

Report – Policy and Resources Committee

Strengthening the City of London Corporation’s support and Promotion of the City

To be presented on Thursday, 21st July 2016

To the Right Honourable The Lord Mayor, Aldermen and Commons of the City of London in Common Council assembled.

SUMMARY

Your Policy & Resources Committee has recently given consideration to strengthening the City of London Corporation’s support and promotion of the City and this report seeks approval to the provision of £1.7m funding in the current financial year to enable that work to be progressed. The proposals have also been considered and endorsed by the General Purposes Committee of the Court of Aldermen and the provision of the necessary funds has the support of the Finance Committee.

In 2015, the City Corporation commissioned Sir Simon Fraser, former Permanent Under-Secretary at the Foreign and Commonwealth Office, to review the effectiveness of the City Corporation’s promotion and representation of UK-based financial and related services and his findings demonstrated very clearly that an increasingly complex and competitive environment was bringing new opportunities and challenges.

A compelling case has been made for the City Corporation to strengthen its promotional activities in three key areas, including the City’s ability to build future products and services, strengthening the regulatory frameworks and the promotion of exports and investment. The review also highlighted the need to enhance our partnerships with business and government, and increase capacity and capability at officer level to deliver on the City Corporation’s ambitions.

To enable this work to be implemented, approval has been given to an increase in the relevant local risk budgets by £2.55m per year beginning in April 2017 which will provide the requisite expertise and additional capacity. This will be included in the budget setting process for 2017/18.

There has been a sense of agreement amongst Members of the Committees concerned that this work should begin as soon as possible, especially due to the additional work that has been created in light of the recent referendum. Approval is, therefore, now sought for a budget increase of £1.7m to cover the remainder of the current financial year which would be funded from City’s Cash reserves, thereby enabling work to be started at the earliest opportunity.

RECOMMENDATION

The Court of Common Council is asked to approve an increase in the relevant local risk budgets of £1.7m to cover the remainder of the current financial year, funded from City's Cash reserves, thereby enabling work to start on strengthening the City of London Corporation's support and promotion of the City.

MAIN REPORT

Background

1. The City of London Corporation has a long established role in promoting London as the world's leading international financial centre. It works in partnership with business, government, policy makers and regulatory authorities to promote the world class expertise based in the UK and to ensure the policy environment is globally competitive.
2. In late 2015, the City Corporation commissioned Sir Simon Fraser, former Permanent Under-Secretary at the Foreign and Commonwealth Office, to review the effectiveness of the City Corporation's promotion and representation of UK-based financial and related professional services. Over fifty private interviews were conducted with senior representatives in the City Corporation, stakeholders and practitioners in the City, Ministers, diplomats, HM Treasury and UKTI.

Findings

3. The feedback on the work of the City Corporation was positive, but with a very clear message that an increasingly complex and competitive environment was bringing new opportunities and threats. Respondents made a compelling case for the City Corporation to strengthen our promotional activity in three key ways:
 - A. **Build Future Products and Services:** "There should be a stronger focus on innovative policy development to respond to new challenges and to secure the position of the City as a premier financial services centre for the future."
 - B. **Strengthen the Regulatory Framework:** "The Corporation should provide strong leadership for the City on strategic policy and regulatory issues affecting London as a financial services centre."
 - C. **Promote Exports and Investment:** "EDO should develop a new approach to provide attractive customer service for businesses served by the Corporation's trade and investment work, which draws together all of the Corporation's offerings."
4. The recent referendum result increases the urgency of this work across the piece, although it may alter some of the details. By working with partners in business and government we will need to assess the impact on the City. This means protecting existing business and seizing new opportunities. It will require more capability and capacity to develop the regulatory environment in the UK and crucially, we will need to be able to spot opportunities in new

markets and services, which will be key to the City securing its long-term success.

