

ALL-PARTY PARLIAMENTARY GROUP ON

URBAN DEVELOPMENT

MINUTES OF PROCEEDINGS

at a

PARLIMENTARY HEARING

held in

Committee Room 14

on

Tuesday 20 March 2007

Before:

Lord Best  
Mr Clive Betts (Chairman)  
Mr Nick Raynsford  
Mr Andrew Pelling  
Baroness Scott of Needham Market

(From the Shorthand Notes of:  
W B Gurney & Sons LLP,  
Hope House,  
45 Great Peter Street,  
London SW1P 3LT)

Witnesses: **Ms Jackie Sadek**, Chief Executive, Park Royal Partnership, **Mr Chris Brown**, Chief Executive, Igloo Regeneration, and **Ms Patricia Seex**, Economist, Centre for Cities, examined.

CHAIRMAN: I am Clive Betts MP, the Chairman of the All-Party Group, chairing this session and my colleagues here are from the All-Party Group which we established last year to try and raise awareness of urban regeneration issues. We had our first inquiry which looked at financial devolution, the balance of funding infrastructure, which we published and got quite a lot of coverage for. We are now moving on today to try and focus on business investment and development in deprived areas to look at what the barriers are to that, how we might look at examples of good practice, if you have some to explain to us, and how government policy might be improved in that area. Welcome to our inquiry and thank you to all the witnesses who have agreed to come along and give their time this afternoon. To begin the first session, perhaps for our records you could introduce yourselves and say who you are and who you represent, that would be helpful.

MS SADEK: My name is Jackie Sadek, I am the Chief Executive of an organisation called the Park Royal Partnership which is the oldest standing public-private sector partnership in the country, possibly in the world, I am not quite sure. We facilitate business growth on the biggest industrial estate in Europe and we have 700 hectares there with 2,000 businesses and 40,000 employees.

MR BROWN: Chris Brown, Chief Executive of Igloo Regeneration. We invest money on behalf of institutional investors in urban regeneration.

MS SEEX: My name is Patricia Seex. I am an economist at the Centre for Cities and I led the research we did in preparation for this inquiry session.

CHAIRMAN: I think we will try and focus on a set area and then move on. My colleagues will join in as they feel appropriate. Perhaps I could begin with Jackie and ask one or two points. I think I got lost in your giant business park and had to go through the North Circular Road to try and get to Queen's Park Rangers football ground, taking a shortcut across.

MS SADEK: You are not alone!

CHAIRMAN: Perhaps you should begin by talking to us about what you think the key barriers to business investment in deprived areas are, and there are a lot of things being put up as barriers: poor business environment, planning problems, fragmented land ownership and lack of business space. What, in your experience, are the real barriers that affect that?

MS SADEK: Could I take each of those in turn, Chairman, if I may. Poor business environment need not necessarily hamper business growth or economic activity. You have just cited an example, everybody gets lost in the Park Royal estate. It is the Bermuda Triangle of West London, it is appallingly signed, the junctions and public transport do not work, it is riddled with crime and grime, it is not a nice place to be, it is an ocean of sheds, but actually it is incredibly buoyant. We have a very big churn, very big take-up of space, very few voids and a lot of economic activity up there. Basically, anybody in the real estate market totally and utterly respects the Park Royal estate. If you talk to anybody who is in

development, any agent or property people, they adore the Park Royal estate. It is the best kept secret possibly in London and it is the economic engine of London, , so poor business environment need not be a barrier. Having said that, if we talk to businesses which are looking to relocate away from the estate for any reason they will cite exactly the things I have just talked about: the fear of crime, the problems they face with security, poor public transport and the fact that they cannot get the recruits. Those are the things that we work on to try and retain people on the estate. It is not clear-cut, some of our buildings are 100 years old and yet still actively let, so poor business environment is a factor but not the factor.

Moving on to the next thing you cited, which was planning, if you were to talk to any developer in the Park Royal, they would immediately say the biggest issue is planning. I would say to that - and you know we are going to say it because everybody is saying it to you, from Kate Barker downwards - if you could give me certainty and clarity in the planning process, even if it was quite onerous, it would not matter provided we had that certainty and clarity. All developers want to know is what the game plan is; what they cannot cope with is the goalposts moving on a regular basis. Forgive me, I am going to have to say this, I am keen on championing diversity, 40 per cent of our businesses are BME-owned or managed and we are tapping into their energy big style, but I have just been told by the GLA that I have to have a 40-page diversity statement in the planning framework which we are developing for Park Royal. Frankly, although I am a great champion of those issues, I cannot see what the impact is of certain pedestrian crossings on, I do not know, the transsexual community. Those are the sorts of ridiculous hoops which we are having to jump through at the moment so planning is an issue, we are attempting to ameliorate it in Park Royal. We have got the industrial end of three boroughs there, we are attempting to ameliorate the planning uncertainty by having a planning framework for Park Royal under the aegis of the GLA London Plan.

You went on and talked about fragmented land ownership next and we do have an issue there. Our biggest landowner is Brixton, our second biggest landowner is Slough Estates, they are great guys. We then have a number of smaller players, such as Chancery Gate, and then we have a number of owner-occupiers as well as people who are domiciled on the Cayman Islands and such like, and it is very hard to get your ducks in a row. However, it is possible, and I would point to property regeneration partnerships elsewhere - Paddington and the Royal Docks are good examples - where landowners have formed together in partnerships to tackle areas of key interests such as how the junctions work, signage and what have you, so I do not think it is impossible to do urban regeneration or to attract inward investment when you have fragmented land ownership, I still think it is possible. The other end of the scale, where you have more land ownership, is more dangerous and, certainly, the situation I left in the Thames Gateway where one developer had 1,700 acres and all the developable land in North Kent I do not think is conducive towards urban regeneration, inward investment or business growth. You need competition between developers in order to make areas vibrant and make them work.

Finally, lack of business space will always be an issue, but again it is not as simple as that. Lack of business space is lack of the appropriate space at the right price. I would there see intervention to be made by the public sector quite legitimately in providing incubator units and growing people to an extent whereby you can hand them on to a workspace or such like and then on to a Brixton plc or a Slough Estates. One of the great things about all of our landowners and developers is their business interests are my business interests; I am all about growing SMEs, they are all about growing SMEs. Our interests are

absolutely aligned and, therefore, the partnership works. To an extent it has its faults and failures, but it works.

**BARONESS SCOTT OF NEEDHAM MARKET:** I wanted to ask about the certainty and clarity in the planning system because I wanted to check that I had not inferred something incorrectly, whether the lack of clarity comes from the complexity of the planning system itself or it is because the objectives of the different players change too frequently or that sometimes the different layers conflict. I was not sure where the lack of clarity was coming in.

**MS SADEK:** Sadly, I would say it is both of those, but there is another layer of confusion which is added by the fact that certain developers are very much better at playing the political system than others, so some developers will not have a particularly good case but what they will have is a very well-put case and they tend to tap into the caprice of the political set-up. Particularly in London, where I have most of my experience, there is a huge amount of governance and yet you could creep through the cracks there quite readily. I think - and certainly in Park Royal this has happened in the past, hopefully it is not going to happen in the future - there are certain developers who really are bringing forward quite crummy developments which do not connect or add anything and what have you, but have a very wonderful narrative associated with them and with a very good PR campaign and an excellent planning consultant you would be amazed what people can get away with.

**LORD BEST:** In terms of your partners, the people who you work with and likely to do something helpful for you, you are talking about the GLA, and they want you to fill in forms to do with transsexuals and pedestrian crossings, but is your natural ally from the business community the GLA, the regional body? Is that the place where you would expect the GLA's plan? Is that the focus of attention and, therefore, of support, or is it both, or the local authority? I think you span two authorities.

