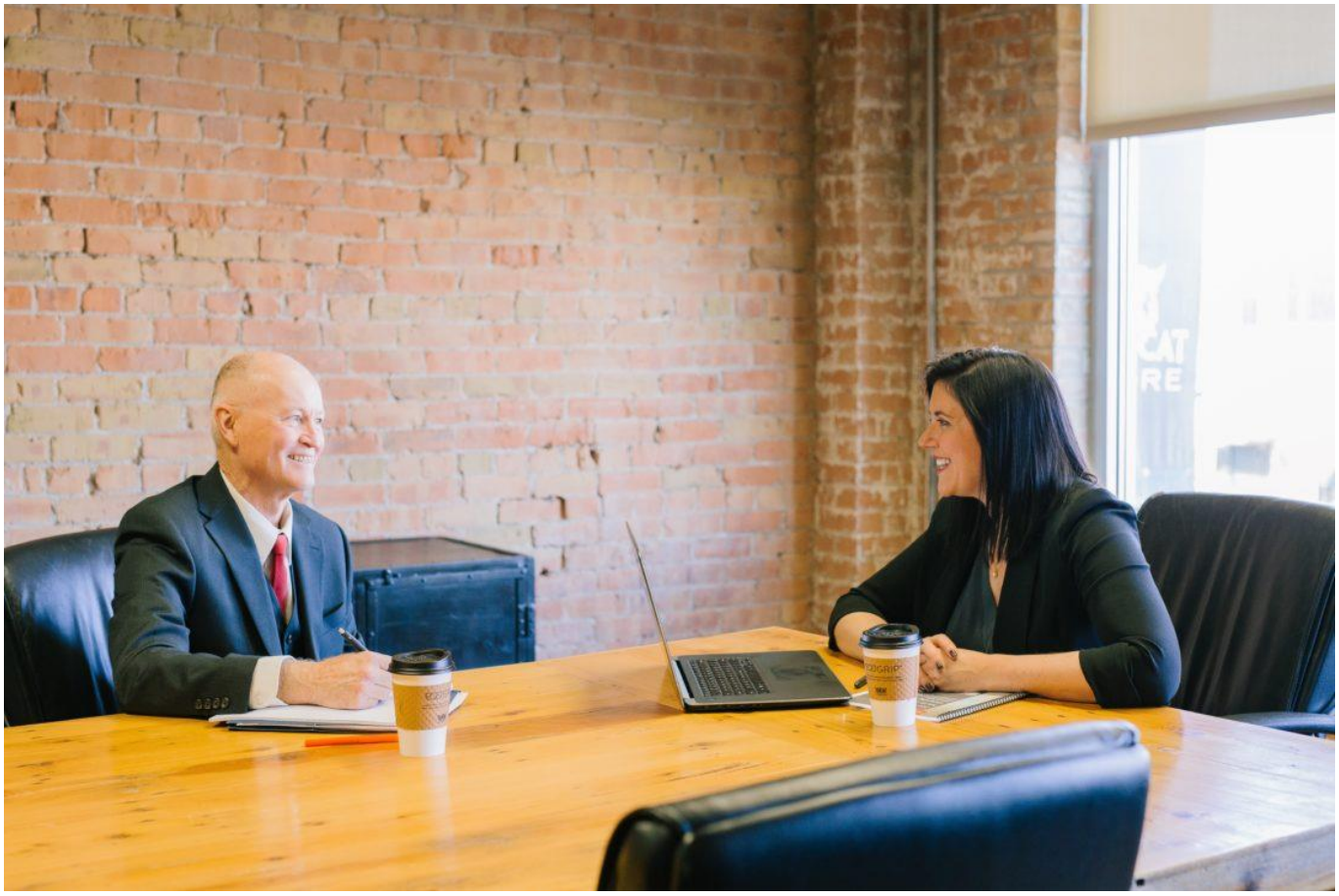
Teesside University

DigitalCity



Summative Assessment

May 2023

European Union
European Regional Development Fund

THRIVE ECONOMICS

Report contents:

Executive Summary **Page 2**

1. Context **Page 5**

1.1 - Scheme overview Page 5
1.2 - Scheme logic model Page 8
1.3 - Policy context Page 9
1.4 - Economic context Page 13
1.5 - Context conclusions Page 16

2. Progress **Page 19**

2.1 - Expenditure targets Page 19
2.2 - Output targets Page 22
2.3 - Factors that explain performance Page 24
2.4 - Progress against targets conclusions Page 26

3. Delivery and management **Page 28**

3.1 - Marketing and engagement Page 30
3.2 - Provision of business support Page 31
3.3 - Benefits from accessing support Page 35
3.4 - Delivery and management conclusions Page 39

4. Impacts and Outcomes **Page 43**

4.1 - Forecast outcomes Page 43
4.2 - Forecast impacts Page 47
4.3 - Outcomes and impact conclusions Page 51

5. Value for money **Page 54**

6. Conclusions **Page 55**

6.1 - Lessons learned Page 55
6.2 - Feedback for policy makers and funders Page 56
6.3 - Final conclusions Page 57

Appendix 1 – Impact calculations using management data Page 58

Executive Summary

Overview:

This report provides a Summative Assessment of the DigitalCity scheme which began in August 2019, and ends in June 2023. The scheme covered the whole of the Tees Valley and was part-financed by the European Regional Development Fund (ERDF). The programme was led by Teesside University with objectives including to:

- Support Tees Valley growth and productivity by increasing capacity of small and medium-sized enterprises (SMEs) in the digital sector.
- Support businesses in all sectors to adopt digital technologies and improve productivity through the digitalisation of products, processes and services.
- Provide a platform for delivery of the Tees Valley digital strategy and develop demand for other business support locally including Business Compass.

1. Context:

The Tees Valley covers over 300 square miles and comprises the five Local Authority areas of Darlington, Hartlepool, Middlesbrough, Redcar & Cleveland and Stockton-on-Tees. Business density represents a long-term challenge for the area. The Tees Valley has a relatively high proportion of localities within the most deprived 10% nationally, and ranks as the second most deprived Local Enterprise Partnership (LEP) in England (out of 38 LEP areas).

DigitalCity was designed against a complex and challenging backdrop with turbulent business confidence and economic conditions, including unprecedented circumstances following the outbreak of COVID-19. The policy context included the Government's Industrial Strategy with its focus on addressing the UK's productivity challenge. At a national level the major policy push was to create and support growth businesses. At a regional level, the Tees Valley Strategic Economic Plan (2016) aimed to create an additional 2,000 digital jobs and increasing GVA per hour by 30%. The Tees Valley Digital Sector Action Plan (2018) highlighted the '*significant turbulence in the Tees Valley digital economy over the last five years, with a 24% fall in GVA between 2010 and 2013.*'

2. Delivery approach:

DigitalCity offered a wide package of support to businesses with interventions including:

- **Accelerator**: designed to accelerate the growth of early-stage tech companies in the Tees Valley who are in the process of launching or planning to launch new to market products and services. The Accelerator was delivered by a team of digital industry experts, and consisted of seven interactive weekly workshops and bespoke coaching and mentoring. A grant of up to £5,000 was also offered to assist with essential business growth costs.
- **Bricks & Clicks:** this strand commenced in January 2023 and was aimed at businesses with a physical presence and online e-commerce. The support included a digital health check to highlight any needs or challenges; workshops and mentoring; and, a business development grant to support the growth of beneficiaries' digital presence.

- **Creative Fuse**: this strand was targeted at businesses and freelancers in the creative, cultural, digital and heritage sectors. Businesses were supported to innovate and grow through academic support; one-to-one mentoring and consultancy; and, themed collaboration and knowledge exchange events.

3. Feedback from beneficiaries:

A bespoke survey was issued to 330 beneficiaries and received 67 responses. Analysis of the survey results reveals that:

- 73% of beneficiaries operated in either the digital (58%) or creative (15%) sectors.

- 86% of beneficiaries had either not invested at all (30%) in digital technology in the 3 years prior to accessing support from DigitalCity, or had only invested in a minor way (56%). Lack of finance was the most commonly identified barrier accounting for 42% of all responses, followed by a lack of information (21%); and, uncertain benefits (21%).

- The majority of beneficiaries heard about DigitalCity from another organisation (25% of all responses) which suggests that good referral mechanisms were in place and that other organisations felt sufficiently confident about the quality of support on offered to refer businesses to it.

- Satisfaction with the support provided is very high with 92% of beneficiaries reporting that they were satisfied (40%) or highly satisfied (52%). Satisfaction levels vary according to the type of support offered with 93% satisfaction in relation to support from consultants and grant funding.

- Beneficiaries identified a wide range of things they valued about DigitalCity support with the most commonly identified aspect being one-to-one support from an Advisor.

- Beneficiaries also identified a wide range of benefits from support with the three most frequently cited benefits realised to a significant extent being

  - Development of new products, services or processes: 47% of businesses;
  - Increased productivity: 42% of businesses; and,
  - Increased business resilience: 40% of businesses.

- Beneficiaries identified wider benefits including enhanced confidence (81% of businesses experienced it to a significant or reasonable extent); and, making connections with other support providers (77% of businesses experienced it to a significant or reasonable extent).

- 57% of beneficiaries reported that they had made further investment following completion of DigitalCity support. On average this spend was £26,600 (across 35 businesses that provided this data) and across the 380 businesses supported this equates to £5,772,200 of additional investment.

- Stakeholders are highly positive about the quality of business support offered by DigitalCity. No stakeholders that completed the online survey felt that any of the six areas they were asked to rate were ineffective, and four of the six areas were rated as effective by all stakeholders.

4. Performance:

The scheme is on track to achieve the full spend target of £3,213,052, and at the point the Summative Assessment was completed the scheme had already achieved actual spend equating to 94% of the target.

The picture on outputs is mixed. As at March 2023 DigitalCity had already achieved, or exceeded, two targets namely: enterprises receiving support (C1) and enterprises receiving non-financial support (C4). By June 2023 DigitalCity is forecast to achieve 93% of the target for enterprises receiving grants (C2), and 78% of the target for new enterprises supported (C5). The targets for employment increase in supported enterprises (C8) and number of new to the firm products (C29) will not be met.

The factors that have contributed to performance included:

- Experienced delivery team with relevant track record and pipeline of interested businesses.
- Challenges in securing Academic capacity to provide support to businesses and some initial delays in procuring consultants leading to slower than forecast initial performance.
- Effective transition to virtual delivery with COVID-19 restrictions creating enhanced appetite among individuals to start a business, and requiring established businesses to go digital.
- Need to switch focus following the COVID-19 outbreak to assist companies to build resilience and survive, which impacted on DigitalCity's ability to hit growth-focussed outputs including number of new to the firm products (C29).

5. Impact:

Analysis of data provided by beneficiaries through the online survey revealed that:

- By 2023/24 **supported businesses forecast creating 1.81 full-time equivalent (FTE) staff and increasing turnover by £118,513 on average**.
- Across the 380 businesses that DigitalCity is forecast to support by June 2023 **this equates to 258 net additional FTE jobs** and **by 2026/27, it is forecast that the scheme will have supported around £52,968,419 in cumulative net GVA** within the Tees Valley economy, or £51,466,203 in net GVA at Net Present Value.

Against a full delivery cost of £4,498,273 (80% ERDF and 20% match), the scheme it forecast to achieve a **Benefit Cost Ratio (BCR) of 11.44 : 1, meaning that for every £1 of investment in the scheme will bring £11.44 in economic returns within the Tees Valley economy.** By this estimate**, DigitalCity represents excellent Value for Money.**

6. Conclusions:

DigitalCity has been well managed and activities have been delivered to a high standard. The strikingly high overall satisfaction rating of 92% is testament to the quality of support offered. Teesside University and partners should consider how to extend the scheme's legacy with new sources of funding and reflect on the suggested lessons learned.

Chapter 1 – Context

1.1 – Scheme overview:

This section of this Summative Assessment outlines DigitalCity's focus as articulated in the Full Application which was submitted in July 2019.

The application confirmed that Teesside University sought financial support from the European Regional Development Fund (ERDF) of £1.2 million from the Priority Axis 3 ('supporting the creation and the extension of advanced capacities for products, services and development'). The scheme was designed to '*increase growth and productivity in SMEs operating in the digital sector and support the adoption of digital technologies and practices in other sectors through cross-fertilisation and the demonstration of best practice.'* The scheme was originally forecast to run from August 2019 to July 2022, and the Full Application provided the following scheme **objectives**:

- '*To support Tees Valley growth and productivity by increasing capacity of SMEs in the digital sector.*
- *To support businesses to adopt digital technologies and improve productivity through the digitalisation of products, processes and services across other key sectors within Tees Valley.*
- *Working with other key partners, to provide a platform for delivery of the Tees Valley digital strategy, through provision of appropriate ERDF services.*
- *To build, understand and develop demand for other business support locally including Business Compass, investment funds and mentoring schemes.*'

In relation to **market failure** the Full Application highlighted that the Tees Valley has lower business density than the England average, with digital sector jobs accounting for 2.67% of total employment compared to 4.89% across England. Furthermore, employment in the digital sector in the Tees Valley was not forecast to grow. However, the Full Application highlighted that the area has a number of strong sectors which could benefit from digitisation including advanced manufacturing; health and biologics; and, process, chemicals and energy.

The logic model builds on this information and highlights the following market failures:

- '*Lack of specialist support for growth in the digital sector and digitalisation of existing processes and products in other sectors.*
- *Lack of capacity in SMEs to grow and develop new products utilising digital technology.*
- *Lack of advice and support in accessing finance.*
- *No centralised point of access to technical expertise to support growth.*'

The **delivery model** set out in the Full Application included the following four elements:

i) **DigitalCity Accelerator**: a '*holistic package of boot-camp and finance (up to £5k) for digital businesses*' up to 3 years old, but primarily aimed at businesses under a year old. This strand of support included one-to-one mentoring and free access to flexible workspace to enable businesses to '*build networks and experience whilst they are on this scheme.*' Businesses

applied to join the accelerator and those eligible but deemed to be at too early a stage for the accelerator would be referred to the consultancy support (strand iii).

ii) **DigitalCity Scale-Up support**: an '*intensive capacity building and mentoring scheme for more established digital businesses.*' This strand provided a 10 week scheme which sought to '*allow more digital SMEs to achieve growth and scale their businesses*.' Workshops were delivered by consultants and included talks from *'digital business leader to share experiences and opportunities and support the growth of the network.'* The strand also included a networking and alumni scheme with masterclasses to support peer-to-peer learning; and support from consultants and academics to help businesses to '*develop capacity to enable them to enter new markets and develop new ways of working*.' Finally, the strand included a focus on assisting businesses to access graduate talent for digital businesses, and the opportunity for non-digital businesses to develop and integrate digital technology.

iii) **Digital audits and consultancy**: 2 days of consultancy support focussed on market strategy and intelligence, and between 2 and 5 days of consultancy or academic support to '*help digital businesses to develop a product or address a technical issue which is a barrier to growth.*' The nature of the support offered would be guided by a detailed digital audit.

iv) **Growth through digitisation**: between 2 and 5 days of consultancy support to '*encourage non-digital businesses to improve their use of digital technology.*'

The scheme originally had a total **spend** target of £2,029,555 with the following **output targets**:

Output	Total target
C1 – Enterprises receiving support	178
C2 – Enterprises receiving grants	72
C4 – Enterprises receiving non-financial support	178
C5 – New enterprises supported	63
C8 – Employment increase in supported enterprises	50
C29 – Number of new to the firm products	102

The following **outcomes** were forecast in the logic model:

Outcomes	Measurement approach
Increased Gross Value Added	Net increase in GVA in companies assisted
Increased employment	Net change in employment in supported enterprises
Greater levels of SME investment	Investment in product and process improvement & development
Improved survivability in new SMEs	Overall survival rates over three years (baseline rate of 54.60%)

The following **overall intended impacts** were also provided in the logic model:

- *'Increased strength in depth within the sector which will grow confidence, understanding and collaboration between businesses in the tech sector.*
- *Increase in number of regional SMEs growing and increasing market penetration.*
- *Increasing the digital skills within businesses through both the employment of new staff and supporting existing staff to have a greater understanding of technology.*
- *Improved productivity across sectors*
- *Overall improvement in support infrastructure for SMEs in the Tees Valley.'*

A Project Change Request (PCR) was submitted in June 2020 seeking an extension of the delivery period from July 2022 to June 2023. The PCR also requested the addition of the Creative Fuse Tees Valley with the associated objective to: '*continue support for the survival, growth and product development in businesses operating in the Creative and Digital sector previously provided successfully through the Creative Fuse project.*'

As detailed in the PCR, the Creative Fuse project was '*originally included in another application, which has been delayed at appraisal stage due to the current COVID-19 crisis. The project is a part of wider initiative involving four other North East Universities and has match in place, contingent on a July 2020 start date. Delays in the approval of the original project has put this match and the wider initiative at risk. The inclusion of this project and match in the DigitalCity project will allow project activities to commence as planned and will increase the overall match and output profile of the DigitalCity project.*'

1.2 – Scheme logic model:

A logic model below was developed by Teesside University and submitted with the Full Application. The key elements of the model are provided below.

Context
85% of businesses in the Tees Valley are SMEs and the productivity in SMEs in England, and the Tees Valley in particular, lags behind that of large enterprises. The digital sector is one of the most important drivers for productivity and growth in employment in the Tees Valley. Digitalisation of existing processes and products offers a proven route to increasing productivity and Gross Value Added (GVA). Appetite for digitalisation to drive business growth has grown in non-digital sectors in recent years. DigitalCity has a proven track record of delivering business growth support over a period of 18 years.

Objectives	
Support Tees Valley growth and productivity by increasing capacity of SMEs in the digital sector.	Work with other key partners, to provide a platform for delivery of the Tees Valley digital strategy.
Support businesses to adopt digital technologies and improve productivity through the digitalisation of products, processes and services.	Build, understand and develop demand for other business support locally including Business Compass.

Inputs
ERDF investment of £1.2 million
Match funding of £0.8 million
6.4 full-time staff

Activities
DigitalCity Accelerator
DigitalCity Scale-Up support
Digital audits and consultancy
Growth through digitisation

Outcomes
Increased GVA
Increased Employment
Greater Levels of investment in supported SMEs
Improved survivability in new SMEs with baseline survival rate of 54.60%

Outputs	
178	SMEs Assisted
72	SMEs Receiving Grants
102	New to company products
63	New SMEs supported
50	Employment increase in supported enterprises

Intended impacts
Increased strength in depth within the sector which will grow confidence, understanding and collaboration between businesses in the tech sector.
Increase in number of regional SMEs growing and increasing market penetration.
Increasing the digital skills within businesses through both the employment of new staff but also supporting those already in the business to have a greater understanding of technology.
Improved productivity across sectors.
Overall improvement in support infrastructure for SMEs in the Tees Valley.

