

Committee: Policy and Resources	Date: 22 March 2013
Subject: Report of Economic Development Activity December 2012 to February 2013 and progress against Business Plan - October to December 2012	Public
Report of: Director of Economic Development	For Information

1. The last report to the Policy and Resources Committee covered progress against the Business Plan to September and activity from September to November 2012. This report covers a summary of progress against Business Plan objectives for Quarter 3 (October to December) and highlights of activity between December 2012 and February 2013.

A. Highlights and Key Achievements - December 2012 to February 2013

In support of EDO Objectives:

- *Maintaining Col's role in promoting the City as an agent/enabler of economic growth and in influencing government policy*
- *In partnership with TheCityUK, ensure the success of the International Regulatory Strategy Group (IRSG)*

European Affairs

On engagement with EU institutions and EU Member States:

2. Your Chairman hosted a high-level dinner with UK MEPs and senior industry practitioners in Strasbourg to **discuss the position of the UK in Europe and reiterate the City's support for the single market**. It also provided an opportunity to introduce the new Chair of the IRSG, Rachel Lomax.
3. The Lord Mayor hosted a keynote address by Commissioner Barnier on the **Single Market and Growth** in February. A private meeting was also held with the Lord Mayor and senior IRSG practitioners. The discussion included the **UK's relationship with the EU, banking union and long-term finance**.
4. Representatives from Stockholm, Amsterdam, London, Edinburgh, Madrid, Luxembourg, Paris, Frankfurt and Munich attended a **European Financial Centre Roundtable** in December in Brussels. The agenda included discussion on the Commission's forthcoming **Green Paper on long-term finance** with the European Commission official responsible for this dossier.
5. During a meeting in February in London the **Irish Finance Minister, Michal Noonan** briefed on the Irish priorities during their Presidency. He confirmed that **Ireland's goal is to complete the implementation of the banking union as soon as possible**. Other

priorities include CRD4, the Recovery and Resolution Directive (RRD) and MiFID2/MiFIR¹. Topics discussed included the financial transaction tax (FTT), banking union, RRD and market finance.

6. Your Chairman hosted a keynote address by the **French Finance Minister, Pierre Moscovici** in February. During a pre-meeting, they discussed the **City of London's relationship with Paris Europlace and issues of regulatory concern**. In his keynote speech, the Minister talked about on-going economic reforms in France.
7. Your Chairman and André Villeneuve (former IRSG Chairman) visited Paris as part of the **ongoing Anglo-French dialogue with Paris Europlace**. Discussions included joint work on the **Wholesale Financial Markets project and CRD4**. Meetings were also held with the **Banque de France, Tresor and the banking and securities regulators** to discuss **Banking Union and other regulatory issues**.
8. During a **visit to Bratislava** in February your Chairman discussed key topics, including **Banking Union and the FTT**, with officials from the National Bank of Slovakia, the Ministry of Finance, Slovak Banking Association, the Debt and Liquidity Management office and with business representatives.
9. The Lord Mayor and your Chairman met **Prof. Jacek Rostowski, Polish Minister of Finance** in February. Discussions included the **Eurozone crisis and the relationship between the two countries**. It was followed by a conference on "Financial stability – new arrangements for better economic prospects in Europe". The Lord Mayor delivered the opening speech and your Chairman delivered the closing remarks.

City Affairs

10. The **City Maritime Dinner** held in January was effective in **demonstrating the importance of the sector to the City and its critically important role in international trade**. It was **attended by representatives of London-based shipping and other maritime interests, foreign Ambassadors and Whitehall officials**. Speakers were the Lord Mayor and Lord Green, Minister of State for Trade. EDO worked closely with the Remembrancer's Department on planning and delivery of the event.
11. **The 400th Anniversary of The Honourable The Irish Society** provided a framework for a dinner and other events marking, and celebration of the work done by the City Corporation in **encouraging and facilitating investment in to Londonderry / Derry, especially in high technology and communications**. The work has **reinforced links between the City and regional centres in Northern Ireland elsewhere**.
12. Migration has continued to be a key focus of activity, especially the impact of **Visa rules on incoming visitors, students and high-spending tourists from outside the EU**. The City Corporation is continuing to engage with Government on a cross-