**MS SADEK:** Three.

**LORD BEST:** Is that too confusing? Is it a regional issue that we are talking about here?

**MS SADEK:** Yes, it is desperately confusing. Yes, it is a regional issue but, for instance, in putting together the Opportunity Area Planning Framework for Park Royal we are now developing under the aegis the GLA London Plan, I chair the steering committee and the people sitting round it are the GLA, the LDA, TfL, the London Borough of Ealing, the London Borough of Brent and the London Borough of Hammersmith and Fulham, and I have to get all of those six aligned, Lord Best, to be able to do anything at all. I have done that and we have a consensus and written a document consensually but that has just gone into the GLA which has sent it back out to us totally rewritten, so I am wondering why I have bothered for the last year. It is a struggle. I have not got a direct response to what you are asking me because it is a confused situation.

**MR RAYNSFORD:** Could I pursue that one and say if you have three different local authorities and if they happen to have different councils elected with different objectives, is that not an inevitable consequence of democracy and is that not something which we have all got to live with? While we would love to have uniformity and simplicity, I am afraid democracy is a rather messy process.

MS SADEK: I totally buy into that, I do think there are at least three layers too many there but I do buy into that. I have to say to you, Nick, you will not be surprised that two out of our three boroughs have just gone Conservative and I shine a business growth story at those two boroughs, and the other borough is a Liberal Democrat borough and I shine a greener sustainability agenda at that borough because that is my job and I have to. I have to spin the Park Royal estate for the benefit of the Park Royal businesses, but, yes, I do agree. Please, I am a democrat, I am happy with the democratic process; I do struggle with the GLA, the LDA, TfL and the fact we have a lot of agencies. Certainly, on sustainability we have got a big story we are trying to pull forward on sustainability, I was talking to Andrew about it before. On the sustainability agenda, we have got another layer of confusion with the London Climate Change Agency. I am all things to all these people, but I am pretty exhausted.

MR PELLING: It is not really an interest, but I am a member of the London Assembly, I wanted to put that on the record. What role do you think the Regional Development Agency has to play in promoting investment in deprived areas?

MS SADEK: The RDAs - and I will be interested in what other witnesses have got to say - I think are missing a trick really in not being empowering enough to their stakeholders. I have very much a parent to child relationship with the LDA, they treat me as a supplicant, they wipe me off the sole of their shoe, but I am delivering 43 per cent of their output so they are struggling. I wish to goodness they could treat me a little bit more as a grown-up really, particularly as they appointed me in the first place, so it is all a bit fraught. I think they are patchy. I understand that Yorkshire Forward is a particularly good RDA and if you have a good experience of RDAs then they can be wonderful, but I do struggle with the London Development Agency in particular. Not to put too fine a point on it, agencies do not treat their stakeholders as grown-ups and do not trust the urban regeneration experience they have out there.

LORD BEST: Moving on to Chris, you are a huge expert in this field, I know the things that you do, but should this investigation we are part of concentrate on the most deprived areas or are we overdoing it targeting the areas of greatest deprivation? Are there quite a lot of no-go areas where business is not going to revive the community or the area and we are giving ourselves too hard a task here? You have been everywhere, so to speak, should we recognise that there is a line below which we are not going to get things moving through the mechanism of business growth?

MR BROWN: I think the distinction is between areas and people: it is the people that need the jobs, not the areas. In market terms there is a micro-geography to this. If you were to look at the most deprived wards, within them you would find the city centres of Manchester, Leeds and Birmingham. The Manchester Arndale Centre is in one of the most deprived wards in the country, as is the neighbourhood of Collyhurst which is about half a mile away. Millions of square feet are occupied by businesses in the City Centre of Manchester. No business in their right mind would go into Collyhurst at the moment. If we try to make them go into Collyhurst, we are throwing bad money after bad. The distinction then becomes: What can you do about Collyhurst to help people who live there get into jobs? That is certainly outside the scope of my experience, but it is the public transport, the education, the training. It is removing the barriers to work for those communities.

CHAIRMAN: Does that mean we leave some areas as jobless deserts and just bus people into other places?

MR BROWN: I think it is about the focus. I would be prioritising Collyhurst for investment but I would not be trying to build office blocks there or even industrial sheds. I would be trying to create an environment there where, if you get a job, you do not immediately want to leave, trying to attract people into the area. Most people get jobs because they know somebody else who has a job there: word of mouth gets them into work. You have to create those sorts of communities. Mixed-used development, primarily residential-led, is marching on Collyhurst as we speak. You can see it coming out of the city centre. That, for me, is the approach for those neighbourhoods.

CHAIRMAN: I was in Manchester with another Select Committee last week, going around some of their regeneration schemes. Given that regeneration schemes themselves bring jobs to an area, one of the things which quite impressed us was the way they were absolutely insisting on training local labour on the schemes – and “local” did not mean five miles away, it meant people from that estate.

MR BROWN: My first ever scheme was Albert Dock in Liverpool back in the early eighties. I learned from that that trickle down does not work at all directly. The Government was really investing in Albert Dock in order to help the people of Toxteth, which was half a mile away, but made no impact whatsoever on the people of Toxteth. No one from Toxteth ever got a primary job or secondary job connected with that project.

MR PELLING: Is it potentially discriminatory to try to preserve jobs for local people, particularly in London, where there is a tremendously dynamic change in terms of population? Could that be misrepresented as discriminating against new arrivals?

MR BROWN: Yes.

MR PELLING: Has there been a controversy elsewhere?

MR BROWN: It has certainly been an issue. There was debate probably five or ten years ago, possibly even longer, about whether it was legal. In terms of discrimination, you are discriminating by postcode, not by anything else, so if someone wants to move into the area they can get on the local labour schemes. It is the area we find hardest to measure but there is a big sustainable community issue here, in the real sense of community. Community is about the networks of personal connections between people who live in a locality. Social housing allocations is another one where that is not a criteria, and so you get people coming in and out of areas in ways where it would probably be better to give a house to someone slightly lower down the priority list but who lived in that neighbourhood than to bring someone in from ten miles away.

MR RAYNSFORD: The Hills Report, which has been published in the last couple of weeks, makes very much the same point. It seems to me that the key is not necessarily skewing the allocations policy – because you are going to have a lot of poor people living in those areas already, many of whom are not employed – but to try to find mechanisms of ensuring they do get opportunities. I would personally take that view, supported by what I have seen in my area. In Greenwich we have done a lot to introduce training arrangements

that motivate people from deprived communities to acquire the skills to be able to undertake the jobs that regeneration agencies are delivering. Is that not the best way forward?

MS SADEK: Yes, in all sorts of different ways. We are hopefully about to embark on an experiment with the housing corporation which has just run something called the Northern Housing Challenge, specifically taking part of the housing budget in the north of England and using it in ways which both deliver housing and also economic benefits. The proposal that we are trying to take forward is in an area called Holbeck in Leeds, which is an emerging creative industries quarter, with lots of very small but high growth businesses coming together in that area. It is also the neighbourhood where some of the 7/7 bombers came from, a severely deprived neighbourhood. One of the debates we are having with the corporation and we are about to have with the city council is in terms of allocating intermediate rent housing (rents between social rents and market rents) and the allocations policy. Our ideal would be that we favour people who are interested in getting jobs in that creative industries sector and we also favour people from that immediate neighbourhood and provide people with the steps into, mainly, the service industries – not necessarily the creative industries but the service economy jobs.

CHAIRMAN: Patricia, how and when should Government intervene to promote business development in deprived areas?

