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# Competitiveness and Prosperity

175. In this Part of my Report I consider how the central purpose of the Corporation – as an advocate and enabler for the financial, professional and business services of the City of London – can best be furthered through governance changes. I do not in any way undervalue the other activities of the Corporation, but unless it is successful in this respect – not least to support those other activities – then the City will be (literally) a poorer place.
176. I also consider how this endeavour can best be supported, and corporate behaviour can best be encouraged. And because the role of the Lord Mayor, with the Chair of Policy and Resources, is crucial, this may be a convenient place to examine how the Lord Mayor is appointed.
177. I make recommendations about a Competitiveness Committee in this Part rather than in my wider consideration of Committees in Part 7 as it is simpler to do so here rather than in the complexities of the Committee system as a whole.

### *The Fraser Report*

178. I have already referred to the 2020 Report by Sir Simon Fraser, and the 2015 Report of which it was a “light-touch” review. I have had a very useful discussion with Sir Simon, and I am in complete agreement with his analysis and recommendations – although I take his recommendations a little further. And of course his agenda takes in wider issues of policy while my focus is on how those are best supported through governance arrangements.
179. The central conclusions of Sir Simon’s 2020 Report, which are amply confirmed by my Review, are that the Corporation

“should work to achieve a clearer, more united policy strategy for its work to promote prosperity, with more focused priorities, more strategic and consistent communication, a co-ordinated plan to deliver its goals, increasingly united leadership, clearer, more decisive governance to drive outcomes, and stronger external relationships to deliver results...the overriding priority is to defend

and improve the competitiveness of London as a global financial centre. This effort should be brought together in a Corporation ‘competitiveness strategy’ for the City.”<sup>44</sup>

### ***The present arrangements***

180. The terms of reference of the Policy and Resources Committee (P&RC) include “the support and promotion of the City of London as the world leader in international financial and business services and to oversee, generally, the City of London Corporation’s economic development activities, communications strategy and public relations activities”.<sup>45</sup>
181. In theory this function is delegated to the Public Relations and Economic Development Sub-Committee (PRED), whose terms of reference, approved by the P&RC, are “to consider and report to the Grand Committee on all matters relating to the City Corporation’s Economic Development, Public Relations, Public Affairs and Communication activities, including any related plans, policies and strategies.”<sup>46</sup>
182. This is an odd mix of responsibilities; and moreover the title of the Sub-Committee puts PR ahead of economic development. In addition, the task of the Sub-Committee is couched in somewhat passive rather than active terms. The Sub-Committee has a minimum of 16 Members,<sup>47</sup> but is not especially active. Its meetings on 15<sup>th</sup> April and 9<sup>th</sup> June were cancelled, and if it meets as scheduled on 16<sup>th</sup> September it will not have met formally for nearly six months.<sup>48</sup>
183. I have encountered no criticism of the Sub-Committee’s work on public relations and communications, but considerable frustration that its economic development role is less effective – perhaps unsurprising if the Sub-Committee is essentially reactive.

### ***Current activity***

184. The Innovation and Growth Directorate in the Town Clerk’s Department is active and focused, and excellent work has been done recently: setting up a major Climate Conference with Mark Carney in November this year; jointly launching a review with HM Treasury

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<sup>44</sup> Fraser Report, page 4.

<sup>45</sup> See *Appointment of Members on Committees, 2019/2020*, page 155, paragraph (d).

<sup>46</sup> See Minutes of the Policy and Resources Committee, 4<sup>th</sup> May 2017.

<sup>47</sup> Not counting any former Chairs of Policy and Resources who are still on that Committee.

<sup>48</sup> On 5 November 2019 the Sub-Committee agreed to reduce its meetings from 11 a year to 6.

on how Fintech will power UK success in the future; and publishing a study of how to remove barriers for financial and professional services to do more business in Australia. The Directorate has good working relationships with No.10 Downing Street, the Treasury, the Department for International Trade and the Foreign and Commonwealth Office, and with Parliament, the GLA and leaders across all parts of the UK and its regions. These are key networks for the Corporation to play its part in fostering competitiveness and prosperity.

