

Committee(s): Policy and Resources Committee	Date(s): 22 February 2018
Subject: Continued Sponsorship to support Innovate Finance	Public
Report of: Director of Economic Development	For Decision

Summary

In February 2014, the City of London Corporation agreed to sponsor Innovate Finance as a Lead Sponsor for £1,000,000, supplied over three years. This original funding ended on 31st March 2017.

In July 2016, against the backdrop of the vote to leave the EU, the City Corporation agreed an additional year's sponsorship of £350,000. This sum was intended to offset potential risk of Brexit by providing additional support for the organisation to be set against member resignations. This additional support was also dependent on a restructuring of the governance model for Innovate Finance, which in turn would ensure greater accountability to the City Corporation.

This arrangement, and the subsequent funding available, expires on 31st March 2018.

Recommendation

Members' approval is now sought as follows:

- For continued sponsorship of Innovate Finance for the next three years, a total financial contribution £750,000 over three years.
- That this continued sponsorship would be divided over the three years from April 2018 until March 2021 at a total of £250,000 per annum.
- That this continued sponsorship would be met from City's Cash and charged to your Committee's Policy Initiatives Fund and/or Contingency, categorised under 'Promoting the City' and charged to City's Cash.
- That this continued sponsorship would be subject to the current arrangements as outlined in the original report to your Committee, dated 20 February 2014, and the new 'Membership Proposal for Continued Sponsorship' (Appendix), and payment would be made in tranches during each year on a quarterly basis.
- That this continued sponsorship remains conditional on Innovate Finance reaching a series of strategic objectives that benefit the City Corporation, as

outlined in the attached Membership Proposal for Continued Sponsorship, and as agreed with your officers on an ongoing basis.

Members are also requested to note:

- That this level of continued sponsorship represents an overall reduction in our contribution to Innovate Finance as a lead sponsor year-on-year when compared to previous agreements to sponsor the organisation.
- That agreement for this continued sponsorship is agreed on the basis your officers will work with the Innovate Finance leadership to devise an exit strategy from status of lead sponsor of the organisation by the City Corporation by March 2021, reducing our funding status at that time.

Main Report

1. The City Corporation is currently Innovate Finance's lead sponsor, providing £1.35m over four years from 2014/15.
2. Innovate Finance's mission, which was developed following consultation with its fifty founding members – together with previous approval from this Committee - is as below:
 - Champion the UK as the world centre of financial services and technology and improve trust in the sector affected by the crisis;
 - Directly support fintech innovation in the UK by creating an active membership organisation and giving it a powerful voice;
 - Create an effective, new and positive brand for the UK-based fintech community both domestically and internationally;
 - Promote investment into the UK-based fintech sector and aid UK-based fintech businesses in international expansion;
 - Build connections between established financial services businesses and new fintech SMEs.
3. Technology and innovation will be a key determinate of our success as a major financial centre. City Corporation must support, be seen to support and own a stake in this process. Continued sponsorship of Innovate Finance is key to this.
4. In addition, as the UK leaves the European Union, the City Corporation needs to reinforce its engagement in emerging sectors such as fintech that have the potential to create significant economic value for the whole of the UK.
5. The Membership Proposal for Continued Sponsorship (attached as an Appendix to this report) forms the basis of our ongoing activity with Innovate Finance.
 - City Corporation support for governance reform (and observer attendance at Executive Board meetings – currently taken up by Alderman William Russell)
 - Innovate Finance support for City Corporation international activity

