

**The Past, Present and Future of Regeneration – by Lord Michael Heseltine**

**MH:** Michael Heseltine

**DW:** Damian Wild, Editor, Estates Gazette

**DW:** The title is a fairly broad one about property yesterday, today and tomorrow. So trying to decide the focus on what I would talk about was left very much to me and I suppose the first question that occurs is why should I have anything to say about property? I can't rationalise it but I can indicate where it all began and it was an extraordinary intuitive moment.

I was at Oxford and when I graduated and went to London I was offered a job by Peat Marwick Mitchell, one of the world's leading accountancy firms, and they were prepared to pay me £7 a week. That was half what my peer group of graduates at that time earned, £12-13 a week. I wasn't too perturbed by this because I had £1,000. I had a Post Office account actually which showed how my grandparents in two and six penny and three and thrupences had accumulated over 20 years for me the £1,000. And so I worked out that three years articles to Peat's, divide my £1,000 by three and it comes to £300 a year, £6 a week, add to the seven, £13 a week and you got there. I could live broadly as my peer group of graduates.

But the moment that is of fundamental importance, but not capable of being rationalised, is when I said to myself, but you won't have £1,000 at the end of the three years. So I found another friend in exactly the same situation and we put our both £1,000 together to make £2,000 and we bought a 13 year lease of 39 Clanricarde Gardens in Bayswater. And we had 13 rooms to let. We lived in two of them and the other 11 were let for £3 a week. Quick as a flash you will have worked out that is £33 between the two of us and we were clover. And I was in property and that's how it happened.

But of course everybody who thinks about property immediately thinks of making quick money and my God, you were right. A year later, the £3,750 we had paid for the boarding house, of which £1,750 was mortgaged, became £5,750 and we had doubled our money. Armed with the £4,000, which by then we owned, we bought the New Court Hotel in Inverness Terrace which had 44 rooms. And I used to sweat my guts out over these books in the City of London by day and, armed with a paintbrush at night and the weekends, I set about restoring the New Court Hotel to something that was broadly respectable.

And we sold that. We sold it to a guy called Rachman. You may have heard the name. I did meet him once and it's an experience I shall never forget. He pulled up outside the hotel where I was talking to one of his managers and the, he didn't know who I was; there was no need for him to know. This incredibly unappealing man in this extraordinary large Rolls Royce drew up and the manager said I'm afraid, Mr Rachman, that a young child fell off the balcony of one of our properties this morning and died. Are we insured, he said. And that was the only time I ever met Mr Rachman but he left an indelible impression upon me.

So they were rough times. They were Wild West times and the London property market was extraordinary. And we were involved in very exciting things, we did some quite interesting deals. One or two step in my mind; one that worked and one that got away. The one that

worked was the sort of thing that every business person longs for, especially if you are aged 23 or something, because there was this incredible row of properties in Campden Hill West 8 called Stafford Terrace. And they'd been a hostel during the war, I think for Irish navvies, and there were I think eight houses if I remember correctly. And they were derelict. Anyway, we got wind that there was talk of renovation and they were perhaps coming on the market. And in the meantime we had acquired a lease of one of them. And I went to see the senior partner of Chesterton's, who was managing the estate there, and he was quite encouraging and said we could come back and see how we get on. And so I turned up again a couple of weeks later and he said, well I'm awfully sorry to disappoint you because we would like you to have had it but I tell you the problem is that somebody has got this other one and we can't break them. And the smile on my face; I know, I said, I've got it. And we got the deal.

He was so impressed by what we did that he recommended to the church commissioners that these 20-something year olds should be given access to, I've now forgotten the name of it, but that incredible block as you come up the Bayswater Road on the left, just before you get to Marble Arch, the most incredible properties. And he recommended that we should be given access to this deal. The church commissioner said 22 year olds, 23 year olds? No. And so it got away. But we did some other interesting deals and one hairy one where we acquired a contract to purchase the freehold of a site just outside Regents Park. And I don't actually think we'd got the money to pay for it but we had a contract and we'd paid the deposit. And the trick was to sell it before we had to pay for it. And Mr Claw and Mr Cotton turned up just in time and... So I remember all these things and it was fascinating stuff.

