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**Title:** Digital Adoption UKSPF  
**Report of:** Phil Witcherley. Director of Economic Growth and Innovation  
**Portfolio:** Home to a Growing and Vibrant Economy

## **Summary**

This report outlines the case in support of the request for £480,000 of UK Shared Prosperity Fund (UKSPF) to deliver a programme of activity supporting an increase in Digital Adoption across the North East SME base. The programme will be designed to **help businesses (primarily SMEs) harness digital technologies** to improve productivity, resilience, and service delivery.

This request is to approve the allocation of £480,000 UKSPF through the Local Business Support priority, in order that a call can be launched via the Dynamic Purchasing System (DPS) and a delivery partner appointed through that process.

Decision No. 65/01/25(15) of the Cabinet meeting held on 28 January 2025, Cabinet resolved that:

- Authorise the Chief Executive, in consultation with the Director of Finance and Investment, Monitoring Officer and relevant Cabinet Member to approve project applications and contracts brought forward through the approved Made Smarter, UK SPF and Economic Inactivity Trailblazer Delivery Plans, in line with the North East CA Single Assurance Framework.

Delivery will begin immediately following approval, with financial completion due by the UKSPF transition year end date of March 31<sup>st</sup>, 2026.

## **Recommendations**

The Chief Executive is recommended to:

1. Approve the request for £480,000 of UKSPF 25/26 funding for the Digital Adoption Programme
2. Agree procurement activity can commence for a supplier to deliver a programme of activity supporting the growth of digital adoption across the North East region's SME base.

## **A. Summary of Investment Proposal (Context)**

Proposal for approval of £480,000 UKSPF to launch a call via North East CA's Dynamic Purchasing System (DPS) to request services to deliver Digital Adoption activity across the North East to support SMEs in adopting new or advanced digital technology leading to a growth in productivity within the region's business base. The programme will be designed to help businesses harness digital technologies to improve productivity, resilience, and service delivery.

On approval of funds, the call will be launched and invitations to tender will be advertised to those organisations registered on North East CA's DPS. An internal evaluation of submissions will take place and a preferred supplier selected. Before completion of contract award, a further Delegated Decision report will be completed for approval by the Chief Executive and upon appointment, the successful supplier can commence delivery (July 2025).

## **1. Background**

The North East region is seeing positive economic growth across a number of key sectors including Digital and Tech however, it is widely recognized that the North East lags behind other UK regions when it comes to the adoption of both basic and advanced digital technologies.

Developing a strong Digital Ecosystem is imperative to supporting the growth of the regions digital and tech sector as well as supporting organisations across a wide range of sectors to flourish.

The North East CA region continues to face significant challenges in digital maturity and adoption, particularly among SMEs, microbusinesses, and parts of the public and third sectors. These include:

- Low levels of digital adoption among small businesses compared to national averages.
- A skills gap in digital literacy, especially in rural or economically disadvantaged areas.
- Limited access to digital infrastructure and support, particularly for organisations without in-house IT or innovation expertise.
- An increasing need to use digital tools for sustainability, resilience, and growth, particularly in the wake of global disruptions like COVID-19.

Despite progress in digital innovation, the North East CA region continues to face distinct challenges:

- **Lagging Digital Maturity:** Many SMEs and public sector organisations in the North East are operating with outdated digital infrastructure and low levels of digital integration.
- **Productivity Gap:** Regional productivity remains below the national average, often due to limited adoption of digital tools that can streamline operations and drive efficiency.
- **Digital Skills Deficit:** A significant proportion of the workforce lacks the digital skills needed to compete in a rapidly evolving economy, exacerbating unemployment and underemployment.
- **Inequality in Access:** Rural and disadvantaged urban communities face barriers to digital connectivity and technology adoption, worsening social and economic inequalities.
- **Business Resilience:** The COVID-19 pandemic exposed vulnerabilities in organisations that lacked digital readiness—underscoring the need for intervention to future-proof businesses.

Without targeted intervention, the region risks widening the digital divide, missing out on productivity gains, and falling behind other UK regions in competitiveness and innovation.

