

THE LAST ROTTEN BOROUGH

THE CASE FOR SWEEPING CONSTITUTIONAL REFORM OF
THE CORPORATION OF LONDON
IN THE CONTEXT OF THE PROPOSALS FOR A DIRECTLY ELECTED MAYOR AND GREATER LONDON
AUTHORITY

by

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Chapter 1

INTRODUCTION – THE CITY WITHIN A CITY

THE Government's consultation paper, *New Leadership for London*, sets out Labour's pledge to restore "democratic city-wide government" to the capital. This is to be achieved by a mayor elected by 5 million Londoners and a Greater London Authority to oversee the strategic direction of the Capital – provided the electorate indicate their desire for such modernisation at a referendum to be held next Spring. But all this is doomed to fail unless the Government is prepared to pursue sweeping reform of the Corporation of London, the undemocratic, unaccountable and largely self-perpetuating body at London's historic and geographic heart.

The Green Paper makes clear that the Government is not considering abolition of the City Corporation (§1.10 and §1.11), and suggests that limited change, primarily in regard to its electoral arrangements, will suffice.

This discussion paper argues that the defects of the Corporation, and its associated Lord Mayor apparatus, are too great for constitutional fine-tuning, and will disastrously undermine the Government's objectives for civic renewal in London if left untouched.

The Corporation has an impressive record in persuading Governments of all political hues that its "special" procedures and rituals, despite appearances, produce an effective form of administration that is best left well alone. It has thus emerged unscathed from virtually all the parliamentary and local government reforms of the last 160 years.

If the Blair administration adopts a similarly gentle approach while attempting to establish London's first directly elected Mayor and a revitalised strategic local authority, it will risk condemning the new assembly to "doughnut" status, with the well-entrenched medieval machinery of the centre mocking the pretensions of the Americanised upstart, while the rest of the world looks on in confusion.

For the new structure to succeed, there can only be one figurehead. A "one city-two mayors" solution would be a fraud on the electorate and an invitation to international ridicule.

The Corporation of London has rarely come under serious scrutiny since 1960 when a royal commission on local government in Greater London considered in great detail whether the ancient body could and should continue as a separate local authority. Sadly, its conclusion was feeble: "If we were to be strictly logical we should recommend the amalgamation of the City and Westminster. But logic has its limits and the position of the City lies outside them."

It is time logic had its opportunity. More so than in Scotland and Wales, which are Labour's natural territory, constitutional reform of the City is a critical test of the new Government's radical credentials. It is therefore to be hoped that the Government will exploit the political authority provided by the scale of its general election victory (not least in London) to go further than the Green Paper and adopt the following programme:

- redefinition of the term "City of London" to encompass Greater London - the area to be encompassed by the new authority, thereby matching other great world class cities such as Paris and New York
- transfer to the City of Westminster of all the Corporation's normal local authority responsibilities directly relating to the Square Mile
- reform of the local government franchise within the City to restore the power of universal suffrage for its 5,000 residents
- transfer of the Corporation's other responsibilities, with most of its assets, to the new GLA, or other bodies where appropriate
- privatisation of the four markets, Billingsgate, Leadenhall, London Central (Smithfield) and Spitalfields, with the proceeds going to the Treasury
- the release of the substantial "City's Cash" as the revenue base of the GLA, thereby restoring "democratic city-wide government" to London at no additional cost to the tax payer or the Treasury
- establishment of the Guildhall as the seat of the new Greater London Authority and Assembly
- installation of the new Mayor of London, when elected, in the Mansion House

The following chapters of this pamphlet will attempt to explain why nothing short of abolition of the Corporation is consistent with the Government's aims for London.

Chapter 2 THE CORPORATION OF LONDON - DEMOCRACY FOR THE FEW

The City of London was the birthplace of British civic government. Ironic as it seems today, it was in the City that local democracy, through ward elections, was first developed. Having been given royal sanction in 1191 to unify into a commune, the following year the citizens of London decided to appoint their first Mayor. This was confirmed as a right by Magna Carta in 1215.

The Corporation of London is the local authority for the small area of 290 hectares (the "Square Mile"), which is situated at the geographic centre of London. It is home to 5,000 residents and workplace to 50 times that number each weekday. For these people, the Corporation's obligations are the same as that of the other 32 London boroughs. However, there the similarity ends. The structure and influence of the Corporation are utterly unique.

The functions of the modern day Corporation are controlled through three assemblies:

- a) **Court of Common Council** - composed of the Lord Mayor, the 25 aldermen and the 130 common councilmen. This body undertakes the functions of local government for the City.
- b) **Court of Aldermen** - composed of 25 aldermen, including the Lord Mayor. The Court of Aldermen has jurisdiction over the 100 Livery Companies of London, all of which derive their being from a close association with some craft, skill or profession – whether it be ancient or modern – and whose current *raison d'être* is primarily charitable. Each individual alderman is automatically appointed a Justice of the Peace upon election. However, as the current Lord Mayor, Sir Roger Cork said on 24th June 1997, "The most important task which the Court of Aldermen has to undertake is to produce a constant supply of suitable candidates for the Office of Sheriff and ultimately, Lord Mayor"
- c. **Common Hall** - composed of the Lord Mayor, the Aldermen, the Sheriffs and those freemen of the City who are also liverymen (i.e. the 23,000 individuals who are members of one or more of the livery companies). Any person over 21 years of age and who is a European Union citizen can, if so minded, attain the freedom of the City, although being on the City Parliamentary Register or becoming a freeman of one of the Livery Companies is the most common route. Common Hall elects the two sheriffs and nominates two aldermen as candidates for the Office of Lord Mayor each year.

The City is divided into 25 wards, which have remained largely the same since the Middle Ages. Each ward is represented on Common Council by one Alderman and a number of Common Councilmen. The number bears no direct correlation with the size of the ward electorate.

Elections are held every year for all seats on Common Council. To stand, a candidate must be a freeman entitled to vote in the City, or own land in the City, or have been a resident for at least 12 months.

The qualification for the Local Government franchise in the City is unique. For elections of Aldermen and Common Councilmen, a voter must be either a resident, or a non-resident occupier of premises, as owner or tenant, with a gross rateable value of not less than £10. The property qualification has not fundamentally changed since the Great Reform Act of 1832. Not only is it not "one person one vote", it is not even "one person can purchase one vote". The current system allows "one person to buy any number of votes". There are many individuals who appear on the register of voters in the City two or three times, thereby having multiple votes in local elections, simply because they qualify in more than one ward under the current system.

Few people outside Corporation politics understand the significance of the property qualification. Of the 18,794 registered electors in the City of London (a voting population barely an eighth of the London borough average), only 4,929 are residents. The rest (73 per cent) live elsewhere and are able to supplement their normal vote in their own local authority elections with their property franchise in the City. This miniscule City electorate (one thirtieth the size of any other London Borough) returns 150 members each year to the Court of Common Council (5 times the size of any other London Borough Council).

The tenuous nature of Corporation-style democracy is underlined by analysis of where the elected representatives themselves reside. It goes without saying that in every other London Local Authority, all elected members have to live within the Borough. With the property qualification remaining in the City, that is not the

case for the Corporation. Although every member of Common Council must have an "address" in the City by which they qualify to be on the electoral register, it is intriguing that fewer than 50% choose to use it even for business purposes.

<u>Common Councilmen and Aldermen listing contact via:</u>	<u>Number</u>	<u>%</u>
Residential address within the City	25	16%
Business address within the City	47	30%
Address outside the City	83	54%

Another distinctive feature of City democracy is the degree to which actual electoral contests are superfluous. Throughout the other Greater London Boroughs, uncontested elections are rarer than English victories over the Australians at cricket. In recent years, the only case of an uncontested seat in a local election that returning officers can recall was in Hackney when a Conservative candidate was disqualified because of an invalid nomination form.

In the City the remarkable fact is that the vast majority of seats at every round of elections are uncontested, and most members of Common Council have never had to defeat an opponent to gain or retain their seat. For the alleged godfathers of capitalism, it is a stunningly Stalinist process.

Uncontested seats at the most recent local elections

Average for all Greater London Boroughs excluding the City (May 1994)	0%
Uncontested seats at local election in the City (Dec 1996)	74%

The figure for the City in 1996 is not abnormally high - in 1995 was 73% of seats were uncontested.

This is not because of some fundamentally lower appetite for democratic involvement in the City. When the electorate is given real and fair access to the ballot box, as at a general election, the turn-out is in line with inner London norms. At the 1997 election, the City wards of the City & Westminster constituency recorded a 58 per cent poll - the same as in the rest of the constituency, and only fractionally less than in neighbouring seats in Islington and Hackney.