An updated version of the logic model was submitted with the PCR submitted in June 2020. The core elements of the logic model did not change but the activities and outputs were updated to reflect the inclusion of the Creative Fuse Tees Valley project. The outcomes were updated to include jobs and GVA safeguarded but the intended impacts remained valid and hence unchanged.

1.3 – Policy context:

1.3.1 – National policy context during scheme design:

The Full Application was submitted in July 2019 and it was informed by a range of national policies and evidence bases.

The **Industrial Strategy** (2017) White Paper set out the Government's commitment to '*help businesses create better, higher-paying jobs with investment in the skills, industries and infrastructure of the future.*' The Strategy outlined that the Government would '*boost productivity and earning power across the country*' by focusing on 5 foundations: ideas; people; infrastructure; business environment; and, places.

The **UK Digital Strategy** (2017) set out the Government's commitment to '*create an economy which is resilient to change and fit for the future.*' The Strategy consisted of actions structured around 7 strands, a number of which are addressed by the DigitalCity scheme including:

- Making the UK the best place to start and grow a digital business: Strand 3 focussed on developing '*flourishing ecosystems and strong technology sectors, spread across the UK.*'
- Helping every British business become a digital business: Strand 4 This strand highlighted that the '*UK's global competitiveness will increasingly depend on not just a flourishing digital sector, but on all our businesses using the best digital technology and data to drive innovation and productivity.*' The Strategy outlined the Government's commitment to '*help all businesses become as productive and competitive as those who are in the vanguard*' and acknowledged that assisting them to '*adopt digital technologies will be crucial to this.*'

The **Tech Nation report** (2018) with a foreword from Theresa May MP highlighted that in the previous year the British firms in the digital tech sector had attracted more capital than any other European country. The report's key findings included that UK tech communities value quality of life and sense of place; the UK tech community is highly connected with 3,527 tech meetup groups, with over 1.6 million members across 283 locations; and, from 2014 to 2017 digital tech sector employment rose 13.2%.

The **National Data Strategy** (2019) sought to '*drive the collective vision that will support the UK to build a world-leading data economy. It will help ensure that people, businesses and organisations trust the data ecosystem, are sufficiently skilled to operate effectively within it, and can get access to data when they need it.*'

The DigitalCity scheme was developed in a highly supportive national policy context.

1.3.2 – National policy context during scheme delivery:

The Government released a number of policies during the course of DigitalCity's delivery.

Build Back Better (2021) places innovation as one of its three pillars of economic prosperity. The UK government places strong emphasis on innovation as a key route to economic prosperity. The plan for growth includes a range of critical measures to support start-ups, scale-ups, and attract global talent. Build Back Better highlights evidence that suggests '*UK firms are relatively slow to adopt basic digital technologies, such as customer relationship and*

eCommerce tools that have been shown to have significant productivity benefits.' The plan outlines efforts to help businesses make best use of digital technologies including '*Help to Grow: Digital, a new scheme to help 100,000 SMEs save time and money by adopting productivity-enhancing software, transforming the way they do business.*'

The **UK Innovation Strategy** (2021) sets out that '*innovation is crucial to the UK building back better.*' The Strategy highlights a national decline in R&D spending but outlines the nation's strengths including a '*remarkable existing innovation system, ranked fourth in the world on the Global Innovation Index.*' The Strategy structured around four Pillars as follows:

- Pillar 1: Unleashing Business – the Government seeks to fuel businesses who want to innovate.
- Pillar 2: People – the Government is focussed making the UK the most exciting place for innovation talent.
- Pillar 3: Institutions & Places – the Government seeks to ensure that research, development & innovation institutions serve the needs of businesses and places across the UK.
- Pillar 4: Missions & Technologies – the Government will stimulate innovation to tackle major challenges faced by the UK and the world and drive capability in key technologies

The UK Innovation Strategy supports the scheme's approach to use digital to support innovation and states that '*we will ensure businesses have access to the right infrastructure to innovate and grow, including transport, digital and data, energy and utilities*.'
Innovate UK's **Action Plan for Business Innovation** (2021) sets out how digital technologies '*warrant special focus*' for innovation as they '*provide the tools, connectivity and infrastructure needed to support product, process and service enhancements in all sectors of our economy. This includes the gathering, curating, storing, retrieving and analysis of data and their safe and secure use in cyber environments.*'

The Action Plan outlines that the national evolution ecosystem (the space within which businesses, research institutions, academia, and government bodies exchange skills, knowledge and ideas) is a '*critical national asset.*'

The **UK Digital Strategy** (2022) highlights that '*successful innovative companies are essential to achieving our aims*' including those set out in the Innovation Strategy (2021). The Digital Strategy is built on four foundation pillars: robust digital infrastructure; unlocking the power of data; a light-touch pro-innovation regulatory framework; and, a secure digital environment. The Strategy highlights that research completed by Nesta which shows that businesses that can use data effectively are more likely to be productive.

It is clear that the policy context remained highly supportive during the scheme's delivery.

1.3.3 – Regional policy context during scheme design:

At the point the scheme was being designed the **Strategic Economic Plan** (2014 and refreshed in 2016) highlighted that the digital sector in the Tees Valley employed around 5,000 people with a GVA per head of £57,000 equating to £285 million of output (3% of the Tees Valley economy). The Strategic Economic Plan (SEP) had a target of creating an additional 2,000 digital jobs and increasing GVA per hour by 30%.

The **Tees Valley Combined Authority Investment Plan** (2017) outlined that '*Brexit will have profound implications for the UK, and for the Tees Valley specifically*' and highlighted that '*European funding currently represents 27% of our single pot.*' The Investment Plan set out seven Investment Schemes including: business growth (£115 million budget); and, research, development, innovation and energy (£59 million budget). The Plan confirms the specific priorities set out in the SEP which include to '*support companies to introduce new products or processes.*'

The **Tees Valley Digital Strategy** and **Digital Sector Action Plan** informed the development of the DigitalCity scheme. The Action Plan (2018) was based on extensive consultation including a survey completed by 550 businesses. The Plan highlighted the geographical concentration of the digital sector across the areas as summarised in the table below.

Location	Total employment (2015)	Employment as % of total	Total businesses (2016)
Darlington	2,134	43%	168
Hartlepool	244	4%	81
Middlesbrough	1,037	21%	142
Redcar & Cleveland	305	6%	96
Stockton-on-Tees	1,280	26%	258
Tees Valley total	**5,000**	**100%**	**745**

The Plan highlighted the '*significant turbulence in the Tees Valley digital economy over the last five years, with a 24% fall in GVA between 2010 and 2013.*' Whilst digital businesses were more optimistic about their future performance than other sectors, the following barriers were identified: access to new markets or supply chains (42% of businesses); availability of skills (31%); access to finance (29%); and, lack of a business-friendly environment (25%).

The Plan identified 8 areas of opportunity or need, with actions against each. The following areas support the DigitalCity's objectives and activities:

- Need to enhance the scale and growth ambition of local digital companies.
- Addressing the opportunity for enhanced digitisation by ensuring knowledge transfer.
- Need to address on-going job vacancies and skills mis-match.
- Addressing funding constraints for high-tech businesses.
- Need to diversify supply chains and export markets

There were also relevant, supportive policies at a more local level. For example, the **Middlesbrough Digital Strategy** (2018) set out the Council's aims to '*deploy digital solutions in a systematic manner to underpin the delivery of all of the Council's strategic priorities for Middlesbrough.*'

Overall we conclude that the regional policy context was highly supportive of DigitalCity at the point the scheme was designed and submitted to MHCLG.

1.3.3 – Regional policy context during scheme delivery:

The **Tees Valley Digital Strategy** was updated in 2022 and contained the following ambitious target: '*by 2032, we will be the UK's first truly Smart Region – using world-leading digital infrastructure and innovation to create opportunities for all residents and businesses.*'

The Strategy highlights that the Tees Valley is home to the fastest growing digital sector of any Combined Authority area, with figures from the Office for National Statistics (ONS) showing the

local sector now employs close to 7,000 people, a rise of 56% between 2019 and 2020. Analysis also shows that the Tees Valley digital cluster has some of the highest levels of productivity in the UK – producing £85,200 of GVA per employee compared to a national average for the digital sector of £70,800.

The Strategy is based on three key foundations:

- Infrastructure - ensuring high-speed connectivity for all businesses and homes across the region.
- Innovation – establishing the Tees Valley as a global centre of digital innovation, research and practice.
- Inclusion - ensuring all communities are digitally connected, with the digital skills to access education, jobs, health, social care and other public services, wherever they live.

The Innovation foundation is particularly relevant to DigitalCity and the strategy recognises that '*local businesses require support to understand and undertake digital innovation, enabling business growth through technology-led decisions.*' The Strategy commits that the Combined Authority will:

- '*Support the local business community to understand digital technologies and how they can be used to improve business;*
- *Support the uptake of technologies that reduce carbon emissions;*
- *Raise the profile of the Tees Valley through digital events; and,*
- *Promote the Tees Valley's common regional digital identity.*'

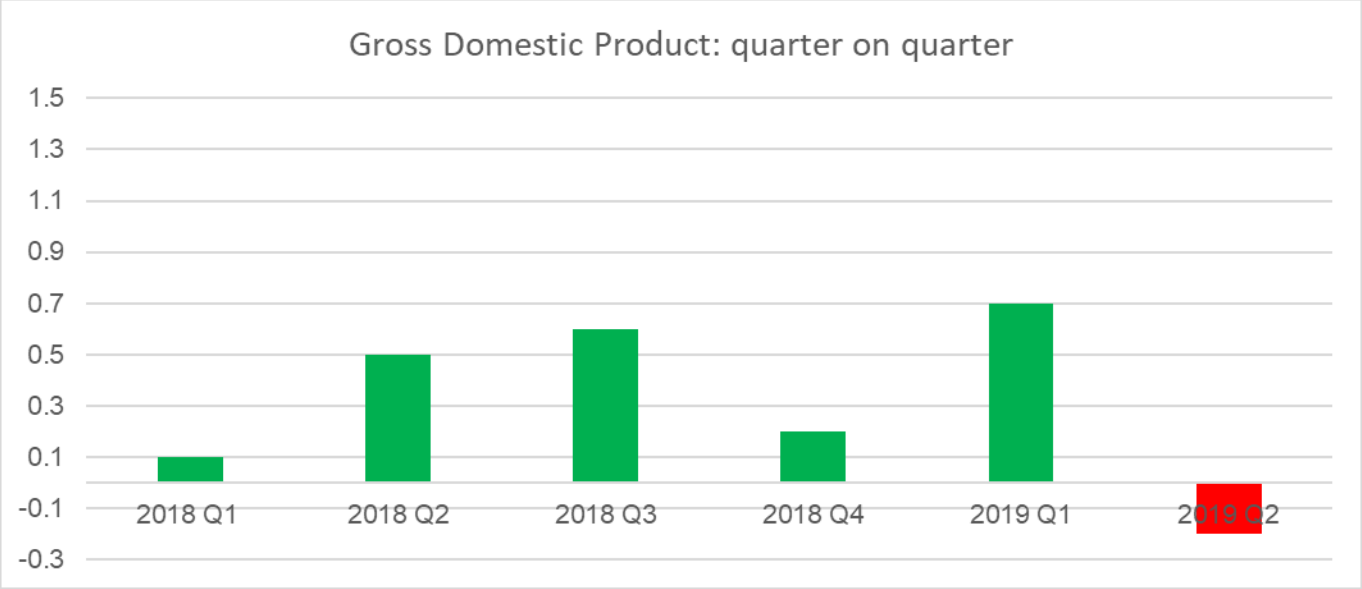
DigitalCity is specifically identified as an asset within the updated Tees Valley Digital Strategy, and it is clear that the Combined Authority continued to support the scheme's objectives during the delivery period.

1.4 – Economic context:

1.4.1 – National economic context during scheme design:

The Full Application was submitted in July 2019 and during 2018 growth was 1.4% down from 1.8% in 2017 – making it the slowest rate of growth sine 2012. The Office for National Statistics (ONS) outlined the national economic performance reflected a slowdown across a number of industries, as Brexit-related concerns weighed on business spending decisions. In the final quarter of 2018, the ONS found that business investment had dropped 1.4%.

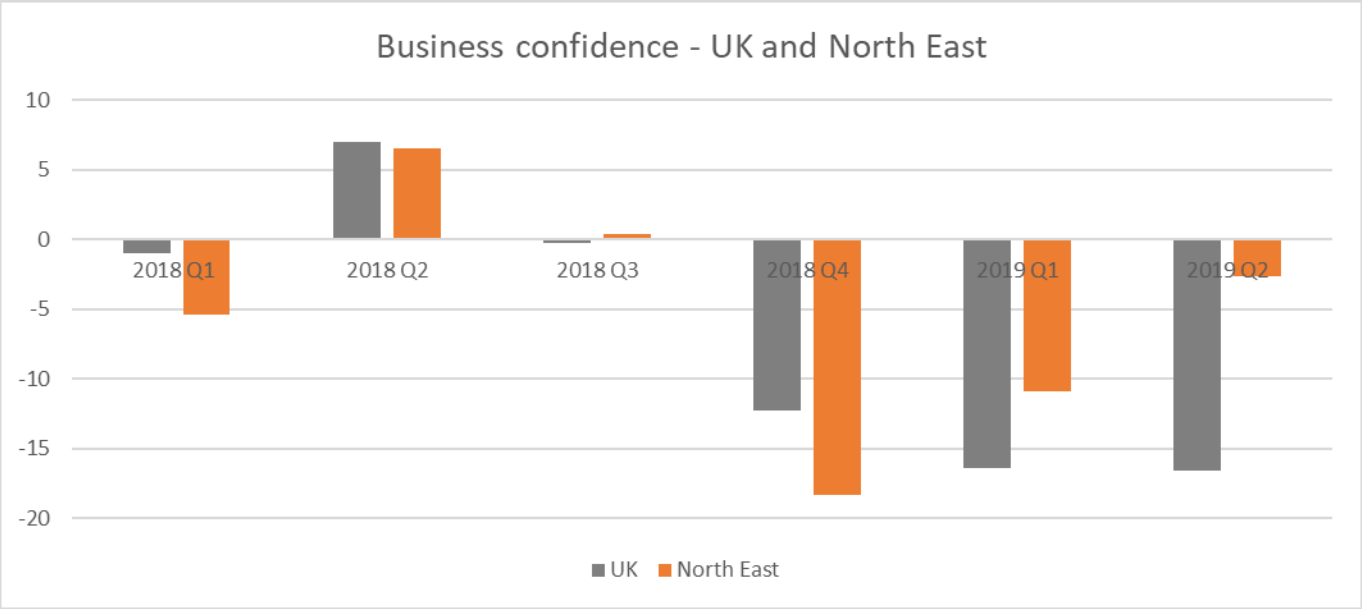
In 2019 the overall economy grew by 1.3%, down from 1.4% in 2018. Commentators highlighted on-going uncertainty over Brexit as a major factor. The chart below shows change in Gross Domestic Product (GDP) quarter on quarter and confirms the sluggish growth in 2018 and a contraction in Quarter 2 of 2019.



The Institute of Chartered Accountants (ICAEW) issue a business confidence monitor every quarter. It is based on a survey of members and is based on responses to the question: 'how would you describe your confidence in the economic prospects facing your organisation over the next 12 months, compared to the previous months?' A score of 100 is ascribed to responses that state that they are 'much more confident' and a score of -100 to 'much less confident.'

The table below (and chart on the following page) outlines business confidence at both national and North East level.

	Business confidence UK	Business confidence North East
Q1 2018	-1	-5.4
Q2 2018	7	6.5
Q3 2018	-0.2	0.4
Q4 2018	-12.3	-18.3
Q1 2019	-16.4	-10.9
Q2 2019	-16.6	-2.6



As can be seen above, business confidence was muted throughout the period when the scheme was being designed and the Full Application was submitted. National confidence peaked at 7 in Quarter 2 2018, and confidence in the North East at 6.5 at the same point in time. Generally, business confidence in the North East was lower than the national average, though in Quarter 2 2019 confidence in the North East was less negative than the national average.

The Institute of Chartered Accountants produce quarterly reports and in June 2019 their Chief Executive commented that '*as long as a no-deal Brexit is avoided history suggests that the current 'new normal' of elevated uncertainty may not impact as much as some expect.*' The BCM report for June 2019 highlights that sales growth was sluggish, with export growth stalled and no significant increase in sales volumes anticipated in the next 12 months. Sales prices are rising more slowly than both input prices and wage growth, leading to declining profitability. Late payment problems are reported to be increasing.

The report also highlights that whilst headline GDP was showing growth of around 0.5% for the last quarter, the figure is distorted by companies building up stocks in anticipation of Brexit and the possibility of a failure to agree on an exit deal between the UK and EU creating supply problems, which has given a short-term boost to the manufacturing sector.

The Small Business Survey (2018) showed that around 21% of small and medium-sized enterprises (SMEs) across the UK had introduced new or significantly improved processes in the last three years. This was one percentage point more than in 2017, but three percentage points less than in 2015. An estimated 16% of SME employers had made any investment in research and development (R&D) in the previous three years. Investment in R&D was most likely in the information and communication sector (45%).

The scheme was designed and launched against a challenging economic backdrop, with considerable uncertainty over the UK's future trading relationship with the European Union.

1.4.2 – National economic context during scheme delivery:

March 2020 saw COVID-19 hit the UK and brought a halt to what had been until then (and despite the above) 'business as usual' delivery of DigitalCity. This context substantially affected

the conditions for businesses, and the practicalities of running the scheme, notably in respect to a shift from face-to-face to online delivery. Clearly this was a major change to what was anticipated when the scheme was designed and initiated. There was a sudden shift from a sluggish pre-pandemic economy with relatively low unemployment, to a context of high unemployment (especially for young people), large numbers of people on furlough, and major impacts on business and communities, with some sectors and places especially badly hit.

During the scheme's delivery period national GDP has been volatile. In Quarter 1 2020 GDP was down -2.6% on the previous quarter, and then fell by -21% in Quarter 2. Quarter 3 2020 saw a rise of 16.6% and this represented the best position over the scheme's delivery period. GDP was negative in Quarter 1 2021 and in Quarter 3 2022. A recession was narrowly avoided at the end of 2022 with data confirming that economy saw zero growth.

