

THE DEVELOPMENT OF THE CITY OF LONDON AS A REPRESENTATIVE BODY

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The City of London Corporation has the functions of a local authority in the Square Mile, but it is heavily involved in many other areas including arts and culture, open spaces, private education, food markets, the judiciary, policing and State events. The City Corporation also has a representative role for “the City”, a shorthand expression for the UK’s financial services industry. This role involves setting out the City position and seeking to influence public policy in the UK, Europe and globally.

Why the City Corporation is involved in non-local authority functions is bound up in history, and partly reflects the financial resources at its disposal. This paper seeks to explain why and how the City has come to exercise its representative role.

The representative role today

It is helpful briefly to set out the nature of the City Corporation’s current representative role, before beginning to analyse how that role developed. The work today includes:

- The Lord Mayor’s overseas programme, which is largely promotional although there is some representative work on policy issues. This also applies to the Lord Mayor’s role in receiving foreign visitors.
- The Policy Chairman is involved in frequent meetings with politicians, think tanks and other opinion formers in the UK, and also on the international stage – in the EU, China, India and the US. The objective of this work is to influence policy, lobbying as some would call it.
- The City Corporation conducts and sponsors research and events and makes policy representations on a limited number of issues, generally cross-sectoral.
- The City Corporation is the largest individual funder of the TheCityUK and is heavily involved in its work. TheCityUK is a relatively new body but has rapidly established itself as the cross-sectoral representative body for the UK’s financial services industry

Why does the City have a representative role?

Having briefly explained the “what”, the more important question is the “why”. There is no law that says that the City Corporation has a representative role and no one has appointed it to have this role. Here it

is necessary to understand how the policy making process works and the role of representation in that process. It would be nice to think that policy making is a logical process – policy makers doing the necessary analysis and consultation and then producing proposals that are in the national interest. But the process is not like this in reality. The policy makers are primarily concerned with winning the next election, so short term considerations have an unduly important influence. Some groups of people have far more political clout than others, and the media have a disproportionate influence. And, finally, the government is not the only source of knowledge and expertise. So a wide range of organisations seek to influence the political process, from trade associations representing particular sectors, to pressure groups (e.g. Greenpeace), think tanks (e.g. Policy Exchange and Institute for Public Policy Research) and individuals.

The influence any group has depends on a combination of factors:

- Its “representativeness” – does it in practice represent a significant and relevant interest group and is it recognised as such?
- The quality of its representations, which depend partly on the quality of its evidence and partly on its understanding of and ability to be involved in the policy making process.
- Its influencing skills, which depend partly on the characteristics of the people running the group.
- Political “clout”, which may well represent personal factors – such as connections with policy makers or ability to use the media.

The City Corporation scores highly on the final three points. This is partly because it has been able to put resources into this work – good quality representations in particular do not come cheap. It is the first point that is the key one. At first sight a body which provides local authority services, even one as eminent as the City of London Corporation, has no remit to represent a sector as wide as the UK financial services industry, any more than Grimsby Council could represent the fishing industry, or Aberdeen City Council could represent the offshore oil industry. But, in practice, the City Corporation now has an accepted representative role. So when and how did this come about?

The early development of the representative role

My research began with perhaps the definitive publication – the “Statement on the Origins, Constitution and Functions of the Corporation of London”, published in 1974. This did not mention representation or for that matter even the financial services industry. There was mention of a Parliamentary and Policy Committee, although this was clearly of little significance, and I suspect dealt purely with internal City Corporation matters.

The Policy and Resources Committee, which now is responsible for the

representative work, was established in 1979. But its initial terms of reference were entirely concerned with the City Corporation, and made no reference to representing the financial city.

The significant development of the representative role occurred in the early 1990s and can be attributed to a number of inter-related factors.

The first was changes in local government in London. In 1986 the Greater London Council was abolished, leaving London without a strategic authority and an elected body able to speak for the whole of the wider city. There was also seen to be a challenge to the existence of the City Corporation itself, culminating with a threat by the Labour Party to abolish the City of London Corporation. The then City fathers recognised that the City had to play a wider role in promoting the interests of London as a whole, both in representative terms and also through initiatives such as establishing the City Bridge Trust, supporting the establishment of London First in 1992 and generally working with neighbouring boroughs.

The second point related to a change in the role of the Bank of England. Previously, it had had a de facto role of representing the interests of the wider City, but for various reasons the Bank was less and less able to fulfil that role. The City Corporation duly moved into this space, although whether this was encouraged or merely grudgingly accepted by the Bank is open for debate.