The result of this ramshackle but little understood system is that many of the members of Common Council live in the leafy suburbs of Surrey or Sussex and have no real involvement with the City - past or present - other than that they are members of Common Council. Many have been simply encouraged by other councilmen or aldermen to exploit the property qualification to make themselves candidates - emphasising the self-perpetuating, sub-masonic character of the Corporation's constitution.

It is disturbing to reflect that any well-organised extremist or terrorist group could stage a spectacular publicity coup and go on to inflict untold harm by the not particularly difficult route of winning control of the Corporation via the City's mis-shapen ballot box. In the 1996 elections for Common Council, for example, it would only have taken 3,111 electors, spread across sixteen specific wards to have been absolutely certain of returning 80 members to Common Council and thereby gaining a comfortable majority.

Any body that can muster that sort of number could form a partnership in Spring, get it to take out a tenancy at will on a broom cupboard in the Square Mile for about £60 a year and by Christmas, quite legitimately under the current constitution, gain control of the Corporation and all its assets. Indeed, that is more or less what happens each year - the group is the preceding year's Court of Common Council.

The democratic deficit in the Court of Aldermen is at least as great, though differently formed, as that in the Common Council. Along with the annually elected common councilmen for the ward, each ward also elects one alderman who sits on Common Council with full voting rights. To stand for aldermanic election, a candidate must be a freeman, but need not reside in or have any voting qualification in the City.

Extraordinarily, the alderman is not subject to re-election and has the legal right to remain in office until death. Moreover, under an utterly unique power, an aldermanic candidate who has triumphed at the ballot box can be prevented from taking his seat if the existing members of "the Court" of Aldermen consider him an "unfit" person. This right to reject the choice of the voters and ultimately to install the person of their choice is no theoretical constitutional relic. It was last exercised in 1995, and has been called upon eight times since the war.

Though often regarded as “elder statesmen”, aldermen exercise considerable power. Because two aldermen are necessary to complete a quorum on Common Council, they can effectively exercise a veto on any decision. Moreover, aldermen become Justices of the Peace on taking up office and are entitled to sit as a judge of the Central Criminal Court with any Judge of the High Court, Circuit Judge or Recorder. Although the aldermen undertake not to adjudicate in any trial at the Central Criminal Court, one alderman, by rota, attends every day that the Court is sitting.

The aldermen nominate governors or trustees of many charitable and educational institutions including two Commissioners of the Church of England. They appoint the Recorder of London and many senior City officers, and exercise powers in relation to the regulation and establishment of the City Police Force. They make orders, on the advice of the Police Commissioner, in respect of street traffic.

Perhaps most important of all, the Court of Aldermen each year decides which of their number should become Lord Mayor. (Common Hall plays a somewhat empty role in this in formally submitting a short-list of two candidates. Both must be aldermen and already have served as Sheriff). The Court appears to operate a general policy of progression by seniority to the Mayoralty, though there have been some prominent casualties in recent years. A few years ago, Alderman Neill Young was advised by his fellow aldermen after a dozen years on the Court that he would not be up to the job and so resigned, while Alderman Anthony Bull is long past his due date to assume the Mayoralty but has been repeatedly passed over without explanation. Senior aldermen have tightened their grip on the selection process by introducing a rule under which a sitting alderman must abruptly resign if more than 30 per cent of the Court vote for his removal. (Imagine the havoc such a practice would have wreaked in recent Cabinets!) So not only must an elected aldermanic candidate face an uncertain vetting procedure before he takes his seat, but he must serve in the knowledge that he can lose his position at any time if he is deemed to have stepped out of line. This appears to breach the 1990 statutory code of local government conduct, which makes clear that an alderman's "over-riding duty as a councilor is to the whole local community", and that "while you may be strongly influenced by the views of others, and of your party in particular, it is your responsibility alone to decide what view to take on any question". At Common Hall in June this year, the Lord Mayor, Sir Roger Cork, confirmed that he and the Court of Aldermen still regard the forced resignation device as a key element in maintaining the "honour and integrity" of the aldermanic system.

Until very recently the Corporation élite were similarly resistant to calls for abandonment of the right to reject the electorate's choice in aldermanic elections. As Sir Alexander Graham, a member of the Court of Aldermen and former Lord Mayor, puts it: "Clearly some people take the view that this is a denial of democracy. I would not say that. It is ensuring the quality of the Court of Aldermen" (*Financial Times* 19 August 1995).

In June this year Sir Roger Cork voiced his view that it would be "irresponsible" to allow the electorate to have the final say. Yet what a difference a Green Paper makes! In October 1997, the Corporation announced plans to end the veto and make Aldermen subject to "periodic" re-election. Interestingly, however, the proposal leaves the forced resignation procedure in tact, so the old guard's last line of defence is retained.

The traditional assumption within the Corporation has been that this self-perpetuating group of 25 white middle class men rather than the electorate at large, alone possesses the ability to discern the qualities that make for a good alderman and mayor. Two women have been elected alderman in its 800-year history. The first (surprise, surprise), was rejected as being not fit and proper, but eventually one woman, Dame Mary Donaldson, was admitted to the Court and became Lord Mayor in 1983. There have been none since.

As the front page of *The Wall Street Journal* reported on March 13th 1996, quoting a London based Vice-President of the consulting firm Booze-Allen & Hamilton, "the whole system is like a Monty Python sketch". It is par for the course that the Alderman who took office as Lord Mayor on 8th November 1997 neither works nor lives in the City nor even in the proposed area covered by the GLA and has only had to survive the ballot box once. In this instance, the Alderman in question, Richard Nichols, who lives in Hertfordshire and works in Watford, topped the poll on May 3rd 1984 with seven (7) votes in a ward that had a total electorate of 18. The coolest city on the planet deserves better leadership than this.

Chapter 3 IF IT AIN'T BROKE, DON'T FIX IT?

The Corporation's stance down the years has always been, and remains today, that however illogical, absurd, or unparalleled the system, it works. "If it ain't broke, don't fix it!" Speaking about the lack of democracy in the City, Michael Cassidy, then Chairman of the Policy and Resources Committee of the Corporation of London said in a BBC1 television interview on 22nd March 1995:

"All I can say is that the City of London works very effectively internationally; that there are no fundamental problems that arise out of the franchise and that we are generating huge wealth for this country and if it's working - leave it alone".

Or as Alderman Sir Peter Levene told the Wall Street Journal in March 1996, when asked to justify the undemocratic and apparently unfair behaviour of the Corporation said,

"It is a British system. It might seem rather odd but it does work"

But upon examination, it can be seen that it clearly does *not* work. Quite apart from democratic considerations, there is another reason why the Lord Mayor has decreasing justification to speak even for London's financial sector, let alone the capital at large.

The Corporation's increasingly indiscriminate use of the terms, "City of London" and "the Square Mile" to denote both the 270 hectares over which it exercises the responsibilities of a local authority, and London's global financial centre, might suggest that these are the same thing. They are not.

In 1995, the City Research Project, sponsored by the Corporation of London, concluded that only around 40% of the 600,000 individuals, who today work in the financial and business services sector in Greater London, do so from the Square Mile.

Employment in the Financial Sector

Category	Greater London City		%
Banking / bill discounting	153,200	67,600	44.13%
Other financial Institutions	35,300	6,300	17.85%
Insurance	50,700	17,500	34.52%
Activities auxiliary to banking/finance	29,700	15,600	52.53%
Activities auxiliary to insurance	32,400	14,000	43.21%
Total	301,300	121,000	40.16%

Source: *Census on Employment 1991*

It is not unreasonable to assume that the proportion of individuals who work in the financial sector in Greater London from within the Square Mile has since fallen further as Dockland tenancies have boomed over the last two years. Thanks to information technology and digital computing, the "financial City" is no less in Westminster, Southwark, Lambeth, Camden and Islington than it is in the Square Mile. Technology and the pro-competitive regulatory environment for telecommunications have created a "virtual City" unimaginable a generation ago, let alone several centuries ago when the Corporation's constitutional jurisdiction was established. This development will be one of our greatest competitive advantages in the future and should be enhanced and reflected in broader democratic structures, as the GLA should become. We might take note that New York, one of London's few effective competitors as a financial market, feels no compulsion to burden itself with a Mayor of Wall Street, or a separate local authority of any kind. So it is highly presumptuous for the Lord Mayor to travel to Australia and New Zealand, as he did in August 1997, "to promote the City of London as the international financial capital of Europe". By what authority has he assumed for himself, as leader of the Capital's smallest local authority, the mantle which the Government says it has reserved for the new democratically elected Mayor of London? Or when was it decided to re-define the use of the name "City of London" to mean the "virtual City" which comprises the financial markets rather than the Square Mile?