Despite avoiding recession the UK is now the only country in the G7 with an economy that is smaller than it was before the pandemic. The International Monetary Fund (IMF) expects the UK to be the only major economy to shrink in 2023. Looking ahead to 2023 Lloyds Banking Group report that '*the current trend of higher monetary inflation, plus a rise in input inflation means that 2023 could be another tricky year for SMEs. Due to its impact on consumer sentiment and spending, the increased cost of living continues to be a barrier to success – businesses must manage this alongside the impact of higher inflation, and a tight labour market. 82% of the 1,472 SME leaders who took part in our recent Client 360 survey from December 2022 told us that the rising cost of living was having a negative impact on them. And 61% of respondents said inflationary pressures had caused their supplier service to worsen.'*

The latest Business Confidence Monitor (BCM) report highlights that business confidence is in decline. The report states that '*difficult economic conditions continue, though there has been some easing in the political turmoil of the previous period, which seriously unsettled financial markets.*' The report refers to the September 2022 mini budget which '*resulted in higher interest rates, taxes and government borrowing, and lower government spending.*'

The report highlights that '*input prices and selling prices also continue to rise sharply, but expectations for the year ahead have softened. However, salary growth continues to accelerate. While labour market challenges have eased, financial challenges have risen and a marked slowdown in investment growth is anticipated.*'

The Small Business Survey (2021) was conducted towards the end of the period of trading restrictions and measures associated with the COVID-19 pandemic. 73% of SME employers generated a profit or surplus in their last financial year – an increase of six percentage points on the 2020 survey, which had reported the lowest figure since the survey began.

The Survey reported that there was little change in the propensity of SME employers to innovate – with 19% innovating processes, 14% innovating goods and 26% innovating services in 2021. In 2020 the main reported obstacle to growth for SME employers was the coronavirus (COVID-19) pandemic. In 2021, it remained a significant concern, although mentioned by fewer (66% in 2021, compared with 71% in 2020). The other significant barriers were:

- Staff recruitment and skills (45%, up from 26% in 2020);
- Competition (44%, up from 37% in 2020); and,
- Regulations and red tape (42%, up from 35% in 2020).

1.5 – Context conclusions:

The section below addresses the specific prompts issued by the Department (DLUHC) in the Summative Assessment guidance relating to scheme context.

What was the scheme seeking to do?

As articulated in the Full Application and logic model DigitalCity was designed to '*increase growth and productivity in SMEs operating in the digital sector and support the adoption of digital technologies and practices in other sectors through cross-fertilisation and the demonstration of best practice.*' The scheme had clear objectives including to support the growth and productivity of small and medium-sized enterprises (SMEs) in the digital sector, and wider sectors; work with partners to implement the Tees Valley Digital Strategy; and, develop demand for other business support provision.

What was the economic and policy context at the time that the scheme was designed?

The scheme was designed and delivered in a highly supportive national, regional and local policy context. Key national policies included the Industrial Strategy (2017) with its focus on addressing the UK's productivity challenge and the UK Digital Strategy (2017) with priority strands including to make the UK the best place to start and grow a digital business; and, to help every British business become a digital business.

In contrast the economic context was volatile and challenging. There was a period of considerable economic and political uncertainty following the referendum on the UK's membership of the European Union. GDP growth in 2018 and early 2019 was sluggish, and business confidence in the North East was positive in 2 quarters of 2018 but feel to a low of -18.3 at the end of 2022 before recovering slightly to -2.6 in Quarter 2 2019 when the Full Application was submitted.

What were the specific market failures that the scheme was seeking to address? Was there a strong rationale for the scheme?

The Full Application and logic model provided a clear context of the wider challenges for the scheme including low business density in the Tees Valley, and digital sector jobs accounting for just 2.67% of total employment compared to 4.89% across England. The specifically sought to address the following issues:

- '*Lack of specialist support for growth in the digital sector and digitalisation of existing processes and products in other sectors.*
- *Lack of capacity in SMEs to grow and develop new products utilising digital technology.*
- *Lack of advice and support in accessing finance.*
- *No centralised point of access to technical expertise to support growth.*'

These issues can be categorised as information failures. Information failure exists when some, or all, of the participants in an economic exchange do not have perfect knowledge. It also exists when one participant in an economic exchange knows more than the other, a situation referred to as the problem of asymmetric, or unbalanced, information. Businesses do not have a full picture of available innovation support, or the full costs and benefits involved. They do not have a complete picture of digital technologies and the benefits that adopting them can deliver.

Was the scheme appropriately designed to achieve its objectives? Was the delivery model appropriate?

DigitalCity was designed effectively to address its stated objectives which included to support Tees Valley growth and productivity by increasing capacity of SMEs in the digital sector; and, support businesses to adopt digital technologies and improve productivity through the digitalisation of products, processes and services across other key sectors within Tees Valley.

The scheme initially had four support strands as outlined in Section 1.1, and summarised below:

- DigitalCity Accelerator: a '*holistic package of boot-camp and finance (up to £5k) for digital businesses*' up to 3 years old.

- DigitalCity Scale-Up support: an '*intensive capacity building and mentoring scheme for more established digital businesses.*'

- Digital audits and consultancy: 2 days of consultancy support focussed on market strategy and intelligence, and between 2 and 5 days of consultancy or academic support to '*help digital businesses to develop a product or address a technical issue which is a barrier to growth.*'

- Growth through digitisation: between 2 and 5 days of consultancy support to '*encourage non-digital businesses to improve their use of digital technology.*'

Following a successful Project Change Request (PCR) the scheme was expanded to include the Creative Fuse Tees Valley project which was designed to support for the growth of businesses operating in the Creative and Digital sector.

The DigitalCity scheme was led by Teesside University but made effective use of consultants across the five support strands. As detailed in the Full Application Teesside University were fully committed to working with partners in the business support ecosystem including Business Compass.

Were the targets set for the scheme realistic and achievable?

There was a clear rationale for the original target for the number of enterprises receiving support (including grants and non-financial support) which was based on the number of cohorts and anticipated participants. The forecasts for new enterprises, new to firm products and employment increase were estimates based on Teesside University's previous experience of delivering similar schemes.

The targets set were adjusted following the submission of the PCR which extended the delivery period through to June 2023 and allowed for the inclusion of the Creative Fuse Tees Valley project. The project budget increased to £3,213,051.98 and the target for enterprises supported (C1) increased to 267. This represents a forecast unit cost of £12,034 for each enterprise assisted. This is a reasonably low unit cost given the intensity of support provided.

Overall, the targets set appear stretching but achievable with effective recruitment of beneficiaries and delivery of high-quality support.

How did the context change as the scheme was delivered and did this exert any particular pressures on delivery?

The policy context remained stable throughout the delivery period despite the political turbulence which saw four Prime Ministers in place from the point the Full Application was submitted. During the course of delivery supportive policies included Build Back Better (2021); the UK Innovation Strategy (2021); Innovate UK's Action Plan for Business Innovation (2021); and, the UK Digital Strategy (2022).

The economic context was highly turbulent with key events and trends including:

- Outbreak of COVID-19 pandemic;
- Introduction of lock-down measures;
- Tight labour market with challenges for employers seeking to recruit staff;
- Significant rises in energy costs along with wider cost of living crisis;
- Rising inflation leading to greater costs of borrowing;
- Falling consumer demand given cost of living concerns; and,
- Declining business confidence evident nationally and in the North East.

Chapter 2 sets out the scheme's performance on expenditure and output targets and considers the extent to which these, and wider factors, have influenced performance.

Chapter 2 – Progress

2.1 – Expenditure targets:

2.1.1 – Original spend targets:

The scheme began delivery in August 2019. As detailed in Chapter 1, the scheme originally had a total spend target of £2,029,555, and the table shows the breakdown of cost headings.

Cost headings	Budget	Proportion of total
Salaries	£982,533.00	31%
Indirect costs	£147,379.00	5%
Professional fees	£710,400.00	22%
Office costs	£189,240.00	6%
Total	**£2,029,552.00**	

2.1.2 – Final expenditure targets:

In June 2020 Teesside University submitted a Project Change Request (PCR) at the invitation of the Ministry of Housing, Communities and Local Government (MHCLG). The PCR sought an extension to the scheme's delivery period along with adjustments to the spend and output targets. As detailed in the PCR the University sought to continue activities '*currently funded to July 2022 through to June 2023. In addition, the inclusion of Creative Fuse Tees Valley Phase 2 activities as a separate work strand for the period from July 2020 to December 2022.*'

A number of additional costs were agreed following the submission of the PCR and the revised spend targets are shown in the table below.

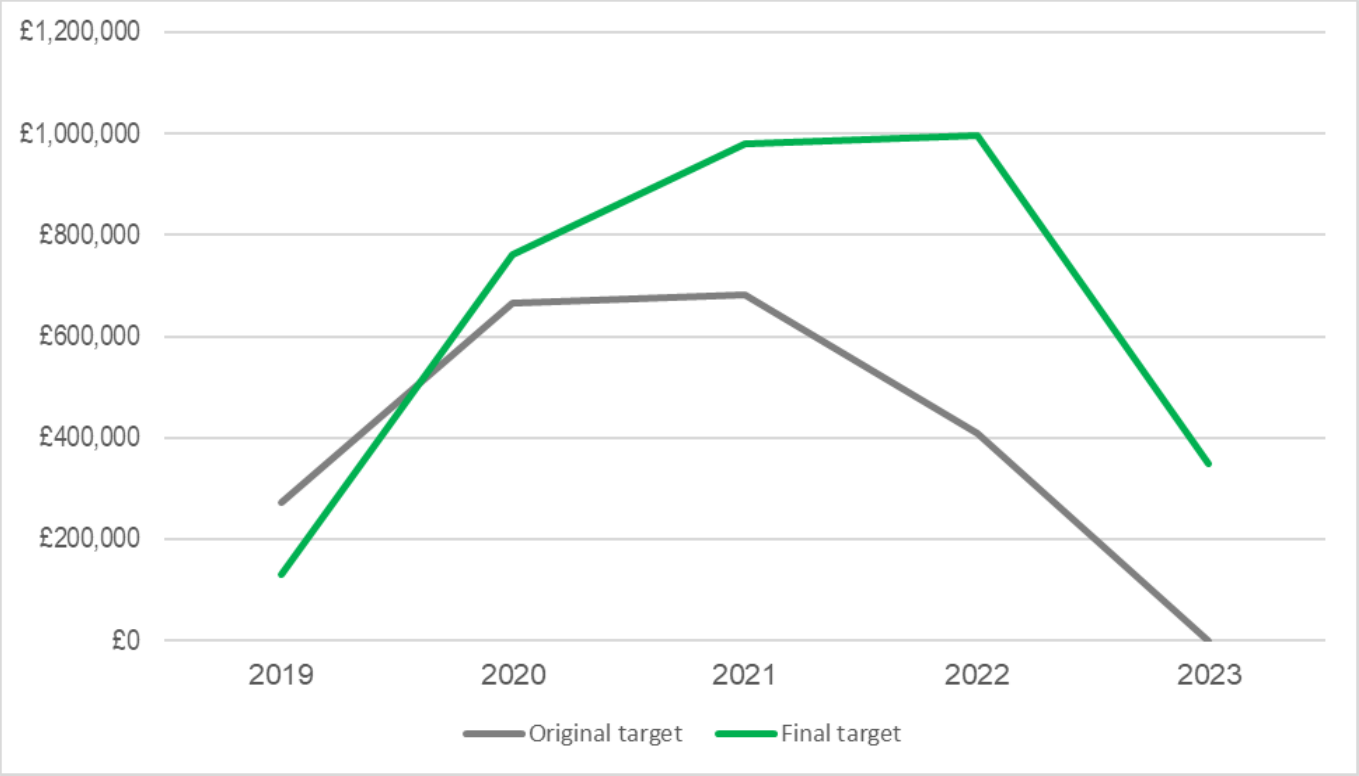
Cost headings	Budget	Proportion of total
Salaries	£1,487,204.40	46%
Indirect costs	£223,080.65	7%
Professional fees	£978,301.97	30%
Marketing	£55,000.02	2%
Other revenue	£409,944.96	13%
Office costs	£59,519.98	2%
Total	**£3,213,051.98**	

The overall budget rose by £1,183,499.98, a percentage rise of 58%. Looking at individual cost headings:

- The salaries budget rose by 51% compared to the original spend targets as did the budget for indirect costs.
- The professional fees budget rose by 38% but the office costs budget fell by 69%.

The table and chart compared the annual profile of the final spend target. Figures are expressed in millions of pounds and are rounded to the nearest thousand.

	2019	2020	2021	2022	2023
Original spend target	£272,379.00	£666,358.00	£682,911.00	£407,904.00	£0.00
Final spend target	£129,810.66	£761,331.77	£979,342.71	£995,045.31	£347,521.53



The following observations can be made based on the data above:

- Spend in 2019 was lower than forecast in the original targets;
- In both targets spend peaked in 2021; and,
- The overall shape of both targets is broadly similar.

2.1.3 – Performance on expenditure targets:

At the point this Summative Assessment was completed the scheme had confirmed actual expenditure up to the end of December 2022 and a forecast for 2023. This information is presented in the table below.

Year	Final spend target	Actual to April 2023	Remaining forecast (May & June 2023)	Total actual & forecast
2019	£129,810.66	£129,810.66		£129,810.66
2020	£761,331.77	£616,150.18		£616,150.18
2021	£979,342.71	£741,468.99		£741,468.99
2022	£995,045.31	£958,634.37		£958,634.37
2023	£347,521.53	£575,814.49	£191,173.26	£766,987.78
Total	**£3,213,051.98**	**£3,021,878.69**	**£191,173.26**	**£3,213,051.98**

As can be seen, the scheme is on track to achieve the full spend target of £3,213,051.98. The underspend against spending targets in 2020, 2021 and 2022 totalling £419,466.25 have been mitigated with expenditure in 2023. At the point the Summative Assessment was completed the scheme had already achieved actual spend of £3,021,878.69 (as at the end of April 2023) which is 94% of the target. The forecast expenditure of £1919,173.26 for May and June 2023 looks entirely achievable.

2.2 – Output targets:

2.2.1 – Original output targets:

The table shows the original output targets taken from the Full Application.

Original output targets	Total target
C1 – Enterprises receiving support	178
C2 – Enterprises receiving grants	72
C4 – Enterprises receiving non-financial support	178
C5 – New enterprises supported	63
C8 – Employment increase in supported enterprises	50
C29 – Number of new to the firm products	102

The Full Application provided a detailed explanation of the assumptions underpinning the forecasts and this is summarised for each strand below:

i) DigitalCity Accelerator: delivers 3 cohorts per annum each with 8 businesses participating equalling 72 assists and all businesses create new products. Employment growth is slow and strand given forecast of 20 new jobs. 63 of the 72 participating businesses receive grants.

ii) **DigitalCity Scale-Up support**: 1 cohort per annum with 15 businesses participating so 45 in total. 20 new products forecast to be created and 15 new jobs.

iii) **Digital audits and consultancy**: 40 businesses receive support with 10 new products and 10 jobs created.

iv) **Growth through digitisation**: 7 businesses per annum supported leading to the creation of 5 jobs.

2.2.2 – Final output targets:

As detailed earlier, a PCR submitted in June 2020 to extend the scheme and include the Creative Fuse was approved. This led to revised outputs as shown in the table below.

Final output targets	Revised target	Change	Change (%)
C1 – Enterprises receiving support	267	+89	50%
C2 – Enterprises receiving grants	84	+12	17%
C4 – Enterprises receiving non-financial support	267	+89	50%
C5 – New enterprises supported	104	+41	65%
C8 – Employment increase in supported enterprises	94	+44	88%
C29 – Number of new to the firm products	136	+34	33%

As can be seen, the 58% overall rise in budget delivered a significant rise in outputs with the largest changes being:

- The forecast employment increase (C8) rose by 88%.
- The forecast for new enterprises supported (C5) rose by 65%.
- The number of enterprises receiving support (C1) and non-financial support (C4) rose by 50%.

2.2.3 – Performance on output targets:

The table below shows the scheme's position on each of the final output targets as at the end of December 2022.

Final output targets	Target to June 2023	Actual to March 2023	Remaining forecast (April to June 2023)	Total actual & forecast
C1 – Enterprises receiving support	267	297	41	**338**
C2 – Enterprises receiving grants	84	70	8	**78**
C4 – Enterprises receiving non-financial support	267	297	41	**338**
C5 – New enterprises supported	104	73	8	**81**
C8 – Employment increase in supported enterprises	94	53	4	**57**
C29 – Number of new to the firm products	136	27	1	**28**

C1 – Enterprises receiving support:

As at the end of March 2023, DigitalCity had already exceeded the total contractual target of 267. By June 2023 the scheme is forecast to achieve 127% of the target, with 338 enterprises assisted.

C2 – Enterprises receiving grants:

As at the end of March 2023, DigitalCity had achieved 83% of the total contractual target of 104. As shown above, the scheme is not forecast to achieve this output target, but will get to 93% of the target by June 2023.

C4 – Enterprises receiving non-financial support:

As at the end of March 2023, DigitalCity had already exceeded the target of 267 enterprises receiving non-financial support. By June 2023 the scheme is forecast to achieve 127% of the target, with 338 enterprises receiving non-financial support.

C5 – New enterprises supported:

As at the end of March 2023, DigitalCity had achieved 70% of the total contractual target of 104 new enterprises supported. As shown above, the scheme is not forecast to achieve this output target by June 2023 and will get to 78% of the target.

C8 – Employment increase in supported enterprises:

As at the end of March 2023, DigitalCity had achieved just 56% of the total contractual target of 94. As shown above, the scheme is not forecast to achieve this output target, and by June 2023 is forecast to have supported 57 new jobs which represents 61% of the target. As outlined in Chapter 3, the evaluation finds that DigitalCity has supported businesses to create jobs and as such, the performance on this output likely reflects challenges in obtaining the necessary evidence.

C29 – Number of new to the firm products:

As at the end of March 2023, DigitalCity had achieved just 20% of the total contractual target of 94. As shown above, the scheme is not forecast to achieve this output target.

2.3 – Factors that explain performance:

A workshop was held with the scheme delivery team to explore the factors that have impacted on the scheme's spend and output performance. The key themes from this discussion are outlined below.

Theme 1: Responding to COVID-19 restrictions:

COVID-19 restrictions created new appetite among individuals to start a business and it also forced established businesses to go digital, with a significant need for businesses across the Tees Valley to adopt new technologies and businesses operational processes at speed.

Prior to the outbreak of the pandemic, DigitalCity was some way behind on meeting its targets, but the surge in interest received and significant increase in demand for the scheme's services ultimately enabled DigitalCity to catch up on its engagement targets.

