

Committee:	Date:
Audit and Risk Management Committee	13 th May 2014
Subject: Corporate Risk 2 - Supporting the Business City	Public
Report of: Director of Economic Development	For Decision
<p>Summary</p> <p>Corporate Risk 2 – Supporting the Business City – has been reviewed and updated to take account of recent developments and initiatives.</p> <p>Although there are more external factors beyond the City Corporation’s control such as the moves towards closer Eurozone integration and the debate about the UK’s relationship with the EU, this risk is mitigated by a comprehensive and evolving programme of work either directly by City Corporation or facilitated by it (e.g. through organisations such as TheCityUK). It is specifically directed at supporting City and international businesses, both in the UK and overseas, notably in Europe, and providing the best possible business environment for the financial and professional services industry. Activity includes regular dialogue with relevant Government departments and opinion formers.</p> <p>Recommendations</p> <p>The Committee is asked to consider this report and whether any recommendations should be made with regard to the management of the risk by officers.</p>	

Main Report

Background

1. This report has been prepared in accordance with the request of the Audit and Risk Management Committee. It provides an account of SR2 and the mitigating arrangements in place.
2. Current specific threats to a stable and thriving business environment include domestic and EU tax and regulation, and uncertainty following the Eurozone crisis. In particular the continuing debate about the UK’s relationship with the EU and a possible referendum creates uncertainty about London’s long-term attractiveness as a business centre. UK membership of the Single Market is key to attracting and retaining international businesses and maintaining the UK’s international competitiveness. Other changes and uncertainties to be managed in 2014 include elections for the European Parliament, a new European Commission, and Scotland’s referendum on independence. The impact of the latest challenge to the financial services industry over alleged manipulation of the

foreign exchange market (London is the world's largest) has yet to be determined but will be significant. The impact of the overall risk could be a reduction in business activity in the City, and lower income and engagement with the City Corporation.

3. Corporate Risk 2 – Supporting the Business City is described as follows: “the City Corporation fails to act to support the business city which suffers a major competitive disadvantage in its position as the world leader in international financial and business services”. As with some other Corporate Risks (e.g. SR1) there are two dimensions to consider. The first is the threat to the overall business environment which is subject to a number of external influences. For example, the impact of the financial crisis from 2008 which has led to pressure for tougher domestic and EU regulation, and on-going negative perceptions of the financial services industry, especially the banking sector. The City Corporation's ability to influence external factors is limited. However, the City Corporation's ability to act in support of the business City is largely an internal policy matter and, as described below, is a factor of the City Corporation's relationships with a range of key organisations and institutions including City stakeholders, HM Government, and EU policy and decision makers.
4. Competition from other developing financial centres is growing. Factors such as taxation, the nature and cost of regulatory controls, operating in the EU Single Market, the ability to attract the best talent, and availability of property and infrastructure are all important considerations for business locational decisions. As one of the City Corporation's key roles is supporting 'the City brand', managing this risk is of strategic importance to delivering our Corporate Plan objectives, essential to maintaining the Corporation's position in the City.

Current Position

5. Mitigating controls are reviewed quarterly and those currently in place include:
 - The comprehensive programme of work by the Economic Development Office to maintain the City's competitiveness and the City Corporation's role (as detailed in EDO's Business Plan). This includes activities led by the City Office in Brussels and the City Offices in China and India.
 - Domestic (UK) considerations – e.g. migration (Visa issues), input to Parliamentary and other consultations, events and briefings of key UK decision makers and opinion formers (e.g. Banking Standards Review); and other actions to support social investment, entrepreneurship and new business challenges e.g. the management of huge quantities of data (the FinTech initiative).
 - The work of TheCityUK, the principal promotional body for the financial services industry (which the City Corporation helped establish in 2010 to promote City competitiveness, and which it continues to support).
 - The International Regulatory Strategy Group, established in 2010 jointly with TheCityUK, is the leading cross-sectoral practitioner-led body comprising leading UK based figures from the financial and professional services industry, regulators and officials from HM Government (HMT, FCO, BIS). A

primary function is to identify, assess and respond to regulatory issues and promote the Single Market. This includes the EU Engagement Strategy (in which the Lord Mayor and Policy Chairman play a major role), building on the work of the Anglo-French dialogue, initiated in January 2011; and wider EU/US issues such as the Transatlantic Trade and Investment Partnership (TTIP) (led by the Chairman of Policy and Resources).

- Research to influence major policy debates on City competitiveness e.g. Financial Transactions Tax, and survey of UK financial and professional services firms on attitudes to the EU.
- The extensive overseas visits programme of the Lord Mayor with accompanying City business delegations (20 plus countries a year, including many to fast-growing emerging economies).
- Encouraging and keeping the City at the forefront of innovation e.g. facilitating work on trade with China through developing London as a centre for the Renminbi (the Chinese currency) which is now formally part of a wider initiative by HMG Government, to support the industry.
- An on-going partnership with the CBI to explain the importance of financial services in the wider economy and link to the jobs and growth agenda (and joint working with the CBI's French counterpart, MEDEF, to promote a more joined up European approach to a shared problem).

Conclusion

6. The risk is being actively managed. In addition to the above mitigating controls the risk is monitored, together with the EDO Business Plan, on a quarterly basis, and actions amended accordingly.
7. The EDO's work is overseen by the Policy and Resources Committee, whose Chairman and Deputy Chairmen are also directly involved in EDO's programme of work and engagement with key City business stakeholders, both in UK and internationally.
8. EDO works closely with other Departments to ensure close engagement with City stakeholders and effective delivery of the work programme, in particular with PRO, Mansion House and the Remembrancer's Department. The PR/ED Sub-Committee also facilitates closer joint working.

Appendices

- **Appendix 1: Risk Supporting Statement: CR2**

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