In recent years, this "virtual City" of global financial markets, with a nucleus in the Square Mile but sustained by modern information technology, has incubated many serious financial scandals. Episodes such as those at Barings, Lloyds, BCCI, Morgan Grenfell and NatWest have damaged London's reputation around the world as being a trustworthy and reliable market. Whatever else these events represent, they are evidence of an

abandonment of the principles that classical liberal economists identified as the essential foundations of a prosperous free market. From Adam Smith onwards, such economists have emphasised the necessary relationship between successful and enduring markets on the one side and liberty and democracy, underpinned by openness and personal moral responsibility, on the other. It is not surprising that the motto of the Stock Exchange, *meum dictum pactum* – “my word is my bond”, became adopted as an effective logo of the highly successful and prosperous City of London.

But the recent disasters in the London financial markets cannot be regarded as unrelated to the moral tone and values exemplified and condoned by the highest levels of civic leadership of the community in which they have taken place. If the Corporation, which assumes a very prominent national and international profile, itself persists in disregarding democracy, accountability and openness, preferring to operate secretly on the basis that the “ends justify the means”, then in time, a similar ethic will begin to permeate an otherwise open marketplace.

No Act of Parliament, regulatory regime, auditor or computerised compliance procedure can, in the long run, deliver to the London markets the rock solid fairness and trustworthiness that is essential to a reliable market. The financial and global business markets based on London face a grim future unless they come to appreciate afresh that the “virtual City” needs also to be a “virtuous City”. Day to day operations of institutions, large and small, from top to bottom, UK and foreign, need to be based on absolute principles of truth, openness, honesty, moderation and individual integrity. Given human nature, there will inevitably be departures from Almighty God’s standard of moral perfection, but the over-riding and explicit culture of the City must be one that affirms the righteous attitude and behaviour of individuals and bolsters prosperous business for the long term rather than securing the super-buck in the short.

But in many places in the City, “what is right” has come to mean no more than “what works”. “If it ain’t broke - don’t fix it” is the modern euphemism in the City for saying that the ends justify the means. When such an ethic is revered and promoted at the highest levels of the Corporation, it is little wonder that it also becomes an acceptable *modus operandi* on the trading floors in the marketplace.

But without a compass of open, democratic accountability, it is impossible to steer a straight course “with good faith and reason” which never swerves from the destination of being “profitable to the people”, as Edward III charged it to be when granting a renewed Charter to the Corporation in 1341.

But even if, seated at top table in the Mansion House, you were for one moment to believe the Corporation’s claim that “it *does* work”, the question must surely be, “for whom?” For the élite maybe, but certainly not for the citizens.

A minor but telling example of City government today occurred recently when Common Council decided to erect a traffic barrier in one of the streets adjacent to the Barbican where residents were becoming increasingly disturbed by noise and pollution caused by taxis and other traffic using the road as a rat run to circumvent the Corporation’s “ring of steel”. The barrier was quickly removed during working hours when an irate director of a nearby international financial institution found it difficult to get a taxi one evening and called upon the Lord Mayor and other senior officers, demanding its removal so taxis could once again drive past his office door. The traffic noise and pollution is back and the voice of the people, due to the appalling democratic deficit of the franchise, will not be heard to reverse it. Had the barrier remained in place, the financial interests of London would not have suffered one iota. What *would* have happened is that a director and others like him, who have got used to the comforts a £1m+ salary can purchase, would have been a little inconvenienced.

Another seemingly trite example for all but those involved, is the inconvenience to which local residents are constantly being put at weekends as the scenic backdrop of the Square Mile is used to turn the City into a film set. This Christmas, the nation will be offered the Spice Girls Movie - with extensive sequences shot in the City of a multi-coloured double decker bus careering all over the road, blocking cars and cyclists alike, supposedly en route to the Albert Hall. The inconvenience let alone the noise and fumes all combined to spoil an otherwise quiet Sunday for nearby Barbican residents. Had the film been shot in New York, the substantial sum of money paid by the producers to the City fathers would have been shared amongst those residents directly affected – and only then after they had agreed that their community could be used for the shoot. City residents who had that Sunday spoiled, have not seen a penny from the Corporation – or even a letter of apology.

Even though the Corporation claims “it ain’t broke”, it now appears to think there *are* some things that need fixing. At a meeting of the Court of Common Council on 9th October 1997, the Corporation decided to propose to Government that it retain the undemocratic property vote and that a few minor changes should be adopted.

Showing even greater contempt for the citizen, the Corporation's formal response to the Green Paper states, "Voting rights should be conferred upon as many City businesses and organisations as possible." The Corporation uses a totally inappropriate model from Australia where topography has resulted in absent landlords being commonplace and a property vote universal throughout the entire country. The Corporation is therefore asking the Government to give banks, insurance companies and massive international financial institutions from around the world, direct control through the ballot box of the civic affairs in one of the Capital's local authorities. And this is the Corporation's response to the Green Paper's demand that it, "improve its franchise".

But if the franchise of the Square Mile would be "improved" by giving companies the vote, why not in Sheffield, Manchester or Dorchester? Using the Corporation's Australian model, a limited corporate vote exists in *all* cities there – not just the capital – so why not here? And why should those who work for say, Barclays Bank in the Square Mile have a corporate say in the running of the local authority whereas those who work for Barclays Bank in every other of the 32 London Boroughs not?

Such a fundamental constitutional departure from principles that date back to Magna Carta would be unacceptable. It would be little more than a formalisation and legitimisation of the excessive access to power and influence that corporations already have in the City "behind the scenes" and at the elbow of the Lord Mayor at his banqueting table.

For too long, Parliament and the nation have been dazzled by the Corporation's ceremonial and worthy charitable record. As the crowds cheered in the streets at this year's annual Lord Mayor's Show and the nation counts the cash that flows into London's financial markets from around the world, few have seen fit to look under the gold coach or the Lord Mayor's ermine to see that this local authority has failed to fulfil the statutory obligation placed on it by Edward III to get rid of what does not serve the people and adopt reforms based on honesty, fairness and justice.

Chapter 4

WILL THE REAL MAYOR OF LONDON PLEASE STAND UP?

The Government's Green Paper envisages five key roles for the new elected Mayor of Greater London it proposes (♣ 2.04), subject to a referendum of the public. Three of these in particular overlap with roles that the Corporation has increasingly adopted for itself:

- Devising strategies and action plans for London as a whole
- Promoting action to implement London-wide strategies
- Providing a voice for London

In the absence of a London-wide authority, the Corporation has shown considerable initiative in recent years to stimulate, initiate and co-ordinate trans-authority action and planning in Greater London. This is recognised in the Green Paper (♣ 1.10):

"In recent years the City Corporation has sought to play a much more positive role in order to promote inward investment and to fund schemes and studies for the benefit of London as a whole. The Corporation has assured the Government that it will continue to develop this work.... "

This is a curious statement. It appears to tolerate, even welcome, an obvious and confusing duplication of effort and resources between the Government's own democratic baby, the GLA, and a Corporation desperate to justify its continued existence. Nowhere is such duplication plainer than over the central question of the mayoralty itself.

Each year, London has imposed on it a virtually unknown person to be its international figurehead. This person is seldom known outside a small City circle and certainly has not had to endure the unceasing public scrutiny associated with popular legitimacy. Whisper it on Gresham Street, but even the historic title of "Lord Mayor" is merely customary and has no statutory basis.

Under the Green Paper proposals, it seems that the public is seriously being asked to accept a situation in which London has two mayors. Not only this, but the elected version will have smaller resources and a less impressive headquarters and administrative support than the historical relic governing just 270 hectares in the centre of the capital.

When the prime ministers and presidents of other countries come to London on State Visits, are they to dine with the "lord" Mayor or the "directly elected" Mayor ... or both? Will there be a "hospitality war" in London as the Corporation's huge private funds vie with the GLA's Treasury-limited budget to impress the rest of the world? This is a vital issue in establishing the credibility of the new GLA mayor. In 1995/96 there were 24 large-scale events of Corporation hospitality, including the VE Banquet at Guildhall which was attended by the Royal Family and 57 Heads of State or Government. In the same year the red carpet was also rolled out for visits by the Amir of Kuwait, the President of Finland, the President of France, the President of Ireland, President Nelson Mandela of South Africa and many others. For all its unrepresentative nature, the Corporation even took on the national role of putting on a reception and dinner at the Guildhall on the occasion of the European Football Championships. (It goes without saying that all Aldermen and members of Common Council are invited to attend all state banquets and most other events.)