The impact of the pandemic on DigitalCity's ability to deliver also changed, whereby previously in-person meetings were now held remotely. Whilst this enabled more regular meetings with those businesses the scheme was supporting, it also meant that the overall cost per assist increased as contracts with procured contractors were amended.

Similarly, COVID-19 led to some reworking of the scheme's focus, with some elements forced to be abandoned (Hackathons), leading to some underspend. This underspend was used to introduce grants into elements of the scheme that weren't initially forecast to include grants. For example, grants have been given to last cohort of Scale and this has helped with underspend.

Theme 2: Adapting the delivery model:

At Full Application stage it was envisaged that a proportion of support would be provided by Academics, although in practice this has largely not occurred, owing to a mix of timing challenges, conflicting workloads and appetite from academics.

Similarly, the original Full Application assumed that the DigitalCity internal team would also provide greater levels of direct support to businesses than has occurred, perhaps wrongly assuming that the internal team (and the academics) had the capacity, skills and interest. Consequently, a greater proportion of the support has been provided by specialist consultants than originally envisaged.

As a result of utilising greater levels of specialist consultant support, it took time to procure suppliers and so there was a brief period in the early stages of the scheme where businesses were signed up but support wasn't in place, and this is evident in modest initial output attainment.

Theme 3: Building on Long-standing Success

DigitalCity has carried forward significant reputational value developed over many years. This has been helped by the scheme benefitting from having long-standing and trusted staff in post. This continuity and reputational value achieved has been important to engaging businesses into the latest iteration, with a significant number of businesses supported in the current scheme having previously also received support from DigitalCity's predecessor schemes.

The scheme commenced with a significant backlog of enquires from businesses looking for support, and the advent of the latest iteration of the scheme enabled DigitalCity to deliver some early support activities which are likely to have taken much longer to achieve if the team had been starting from scratch. In this sense, the scheme was able to hit the ground running. For example, the first Accelerator started in November 2019, only a few months after the scheme started (August 2019). However, as noted earlier there were some delays in procuring consultants and this meant that DigitalCity was not able to fully capitalise on the strong pipeline.

Theme 4: Responding to changing business demand:

The initial expectation was that DigitalCity would be able to engage significantly with the SME business community, but in practice the majority of its work has been with the micro-business community (<10 employees).

Through discussions with SME's, the DigitalCity delivery team have noted that SMEs were reluctant to work with large corporate organisations, as there was some nervousness that the larger corporates could take their ideas. In hindsight, early planning for greater workloads with the micro-business community may have helped DigitalCity to target more engagements earlier in the delivery period, and greater insights into the business community from the onset may have better helped to gauge the levels of demand for the scheme.

Theme 5: Responding to changing business needs:

The outbreak of the COVID-19 pandemic and the resulting restrictions led to a significant and rapid change in businesses' circumstances and needs. Whilst DigitalCity was designed to support businesses to grow, it become necessary to help businesses build resilience and survive following the outbreak of the pandemic. This had a direct impact on DigitalCity's ability to achieve growth-focussed outputs including the number of businesses introducing new-to-firm products (C29).

2.4 – Performance conclusions:

The section below addresses the specific prompts issued by the Department (DLUHC) in the Summative Assessment guidance relating to scheme performance.

Has the scheme delivered what it expected to in terms of spend and outputs?

As outlined in Section 2.1, DigitalCity is on track to achieve the full spend target of £3,213,051.98. At the point the Summative Assessment was completed the scheme had already achieved actual spend of £3,021,878.69 (as at the end of April 2023) which is 94% of the target.

In relation to outputs, the scheme is forecast to achieve or exceed two of the six output targets (enterprises receiving support and enterprises receiving non-financial support) but not achieve the other four targets. The most significant gaps in output performance are:

- Number of new to the firm products (C29): DigitalCity is forecast to achieve just 21% of the target by June 2023.
- Employment increase in supported enterprises (C8): DigitalCity is forecast to achieve 61% of the target by June 2023.
- New enterprises supported (C5): DigitalCity is forecast to achieve 78% of the target by June 2023.

The performance on new to firm products is considerably lower than forecast and does reflect a significant variation in the scheme's delivery compared to initial expectations.

What are the factors which explain this performance?

A range of factors have influenced DigitalCity's performance, which to some extent will have ultimately been driven by the overall scale of businesses in the Digital and Creative Industries sectors operating within the Tees Valley. Through discussions with the scheme team, we have identified four key factors that the team have adapted to as the scheme has progressed, and each of the factors identified have ultimately impacted (both positively and negatively) on the ability of the scheme to deliver its support.

The factors identified include:

1. **Responding to Covid-19 restrictions** - the pandemic fuelled increased interest in DigitalCity's offer, owing to growth in the number of individuals looking to start a business and in the number of businesses that needed to adapt to digital working at speed. This helped the scheme catch up and meet its output targets. The scheme itself also had to respond to remote online working being the norm, and this increased the delivery costs associated with its support.

2. **Adapting the delivery model** - it was originally envisaged that a greater proportion of the support would be delivered by academic staff and internal teams, although due to a mix of capacity, time constraints and less interest this did not occur. Instead the scheme relied on procuring specialist consultants to deliver tailored support, but there was a time-lag in procuring this support and this ultimately led to some early delays.

3. **Building on long-standing success** - DigitalCity has been running for many years with a largely unchanged scheme team and this enabled the successor scheme to carry forward unmet business enquiries from previously. The reputation value accrued over the years also meant that DigitalCity is well known to the Tees Valley business community, and this reputation value has been very important to engaging businesses, many of which are repeat businesses who have worked with DigitalCity in the past.

4. **Responding to changing business demand** - it was originally envisaged that the scheme would engage with a greater proportion of SMEs than it has done, owing in part to SMEs being wary of sharing their ideas with a corporate organisation such as the University. Consequently, much of its support has instead been provided to micro-businesses. An improved understanding of likely demand and target markets from the outset may have enabled the scheme to better target with its core client base.

<u>When the project draws to a close, is it expected to have achieved what it set out to?</u>

Overall, the scheme is expected to have achieved what it set out to. DigitalCity is forecast to spend it's full allocation and to have assisted more enterprises that expected. As outlined in Chapter 3, businesses that completed the online survey are highly satisfied with the support they received and report that they gained a wide range of benefits.

Stakeholders were asked the following question: 'overall in your view, as the scheme draws to a close has it delivered what it set out to?' All stakeholders reported that they do believe the scheme has delivered what it set out to do.

Chapter 3 – Delivery and management

This Chapter draws primarily on data gathered through an online survey issued in March 2023 to 330 businesses that engaged with the scheme. Responses were received from 67 businesses which represents an 20% response rate when the 18 businesses that unsubscribed from the survey and 12 businesses with incorrect or missing email addresses are removed. The Chapter also draws on the results of a stakeholder survey, completed by 9 individuals.

The geographical profile of respondents to the business survey is shown in the table below. The total SME population data is taken from the Inter-Departmental Business Register and relates to 2022 (Source).

Local Authority area	Survey respondents (%)	SME population
Darlington	5%	19% (3,485)
Hartlepool	8%	12% (2,215)
Middlesbrough	31%	19% (3,465)
Redcar and Cleveland	21%	18% (3,150)
Stockton-on-Tees	35%	31% (5,615)

The survey sample is a reasonable fit with business density in the Tees Valley. However, Darlington and Hartlepool are significantly under-represented and Middlesbrough is significantly over-represented. This does not have any bearing on the validity of the survey results.

The survey asked beneficiaries to identify whether when operated in either the digital sector or creative sector. 62 respondents answered this question and the results are shown below.

What sector do businesses operate in?	Count	Percentage of respondents
Digital	36	58%
Creative	9	15%

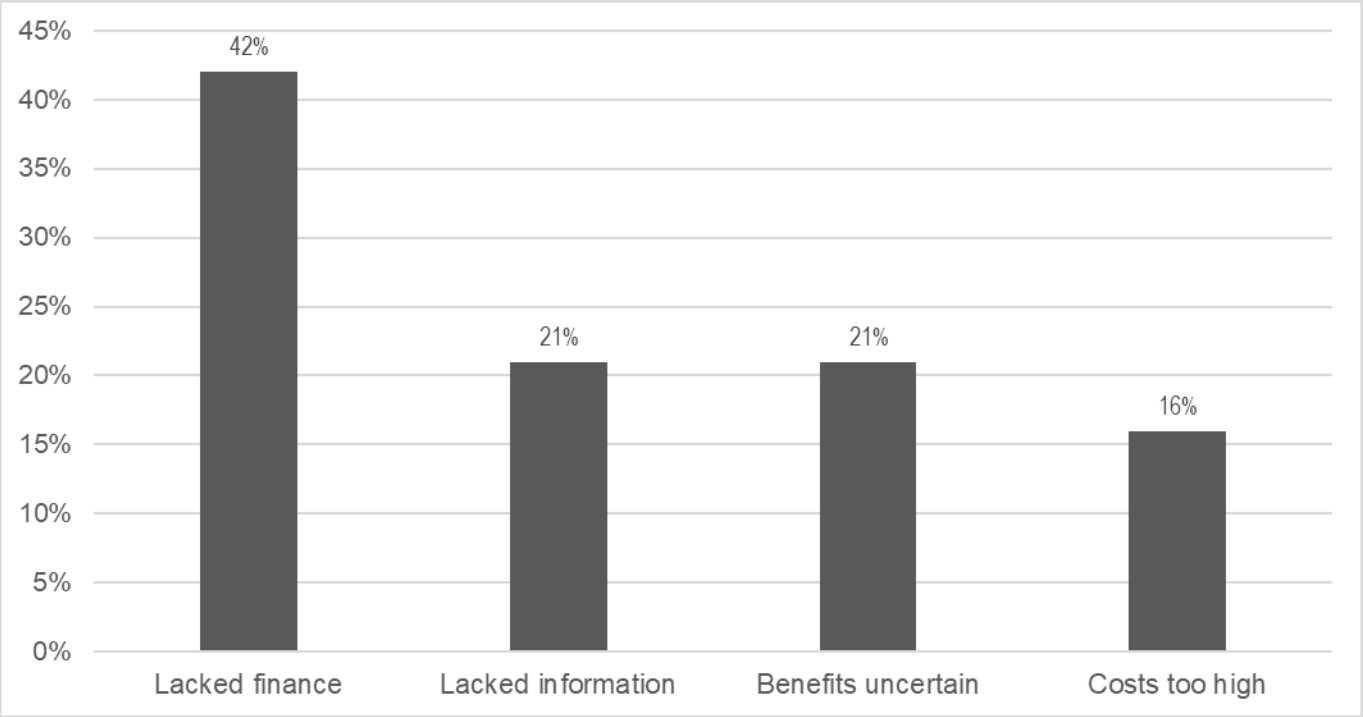
The survey asked whether beneficiaries' businesses had invested in digital technology in the 3 years prior to accessing support from DigitalCity. 67 businesses answered this question though 17 selected a not applicable option. The table below shows the results.

Have businesses previously invested in digital technology?	Count	Percentage of respondents
Yes in a major way	7	14%
Yes in a minor way	28	56%
No	15	30%

As shown above, nearly a third of businesses supported by DigitalCity had not invested in digital technology in the past 3 years, and over half had only invested in a minor way. Businesses that stated that they had not previously invested were asked why this was the case and they were provided with the following pre-set list and asked to select the options that applied:

- The costs were too high.
- We lacked the necessary finance.
- We lacked the information on technology.
- We were uncertain of the benefits.
- We found it hard to find a suitable supplier.

13 businesses answered this question. 10 of them (77% of the total) identified 1 barrier, with the remaining 3 identifying 2, 3 and 4 barriers respectively. The chart below shows that a lack of finance was the most commonly identified barrier, accounting for 42% of all identified barriers, followed by a lack of information (21%); and, uncertain benefits (21%).



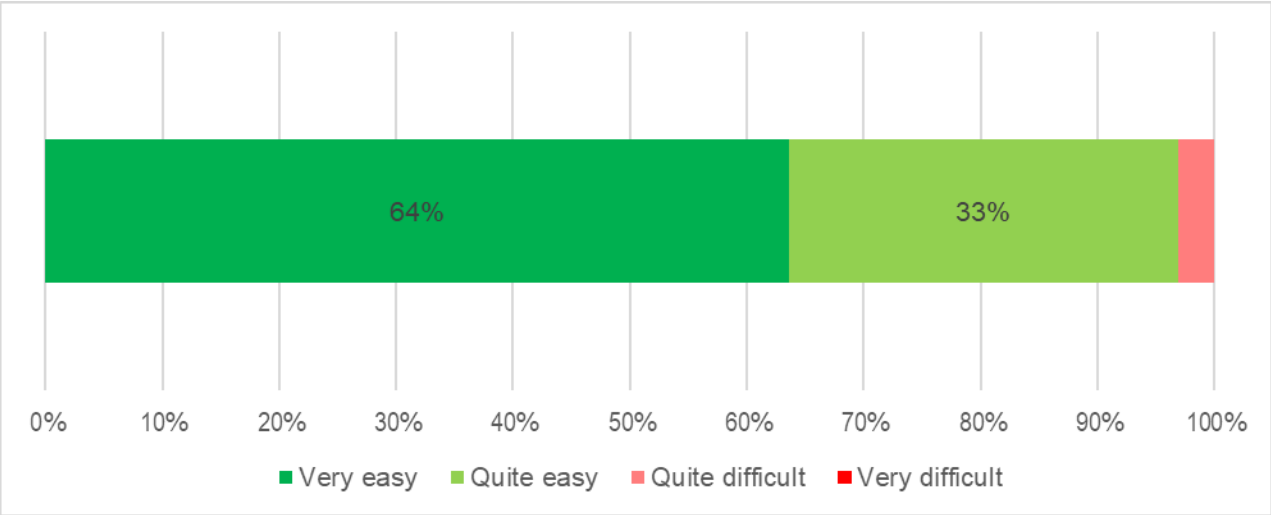
3.1 – Marketing and engagement:

Survey respondents were asked how they heard about DigitalCity and the table below provides analysis of the responses.

How did businesses hear about the scheme?	Count	Percentage of respondents
I was told about it by another organisation.	14	25%
I was contacted directly by Teesside University.	10	18%
I attended a DigitalCity event.	5	9%
I saw some marketing material.	5	9%
I was told about it by another business.	6	11%
I was directed to it by the Government's national business support helpline.	1	2%
I was directed to it by the Growth Hub.	1	2%
Other	9	16%
I can't recall	6	11%

As shown above, most businesses report being made aware of DigitalCity by another organisation (25% of all responses). This suggests that good referral mechanisms were in place and that other organisations felt sufficiently confident about the quality of support offered by DigitalCity to refer businesses to it. It is also worth noting that over a third of businesses (36%) of businesses had either been contacted directly by Teesside University, attended a DigitalCity event, or seen marketing material.

Businesses were asked to indicate whether they found it easy or hard to make contact with the DigitalCity scheme, and as shown in the chart below 64% found it very easy and a further 33% found it quite easy.



Survey respondents were asked if they had any feedback on how initial contact could be improved. Only 1 response was received, and the respondent highlighted that after they made initial contact they did not hear back from DigitalCity and they had to ask the organisation that referred them to the scheme to follow it up.

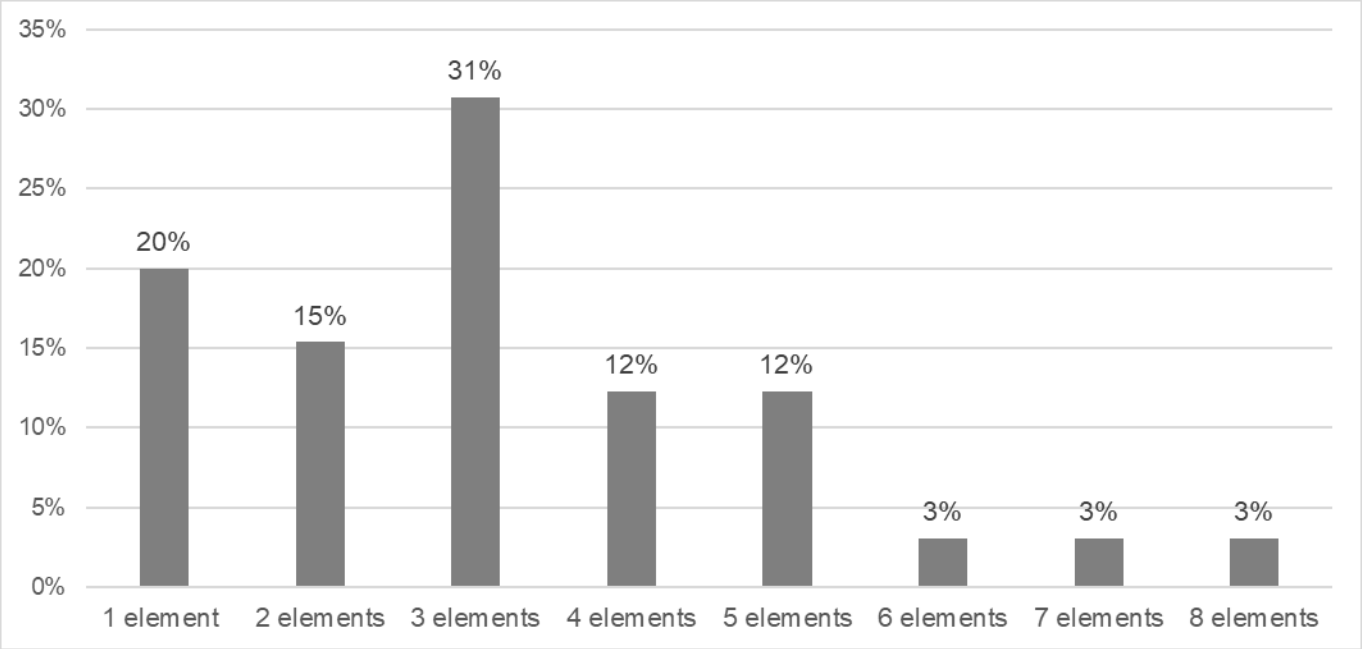
In a related question businesses were asked how easy or difficult they found the application process to join the scheme. 65 businesses answered this question and 95% of respondents stated that it was very easy or quite easy.

3.2 – Provision of business support:

Respondents were asked which of the following forms of support they accessed:

- Digital diagnostic;
- Workshops;
- Boot camp;
- Mentoring or coaching;
- Support from consultants;
- Support from Academics;
- Free access to workspace;
- Grant funding;
- Leadership courses; or,
- Informal support from the DigitalCity team.