Curiously enough, it was that last deal that provided the cash which enabled us to move into publishing because the company which we have now today is basically a publishing company although it's had property interest because of the office blocks we occupied. But it was the success of that deal, that's how we got into publishing. We had some cash and an opportunity turned up. Well all of those things were the beginning. That's how it actually all happened.

I'd always known that politics was likely to be the career I'd chosen and so towards the late 1950s I was already a candidate for the Conservative Party. And one way or another I became a member of parliament in 1966 having fought two by-elections... sorry, not by-elections, two unsuccessful elections in Wales and Coventry before that. So I found myself as a member of the House of Commons with a business interest and with, in a very short period of time, a position on the front bench opposing the then government's legislation, transport legislation led by Barbara Castle at the time. I was number two to Peter Walker. We won the 1970 election and I was in the Ministry of Transport as a junior minister.

The first memory of being a junior minister, day one, would you be kind enough, Minister, just to sign this here? What is it? Oh, it's nothing much, it's just a proposal to electrify a railway line in the East of England, £6 million, just sign here, Minister. Well, the week before I had been approving every petty cash voucher over 50p – there weren't that many 50ps around – and here I was actually being invited to spend £6 million of your money without so much as a by your leave. So I drew myself up to my full height and I said look, I don't think you've got the message. This is a new government; we don't behave in this way. I want to see the managers. Oh Minister, come-come. If you are going to see the managers every time we expect you to sign something for £6 million, we'll never get through the day's work. Anyway, I did see the managers and of course I did sign the deal and I was in the public sector and I always want to thank people like you because it was your money and it was a privilege to spend it on the scale that I did.

But I wasn't to remain in the Transport Department for long because it was all amalgamated into the Department of the Environment and I moved to the planning side under a minister called Graham Page. And that was, so you can see how property had once now become the dominant part of my activity. I learnt about structure plans. I don't suppose many of you are old enough to remember structure plans but those that do, I was the guy at the receiving end of them. They were brilliant things actually as a mechanism for making no decisions. If you actually... You had a whole army of officials preparing the draft and then they would send the draft out to a huge range of interested parties who would object and they would take all the objections and they would do their best to adjust the structure plans so that they met many of the objections. But of course every adjustment they made adversely affected somebody else so when the new revised structure plan was sent out there were equally large numbers of objections. So it was a wonderful job creating process. It was completely impossible to resolve it; it just went on and on being revised. I sat in the middle of all of that and learnt a bit about how the public sector isn't quite as smart and sharp as perhaps it should be.

The memory I have of that period particularly, which was to become much more significant than it was at the time, I was appalled by the development of the south bank of the Thames. I looked at that, one of the great waterscapes of the world, and I couldn't believe that a society of our sophistication could allow such horrendous buildings in a higgledy-piggledy way to dominate that waterscape. And so I said to my officials, look really, this can't go on; I want to create an urban development corporation to take over the south bank of the Thames and get a master plan and a, sort of, exciting visual concept behind what is happening there. And we got to work on doing that.

I think probably that the word got around what I was doing because they moved me to be Minister of Aerospace in very short order. And that was to have another formative experience in my life because as Minister of Aerospace they wanted me to build a third London airport called Maplin on the Essex coast, on the sands where the bombs from the Second World War hadn't been completely removed. It was a stretching experience. To my great fortune, the backbenchers of the House of Commons had the sense to stop the thing in its tracks and relieve me of the responsibility. But the importance of that particular initiative is that I had to fly over East London. And as I flew over East London to get to Essex, I could see the dereliction and I remembered the dereliction. We lost the 1974 election. I became Shadow Secretary of the Environment, and we won the 79 election and I became the Substantive Minister, and this of course is where perhaps it now became a central feature of my political career.

I remembered the Development Corporation and on the first day of my position as Secretary of State I took my Permanent Secretary out to lunch at the Connaught. I thought we would set the scene and start off where we intended to go on. And I gave him an envelope, on the back of which was the priorities I had as Secretary of State. And top of the list was Urban Development Corporation for the East of London. And I said to him, John Garlick, you'll find in the files from 1973 a proposal to take over the south bank of the Thames. I have modified my ambition. I am now going to take over 6,000 acres of East London. And they did find the files and they did exactly what I had said, but for a different reason. And so I said let us proceed.