¹ CRD IV – Capital Requirements Directive IV – this is the EU implementation of the Basel III capital requirement
RRD – this sets out a framework for the recovery and resolution of credit institutions and investment firms
MiFID – Markets in Financial Instruments Directive and MiFIR - Markets in Financial Instruments Regulation

departmental basis, and with business stakeholders, to press home the message that the **current system may be a deterrent to trade and inward investment.**

13. **Your Chairman met senior representatives of the insurance sector** at an event in February, at which the key speaker was Otto Thoresen, Director General of the Association of British Insurers.

International Affairs

14. **Officers from UK Trade and Investment and London & Partners**, responsible for promoting London and the UK as a destination for inward investment to foreign financial and related business services firms, **were provided a tailored two-day financial services briefing course** in early February. The course covered a number of issues for foreign financial services firms setting up in the UK (e.g. financial regulatory requirements, visa requirements), as well as the **strengths of the various areas of the UK's financial services industry and reasons why foreign firms would want to establish operations here.**
15. Work has continued on the **City of London initiative on London as a centre for RMB business** (the renminbi, currency of China). In December meetings were held with the People's Bank of China (PBoC) to discuss **priorities for the development of the offshore RMB market and the new Cross Border Interbank Payments System.** Follow up work with the PBoC continues on these issues. **A report launched in January** 'London RMB business volumes January – June 2012' shows **150% growth in London spot foreign exchange volumes in RMB.**
16. The biannual meeting of the **City of London Advisory Council for China** was held in December, chaired by your Chairman. The Council agreed that work should continue on **developing London as an RMB centre, as well as insurance and work to support Chinese companies establishing operations in the UK.** Members of the Council were joined by officials from the PBoC and major banks to discuss **cross-border capital flows in RMB and the development of China's financial markets.** Three members of the Council then addressed an **audience of 100 City firms on the internationalisation of the RMB, the development of the Chinese financial system and how Chinese firms view the new UK regulatory landscape.** The session was covered in the UK and Chinese press.
17. **Engagement with Indian regulators, policy makers and businesses** included: the **Financing India's Infrastructure** conference with the Indian High Commission in London; a **London programme on consumer protection** for an Indian group of academics and regulators; and a **series of seminars in India to showcase London as the leading centre for mergers and acquisitions and raising capital for Indian companies.**
18. We provided **policy support and recruited senior level business delegations for Lord Mayoral business visits to Oman, Kuwait, the UAE, Egypt, Bahrain and Qatar.**

Research published

19. **The Economic Outlook for London and Employment in London** (Oxford Economics, December). Two partner publications summarise current economic conditions in the City and across London, with forecasts for employment by sector and borough.
20. **London's Air Connectivity: The Importance to London of Having World Class Aviation Hubbing Capacity and Emerging and Growth Markets** (York Aviation, December). Two companion reports examine the importance of an aviation hub for London's air connectivity, and provide a detailed analysis of London's air links to emerging and growth markets.
21. **BRIC Currencies Trading in London** (LSE Enterprise, December). This specialist report looks at the international usage of four emerging market currencies – the Indian rupee, Brazilian real, Russian ruble and Chinese renminbi.
22. **The Total Tax Take Contribution of UK Financial Services** (PwC, December). The fifth edition of this annual report captures the tax contribution made to public finances from the financial services sector, with an analysis of the tax components.
23. **London's Finances and Revenues** (Oxford Economics). This report provides a detailed examination of the role that London has played in public finances and an analysis of revenue streams. This work has fed into the London Finance Commission.
24. **The Social and Economic Impact of the City's Arts and Culture Offer** (BOP Consulting, January). Launched at an event hosted by the Lord Mayor at Mansion House, this report provides an analysis of the economic benefits of the arts and culture cluster in the City, the wider social impact and outreach work that these organisations do, and the ways in which they improve the City's offer as a place to work, live and visit.
25. **2012 Research Review** - provides a summary of the research published across 2012.

