

Written evidence submitted by Here East (PEG0233)

Executive summary

The COVID-19 global pandemic has created myriad challenges and opportunities for the Government to consider in order to encourage and support an enhanced recovery on multiple fronts.

As the Government's immediate response to the crisis begins to level off it should consider new and innovative ways to support a long-lasting recovery. This paper aims to provide the Committee with several important priorities and opportunities to consider in a broader recovery package that would help restart and bolster important sectors of the UK economy and result in the growth of jobs, growing communities within London, and to provide skills and employment to many who will need employment opportunities in a post-pandemic Britain.

About Here East

Here East is a multi-award-winning development that transformed the former 2012 Olympic Press and Broadcast Centre on the Queen Elizabeth Olympic Park into 1.2 million sq ft of commercial space for London's creative and digital industries. It is recognised across the globe as a leading innovation campus that has achieved significant social impact and continues to play a key role in driving strong economic growth in rapidly growing East London. From the national government, local government, local councils and London Legacy Development Corporation ('LLDC'), all stakeholders regard Here East as a model for regeneration projects.

Here East is home to three of the fastest growing clusters in the capital: esports, cybersecurity and the creative sectors. Tenants include: BT Sports, Plexal (Here East's innovation centre), FiiT, Sports Interactive, Ford Smart Mobility, Studio Wayne McGregor, Matchesfashion, Loughborough University London, UCL The Bartlett Real Estate Institute, The Faculty of the Built Environment and Robotics Institute, Staffordshire University's Digital Institute London, Liverpool Media Academy, and The Trampery who provide 21 studios for local artists, businesses and designers, on the Gantry.

Historically the area of Stratford - the Lower Lea Valley - that is now Here East was an area of marshland and farmland with an industrial landscape entwined into the local economy in neighbouring Hackney Wick. In 2010, the English Indices of Deprivation ranked Hackney as the second most deprived London Borough¹. However, the borough was identified as one of London's key future growth areas for the next 25 years after London was confirmed as the host city of the 2012 Olympics. The investment from the Government provided an opportunity to kickstart the urban renewal of an area that was economically struggling and develop housing, create employment and business opportunities and design a place that people wanted to live, work and visit.

¹ Ministry of Housing, Communities and Local Government. (2010). *Index of Multiple Deprivation 2010, Local Authority District Rank of Average Rank*. <https://data.gov.uk/dataset/604236ca-18f2-4ef7-9b12-dc61fa492c98/index-of-multiple-deprivation-2010-local-authority-district-rank-of-average-rank>

The overarching vision would create a sustainable district that would positively impact those living in the adjacent communities and more widely in the Growth Boroughs.

By repurposing the existing Olympic Press and Broadcast Centre infrastructure, and building on the significant Government investment committed to the 2012 Games, Here East has helped to revitalise the North-end of the 540-acre Park. Through our vision to deliver employment, enterprise growth, and enhanced education and research, we have created a vibrant multi-faceted campus which is home to more than 4,500 people from academics to start-ups and high-growth businesses. Here East provides the perfect environment for new technologies to thrive and the space for businesses to grow. It is a place where strong partnerships are fostered. Collaboration sits centrally within the ethos of the Here East campus and businesses join us to be a part of a vibrant community that wants to share knowledge and innovate together. Here East has continued to surpass expectations. Once dubbed a white elephant, it is now seen as a true catalyst for future growth, a global example of positive urban regeneration and an integral part of the local community.

An approach for post-pandemic economic recovery

As the Committee suggests, the Government's post-pandemic economic recovery package will require it to adopt core, guiding principles. We suggest that among these should be:

1. Willingness to back innovation and innovative sectors (such as the digital and creative industries);
2. Replication of London's successes to level up the whole of the UK; and
3. Investment in the development and maintenance of the skills base.

Backing innovation and innovative sectors

Backing emerging technologies and sectors is critical to driving forward new discoveries and creating economic value. It is these sectors, and the businesses in them, that will provide the momentum for the UK's economy to grow out of a post-pandemic recession. Government must invest in supporting these sectors if the UK is to have a strong and sustainable recovery. Here East is a launchpad for innovation and a home for fast-growth sectors. From driverless cars to drones, e-scooters to esports – Here East is where new technologies are developed and tested and where clusters of emerging sectors find a global platform.

Innovation is at the core of everything that we do at Here East and our innovation centre, Plexal, is at the heart of the Here East vision. Innovation services enable entrepreneurs to scale, enable corporates to invest in the right solutions and enable Government to access the best new technologies. Plexal bridges the gap between start-ups and corporates, public and private and provides the expertise required to commercialise ideas and scale businesses. This kind of support will be invaluable to the businesses that will power the UK's economic recovery.

Here East is providing London access to the emerging technologies and new ideas that will define its future success and future-proof the city. The campus brings world-class talent to the capital to develop solutions that address its biggest challenges.