My department was totally opposed to this idea because they saw themselves as the custodian of local government interests and they felt that this was a massive intrusion into the powers

and opportunities of local government. The fact that they had screwed the thing to the floorboards and done absolutely nothing over decades didn't seem to have occurred to anyone as a criticism but they were not prepared to see me, as a central minister, intervene in this way. And so I said fine, I understand all that but I intend to proceed. Stage one victory to me. Out of the blue, letters from the Chancellor of the Exchequer and the custodian of the ark of the political covenant for the Conservative Party, Keith Joseph; Geoffrey's argument – Michael, we've got no money. Keith – Michael, we are a non-interventionist party. And here you are, collectively they were saying, spending money and intervening.

There was only one solution to it and that is an appeal to the Prime Minister. And I remember vividly, look, I can't win this battle. I mean here you have the giant of the Tory economic strategy; we've got a terrible economic circumstance, government has got to cut everything in sight and I'm asking the Chancellor to allow me to take over 6,000 acres. Keith Joseph, whom I have the highest regard and affection for, was articulate to a fault that this is precisely, Michael, what we have been elected to stop. Well, I really wasn't quite sure what to do about it.

But I met a guy called Reg Prentice who some of you may remember the name. He was a Labour member of parliament for the East End of London. He then crossed the floor and became a Conservative member, if I remember, for Northamptonshire seat. So I met Reg and said Reg, there's a bit of a problem I've got there. The Prime Minister has asked to see us. And he gave me some advice. I said yes Reg; I think that makes sense to me. And so the three of us got there, the three giants, the government, me, a junior cabinet minister, and Geoffrey did his piece. I've give you the flavour of it. Keith did his piece. I've given you the flavour of that. Well, the Prime Minister said to me, what have you got to say to that, Michael? I said well, Prime Minister, no-one is more keen on the rigour of this government's approach to public spending and so I've said to Geoffrey, not a penny extra money will come from the Exchequer, it will all come from the existing budget of my department. Okay.

What about Keith? Yes Margaret, Keith; how can I argue with everything he's said? I have fought with you down the line in every campaign to stop this terrible intrusion from the left in every direction. But Margaret, I said, I've been talking to Reg Prentice who, as you know, was a member of parliament in the East End of London, and he said to me look Michael, they're all communists, you know? It was like lighting the blue touch paper of [unclear]. And I went back to my department – well done, Secretary of State, said the Permanent Secretary, what a victory. Gosh, we're so impressed that you've been able to carry this thing through on your own back against these massive resources and win. There's just one small problem, Secretary of State, we perhaps should have mentioned it earlier. It will need hybrid legislation. Now, I don't know if that means anything to you but broadly speaking you can't get it through because you cannot legislate specifically against a person or a place; you can only take general legislation and then use that to identify the place. So if you go for hybrid legislation, the victim of your legislation can petition parliament and it just takes a lifetime. So that was a clincher; that was death to my massive victory, but not quite.

I said, Permanent Secretary, I see the point. Which is the worst, second worst site in the country? Liverpool? I said right, give me general powers and designate London and Liverpool. And that's why Liverpool became a central feature in my political career. The story of the East End is now well known and I asked Nigel Broackes, a big property guy, to become the chairman, I asked Bob Mellish, former Labour housing minister, to become the deputy chairman, I put the leaders of the local councils and I just made sure that the majority

was from the private sector and it worked very well. The story is so well known I don't need to tell it but except the gestation of it.

The Liverpool story was not anything like the spectacular but it was the beginning of a step in the right direction. And it was coupled in Liverpool with another experience which, again, had unpredictable consequences at that time. Peter Shore, my predecessor in the Department of the Environment, had set up a fund to augment the money that was available to deprived local authorities. If they had the ordinary allocation of housing, education, whatever it may be, when all that had happened then they got an additional dollop from his fund. And I inherited the fund as Secretary of State. But Peter had also identified a minister to be responsible for the various authorities that had got the fund and he spread that amongst his ministerial colleagues. And so the Permanent Secretary said to me, are you going to go on with the fund, Secretary of State? I said yes. Are you going to do what Peter Shore did and take Liverpool as a personal responsibility? Fine, I said, why not? And that's how I got to be personally involved in Liverpool.