MS SEEX: There are two rationales for the intervention. One is addressing the failings in the market mechanism and the market mechanism's ability to bring business activity to deprived areas. The other rationale is the social justice considerations we have touched on and the desire to divert business from more prosperous areas and regions into less prosperous regions and areas which are more in need of the jobs for the local community. We have had a long history of trying to divert business activity into areas we feel need it more but it has been with mixed success. There are dangers, in trying to do it, that through your incentives and offer you attract a business that would otherwise have gone into another deprived area. You have moved the business from Wigan to St Helen's or Blackburn to Preston: it has not been a great gain overall. Or there is a danger that, after a while, with your subsidy or incentive you end up providing ongoing support to a business that would otherwise fail: it is not able to compete in the market. It is really hard to divert business into areas into which it does not naturally want to flow. I think some of the later witnesses will be able to give some specific examples of how you can do that and how you can do it successfully, but we have had a long history of different approaches. From inward investment and focusing on land and property and tax incentives and relaxing planning regulations, we have moved through a whole gamut of different policies – now the emphasis all seems to be on start-ups and unleashing entrepreneurialism. But this is still difficult and it is not clear to me that any of these strategies about picking the type of business that you want is the right type of strategy. I suspect that a better strategy is concentrating on addressing the barriers which Jackie identified. Focusing on deprived areas first if you want to, focusing resources on deprived areas, but addressing those barriers which affect all types of businesses, large inward investors or small start-up businesses, and not trying to be too clever with your strategies but using a bit of a back-to-basics approach: what are the barriers to all businesses?

LORD BEST: You are talking about both the large inward businesses relocating and the little SMEs. Are those two not different? Are they not likely to go to different places? You are talking about Holbeck and Leeds. I am very familiar with York. There is the

York/Harrogate spectrum and then you have Leeds/Bradford. If you want to get someone to relocate – and everyone wants to move from the south – York is great, and that does not look like too big a problem, but they are not going to move to Bradford, are they? There may well be lots of small businesses in the Bradford area that are ready to grow, indigenous businesses that are going to go some place. You lump them together but I wonder if they are not really quite different.

MS SEEX: I did not mean to try to lump the types of businesses together but I think the issues they face and the barriers that they face are similar. They are to do with the crime and grime and the availability of public transport and the availability of the skilled workforce. But I am sure you are right that the businesses themselves are different.

MR RAYNSFORD: There has been a lot of discussion over the last decade or so about the impact of clusters on business development in a number of areas, often related to academic centres. Is this an approach which is at all meaningful in relation to regeneration or not in your view? Is there some scope for encouraging certain types of clusters where businesses feed off each other? Can this work?

MS SEEX: In my own view – and the others will have views – it is not clear what the role for the public sector is in trying to encourage a cluster. I have not been convinced that, if clusters are good and beneficial for their members, they do not arise as a result of the business seeing the benefit of being located with others in that area. But I am not an expert on what the hindrance to clusters arising naturally might be. Where we see the best examples of them – and the classic example in this country is around Cambridge – I don't think that was driven by a proactive approach of the public sector, or the at least the local or regional development agencies.

MR BROWN: Could I give a different example, that of Holbeck, which was very much a public sector generated cluster for creative knowledge industries. From a property investor's point of view, that has taken an area which does not have particularly great natural advantages – it is away from the city centre, cut off from the city centre – and given it a really powerful property market push which has meant that we, as an investor, and other investors have wanted to put money into Holbeck. I think it is a market forces thing. We have now reinforced that and the whole thing has become a bit of a rolling snowball, gathering pace going down the hill.

MR RAYNSFORD: While I would agree very much that the local authority or the public sector cannot create it, it can recognise patterns as they develop and use planning policies to help support that process rather than to hinder it.

MR BROWN: Maybe it was fluke in this particular case but Yorkshire Forward set up the creative industry as a digital media incubator centre and that was the thing that kicked Holbeck off. I have not been a massive advocate for RDAs but there was one where it worked.

CHAIRMAN: Also Sheffield City Council gave the cultural industry support with very similar results.

MR BROWN: Absolutely right.

CHAIRMAN: I thought that was going to go wrong at the beginning and I was proved wrong.

MR BROWN: They were much more foresighted than either of us recognised.

CHAIRMAN: I have one very brief question for each of you. In ten seconds, what change would you make to Government policy to improve investment in deprived communities?

MS SADEK: Could I not have 100 changes, Chairman! I have to say that I work quite hard to protect my businesses from the latest Government initiative, I really do. We have an awful lot of Government initiatives which get dumped, particularly, on small businesses. I would like to see those streamlined.

CHAIRMAN: Fewer changes.

MS SADEK: Fewer changes, more certainty, and the sort of thing Patricia is talking about, in terms of small measures to protect what you have rather than go for the big “wham, bam!” stuff.

MR BROWN: I will have two, five seconds each. (1) You asked for examples of good practice: disposing of public land for public policy objectives, not just for max cash. The good example would be Tower Works in Leeds. Yorkshire Forward bought it, disposed of it with a very sensible brief which had designs for sustainability and job creation in it. An alternative to that would be Birmingham City Council and AWM in Eastside who just wanted the cash and nothing else and will get a substandard result. (2) There is a programme coming out in the New Year, the ERDF programme called Jessica, which allows part of the ERDF monies to be used alongside private money in urban areas on a commercial basis and as a re-circulating fund. People are just not aware of this out there. It is potentially incredibly powerful.

MS SEEX: I would try to listen, and if I could not respond in the way they wanted, at least try to explain why I could not deal with parking and other issues they say are important to them. I think if you ask businesses what Government could do, they would say, “Please stop telling us how to run our businesses and sort out transport and parking problems.”

CHAIRMAN: Thank you very much indeed. Thank you for your time.

Witnesses: **Ms Cristina Howick**, Partner, Roger Tym and Partners, **Mr Andy Godfrey**, Public Policy Manager, Boots plc, **Dr Julie Grail**, Director of Partnership Solutions and Chief Executive of British BIDs, and **Mr Bill Boler**, Director, Underserved Markets Project, Business in the Community, gave evidence.

CHAIRMAN: Thank you very much for coming. Would you like to introduce yourselves and say who you represent.

MS HOWICK: I am Cristina Howick. I am not sure I represent anyone but I am a partner of a planning and economic development consultancy called Roger Tym and Partners. I have done a lot of work for planning authorities, RDAs and so on. I think I am here mainly because of a study I did for the LDA on accommodation for small and medium sized enterprises in London.

MR GODFREY: Andy Godfrey, Public Policy Manager for the Boots group, and also Chair of the BRC advisory group on bids, a board member of a New West End Company which is the central London bid and also a member of the steering group for the Scottish bid pilot.

DR GRAIL: Julie Grail, I am Director of Partnership Solutions, which is a consultancy company concerned with partnerships, regeneration and business improvement districts. Last year we set up, in collaboration with British Urban Regeneration Association, British BIDs, which is a membership organisation and industry voice for the new emerging BID movement.

MR BOLER: My name is Bill Boler. I am with Business in the Community, a charity that works with the business sector to improve their impact on society, and I direct a project called Underserved Markets, which is about getting investment into UK deprived areas.

LORD BEST: My question is for Cristina and it is about premises for SMEs. Is providing and subsidising such premises from the public sector a hiding to nothing? Does this bring with it all kinds of bureaucracies, and difficult conditions? Is it not worth the candle, getting the public sector into this game of supporting directly SMEs in their premises?