Respondents were able to select all the forms of support that they accessed. 67 respondents answered this question and between them identified 204 forms of support they had accessed. As shown in the chart below, only 20% of respondents solely accessed 1 element of support. The most commonly accessed number of elements was 3, with 31% of respondents accessing 3 elements of support.



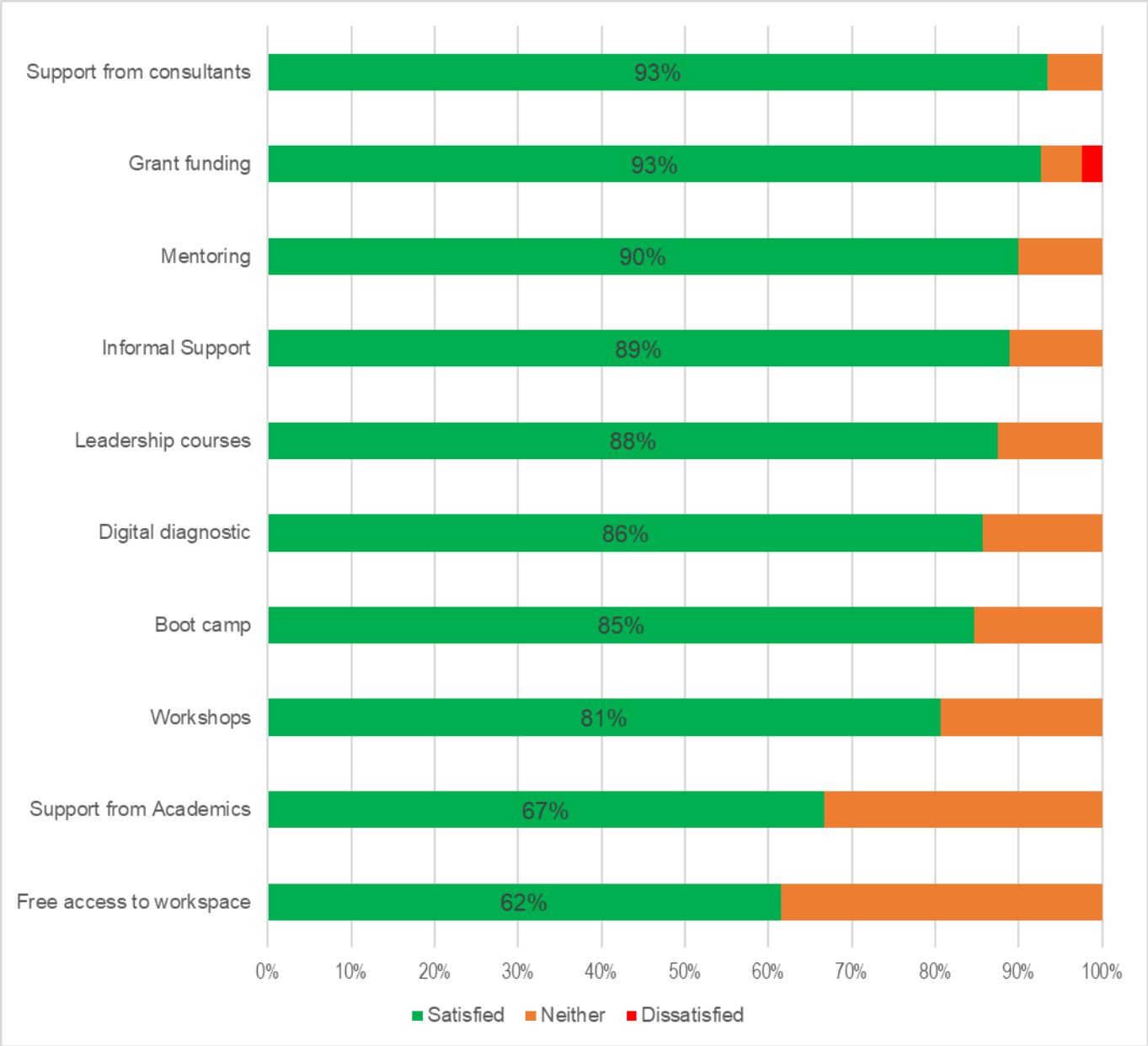
The table on the following page identifies which individual elements of support were most commonly accessed. As shown in the table the three most commonly accessed elements of support were:

- Support from consultants: 55% of respondents accessed this support;
- Grant funding: 55% of respondents accessed this support; and,
- Informal support from the DigitalCity team: 46% of respondents accessed this support.

The least commonly accessed elements of support were boot-camp (6% of respondents); free access to workspace (7% of respondents); leadership courses (10% of respondents); and, support from Academics (10% of respondents). This suggests that the aim to help businesses engage with Academics has only been met in a modest way.

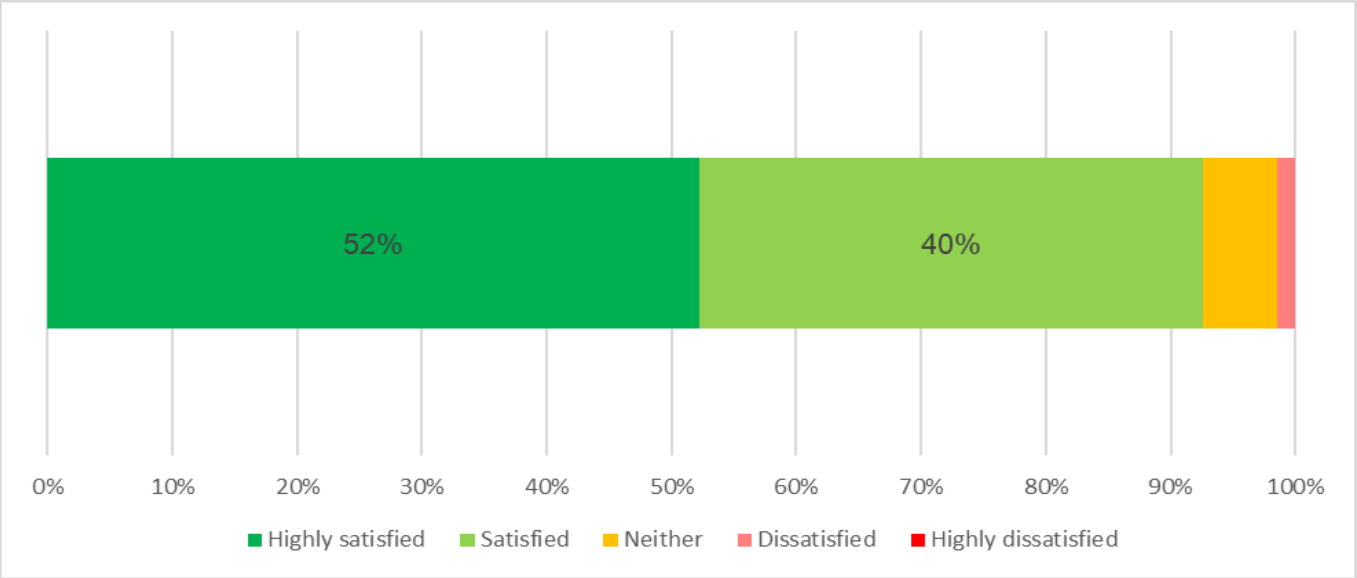
Which elements of support did businesses access?	Count	Percentage of respondents that accessed support	Percentage of total count of support
Support from consultants	37	55%	18%
Grant funding	37	55%	18%
Informal support from the DigitalCity team	31	46%	15%
Digital diagnostic	27	40%	13%
Mentoring or coaching	25	37%	12%
Workshops	24	36%	12%
Support from Academics	7	10%	3%
Leadership courses	7	10%	3%
Free access to workspace	5	7%	2%
Boot camp	4	6%	2%

Businesses were asked to indicate their satisfaction with the support they accessed and the results are shown in the chart below.



As shown in the chart on the previous page, satisfaction ranges from 62% (in relation to free access to workspace) to 93% in relation to support from consultants and grant funding. Satisfaction is 81% or higher for 6 of the 8 elements which suggests that Teesside University has been successful in delivery activities across the scheme to a high standard. It is worth noting that support from Academics has the second lowest satisfaction rating, but the sample size is low given that only 7 respondents accessed this support.

Later in the survey respondents were asked to reflect on the support they accessed as a whole and identify their overall satisfaction with DigitalCity. As shown in the chart below 52% of businesses were highly satisfied with a further 40% satisfied, equating to overall satisfaction of 92%. This is a very high overall satisfaction rating and indicates that the support delivered was of a high standard.



Businesses were asked whether they could identify any aspects of support that could have been improved, and any aspects that they found particularly valuable.

In relation to **suggested improvements**, 43 businesses answered this question but 24 (56% of all respondents) stated that they couldn't identify any improvements. Their comments included:

"*None it is amazing.*"

"*DigitalCity has been absolutely great for our company and could not have been more supportive.*"

"*No, the support and mentorship is world-class it is impossible to put into the words the level of support offered by all the mentors was unbelievable their commitment guidance and belief is the very reason we are where we are now and we will be forever grateful to them.*"

15 suggested improvements were made by businesses but only 3 improvements were identified by 2 or more businesses and they are:

- Deliver more of the support in-person rather than virtually (3 respondents);
- Provide more follow-up contact and support (2 respondents); and,
- Improve partnership working within the University and with other business support providers (2 respondents).

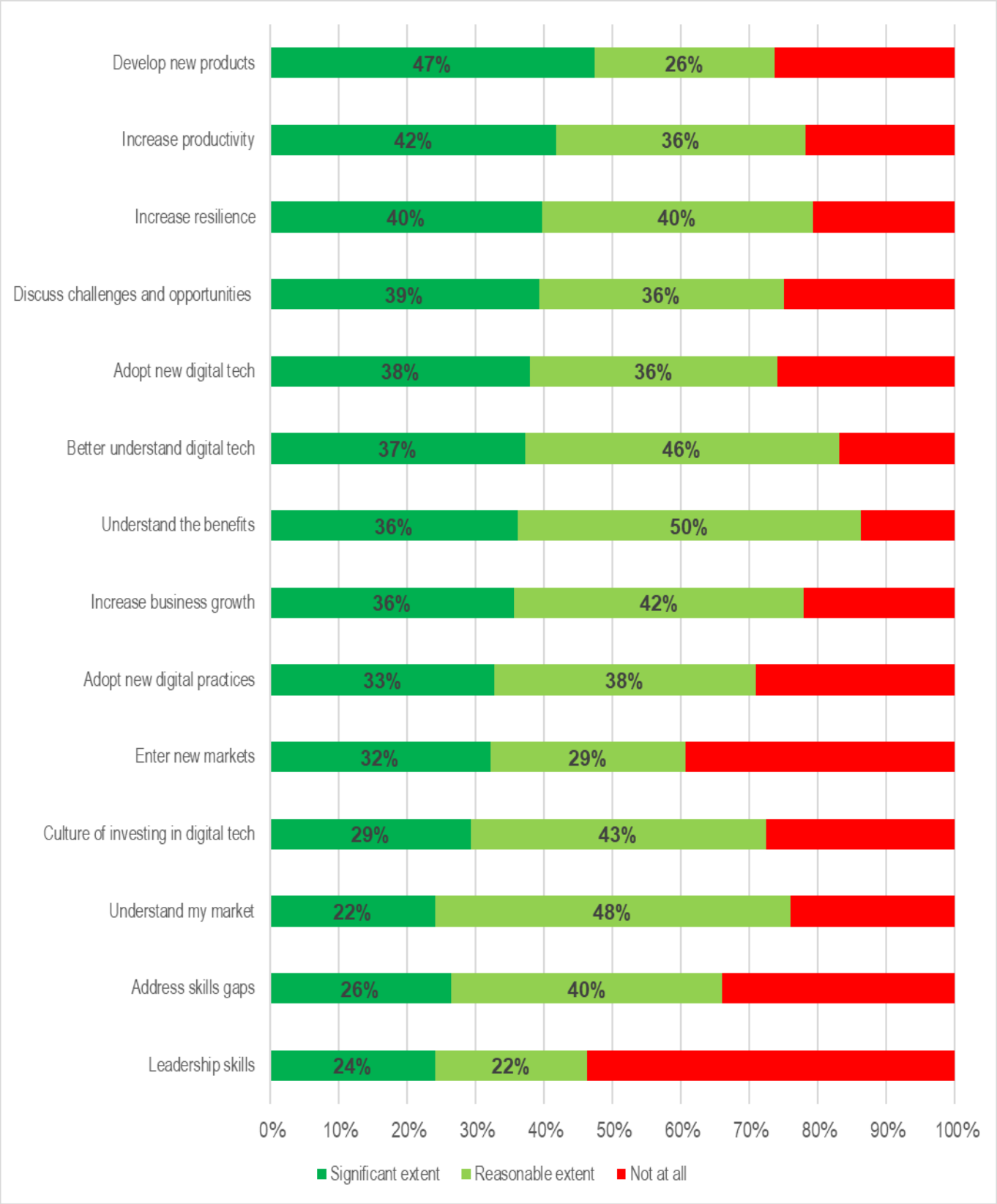
In relation to **areas that were valued**, 44 businesses provided responses and between them identified 53 areas that they valued. It is worth noting that 4 of the 44 businesses said that they valued everything that DigitalCity provided. The following areas were highlighted by 2 or more businesses:

- One-to-one support from Advisors (14 respondents);
- Support from consultants (7 respondents);
- Grant funding (5 respondents);
- Workshops (5 respondents);
- New contacts & network building (4 respondents);
- Thorough diagnostic (3 respondents);
- Business start-up advice and support (2 respondents);
- Pitch deck and pitching support (2 respondents);
- Support to develop and use mobile apps (2 respondents); and,
- Mentoring (2 respondents).

These suggestions are shown visually in the word cloud below.

3.3 - Benefits from accessing support:

The survey asked businesses to identify the extent to which they have gained a series of benefits as a result of accessing support from DigitalCity. Businesses were able to select whether the benefit had been realised to either a significant extent; reasonable extent; or, not at all. The chart below contains the analysis of responses received from 67 beneficiaries.



As shown in the chart above, businesses identified that they received a wide range of benefits. The three benefits with the highest proportion of businesses stating that they had been realised to a significant extent are:

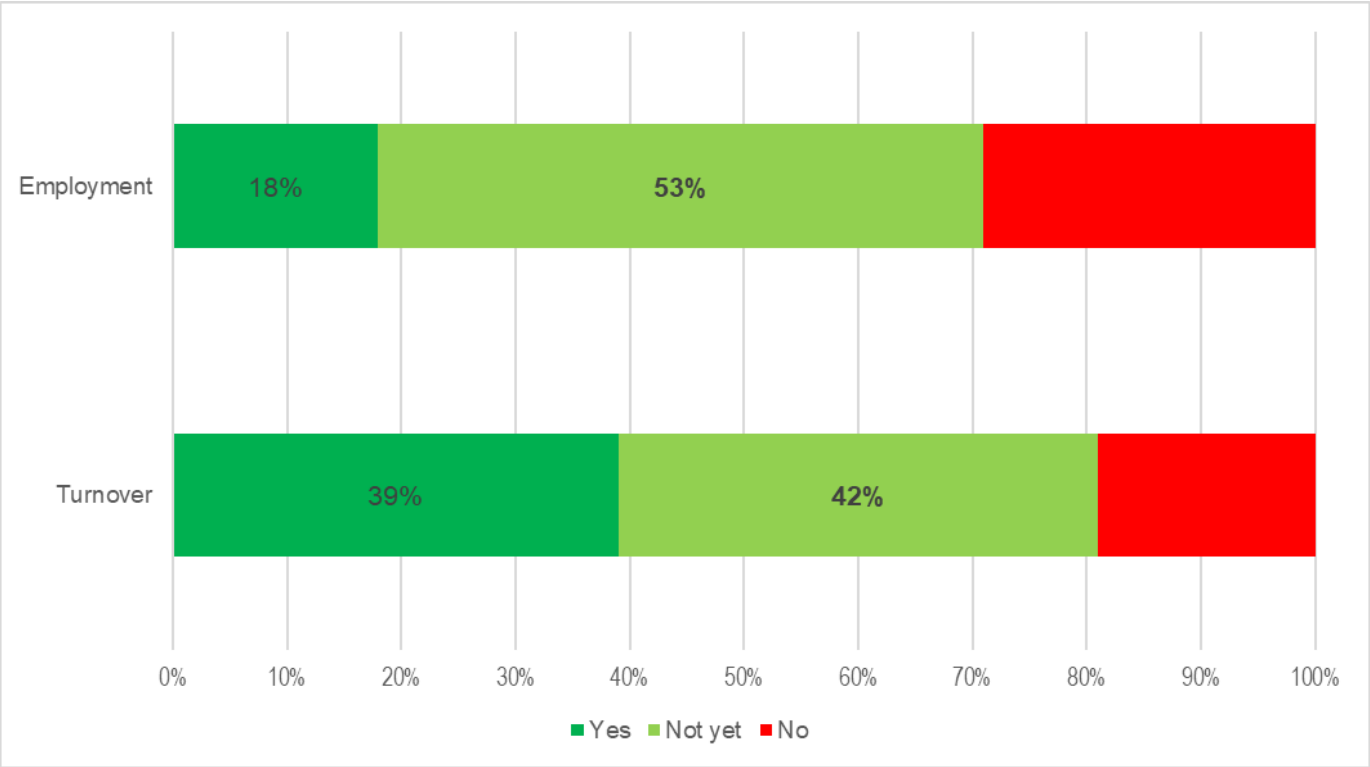
- Develop new products, services or processes: 47% of businesses;
- Increase productivity: 42% of businesses; and,
- Increase business resilience: 40% of businesses.

When the scores for significant and reasonable extent are combined the following three benefits are identified as most strongly felt:

- Better understand the benefits of adopting digital technologies and practices: 86% of businesses;
- Better understand digital technologies and practices: 83% of businesses; and,
- Increase business resilience: 79% of businesses.

Businesses were also asked whether turnover and employment levels had risen following support from DigitalCity. The table and chart below summarise the responses received.

	Yes		Not yet but we expect it will		No and we don't expect it to	
	Count	%	Count	%	Count	%
Turnover	26	39%	28	42%	13	19%
Employment levels	12	18%	35	53%	19	29%



As indicated above, businesses are more positive about changes in turnover following support with 39% saying turnover has already risen versus 18% in relation to employment. However,

53% of businesses expect that employment levels will rise compared to 42% for turnover. This may suggest that businesses see turnover rise and then consider increasing employment levels.

Businesses that stated that either their turnover or employment levels had already risen, or were expected to rise were asked to provide actual data for 2021/22 and forecast data for 2023/24. Analysis of responses from businesses are provided in the table below.

