

Committee(s): Policy & Resources – For decision	Dated: February 17th 2022
Subject: Establishing a membership body to boost socio-economic diversity at senior levels in UK financial services	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	5, 8
Does this proposal require extra revenue and/or capital spending?	N – already approved
If so, how much?	£75K max
What is the source of Funding?	Section 106
Has this Funding Source been agreed with the Chamberlain's Department?	Y
Report of: Damian Nussbaum, Executive Director of Innovation and Growth (IG)	For Decision
Report author: Sophie Hulm, Head of Skills Policy, Innovation and Growth (IG)	

Summary

The City Corporation is leading a taskforce to boost socio-economic diversity at senior levels in UK Financial and Professional Services. The taskforce was commissioned by HM Treasury and the Department for Business, Energy and Industrial Strategy in November 2020. The taskforce concludes in November 2022.

This report updates Members on the Taskforce's work to date, including the launch of a membership body to continue the work of the taskforce. Members are asked to approve City Corporation support of the new body. Our support will demonstrate to industry that we are willing to work alongside employers to create a legacy for the taskforce. Any contribution will come from Section 106 planning contributions, agreed by your committee in October 2021 and ringfenced for skills. We are not seeking additional resources outside of these available funds.

Recommendation(s)

Members are asked to:

- a) Approve the City Corporation's support of a new membership body, which will continue the work of the taskforce.
- b) Approve the release of planning obligation funds, ringfenced for skills work, to provide this support. Delegate authority to the Town Clerk, in consultation with the Chair and Deputy Chairman, to agree the sum to be released (not to exceed £75k) and the exact nature of support for the body, and to implement the agreed support measures (subject to the measures being within the Terms of Reference of Policy and Resources Committee and within the agreed sum).

Main Report

Background

1. A new taskforce, led by the City Corporation, was announced by the Economic Secretary for the Treasury John Glen MP and the then Parliamentary Under-Secretary of State for Business and Industry Nadim Zahawi in November 2020. The taskforce aims to boost socio-economic diversity at senior levels in UK financial and professional services. Government have commissioned the City Corporation to lead this taskforce until November 2022.
2. The taskforce was informed by evidence. Research commissioned by the City Corporation (Appendix 3) showed that 89% of senior roles in financial services are held by people from higher socio-economic backgrounds (defined by parental occupation at 14). This compares to 52% of UK CEOs economy wide and to 37% of people across the UK working population. Those from lower socio-economic backgrounds progress 25% slower than peers, with no link to performance.
3. The Taskforce has industry-wide backing. Over 100 organisations across a range of sub sectors and regions are involved. Together they are shaping outputs and working towards greater socio-economic diversity at senior levels. Further details on membership can be found at www.cityoflondon.go.uk/WhoGetsAhead
4. The taskforce is chaired by your Chair of Policy, Catherine McGuinness. The Chair is supported by three Co-Chairs: the Lord Mayor of the City of London, Alderman Vincent Keaveny, former Co-Chair of the Social Mobility Commission and DLA Piper Partner Sandra Wallace, and the Permanent Secretary to the Levelling Up Taskforce and former Chief Economist at the Bank of England, Andy Haldane.
5. The vision for the taskforce is for equity of progression - where high performance is valued over 'fit' and 'polish'. The Government commissioning letter (Appendix 2) states three core outputs:

Workstream #1: Industry consultation and roadmap on how government, regulators and sector bodies can incentivise employer action.

Workstream #2: Membership body/peer network for financial services, focusing specifically on progression, a safe space to share best practice / benchmark against sector peers.

Workstream #3: A productivity analysis, to build the business case for socio-economic diversity at senior levels.