MS HOWICK: Is it worth doing? My answer is very much that it depends. If I may, I would like to start with an example very close to my heart which it is not worth doing and which I think illustrates a lot of the things that can go wrong in it. I do not think these things are to do with bureaucracy. I think they are to do with the relationship between public intervention and the market. My own business operates in slightly subsidised business premises. We moved into our existing premises, which are just off High Holborn near Chancery Lane Station, about two years ago. We received quite a small tax break, subsidies, for moving into these premises because it is in a deprived area. It is a deprived area because it is in southern Camden and the City. Government wards are calculated on population, so wards in business areas are geographically very large. We are in the same ward as Somers Town, which is a deprived area between King's Cross and Camden Town, so we get our subsidies for operating in a deprived area. I think that is why Chris Brown's research showed that deprived areas produce very high returns on business property! I think we employ one resident of Somers Town but generally we employ highly qualified people who travel a long

way into work. It is a very undeserved subsidy and it is quite automatic. I think this illustrates a lot of the things that we have to be careful about. Yes, there is a role for this kind of policy. If you are to do it, you want to do it very carefully and selectively, bearing in mind a couple of points which are very much illustrated by the work which my team did recently in London. Though of course London is not the country, it is an interesting study. It showed two important things. One is that there is a very large amount of private sector provision in London and in many other places – though not everywhere – for SMEs, including in deprived areas, including for start-ups, including for quite small firms. Another finding which I think is particularly striking in London, although it does apply to many other places, is that a great majority of businesses, certainly in our study and others, are very happy in their premises or if they are marginally unhappy are not unhappy in a way which affects their competitiveness or operation. Those that are not happy are very often unhappy or mostly unhappy about three major things. One is parking, which Patricia mentioned. I know that is a double-edged sword but it is a favourite topic of businesses. You have to cross it out of the questionnaire; otherwise they just go on about it for too long. The other things are crime and grime. They are not features of premises supply, they do not show a dysfunction of the market – if anything, they are a failure of public services. I think you always have to bear in mind that the market does a lot of this stuff quite well and that a lot of problems are not to do with premises supply. The implications of this are that, if you are going to do it, you need to do it very selectively, being clear about what you are trying to do, and here the stark distinction between places and people is very important. For example, are you trying to provide jobs for particular groups of people? This is a residential based thing; it is not particularly to do with where the jobs are – although, of course, you do not want them in Manchester if the place is North London. Or is it providing services or improving the surroundings? A lot of unhappy businesses in our survey were catering and retail businesses, which I think are being pushed out by chains, Starbuck's and all those kinds of things. It may be that what you are trying to do is to improve the high street: to make Stoke Newington High Street a more pleasant place to be, where people can go and shop. I think you have to be very careful about what the objectives are because some are to do with people and some are to do with places. It is very important to make sure they are not displacing market provision that either exists or that could exist. Again, I would like to put two contrasting examples. The first, which I will not name because the study is in progress, is in a very poor area in Yorkshire and Humberside, where it is quite clear that there is virtually no private provision of small units. That is because the area is dominated by council-provided small units at £50 a square foot, at which no one could provide space. It completely kills a private market which I think would be quite lively if they were not here. It subsidises these people to the tune of a couple of pounds a square foot but there is no reason to believe they need that. There is a large amount of that and it completely kills the other activity. A contrasting example is a biotechnology centre in a high-tech area which we worked on the business plan for. Private sector providers were lobbying the consultants' team, to prevent public sector provision from happening because they could do something equally good in an excellent place: a business park with a water feature and a huge atrium of their own. Again, one has to be very selective and make sure you are not displacing jobs or services which would be in the same disadvantaged area anyway. Here my favourite example is small units in south London which are overwhelmingly occupied with companies such as double-glazing contractors. Exactly the same people, equally deserving, operate up the road in non-subsidised premises. There is not a shortage. It is extremely unfair. It encourages a higher than you should have birth rate of these businesses, which exceed the capacity of the area. One has to be careful not to displace jobs or services which would otherwise be in other areas just as well off or worse off. This makes it sound like it never does any good, which I think is quite wrong. It does a lot of good. Quite often it needs to be a holistic solution, where you combine providing premises

with other services, particularly incubator type start-up services. The other thing is to be selective in terms of your clients. The easiest way is to make it time limited, I think.

CHAIRMAN: That is very comprehensive and there are a number of good points there which we will reflect upon.

BARONESS SCOTT OF NEEDHAM MARKET: I would like to ask about business improvement districts. They are still relatively new. I think I am right in saying that they have not really been taken up in areas we are discussing, deprived areas. Do you think that is because money is so tight there that they really do not want the levy? Or is it because they do not have the mechanisms to work together, so there is not that group focus. What do you think it might be?

DR GRAIL: In essence, it is because BIDS in the UK are based on an occupier levy not an owner levy so, inevitably, when you are asking an organisation, whether it be a group of businesses, a partnership or whatever, to put together a business plan to ask businesses to vote, they are focusing on those voters, which is those existing businesses on site at the current time. If their businesses are highly marginal and if they are in deprived areas, then they are only locked in because they are in a lease that they cannot get out of. However good the business plan is, if they cannot afford it, they cannot afford it. That is definitely what we are seeing. Whilst we have an occupier levy in place, we will see BIDs coming in good areas, making them better, and the answer perhaps is trying to look at opportunities where we can have an owner levy in tandem with the occupier levy in a number of places.

MR GODFREY: It also needs to be noted that they are only talking about three or four dozen BIDS in the UK today. Those have tended to come about where you have a firm, strong, established partnership. At present there have been relatively few declining centres that have progressed BIDs. One is Bathgate. During a visit to Bathgate I was impressed with the level of commitment by local traders and businesses. One of the Scottish BID pilot sites is Bathgate. I went into there relatively pessimistic that you were going to see anything happen, but I have to say the commitment of the local businesses and traders was very impressive. There was no partnership in existence before and therefore they had to start right from the very base level. The jury is perhaps still out. If in declining centres the BID can bring together businesses to start to work together with the other key players for the first time, it may be a valuable solution, but that has not been tested yet.

BARONESS SCOTT OF NEEDHAM MARKET: Other than considering a change to the regime that would make it owner-based, would there be anything else you could do to the BIDS?

DR GRAIL: It would not be instead of occupier, it would be as well as, in the places where it is appropriate.

MR GODFREY: The point Julie makes is a very fair one. There is a tendency to think at the moment – and through a number of different areas of policy: crime and grime and general environmental work as well – that the good get better and the bad get left behind. One of the big areas of issue here which we have started to touch on is: if you do not have a partnership in place, there is nobody to deliver what you are trying to implement. There is no real method or process or support available to get those BIDS up and running in the first place. As with a number of areas of government policy it tends to be the sites with effective partnerships already in existence that run with the new opportunities. There is not sufficient

focus by government on developing effective partnerships. This should be a core role for the RDAs.

**BARONESS SCOTT OF NEEDHAM MARKET:** If that happens, is it anybody's job to try to create a sense of cohesion in an area?

**MR GODFREY:** Julie has been involved in this from another angle but I think it is the practical side, of creating a structure enabling the private sector and the public sector to see the benefits of working more closely together, bringing in quality leadership and, if there is not the quality of leadership there, developing quality of leadership. It is those kinds of issues that need to be addressed. I believe that probably has to be driven from the public sector end. I am beginning to see quite good examples in odd places of the RDAs beginning to deliver some of that work but I think there is a huge amount more that needs to happen in this area.

**DR GRAIL:** To give an example of that, we have just done research on all of the RDAs BID policy and programmes and grant funding that has gone out to date and the single best example by far is London, partly because they started the first pilot programme by inheriting the circle initiative, which was SRB funded, that was five areas being invested in ahead of the legislation to trial the concept, and they saw an opportunity to broaden that out to a regional programme, and partly because they saw some really good results coming through and recognised that it ticked many boxes. We are in a position now where in London, we have had 15 ballots, we have 15 successful BIDS in place in two years, two of those are now in industrial estates as well, in a whole range of different types of areas. In terms of investment and leverage, that has been just about £6 million of public money (which is slightly skewed because £4.6 million of that was an SRB programme), and trailblazing, because we had to learn the lessons first, but that brings in, in terms of private sector money, through the bid levy income over the committed term, £41.5 million. That is a leverage of 1: 6.90. From the LDA's perspective, that is fantastic leverage and it gives them a whole series of now very credible delivery vehicles to start doing other things with as well. In a number of those areas I would cite Waterloo as a good example, with a couple of industrial estates on site. We have seen RDA money and RDA support through the regional programme putting it together and encouraging the germ of an idea and facilitating it to get it through the various hoops – because, as Andy says, there are a whole load of very detailed hoops to get through – and there is a support mechanism required there.