	2021/22	2023/24
Total turnover	£19,766,891	£25,099,976
Number of firms that provided data	45	45
Average turnover	£439,264	£557,777
Average turnover change		£118,513
Total employment	306	382
Number of firms that provided data	42	42
Average employment	7.3	9.1
Average employment change		1.8

As seen above, **businesses supported by DigitalCity forecast an average turnover rise of £118,513 per year over 3 years and an employment rise of 1.8 staff.**

It is worth noting that as this data includes a forecast to 2023/24 it is not possible to compare the cohort of supported businesses to the performance of the sector across Tees Valley. However, for context it is worth noting that total employment in the Tees Valley has risen modestly from 264,000 in 2019 to 270,000 in 2021 (Source) – a rise of 2.3% outperforming the rise across the UK over the same time period of 1%. However, looking at the Arts, Entertainment and Recreation sector (which includes creative and digital businesses) from 2019 to 2021 total jobs in the Tees Valley fell by 25% from 6,000 in 2019 to 4,500 reflecting significant challenges associated with the outbreak of COVID-19. The performance of businesses supported by DigitalCity should be set against this challenging context.

Businesses were asked how much of the actual or expected change in turnover and employment levels they would attribute to the support from DigitalCity. **Businesses attribute 28% of turnover change and 32% of employment change. This equates to £33,184 of attributed turnover change and 0.58 FTE of attributed employment change.**

Businesses were asked whether they felt they received any of the following wider benefits:

- Enhanced confidence;
- Made new connections with other businesses;
- Made new connections with other support providers; or,
- Secured wider investment.

The table below shows the extent to which businesses received these wider benefits.

	Significant extent	Reasonable extent	Not at all
Enhanced confidence	35%	45%	19%
Made new connections with other businesses	40%	32%	27%
Made new connections with other support providers	32%	44%	23%
Secured wider investment	21%	24%	55%

Combining the significant and reasonable extent categories, the wider benefit that was experienced most strongly was confidence (81% of businesses experienced it to a significant or reasonable extent); followed by making connections with other support providers (77% of businesses experienced it to a significant or reasonable extent).

Finally, businesses were asked whether, following support from DigitalCity they had gone onto invest more in digital technology. **57% of businesses stated that they had made further investment and on average this spend was £26,600** (across 35 businesses that provided this data).

3.4 – Delivery and management conclusions:

The section below addresses the specific prompts issued by the Department (DLUHC) in the Summative Assessment guidance relating to scheme performance.

Was the scheme well managed? Were the right governance and management structures in place and did they operate in the way they were expected to?

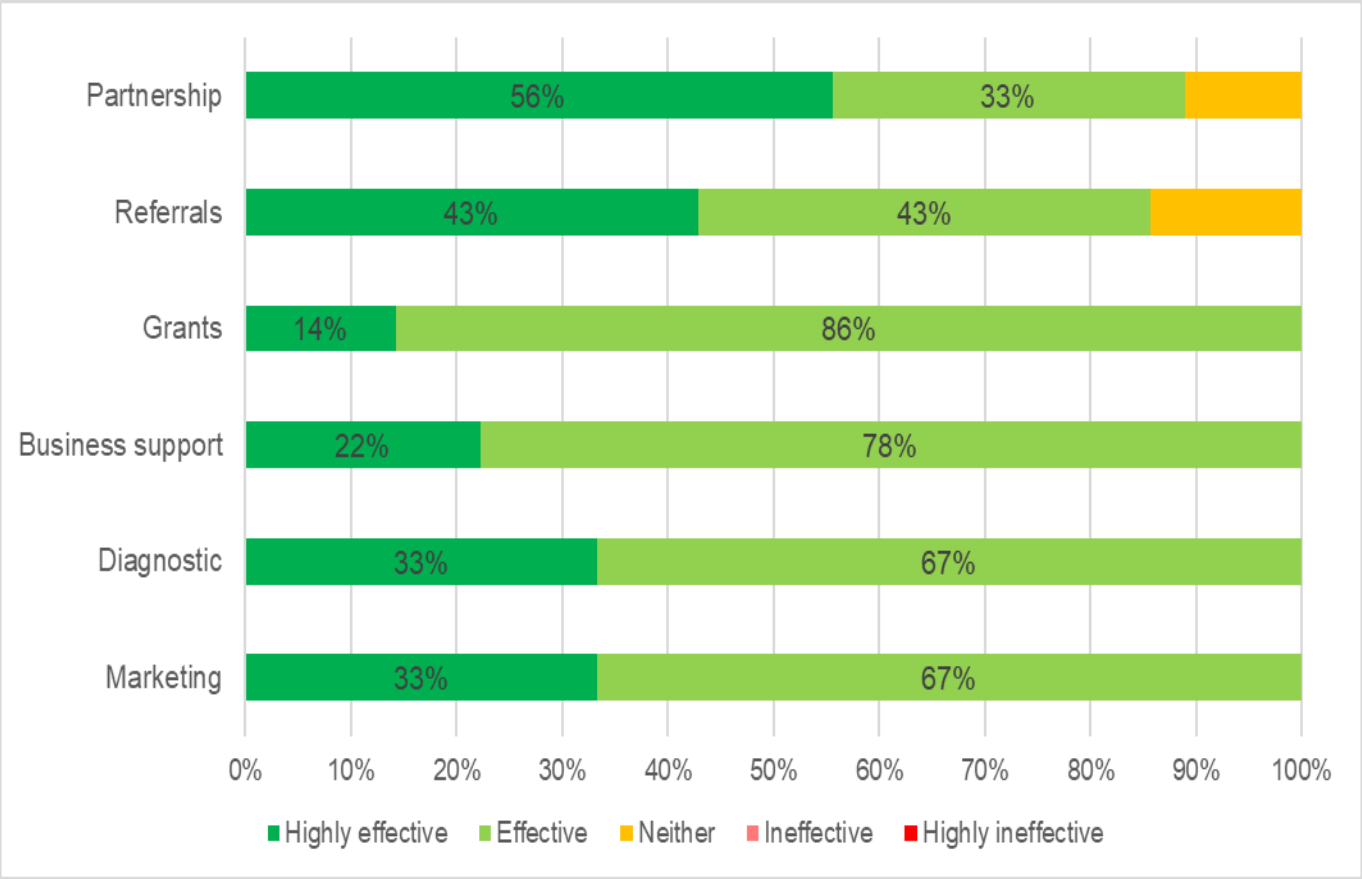
The scheme was well managed, and the delivery team were effective in responding to the rapidly changed circumstances brought about by the COVID-19 pandemic. As reporter earlier, the delivery team were also effective in adapting to the delivery model as it became clear that academic input would be more modest than initially envisaged.

Stakeholders were asked the following question: 'to what extent do you agree or disagree that the scheme has had effective governance processes and procedures?' 9 stakeholders answered this question and 4 stated that they didn't know. The remaining 5 all stated that they either agreed (3) or strongly agreed (2) with the statement.

Has the scheme delivered its intended activities to a high standard?

Analysis of feedback from beneficiaries demonstrates that overall satisfaction with the quality of business support is very high, with 92% of businesses reporting that they are satisfied or highly satisfied. Satisfaction rates with individual elements of support do vary with the lowest rating for free access to workspace (62% satisfaction) and the highest rating for support from consultants (93% satisfaction).

Feedback from stakeholders is similarly positive as shown in the chart below, with all 9 respondents reporting that four of the six areas were effective or highly effective.



Could the delivery of the scheme have been improved in any way?

As reported earlier, beneficiaries were asked to identify potential improvements. 43 businesses answered this question but 24 (56% of all respondents) stated that they couldn't identify any improvements. Their comments included: "*DigitalCity has been absolutely great for our company and could not have been more supportive.*"

15 suggested improvements were made by businesses but only 3 improvements were identified by 2 or more businesses and they are:

- Deliver more of the support in-person rather than virtually (3 respondents);
- Provide more follow-up contact and support (2 respondents); and,
- Improve partnership working within the University and with other business support providers (2 respondents).

Based on this feedback it appears that DigitalCity's delivery of business support was effective. This finding is corroborated by feedback from stakeholders as highlighted on the previous page.

Did the scheme engage with and select the right beneficiaries? Were the right procedures and criteria in place to ensure the scheme focused on the right beneficiaries?

The Full Application submitted in 2019 highlighted that DigitalCity would: '*increase growth and productivity in SMEs operating in the digital sector, support the adoption of digital technologies and practices in other sectors through cross-fertilisation and the demonstration of best practice. The key focus of this project will be the development of capacity within client companies to grow and increase productivity.*'

The Full Application highlighted that DigitalCity would both seek to support firms in the digital sector to grow, and support firms in wider sectors to adopt digital technologies. The project also committed to supporting early stage and established firms.

Analysis of survey results reveals that Middlesbrough is significantly over-represented considering the size of its SME population. Redcar and Cleveland, and Stockton-on-Tees are also slightly over-represented whereas Darlington is significantly under-represented, and Hartlepool is slightly under-represented. Whilst the sample size is reasonable, it is not possible to state with confidence that these trends are also present in the total number of businesses supported by DigitalCity. However, the University's presence in Middlesbrough may naturally lead to businesses in the area having strong connections with DigitalCity.

Interestingly the interim evaluation completed in May 2022 by the University found that beneficiary businesses were disproportionally concentrated in two of Tees Valley's five local authority areas with 36% of the businesses based in Stockton-on-Tees and 32% based in Middlesbrough.

58% of survey respondents stated that they operated in the digital sector, indicating that the scheme was successful in attracting and supporting businesses in this sector. A further 15% of businesses were in the creative sector, and the remaining 27% of survey respondents operated in other sectors.

DigitalCity appears to have had effective procedures and criteria in place to ensure the scheme focused on the right beneficiaries.

How are the scheme's activities perceived by stakeholders and beneficiaries? What are their perceptions of the quality of activities?

As highlighted earlier, both beneficiaries and stakeholders are highly positive about the scheme's activities.

To what extent have the horizontal principles been integrated into and shaped delivery?

In relation to **sustainable development** the Full Application highlighted that 'project delivery will mitigate against negative environmental impact through compliance with the University's commitment to sustainable practice and sustainability.' The application highlighted that the University operates in line with the ISO14001 international standard with measures including:

- the use of environmental management systems;
- the presence of a Green Travel Plan with interventions including cycle to work initiatives and electric vehicle charging points;
- effective waste management with over 20% of the University's waste separated into recyclables on campus and no commercial waste sent to landfill; and,
- sustainable procurement with environmental issues are considered in the procurement of all goods, services and works supplied to the University.

These measures were operated in practice, and DigitalCity's overall carbon footprint was considerably lower than forecast given the shift to online delivery necessitated by the COVID-19 pandemic.

Stakeholders were asked whether they could identify any ways in which DigitalCity had considered sustainable development issues. 25% of stakeholders said that no they couldn't identify how the scheme had considered these issues and the remaining 75% said that they weren't sure.

In relation to **equality and diversity** the Full Application highlighted that DigitalCity would be delivered in accordance with the Public Sector Equality Duty as defined in the Equality Act. Specifically, the application outlined that the '*recruitment of staff, interns, graduate for business placements and the delivery of support will be carried out in accordance with these policies*.' The application also highlighted that '*project delivery will be across the Tees Valley and will support companies operating in areas with some of the highest levels of social and economic deprivation in England. The project will have a direct impact on these communities and jobs created are likely to benefit these communities.*'

Further specific measures included the '*provision of sign language support, access to and provision of special equipment, such as hearing loops and large screen computers. Delivery of support will be provided in fully accessible locations and feedback from participants will be used to inform future delivery.*'

These measures were delivered in practice, though the shift to online delivery meant that considerations around venues were not required for a period of time. The University made best efforts to track and report on the status of beneficiaries in relation to disability, age, gender and ethnicity. However, the provision of this data by beneficiaries is not compulsory and the actual records were not complete enough to enable the evaluation team to analyse management data.

Stakeholders were asked whether they could identify any ways in which DigitalCity had considered equality and diversity issues. 25% of stakeholders said that no they couldn't identify how the scheme had considered these issues and the remaining 75% said that they weren't sure.

Overall, the evaluation team conclude that DigitalCity made strong efforts to integrate the horizontal themes of sustainable development and equality and diversity.

Chapter 4 – Outcomes and Impacts

4.1 – Forecast outcomes:

The logic model forecast the following outcomes:

- Increased employment;
- Increased Gross Value Added (GVA);
- Greater level of investment in supported SMEs; and,
- Improved survivability rate in new SMEs.

This section of the report analyses the extent to which DigitalCity has made progress on these outcomes.

4.1.1 – Increased employment:

Employment increase has been calculated using both survey and management data. Analysis of the scheme's management data suggest the supported businesses had a collective workforce that extended to around 2,463 full-time equivalent (FTE) staff at the point of engagement with DigitalCity.

Analysis of survey data suggests that on average supported businesses are forecast to grow by around 1.81 FTE. DigitalCity is forecast to support 380 businesses by June 2023. Applying the average employment change (1.81) to these 380 businesses results in 688 FTEs. At present it is considered that the supported businesses currently employ around 3,151 FTE staff (2,463+688), representing around 1.1% of all Tees Valley FTE jobs.

Accepting that not all growth can be attributable to the support provided by the DigitalCity scheme, further findings from the business survey suggest that 32% of FTE jobs growth can be attributed to the support received from DigitalCity, equating to +220 FTE jobs, with the rest of the jobs growth (468 FTEs) effectively being 'deadweight' – i.e. growth that has occurred irrespective of the support.

Alongside removal of deadweight effects, adjustments for Leakage, Displacement and Indirect and Induced (multiplier effects) have also been made to the estimate of attributable gross FTE employment impacts to derive estimates of net additional FTE employment impacts to the tees Valley labour market.

These adjustments are as follows:

- **Leakage (-14.4%)** – Leakage occurs where some outcomes benefit those outside of the target area or group. The figure of 14.4% reflects FTE jobs filled by those living outside of TV, based on known commuting trends taken from Census data.

- **Displacement / Substitution (-19.5%)** – Displacement effects occur when the benefits are offset by a reduction in outcomes elsewhere in the target area and Substitution effects refers to those individuals or businesses that change their behavior to take advantage of public sector assistance (when they might anyway have achieved the outcome with private means). The figure of 19.5% reflects new jobs created that could 'crowd out' other FTE jobs within the TV labour market. Estimates are based on HCA Additionality Guide ready reckoner evidence for sub-regional displacement among business development and competitiveness activities. Substitution effects are likely negligible.

- **Indirect and induced (multiplier effects, 1.70)** – Comprising a Type 1 (Indirect) multiplier of 1.55 to reflect business spending within the supply chain, taken from ONS Input-Output tables by relevant sector (Digital, Creative Industries) and a Type II (induced) multiplier of 0.15 reflecting wider spending by direct and indirectly supported employees.

A summary of net adjustments is provided below.

	Adjustment	FTE jobs
Gross Attributable FTE jobs	-	220 FTEs
Gross FTEs less Leakage	-14.4% (-32 FTEs)	188 FTEs
Gross FTE less Displacement	-19.5% (-38 FTEs)	152 FTEs
Indirect and Induced effects	*70% (+106 FTEs)	258 FTEs
Total Attributable Net FTE jobs	**258 net FTEs**	

On this basis, it is estimated that **DigitalCity has supported the creation of 258 net additional FTE jobs** (152 net FTEs supported directly within the business beneficiaries plus 106 additional indirect and induced FTEs). We therefore conclude that the scheme has made strong progress on the forecast outcome of increased employment.

4.1.2 - Increased Gross Value Added

Modelling of employment-related GVA impacts has also been completed, based on both gross attributable FTE jobs (+220 gross FTEs) and net additional FTE job estimates (+258 FTEs). The approach taken has involved application of relevant sector-based GVA per FTE benchmarks applied to both gross and net FTE jobs forecasts.

GVA per FTE job benchmarks by sector have been derived by dividing relevant sector GVA contributions for the Tees Valley by equivalent FTE jobs within each sector and an adjustment has then been made reflect current day (2023/24) prices.

Across the relevant sectors (Digital and Creative industries), this derives a blended composite GVA per FTE job benchmark of £75,707, which has been applied to those FTEs supported directly with the businesses benefitting from the support (direct FTEs). For indirect and induced FTE jobs, a TV-wide benchmark of £58,105 per FTE job has been used, reflecting the fact that those jobs could fall into a range of sectors.

These benchmarks have then been applied to annual profiles of gross and net FTEs. The PwC/BIS national RDA evaluation (2011) established the levels of persistence that can be claimed for different types of intervention, including business support, and the levels of persistence defined have since become recognised standard practice in economic appraisal nationally. A prudent view (consistent with the BIS research) is that the FTEs will persist within the labour market for three years. In practice it is likely that many jobs will be sustained for significantly longer than the first three years.

Finally, the cumulative GVA impacts (both gross and net) have been discounted at 3.5% per year, as per the HMT Green Book suggested discount rate. This enabled reporting in Net Present Value (NPV) terms, as per the Green Book.

A summary of gross and net annual and cumulative GVA impacts is provided below.

	Gross FTE jobs	Net FTE jobs
Direct FTEs	220 FTEs	152 FTEs
Indirect and Induced FTEs	-	106 FTEs
GVA per direct FTE (Digital and Creative industries)	£75,707 per FTE	£75,707 per FTE
GVA per Indirect and Induced FTE	-	£58,105 per FTE
Total Annual GVA impact	£16,658,315	£17,656,140
GVA impact over three years (by 2026/27)	£49,974,944	£52,968,419
Cumulative GVA over three years at NPV	£48,557,624	£51,466,203

This analysis reveals that **DigitalCity is forecast to create £49,974,944 in cumulative gross GVA and £52,968,419 in cumulative net GVA by 2026/27.**

When applying a standard discount factor (HMT Green Book Discount Rate), it is estimated that the scheme will support around £48,557,624 in gross GVA at NPV or £51,466,203 in net GVA at NPV. We therefore conclude that the scheme has made strong progress on the forecast outcome of increased Gross Value Added.

4.1.3 - Greater level of investment in supported SMEs

As highlighted earlier, the survey asked businesses whether they had invested in digital technology in the 3 years prior to accessing support from DigitalCity. 30% had not invested at all, and a further 56% had invested but only in a minor way. The most commonly identified barriers were lacking finance (42% of all identified barriers); lacking information (21% of all identified barriers); uncertainty over the benefits (21% of all identified barriers); and, costs being too high (16% of all identified barriers).