There was therefore a clear market need for a body to have a representative role in representing London generally and the financial city specifically. The City of London Corporation was an obvious candidate to undertake this role, aided by its non-party political approach. It also had, through City's Cash, access to funding to develop that role. But it needed much more than a market and some money to adopt a representative role. It required strong and far-sighted leadership, bearing in mind that many in the City Corporation are strongly wedded to traditions and to the past. That leadership was provided by a number of people, notably Sir Brian Jenkins, Lord Mayor in 1991/92, and Michael Cassidy, Chairman of the Policy and Resources Committee from 1991 to 1996.

On financial services representation, the new Policy and Resources Committee quickly performed a de facto widening of its remit, recognising the need to take a London-wide view, particularly in respect of financial services.

Even before Michael Cassidy became Chairman of the Policy and Resources Committee, in October 1990 the Court of Common Council agreed a Report of the Committee recommending the creation of an 'Institute for Financial Markets' and the establishment of a Formation Committee. A Governing Board was set up under the Chairmanship of Stanislas Yassukovich, and

a number of prominent persons in the business City, together with Peter Rigby and Michael Cassidy, agreed to serve. This became known as the City Research Project (CRP) and began one of the most substantial programmes of coordinated research ever undertaken into the City's international competitive position. The London Business School was appointed to manage the CRP and brought in sector experts from many of London's other leading centres of business study and research. Over the three year life of the project, 22 separate subject papers were produced, covering almost all of the key areas of City activity. The final report was published in 1995 with great fanfare with consecutive events in the world's three leading international financial centres at that time - London, New York and Tokyo.

The City Research Project firmly put the City Corporation on the map as a voice of UK's financial services industry, and what has happened since then has been a steady expansion of this role.

An Economic Development Office was set up in 1994 and it expanded to handle the growing work in London and the increasing representative role. Similarly, the Public Relations Office, originally established in 1987, was strengthened, to work closely with the Economic Development Office in getting the City's message over. The City Corporation has been effective because its approach has always been measured and evidence-based – with no party-political angles. Its ability to convene events has also played a part, helped by the ability to fund events.

In short, the City Corporation saw a need for a representative role and skilfully positioned itself to exercise that role effectively, because if it had not done so its voice would not be heard, its events would not be attended and its status generally would be diminished.

Brussels, China and India

The next major move was the establishment of a Brussels office in 2003, aimed at helping organisations to present their views more consistently and effectively about cross-border sectoral issues.

A major issue was how to avoid the Office making representations on specific issues that could cut across or duplicate existing representations being made by individual trade associations and practitioners or through European representative organisations, to which they were affiliated. The answer was to use an Advisory Group in London to steer the work of the office in Brussels. Again, a key leadership role was important, in this case provided by Sir Nigel Wicks, who chaired the Advisory Group.

Some trade associations were sceptical about the initiative. The Committee report commented: "The most vocal resistance to the proposal has come from

the Association of British Insurers which is particularly concerned about giving the office only a City of London identity when a significant part of the UK financial services sector does most of its business elsewhere in the UK. They also point to the wide range of financial services institutions already represented in some way or other in Brussels and suggest that the office will simply add yet another layer of representation and increase the already huge volume of paperwork. They also suggest that improvements in the recent past mean that existing co-ordination mechanisms here in London should provide an appropriate degree of consistency without having an actual office in Brussels." I quote that in full because I was Director General of the ABI at the time and I wrote those words. Now I see the error of my ways!

After Brussels came the world. In June 2005, the City decided to fund representation in China, initially through two representatives based in Beijing and Shanghai, hired through the China Britain Business Council's Launchpad scheme and backed by two part-time Senior Advisors based in China. Formal offices were established in 2010. These are supported by a high level China Advisory Council.

In March 2006, the City established a representative office in Mumbai and an Advisory Council for India to steer the work of the Office. The aim, as in China, was to promote the interests of the UK-based financial services sector in India and to strengthen trading and investment links in both directions between India and the UK through the provision of world class financial services and products.

TheCityUK

The financial crisis, which began in 2008, threatened the City Corporation's role in several ways. Firstly, the reputation of financial services generally and banking in particular was severely damaged, such that even strong evidence was ignored in the face of a strong political imperative "to deal with the banks". The downturn in banking markets reduced physical activity in the City. And the poor reputation of financial services reduced the influence that the City was able to exert.