**MR RAYNSFORD:** The implication of all your evidence is that some degree of public sector pump-priming is almost certainly necessary and my guess is that is going to be even more important in areas where you have deprived groups of businesses who are not really in partnership so do not have the motivation to get something going. That seems to be obvious. The next question is: how can you combine this with what you suggest, which is an owner levy? – which would require a whole new mechanism for collection. The reason why it is an occupier levy is that our business rates are levied on occupiers in this country rather than on owners and there is not an easy way to raise it. It was hoped that there would be voluntary contributions when the scheme was initiated. Do you have any evidence of whether that is happening or not?

**DR GRAIL:** Yes, there are. The point I would say initially about an owner levy is it is absolutely not appropriate in every area. There will be many areas where it would not be appropriate. In a small market town with vast disparate ownership you would not even

contemplate doing it. There are a number of examples where you absolutely would. New West End Company is one where you absolutely would. Plus, The Heart of London had early sign up from many property owners under the belief that legislation would be on owners not on occupiers. They are still supportive now, through voluntary contributions, but, for example, in Heart of London they have nine voluntary contributors that make up currently half of the overall annual income. They have them signed up into a legal agreement – we created a template – but every property transaction means they lose that voluntary contributor again. In the space of just over 18 months, two of those nine have already undergone property transactions. They have lost it the contribution, had to renegotiate, and of the contributions they have managed to secure, one is half of what it was first time around, and one is a third of what it was before. Yes, there are voluntary contributions in, but they are not sustainable in the long term because there is so much work in the property transactions and, indeed, those were the early sign up because they saw an opportunity for an owner levy. In terms of then how you do it and why you need to do it – and those two examples are very good ones can do a number of very good things, but, as I said earlier, whilst there is levy in there for the vote, it is focused on occupiers, on tenants. There is a short-termism because there has to be and those who want to do more and could do considerably more are not going to be able to whilst they have to focus their effort on a voter. An owner levy would only ever be on some to make it manageable. A top slice of the manageable number – for example, in New West End Company you would probably only have a levy on about maximum 20 owners. The difference at the moment is only 75 per cent of that number are currently paying. The single biggest one is £400,000 a year. If that one drops out, they are in danger of losing many of the others. It amounts to £1.6 million a year at the moment in voluntary contributions. It is just not sustainable to build a long-term vision for that area without those funding partners committed. In terms of the complexity, I hear what you are saying, that the register is not in place, but in fact in a way it is, because, unless it is a listed building, business rate reverts to owner anyway, so the data does become available, and if you are only trying to get top 20 it is very manageable. Everyone knows them already. All you would do is put a very, very detailed set of levy rules in place, in exactly the same way as you do for occupiers, and specify in a bid proposal exactly who is to be charged and that is completely defensible. You do not just put a percentage across everyone in any area now: you take the threshold out of the bottom, you cap the top, you take charities out, you take all sorts of different people out. You would just do exactly the same. So I believe it is manageable but it is focusing on the areas where it would work, not concerning yourself with people who would not want it anyway.

**CHAIRMAN:** Generally, when we get these sorts of discussions going, it is not long before someone gets round to planning and blames the planning system and the planners. Do you think the planning regime as it currently stands is a handicap or a help towards business investment in deprived communities? Was the Barker Review helpful in any way?

**MR BOLER:** I would argue that the planning regime is a barrier but I do not blame the planners or the planning system. Simply put, for our model, deprived areas are not limited to town centres. We have continually found that, as much time as they would love to be able to spend with David working in Barnsley, they have to fight to put out other fires, where just mentioning the word “retail” and looking at going somewhere that is not a prescribed comfortable area seems to be met with all kinds of resistance or fears. We do a lot of work to work with the planning system. Through our projects we are able to inform some changes in PPS6 that included references to deprived areas, yet they are not enough to help make a distinction. In May 2006 we had an experience where Lidl were proposing to

put a foodstore on Blackbird Leys in Oxford, one of the worst council estates, and had to go to an appeal. If we are at the point now where Lidl have to hire lawyers to go onto a council estate, it does not really open up the chances of me going to talk to Andy about following them in. It is not to say that there somehow needs to be a moving of the goal posts. I believe the tools are currently in policy and what is missing is shedding a little light to help people think about it. We have continually found that people seem uncomfortable talking about deprived areas unless they are town centres. As soon as you go into a grey area, nobody wants to talk about it and I think that people need more guidance and examples. I do not think it is a prescriptive changing of the goalposts; I do not think it is a prescriptive needs test. The failure of the Barking Review to me was so glaring: you do a word search of a 300-page document and “deprived areas” is not in there once, so it has not been properly considered. At the current moment – and others can give better estimates – in-town investment in this country has grown from 19 per cent in the late nineties to almost 40 per cent. Let us bump it up to 60 per cent, but that still means there is 40 per cent that I would like to see going to more challenging areas. I think the tools are in policy but in practice and communication they are missing. It seems that deprived areas only get limited to where the whole topic is deprived areas, but as soon as you mention planning or retail or anything else then it is pushed off to the side and not really talked about.

CHAIRMAN: Could you explain what you think needs to change. You say the PPS6 guidance is basically right.

MR BOLER: It is.

CHAIRMAN: Does that mean it has been applied wrongly?

MR BOLER: PPS6 currently says that the factors they need to consider are obviously sequential tests and areas of need. It also says that local authorities are charged with looking at deprived areas. The language is there but it does not give anybody any decision guidance. Like all things, we went as far as we could within the realms of how the policy would allow it, but any policy officer or regeneration officer does not feel that they have a lot freedom to go and look and plan for these areas. I think it is even more frustrating where a business like retail, which lends itself in terms of a service industry to being able to employ the hardest to employ, to being able to establish and impact work, and to help employment, enterprise and attracting other investment is being written off as a tool to helping those in deprived areas.

BARONESS SCOTT OF NEEDHAM MARKET: In the example of the supermarket Lidl, was the problem that the planning authority had created a local plan that did not allow for that sort of development; in other words, that it was their strategic thinking in terms of the local plan they had maybe developed a few years ago? Or was it that they simply took that one application and applied the needs test and decided it was not ----

MR BOLER: I think it was a combination of both. I do not think there was a wrong decision, I think people were just doing their jobs. They had a local plan, and, as you know with local plans, the whole issue is that anything that has not been thought of takes four years. Here is somebody who has thought of a foodstore on Blackbird Leys, and it was not in the local plan so their decision, based on the rules that they understood, was to turn it down. I think Oxford was acting within the realm of interpretation of a policy.

BARONESS SCOTT OF NEEDHAM MARKET: What would have to be done for that situation not to arise? If you take the view that you have to have some sort of local planning framework, you have to have local plans that have been tested and so on, and that means that it is all going to take time, what do you do to the planning decision-making framework that would allow sufficient flexibility for that decision to be made?

MR BOLER: I would argue that as a starting point there needs to be a consensus of communication to both local government, regional government and the private sector that there is a desire to see investment in deprived areas. At the moment the system does not recognise any difference between someone like Chris Brown and going into a tough area and doing something nice or somebody wanting to do a big shiny retail park. At the moment the system does not make any distinctions between the two. There should be some way to acknowledge if someone goes into something tough, creates jobs, minimises negative impact, does environmental work, if they do things that help to contribute. Somehow the system should acknowledge this difference. Right now, the system doesn't. There is not even a statement anywhere where any senior level people have said that it is important that the private sector go to our deprived areas. I think there are plenty of communications that climate change is important, there are plenty of communications that town centres are important, but, again, I feel like deprived areas are the stepchild of most traditional communications.