In support of EDO Objectives to:

- *Enhance the City Corporation's role and profile in encouraging entrepreneurship, and in developing social enterprise policy;*
- *Work with City partners to realise the economic and social potential of our neighbouring areas, and enhance CoL profile.*

Partnerships

26. Two investment pitching events have been held through **Angels in the City**, one at the end of November at Innovation Warehouse, the other in late February at Google's Campus premises. A total of **20 early stage entrepreneurs pitched to around 70 new angel investors recruited through the programme. Over £2m has been invested through Angels in the City investors in City fringe businesses** in the past year.

27. Our **City Opportunities** programme, **raising aspirations and awareness of the City among care leavers in neighbouring boroughs**, won the Times Higher Educational Award for “**Widening Participation Initiative of the Year**”.
28. After much delay owing to EU funding complications, we have appointed Prospects in the City to deliver the **Square Mile Jobs project**. In addition to **helping residents of the City and neighbouring boroughs into employment in the City**, the key focus will be on **improving the quality of job brokerage in neighbouring boroughs** to ensure it meets City businesses’ needs.

Corporate Responsibility

29. **City Action has met its target of placing 100 skilled volunteers in social enterprises two months ahead of schedule**. Through the volunteering roles facilitated, City Action has helped to secure the **sustainability and growth of social enterprises in the City’s neighbouring boroughs** that are reinvesting their profits in local regeneration.
30. **Over £36,000 was raised through City Corporation payroll giving during 2012, a 23% increase on 2011**. An additional £3062 was raised for over 50 charities through our ‘Give Your Last Hour’ Christmas appeal.
31. The **Employee Volunteering Programme launched E=MC2 programme**, which aims to equip **unemployed local residents with the skills and confidence needed to set up their own small businesses**. Participants attend weekly workshops supported by City of London volunteers over 10 weeks. So far, 15 volunteers have helped facilitate workshops or are signed up to mentor the participants.

Social Investment

32. The new **Social Investment Board**, whose chairman is Alderman Peter Hewitt, has met and provisionally approved **two new investments of £250k and £500k from the £20m City of London Corporation Social Investment Fund**. These are now subject to further due diligence.
33. The outcomes of the Government’s Red Tape Challenge process, which looked at the **barriers to social investment**, have addressed the main concerns highlighted by the City Corporation and have set in train future work to address them.
34. Your Chairman spoke at a City Corporation supported event to **promote social investment** in February, **bringing together Independent Financial Advisors and social investment product designers**. Planning is well underway for a **European conference on social enterprise** in March.

Central London Forward

35. CLF Leaders submitted a joint letter to Secretary of State for Communities and Local Government highlighting their shared concern over **the coalition Government’s proposals to allow changes of use, for a three year period, from B1 (a) office use to C3 residential use without requiring planning permission**. The letter requested that

DCLG look favourably upon the Mayor's, and each of the authorities' application for an exemption to the Central Activities Zone and at their individual applications for their local authority areas.

CLF is staying very much involved with GLA on:

- production of the Vision 2020 for London document
- findings of London Finance Commission
- emerging London Enterprise Panel (LEP) strategy

Heart of the City

36. Your Chairman and 15 other senior leaders attended the **Heart of the City AGM and Council meeting** in December. **Tax schemes to promote philanthropy, the Private Equity Foundation and a sustainable funding** model for Heart of the City were discussed.
37. Investec hosted Heart of the City's **annual business supporters event**, which saw 65 businesses at roundtable discussions on **Social Investment, City Philanthropy and Central London Forward**, amongst other topics. This was followed by a reception, hosted by your Chairman, for Heart of the City's outgoing Chairman, Sir Gerald Acher. (Sir Gerald is succeeded, as Chairman, by Harvey McGrath).