185. However, these endeavours are held back by two things: there is no politically endorsed clear overall strategy; and there is a low level of Member involvement in driving things forward. I also believe that the Corporation could use the Member expertise available to it more effectively.
186. On the first, the Fraser Report has supplied the way forward. Under *Clarity of Purpose* it recommends<sup>49</sup> that
- “The Corporation should establish a focused set of medium-term strategic policy priorities to promote and protect the UK FPS sector, both at home and abroad. They should include clear goals and measurable objectives linked to clear timeframes
  - “Together these should underpin a new Competitiveness Strategy of the Corporation on behalf of the City, aligned with the priorities agreed with TCUK.<sup>50</sup>”
187. I hope that the Court of Common Council will approve this recommendation soon, and that early formulation of the policy priorities will be a key aim.
188. On governance, Fraser recommends a “new, specialised and senior ‘Competitiveness Sub-Committee’” of the Policy and Resources Committee.<sup>51</sup> This would address the problems of lack of appropriate Member involvement and political energy, but I would go further.

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<sup>49</sup> Fraser Report, page 11.

<sup>50</sup> TheCityUK.

<sup>51</sup> Fraser Report, page 12

189. **I therefore recommend the establishment of a free-standing Competitiveness Committee.** I suggest that a free-standing Committee has much to recommend it:

- the status of a dedicated Committee would be emblematic of the Corporation's wish to press ahead with the competitiveness agenda – assuming that, as I hope, this agenda is approved at an early stage;
- the fact that the Committee would not have to report through another body should speed up its work and provide the speed of response that will be needed;
- any criticism that it will somehow be in competition with the P&RC can easily be met by a degree of overlapping membership and Chair;
- I do not believe that the P&RC has the bandwidth to deal with yet another Sub-Committee reporting to it, despite my recommendations to simplify the Sub-Committee structure.

### ***Terms of reference***

190. These will be a version of paragraph (d) of the P&RC's current terms of reference, modified to take in the new Competitiveness Strategy; something like

**“To be responsible for:**

- **the support and promotion of the City of London as the world leader in international financial and business services;**
- **driving the implementation of the Competitiveness Strategy;**
- **adapting and updating the Strategy to meet developing circumstances”**

191. It would be sensible if **this Committee were to take in the functions of the Hospitality Working Party**, as most significant hospitality will impinge on the priorities of the Strategy.

## **Membership**

192. I would not be prescriptive at this stage, but I suggest that there are some key principles:

- **the total permanent membership should be no more than 12 to 15** (this would be consonant with the recommendations I make on the Committee system as whole);
- **it should be chaired by the Chair of Policy and Resources (CPR)** who will thus be able to take a co-ordinating view of the work of both Committees;
- **the Chair of the General Purposes Committee of the Court of Aldermen (GPC) should be the Deputy Chair** (or alternate Chair);
- in order to make the best use of the Corporation's resource of expertise, **the membership should be made up of Members who have held senior roles in financial, professional and business services**; both P&RC and GPC might have roles in designating suitable individuals.<sup>52</sup> This would make best use of the array of talent available. I have in mind, as just one example, the way in which Sir Roger Gifford has been able to transform the Corporation's impact on green finance;
- I do not recommend any *ex officio* places on the Committee, not wanting to take places away from those with the high-level expertise which will be required. If those with a claim to be *ex officio* have the necessary expertise, they will have a claim to be on the Committee in any event);
- it will be important to draw upon the views and expertise of those outside the Corporation who are currently involved at a high level in the relevant sectors. Rather than have a large permanent co-opted membership which could make the Committee unwieldy (and which might not always be right for the business before the Committee), I suggest that **the Committee could draw upon small sectoral panels of external members, which would also link the Corporation more closely with the key players, and who could attend**

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<sup>52</sup> Such a role would in due course fall to the Governance and Nominations Committee which I recommend, but the Competitiveness Committee should begin work as soon as possible.