MR PELLING: The first of our questions this afternoon is what the public sector can do to create the conditions to encourage private sector investment in deprived areas. As you are for business in the community perhaps I could ask the question from a different direction. Do you feel there is any market failure on the part of the private sector in terms of misjudging the business opportunities there are for investing in deprived areas?

MR BOLER: I do. What I have found difficult I have discussed with many retailers, and it is much more difficult to unpick – because, as one guy said, “Even if you convince me, I could not go, so what's the point?” I think there is a lot of research that has not been done yet. I realise it is an emotive issue and by no means am I trying to be prescriptive in saying “Change the goalposts” but it is like Pavlov's dog: if I mention “retail in deprived areas” it is going to be a few minutes before somebody comes out and says talking about it is going to destroy this or destroy that and it does not seem to be a balanced discussion.

MR PELLING: Cristina told us earlier about the abuse of the system, because the definition of the deprived area is such that you can get grant for going into a relatively undeprived part of it. How would you operate your system of changing the planning rules to make it possible to invest in a deprived area, without opening the door to the large format retailers using that as a loophole to do out-of-town developments that will completely subvert the town centre first policy which actually has been broadly successful?

MR BOLER: If you can start to evolve from: ‘are they going in?’ to ‘how they go in?’, and to start to look at measures of how they contribute. I would argue that a proposal which commits to the long-term unemployed might be valued slightly differently from a proposal that does not, or a proposal that seeks to use local contractors or help the local enterprises should be somehow valued and recognised as different from a proposal that does not. Philosophically it is different. It is the same thing that Chris and Patricia were saying before about the best value. As long as it is not recognised that these are things that happen, there is no encouragement to do it. At the moment you are going to see less and less people

like Chris Brown if highest value continues to be the only criterion for which land is disposed of.

BARONESS SCOTT OF NEEDHAM MARKET: To follow on from that, in your experience, Bill, do you think all local authorities have the capacity to make those sorts of judgments? It is a very complex set of judgments you are asking them to make. Will there be a capacity problem, do you think?

MR BOLER: There probably would be, but my argument is that planning is complicated – as is – period – and deprived areas are on top of that, so there is nothing that you do not have to address anyway. I think it is evolving and many local authorities are changing internally, but historically planners have been the 500lb gorilla within local governments. I know regeneration staff that would love to work jointly with their colleagues but feel like a junior partner.

CHAIRMAN: Briefly, ten seconds for each of you: What one policy change would you like to see which would ensure you get more investment into deprived areas?

MS HOWICK: Again, can I have two little ones?

CHAIRMAN: Yes, five seconds each.

MS HOWICK: More emphasis on people, so on residential mix and labour supply training, et cetera, rather than on physical buildings. It can be accompanied by physical buildings but a lot more on supporting people. And more emphasis on correcting failures of public services and improving the physical and public services environment.

MR GODFREY: I am going to pick on the RDAs and say more focus on town centres, more focus on retail and more focus on creating structures to develop business engagement.

MS GRAIL: I would ask you to refocus the current DCLG Commission's study on role of property owners on which you are consulting and currently looking at, because it is not looking at how to answer the question of how to put an owner levy in place and that was the original purpose of it, to look at whether it could work and why. I think that would be a really good refocus of a longstanding piece of work.

MR BOLER: I would ask that deprived areas be considered in all policy that affects the private sector and not be relegated to being a stepchild. There is no excuse for a report like Barker not mentioning deprived areas. I should not be the only one who caught that.

CHAIRMAN: Thank you all very much indeed.

Witnesses: **Mr Tony Baker**, Director, Ashcroft Estates, **Mr David Kennedy**, Deputy Chief Executive, Barnsley MBC, and **Ms Michele Giddens**, Executive Director, Bridges Community Ventures, gave evidence.

CHAIRMAN: Thank you very much indeed for coming here. Perhaps you could begin by introducing yourselves and saying whom you represent.

MR BAKER: Good afternoon. Tony Baker, I am a Director of Ashcroft Estates. I am also a member of the board of management of the 1249 Regeneration Partnership for the development of Barnsley market projects. I come here primarily wearing my Barnsley hat but I am prepared to wear others if necessary.

MR KENNEDY: Good afternoon. My name is David Kennedy. I am the Director of Development and the Deputy Chief Executive of Barnsley Council. I am responsible for the regeneration activity in Barnsley Council.

MS GIDDENS: I am Michele Giddens. I am an Executive Director of Bridges Ventures, which is a private sector venture capital company with a social mission, investing in the most deprived 25 per cent of the country.

CHAIRMAN: If I could begin with Tony and David. Obviously you are a real life partnership.

MR KENNEDY: It is a double act!

CHAIRMAN: What makes it successful?

MR BAKER: I have been involved in all sorts of partnerships up and down the country. The majority have been successful. This one has all the ingredients, born out of many years of experience. There are a number of things that are crucially important. The first one is that the public sector have to have a clear vision at the outset of what is to be achieved. It sounds a terribly cynical point but I have to say that sometimes it is not always there. This vision I think should also be based on very strong public consultation. One of the great pluses that we have in Barnsley is that, before we came on the scene, the local authority there had done a tremendous amount of public consultation. This is borne out by the fact that when we made our planning application for this scheme – it is over one million square feet – not one single objection was received. It is almost unheard of in my view in a scheme of this scale. We have also carried on with public consultation but the foundations had been laid by the council in the first instance. The objectives were very clearly defined. They had also been tested. The commercial reality of those objectives had been commercially tested by the use of external consultants, so that, when we came on the scene, it was generally known that it would work and we were prepared to accept that it worked. Partly, we did our own research, of course, but there was strong commercial reality behind what was being proposed. I think having strongly committed and professional officers in the local authority is absolutely vital. If you do not have that, the partnership will never get off the ground. It also requires strong and committed political leadership. Those officers may have all sorts of ideas but ultimately they have to be approved politically and the politicians have to be behind them. There is nothing worse than there being arguments between parties over a particular proposition and everybody needs to be behind it. These are very difficult projects to deliver; everybody needs to be onside. You also need to have the closest possible alignment and

objectives between the public and the private sector. You can never get these completely aligned but one should do the best you can. There certainly should not be hidden agendas on either side. I do not want to go into any partnership with any authority to discover halfway through it that there is something I did not know. We must know at the outset, in the same way as they must know what we are seeking to achieve. To get that alignment absolutely right, it is important that public sector have a direct financial stake in what goes on. They must have a direct need to see what the financial outcome is. If necessary, they must lose money. It is very difficult for the public sector to accept it will lose money, but unless it is that committed it does not really understand that delay, change, difficulty will give rise to, if not a loss, a change in the financial outcome. I think you obviously need an ability to make quick decisions. There needs to be flexibility in a very large project. It is very rare that there will not be changes during the course of that project and you need to be flexible in your thinking processes and have the ability to make quick decisions. You also should not discount the trust and personal chemistry between the parties. Some partnerships work and some partnerships do not. I am not sure quite how you define it but I think chemistry certainly needs to be there. In the case of Barnsley, why is it different? The real reason it is different is that there was an upfront investment of public funds which enabled this project to take place. If there had not been that upfront investment of public funds, this project would not have occurred, or it certainly would not have occurred within the timescale we are talking about. I think what has happened is a textbook example of how you should utilise public funds to achieve a major mixed-use redevelopment. Finally, the financial formula that was adopted here is a very innovative one which is something that I do not think I have ever seen in the public sector before. It will enable the public sector to recoup its investment over time. It is a pretty long-term investment and I think not only will it recoup its investment but it will see a significant return on that over a period of time.