I arrived in Liverpool in no short order and announced the fact that the fund would continue and that I would remain chairman of the partnership with the city authority. But I said there's going to be one change, just one, that instead of the money just coming to you as an automatic dole out to add to what you already get, the money will be available for you but you've got to show what you're going to do with it and, critically, you've got to show that the private sector are going to be part of whatever plan you may have. Now, that sounds to me like blindingly obvious commonsense. Believe me, in 1979 that was not blindingly obvious commonsense. That was revolution. These people hated each other. They stood on mountain tops and shouted abuse at each other. And suddenly the local authority, who was used to doing what they wanted with the money, was told that these awful profit racketeers were going to be able to veto. But of course they became friends. They became Bill and Ben and all the rubbish from the mountaintops went into the ether as these guys suddenly started working out that if they were given some derelict money to clear a bomb site, then a house builder could come and add money by building a house on that site.

So the partnership between the public and the private sectors, which is today an absolutely central theme of government policy, was born that day in Liverpool in those circumstances. And at the same time I had also heard of the garden festival ideas which were developed on the continent to deal with bomb sites after the war. And we had introduced that. Liverpool won, well actually Stoke won the first one but we moved it so Liverpool got it and Stoke became the second one, but that's politics. But anyway, they got the garden festival and they had an Urban Development Corporation.

So three huge decisions, as far as Liverpool was concerned, taken in 1979. The reason why I became so involved in Liverpool was not because, at that time I did what Peter Shore had done, I had done one or two other things, I had made some changes as I've just indicated. But there was a riot in the summer of 1981 and I felt personally responsible because it was the partnership which I was chairing, it was the city where I had agreed to take a personal interest and I had done what ministers do; yes certainly, I'd go there once every six months and sign some papers, take a bit of an interest, but they rioted. And so I went to the Prime Minister and I said, Prime Minister, look, we can treat this as sort of jobs on the street and the police being threatened and all that, we can if you like, but I don't believe it's as simple as that and so I want to spend three weeks walking the streets, talking, listening and thinking about what's going on in urban Britain. And the Prime Minister agreed with me so off I went.

Well, the first day, Secretary of State, what are you doing here? I'm deeply distressed by the riots and they're all saying we don't listen, I'm here to listen. Very good, Secretary of State. Day two, how are you getting on? I'm still listening. Day three? I'm listening. Day four, are you still listening, Secretary of State? What are you going to do? I said, well I'm listening. I want to hear what's going on. I want to find out. Well, it was quite apparent to me within no time at all that I couldn't leave the city with having said I'm here to listen and I've listened. So I started building a notebook of projects and there were about 30 of them and each page of the notebook had a project.

And at the end of my three weeks, I'd be at a press conference, in which I said; I'll tell you what I think is wrong with this city and I'll tell you what I'm going to do about it. And what was wrong with the city was there was no one in charge; there were no leaders. Everybody would tell you what was wrong; them, him, her, not me. So there was no point at which you could put your foot on a rock and say; let's build on that, because the rock was on sand.

And so I thought; well, I better try and show that this isn't as hopeless as they all think. So I had my 30 schemes, and out of those 30 schemes, there came a number of – we, obviously, continued with the Garden Festival. I had listed the Albert Dock, by the way, in the early part of my relationship there, so we could get on with that. But there were two significant schemes.

One was in Wavertree Industrial Park, which is where we got Plessey and the Coal Board, I think it was, maybe it was the railways, to work together on a derelict site, to clean it up and then, on the basis we would help build a small industrial starter factories, workshops, offices. And Plessey would help by diverting activities that were being done within their company into freestanding activities, which could start becoming companies to expand. That is a very simple idea, which is now widespread throughout our economy, but it was born in Wavertree Industrial Park.

The slum of Cantril Park was a scandal, as many of the slums of that time were. And there was an extraordinary conversation when the Labour leader of Knowsley came to me and said; Michael, look, you've spent a lot of time in Liverpool and Merseyside, we've got a problem. This place has got 30% occupancy, it's got crime all over the place, it's got rats, it's got everything you don't want, and we've tried everything. So I said; well, Dick, look, I will take a look at it, but you've got to give me one assurance before I start, that if I make a proposal, which has got doctrinal elements involving the private sector, your council will not resist on a political party philosophical basis.