Current Position

6. Workstream 1 - Led by Sandra Wallace and delivered by Deloitte, the industry consultation seeks views from regulators, sector bodies, employers and Government. Roundtables seeking industry views are taking place in partnership with the Investment Association, TheCityUK, The Law Society, London Chamber of Commerce, and the ABI. Scheduled meetings with Government representatives include Ministers Lee Rowley, John Glen and Kemi Badenoch, and MPs Caroline

Nokes and Harriet Baldwin. The results of the consultation will be published late Summer 2022.

7. Workstream 2 – Led by the Lord Mayor and delivered by a social enterprise, Connectr, the membership body is due for launch in April / May 2022. Development of the membership body was a key recommendation of the Bridge Group research, referred to in paragraph 2. The body's structure and scope has been developed by senior level taskforce representatives. This includes those from Santander, Blackrock, FCA, Financial Services Skills Commission, AXA, Social Mobility Foundation, Fidelity, Barrington Hibbert, Mizuho and Chartered Insurance Institute. The purpose of the membership body is to boost socio-economic diversity at senior levels in UK financial services, and to continue the work of the taskforce.
8. Workstream 3 – Led by Andy Haldane and delivered by PwC, this workstream is data led and focuses on evidencing the business case for socio-economic diversity at senior levels. A sector-wide employee survey is live until March 2022. Support from industry is strong. Over 30 employers have distributed the survey to employees, complemented by secondary data on over 250K employees. A final report is due in Autumn 2022 and will touch on issues such as the cost of wasted talent.

Options – as below.

Proposals

9. Paragraph 7 refers to the development of a new body, led by the Lord Mayor as Chair of workstream 2. The City Corporation's participation, with other stakeholders, in developing this new body is aligned with the Lord Mayor's People and Purpose theme. The body will be employer led and funded by industry, and endorsed by government and regulators.
10. The body will deliver services to its members, including a forum to share best practice and guidance on collecting data on socio-economic background. In developing the services, the taskforce has benefited from the experience of similar bodies (including the Financial Services Skills Commission, as its Chair Mark Hoban sits on the taskforce). The new body will be a Community Interest Company, independent of any existing organisation.
11. Current proposals are to create the body with a five-to-ten-year lifespan - sufficient time to collect data and set improvement measures for members. Details of the exact contribution required from industry have not been finalised yet, however, membership fees are likely to be in the region of £10k per year, per company, with founding partners contributing seed funding of £50K-£75K of in-kind or financial support.
12. The priorities of the new body align with City Corporation priorities. Our support of the body will demonstrate to industry that we are willing to work alongside employers to create a legacy for the taskforce.

13. Support for the body could include:

- a) A position as founding partner – expected to be a one-off sum of £50k-£75k (either in-kind e.g. secondment of staff/venue use, or the financial equivalent).
- b) Provision of a Board Director (and Guarantor - nominal sum liability).

14. As the detail of the proposed body is still to be finalised, we are unable to specify the exact nature of City Corporation support. Therefore, Members are asked to delegate responsibility for final agreement to the Town Clerk in consultation with the Chair of Policy.

Key Data

Corporate & Strategic Implications

- 15. **Strategic implications** – Supporting access to skills and talent is a priority under the Thriving Economy theme of the Corporate Plan. It is a key part of work to ensure London and the UK remain a world leading financial centre. In addition, focusing on inclusion and growth through talent and skills development, also supports the specific outcome “Businesses are trusted and socially and environmentally responsible
- 16. **Financial implications** - Resourcing of the City Corporation’s support for the membership body can be met from Section 106 funding, already approved by your committee and ringfenced for skills work (see Appendix 1). To comply with planning policy, the support would either be in-kind (venue space, secondees) or financial support of a specific programme of work undertaken by the body.
- 17. **Resource Implications** – None
- 18. **Equalities Implications** – Positive
- 19. **Climate Implications** - Positive
- 20. **Risk Implications** – Reputational risk of not collaborating with industry.
- 21. **Legal Implications** – Board membership to be considered.

Conclusion

- 22. These proposals show how the City Corporation can play a central part in supporting access to talent in the financial services sector, and create a legacy for the taskforce, in partnership with industry.