5. Your Policy and Resources Committee as well as the General Purposes Committee of the Court of Aldermen, considered the findings of the review and the ways in which the City Corporation might work to enhance the support it provides in respect of the promotion and representation of UK-based financial and related professional services

Future Products

6. Feedback from the review encouraged further strengthening of our programmes which support new or emerging products that have the potential to create significant economic value for the UK. Key areas of focus are likely to be FinTech, Cyber and Green Finance. The City Corporation currently addresses these areas, but to play a full role, would need to reinforce its engagement. The Green Finance initiative gives a sense of what is possible with the right leadership and resource.
7. To give an indication of the scale and value of these policy areas:
 - global Green Bond issuance is expected to top \$100 billion this year;
 - FinTech in the UK generated £6 billion in revenue last year, and over 45,000 people are employed in FinTech in the UK;
 - Innovate Finance's 2020 Vision aims to create an extra 100,000 jobs in FinTech;
 - 46% of financial services businesses identify cyber-attacks as a 'system risk' for their business.
8. Working on these policy areas plays to the City Corporation's strengths: as a politically neutral, independent and non-member organisation, it is able to commit to product development and convene businesses, government and regulatory bodies to identify and tackle relevant issues as well as allocate the resources necessary to be an effective delivery partner for business and government. The City of London Initiative on the Internationalisation of the Renminbi is a good case study of how this approach can pay dividends.

Strengthening the Regulatory Framework

9. The City Corporation already works in partnership with financial and related professional services firms to engage with policy makers and regulators on financial services regulation. While some of this work is domestic and some international outside of the EU, the majority of this work at present is focused on EU level regulatory reform post-Global Financial Crisis. This is carried out through the International Regulatory Strategy Group (IRSG), whose work helps to inform the international regulatory framework, to promote financial stability and sustainable growth. Much of this work provides the policy foundations for the positions we promote with policy makers around the world.
10. Following the result of the referendum, the focus of this work will change over time. To ensure that the City Corporation's political leadership has the necessary policy content for their international and domestic advocacy work on behalf of financial and related professional services, it is necessary to

increase the expertise and capacity of the team working on regulatory policy. This will provide the breadth and depth to engage on all relevant policy issues affecting the industry, and also provide additional capacity to work on issues where the City Corporation has a unique role to play given its political neutrality and independence from a paying membership. This will be complemented by better coordination of activity across the City Corporation.

Promoting Exports and Investment

11. The UK exports £70 billion in financial services globally each year. The industry's success is essential to the success of the UK economy, and will be vital to making progress on the exports targets of £1trillion by 2020. The government (HMT, FCO and UKTI) are keen that every Department and Trade Association plays its part in achieving success.
12. The City Corporation already has a well-established international programme of engagement that supports exports and investment. This is most clearly demonstrated by the programme of overseas visits undertaken by the Lord Mayor and Policy Chairman. However, the review identified that whilst the visits programme is an excellent opportunity to promote the City, there is considerable scope to contribute even more to business success.
13. The City Corporation is well placed to promote further export and investment. It is a non-membership body and is in a position to support all relevant businesses; the Mayoralty provides excellent access to key policy and decision makers in relevant markets while the established partnerships with the FCO and UKTI already provides a framework for delivery.
14. To strengthen this work further, there is a need to have a robust programme that targets work on increasing exports and attracting inward investment, while demonstrably supporting the priorities of UKTI and HM Treasury. To deliver this, a dedicated relationship management team will be necessary, to work with financial and related professional services firms to identify key priority markets, develop thematic sector-specific visits (e.g. FinTech) where appropriate, and work with businesses to follow-up on potential business opportunities. This may mean fewer, more focused visits. This work will have clear targets and objectives to ensure it remains focused and its impact measurable.

Outcome

15. In order to increase capacity and begin work in the identified areas, additional resource will be required. Your Resource Allocation Sub Committee has agreed to recommend the appropriate uplift in local risk budgets during the budget setting process for future years, but in order to progress work in the current financial year it has been calculated that an increase in the relevant local risk budgets of £1.7m will be required.
16. Your Finance Committee considered and supported the proposal at its meeting on 19 July 2016.

Conclusion

17. The Court of Common Council is asked to approve additional resources of £1.7m, to be funded from City's Cash reserves, to ensure that the City Corporation continues to play its full part in promoting UK based Financial and Related Professional Services and ensuring London remains the world's leading financial centre.

All of which we submit to the judgement of this Honourable Court.

DATED this 7th day of July 2016.

SIGNED on behalf of the Committee.

Mark Boleat
Chairman, Policy and Resources Committee