## **2. The Investment Proposal**

- 2.1 Digital adoption is crucial for the North East to support economic growth, enhance productivity and foster innovation within the region. By embracing digital technologies, businesses can improve efficiency, access new markets and remain competitive in the global economy.

A request is being made by the sector growth team for a total of £480,000 UKSPF to deliver activity supporting an increase in digital adoption across the North East.

The successful supplier will be required to undertake activities which are for the benefit of multiple organisations and individuals across all sectors to adopt digital technology in order to improve productivity, resilience and service delivery.

The call will ask that the successful supplier will need to demonstrate that they can establish a successful programme of activity which will:

- Help overcome the productivity challenges through supporting digital adoption;
- Support the adoption of digital transformation as an enabler for companies to grow;
- Develop a strong range of exemplar projects that demonstrate how digitalisation can transform companies and the wider economy and society;
- Provide opportunities for businesses to innovate through digital adoption and share best practice.
- Help businesses adopt new and more productive ways of working;
- Support place-based innovation and growth;
- Drive up digital skills;
- Support the use of data, artificial intelligence and other emerging technologies across the business spectrum.

Activity should provide:

- **Simple and advanced digital adoption:** For example, support on: Search Engine Optimisation (SEO), social media, CRM, etc; as well as supporting businesses to understand advanced, new and emerging technologies;
- **Process Transformation:** Supporting businesses to change the way they operate their business using digital;
- **Product/service development:** Supporting businesses to create and develop new revenue generating (or social good) products/services by using digital technology;
- **Cultural & Organisational Transformation:** ensuring businesses are ready to plan and deploy digital transformation.

Activity will include (but will not be limited to):

- Support service to help organisations understand digital adoption.
- Seminars and workshops to help companies understand the potential impact of digital adoption.
- The delivery of in-depth business support to help companies plan and deploy digital adoption activity.
- Production of a North East CA Digital Adoption Review providing insights for further work supporting an increase in digital adoption post UKSPF including a) highlighting case studies of success to encourage more digital adoption, and b) capturing the digital readiness level of businesses within the North East CA area..
- Further in-depth business support to ensure that businesses will invest in digital technology.

## 2.2 Outputs and Outcomes

UKSPF Indicator	Indicator Type	North East CA Target
Number of enterprises receiving non-financial support	Output	120
Number of new jobs created	Outcome	20

## 2.3

### Timetable for Implementation

Milestone	Forecast Date
Approval to proceed	June 2025
Launch via DPS	June 2025
Award contract for services	June 2025
Delivery commences	July 2025
Delivery completion	March 2026

## 2.4 Evaluation -

There is an ongoing internal evaluation into UKSPF through Kadar Research as well as an ongoing national evaluation of which this will form a part.

## 2.5 Appraisal

An internal appraisal has been carried out and a summary of findings is as follows:

### The Strategic, Economic & Commercial Case

#### Economic Growth:

The project will enhance productivity by helping businesses adopt digital tools that streamline operations, cut costs, and improve service delivery. It supports SME growth through digital marketing, CRM, and e-commerce, enabling scalability, competitiveness, and innovation in digital products and services.

#### **Inclusion & Skills:**

It promotes digital inclusion by targeting low digital maturity groups, upskilling the workforce, and aligning with North East CA's goals to reduce digital barriers. The program also fosters cultural change within organizations to support long-term digital transformation.

#### **Innovation & Resilience:**

SMEs will be encouraged to adopt emerging technologies like AI and data analytics, in partnership with institutions such as the National Innovation Centre for Data. This builds resilience by helping businesses adapt to economic shifts and supports sustainability through remote work, energy efficiency, and digital automation.

#### **Local Delivery & Partnerships:**

The initiative leverages local expertise—engaging authorities, universities, and tech hubs—for place-based delivery tailored to North East communities. It fosters a collaborative ecosystem for sustained digital transformation beyond UKSPF funding and aligns with DSIT's industrial strategy emphasizing digital-led growth.