Appendices

Appendix 1

- S106 Skills Funding

Appendix 2

- HMT BEIS Commissioning letter

Appendix 3

- Bridge Group report

Background Papers

Approval of use of Section 106 funding (2022/23-24/25)

<https://democracy.cityoflondon.gov.uk/documents/s159494/S106%20PRC%20Future%20Skills%20and%20Talent%20FINAL.pdf>

Sophie Hulm

Head of Skills Policy, Innovation and Growth

T: 07834384968

E: sophie.hulm@cityoflondon.gov.uk

Appendix 1

S106 Skills Funding

Skills work is resourced via Planning obligations (often called section 106 agreements) funds that are ringfenced for skills work. On 14th October 2021, your committee approved the release of three years of section 106 funding to support Innovation and Growth work on skills, in support of the corporate plan. Members are asked to approve an allocation, from within these agreed funds, to enable City Corporation support for the body. The value of any support will be agreed in discussion with the Town Clerk and Chair of Policy.

As at 31 January 2022, the available Section 106 monies totalled £1,080,707. Any contribution for the membership body will come from these available funds, ringfenced for skills. We are not seeking additional resources outside of these available funds.

In line with City Corporation's Supplementary Planning Document, this funding enables the City Corporation to *"work with partners and neighbouring boroughs to promote employability, provide jobs and growth and deliver a diverse and inclusive workforce."* Funding will allow the body to be established, leading to a programme of specific initiatives on inclusion and diversity, supporting disadvantaged City workers into roles, specifically those from lower socio-economic backgrounds. Reporting on the impact of the membership body will be through the City Corporation's Annual Monitoring Report.

Appendix 2

Commission for a taskforce to boost socio-economic diversity in UK financial and professional services

The Government is committed to maintaining a strong and globally competitive financial and professional services sector in the UK. Getting the right leadership is key to tackling the range of strategic challenges and opportunities facing these critical areas. The best way to get the right people at the top is to ensure that all talented people have the opportunity to succeed.

We are attaching to this letter a commission for a taskforce to boost socio-economic diversity at senior levels in financial and professional services across the UK.

The taskforce will have three workstreams:

1. Leading an industry consultation on how government, regulators and sector bodies can incentivise employer action on socio-economic diversity.
2. Creating a membership body/peer network for financial services, to increase employer engagement and accountability in delivering socio-economic diversity at senior levels (akin to similar bodies that already exist for law and accountancy).
3. Producing a productivity analysis, to build the business case for increasing socio-economic diversity at senior levels in financial and professional services.

We are grateful for the City of London Corporation's willingness to take on this work. We are sure you do not underestimate the importance of this work in supporting the Government's levelling up agenda.

As we have learned from HM Treasury's Women in Finance Charter, sustained commitment from industry leaders can create meaningful change. In addition to the wider societal imperative, there are real business benefits to creating a more diverse workforce.

Increasing diversity of thought and creating a culture where everyone can fulfil their potential can increase innovation and enable better decision making. This will ultimately lead to more productive and more competitive financial and professional services sectors. We hope that firms will seize the opportunity the taskforce provides to develop a more diverse pipeline and ensure they are truly recruiting and promoting on merit.

We expect the City Corporation to report back on the impact and findings of the taskforce by November 2022, with the first taskforce meeting due to take place in May 2021, and a series of bilateral engagements prior to this. During the life of the taskforce, we expect progress to be fed back to Government through quarterly Strategy Steering Group meetings. We look forward to working in partnership with you on these important issues.

Context

Organisations such as the Social Mobility Commission, Sutton Trust, and the Social Mobility Foundation have highlighted the unequal access to roles in financial and professional services. Reassuringly, the sector has already begun to act.

Employers have never been more focused in their efforts to reach out to local schools, build up a talent pipeline and create fairer recruitment practices.