With the arrival of a directly elected mayor, logic demands that this largely self-appointed function of the Corporation as ambassador for the whole of London (or Britain) should wither. But there is little evidence that the ancien regime is ready to take a back seat. Asked about the impact of his directly elected rival, Sir Roger Cork told his June audience at the Guildhall:

"I suspect that the Lord Mayor of the City of London will still carry out his ambassadorial role as he does at the moment... I see no reason why the Lord Mayor of the City of London should not continue to promote London as a whole and its financial services."

In other words, without decisive Government action, the mayoralty of our capital is set to become a push-me-pull-you pantomime horse.

The absurdity and potential confusion of two Mayors for London is there for everyone to see. It is certainly not lost on the current Lord Mayor, Sir Roger Cork, who commented in June on Labour's plans for an elected Mayor as follows:

“For my part I am confident that my successors will be able to operate alongside the leader of a new strategic authority but, in order to avoid possible confusion, it would clearly be preferable for whoever is chosen to the position of leader to be called something other than Mayor”.

It is clear that the Corporation tail is only too anxious to wag the GLA dog. All those seeking local government structures in the Capital which are fit for the 21st century must be on their guard to prevent such an outcome.

Chapter 5

GOVERNING THE WHOLE CITY

The simplest and most rational mechanism for modernising the government of the City is to abolish the Corporation of London altogether and to transfer the normal local authority functions currently carried out by the Corporation of London for the residents and businesses within the Square Mile to the City of Westminster. This would bring the constituency for local elections into line with that for Parliamentary elections. The business property vote would thus be abolished – thereby ensuring that straightforward universal suffrage comes into its own in the City of London as it has everywhere else in the United Kingdom.

What would be the practical and financial implications of abolishing the Corporation?

Function

The normal local authority functions currently performed by the Corporation which should be transferred to the City of Westminster include: building services; street cleansing; housing; education; engineering and surveying; public health; planning; parks and gardens and social services as well as the task of collecting council tax and business rates. Management of 2,000+ residential properties including sheltered housing schemes situated in Islington, Southwark and Lewisham currently managed by the Corporation should be transferred to the relevant local London borough. The City Police force should be merged with the Metropolitan Police (with whom there is already a close operational collaboration) although a separate specialist force should be maintained and strengthened at a national level to “police” the increasingly invisible trade carried on in the financial and information sectors of global markets.

The above functions are currently undertaken by about half the existing 4,700 employees of the Corporation – employment of whom could be assumed by the City of Westminster and the other authorities assuming the relevant responsibilities.

The remaining 50% of employees of the Corporation could form the nucleus of the GLA's new administration.

The residual functions of the Corporation should be assumed by the new GLA, or, where more appropriate, transferred to other existing bodies, such as the Environment Agency and English Heritage. It is not widely appreciated how many of these residual functions have significance for the whole of London and are therefore natural territory for a strategic, London-wide authority. These cover such matters as:

- Economic development; partnership activities with other London wide and national bodies; marketing and promotion of London as a financial centre
- hosting international meetings and conferences (e.g. annual meeting of Board of Governors of European Bank for Reconstruction and Development in 1995)
- Research on London-wide issues
- political lobbying on behalf of London
- The Greater London Record Office and Library and other libraries of capital/national significance such as City Business Library and the St Bride's Printing Library
- The Museum of London – a treasure trove of historical material for the entire capital - and now with an annex in Docklands to cover the history of the Thames and London as a port
- Numerous open spaces across the Capital and Home Counties including Epping Forest; the National Nature Reserve of Burnham Beeches; National Nature Reserve at Ashted Common in Surrey; West Ham Park and Hampstead Heath
- The Barbican Centre and all its activities in the arts, music, cinema and drama

- Environmental health for entire tidal length of the Thames and its estuary, lower reaches of Medway and the ports of Tilbury, Thamesport and Sheerness as well as Tower Bridge

That would only leave the markets of Billingsgate, Leadenhall, London Central (Smithfield) and Spitalfields. It makes no sense for these to be in the public sector and so, like all of the other London based markets that serve the capital and nation, they should be liberated by a swift programme of privatisation with as few constraints as possible being imposed on their future. In addition, such a move would yield a substantial windfall bonus for the Treasury which could be put to far more productive use.

Finance

The financial implications of abolishing the Corporation are remarkable. Assets worth hundreds of millions of pounds and known as “City’s Cash”, would be placed under the control of the new GLA, the income on which would be available for expenditure according to its priorities for the benefit of the many rather than remaining under the secret and unaccountable management of the Corporation for the benefit of the few.

Built up over the centuries the Corporation now owns massive capital assets which are invested in property and marketable securities and yield substantial annual income. Much of this real estate is physically located in other London Boroughs. Currently, this is further supplemented by income from Smithfield, Billingsgate and Leadenhall Markets and other fees and charges.

Accounts and details of the capital, income and expenditure relating to “City’s Cash” are specifically excluded from the Corporation of London Annual Report. No details are available to the public and although all matters relating to the income and expenditure of “City’s Cash” is handled by the various Committees of the Corporation on which Alderman sit, these are usually taken in “private session”.

The Corporation seems to regard these public funds as its own. Yet “City’s Cash” is really “Citizen’s Cash”, for it is from the citizens of London that the money was originally taken and its continued stewardship and use should remain under the democratic control of the people rather than an undemocratic self-perpetuating body.

Transfer of the assets that comprise City’s Cash from the Corporation to the GLA would provide the new authority with an independent financial basis and substantially ease its burden on the Treasury. It would also restore democratic accountability to the management and use of these resources, enabling the GLA to spend them according to public priorities instead of for covert purposes as at present, however beneficial these may or may not be.

Another source of the Corporation’s private income is the Bridge House Estate’s Trust, originating from a special fund set up in 1097 to repair London Bridge. Over the years, the Trust has grown and today the Corporation is the Trustee. As well as providing for the maintenance and support of London, Tower, Southwark and Blackfriars Bridges, in April 1995 a special scheme was approved by the Charity Commissioners and Parliament which extended the objectives of the Trust to enable any surplus to be directed towards the provision of transport and access to it for elderly or disabled people in the Greater London area and for other charitable purposes for the benefit of the inhabitants of Greater London. Assets of the Bridge House Estate’s Trust were £402,470,000. It is the largest grant-making trust operating exclusively in the London-wide area which will come under the GLA. This vast fund comes under the control of five committees of the Corporation. It comes as no surprise that they are composed entirely of Aldermen and other members of Common Council.

The administration of this should pass to the 100 Livery Companies of London and the new ones currently being formed. The vast majority of these are now vital and active voluntary organisations that have as their main raison d’être, charitable activity in education, youth, and helping meet community need amongst the elderly and poor. They use income from their funds to support both local and national charities and most have a close relationship with their trade or profession. The 23,000 members of the livery with the support of their Livery Companies and working with the elected Mayor and GLA could have an effective modern role in the Capital as “mentors” of the young citizens of London. The Trustees of the Bridge House Trust could be elected at Common Hall by the Livery and any London based charity should be encouraged to apply for the active support of the Livery and a grant.

The normal local authority budget receipts for the Corporation are unexceptional. For 1996/97 they were:

Business Rate	£629.6m
Council Tax	£ 1.5m
Balance brought forward	£ 0.6m
Total	£631.7m

Although this large sum is greater than in most other London Boroughs, it does not, of itself, give the Corporation any special financial independence. Of the £631,700,000 income, 98% is contributed to the national pool over which the Corporation has no control.

Chapter 6

THE LAST ROTTEN BOROUGH

Section ♣ 1.12 of the Green Paper on London Government sets out ten key criteria for the new Greater London Authority. It should be:

- Strategic
- Democratic
- Inclusive
- Effective
- Small
- Audible
- Consensual
- Clear about its Role
- Efficient
- Influential

This paper has sought to argue that the Government will not be able to adhere to these criteria for the Greater London Authority unless bold and radical steps are taken to pursue sweeping reform of the Corporation of London rather than attempt to tinker with the franchise of what is surely the last rotten borough. Otherwise there will exist at the heart of the new structure, like a mini-West Berlin, an influential and well resourced authority singing to a totally different tune. This will cause untold damage to the governance of London and a dereliction of duty to its citizens.

The Government must act decisively. It is the last chance we have to make the institutions of the capital city fit for the 21st century, rather than the 12th.

BIOGRAPHY

Malcolm Matson lives and works in the City of London and was the founder of COLT (City of London Telecommunications Ltd.) - Europe's first all-fibre public telecommunications network. A grammar school boy and a graduate of Nottingham University and the Harvard Business School, he is an advocate of "compassionate capital" and is Chairman of the recently formed Centre for Marketplace Theology based in the City. In 1995,

standing on a reform platform, he won 78% of the popular vote in an aldermanic election for the Corporation of London but was prevented from taking his seat by the existing aldermen, a use of the medieval veto that was to prompt the Blair Government's proposals for reform of the Corporation.