He said; Michael, we have tried everything, nothing has worked. We give you that assurance. So I sold Cantril Farm to Barclays Bank and the Abbey National, and it became the model. I've been back, I know it well. It is now full, it is a successful community, and the private sector has built houses all around it. It is a model of what became, later, the co-operatisation of the council house movement, when council houses, council estates, became a part of the tenants' cooperative. And there, in Cantril Farm, is where it started. It's now called Stockbridge Village Trust.

So those were the formative periods of the Liverpool experience. We then went... I went to be Defence Secretary and then we lost the election, and I was back in the department in 1990. And by 1990, I had learnt a lot more about urban regeneration, particularly by travelling.

And the most formative experience of my travelling was in northern Japan. And northern Japan, the northern island of northern Japan, is under permafrost from November to March.

And I'll never forget the mayor telling me that he was going to make it a world-class city by the beginning of the following century. And he's got 100 projects, some of them, frankly, barking; some of them, intelligent. But what you knew is that this guy was driving this, and that for every project that failed, he'd have another one to start. And here was the dynamo that was going to make that place happen, and I thought about Britain's cities and that we don't have anything like that. But we are the only country in the world that doesn't have anything like that. So that much influenced me.

The second thing that much influenced me was that practically all the work I'd done up until then had been about derelict land. Now, land is quite easy; it hasn't got a voice and it hasn't got a vote. I wanted to try and deal with the human consequences of urban deprivation, and that's where City Challenge, which you generously mentioned, came into existence. And we did something, which I think was unprecedented, but revolutionary. We said to 30 local authorities, who had appalling slums in their area, look; you're spending a huge amount of money on these areas, broadly supporting the levels of deprivation that exist.

What I want to suggest is we need to change the whole atmosphere. We need ladders of aspiration from these areas. And so what I'm going to do, I said, is I'm going to have a competition and all 30 of you can enter, but only ten of you are going to win. And the prize will be a prize of £350 million, divided into ten packages of £35 million, which is £7 million over five years. And you show me what you will do with it, but there will be one or two standards by which I judge whether you win.

Did you involve the local people? Did you talk to the local teachers and local police? Did you bring the private sector in to look at the problems and discuss a way forward? And how much money will you locally raise to add to my £35 million? And we won. We had the competition, we chose the ten, and it changed the culture of dealing with deprived areas. Because the compartmentalised thinking that dominates the Whitehall monopoly of social provision was broken because these different branch offices of the Whitehall machine, which didn't talk to each other, had no choice, but to talk. Not only to each other, but to the community and to the players within the community, because otherwise, they couldn't come up with a coherent plan, and they had to come up with a coherent plan, which was better than the 29 others they were competing with.

So it had the most extraordinary result. There are many examples, but the Hulme Estate of Manchester is the one I choose, for anyone who happens to know it, an extraordinary transformation. And curiously enough, was just coming to fruition when that appalling bomb tragedy took place. And the leaders of Manchester moved the machinery of people that dealt with the Hulme Estate, into the rebuilding of the city centre of Manchester. A guy called Alan Cocksure, Chief Executive of AMEC at the time, was the private sector chairman of that renovation of Hulme Estate, went on to do the inner city. So we had shown that there was another way of dealing with urban deprivation.

I now leap forward to the period when the Conservatives were back in opposition, and David Cameron asked me... first, he'd asked me what my views were. And I said; you've got to have directly elected chief executives, you must have mayors. You've got to have someone in charge who's identifiable, who can take decisions and give a lead. He was persuaded of

that, although we were not able to make as much progress as I would have liked. We made some progress, but not enough.

But he then asked me to revisit the report I'd done for Margaret Thatcher in 1981, which was called *It Took A Riot*, because that's what everybody said when I went there; you only came because there was a riot. And they were right, that's why I did come. So David asked me to revisit that with Terry Leahy, a Liverpoolian boss of Tesco. And Liverpool had changed. By the time Terry and I got going on our report, we didn't have to do that 30 lists that I did in my notebook, the schemes were all there. What was missing was the coordination of the them and the central support for them.