B. Emerging Issues

38. There will be involvement in the **UK review of the Balance of Competences** which includes a review of the effectiveness of the EU internal market. We are planning to submit an initial response from City Corporation, and subsequently following discussion at the IRSG Council, a high level IRSG paper.
39. Discussions on **London as a global hub for social investment** continue with engagement from international organisations represented in the UK. The plan is to develop the clear 'London offer' and to link this with the G8 agenda and the Millennium Development Goals.
40. Discussions on **optimal use of EU funds to support social enterprises and their access to finance** continue, both at the Brussels end, and increasingly within key ministries in the UK (Department for Business, Innovation and Skills, Department for Work and Pensions, and Department for Communities and Local Government). **City Corporation is feeding into these discussions, as appropriate, through its representation on the expert panel** established by the European Commission and through UK sector networks.
41. The **2013 Lord Mayor's Dragon Awards**, which celebrate corporate community involvement, will launch in March, with a specific focus on encouraging small and medium-sized enterprises to apply.

42. Work will continue, in conjunction with CLF and City Bridge Trust, to **scale up employability and aspiration-raising activity** with neighbouring boroughs, as part of the City Corporation's "London agenda".

Research is currently underway in the following areas:

43. **The Impact of Enhanced Co-operation on FTT Debt Securities** (London Economics). An analysis of the ways in which enhanced co-operation Financial Transaction Tax (FTT) will impact on different sections of this market.
44. **Office Stock in the City of London** (Ramidus). A review and analysis of office stock and enterprises in the City of London over the last ten years and a forward look. Will consider the range of functions and activities that different types of office stock support and extending out to the City fringes.
45. **SME Supply Chains in the City** (Bone Wells Urbecon and London Metropolitan University). Research into the linkages between SME supply chains in the City and surrounding boroughs, and the clustering and agglomeration benefits.
46. **The Size and Impact of the UK's Social Investment Market** (GHK Consulting). Co-funded by the Cabinet Office, Department for Work and Pensions, Big Society Capital, and the Big Lottery Fund. A review of the current scale of the market supported by social investment funding and the economic impact thus generated.
47. **The Role of Tax Incentives in Encouraging Social Investment** (Worthstone and Wragge & Co). Co-funded with Big Society Capital, an exploration of the possible change in investor behaviour and associated incremental flow of capital under different tax regimes.
48. **The Value of London's Green Spaces** (BOP). An exploration of the benefits provided by the green spaces supported by the City of London.
49. **Tree Diseases in London – the Economic, Social and Environmental Impact** (Ian Keen Associates). A short review of the impact of tree diseases in London and possible approaches to address these problems.

C. Budget

EDO expenditure is on track for the 2012/13 financial year. At the end of Quarter 3, actual spend stands at 64% of the total available budget and committed spend stands at 77%. As many projects are committed and/or paid quarterly in arrears, this level of actual and committed spend is as expected.

Annex A EDO Progress Against Business Plan to Quarter 3
(October to December 2012)

Objective 1. Maintain CoL's role in promoting the City as an agent/enabler of economic growth and in influencing government policy.								
	Action	Due Date	Resp	Status				Comments on Progress (by exception)
				Q1	Q2	Q3	Q4	
1.1	On-going work on regulation, taxation, availability of skills, and infrastructure.	On-going	JF	G	G	G		
1.2	Undertake a balanced programme of tailored, value-added research for the City through explicit engagement across CoL and with influential partners, including TheCityUK, IRSG, and HMG. Implement appropriate recommendations from Research Review (On-going.)	On-going	LD	G	G	G		On-going, with regular reporting. Key recommendations from Accenture review have been implemented with regard to staffing and tendering processes
1.3	Deliver the City of London Programme for future EU business leaders including the 10th Anniversary events and continue building the Alumni and Fellowship network.	Mar-13	YF	G	G	G		
	Milestone: 10th Anniversary events delivered.	Nov-12	YF	G	G	G		Achieved.
	Milestone: Review future direction of the Programme.	Mar-13	YF	G	G	G		
1.4	Enhance dialogue and closer engagement in the key markets of India, China and the US.	On-going	EG/CB	G	G	G		On-going
1.5	Develop increasingly focussed support for senior elected Members to influence overseas financial services policy and business decisions.	On-going	P Sissons	G	G	G		On-going
1.6	In conjunction with London and Partners, deliver a major inward investment event held during the Olympics period involving attendance of at least 20 overseas-based decision makers. Milestone: Inward investment leads followed up.	Aug-12	PSissons	G	G			Achieved.
Objective 2: In partnership with TheCityUK, ensure the success of the International Regulatory Strategy Group (IRSG)								