Where there is a gap, however, is in retention and progression. Evidence from the Social Mobility Commission shows that both financial services and professional services have worryingly high class pay gaps.

Recent research by the Bridge Group undertaken across seven employers in the financial services sector shows that socio-economic diversity remains lacking even at junior levels; and is acutely lacking in more senior roles. Importantly, talented people from lower socio-economic backgrounds waste energy assimilating to dominant cultures. This has serious implications for individual and organisational productivity, as well as individual wellbeing. This builds on Bridge Group research recently undertaken in the legal sector, looking at pathways to partnership.

Without progression being addressed alongside recruitment, real change cannot take place. Addressing socio-economic diversity at senior levels will support the Government's objectives to boost productivity and level up opportunity across the UK.

HM Treasury and the Department for Business, Energy and Industrial Strategy (BEIS) invite the City of London Corporation to lead an independent taskforce to boost socio-economic diversity at senior levels in UK financial and professional services.

Objectives

The intention of this taskforce is to engage employers and encourage action through raising the profile of socio-economic diversity. Its vision is for equity of progression - where high performance is valued over 'fit'.

The taskforce aims to boost socio-economic diversity at senior levels in UK financial and professional services.

The taskforce will have three workstreams:

1. Leading an industry consultation on how government, regulators and sector bodies can incentivise employer action on socio-economic diversity.
2. Creating a membership body/peer network for financial services, to increase employer engagement and accountability in delivering socio-economic diversity at senior levels (akin to similar bodies that already exist for law and accountancy).
3. Producing a productivity analysis, to build the business case for increasing socio-economic diversity at senior levels in financial and professional services.

Governance

The taskforce will be chaired by Catherine McGuinness, Chair of the Policy and Resources Committee, City of London Corporation and three Co-Chairs: Alderman

Vincent Keaveny (Senior Alderman, City of London Corporation), Sandra Wallace (Interim Chair of Social Mobility Commission), and Andy Haldane (Chief Economist, Bank of England).

The Chair and Co-Chairs will constitute the quarterly Strategy Steering Board, which will provide strategic direction to the taskforce.

The three workstreams will be led by taskforce members who are senior level financial and professional services professionals, or experts in the field of socio-economic diversity. The taskforce will meet four times prior to the end date of November 2022. The taskforce members will be supported by three working groups of subject matter experts, who will meet monthly throughout the period. City of London is responsible for all chair, taskforce member and subject matter expert appointments on an independent basis and these will not be Government appointments. This structure will be supported by delivery partners PwC, Deloitte and MyKindaFuture (now Connectr).

The taskforce is being conducted on an independent basis. Government will be represented as an 'observer' at the quarterly Strategy Steering Board meetings. Regulators will be invited to attend meetings on the first workstream in an observer capacity only. They will however be able to participate fully in workstreams without a regulation focus.

Workstreams 1 & 3 will make recommendations for industry, regulators, sector bodies and policy makers. The recommendations will be presented to HM Treasury and BEIS for consideration. Workstream 2 will set up a membership body/peer network. This will launch and be functioning during the 2021/22 City of London mayoralty, to drive employer action on socio-economic diversity at senior levels.

Government officials will have monthly check-ins with the City of London Corporation and the delivery partners throughout the period, to determine impact and provide guidance as necessary.

Found at <https://www.gov.uk/government/publications/socio-economic-diversity-taskforce-in-financial-and-professional-services/hmt-beis-commissioning-lttr-for-socio-economic-diversity-taskforce#:~:text=Commission%20for%20a%20taskforce%20to,UK%20financial%20and%20professional%20services&text=Producing%20a%20productivity%20analysis%2C%20to,in%20financial%20and%20professional%20services>

Appendix 3

Bridge Group report can be found at <https://www.cityoflondon.gov.uk/supporting-businesses/economic-research/research-publications/who-gets-ahead-and-how>