Replicating successes to benefit the UK

Here East plays a pivotal role in the innovation development on the Park and, alongside Park partners, has enhanced and regenerated the local economy, boosting London's flourishing digital and creative industries and delivering growth and diversity to the UK economy. The power of clustering in the technology industry is well understood and, through our vision to create a future-focused district, we are helping to cement Britain's leading global position and reputation in accelerating technology and innovation in the UK and throughout the world.

We believe that Here East provides a blueprint that could be used in cities and towns across the UK. True success of the levelling up agenda will boost the whole of the UK without diminishing the success of London. The Government should work with businesses and organisations that have had success in London and in the rest of the UK to find replicable models to ensure economic recovery and growth for the whole country.

The development and maintenance of the skills base

Sustained success in a competitive global environment requires an appropriately skilled, trained and educated workforce. Without this, businesses will look to base themselves elsewhere. The Government must be conscious of the ease with which the most innovative can relocate. So, it will be crucial to invest in the development and maintenance of a skills base, as well as of a business community that will provide the jobs for these skilled workers.

There is widespread acknowledgement of the importance of higher education institutions and universities as critical players in achieving successful regeneration. Integrating universities and fostering partnerships with the UK's best institutions to deliver world-class, pioneering programmes will enhance the digital skills economy. At Here East, we work with our established universities and growing tenant base, and with local organisations and government, to facilitate cross-sector opportunities that shape education programmes, provide skills and training and build a lasting pipeline of talent for the future that will work across the country.

The Government must be willing to work with industry and educational institutions to achieve this.

Specific recommendations

As well as adopting core and guiding principles, the Government must be willing to take specific actions in certain sectors and on discrete issues to maximise the potential for economic recovery and growth post-pandemic. Below we outline some suggestions that we believe would benefit the economy and society broadly. These cover:

1. Mobility solutions;
2. Fitness and wellness;
3. Procurement;
4. Tax and incentives;
5. Talent development; and
6. The maintenance of strong organisations.

Backing mobility solutions

The Government has been clear in the Industrial Strategy that mobility is key to unlocking growth for the UK economy. It will be critical to continue work on defining the future of how we move around, delivery solutions and overcoming barriers in accessibility. As such, this sector should be prioritised in the Government's post-pandemic recovery programme.

As a privately managed site, the Queen Elizabeth Olympic Park allows for experimentation of new solutions in a de-risked, real-world environment. Consequently, the future of mobility is a key focus area for Here East.

Mobility solutions are central to addressing some of the most crucial challenges society faces, from climate change to COVID-19. Even in the past few months, we have seen an increased urgency from governments and companies around the world in accelerating their mobility technology to find safer modes of transport. This is a sector that Here East and our closest partner, Plexal – home to multiple mobility start-ups – have recognised as being crucial to our future for a long time.

Launched in 2018, Here East worked with Plexal and Bird to launch the UK's first electric scooter trial in an environment that would enable multiple use cases. The trial was highly successful. At the trial's peak, Bird had over 100 active devices, several thousand users per week, and over 50% of local residents had used a Bird scooter. This trial gave us a huge number of consumer and operational learnings that the Government should incorporate into any future micro mobility sector growth. These include insights into reducing consumer barriers to uptake, operational limitations around charging and redistribution and the need for consistent governance and reporting.

COVID-19 has accelerated the Department for Transport's micro mobility consultation, and ownership of trial design has been handed over to local authorities, including the 34 London Boroughs (rather than the original proposition to lead with the four Future Transport Zones).

This approach is likely to give rise to a number of factors that could limit the operational and commercial success of the trials, and also raises questions around operator due-diligence, consistency in safety standards, cross-boundary usage, differential pricing mechanisms and consumer confusion around operating parameters. In order to generate comparable findings

from each of these trials, there needs to be a coherent approach to governance, and a number of pre-defined operating parameters and controlled variables.

As the country moves into economic recovery, we can expect to see an influx of mobility start-ups, developing new solutions to these emerging challenges. When this happens, the Government must be ready to support these businesses, to help get their products to market more quickly, to help them scale, and to continue growing this crucial sector. The apparent move to a more localised economy as the reality of a more dispersed workforce intermittently journeying into the urban centres and office hubs provides an even greater opportunity for localised, greener, sustainable transport solutions to be realised. Electric mobility, last-mile delivery and tackling the challenges associated with getting people back to work safely should be prioritised.

There needs to be an overall framework in place for procurement of micro mobility solutions in cities and towns. Other European countries have failed in their approach to micro mobility provision by flooding the market with too many operators. This is quickly happening in the UK, where we have seen tens of operators win contracts across the UK. This framework should look to support local businesses and encourage growth of the UK micro mobility value chain.

There is an opportunity to review the existing processes and financial support that sit within the Government's broader priorities, to help drive the economy forward and support business growth.

Boosting the growth of businesses in fitness and wellness

The cost to the country of people being unfit and unhealthy is in the billions of pounds every year. One in six deaths in the UK every year are a result of inactivity, and this has been increased during the COVID-19 pandemic.

While the Government has been proactive in encouraging citizens to be active and healthy where possible, there is little tangible incentive for individuals to participate. Similar to the Cycle To Work scheme, companies such as FiiT located on Here East's campus would like to see the Government explore the option for employers to be able to offer a fitness scheme that would allow people to pay directly from their pay with the same tax incentives.

