

Committee(s):	Date(s):	Item no.
Audit & Risk Management	15 October 2013	
Subject: <b>Strategic Risk 10 – Adverse Political Developments</b>	Public	
Report of: <b>Remembrancer</b>	For Decision	
<b><u>Summary</u></b>		
<p>This Report provides this Committee with an overview of Corporate Strategic Risk 10 (SR10) for which the Remembrancer is the risk owner. The report describes the risk and the mitigating controls.</p>		
<b><u>Recommendation</u></b>		
<p>The Committee are asked to endorse the contents of this Report.</p>		

## **Main Report**

### **Background**

1. SR 10 is defined as “adverse political developments undermining the effectiveness of the City of London Corporation”. Unlike many strategic risks, SR10 encompasses a wide range of risks including those from changes in neighbouring boroughs, London government and national government, and the general political climate.
2. The role of the City Corporation is subject to continuing adverse comments from politicians in the wake of the financial crisis, general criticism of “the City” as well as a failure by critics to distinguish between banking and other sections of the financial services sector and between the majority of banks in London, which were not involved in the crisis, and those banks which were involved. Recent Parliamentary developments of actual or potential relevance to the City range from the tabling of an Early Day Motion, calling for the London Living Wage to be paid to cleaning staff at the Barbican Centre; an issue which has been resolved, to the introduction of the Lobbying Bill.
3. The increased use of shared services between London authorities could ultimately lead to a London government review aimed at creating larger local authority areas, a foretaste of which can be seen in moves to share services among Westminster, Hammersmith & Fulham and Kensington & Chelsea. Such a review would be a challenge to the City as a distinct administrative unit. The Mayor of London has supported the calls of the London Finance Commission for greater retention of revenue generated

by taxes levied in London. The rationale for maintaining the City as a separate unit of government, and specifically the extent to which the contribution made by the Corporation is not limited by the geographical boundary of the Square Mile, therefore needs to continue to be made to policymakers and legislators.

4. A further aspect of the strategic risk is that the City Corporation's constitution and operational capacities could be undermined by legislation which failed to acknowledge the City's unique position. This situation could arise cumulatively, rather than through a single piece of legislation. The City depends on legislative exceptions in many fields; securing them ultimately depends on achieving political support, or at least acquiescence.

### **Mitigating Measures**

5. The impact of the risk is mitigated by the activity of the Office in promoting the wider work of the City Corporation in relation to its support for business and professional services and its relevance to many different interests - for example, commercial diplomacy, culture, open spaces, health and education, as well as in looking after its residents. This activity generates widespread support and helps give rise to a positive view of the Corporation. *Please see Appendix 2 - (Results of triennial opinion polling of the City of London Corporation's key audiences – report to Policy and Resources Committee – October 2013)*
6. Regular contact is maintained with those who advise on and influence policy both at a national and at a local level, designed to ensure that the City's perspective is understood and acknowledged as early as possible in the policy development process.
7. The Office evaluates primary and secondary legislation relating to the entire matrix of City and City Corporation internal and external interests. Where legislation presented to Parliament would have adverse consequences, discussion takes place at official level and, if necessary, amendments are pursued in either House. Select committees are regularly provided with briefings on the City Corporation's position and contributions are made to Select Committee enquiries.
8. The Office works closely with departments across the City Corporation, but in particular with PRO, Mansion House and EDO. The Office's work is overseen by the Policy & Resources Committee. The work of other departments - in areas such as media, political contact and research, is integral to the delivery of the objective of protecting the City's interests.

## **Conclusion**

9. The assessment of the gross risk has remained the same. Net risk has been reassessed at the same level as at this stage last year: likelihood at 1 and impact at 5. The assessments were varied during the year to reflect a somewhat greater likelihood, given the forthcoming City elections, of publicity being attracted to views critical of the City Corporation, but a slightly reduced potential impact, in the light of the Government's legislative programme having been fixed (and bills produced) at that point for the session.
10. The mitigating controls are well tested and flexibly implemented. They range from informal discussions with officials to tabling amendments on the floor of the House. They may be operated in conjunction with activity by the Public Relations Office, EDO or Mansion House. The most effective means will depend on the nature of the issue and the circumstances in which it arises.

### **Appendix 1 – SR10 Adverse Political Developments – Extract from Strategic Risk Register**

### **Appendix 2 - (Results of triennial opinion polling of the City of London Corporation's key audiences – report to Policy and Resources Committee – October 2013). The full consultation is available on line at:**

<http://democracy.cityoflondon.gov.uk/ieListDocuments.aspx?CId=395&MId=1184&Ver=4>

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<b>Risk</b>	Adverse political developments undermining the effectiveness of the City of London Corporation <b>Links to: all Strategic Aims and Key Policy Priorities.</b>	<b>Gross Risk</b>		<b>R</b>
		Likelihood	Impact	
		5	5	

<b>Detail</b>	Owing to its nature and geographical size, the City Corporation is particularly vulnerable to political developments concerning London government. There are two main issues at present: the continuing aftermath of the financial crisis with the resulting close scrutiny of the City Corporation, and the longer term threat to the local authority functions from sharing of services and a possible London Government review.
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<b><u>Specific Issues</u></b> The current problems in the financial system have provoked unfounded allegations of undue influence and partial accounts of the City Corporation's lobbying activities and deployment of "City's Cash". A review of London government is not currently envisaged but the increased interest in sharing services (and offices) between authorities and Boundary Commission proposals may reinstate earlier suggestions for 5 or 6 "super boroughs", raising concerns around the viability of a separate administration for the Square Mile.	<b><u>Mitigating Controls</u></b> Promotion of the good work of the City Corporation. City Corporation needs to remain relevant and "doing a good job" and be seen as such. <b>(All Chief Officers.)</b> This risk has a <b>Low</b> (1) likelihood, but potentially <b>Catastrophic</b> (5) impact.
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<b><u>Summary and Further Action</u></b>  The organisation needs to ensure it is seen as important and relevant across a wide field of activities that are not geographically limited to the Square Mile or to the future of the financial sector alone. Current public affairs activities should be maintained to this end. Any functions which may be vulnerable on account of their size if kept as free standing operations need to be identified and the case for ameliorating action (e.g. partnerships, shared services) considered.	<b>Net Risk</b>		<b>A</b>
	Likelihood	Impact	
	1	5	
	<b>Control Evaluation</b>		