Annex A EDO Progress Against Business Plan to Quarter 3
(October to December 2012)

2.1	To engage in a timely fashion in the EU regulatory debate to ensure as far as possible that the City is not unduly affected by inappropriate EU rules flowing from the crisis (via IRSG Programme delivered to standard and schedule).	Mar-13	P Sizeland	G	G	G		
2.2	Deliver regular programme of meetings with Commission officials, Council members, MEPs and political staff in the European Parliament.	Mar-13	MV	G	G	G		
2.3	Sustained and phased contact building by Chairman P&R and Chairman of IRSG (Brussels, key EU capitals, US & Switzerland) and through regular Brussels events.	Mar-13	MV/PS	G	G	G		
2.4	Use Research on issues to drive the approach of relevant EU member states towards UK financial services industry.	Mar-13	MV	G	G	G		
2.5	Ensure that CoL's leadership role in the IRSG is well publicised and acknowledged.	Mar-13	JI/MV	G	G	G		
Objective 3: Enhance the City Corporation's role and profile in encouraging entrepreneurship, and in developing social enterprise policy								
3.1	Define a new relationship with Innovation Warehouse (business incubators.) Milestone: Sustainable management structure and governance arrangements set down.	Mar-13	LS	G	G			Achieved.
	Milestone: Overall increase in occupation achieved.	Mar-13	LS	G	G	G		
3.2	Increase Business Angel investment from among City constituents into the Tech City cluster.	Mar-13	LS (DP)	G	G	G		
	Milestone: 45 Tech City related start-ups/ SMEs receiving investment.	Mar-13	LS (DP)	G	G	G		25 businesses have pitched for investment in two events in April and November 2012, securing over £1m in investment, with more to follow.
	Milestone: 125 new business angels recruited.	Mar-13	LS (DP)	G	G	G		New potential angels coming forward in consistent numbers; additional information seminars scheduled for

Annex A EDO Progress Against Business Plan to Quarter 3
(October to December 2012)

								Q4.
3.3	Supporting innovation in e.g. through rate relief policy change, and encouraging female entrepreneurship.	Jul-12	LS	G	G	G		
	Milestone: Monitoring the implementation and impact of recent changes approved to rate relief policy.	Jun-12	LS	G	G	G		Completed
	Milestone: Next steps agreed following exploratory discussions and women entrepreneurs 1st round table held	Jul-12	LS	G	G	G		
3.4	Develop volunteering for Social Enterprises supported through LAA-funded City Action programme. Target to place 100 volunteers placed in social enterprises.	Mar-13	LS (SH)	G	G	G		
3.5	Social Enterprise financing (social investment) agenda developed further in conjunction with relevant partners including follow up to Social Investment research implemented (e.g. EDO input to programme of City Bridge Trust (CBT) Masterclasses, conference sponsorships etc.)	On-going	LS (SH)	G	G	G		A great deal of activity underway; CoL recognised as a key player.
	Milestone: Host Big Society Capital (BSC) launch at Guildhall.	May-12	LS (SH)	G	G			Achieved.
	Milestone: CoL/CBT input to social investment and BSC development (including new initiative developed with next Lord Mayor and CBT on City as the centre for social investment and philanthropy.)		LS (SH)	G	G	G		Joint tax research commissioned with Big Society Capital and we are working on the market stewardship group together
Objective 4: Work with City partners to realise the economic and social potential of our neighbouring areas, and enhance CoL profile								
4.1	Maximise involvement of City businesses in a) our SME support programme supporting City fringe SMEs, and b) our training, employment and aspiration-raising programmes, and improve links between delivery partners.	Mar-13	LS (DP)	G	G	G		