**depending on the business under consideration** (as well as receiving the full range of working papers).

193. Although the Competitiveness Committee would lead on promotion of the City, **I would not freight it with the more general public relations issues which fall to PRED at the moment.** So far as they may need Committee engagement or approval, I think that they could be re-absorbed by P&RC.
194. **CPR’s chairing of the Competitiveness Committee will reinforce the case for that role to have enhanced Officer support,** a point which has emerged from my Review and which was also identified by the Fraser Report.<sup>53</sup>

***“Chair of Policy and Resources”*: title**

195. This may be a convenient point at which to deal with this issue, which has long been the subject of debate. The fact that it is one of the *arcana imperii* is seen by some as very good, and by others as just as bad.
196. The Fraser Report observes that “Chair of Policy and Resources” may be seen as opaque and misrepresenting to outsiders the importance and profile of the role. “A title such as ‘Chair of Policy and Leader of the Corporation’ would have greater impact and may help achieve wider and higher access.”<sup>54</sup>
197. I agree that this is an issue. However, during my Review I encountered widespread and settled opposition to the use of the term “Leader”, on the grounds that it is so closely associated with local authorities, and that it indicates the person who leads not only the Council, but also the majority party or faction – something which is impossible in the Corporation context.
198. Mindful of the eternal truth that in governance reviews there is nothing so controversial as what things are to be called, I do not recommend adopting the title of “Leader”.
199. “Chair of Policy and Resources” combined is indeed unwieldy; but “Chair of Policy” seems to me to be fit for purpose, even if P&RC retains its name. “Policy” is clearly the most important

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<sup>53</sup> Page 12.

<sup>54</sup> Page 9.

overarching issue, and will be seen as such outside the City. **So I recommend the use of the title “Chair of Policy (CP)”** and I use that title in the remainder of this Report.

### ***Co-ordinating support for the competitiveness agenda***

200. In Part 4 of this Report I was critical of what I termed “a lack of corporate endeavour”.<sup>55</sup> Curing this will be important across all the Corporation’s activities, but nowhere more so than in supporting the competitiveness agenda.

### ***Guildhall and Mansion House***

201. The Chair of Policy is clearly the lead on policy matters, and I believe that that role will be enhanced if CP also chairs the Competitiveness Committee. The Lord Mayor has a vital ambassadorial and promotional role. The two are rightly complementary, and it is important that they are also closely co-ordinated.

202. It has been suggested to me that the staff of Mansion House should be merged with the staff at Guildhall. I am not convinced by this. The two staffs are doing different things, but there is no reason why they should not do them to achieve shared aims. This is also not the time for a complex re-engineering exercise, no doubt with negotiations about roles and reporting lines.

203. What is essential is that CP and Lord Mayor – Guildhall and Mansion House – speak with one voice, and that both enable the priorities identified in the Competitiveness Strategy. It should mean, too, that the two staffs work very closely together to the same aim. To take one example, the Lord Mayor’s speechwriters need to be constantly up to date with developments affecting the Competitiveness Strategy.

204. In practice this will mean that the Lord Mayor’s convening and “door-opening” role is key in powering the Strategy. In turn this should mean that the planning of the Lord Mayor’s activities, both outreach and inward visits, maps onto the priorities of the Strategy.

205. The City has benefited from the fact that the priorities of the present Lord Mayor and his two predecessors have had a consistency

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<sup>55</sup> I note that the Fraser Report (page 5) observes that “There is little understanding of how the work of different parts of the Corporation is brought together to achieve a collective purpose”.

in reflecting corporate aims, and the framework of the Strategy should help this to continue with future holders of the office.