#### **The Financial & Management Case**

This is a one off project with a budget of £480,000 to be procured via the DPS using existing qualifying suppliers. The main financial detail will be provided by the successful tenderer

## **2.6 RAG Assessment**

<b>Overall RAG assessment</b>		
<b>Risk Rating</b>	Strategic case	<b>Green</b>
	Commercial case	<b>Green</b>
	Economic case	<b>Green</b>
	Financial case	<b>Green</b>
	Management case	<b>Green</b>
	<b>Overall rating</b>	<b>Green</b>

## **4.2 Recommended Conditions of Funding**

There are no conditions of funding proposed following appraisal. Additional funding conditions may be included following assessment of bids through the procurement process.

## **B. Potential Impact on North East Combined Authority Objectives**

Digital Adoption is a key theme emerging from Central Government's (DSIT's) industrial strategy. Digital adoption in the UK is crucial for driving economic growth, enhancing productivity and improving competitiveness. It enables businesses to create new products and services, access new markets and adapt to changing consumer demands. Digital technologies also streamline processes, automate tasks, and improve communication leading to increased efficiency and cost savings.

If SMEs unlock the full benefits of technology, it could add an extra £232 billion per annum to the UK economy.

Digital adoption is crucial for the North East to support economic growth, enhance productivity and foster innovation within the region. By embracing digital technologies, businesses can improve efficiency, access new markets and remain competitive in the global economy.

Addressing digital exclusion is a key priority within the North East Local Growth Plan. It states that through digital inclusion 'we will define a minimum digital living standard for residents in the region and help them access the skills, equipment and support needed to use technology safely and confidently' and that 'we will support the growth of the digital economy by creating and supporting initiatives to improve infrastructure, supporting cyber resilience and promoting growth'. Both of these ambitions can be addressed through a programme of activity which supports digital adoption among the region's business base.

Furthermore, digital and tech is an underpinning sector that supports the growth of the regional economy. This is recognised within the North East interim Local Growth Plan which states that:

'Advances in technology are changing the way we work. New tools can help to increase productivity and efficiency, boosting pay and living standards, if we have the right training and skills in place and a supportive environment for businesses to invest and upskill their workforce. Our region can play a key role in future tech, building on our existing strengths in advanced manufacturing, life sciences, and renewable energy. This plan will help to put the infrastructure in place across the region to ensure the opportunities unlocked by technology are accessible to all our residents.

### **C. Key risks**

A summary of key risks relating to the investment proposal is included below:

Deliverability is the sole key risk currently. UKSPF must be fully spent by 31<sup>st</sup> March 2026. Delays in launching a call are reducing the timescales for delivery and the overall impact a programme could deliver.

Further risks will be addressed in submissions and evaluated when required.

### **D. Financial and other resources implications**

The financial profile for the project/programme is included below:

<b>FUNDING SOURCE</b>	<b>FINANCIAL VALUE</b>
<b>North East CA Funding Applied for:</b>	
UKSPF	£480,000
<b>TOTAL NORTH EAST CA FUNDING:</b>	<b>£480,000</b>

In line with UKSPF requirements, all funding will be defrayed in the 2025/26 financial year.

### **E. Legal implications**

The Monitoring Officer has been consulted and has no comments to add.

### **F. Equalities implications**

The North East CA follows the Public Sector Equality duty and this report has due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010.

To be assessed through call submissions.

### **G. Consultation and engagement**

To be assessed through call submissions. An expectation that the successful delivery partner will be able to mobilise quickly and undertake consultation and engagement with regional partners will be paramount.

**H. Appendices**

None attached.

**I. Background papers**

None.

**J. Contact officers**

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**K. Glossary**

DPS – Dynamic Purchasing System

DSIT – Department for Science, Innovation and Technology

North East CA – North East Combined Authority

UKSPF – UK Shared Prosperity

**L. Consultee**

Cabinet Member:	Director/Head of Service:	Director of Finance and Investment:	Monitoring Officer:
Yes	Yes	Yes	Yes