So Terry and I simply took what we listened from the Liverpoolians, put it in a report, and the government accepted it. And it became the first of the city deals that the Minister of the City, Greg Clark, negotiated with local authorities. David then asked me to do another report, and this was the one, again, you referred to it, called *No Stone Unturned*, which was all about the phenomenon of trying to re-empower the great economic centres of this country. And giving them the sort of status and economic drive that every other capitalist economy has given to its various economic centres.

The government accepted my recommendations. There is an irony about them because they are based on the Local Enterprise Partnerships where there are 39 of them in England. And when I first started in politics in that Peter Walker regime of the 1970s, Redcliffe-Maud had just produced a report, indicating the need to take the 1,400 local authorities in England down to about 60. And if you put the maps of Redcliffe-Maud and the Local Enterprise Partnerships alongside each other, guess what? They're broadly the same. And it takes that long, in this country, to move...

But the Local Enterprise Partnerships are now under, in my view, the extraordinary direct leadership of the Chancellor becoming a really serious part of the way England is governed. There are 39 of them. Greg Clark announced, a few months ago, the first £6 billion worth of support to those Local Enterprise Partnerships, another two billion was added to it. Now, this is not new money. This is simply taking money that was being spent within the monopolies of Whitehall, housing, transport, whatever it is, skills, and putting them into one pot, and saying to the local authorities; this is not coming to you automatically. You've got to show what you'll do with it and what you will add to it.

And the experience that I have had doing this sort of gearing process all through my political career, is that you get something like £5 of private money for every £1 of public money. And I believe if you want to understand why the unemployment figures are so good now across the country and why growth rates are beginning to show the same sort of dynamism in the north, as they have in the south, it is because of the enormous additional weight of money that is being generated in the pursuit of growth outside London. You can't do anything, but admire the London success and support it, but this, what we're now seeing, is a regeneration process that is across the country, and that is very exciting.

So I really say to you, as the property industry, see the opportunity. Locally, you can help design projects that suit your commercial interest. No one's asking you to do anything other than pursue a commercial interest, but if you can see a way in which, by bringing the forces of the public sector together, you can actually enhance a particular property opportunity, this

vehicle now exists, called the Local Enterprise Partnerships. And the sort of schemes that Greg Clark was looking at and approving, it's not rocket science.

If you just... you may need an access off a roundabout, in order to get on to a site that can be used for housing. You may need some money to get rid of the dereliction, to make it an economic project, when you have got the roundabout and the access point. You may want to get some property guy to do some starter workshops on the fringe of it. Whatever it may be, there are a million permutations that you would be much cleverer at working out than I can, but the opportunity is there and the scale of it, in my view, is now unstoppable.

My report was accepted by the government when it came out, and it was being implemented in a way that I found attractive. Of course, it's not being implemented on as big a scale as I would like, but nothing in life is that simple. But it certainly is being implemented, but what has now happened, the last point, is that the Scottish devolution issue has created in the minds of the English members of parliament, an unstoppable determination that they're going to have a greater control over the destiny of their own local economies, and that, in my view, means that whatever party is in power, there will be a continuing thrust of the devolution agenda. Of course, it will be better done by the Conservatives.

### **Question and answers**

**DW:** Thank you very much, Lord Heseltine, for a fascinatingly evocative talk. I think you successfully anticipated each of my questions, as well, but I'll soldier on nevertheless. You talked of a lot of the problems that existed back in the day, perhaps some continue to this day; compartmentalisation within Whitehall, ministers being moved on, just as they become experts, and programmes that simply exist to create jobs within the system. Perhaps some of those things have improved, but I wonder, and this will be my only, perhaps, nakedly political question, but I wonder if, in designing some of these schemes, we're trying to fix something that, perhaps, isn't working as well as it could. If we were creating a political system to further urban development and regeneration, would we create the one that we've got today?

**MH:** No. But we, hopefully, you know, there's no point saying it's the wrong system, you know, we are where we are. And one of the very clear decisions I made when I started on No Stone Unturned, the government had created local enterprise partnerships. I could have said; tear it up and start again. It would have taken two years to get any sort of agreement to what it was, and would it have been better? It might have been different. So I said; let's take the Local Enterprise Partnerships and build on them.