MR KENNEDY: Of course I agree with all of that! I would add a couple of things from a public sector point of view. I agree that local leadership was particularly important. The other thing that is particularly important is regional leadership. Yorkshire Forward, who have been mentioned a few times already today, have taken a strong lead on urban renaissance and put forward the need to develop not just the cities but the towns of Yorkshire. They were very keen to say that Barnsley was not making the best use of its asset as a community on the M1 between Sheffield and Leeds with very good communications, and that Barnsley needed to be looking at its urban renaissance much more strongly. That was part of the stimulus to the process that was called "Rethinking Barnsley". That is about saying: Barnsley is not what it used to be; what is it in the future? Where does it fit in? How do we play to that strength as a location and how do we work with the private sector to achieve that? We have always realised that people like Tony and the many other people who have expressed an interest in this development opportunity were not going to be attracted simply by an approach that said, "Hey, we've got a site. Isn't it wonderful? Come here." They wanted to know, "What is your mission in Barnsley? How do we know, if we invest in here, that it is going to be part of something bigger that means we are going to make a return?" Therefore, we have an overall strategy that is not just about this one very significant investment but also about a whole string of other investments that are being made to deliver an urban renaissance within the centre of Barnsley, which means that more people will be living, working attracting, doing business in the centre of Barnsley than has been the case in the past, and that creates confidence for people like Tony and his financial backers and also for other people to invest. On the back of that, we have seen private investors coming in, willing to invest without the public sector but on the back of that agenda, in addition to the work we have already done.

LORD BEST: In a way there are opposites end of the spectrum, where you get a scrappy thing with lots of small businesses, lots of hassle and lots of different agencies, and here where you get a central partnership, led by the local authority but it is important that the regional dimension is there, big private sector involvement, planned. You have the thing totally focused. Is this a universal? Are we cracking it here in saying that you need to have a partnership with leadership, and the local authority leading the partnership in which you are taking that central role, getting it all organised? Is this it? Is this how we do it in contrast to all kinds of different people and endless bits and pieces? Somebody is taking charge and at the centre of that, perhaps surprisingly, is the local authority.

MR KENNEDY: I think the local authority would say and I am sure the councillors would say as well that we needed to be prodded into doing what we did. It required regional impetus, a certain amount of national impetus, the urban White Paper and the whole process around that. The reports that came through there have been part of the stimulus for that, so the local authority did not invent this out of thin air. This came out of a process of policy we have been developing over a period of time, plus a lot of local recognition of what needed to happen within Barnsley and, in my view, very high quality political leadership at the local level which is part of the chemistry of it. But I think it is true that in this process we did not start with a book where we knew what was going to happen in the last chapter; we started with a book we are writing it as we go along but with an understanding that we want it to be a thriller and something which is going to be exciting for the people of Barnsley. It is going to raise their levels of aspiration and expectation. Of course Barnsley is a former coalmining area. Aspirations and expectations have been one of the big limiting factors, so it has been about raising that level of expectation in Barnsley, changing the image of Barnsley. We are now the Tuscan hill town, not the former coalfield and all of these things. Those factors have been very important in changing the image of Barnsley and the expectation that people have of what they are going to see when they come to Barnsley. It is a 30-year process. It is not even the nine-year process of this individual project, it is a 30-year process, and a transformation that requires a level of leadership and organisation but also a willingness to attack and develop and refine as we go along. That is a chemistry which the RDA needs to be part of, the local authority needs to be part of and the private sector needs to be part of.

CHAIRMAN: Have you convinced the man on the Cudworth omnibus?

MR KENNEDY: I am told by the leader of the council, who is a councillor for Cudworth, that we have a situation with Remaking Barnsley, as we now call it – because we have stopped thinking and we are now doing – has a very high recognition locally. Eighty per cent of the public of Barnsley say they have heard something or a lot about what is happening in the town centre and what we are achieving through Remaking Barnsley. There is a lot of recognition locally and, as Tony has illustrated with the planning aspects and across the border, very substantial support. To be changing the business environment of 500 market traders and not to have any of them object to it is a pretty good achievement in my view.

MR BAKER: I am still trying to find the objectors. There must be somebody who does not like it but I have not found them yet.

CHAIRMAN: You have obviously got involved with this scheme and are pretty enthusiastic about its success. Have you done any other schemes which have gone as badly wrong as this has gone well?

MR BAKER: In 35 years I can only remember one going badly wrong and that was simply because it occurred at a very bad moment in the property market. The whole world fell apart and therefore this project did fall apart. That is the only one. This has been a particularly successful project so far and I believe it will be into the future. It is about working in a genuine partnership way with all sorts of public sector bodies. From my point of view, I try to look not just at the project but the people who are involved. I would not, for example, get involved in a town where there is a lot of political argument going on over a project. I would just say, "Thank you very much" and let somebody else do it.

CHAIRMAN: Michele, can we come on to you. Do you have a successful model that you can tell us about which we might learn some lessons from and pursue in other areas?

MS GIDDENS: I hope so. I want to tell you about Bridges Ventures and what we are doing in terms of focusing on business entrepreneurship in the most deprived 25 per cent of the country. As I said at the beginning, Bridges is an unusual entity. We are a private sector company, a privately owned venture capital company, but we are only interested in raising funds that have a dedicated social purpose as well as delivering financial returns. We believe there are a range of those. The first funds that we raised were community development venture capital funds. That is a bit of a mouthful: it is an American term. There are upwards of 60 funds in the States and they basically bring venture capital (long-term private purchasing of equity shares in entrepreneurial businesses and working very closely with those businesses to help them to succeed) to the more economically deprived parts of the country. So it was done in the US and we raised the first such fund in the UK in 2002 and the Government played a completely pivotal role in that. Our first fund was £40 million. £20 million of that came from the Government in matching investment. That was crucial for us raising that money. Without that money, we never would have raised our first fund. In terms of winding the clock forward over the four and a half years that we have been investing, what can you see? Have we achieved both social impact and financial returns? Those are the goals that we set out for ourselves. We have invested in 27 businesses for about £25 million. In terms of financial returns, we have had three exits, so far, successfully. The figures – for any of you who are in the financial end of things – the first exit was an 84 per cent IRR, three and a half times our money. It was in a label printing business in the most deprived two per cent of wards in the country in the City of Hull. It was in administration. We backed a management team which thought they could print labels for expensive products where labels could still be printed in the UK – because the rest has gone to China and Eastern Europe. This management team, completely obsessed with labels, did a fantastic job. We appointed someone to the board who knew about the beauty products sector, and that was the sector they wanted to target. To cut a long story short, the company turned into a substantial profit and a trade buyer bought it. Since we have sold it, the 50 jobs that we had protected have become 65 jobs, so both financial and social returns. Another example, is Simply Switch, which I do not know if you have ever heard of. If you have ever tried to switch your energy source in your home, you can do it on a phone with Simply Switch, not just online. This was a start-up at the other end of the spectrum. We put in £125,000, backed a woman called Karen Darby, who had this dream of being a consumer champion and helping people save money on their bills by switching supplier. To cut another long story short, SimplySwitch located into one of our areas, it created 80 jobs, many for women and ethnic minorities, many out of unemployment. She also signed up charities as affinity partners. It is free to the consumers, so for the charities to market it was a benefit to the people who donate to them, and where people switched through the charity, the charity made money and they

have raised over £500,000 for charities. In financial terms then, an amazing investment. We invested £125,000 and followed on up to £345,000, and sold the company for £22 million. Karen and her partner made a lot of money and are still in the company and could make more if they continue to succeed. The business is growing in the local area and our investors have made a 22-times return on their money. They are not all going to be like that but we are trying to prove and are starting to prove that there are very exciting businesses in these areas and if you put in money, along with an expert team who are dedicated to finding investments in those areas, they will work with those businesses to help them succeed. That is what we do. We are now raising our second fund. Our target is to raise a £50 million fund and we hopefully we should be able to make an announcement about this quite soon. From the Government's perspective, they put in £20 million, which brought in an initial £20 million private sector investment. I should point out that over 60 per cent of our investments are located in the most deprived ten per cent of the country, although we target the most deprived 25 per cent, so we are definitely hitting the heartland of our areas. The £20 million has leveraged another £20 million private sector and will be leveraging another £50 million of private sector investment. We are a very ambitious business. We are going to raise more money in the future. That Government investment has leveraged already over three times and will leverage more, and the Government should have its risk capital of course. So it has a very good prospect of getting its money back with a return over the ten-year life of the fund. It is not a straightforward, simple thing to do but, if you can leverage in private sector, mission-driven capital to make good commercial investments – but they must be not only located in but very strongly economically linked to these areas – then you start to create role models such as Karen Darby of entrepreneurship that might inspire others, create jobs for people who live in those areas and create more economic dynamism as those companies spend money in those areas.