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THE LAST ROTTEN BOROUGH

THE CASE FOR SWEEPING CONSTITUTIONAL REFORM OF
THE CORPORATION OF LONDON
IN THE CONTEXT OF THE PROPOSALS FOR A DIRECTLY ELECTED MAYOR AND GREATER LONDON
AUTHORITY

by

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Chapter 1

INTRODUCTION – THE CITY WITHIN A CITY

THE Government's consultation paper, *New Leadership for London*, sets out Labour's pledge to restore "democratic city-wide government" to the capital. This is to be achieved by a mayor elected by 5 million Londoners and a Greater London Authority to oversee the strategic direction of the Capital – provided the electorate indicate their desire for such modernisation at a referendum to be held next Spring. But all this is doomed to fail unless the Government is prepared to pursue sweeping reform of the Corporation of London, the undemocratic, unaccountable and largely self-perpetuating body at London's historic and geographic heart.

The Green Paper makes clear that the Government is not considering abolition of the City Corporation (§1.10 and §1.11), and suggests that limited change, primarily in regard to its electoral arrangements, will suffice.

This discussion paper argues that the defects of the Corporation, and its associated Lord Mayor apparatus, are too great for constitutional fine-tuning, and will disastrously undermine the Government's objectives for civic renewal in London if left untouched.

The Corporation has an impressive record in persuading Governments of all political hues that its "special" procedures and rituals, despite appearances, produce an effective form of administration that is best left well alone. It has thus emerged unscathed from virtually all the parliamentary and local government reforms of the last 160 years.

If the Blair administration adopts a similarly gentle approach while attempting to establish London's first directly elected Mayor and a revitalised strategic local authority, it will risk condemning the new assembly to "doughnut" status, with the well-entrenched medieval machinery of the centre mocking the pretensions of the Americanised upstart, while the rest of the world looks on in confusion.

For the new structure to succeed, there can only be one figurehead. A "one city-two mayors" solution would be a fraud on the electorate and an invitation to international ridicule.

The Corporation of London has rarely come under serious scrutiny since 1960 when a royal commission on local government in Greater London considered in great detail whether the ancient body could and should continue as a separate local authority. Sadly, its conclusion was feeble: "If we were to be strictly logical we should recommend the amalgamation of the City and Westminster. But logic has its limits and the position of the City lies outside them."

It is time logic had its opportunity. More so than in Scotland and Wales, which are Labour's natural territory, constitutional reform of the City is a critical test of the new Government's radical credentials. It is therefore to be hoped that the Government will exploit the political authority provided by the scale of its general election victory (not least in London) to go further than the Green Paper and adopt the following programme:

- redefinition of the term "City of London" to encompass Greater London - the area to be encompassed by the new authority, thereby matching other great world class cities such as Paris and New York
- transfer to the City of Westminster of all the Corporation's normal local authority responsibilities directly relating to the Square Mile
- reform of the local government franchise within the City to restore the power of universal suffrage for its 5,000 residents
- transfer of the Corporation's other responsibilities, with most of its assets, to the new GLA, or other bodies where appropriate
- privatisation of the four markets, Billingsgate, Leadenhall, London Central (Smithfield) and Spitalfields, with the proceeds going to the Treasury
- the release of the substantial "City's Cash" as the revenue base of the GLA, thereby restoring "democratic city-wide government" to London at no additional cost to the tax payer or the Treasury

- establishment of the Guildhall as the seat of the new Greater London Authority and Assembly
- installation of the new Mayor of London, when elected, in the Mansion House

The following chapters of this pamphlet will attempt to explain why nothing short of abolition of the Corporation is consistent with the Government's aims for London.

Chapter 2 THE CORPORATION OF LONDON - DEMOCRACY FOR THE FEW

The City of London was the birthplace of British civic government. Ironic as it seems today, it was in the City that local democracy, through ward elections, was first developed. Having been given royal sanction in 1191 to unify into a commune, the following year the citizens of London decided to appoint their first Mayor. This was confirmed as a right by Magna Carta in 1215.

The Corporation of London is the local authority for the small area of 290 hectares (the "Square Mile"), which is situated at the geographic centre of London. It is home to 5,000 residents and workplace to 50 times that number each weekday. For these people, the Corporation's obligations are the same as that of the other 32 London boroughs. However, there the similarity ends. The structure and influence of the Corporation are utterly unique.

The functions of the modern day Corporation are controlled through three assemblies:

- c) **Court of Common Council** - composed of the Lord Mayor, the 25 aldermen and the 130 common councilmen. This body undertakes the functions of local government for the City.
- d) **Court of Aldermen** - composed of 25 aldermen, including the Lord Mayor. The Court of Aldermen has jurisdiction over the 100 Livery Companies of London, all of which derive their being from a close association with some craft, skill or profession – whether it be ancient or modern – and whose current *raison d'être* is primarily charitable. Each individual alderman is automatically appointed a Justice of the Peace upon election. However, as the current Lord Mayor, Sir Roger Cork said on 24th June 1997, "The most important task which the Court of Aldermen has to undertake is to produce a constant supply of suitable candidates for the Office of Sheriff and ultimately, Lord Mayor"
- c. **Common Hall** - composed of the Lord Mayor, the Aldermen, the Sheriffs and those freemen of the City who are also liverymen (i.e. the 23,000 individuals who are members of one or more of the livery companies). Any person over 21 years of age and who is a European Union citizen can, if so minded, attain the freedom of the City, although being on the City Parliamentary Register or becoming a freeman of one of the Livery Companies is the most common route. Common Hall elects the two sheriffs and nominates two aldermen as candidates for the Office of Lord Mayor each year.

The City is divided into 25 wards, which have remained largely the same since the Middle Ages. Each ward is represented on Common Council by one Alderman and a number of Common Councilmen. The number bears no direct correlation with the size of the ward electorate.

Elections are held every year for all seats on Common Council. To stand, a candidate must be a freeman entitled to vote in the City, or own land in the City, or have been a resident for at least 12 months.

The qualification for the Local Government franchise in the City is unique. For elections of Aldermen and Common Councilmen, a voter must be either a resident, or a non-resident occupier of premises, as owner or tenant, with a gross rateable value of not less than £10. The property qualification has not fundamentally changed since the Great Reform Act of 1832. Not only is it not "one person one vote", it is not even "one person can purchase one vote". The current system allows "one person to buy any number of votes". There are many individuals who appear on the register of voters in the City two or three times, thereby having multiple votes in local elections, simply because they qualify in more than one ward under the current system.

Few people outside Corporation politics understand the significance of the property qualification. Of the 18,794 registered electors in the City of London (a voting population barely an eighth of the London borough average), only 4,929 are residents. The rest (73 per cent) live elsewhere and are able to supplement their normal vote in

their own local authority elections with their property franchise in the City. This miniscule City electorate (one thirtieth the size of any other London Borough) returns 150 members each year to the Court of Common Council (5 times the size of any other London Borough Council).

The tenuous nature of Corporation-style democracy is underlined by analysis of where the elected representatives themselves reside. It goes without saying that in every other London Local Authority, all elected members have to live within the Borough. With the property qualification remaining in the City, that is not the case for the Corporation. Although every member of Common Council must have an "address" in the City by which they qualify to be on the electoral register, it is intriguing that fewer than 50% choose to use it even for business purposes.

Common Councilmen and Aldermen listing contact via:	Number	%
Residential address within the City	25	16%
Business address within the City	47	30%
Address outside the City	83	54%

Another distinctive feature of City democracy is the degree to which actual electoral contests are superfluous. Throughout the other Greater London Boroughs, uncontested elections are rarer than English victories over the Australians at cricket. In recent years, the only case of an uncontested seat in a local election that returning officers can recall was in Hackney when a Conservative candidate was disqualified because of an invalid nomination form.

In the City the remarkable fact is that the vast majority of seats at every round of elections are uncontested, and most members of Common Council have never had to defeat an opponent to gain or retain their seat. For the alleged godfathers of capitalism, it is a stunningly Stalinist process.

Uncontested seats at the most recent local elections

Average for all Greater London Boroughs excluding the City (May 1994)	0%
Uncontested seats at local election in the City (Dec 1996)	74%

The figure for the City in 1996 is not abnormally high - in 1995 was 73% of seats were uncontested.

This is not because of some fundamentally lower appetite for democratic involvement in the City. When the electorate is given real and fair access to the ballot box, as at a general election, the turn-out is in line with inner London norms. At the 1997 election, the City wards of the City & Westminster constituency recorded a 58 per cent poll - the same as in the rest of the constituency, and only fractionally less than in neighbouring seats in Islington and Hackney.