### ***Speaking for the City***

206. Just as the message needs to be agreed and clear, so the means of its delivery must be clear and understood. It has been suggested that a prominent “outside” figure might act as a high-level ambassador for the City, but I think it right that the Lord Mayor and CP should continue to be in the lead; any other “spokesman” role is potentially confusing. This does not mean, however, that CP and the Lord Mayor should not designate senior people, from the Corporation or outside, to lead on particular issues or relationships.<sup>56</sup>

### ***The Lord Mayor***

207. The importance of this role will be clear from the Fraser Report and from my Report, as also the importance of its being filled by exceptional people. However, the method of appointment has been a matter of long-standing debate and some criticism.

### ***The method of appointment***

208. Only a serving Alderman, who has served in the Office of Sheriff, is eligible for election. Each year, usually around May, the Court of Aldermen nominate one Alderman, occasionally two, for the following year’s election by the Livery as one of the Sheriffs.

209. At the same time, the Court vote to nominate an Alderman as their preferred candidate for Lord Mayor for the following year. At Common Hall in September, the Livery return two names to the Court of Aldermen, who then carry out the final vote to elect the Lord Mayor.

### ***The present appraisal process***

210. A review of the appraisal process for candidates for the Mayoralty and the Shrievalty was undertaken in the Autumn of 2019 with the help of the recruitment consultants Saxton Bampfylde. A small working party of Aldermen (a mix of those who had, and had not, been Lord Mayor) was then convened.

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<sup>56</sup> I have in mind the roles played by the former FCO and Home Office Minister Jeremy Browne leading on EU relationships, and Sherry Madera, former Minister-Counsellor and Director at the British Embassy in Beijing, in respect of Asia.

211. Its proposals were agreed in February this year; they included the development of comprehensive job descriptions; clear guidance on the process of application and appraisal,<sup>57</sup> and a robust procedure for interview and assessment, taking proper account of fairness and equalities issues.<sup>58</sup>
212. Candidates must submit a personal statement of why they feel they meet the requirements of Sheriff and ultimately Lord Mayor (including track record, networks and relationships, personal qualities, and aspirations in office); a full *curriculum vitae* as well as a personal biography; and a list of between four and seven referees.
213. The composition of the Appraisal Panel for 2020 is: Chair of the Privileges Committee of the Court of Aldermen, presiding; the Deputy Chair of the Privileges Committee; the Chair of the General Purposes Committee; the late Lord Mayor; the Chief Commoner; and a minimum of three Independent Members from the business City appointed by the Privileges Committee.<sup>59</sup>
214. Because of the pandemic, the present Lord Mayor and Sheriffs will serve for a further 12 months, so the 2020 selection process has been suspended. It is expected that the membership of the Panel may be changed to: the Chair of the Privileges Committee, presiding; the Deputy Chair of the Privileges Committee; the Chair of the General Purposes Committee of Aldermen; the Chair of Policy; the Chief Commoner; and five independent members.
215. **The increase in the number of independent members is welcome; but the possible size of the Panel is considerably larger than current best practice would suggest. This may be something to consider in the light of professional advice; I would hope that such advice will continue to be available to the Panel.**

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<sup>57</sup> On the Corporation's website at <http://www.cityoflondon.gov.uk/about-the-city/how-we-make-decisions/Documents/aldermanic-appraisal-process.pdf>

<sup>58</sup> The Corporation is under an obligation to show "due regard" in its decision-making to the Public Sector Equality Duty, which requires the elimination of discrimination, the advancement of equality of opportunity between different groups, and the fostering of good relations between groups in the City's communities to tackle prejudice and promote understanding.

<sup>59</sup> At present Sir Roger Carr, Chairman of BAE Systems; Dame Elizabeth Corley DBE, Vice-Chair of Allianz Global Investors; and Lord Grimstone of Boscobel Kt, former Chairman of Barclays Bank plc and of Standard Life, appointed Minister of State for Investment in April 2020.