CHAIRMAN: If it is that easy, why does it not happen anyway?

MS GIDDENS: Wind the clock back to 2002. Here we are, we have this great idea, we want to bring community development venture capital to the UK, so we are going to invest very small amounts compared to the venture capital world itself, so up to £2 million per investment in our first fund. We are only going to invest in the most deprived 25 per cent of the country, and, by the way, we are a new team that is going to be built around this concept but we think you are going to make good financial return. Put yourselves in the minds of the private sector investor and I can tell you that their response is: "You are a very nice girl. It is very sweet of you and I will give you a little bit of charity money but I know I am not going to see that again."

MR BAKER: I love returns, so I am going to give up urban regeneration and invest in this.

CHAIRMAN: The private sector is more risk averse than the public sector in these situations.

MS GIDDENS: We are very consciously going out and hunting for opportunities in those target areas and we will therefore find them. That is not what the venture capital and private equity sector is doing as a whole. Of course it is not. They do not have an incentive or a motivation to do that. There is an argument that says: if Bridges Ventures do fantastically well and we make amazing returns, others may naturally follow, because we may have spotted something that the others have not. There is that argument. We do not

hold out that expectation to our investors. We do not say this is the fastest way to make the most money; we say that you can make an attractive financial return and we will show you that. I think there has to be some kind of incentive. Nobody is going to even copy us unless there is some kind of incentive to do it – certainly not unless, as I say, we produce astronomical financial returns.

MR PELLING: There are different Government initiatives beyond putting money into the fund, in terms of trying to reach out to wards that are the top ten per cent in terms of deprivation. Do you think LEGI money, amongst other monies, is dedicated to help you with that ability to be able to reach out and identify those businesses in the ten per cent or not?

MS GIDDENS: We had hoped, when we established, that various government initiatives would be enormously helpful in our outreach. One of them was Business Links. Unfortunately, we found that we need to do the work ourselves. The answer is that there has not been any Government initiated programme for areas of deprivation that has delivered us businesses. That, I am afraid, is the stark reality. We have found the businesses by wearing out the shoe leather and meeting everybody in those areas we possibly can and creating our own pipeline. It does not sound as if it should be right but that is the fact. We did try to engage with those initiatives. I would not say we engaged LEGI but we engaged with Business Links. Maybe it is because they are so huge and we are so small, so maybe it is partly our fault, but the bare fact is that, unfortunately, we create our own deal flow.

MR RAYNSFORD: Could I ask how you selected the areas that you are in. Have you started off with certain assumptions about certain parts of the country or have you just reacted to where you had good stories or applications that looked viable? Do you think there is scope for replicating your model on a regional basis to ensure there is a more focused approach towards areas of deprivation within that particular region than I suspect you are able to give, given that you, as I understand it, have a national remit?

MS GIDDENS: Yes, we do have a national remit. We have what we call the social screen. We will not look at a company unless it meets that social screen. The first point is that it should be located in the most deprived 25 per cent on the index of multiple deprivation. We did agonise about whether that was the right measure. I am sure in many ways it is not perfect but fundamentally it is there and it is a way to target our investment, and we did not find something that was better. The social screen must be located in one of those areas – which means its business operations, not its headquarters or some legal entity. Secondly, that is not enough to be located there, we must see that they are creating jobs for people who live there (and we have certain ratios we are looking for) or they are spending their money on suppliers there or they are serving those areas as a target market. That is our social screen. That is crucial because the theory is then: if you put money behind those businesses and help them to thrive, you will see the jobs, you will see the social and economic impacts. If the companies are not linked to their local area, you will not see them. In answer to your second question, I really believe there is scope to scale this up. You are talking about 27 investments that we have made so far and we could make a lot more if we had more money and more people. We would welcome other players coming into the market. What worries me is that nobody is incentivised to do that. Someone who has not already been doing this investment, has the track record that we have, would not be able to raise a first fund. We have no Government incentive or anything in our second fund and we are managing to raise it. We will be successful. Let me not make you think it is easy. It is still very hard, and that is with

a track record that seems quite promising. I do think there is an opportunity to incentivise others to do this kind of work. The danger with very regional investment is that you can end up with a small fund, as many funds are in the States, which cannot attract a strong enough team to select and work with the businesses. I am a little nervous about this model working at a very small regional level because the danger is that it cannot work financially. However, I do think there is scope at a regional level, depending how you define the regions, so we do have to balance this question of scale and sustainability with the regions. But I would definitely like to see a thousand flowers bloom. We have a national model. I would love to see more regional models flourishing – they certainly do in the States.

CHAIRMAN: Or linked in with other capital providers. Have you talked to any of the other funds, pension funds, about whether they might be willing to come into partnership with you in some ways?

MS GIDDENS: Two local authority pension funds are dedicated investors to us. They invested in the first fund and they are investing in the second fund. In terms of things that Government could do, it would go a long way just to be supportive across all the parties of this kind of investment. As we raised the second fund, we had no Government incentive in terms of matching investment or tax relief or anything, but they did care whether Government cares about this kind of investment, whether Government cares that mission-driven investors like ourselves exist. Just simply caring would be a good start and obviously some ability to use tax relief or have matching investment would make a much better difference to others entering the market beyond ourselves.

CHAIRMAN: Perhaps I could finish with the final question I asked the other witnesses. If there were one change in policy, what would you like to see?

MR BAKER: Speed up the land assembly process, compulsory purchase.

MR KENNEDY: You will be surprised, in that I was going to say exactly the same thing! In addition, I would say there is a need for Government to understand the need to take risks in a measured, mutual fashion – not in going out there and speculating with public money but in a measured sensible fashion, because in deprived communities risk is part of regeneration. It is not something that is just a matter for the private sector.

MS GIDDENS: I might have just done mine, in terms of Government catalysing with the private sector to make this kind of investment. I would just note as well that I did not have time to talk about community investment tax relief. I do not know whether that is within your scope or not but is a great lever and is massively too narrowly focused at the moment. It is not delivering what it could deliver. That might be something for this group to consider.

LORD BEST: You were both saying compulsory purchase land assembly, but is it not in your hands? We had a Planning and Compulsory Purchase Act 18 months ago. That is all out of the way.

MR KENNEDY: The new process of compulsory purchase has worked extremely well for us and we have our CPM inquiry on 18 April. I would take it wider than that, though. I think Government was very quick in responding to this particular project. Government is not always good at responding quickly when it needs to and Government does

need to respond. In this particular project, for example, from the initial decision at local level that we needed to acquire the site, to Treasury and DTI approving and the site being acquired, was two months, which was extremely impressive. The private sector was shocked that that was possible. It just goes to show. At various stages in this I think we have shown that Government machinery can move quickly. I think it would be nice if that were the norm. It is not, I have to say.

CHAIRMAN: Thank you very much indeed. Could I thank all the witnesses for coming along and anybody else who has joined us. The final report will be published May/June. Obviously we will send copies out and then we will have a third inquiry on housing issues. Thank you all very much.