The result of this ramshackle but little understood system is that many of the members of Common Council live in the leafy suburbs of Surrey or Sussex and have no real involvement with the City - past or present - other than that they are members of Common Council. Many have been simply encouraged by other councilmen or aldermen to exploit the property qualification to make themselves candidates - emphasising the self-perpetuating, sub-masonic character of the Corporation's constitution.

It is disturbing to reflect that any well-organised extremist or terrorist group could stage a spectacular publicity coup and go on to inflict untold harm by the not particularly difficult route of winning control of the Corporation via the City's mis-shapen ballot box. In the 1996 elections for Common Council, for example, it would only have taken 3,111 electors, spread across sixteen specific wards to have been absolutely certain of returning 80 members to Common Council and thereby gaining a comfortable majority.

Any body that can muster that sort of number could form a partnership in Spring, get it to take out a tenancy at will on a broom cupboard in the Square Mile for about £60 a year and by Christmas, quite legitimately under the current constitution, gain control of the Corporation and all its assets. Indeed, that is more or less what happens each year - the group is the preceding year's Court of Common Council.

The democratic deficit in the Court of Aldermen is at least as great, though differently formed, as that in the Common Council. Along with the annually elected common councilmen for the ward, each ward also elects one

alderman who sits on Common Council with full voting rights. To stand for aldermanic election, a candidate must be a freeman, but need not reside in or have any voting qualification in the City.

Extraordinarily, the alderman is not subject to re-election and has the legal right to remain in office until death. Moreover, under an utterly unique power, an aldermanic candidate who has triumphed at the ballot box can be prevented from taking his seat if the existing members of "the Court" of Aldermen consider him an "unfit" person. This right to reject the choice of the voters and ultimately to install the person of their choice is no theoretical constitutional relic. It was last exercised in 1995, and has been called upon eight times since the war.

Though often regarded as "elder statesmen", aldermen exercise considerable power. Because two aldermen are necessary to complete a quorum on Common Council, they can effectively exercise a veto on any decision. Moreover, aldermen become Justices of the Peace on taking up office and are entitled to sit as a judge of the Central Criminal Court with any Judge of the High Court, Circuit Judge or Recorder. Although the aldermen undertake not to adjudicate in any trial at the Central Criminal Court, one alderman, by rota, attends every day that the Court is sitting.

The aldermen nominate governors or trustees of many charitable and educational institutions including two Commissioners of the Church of England. They appoint the Recorder of London and many senior City officers, and exercise powers in relation to the regulation and establishment of the City Police Force. They make orders, on the advice of the Police Commissioner, in respect of street traffic.

Perhaps most important of all, the Court of Aldermen each year decides which of their number should become Lord Mayor. (Common Hall plays a somewhat empty role in this in formally submitting a short-list of two candidates. Both must be aldermen and already have served as Sheriff). The Court appears to operate a general policy of progression by seniority to the Mayoralty, though there have been some prominent casualties in recent years. A few years ago, Alderman Neill Young was advised by his fellow aldermen after a dozen years on the Court that he would not be up to the job and so resigned, while Alderman Anthony Bull is long past his due date to assume the Mayoralty but has been repeatedly passed over without explanation. Senior aldermen have tightened their grip on the selection process by introducing a rule under which a sitting alderman must abruptly resign if more than 30 per cent of the Court vote for his removal. (Imagine the havoc such a practice would have wreaked in recent Cabinets!) So not only must an elected aldermanic candidate face an uncertain vetting procedure before he takes his seat, but he must serve in the knowledge that he can lose his position at any time if he is deemed to have stepped out of line. This appears to breach the 1990 statutory code of local government conduct, which makes clear that an alderman's "over-riding duty as a councilor is to the whole local community", and that "while you may be strongly influenced by the views of others, and of your party in particular, it is your responsibility alone to decide what view to take on any question". At Common Hall in June this year, the Lord Mayor, Sir Roger Cork, confirmed that he and the Court of Aldermen still regard the forced resignation device as a key element in maintaining the "honour and integrity" of the aldermanic system.

Until very recently the Corporation élite were similarly resistant to calls for abandonment of the right to reject the electorate's choice in aldermanic elections. As Sir Alexander Graham, a member of the Court of Aldermen and former Lord Mayor, puts it: "Clearly some people take the view that this is a denial of democracy. I would not say that. It is ensuring the quality of the Court of Aldermen" (*Financial Times* 19 August 1995).

In June this year Sir Roger Cork voiced his view that it would be "irresponsible" to allow the electorate to have the final say. Yet what a difference a Green Paper makes! In October 1997, the Corporation announced plans to end the veto and make Aldermen subject to "periodic" re-election. Interestingly, however, the proposal leaves the forced resignation procedure in tact, so the old guard's last line of defence is retained.

The traditional assumption within the Corporation has been that this self-perpetuating group of 25 white middle class men rather than the electorate at large, alone possesses the ability to discern the qualities that make for a good alderman and mayor. Two women have been elected alderman in its 800-year history. The first (surprise, surprise), was rejected as being not fit and proper, but eventually one woman, Dame Mary Donaldson, was admitted to the Court and became Lord Mayor in 1983. There have been none since.

As the front page of *The Wall Street Journal* reported on March 13th 1996, quoting a London based Vice-President of the consulting firm Booz-Allen & Hamilton, "the whole system is like a Monty Python sketch". It is par for the course that the Alderman who took office as Lord Mayor on 8th November 1997 neither works nor lives in the City nor even in the proposed area covered by the GLA and has only had to survive the ballot box once. In this instance, the Alderman in question, Richard Nichols, who lives in Hertfordshire and works in Watford, topped

the poll on May 3rd 1984 with seven (7) votes in a ward that had a total electorate of 18. The coolest city on the planet deserves better leadership than this.

Chapter 3 IF IT AIN'T BROKE, DON'T FIX IT?

The Corporation's stance down the years has always been, and remains today, that however illogical, absurd, or unparalleled the system, it works. "If it ain't broke, don't fix it!" Speaking about the lack of democracy in the City, Michael Cassidy, then Chairman of the Policy and Resources Committee of the Corporation of London said in a BBC1 television interview on 22nd March 1995:

"All I can say is that the City of London works very effectively internationally; that there are no fundamental problems that arise out of the franchise and that we are generating huge wealth for this country and if it's working - leave it alone".

Or as Alderman Sir Peter Levene told the Wall Street Journal in March 1996, when asked to justify the undemocratic and apparently unfair behaviour of the Corporation said,

"It is a British system. It might seem rather odd but it does work"

But upon examination, it can be seen that it clearly does *not* work. Quite apart from democratic considerations, there is another reason why the Lord Mayor has decreasing justification to speak even for London's financial sector, let alone the capital at large.

The Corporation's increasingly indiscriminate use of the terms, "City of London" and "the Square Mile" to denote both the 270 hectares over which it exercises the responsibilities of a local authority, and London's global financial centre, might suggest that these are the same thing. They are not.

In 1995, the City Research Project, sponsored by the Corporation of London, concluded that only around 40% of the 600,000 individuals, who today work in the financial and business services sector in Greater London, do so from the Square Mile.

Employment in the Financial Sector

Category	Greater London City		%
Banking / bill discounting	153,200	67,600	44.13%
Other financial Institutions	35,300	6,300	17.85%
Insurance	50,700	17,500	34.52%
Activities auxiliary to banking/finance	29,700	15,600	52.53%
Activities auxiliary to insurance	32,400	14,000	43.21%
Total	301,300	121,000	40.16%

Source: *Census on Employment 1991*

It is not unreasonable to assume that the proportion of individuals who work in the financial sector in Greater London from within the Square Mile has since fallen further as Dockland tenancies have boomed over the last two years. Thanks to information technology and digital computing, the "financial City" is no less in Westminster, Southwark, Lambeth, Camden and Islington than it is in the Square Mile. Technology and the pro-competitive regulatory environment for telecommunications have created a "virtual City" unimaginable a generation ago, let alone several centuries ago when the Corporation's constitutional jurisdiction was established. This development will be one of our greatest competitive advantages in the future and should be enhanced and reflected in broader democratic structures, as the GLA should become. We might take note that New York, one of London's few effective competitors as a financial market, feels no compulsion to burden itself with a Mayor of Wall Street, or a separate local authority of any kind. So it is highly presumptuous for the Lord Mayor to travel to Australia and New Zealand, as he did in August 1997, "to promote the City of London as the international financial capital of Europe". By what authority has he assumed for himself, as leader of the Capital's smallest local authority, the mantle which the Government says it has reserved for the new democratically elected Mayor of London? Or

when was it decided to re-define the use of the name “City of London” to mean the “virtual City” which comprises the financial markets rather than the Square Mile?