The survey also asked businesses whether, following support from DigitalCity they had gone onto invest more in digital technology. 57% of businesses stated that they had made further investment and on average this spend was £26,600 (across 35 businesses that provided this data). If 57% of the 380 businesses forecast to be supported by the scheme by June 2023 deliver the same average level of additional investment this equates to £5,772,200 in total.

Overall we conclude that the scheme has made strong progress on the forecast outcome of supported businesses delivering greater levels of investment.

4.1.4 - Improved survivability rate in new SMEs

The survey asked respondents when their business started trading, when they accessed support from DigitalCity, and whether the business was still trading. 62 businesses answered all three questions and the table below summarises responses.

Business status when they engaged with support	Count	Percentage	Still trading?	No longer trading?
Not formed	6	10%	5 (83%)	1 (17%)
Being formed (less than 12 months old)	10	16%	9 (90%)	1 (10%)
Established	46	74%	45 (98%)	1 (2%)

As shown above, 10% of survey respondents had not started their business when they first engaged with DigitalCity and a further 16% were in the process of forming their businesses. Of the 10% of businesses that had not been formed 83% stated that the business was still trading in 2023, and of the 16% of businesses that were being formed 90% were still trading in 2023.

The table below examines the details of the 26% businesses that had not been formed or were being formed when they first engaged with DigitalCity, and stated that they were still trading in 2023. The survival rate for the two categories are compared with the business survival rate (Source) from 2016 to 2020 in the North East.

Business status	Year business formed	Respondent count	Survival period	Survival rate in the North East	Supported business survival rate
Not formed	2018	0	5 years	39.9%	83%
	2019	0	4 years	46.3%	
	2020	2	3 years	56.1%	
	2021	1	2 years	72.9%	
	2022	2	1 year	94.9%	
Being formed	2018	1	5 years	39.9%	90%
	2019	2	4 years	46.3%	
	2020	0	3 years	56.1%	
	2021	6	2 years	72.9%	
	2022	0	1 year	94.9%	

Whilst the sample size from the survey is very small it does appear that supported businesses achieve a better survival rate than the North East average.

4.2 – Forecast impacts:

The logic model forecast the following impacts:

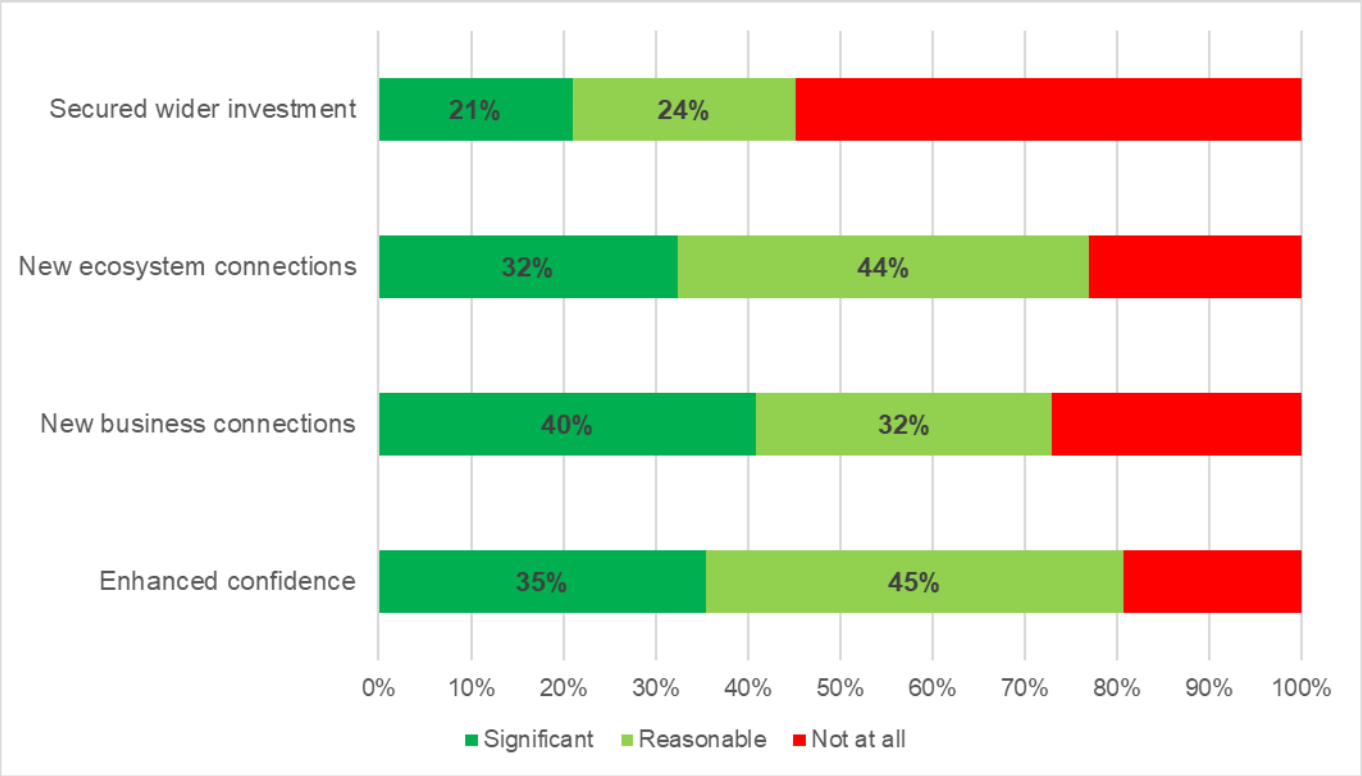
- Increased strength in depth within the sector which will grow confidence, understanding and collaboration between businesses in the tech sector.
- Increase in number of regional SMEs growing and increasing market penetration.
- Increase in digital skills within businesses through both the employment of new staff but also supporting those already in the business to have a greater understanding of technology.
- Improved productivity across sectors.
- Overall improvement in support infrastructure for SMEs in the Tees Valley.

This section of the Summative Assessment explores the extent to which the scheme has delivered on each of these wider intended impacts.

1. Increased strength in depth within the sector which will grow confidence, understanding and collaboration between businesses in the tech sector.

As reported earlier, the business survey asked respondents to identify whether they felt they received any wider benefits which were selected to reflect this first forecast impact. Specifically, businesses were asked 'to what extent have you received any of these following potential wider benefits':

- Benefitted from enhanced confidence;
- Made new connections with other businesses;
- Made new connections with other support providers; or,
- Secured wider investment.



As shown in the chart above, in relation to increased confidence 35% of businesses said that they have gained this benefit to a significant extent with a further 45% reporting the benefit was gained to a reasonable extent, so 80% in total. On this basis DigitalCity has indeed built the confidence of supported businesses.

In relation to collaboration, 72% of businesses stated that they had made new business connections to a significant (40%) or reasonable (32%) extent. And 76% of businesses reported that they had made new connections with other support providers (shown as new ecosystem connections in the chart) wit 32% to a significant extent, and 44% to a reasonable extent. Furthermore, when asked what aspects of support they particularly valued, businesses highlighted new contacts and network building as one of the key aspects.

2. Increase in number of regional SMEs growing and increasing market penetration.

In order to test progress on this impact the evaluation team firstly asked businesses that completed the survey to indicate whether their turnover had risen following support. 39% of businesses stated that turnover had already risen and a further 42% stated that they forecast that turnover will rise.

Businesses that stated that either their turnover had already risen, or were expected to rise were asked to provide actual data for 2021/22 and forecast data for 2023/24. Analysis of responses from businesses are provided in the table below.

	2021/22	**2023/24**
Total turnover	£19,766,891	£25,099,976
Number of firms that provided data	45	45
Average turnover	£439,264	£557,777
Average turnover change		£118,513

As seen above, businesses supported by DigitalCity forecast an average turnover rise of +£118,531 per year over the 3 years from 2021/22 to 2023/24. This indicates that the scheme has indeed supported businesses to grow. This is also evidence in employment data with supported businesses forecasting 1.8 additional full-time equivalent (FTE) staff from 2021/22 to 2023/24.

It is also worth noting that businesses reported gaining a better understanding of their market as an outcome of support from DigitalCity. 78% of businesses reported that they had gained a better understanding of their market either to a significant (29%) or reasonable (48%) extent.

Furthermore, 72% of businesses reported that as a result of engaging with DigitalCity they had begun to develop a culture of investing in digital technology with the business. 29% of businesses reported that this had occurred to a significant extent, and a further 43% to a reasonable extent.

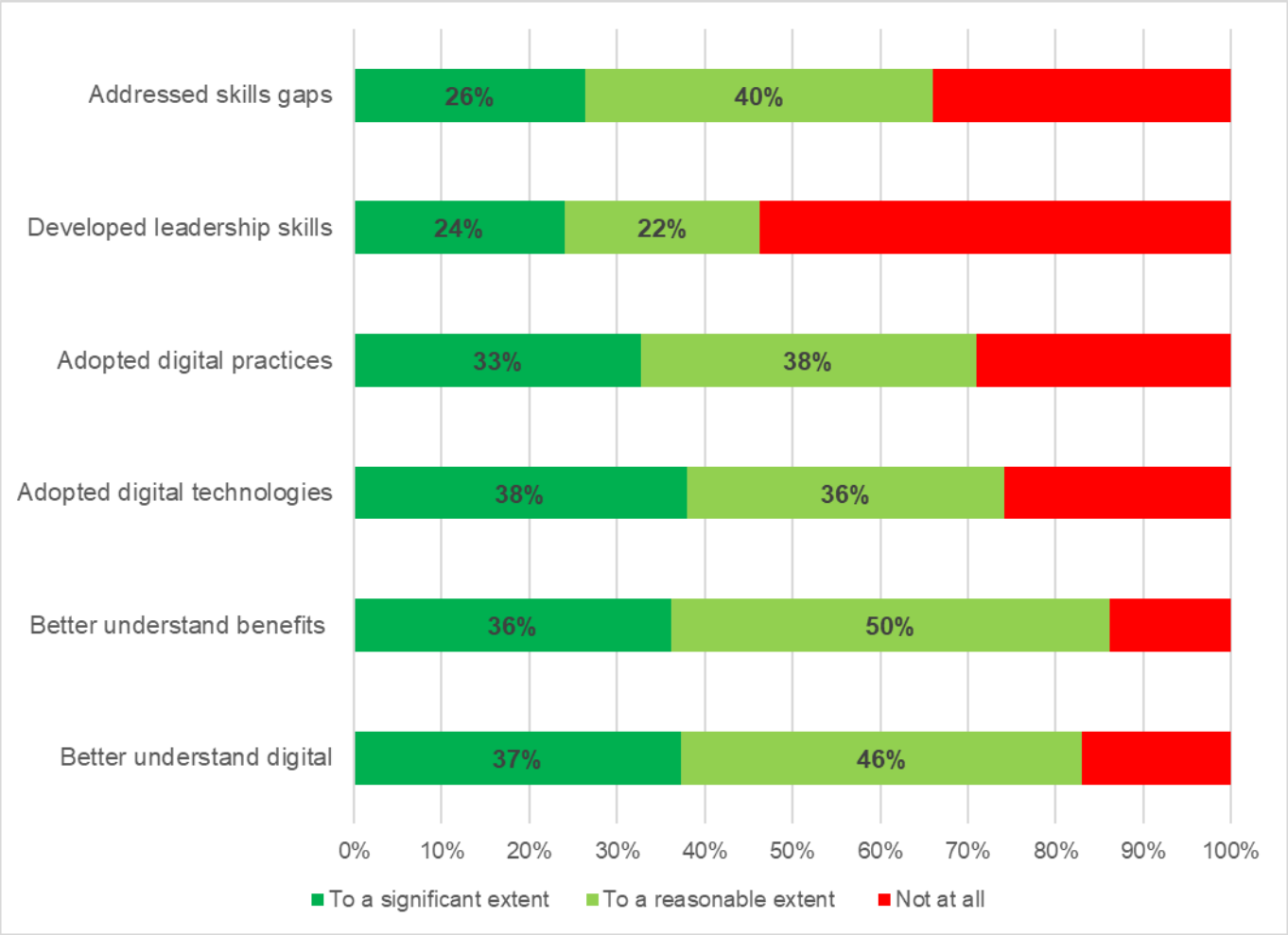
3. Increase in digital skills within businesses through both the employment of new staff but also supporting those already in the business to have a greater understanding of technology.

In order to test progress on this impact the evaluation team asked businesses whether as a result of engaging with DigitalCity they had gained any of the following potential benefits:

- Better understand digital technologies and practices;
- Better understand the benefits of adopting digital technologies and practices;

- Have adopted new digital technologies;
- Have adopted new digital practices;
- Developed leadership skills; or,
- Addressed skills gaps in the business.

The chart highlights the extent to which businesses felt that these benefits were achieved.



As shown above businesses were actually least positive about the benefits specifically focussed on digital skills with just 46% of businesses identifying that leadership skills had been delivered (24% to a significant extent and 22% to a reasonable extent); and, 66% identifying that support had addressed skills gaps (26% to a significant extent and 40% to a reasonable extent). However, the scheme has clearly contributed to this desired impact with 4 in 10 businesses developing leadership skills, and 6 in 10 addressing skills gaps.

The other benefits were experienced to a greater extent and range from 71% (adopted digital practices) to 86% (Better understand benefits of adopting digital technologies and practices). The four slightly wider benefit statements show that through DigitalCity businesses have gained a better understanding of digital technologies and practices and their benefits; and have adopted new digital technologies and practices which will undoubtedly lead to staff gaining new experience and skills.

4. Improved productivity across sectors.

The survey asked businesses to indicate the extent to which they had gained increased business productivity as a result of engaging with DigitalCity. 78% of businesses reported that they increased productivity with 42% to a significant extent and 36% to a reasonable extent.

As reported earlier, the survey asked beneficiaries to identify whether when operated in either the digital sector or creative sector. 62 respondents answered this question and 36 (58%) were in the digital sector and 9 (15%) in the creative sector. The remaining 27% were in a wide range of other sectors.

It is clear therefore that DigitalCity has assisted businesses across a range of sectors to improve their productivity.

5. Overall improvement in support infrastructure for SMEs in the Tees Valley.

As highlighted earlier, the business survey asked respondents to identify whether they felt they received any wider benefits including making new connections with other support providers. 76% of businesses reported this as a benefit, with 32% reporting significant connections with other support providers and 44% reasonable new connections.

Stakeholders were asked how effective they felt DigitalCity was in relation to:

- Referrals to other sources of support; and,
- Partnership working with other organisations supporting similar beneficiaries.

Stakeholders were highly positive on both statements with 86% stating that referrals were effective or highly effective; and, 89% stating that partnership working was effective or highly effective.

Finally, stakeholders were asked to identify whether they believed that support remains available across the Tees Valley from June 2023 onwards to help businesses make best use of digital technology and practices. 78% of stakeholders reported that it is hugely important that this support remains available and a further 11% felt that it was quite important.

On this basis it appears that DigitalCity is viewed as an important scheme within the Tees Valley business support ecosystem. As outlined earlier the high satisfaction rate from businesses also suggests that DigitalCity is valued by beneficiaries.

4.3 – Outcomes and impact conclusions:

The section below addresses the specific prompts issued by the Department (DLUHC) in the Summative Assessment guidance relating to outcomes and impact.

What progress has the project made towards achieving the outcome and impacts set out in its logic model?

As outlined in Sections 4.1 and 4.2 DigitalCity has made strong progress on each of the forecast outcomes and impacts. The Summative Assessment has been able to quantify DigitalCity's contribution to the following outcomes: increased Gross Value Added (GVA); increased employment; and, greater level of investment in supported SMEs.

To what extent are the changes in relevant impact and outcome indicators attributable to the scheme's activities?

The business survey asked beneficiaries to identify whether their turnover and employment had risen following support; provide actual and forecast figures; and outline the attribution to DigitalCity. The analysis of their responses in summarised in the table below.

Businesses that stated that either their turnover or employment levels had already risen, or were expected to rise were asked to provide actual data for 2021/22 and forecast data for 2023/24. Analysis of responses from businesses are provided in the table below.

	2021/22	2023/24
Total turnover	£19,766,891	£25,099,976
Number of firms that provided data	45	45
Average turnover	£439,264	£557,777
Average turnover change		£118,513
Total employment	306	382
Number of firms that provided data	42	42
Average employment	7.3	9.1
Average employment change		1.8

As seen above, businesses supported by DigitalCity forecast an average turnover rise of £118,513 per year over 3 years and an employment rise of 1.8 full-time equivalent (FTE) staff. They attribute 28% of turnover change and 32% of employment change to the support received from DigitalCity.

What are the scheme's gross and net additional economic, social and environmental benefits of the project?

As shown above, business survey evidence has identified that an average of 1.81 FTE jobs were created per business across the 380 supported businesses, totalling 688 gross new FTE jobs created across those businesses receiving support. Of these, around **32% of new jobs within the businesses are attributable to the support provided by DigitalCity, equating to 220 gross FTEs** (32% of 688), with the remaining 468 FTE's removed as 'deadweight'.

Appropriate adjustments for leakage, displacement/substitution and indirect and induced (multiplier) effects have then been made to derive estimates of net FTE jobs supported within the TV labour market.

By this estimate, **DigitalCity has or will support 258 net additional FTE jobs within the TV labour market**, and a prudent view would be that these net FTEs will persist within the labour market for at least three years. In practice it is likely that many jobs will be sustained for significantly longer than the first three years.

Modelling of cumulative GVA impacts against gross and net FTE job forecasts has then been completed for reporting in both cumulative and Net Present Value (NPV) terms.