They had no money, they had no power, but I managed to persuade the government to give them money and power, and it's now a momentum that is building. And I think it has played a real role in creating a culture with local authorities today of a genuine partnership because, and this is fundamental, the money does not go by entitlement, it goes by measured results. You have to show what you're going to do and in the centre, it's, sort of, a partnership. There's a judgement about the consequences and the gearing. Take away that, go back to the old, it's your money, you're entitled to it, tell us how you got on, and the thing won't work.

**DW:** And as well as partnership, the other prevailing theme, which I took from your talk, was one of leadership, as well. And I wonder, in an era where partnership matters, partnership between the public and private sector, between local and central government, does it matter

where that leadership comes from? If you look at Birmingham's LEP, led by Andy Street, for instance, from John Lewis. Or, if you look at Manchester, where there will be an elected mayor. Does it matter whether it's the private sector or the public sector leading it, as long as someone is leading?

**MH:** Well, I think that in the end, we've got to go to an elected mayor for the relevant economic areas, and they need to be... whether it's 40 or 50, whatever it is, but it's about what Redcliffe-Maud said, it's about what the LEPs are doing, change the frontiers a bit, but not much. But in the end, it needs to be democratic. So the elected mayor is the universally adopted international model, and I believe that we should go for it here.

I would, personally, legislate to do it and people would, once they've got used to it, would find it a great improvement. They would know who is in charge. Everyone knows who's in charge of London. I think they're getting to know who's in charge of Liverpool and Bristol, but in the generality of, you know, one county, seven districts underneath, it doesn't work.

**DW:** 30 or 40 years ago, perhaps urban intervention was spurred by tragedy. Whether it was the IRA bomb in Manchester or poverty in the East End or riots in Liverpool. Have we got to a better situation, where it is now spurred by opportunity?

**MH:** I think it's a very interesting way of putting it, and there is too much poverty. And I want to recreate City Challenge, you know. I want to target impoverished areas, and I want... Look, if you look at a bombed out area, and I'm not using politically correct language, but we all know where they are, everybody knows where they are. In every community, you say; where's the slum? They'll say; well, it's there. They all know. Now, if you go to that area, and I've done this, and you say; well, now, who's in charge? Nobody's in charge. Same old problem with Liverpool; no one is in charge.

You've got a stack of well meaning, decent, hardworking people, trying to solve the problems, and they've each got their little grant, whether it's troubled families, or whether it's drugs, or whether it's crime prevention, or whether it's this, or whether it's that, they've all got their little grant. Do they ever meet? No. Is there anyone in charge? No. Is there anyone saying; look, could we use this money better? No. So I am... that's what City Challenge did, and I believe it's...

And the other thing that's fundamental is changing the approach. What are you trying to do with these communities? You're not trying to ameliorate the deprivation, you're trying to create a climate where there isn't deprivation. In other words, your trying to create ladders of aspiration for people to get out of this situation.

**Walter Boettcher from Colliers International:** I'm just interested in your take on the role of international capital. I'm thinking of, like, Liverpool port, for example.

**MH:** Well, there's money awash in... there's no shortage of money.

**WB:** Indeed. How do local authorities or assemblages, thereof, put together the infrastructural projects that need to be done? Or how do you see the role of it? Is it channelled through central government?

**MH:** The real challenge is to get the treasury to come up with models that are financeable by the investing world. And there are all sorts of sub-plots to that. There were too many local authority small pension funds, they don't have the resources to do that analysis. But the real problem is that the institutional world really wants risk free investment, that's what they really want. They may say yes, we're prepared to do this, but actually, when you face them with a contract, they say; well, we can't be sure the contract will be run to time and to cost, and therefore, we could face an overrun, which means we won't get the return we've been promised. So they don't do it.

And I think there's a way to deal with that by saying that government undertakes the construction risk, and when they've done the construction risk, then they invite the private sector to say what it will take off the backs of the public sector. That's what happened with HS1, where they built it, the public sector built it, and then they sold it for what they could get to a Canadian investment company, and that, I think, is a model, which would enable a lot of progress to be made. But the problem lies with the Treasury.

**DW:** And does it matter where the money comes from, as long as the money flows? Whether it's the Treasury, a domestic pension fund, or an overseas investment?