In recent years, this “virtual City” of global financial markets, with a nucleus in the Square Mile but sustained by modern information technology, has incubated many serious financial scandals. Episodes such as those at Barings, Lloyds, BCCI, Morgan Grenfell and NatWest have damaged London’s reputation around the world as being a trustworthy and reliable market. Whatever else these events represent, they are evidence of an abandonment of the principles that classical liberal economists identified as the essential foundations of a prosperous free market. From Adam Smith onwards, such economists have emphasised the necessary relationship between successful and enduring markets on the one side and liberty and democracy, underpinned by openness and personal moral responsibility, on the other. It is not surprising that the motto of the Stock Exchange, *meum dictum pactum* – “my word is my bond”, became adopted as an effective logo of the highly successful and prosperous City of London.

But the recent disasters in the London financial markets cannot be regarded as unrelated to the moral tone and values exemplified and condoned by the highest levels of civic leadership of the community in which they have taken place. If the Corporation, which assumes a very prominent national and international profile, itself persists in disregarding democracy, accountability and openness, preferring to operate secretly on the basis that the “ends justify the means”, then in time, a similar ethic will begin to permeate an otherwise open marketplace.

No Act of Parliament, regulatory regime, auditor or computerised compliance procedure can, in the long run, deliver to the London markets the rock solid fairness and trustworthiness that is essential to a reliable market. The financial and global business markets based on London face a grim future unless they come to appreciate afresh that the “virtual City” needs also to be a “virtuous City”. Day to day operations of institutions, large and small, from top to bottom, UK and foreign, need to be based on absolute principles of truth, openness, honesty, moderation and individual integrity. Given human nature, there will inevitably be departures from Almighty God’s standard of moral perfection, but the over-riding and explicit culture of the City must be one that affirms the righteous attitude and behaviour of individuals and bolsters prosperous business for the long term rather than securing the super-buck in the short.

But in many places in the City, “what is right” has come to mean no more than “what works”. “If it ain’t broke - don’t fix it” is the modern euphemism in the City for saying that the ends justify the means. When such an ethic is revered and promoted at the highest levels of the Corporation, it is little wonder that it also becomes an acceptable *modus operandi* on the trading floors in the marketplace.

But without a compass of open, democratic accountability, it is impossible to steer a straight course “with good faith and reason” which never swerves from the destination of being “profitable to the people”, as Edward III charged it to be when granting a renewed Charter to the Corporation in 1341.

But even if, seated at top table in the Mansion House, you were for one moment to believe the Corporation’s claim that “it *does* work”, the question must surely be, “for whom?” For the élite maybe, but certainly not for the citizens.

A minor but telling example of City government today occurred recently when Common Council decided to erect a traffic barrier in one of the streets adjacent to the Barbican where residents were becoming increasingly disturbed by noise and pollution caused by taxis and other traffic using the road as a rat run to circumvent the Corporation’s “ring of steel”. The barrier was quickly removed during working hours when an irate director of a nearby international financial institution found it difficult to get a taxi one evening and called upon the Lord Mayor and other senior officers, demanding its removal so taxis could once again drive past his office door. The traffic noise and pollution is back and the voice of the people, due to the appalling democratic deficit of the franchise, will not be heard to reverse it. Had the barrier remained in place, the financial interests of London would not have suffered one iota. What *would* have happened is that a director and others like him, who have got used to the comforts a £1m+ salary can purchase, would have been a little inconvenienced.

Another seemingly trite example for all but those involved, is the inconvenience to which local residents are constantly being put at weekends as the scenic backdrop of the Square Mile is used to turn the City into a film set. This Christmas, the nation will be offered the Spice Girls Movie - with extensive sequences shot in the City of a multi-coloured double decker bus careering all over the road, blocking cars and cyclists alike, supposedly en route to the Albert Hall. The inconvenience let alone the noise and fumes all combined to spoil an otherwise quiet Sunday for nearby Barbican residents. Had the film been shot in New York, the substantial sum of money

paid by the producers to the City fathers would have been shared amongst those residents directly affected – and only then after they had agreed that their community could be used for the shoot. City residents who had that Sunday spoiled, have not seen a penny from the Corporation – or even a letter of apology.

Even though the Corporation claims “it ain’t broke”, it now appears to think there *are* some things that need fixing. At a meeting of the Court of Common Council on 9th October 1997, the Corporation decided to propose to Government that it retain the undemocratic property vote and that a few minor changes should be adopted.

Showing even greater contempt for the citizen, the Corporation’s formal response to the Green Paper states, “Voting rights should be conferred upon as many City businesses and organisations as possible.” The Corporation uses a totally inappropriate model from Australia where topography has resulted in absent landlords being commonplace and a property vote universal throughout the entire country. The Corporation is therefore asking the Government to give banks, insurance companies and massive international financial institutions from around the world, direct control through the ballot box of the civic affairs in one of the Capital’s local authorities. And this is the Corporation’s response to the Green Paper’s demand that it, “improve its franchise”.

But if the franchise of the Square Mile would be “improved” by giving companies the vote, why not in Sheffield, Manchester or Dorchester? Using the Corporation’s Australian model, a limited corporate vote exists in *all* cities there – not just the capital – so why not here? And why should those who work for say, Barclays Bank in the Square Mile have a corporate say in the running of the local authority whereas those who work for Barclays Bank in every other of the 32 London Boroughs not?

Such a fundamental constitutional departure from principles that date back to Magna Carta would be unacceptable. It would be little more than a formalisation and legitimisation of the excessive access to power and influence that corporations already have in the City “behind the scenes” and at the elbow of the Lord Mayor at his banqueting table.

For too long, Parliament and the nation have been dazzled by the Corporation’s ceremonial and worthy charitable record. As the crowds cheered in the streets at this year’s annual Lord Mayor’s Show and the nation counts the cash that flows into London’s financial markets from around the world, few have seen fit to look under the gold coach or the Lord Mayor’s ermine to see that this local authority has failed to fulfil the statutory obligation placed on it by Edward III to get rid of what does not serve the people and adopt reforms based on honesty, fairness and justice.

Chapter 4

WILL THE REAL MAYOR OF LONDON PLEASE STAND UP?

The Government's Green Paper envisages five key roles for the new elected Mayor of Greater London it proposes (♣ 2.04), subject to a referendum of the public. Three of these in particular overlap with roles that the Corporation has increasingly adopted for itself:

- Devising strategies and action plans for London as a whole
- Promoting action to implement London-wide strategies
- Providing a voice for London

In the absence of a London-wide authority, the Corporation has shown considerable initiative in recent years to stimulate, initiate and co-ordinate trans-authority action and planning in Greater London. This is recognised in the Green Paper (♣ 1.10):

"In recent years the City Corporation has sought to play a much more positive role in order to promote inward investment and to fund schemes and studies for the benefit of London as a whole. The Corporation has assured the Government that it will continue to develop this work.... "

This is a curious statement. It appears to tolerate, even welcome, an obvious and confusing duplication of effort and resources between the Government's own democratic baby, the GLA, and a Corporation desperate to justify its continued existence. Nowhere is such duplication plainer than over the central question of the mayoralty itself.

Each year, London has imposed on it a virtually unknown person to be its international figurehead. This person is seldom known outside a small City circle and certainly has not had to endure the unceasing public scrutiny associated with popular legitimacy. Whisper it on Gresham Street, but even the historic title of "Lord Mayor" is merely customary and has no statutory basis.

Under the Green Paper proposals, it seems that the public is seriously being asked to accept a situation in which London has two mayors. Not only this, but the elected version will have smaller resources and a less impressive headquarters and administrative support than the historical relic governing just 270 hectares in the centre of the capital.

When the prime ministers and presidents of other countries come to London on State Visits, are they to dine with the "lord" Mayor or the "directly elected" Mayor ... or both? Will there be a "hospitality war" in London as the Corporation's huge private funds vie with the GLA's Treasury-limited budget to impress the rest of the world? This is a vital issue in establishing the credibility of the new GLA mayor. In 1995/96 there were 24 large-scale events of Corporation hospitality, including the VE Banquet at Guildhall which was attended by the Royal Family and 57 Heads of State or Government. In the same year the red carpet was also rolled out for visits by the Amir of Kuwait, the President of Finland, the President of France, the President of Ireland, President Nelson Mandela of South Africa and many others. For all its unrepresentative nature, the Corporation even took on the national role of putting on a reception and dinner at the Guildhall on the occasion of the European Football Championships. (It goes without saying that all Aldermen and members of Common Council are invited to attend all state banquets and most other events.)