## *Criticisms*

216. Criticisms of the current method of appointment of the Lord Mayor have three main elements:

- The authority of appointment;
- The diversity of the Mayoralty; and, related to that;
- The accessibility of the Mayoralty

## *The authority of appointment*

217. **There is a school of thought that holds that the Lord Mayor should be elected by the Court of Common Council. I do not see this as an attractive or effective option.** Such a process will inevitably be dominated by personal and (small-p) political views, when the overriding need is to get the very best candidate to discharge a crucially influential role.

218. It may be argued that something like the updated procedure described earlier could provide a choice of candidates, perhaps ranked according to their performance in the appraisal process. I do not see this as much of an improvement. It would be open to factional decision, when what is wanted is to select the best candidate by as objective a process as possible.

219. It is welcome that a detailed job description for the post of Lord Mayor (as also for the Sheriffs) has been developed, and is available on the Corporation's website, where it is described as one of the documents that go to make up the Code of Corporate Governance.

220. I do not see job descriptions as sitting easily with an electoral process. They are tools of selection, not election. (I realise that there are job descriptions for the Chief Commoner and for Chairs of Committees, but these are more indicative than prescriptive.)

221. As I indicated in paragraph 55, I do not regard the role of the Livery acting through Common Hall as much more than symbolic. The heart of the process, in my view, has to be a professionally conducted and rigorous selection.

### *The diversity of the Mayoralty*

222. Here there is an undoubted challenge. The Mayoralty has, overwhelmingly, been held by white men. There have been only two female Lord Mayors.<sup>60</sup> The Court of Aldermen has few women Members, and even fewer Members of BAME heritage.
223. I was glad to hear that the Court of Aldermen is aware of this challenge, and also that there are expectations that, with retirements and possible new Members, there is a fairly imminent prospect that this will change.
224. Personal wealth is not an issue in the way that it used to be, as the costs of the Mayoralty (other than any personal initiatives taken by the incumbent) are borne by the City Corporation. **I would expect the Corporation to ensure that modest personal circumstances do not in future become an inhibition upon seeking the Mayoralty.**

### *The accessibility of the Mayoralty*

225. There is a diversity strand to this, but the underlying issue is: how attractive and practical is aspiration to the Mayoralty for the best possible candidates?
226. As it was described to me: “You need to be a member of several Livery Companies, preferably Master of one; then you need to be elected as an Alderman, and then go forward to be a Sheriff. The minimum period between becoming an Alderman and being Lord Mayor is six years, and the average is longer than this. So you have to ask people if they are interested in becoming Lord Mayor in about eight years’ time.”
227. This may not sit easily with the requirement in the job description that candidates for the Mayoralty “must have a significant track record and be recognised as a leader in their field, have an extensive network and also the personal qualities that will enable them to fulfil the duties of a high-profile public office”. Those who are the foremost leaders in their field may have other things on their minds than becoming Lord Mayor in eight years’ time or so.

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<sup>60</sup> Dame Mary Donaldson, GBE DStJ, afterwards Baroness Donaldson of Lymington, Lord Mayor 1983-84, and Dame Fiona Woolf, DBE DStJ DL, Lord Mayor 2013-2014.

### *An alternative approach*

228. It would be possible to take a more radical approach to the process. Serving as Sheriff is no doubt a useful apprenticeship; but it should not be necessary to dog the Lord Mayor's footsteps in order to understand the role, nor for both Sheriffs to be present on every occasion. This might assist those who are juggling demanding commitments elsewhere.
229. It might also be that the requirement to have served in the Office of Sheriff could be dispensed with. I understand that this could be achieved by Act of Common Council.
230. More radically, the present cursus could be replaced entirely, with the Court of Aldermen being given a brief to scour the City for the best candidates to be Lord Mayor in say three years' time, with the chosen candidate being given an automatic seat as an Alderman (which would probably have to be supernumerary).
231. **I do not recommend such a change now; but if the present (modified) process does not deliver both quality and diversity this is an option for the future.**