**MH:** No. Look, we don't want a lot of crooks in there, but a lot of these....

**DW:** Subject to standards of probity.

**MH:** Yes. subject to proper scrutiny. But sovereign wealth funds and pensions institutions, all these, no, there's money like you've never seen in the world today. The trouble is, focusing it, capturing it.

**DW:** Okay, further questions. Just over there, thank you. There's one approaching from behind.

**Robin Butler, Managing Director, Urban & Civic:** We own the land that the Cambridgeshire Enterprise Zone is in. Two points, really. The first point is that we did a lot with CLG and Biz [?], and the quality of the people we deal with there is actually extremely high. So the missionaries on the ground at the moment, I think, are very compelling. There's a negative in that we bid for money a lot at the moment. And there's a huge conflict between money coming from Europe and money coming from the British government, in terms of the criteria you have to meet, and the assessment and rules. And to be honest, sometimes, it's just too much and I can't work.

**MH:** Yes, you're quite right. It should be pooled. It should be brought together in and administered centrally, and that's what Europe wants. They want to get a much more local coordinated approach, but it doesn't suit our Whitehall pattern of government. That should be changed. Let me say; I'm not a member of the government. Don't let anyone think I'm criticising the government as a member of it, I'm merely an outside observer, so these are all my personal views.

**DW:** It's always been said of politicians that they're de-centralisers in opposition, and centralisers in government. Do you think that has fundamentally shifted? Do you think all...

**MH:** No, I don't. No. I think that, you know, you put a guy in charge of a department, and it's his money, it's his career, it's his responsibility, and get off my lawn. And his officials will brief him up to the eyeballs with every argument to sustain that position. We're all human beings. What I have, I hold. You go along to say to anybody, if I came to any of you and say; I'm going to take something off you. Instinctively, you will say; you're not, and then you'll think of reasons why not. Well, Whitehall is the same, ministers are the same. It can only be done, and that's where George Osborne is doing such a highly commendable job, he's crashing through these things. But I don't believe he's doing it with a, sort of, hurrah on every street corner.

**David Smeeton, Colliers International, Birmingham:** Is Birmingham lacking the political leadership it needs to drive forward the devolution issue?

**MH:** Yes.

**MH:** It is. But don't let's get carried away, it's one of the majority. Manchester has, with the Chancellor, has blazed a trail. And I think, first of all, George's speeches about... in Manchester, about the northern hub and all that, have had an electric effect. I think his health service announcement this week. But they have agreed to an elected mayor in 2017, and that is going to happen, because George is not going to blink, in my view. Again, a personal view. George will go through these devolution arrangements, but when there's a mayor. And he's quite right.

If any of you would go and talk to any of the players, they're all very human arguments, you know. This is my council. We don't like the guy alongside. They're up to no good. You know what they're like, we've seen it all before. It's all this sort of stuff and it's not said in public, but if you talk to them privately, it's all this stuff. When I first got involved, as I said, there were 1,400 authorities. I've been chased out of more authorities that I'm trying to dismember than most people have had hot breakfasts.

In Scotland and Wales in 1990, I got rid of all the districts. And I, frankly, would get rid of the districts tomorrow, the unitary counties, or unitary urban areas, where it's appropriate. But unitary counties, I would go for. You'd save huge sums of money. huge.

**DW:** Birmingham is often used as an example of the biggest authority that punches below its weight. And I hope you won't mind me saying they often ask [?] about Manchester and how can they be a bit more like Manchester.

**MH:** But they can't agree on the common combined authority status. They can't agree about it, and they should. In the end, they will.

**DW:** Another authority said to punch below its weight is Liverpool, for that matter.

**MH:** Well, you've got my intellectual appreciation that tugs at the heartstrings, because I think Liverpool is a very extraordinary recovery situation. And they have a mayor, I know him well, and there is so much good news going on in Liverpool. And I tell you, on May 5th, 7th, 18th this year, I will be on the banks of the Mersey, and there will be Cunard's three greatest liners lined up. And I shall cry, you know. That is the most extraordinary thing. When I remember that open sewer of 1981, to see Cunard back, three great liners. And there will be a million people on the banks of the Mersey that day.