With the arrival of a directly elected mayor, logic demands that this largely self-appointed function of the Corporation as ambassador for the whole of London (or Britain) should wither. But there is little evidence that the ancien regime is ready to take a back seat. Asked about the impact of his directly elected rival, Sir Roger Cork told his June audience at the Guildhall:

"I suspect that the Lord Mayor of the City of London will still carry out his ambassadorial role as he does at the moment... I see no reason why the Lord Mayor of the City of London should not continue to promote London as a whole and its financial services."

In other words, without decisive Government action, the mayoralty of our capital is set to become a push-me-pull-you pantomime horse.

The absurdity and potential confusion of two Mayors for London is there for everyone to see. It is certainly not lost on the current Lord Mayor, Sir Roger Cork, who commented in June on Labour's plans for an elected Mayor as follows:

"For my part I am confident that my successors will be able to operate alongside the leader of a new strategic authority but, in order to avoid possible confusion, it would clearly be preferable for whoever is chosen to the position of leader to be called something other than Mayor".

It is clear that the Corporation tail is only too anxious to wag the GLA dog. All those seeking local government structures in the Capital which are fit for the 21st century must be on their guard to prevent such an outcome.

Chapter 5

GOVERNING THE WHOLE CITY

The simplest and most rational mechanism for modernising the government of the City is to abolish the Corporation of London altogether and to transfer the normal local authority functions currently carried out by the Corporation of London for the residents and businesses within the Square Mile to the City of Westminster. This would bring the constituency for local elections into line with that for Parliamentary elections. The business property vote would thus be abolished – thereby ensuring that straightforward universal suffrage comes into its own in the City of London as it has everywhere else in the United Kingdom.

What would be the practical and financial implications of abolishing the Corporation?

Function

The normal local authority functions currently performed by the Corporation which should be transferred to the City of Westminster include: building services; street cleansing; housing; education; engineering and surveying; public health; planning; parks and gardens and social services as well as the task of collecting council tax and business rates. Management of 2,000+ residential properties including sheltered housing schemes situated in Islington, Southwark and Lewisham currently managed by the Corporation should be transferred to the relevant local London borough. The City Police force should be merged with the Metropolitan Police (with whom there is already a close operational collaboration) although a separate specialist force should be maintained and strengthened at a national level to “police” the increasingly invisible trade carried on in the financial and information sectors of global markets.

The above functions are currently undertaken by about half the existing 4,700 employees of the Corporation – employment of whom could be assumed by the City of Westminster and the other authorities assuming the relevant responsibilities.

The remaining 50% of employees of the Corporation could form the nucleus of the GLA's new administration.

The residual functions of the Corporation should be assumed by the new GLA, or, where more appropriate, transferred to other existing bodies, such as the Environment Agency and English Heritage. It is not widely appreciated how many of these residual functions have significance for the whole of London and are therefore natural territory for a strategic, London-wide authority. These cover such matters as:

- Economic development; partnership activities with other London wide and national bodies; marketing and promotion of London as a financial centre
- hosting international meetings and conferences (e.g. annual meeting of Board of Governors of European Bank for Reconstruction and Development in 1995)
- Research on London-wide issues
- political lobbying on behalf of London
- The Greater London Record Office and Library and other libraries of capital/national significance such as City Business Library and the St Bride's Printing Library
- The Museum of London – a treasure trove of historical material for the entire capital - and now with an annex in Docklands to cover the history of the Thames and London as a port

- Numerous open spaces across the Capital and Home Counties including Epping Forest; the National Nature Reserve of Burnham Beeches; National Nature Reserve at Ashted Common in Surrey; West Ham Park and Hampstead Heath
- The Barbican Centre and all its activities in the arts, music, cinema and drama
- Environmental health for entire tidal length of the Thames and its estuary, lower reaches of Medway and the ports of Tilbury, Thamesport and Sheerness as well as Tower Bridge

That would only leave the markets of Billingsgate, Leadenhall, London Central (Smithfield) and Spitalfields. It makes no sense for these to be in the public sector and so, like all of the other London based markets that serve the capital and nation, they should be liberated by a swift programme of privatisation with as few constraints as possible being imposed on their future. In addition, such a move would yield a substantial windfall bonus for the Treasury which could be put to far more productive use.

Finance

The financial implications of abolishing the Corporation are remarkable. Assets worth hundreds of millions of pounds and known as “City’s Cash”, would be placed under the control of the new GLA, the income on which would be available for expenditure according to its priorities for the benefit of the many rather than remaining under the secret and unaccountable management of the Corporation for the benefit of the few.

Built up over the centuries the Corporation now owns massive capital assets which are invested in property and marketable securities and yield substantial annual income. Much of this real estate is physically located in other London Boroughs. Currently, this is further supplemented by income from Smithfield, Billingsgate and Leadenhall Markets and other fees and charges.

Accounts and details of the capital, income and expenditure relating to “City’s Cash” are specifically excluded from the Corporation of London Annual Report. No details are available to the public and although all matters relating to the income and expenditure of “City’s Cash” is handled by the various Committees of the Corporation on which Alderman sit, these are usually taken in “private session”.

The Corporation seems to regard these public funds as its own. Yet “City’s Cash” is really “Citizen’s Cash”, for it is from the citizens of London that the money was originally taken and its continued stewardship and use should remain under the democratic control of the people rather than an undemocratic self-perpetuating body.

Transfer of the assets that comprise City’s Cash from the Corporation to the GLA would provide the new authority with an independent financial basis and substantially ease its burden on the Treasury. It would also restore democratic accountability to the management and use of these resources, enabling the GLA to spend them according to public priorities instead of for covert purposes as at present, however beneficial these may or may not be.

Another source of the Corporation’s private income is the Bridge House Estate’s Trust, originating from a special fund set up in 1097 to repair London Bridge. Over the years, the Trust has grown and today the Corporation is the Trustee. As well as providing for the maintenance and support of London, Tower, Southwark and Blackfriars Bridges, in April 1995 a special scheme was approved by the Charity Commissioners and Parliament which extended the objectives of the Trust to enable any surplus to be directed towards the provision of transport and access to it for elderly or disabled people in the Greater London area and for other charitable purposes for the benefit of the inhabitants of Greater London. Assets of the Bridge House Estate’s Trust were £402,470,000. It is the largest grant-making trust operating exclusively in the London-wide area which will come under the GLA. This vast fund comes under the control of five committees of the Corporation. It comes as no surprise that they are composed entirely of Aldermen and other members of Common Council.

The administration of this should pass to the 100 Livery Companies of London and the new ones currently being formed. The vast majority of these are now vital and active voluntary organisations that have as their main raison d’être, charitable activity in education, youth, and helping meet community need amongst the elderly and poor. They use income from their funds to support both local and national charities and most have a close relationship with their trade or profession. The 23,000 members of the livery with the support of their Livery Companies and working with the elected Mayor and GLA could have an effective modern role in the Capital as “mentors” of the young citizens of London. The Trustees of the Bridge House Trust could be elected at Common Hall by the

Livery and any London based charity should be encouraged to apply for the active support of the Livery and a grant.

The normal local authority budget receipts for the Corporation are unexceptional. For 1996/97 they were:

Business Rate	£629.6m
Council Tax	£ 1.5m
Balance brought forward	£ 0.6m
Total	£631.7m

Although this large sum is greater than in most other London Boroughs, it does not, of itself, give the Corporation any special financial independence. Of the £631,700,000 income, 98% is contributed to the national pool over which the Corporation has no control.

Chapter 6

THE LAST ROTTEN BOROUGH

Section ♣ 1.12 of the Green Paper on London Government sets out ten key criteria for the new Greater London Authority. It should be:

- Strategic
- Democratic
- Inclusive
- Effective
- Small
- Audible
- Consensual
- Clear about its Role
- Efficient
- Influential

This paper has sought to argue that the Government will not be able to adhere to these criteria for the Greater London Authority unless bold and radical steps are taken to pursue sweeping reform of the Corporation of London rather than attempt to tinker with the franchise of what is surely the last rotten borough. Otherwise there will exist at the heart of the new structure, like a mini-West Berlin, an influential and well resourced authority singing to a totally different tune. This will cause untold damage to the governance of London and a dereliction of duty to its citizens.

The Government must act decisively. It is the last chance we have to make the institutions of the capital city fit for the 21st century, rather than the 12th.

BIOGRAPHY

Malcolm Matson lives and works in the City of London and was the founder of COLT (City of London Telecommunications Ltd.) - Europe's first all-fibre public telecommunications network. A grammar school boy and a graduate of Nottingham University and the Harvard Business School, he is an advocate of "compassionate capital" and is Chairman of the recently formed Centre for Marketplace Theology based in the City. In 1995, standing on a reform platform, he won 78% of the popular vote in an aldermanic election for the Corporation of London but was prevented from taking his seat by the existing aldermen, a use of the medieval veto that was to prompt the Blair Government's proposals for reform of the Corporation.