Annex A EDO Progress Against Business Plan to Quarter 3
(October to December 2012)

4.2	Lead on Big Society (now known as Supporting Society) agenda for CoL, in conjunction with other key departments with six-monthly updates produced. Develop new initiatives (see also 3.5) and increase communications.	Mar-13	LS (DP/SH)	G	G	G		
4.3	Pursue opportunities to leverage external funding into our regeneration and corporate responsibility programmes to maintain levels of activity.	Mar-13	LS (DP/SH)	G	G	G		Funding from EU, Bridge House Estates and Big Society Capital has been secured.
4.4	Our work becomes one of the key strands of CoL's Communications Plan. Messages are used in relevant briefings and communications, and the profile of our work is maintained or increased. Develop messaging with PRO.	Mar-13	LS (DP/SH)	G	G	G		Mapping underway with PRO
4.5	The future of Central London Forward and its leadership be secured and underway. Milestones: New Director recruited (in conjunction with partner boroughs). Support staff in place and seamless transition achieved	Oct-12	LS	G	G			Achieved.
Objective 5: Manage corporate change and develop ways of working in order to maximise potential benefits and efficiency for City of London and its staff								
5.1	Implement change programme in respect of EDO for Intranet, Internet and Information Management, CRM and PP2P projects.	Mar-13	SMT	G	G	G		On track -significant involvement with evaluating new supplier bids - CSR responses.
5.2	Continue to encourage ideas for efficiencies and innovation from staff.	Mar-13	Team Leaders	G	G	G		On-going. External funding brought in for two projects around social investment, and one current project with costs split across departments
5.3	Implement revised induction process for new staff.		Team Leaders	G	G	G		New process used for new members of staff.
5.4	Follow up to CoL's Investors in People action plan including further development of evaluation.	Mar-13	AH/KC	G	G	G		Learning & Development review actioned and reported to P&R Committee
5.5	Develop action plan and practices working towards obligations in the Equality Framework.	Mar-13	KC	G	G	G		Initial actions agreed

Annex A EDO Progress Against Business Plan to Quarter 3

(October to December 2012)

R (ed)	The action/project will not be completed within the agreed budget, timetable or specification and a decision will be required on how to proceed
A (mber)	The action/project is in danger of not being completed within the agreed budget, timetable or specification but action is being taken to ensure that the action/project will be delivered within agreed limits
G (reen)	The action/project will be delivered on budget, time and to the agreed specification

Annex B EDO Top Level Indicators to Quarter 3
(October to December 2012)

	Financial /Business Outcomes	Q3 Act	Cum 12/13	Year Target		Client/Customer	Q3 Act	Cum 12/13	Year Target
ED02	Number of government and business decisions influenced	18	49		ED17	SRS E % calls answered in 20 secs (5 rings)	96%	95%	95%
ED07	Number of City and City fringes residents engaged in learning opportunities	1151	3103	3000					
ED51	Number of City & City fringes residents helped into jobs	18	73	60					
ED52	Number of SMEs in City and City fringes provided with business support	229	495	400					
ED11	Number of new City employers recruited to support CSR programmes. Includes City Action and Heart of The City programmes	6	55	57					
	% <u>Committed</u> spend against budget for year		77%	100%					
Comment:					Comment:				
	Innovation & Change	Q3 Act	Cum 12/13	Year Target		People	Q3 Act	Q2 Act	Year Target
ED14	% Invoices paid in 30 days	99%	99.6%	98%	ED13	Sickness level - average working days lost/person	2.43	1.32	Top quartile
Comment:					Comment: Includes 1.81 long-term/med working days lost/person				