

Committee	Dated:
Public Relations & Economic Development Sub-Committee	
Subject:	Public
IG monthly update – September	
Report of:	For Information
Damian Nussbaum, Director of Innovation & Growth	
Report author:	

Summary

The Covid Lockdown has brought huge challenges to the City and country. This report outlines how the Corporation's work supporting Financial and Professional Services has been refocused over the last few months, and the plans for the rest of 2020.

Recommendation

Members are asked to:

- Note IG's work in delivering the Corporate Business Plan and supporting the Lord Mayor and Chair of Policy and Resources.

Main Report

1. At the start of the year, the big issues we were talking about were:
 - a. Tech transformation and digitisation.
 - b. Changes of public expectations, such as support for levelling up.
 - c. Geo-politics – the UK's relationships with the US, the EU and China.
 None of these issues are any less important in the light of the pandemic, and some of these changes are happening more quickly. But we now also need to engage with the far-reaching challenges and opportunities brought by the pandemic.
2. **Retention of investment:** In the immediate aftermath of lockdown, neither LM nor CPR were able to engage with investors through overseas visits. We quickly established a Virtual Engagement Programme, which allowed the LM and CPR to hold over 100 bilateral meetings with CEOs/Chairs of major investors and governments/regulators. These focused on helping key investors through COVID and supporting long term commitment to London/UK. These conversations have helped to re-assure and encourage businesses to maintain operations across the UK and provided a message of confidence in London's role as a Global Financial Centre (linked to our Global City campaign). They were able to report back findings/business views to UK Government Ministers. LM and CPR also held virtual visits to key markets including US/Japan/Singapore/Switzerland/Australia, as well as hosting over 20+ webinars reaching a global audience of over 4000, to continue to promote the strengths of the UK FPS ecosystem and to share lessons on COVID impact and recovery. This has required strong cross-Corporation working, with both Mansion House and the CPR's office ensuring the space and focus for this major programme.

3. **Securing the long-term future:** The City has shown remarkable resilience and ability to adapt to the extraordinary circumstances it has faced – the wholesale financial markets have continued to operate smoothly, the legal and justice systems have moved to virtual platforms and the tech sector has continued to attract major investments. However, the challenges the City faces are both short term and longer term.
4. The short-term challenge relates to the continued absence of significant numbers of workers in the City, with most firms continuing to encourage remote working. This puts pressure on those businesses in the City that rely on high levels of footfall, e.g. hospitality and retail. But the longer-term challenge is even more significant. If substantial numbers of workers move to a more flexible model of working, splitting time between home and office, what does that mean for the City as a place for business? At the moment, it is impossible to know precisely what will happen, but from announcements made by some major City employers already, it is clear we are unlikely to return to a model of all staff in the office, 9-5, 5 days a week.
5. In response, we have commissioned a major report with Oliver Wyman, to be produced in the autumn. In the light of the challenges ahead, it will make a series of recommendations to business, government and regulators on how to ensure London and the UK remain the pre-eminent global financial centre by 2025. The report will suggest how to take advantage of trends accelerated by the crisis; how to increase the opportunity for all of the UK to benefit from London's role as a global financial centre; and how to reinforce the City and the workplace as a space for innovation and collaboration.
6. **Competitiveness:** As the Fraser 2.0 Report has pointed out, competitiveness will be more important than ever if we're to see jobs and growth in UK-based FPS in the long-term. Looking to the autumn, there are four pillars to our work:

 - a. **Supporting Innovation** will be the engine that drives new growth, even as older areas cease to be so dynamic. One of the areas most watched will be how FPS can support the wider economy. This is an area where we have worked closely with TheCityUK on their recapitalisation work, and forthcoming recovery study.
 - b. **World Class Business Environment:** the UK's choices on tax, skills, immigration and regulation will be critical in supporting a dynamic bounce back.
 - c. **Market access:** EU access will be reduced, but much remains at stake on how the future relationship will work. Equally, the network of new FTAs offers opportunities for new access.
 - d. Finally, **Global Recognition** - the Global City website we've launched needs to be refreshed and updated for the new challenges ahead; and we'll be running a further series of virtual visits across the globe.
7. **Supporting Innovation:** Tech will be at the heart of FPS's future. Treasury has asked the Corporation and IF to jointly support the [Fintech Strategic Review](#), led by Ron Kalifa. This will be a major investment of time and resource for the Innovation team. But a crucial one. This Review will identify what is required to accelerate change, to create a financial services ecosystem that is, above all,

sustainable, inclusive and world leading. The fintech review will ensure that we can leverage this innovative technology to help consumers and businesses, through a joined-up strategy that combines investment, skills and policy to deliver it.

8. A second major piece of work on tech is collaborating with the FCA to pilot a [Digital Sandbox](#). This new service will provide enhanced support to innovative firms tackling challenges caused by the coronavirus (Covid-19) pandemic. The pilot will focus on proofs of concept responding to three specific use cases:
 - i. detecting and preventing fraud and scams;
 - ii. supporting the financial resilience of vulnerable consumers; and
 - iii. improving access to finance for small and medium-sized enterprises.