In 2008 the Chancellor of the Exchequer and the Mayor of London separately set up joint industry working groups to examine the issues and make recommendations for action to ensure that London and the wider UK maintained their international positions. The Mayor of London commissioned Bob Wigley, then Chairman of Merrill Lynch, to examine the position of London. His report, *London: Winning in a Changing World*, was published in December 2008. One of his key conclusions was that London's financial services industry was poorly promoted. There were too many overlapping bodies in the field, presenting a confusing message to an international

audience. He recommended that the City Corporation take the lead in the creation of a single, overarching body to bring coordination and strategy to the process. The City Corporation had been actively involved in the Wigley Review and had responded to the publication of the Wigley report by saying that it would rise to the challenge and take the lead in setting up the new body.

In the period immediately following the Wigley Report, work on a new body took second place to the Professional Services and Financial Services Global Competitiveness Groups (PSGC and FSGC). Both these groups were jointly chaired by Treasury Ministers, in the case of the PSGC with the then Deputy Chairman of the Policy and Resources Committee, Sir Michael Snyder. The FSGC Group report, published in May 2009, called for the creation of a more efficient structure to consider promotional issues. It went on, "The Government and industry should support work under way to establish an independent body that is permanent, practitioner-led, politically neutral, strategic and cross-sectorial". Crucially, the report acknowledged that the new body should have both an EU agenda and play a role in demonstrating the importance of the financial services industry to a broader domestic audience.

The City Corporation convened a steering group that led to the creation of "TheCityUK", which formally began operation in 2010. This also embraced International Financial Services London, the former British Invisibles. The City Corporation's own EU Advisory Group, established to support the Brussels office, morphed into a new International Regulatory Strategy Group, serviced by its staff and a resource for both the City Corporation and TheCityUK. The City Corporation and TheCityUK are inextricably linked. The City Corporation effectively established TheCityUK, the Lord Mayor is president of its Advisory Council and the Policy Chairman is Deputy Chairman and also Deputy Chairman of the International Regulatory Strategy Group. In addition the City Corporation provides total financial support of around £600,000 a year, a reduction from £750,000 a year provided in the first three years. TheCityUK now has a high profile and is generally recognised as doing an excellent job. Had it not got off the ground, which for a time looked possible, this would have reflected badly on the City. But there was also a real risk to the City Corporation of the organisation being successful, as at first sight it was establishing a well-resourced and supported body to do work which it itself had been doing, albeit at lower intensity. The reality is that the City Corporation had little choice but to do what it did. Even without it a body would have been created, but in which the City Corporation would have had no influence at all.

The two organisations are operating in the same space, but they are different and there is the risk of conflict and turf battles. The fundamental difference between TheCityUK and the City Corporation is that the former

is a membership organisation, which gives it both credibility and a huge resource on which to draw. The City Corporation is less well-resourced but on some issues can speak more freely. In practice however TheCityUK and the City Corporation work closely together, and in so doing are more effective, complementing each other's work. This has happened because the key people have been determined to make it happen.

This final point needs developing. If the City Corporation was setting out views that were significantly different from those of TheCityUK then the impact of both organisations would be diminished. In general, there should be no reason why the City Corporation should have a view different from that of the UK financial services industry. The City Corporation's views, like those of TheCityUK, are not developed by a few people pursuing their own agendas, but rather reflect the research it undertakes and the extensive contact with City businesses both at meetings with members and officers and at the many informal occasions that occur in the City.

Formalising reality

It was only in 2011, in a comprehensive review of governance, that the City Corporation's role as a representative body was formally recognised in the terms of reference of the Policy and Resources Committee:

“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.”

Conclusion

The City Corporation may have been around for 800 or more years, but its role in helping to represent the UK's financial services industry is just 20 years old. But it is entirely in accordance with the traditions of the City – both the Corporation and the industry. London is one of the great cities of the world, a centre for business, culture, tourism and sport. Its problems are those of a rising population, a place where people want to live and work. It is multicultural where people from all countries and backgrounds can become Londoners within days. The financial City exemplifies this – a Canadian governor of the central bank, a French chief executive of the Stock Exchange, an Australian and two Maltese chairing our major insurance companies, a New Zealander and a Portuguese running our two state owned banks. The financial City has been open and well run, in relative terms at least, attracting business and people. Much of this would have happened without the City of London Corporation, but the City Corporation, like the financial institutions, saw a gap in the market, recognised the need to provide representation for the financial city and London as a whole and notwithstanding the absence

of a legal remit provided that service. This has facilitated the growth of the financial city and is widely recognised as a valuable role by government and the finance industry alike.

This has not always been without controversy but generally the role is well accepted. Sir Brian Jenkins and Michael Cassidy saw the need and built the foundations, which their successors have developed to make the City of London Corporation what it is today – a multifunctional body with representation for the financial city being a key function.