By this estimate **DigitalCity has or will support a total of around £49,974,944 in cumulative gross GVA and £52,968,419 in cumulative net GVA by 2026/27.**

When applying a standard discount factor (HMT Green Book Discount Rate), it is estimated that **the scheme will support around £48,557,624in gross GVA at NPV or £51,466,203 in net GVA at NPV.**

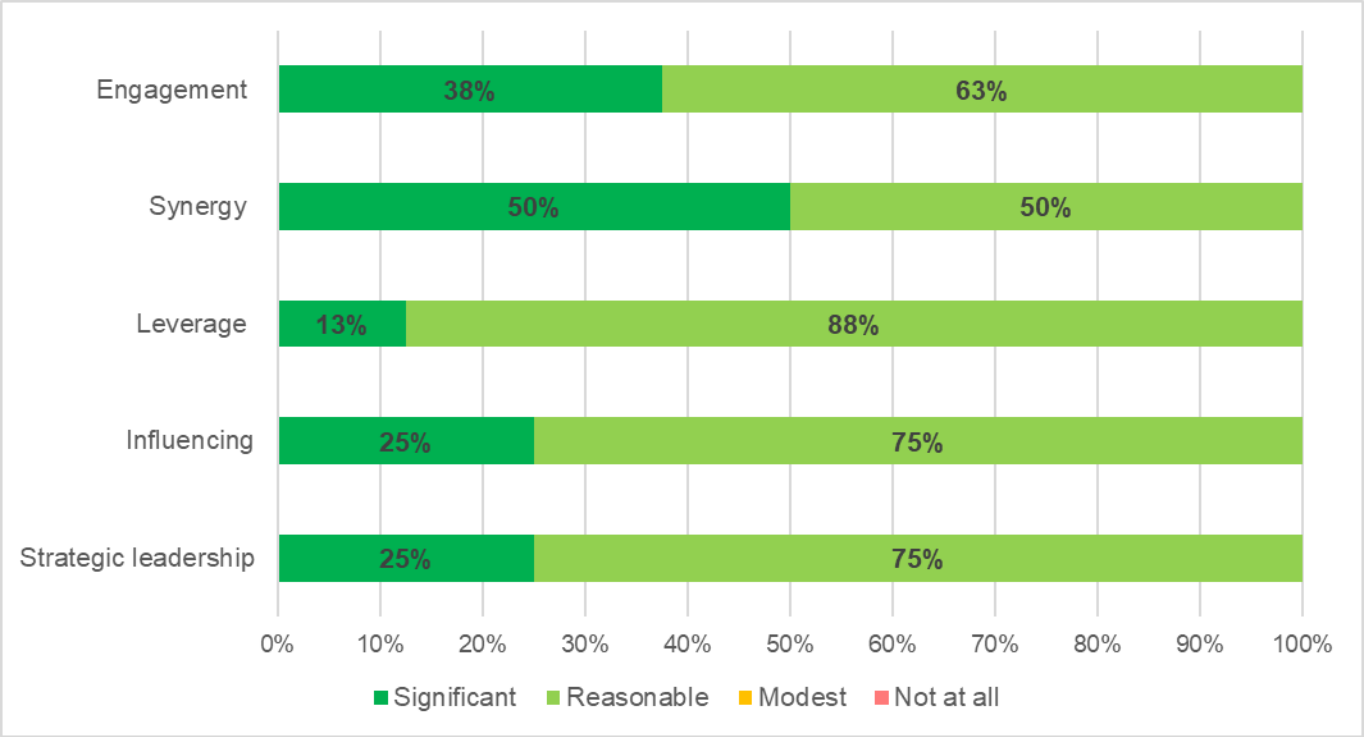
	Gross FTE jobs	Net FTE jobs
Direct FTEs	220 FTEs	152 FTEs
Indirect and Induced FTEs	-	106 FTEs
GVA per direct FTE (Digital and Creative industries)	£75,707 per FTE	£75,707 per FTE
GVA per Indirect and Induced FTE	-	£58,105 per FTE
Total Annual GVA impact	£16,658,315	£17,656,140
GVA impact over three years (by 2026/27)	£49,974,944	£52,968,419
Cumulative GVA over three years at NPV	£48,557,624	£51,466,203

<u>What are the main sources of Strategic Added Value that the scheme has created?</u>

Stakeholders were asked to identify the extent to which they felt Teesside University and the delivery of DigitalCity have delivered the following sources of Strategic Added Value (SAV):

- A strategic leadership role - by articulating regional development needs to partners & stakeholders in the region and elsewhere;
- An influencing role - by getting partners to commit to shared strategic objectives and to allocate resources accordingly;
- Leverage - by providing incentives to mobilise partner and stakeholder resources;
- Synergy - by co-ordinating activity with partners and stakeholders; and,
- Effective engagement - by involving partners & stakeholders in the Scheme's design and delivery.

As shown in the chart on the following page, stakeholders positive about each of the five areas of SAV. They were most positive about synergy highlighting that activity has been effectively co-ordinated across a range of partners and stakeholders. 50% of stakeholders felt synergy had been delivered to a significant extent.


Engagement
38%
63%
Synergy
50%
50%
Leverage
13%
88%
Influencing
25%
75%
Strategic leadership
25%
75%
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
Significant
Reasonable
Modest
Not at all

Chapter 5 – Value for money

As identified in Chapter 4, DigitalCity has supported around 258 net additional FTE jobs and by 2026/27, it is forecast that the scheme will have supported around £52,968,419 in cumulative net GVA within the TV economy, or £51,466,203 in net GVA at NPV.

Against a full delivery cost of £4,498,273 (80% ERDF and 20% match), the scheme it forecast to achieve a **Benefit Cost Ratio (BCR) of 11.44 : 1, meaning that for every £1 of investment in the scheme will bring £11.44 in economic returns within the TV economy.** By this estimate**, DigitalCity represents excellent Value for Money.**

In terms of delivery its, the scheme has derived a unit cost of £11,838 per enterprise supported (380 businesses). The scheme has also delivered an overall 'cost per net FTE job' of £17,441 and although there are very limited available benchmarks to make direct comparisons, against known national cost per job benchmarks (HCA Cost per Job, 2015), this would fall into the 'Low' category, accepting that the national benchmark is more relevant to capital projects.

Perhaps more comparable is a recently completed evaluation of another scheme operating in the North of England which aims to support SMEs adopt digital technologies to support their growth, for when the evaluation team completed the assessment. This scheme achieved a unit cost of £9,875 for enterprises supported (C1 outputs only), with a forecast unit cost of £5,953 per net FTE job. Although the comparison scheme has a slightly different focus, it appears that it was able to achieve greater levels of engagement and employment outcomes at lower cost than DigitalCity.

Chapter 6 – Conclusions

6.1 – Lessons learned:

A workshop was held with the DigitalCity delivery team to discuss their views of areas they feel worked effectively, and areas they would approach differently in a successor scheme. The consensus was that the overall design, focus and delivery model were effective and would remain unchanged in a future, similar scheme. There were a number of minor areas identified that the delivery team would consider approaching differently and they are outlined below for consideration by organisations planning similar activity:

Business engagement in application process – the delivery team would have liked a greater level of business involvement when the Full Application was being drafted. A panel of businesses could have been convened and their views could have directly informed the scheme's design and scope.

Initial pilot period – the delivery team would have welcomed the opportunity to pilot activities in the scheme's first 3 to 6 months. This would have enabled them to test the assumptions made in the Full Application and ensure that the support strands were effective in meeting the evidenced needs of businesses. This approach may have led to support strands being simplified.

Scheme scope – the Creative Fuse element was not included in the original DigitalCity Full Application, and the delivery team highlighted that its later inclusion perhaps reduced the clarity of the offer. The delivery team also felt that perhaps DigitalCity had too many support strands and this was potentially confusing for businesses.

Scale of output targets – the delivery team would ideally have reduced the output targets to enable the scheme to move from being relatively high volume, to a lower volume but higher intensity.

Focus of output targets - the delivery team would prefer to support businesses over a long timeframe, and felt that the output targets encouraged a more transactional approach over a short period of time. The needs of businesses change over time and the delivery team would have preferred that the outputs encouraged support over years rather than weeks and months.

Timing of output targets – the delivery team highlighted that the targets for the final 3 to 6 months of delivery were perhaps too high, and having to ramp activity up as the scheme is ending is highly challenging.

Scheme management and governance – the delivery team highlighted some examples of internal forms and processes making the scheme's administration more complex, and recommended that for future schemes every effort is made to streamline and simplify internal processes enabling time to be focussed on the provision of support. In relation to governance the delivery team suggested that a future, similar scheme could usefully include businesses that have accessed support on the Governance Board so that the views of beneficiaries are used to steer delivery.

6.2 – Feedback for policy makers and funders:

The evaluation team offer the following feedback for funders and policy makers seeking to support businesses to adopt digital technologies and innovate:

i) Carefully consider how the focus of output targets will drive behaviour:

As highlighted in Section 6.2, the delivery team felt that the focus of some of the output targets encourage short-term, transactional support rather than long-term, transformational support. For example, DigitalCity was only able to report a business assisted (C1) once when 12 hours of support or a grant equivalent to £1,000 was achieved regardless of when businesses were supported and the issues that they were supported with. In practice this discourages delivery teams from supporting a business in year 1 and then providing them support as they grow in years 2 and 3. This is especially true when output targets are high and resource then has to be focussed on supporting lots of individual businesses to receive 12 hours of support, rather than supporting fewer businesses over a long timer period to address different challenges and opportunities as they grow.

ii) Seek a balance between the burden of gathering output evidence and the need for probity:

The level of evidence needed to verify outputs and spend was highly challenging, and took valuable time that could have been directed at supporting businesses to innovate and grow. There is a careful balance to strike between financial probity and flexibility, and funders of similar activity should consider how to address this. An approach to consider is reducing the level of evidence required over time as schemes demonstrate their effectiveness at achieving output targets.

iii) Longer-term funding enables schemes to become embedded and facilitates continuous improvement:

DigitalCity benefitted from a relatively long-term funding package, and had a successful predecessor programme. This provided a pipeline of engaged businesses and enabled the scheme to gain traction in the Tees Valley. Longer-term funding enables delivery teams to pilot activity, see what works most effectively and enhance support over time. This approach is not possible with short-term funding cycles which are highly resource intensive, and require delivery organisations to balance operations with seeking further funding.

6.3 – Final conclusions:

As outlined in Chapter 1, DigitalCity was designed to address clear opportunities and challenges including that the Tees Valley has lower business density than the England average, with digital sector jobs accounting for 2.67% of total employment compared to 4.89% across England. However, strengths include the presence of strong sectors which could benefit from digitisation including advanced manufacturing; health and biologics; and, process, chemicals and energy.

The scheme's logic model was clear and coherent with objectives including to:

- Support Tees Valley growth and productivity by increasing capacity of small and medium-sized enterprises (SMEs) in the digital sector.
- Support businesses in all sectors to adopt digital technologies and improve productivity through the digitalisation of products, processes and services.
- Provide a platform for delivery of the Tees Valley digital strategy and develop demand for other business support locally including Business Compass.

The delivery model was clear with Sector Growth Managers employed by Teesside University engaging with businesses, completing diagnostics and identifying the most appropriate package of support. However, the scheme had a considerable number of support strands including Accelerator; Bricks & Clicks; Creative Fuse; Digital Essentials workshops; Industrial; Digitalisation Centre; and, Wider Sector Support. It would be worth considering a different approach in a successor programme – the core offer of workshops, mentoring, support from consultants and academics, and grant funding could perhaps be tailored to beneficiaries informed by the initial diagnostic. This would avoid presenting a complicated offer to businesses.

Despite the perceived complexity of the support it is clear from survey results that the support offered has been highly valued by businesses. The overall 92% satisfaction rating is exceptionally high, and satisfaction was consistently across the majority of individual support strands with the only notable exceptions being access to workspace and support from academics, and in both cases the sample size was too small to support statistically significant analysis.

As highlighted earlier, DigitalCity has delivered considerable benefits for businesses and economic impact for the Tees Valley. By 2023/24 supported businesses forecast creating 1.81 full-time equivalent (FTE) staff and increasing turnover by £118,513 on average. Across the 380 businesses that DigitalCity is forecast to support by June 2023 this equates to 258 net additional FTE jobs and by 2026/27, it is forecast that the scheme will have supported around £52,968,419 in cumulative net GVA within the Tees Valley economy, or £51,466,203 in net GVA at Net Present Value.

The evaluation team concludes that despite some challenges achieving two of the output targets, DigitalCity has delivered considerable value to supported businesses and the Tees Valley overall.

Appendix 1 – Impact calculations using management data

Economic Appraisal Overview
Analysis of Full Time Equivalent (FTE) employment effects and an assessment of employment-related GVA impacts have been completed to inform the economic appraisal of the DigitalCity scheme.

The approach taken has sought to first determine the scale of FTE jobs across the supported businesses, both prior to each business receiving the support (baseline) and at present. This has enabled an overall understanding of employment growth among the supported businesses since receiving the support.

Recognising that not all growth in recent years cannot be attributed to the support received from DigitalCity, an important attribution adjustment has then been made to determine gross FTE employment impacts that can be attributed to the support received – the attribution adjustment effectively removes 'deadweight' from the modelling.

Further adjustments have then been made to determine net additional FTE employment impacts within the Tees Valley labour market, comprising adjustments for leakage, displacement and indirect and induced (multiplier) effects.

An annual profile of net FTE jobs has then developed reflecting the expected time period over which the net FTE jobs are likely to have been/will be achieved, alongside the timeframes over which the net FTE jobs can be sustained within the labour market, drawing on recognised benchmarks for the likely levels of persistence.

Finally, appropriate GVA per FTE job benchmarks by sector within the Tees Valley have then been applied to the projection of net FTE jobs to enable cumulative net GVA impacts to be understood, and alongside reporting of GVA impacts in cumulative terms, impacts are also expressed at Net Present Value (NPV) through discounting in line with the HMT Green Book discount rate, reflecting societies preference to receive benefits sooner rather than later.

Impact Assessment

Gross FTE Employment Effects
Baseline estimates of FTE jobs within the supported businesses prior to receiving support from DigitalCity have been taken from the schemes management data. Through active record keeping, DigitalCity has identified a total of 2,269 FTE jobs among 290 of the 380 businesses it has supported through the scheme, equating to around 7.82 FTEs per business.

Across the 380 businesses receiving support, it is therefore reasonable that the supported businesses had a collective workforce that extended to around 2,972 FTEs at the point of engagement with DigitalCity.

Analysis of survey data suggests that each business on average has since grown by around 1.81 FTE, equating to +688 FTEs post-DigitalCity Support, accepting that not all growth can be attributable to the support provided by the DigitalCity scheme.

Nevertheless, at present it is considered that the supported businesses currently employ around 3,659 FTE staff (2,972+688).

Further findings from the business survey suggest that 32% of FTE jobs growth can be attributed to the support received from DigitalCity, equating to +220 FTE jobs, with the rest of the jobs growth (468 FTEs) effectively being deadweight – i.e. growth that has occurred irrespective of the support.

The table below summarises the gross FTE jobs position in each scenario.

	Gross FTE jobs
Baseline (pre-support)	2,972 FTEs
Post-Support (current position)	3,659 FTEs
FTE jobs growth (actual or expected)	+688 FTEs
Of which attributable to DigitalCity (32%)	+220 FTEs

Net FTE Employment Impacts
Alongside removal of deadweight effects, adjustments for Leakage, Displacement and Indirect and Induced (multiplier effects) have also been made to the estimate of attributable gross FTE employment impacts to derive estimates of net additional FTE employment impacts to the tees Valley labour market.

These adjustments are as follows:

- **Leakage (-14.4%)** – reflecting FTE jobs filled by those living outside of TV, based on known commuting trends taken from Census data
- **Displacement (-19.5%)** – reflecting new jobs created that could 'crowd out' other FTE jobs within the TV labour market. Displacement estimates are based on HCA Additionality Guide ready reckoner evidence for sub-regional displacement among business development and competitiveness activities.
- **Indirect and induced (multiplier effects, 1.70)** – Comprising a Type 1 (Indirect) multiplier of 1.55 to reflect business spending within the supply chain, taken from ONS Input-Output tables by relevant sector (Digital, Creative Industries) and a Type II (induced) multiplier of 0.15 reflecting wider spending by direct and indirectly supported employees.

A summary of net adjustments is provided below.

	Adjustment	FTE jobs
Gross Attributable FTE jobs	-	220 FTEs
Gross FTEs less Leakage	-14.4% (-32 FTEs)	188 FTEs
Gross FTE less Displacement	-19.5% (-37 FTEs)	152 FTEs
Indirect and Induced effects	*70% (+106 FTEs)	258 FTEs
Total Attributable Net FTE jobs	**258 net FTEs**	

On this basis, it is estimated that the support provided by DigitalCity has or will support a total of 258 net additional FTE jobs (152 net FTEs supported directly within the business beneficiaries plus 106 additional indirect and induced FTEs.

Finally, an annual profile of net FTEs has then been developed to consider the persistence of the net FTE jobs. The PwC/BIS national RDA evaluation (2011) established the levels of persistence that can be claimed for different types of intervention, including business support, and the levels of persistence defined have since become recognised standard practice in economic appraisal nationally.

A prudent view (consistent with the BIS research) is that the net FTEs will persist within the labour market for three years. In practice it is likely that many jobs will be sustained for significantly longer than the first three years.

Quantifying GVA impacts

There are a number of methods regularly used to estimate likely GVA returns, either through 'bottom-up' approaches to analysing management accounts, or though 'top down' measures typically completed by applying locally derived benchmarks such as 'GVA per FTE job' or 'turnover to GVA' conversions.

For this assessment a top-down approach has been selected as an appropriate methodology, whereby application of relevant sector-based GVA per FTE benchmarks have been applied to the net FTE jobs forecast.

GVA per FTE job benchmarks by sector have been derived by dividing relevant sector GVA contributions for the Tees Valley (ONS Sub-National GVA Estimates (Balanced Approach), 2019 prices) by equivalent FTE jobs present within each sector (ONS Business Register and Employment Survey, Employment analysis).

Finally, an adjust of +13.87% has then been made to rebase the 2019 prices to 2023 terms, using HM treasury GDP Deflator (April 2023 publication)

The table below shows those relevant sectors used and current GVA per FTE job benchmarks for sectors operating within the Tees Valley. Note, for those FTEs supported directly with the businesses benefitting from the support (direct FTEs), a composite GVA per FTE has been used across those sectors within the digital and creative industries. For indirect and induced FTE jobs, a Tees Valley wider benchmark has been used, reflecting the fact that those jobs could fall into a range of sectors.

2-DIGIT SIC	Sector	GVA per FTE (Tees Valley, 2023 prices)
18	Printing and reproduction of recorded media	£75,918 per FTE
CI (26)	Manufacture of computer, electronic and optical products	£60,924 per FTE
58	Publishing activities	£59,216 per FTE
59-60	Film and TV production, programming and broadcasting	£32,898 per FTE
61	Telecommunications	£147,755 per FTE
62	Computer programming and consultancy	£29,933 per FTE
63	Information service activities	£18,220 per FTE
90	Creative, arts and entertainment activities	£26,029 per FTE
95	Repair of computers, personal and household goods	£156,174 per FTE
Blended	Digital and Creative Industries	£75,707 per FTE
All Sectors	Total Tees Valley	£58,105 per FTE

In applying GVA per FTE benchmarks to the annual profile of net FTE jobs it is estimated that the DigitalCity scheme has or will support a total of £52,968,419 in cumulative net GVA within the Tees Valley.

When applying a standard 3.5% per annum discount factor to the net GVA profile (HMT Green Book Discount Rate), it is estimated that the scheme will support around £51,466,203 at NPV.