Data has become increasingly pivotal to the way firms operate and engage with each other and the consumers they serve. This means that longstanding challenges like data access and standardisation are increasingly a barrier for market participants and innovators. But these do not match the eligibility criteria of the existing regulatory sandbox. Therefore, the digital sandbox will pilot access to high-quality data assets, regulatory calls-to-action (e.g. Covid-19), and access to regulatory support in testing and developing products. It's a critical next-step in supporting the UK's world-leading position in supporting tech in FPS.

9. Sustainable finance is increasingly important, not least in the UK's offer globally. More than 200 leading businesses have signed a statement urging UK Government to deliver a clean, inclusive and resilient recovery plan. But this will only be possible, in the UK and globally, if the capital is available to scale solutions. We were delighted to announce the Green Horizons summit, due to take place in November – a major milestone in the road to COP26 - November 2021. The event will bring together the best minds on how to advance green recovery and implement a credible transition to net zero. This is part of a much larger sustainable finance programme including:
 - a. Support in designing and implementing the Corporation's own Climate Action Strategy.
 - b. [IMP+ACT](#) Classification System— a world first tool we have helped support, that enables asset owners to compare investment products by environmental and social impact. It will make it easier than ever for institutional investors to allocate more capital to sustainable investment.
 - c. Our new report, [Resilience: lessons to scale responsible investing](#), under the UK-China Green Finance Centre, makes recommendations supporting asset owners and managers to allocate more capital to sustainable solutions.
 - d. Supporting the Impact Investing Institute on a new programme of work aimed at increasing levels of place-based impact investing throughout the UK.

- e. Working with HMG and the private sector to surface a new approach – making the best of existing initiatives – to mobilising climate finance into emerging markets.
- 10. World Class Business Environment:** We have been analysing competitiveness benchmarking to assess how well the UK is currently doing relative to other major FPS centres and our direction of travel. This is now being prepared as a report. Scheduled for publication in November, the challenges identified will inform IG's policy work; the competitive strengths identified will be showcased via our Global City promotional programme.
11. Access to skills and talent is critical for the future competitiveness of the UK's Financial and Professional Services sector. Research in the legal sector showed that state educated employees are 75% more likely to feature in the top decile of performers than those from independent schools yet progressed at slower rates. In response, the City Corporation is working in partnership with The Bridge Group and eight financial services firms and regulators, on exploring the link between socio-economic background, career progression and job performance in financial services. The Chair of Policy will launch the research report on 21 October 2020.
12. Following the research publication, it is proposed that the City Corporation launch a taskforce to implement its recommendations. Operating across two years, the Chair of Policy and Alderman Keaveny would lead a taskforce to boost socio-economic diversity at senior levels in UK Financial and Professional Services. The taskforce would focus on three key outputs:
- a. A Report to Government on the scope and potential impact of regulatory and legislative changes on boosting employer action.
 - b. Membership body / peer network for financial services, to boost engagement and accountability in delivering socio-economic diversity at senior levels.
 - c. A Report for Government / employers on the productivity impacts of increasing socio-economic diversity at senior levels in financial and professional services.
- 13. Market Access:** The December 2020 deadline for negotiating a new UK-EU relationship is ambitious. Indications from the European Commission provide little confidence that equivalence decisions will be taken before the end of 2020, with the exception of a temporary decision recognising CCPs and allowing EU entities to continue using UK CCPs for clearing. We welcome this announcement because it addresses a significant financial stability risk but are disappointed with the lack of progress on other areas. We will need to work intensively on cliff-edge risks over the autumn.
14. Meanwhile, the future of the UK's own regime is crucial. The success of the UK as an international wholesale financial services centre has been based on our tradition of openness and commitment to the highest international standards. We think that the UK can now restate our intention to remain open for example by recommitting to the wholesale market exemptions in UK legislation, and by indicating that the UK intends to adopt a more open approach than the equivalence provisions now transposed into UK law.

15. Finally, we now need to ensure that we keep and enhance our hard-won reputation for being open and welcoming. The UK and US are the single largest investors in one another's economies. Securing a UK-US trade deal which includes partnership in financial services, especially capital markets, will be vital to supporting recovery through trade. The Chair of Policy found this a shared priority as she met virtually with senior US regulators, and co-chaired a coalition of industry leaders in the US and UK.

Recognition of the FPS Offer

16. As government funding winds down, the effects of the pandemic on businesses may be disproportionate across the UK. FPS will have a greater role to play, and the sector's reputation will be shaped by its response. Over the summer, discussions with senior leaders across the UK, including Scottish First Minister Nicola Sturgeon and Mayor of Greater Manchester Andy Burnham, have brought the importance of that response into focus. It is clear that FPS will be at the heart of the recovery across the country. Government is increasingly centring on levelling-up the UK. Each regional/national economy is different, but we have confirmed through our engagement that each have common goals: attracting investment; sustaining and growing FPS ecosystems; financing a green recovery and promoting capabilities and assets globally. Each area will also need skilled populations to deliver on these ambitions; and a balance of policy and funding interventions to give them a platform. Through the autumn, we will be further building on our work across the country. The challenge is not the engagement, but the follow-through and delivery on what we commit to doing in partnership.
17. The [Global City](#) campaign showcases the UK's competitiveness strengths in FPS around the world. We have revisited and updated the evidence base this draws on, and are currently developing and testing the messaging with international stakeholders and partners, to ensure we are highlighting the relevant strengths in the most compelling way.