The Cycle To Work scheme has been well utilised and the increase in uptake of the scheme in light of travel restrictions has seen an influx of new cyclists across the UK. We believe the same success could emerge for the digital fitness and studio fitness industry, along with the associated health and societal benefits.

Improving procurement processes

The process of tendering for large national and local contracts and infrastructure projects is known to be overly cumbersome, protracted and expensive to structure, administer and most importantly to participate in.

The opportunity to depart from EU prescribed processes presented by Brexit should be explored. In a recovering economy, bidding in such a process with a norm of six parties being shortlisted, each potentially committing significant bid costs (often in the millions of pounds) with a relatively low chance of success is a substantial financial hurdle that does not make sense for many. This means that smaller companies who are more entrepreneurial and often more innovative are less willing to risk valuable capital against such odds. This ultimately stifles competition and restricts innovation.

The introduction of a simplified but transparent process for procuring public contracts would accelerate delivery. Investment levels, cost of capital, returns to shareholders of public/private joint venture partners could all be made available for scrutiny without compromising commercial confidentiality. It would allow public bodies to identify best-in-class delivery agents and to rapidly achieve the outcomes required.

The opportunity to accelerate project delivery, to drive economic growth across the regions and to provide a catalyst for local government delivery is vast. It should be considered a key opportunity for the Government in unlocking a post-pandemic economic recovery and would be well received by industry.

Tax and incentives

A key challenge for early-stage high-potential businesses is funding. Living from one investment round to the next can slow down the ability to progress, as well as to grow and scale as a business. It can take a number of years to become profitable and sustainable.

We believe that the maintenance and extension of Government incentives to support the growth of new and early-stage businesses would be highly beneficial. To address this, the Government should:

1. maintain and extend tax credits such as SEIS, EIS and R&D;
2. explore exemption from business rates for early-stage businesses;
3. consider interest free business loans as priority to support the recovery of the start-up economy post-COVID-19; and
4. develop initiatives to encourage those with new ideas and innovations to start new businesses.

Work in these areas would help to grow and invigorate the creation and growth of high potential businesses that will be key drivers of the UK's post-pandemic economic recovery.

Support for the development of young people from diverse backgrounds

Many start-ups at Here East are motivated to offer employment and training opportunities to people in the local community and want to ensure they are providing opportunities to people from disadvantaged backgrounds. However, the challenge often comes down to strain on finances or resources, which hinders businesses' ability to provide the placements that would help to upskill young people and get them into the workplace.

We would recommend the Government prioritise support for funded work placements, internships and apprenticeships and explore the opportunity for full funding. Additionally, a financial incentive to take on these individuals would help to lessen the burden on redirecting resources that are already streamlined within the organisation; this could be in the form of development grants, tax credits and easier access to apprenticeship levy funding.

The London Legacy Development Corporation 2030

The Government will need to make strategic and targeted interventions to safeguard the upward trajectories of success stories in a post-pandemic business landscape.

In August of 2017 during a meeting on the future of the London Legacy Development Corporation (LLDC) London Mayor, Sadiq Khan, expressed his belief that while essential progress is to be sustained and taken further to help the residents of East London the LLDC also had a “time-limited role that should not be unnecessarily prolonged.” The Mayor also said that “we should not rush to remove powers prematurely when there is still work that can be best done by a single body, such as a development corporation.” As a result, Sir Peter Hendy CBE was appointed as LLDC Chair and charged with formulating a plan to secure the long-term future of Queen Elizabeth Olympic Park.

The ongoing relationship between Here East and LLDC has been extremely strong to the benefit of both parties, and the role that LLDC has played in supporting the regenerative transformation of the Park should not be underestimated. Our relationship with LLDC has allowed us to activate programmes and projects across the Park estate, such as the Bird e-scooter trials two years ahead of the wider UK market. Additionally, last year we took a strategic decision to help create the V&A’s national collection and research facility on campus, in support of the cultural vision of the Park and to ensure the ongoing viability of the East Bank project.

Whilst Here East is making a significant contribution to stimulating long-term economic growth in the local community and ultimately nationally, LLDC is a key support line in the process. One of the initiatives, supported by LLDC, has been to work with Park stakeholders such as Loughborough University to offer a significant bursary for local students wanting to undertake a master’s degree on campus and over 50 students have obtained fully funded degrees since 2015.

In light of the challenges that East London faces post-pandemic we would recommend to the Government that it consult with the London Mayor's office to adhere to the original London Plan to keep the LLDC's powers in place until 2030, rather than handing them back to the boroughs earlier as has been suggested by the Mayor. This would ensure less bureaucracy is re-introduced, that the precision and focus of a development corporation charged with the economic renewal of a region spanning multiple boroughs is maintained, and removes the need for an unnecessary structural change, implemented at a time when other pressing matters can be focused on.

Having a centralised delivery of all of these functions will ensure the smooth execution of the ongoing vision to increase prosperity of East London through growth in business, quality jobs and positive urban regeneration.

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