- Innovate Finance support for the fintech Network Action Group and its associated work streams
 - Innovate Finance support for other individual City Corporation-led work streams (for example, the City of London / Dublin fintech dialogue; greater support for digital skills; greater support for scale-ups in the City, etc.)
 - Aligned support to communication and for research projects
 - Aligned support for continued development of the 'Trust' agenda re corporate responsibility
 - Innovate Finance support for financial technology with social impact enabling new models of public service delivery
6. There have also been meetings at both officer and executive level between the City Corporation and Innovate Finance. These meetings were to explore whether Innovate Finance was delivering against the mission objectives as set out above. Their conclusion was that Innovate Finance has been partially successful but that there is more to do, particularly in light of Brexit. Officers have therefore worked extensively with Innovate Finance to evolve their strategy and progress the agenda further. The new proposal can be summarised as follows:
- Two seats on the *Innovate Finance Advisory Council* alongside senior representation from their fintech and incumbent members, to shape future fintech policy on issues such as a FinTech Sector Deal, Industry Sandbox, and Digital Identity, etc. (CoLC reps to be confirmed)
 - One seat on the *Innovate Finance Policy Committee*, helping to ensure fintech remains at the top of the political agenda, and feeding priorities in to the policy priorities of Innovate Finance (CoLC rep to be confirmed)
 - Invitations to a private lunch and dinner series convening the key CEOs / Founders of the high growth fintechs and Heads of Innovation at banks
 - Invitations to and speaking opportunities at the *Innovate Finance Global Summit* and *Innovate Finance Growth Forum*. This also includes guaranteed seats at related policy roundtables.
 - Active engagement in the full calendar of Innovate Finance programmes and events. This includes regular invitations and speaking opportunities at their Member Peer Working Groups, Transatlantic policy Working Group, CXO breakfast series, Capital Connections series, the work of the APPG on FinTech (for which Innovate Finance is the Secretariat)
7. The Membership Proposal also details several additional membership benefits that the City Corporation will receive as a lead sponsor of Innovate Finance going forward.
8. Continued sponsorship will also meet Key Policy Priorities 1 and 3 of the current Corporate Plan: ('Supporting and promoting the international and domestic financial and business sector' and 'Engaging with London and national government on key issues of concern to our communities').

Innovate Finance's current position and our relationship

9. Innovate Finance's overall turnover currently comprises £2.5m, £1.5m of which is accounted for by membership subscriptions. The remainder of that figure (approximately £1m) comprises of City of London Corporation lead sponsorship, strategic partnerships and benevolent funding from organisations such as Broadgate Estates, Hogan Lovells and Deloitte, and other income streams such as event sponsorship.
10. There are currently circa 250 subscription members of Innovate Finance.
11. In 2017, the City Corporation's contribution represented 10% of annual turnover for Innovate Finance.
12. In February 2014, the City of London Corporation agreed to sponsor Innovate Finance for £1,000,000, supplied over three years. This original funding ended on 31st March 2017.
13. In July 2016, against the backdrop of the vote to leave the EU, the City Corporation agreed an additional year's sponsorship of £350,000. This sum was intended to off-set potential risk of Brexit by providing additional support for the organisation whilst several of its members adapted to the changing political landscape. This additional support was also dependent on a restructuring of the governance model for Innovate Finance, which in turn would ensure greater accountability to the City Corporation. This arrangement, and the subsequent funding available, expires on 31st March 2018.
14. This additional funding was also approved subject to the implementation of the proposed reform of Innovate Finance's internal governance, with Alderman William Russell acting as a guarantor on this point on behalf of the City Corporation. This was achieved, and a representative of the City Corporation now regularly attends Innovate Finance Executive Board meetings as an observer.
15. Following recent changes in the leadership and structure of Innovate Finance, your officers believe the organisation is now ready to mature from a start-up model to the model of a more established trade association or membership body. Our continued support is based on this organisational shift continuing.
16. Our continued support will enable Innovate Finance to develop their strategy to be more representative of the UK's fintech industry, building on their move to the City of London (Broadgate Estates) as the first such move, and one which over the next three years will see deeper engagement across the UK.
17. Our continued support is also dependent on Innovate Finance continued and positive engagement with government. It is noted that the Economic Secretary to the Treasury has agreed to provide a keynote at the forthcoming Innovate Finance Global Summit (IFGS2018).

Proposal

18. On this basis, Members' approval is sought for the continued sponsorship of Innovate Finance for the next three years, a total financial contribution £750,000.

19. This continued sponsorship would be divided over the three years from April 2018 until March 2021 at a total of £250,000 per annum.
20. This continued sponsorship would be subject to the current arrangements as outlined in the original report to your Committee, dated 20 February 2014, and the Membership Proposal for Continued Sponsorship (Appendix), and payment would be made in tranches during each year on a quarterly basis.
21. This continued sponsorship remains conditional on Innovate Finance meeting the objectives set and fulfilling the membership benefits for the City Corporation as outlined by the Membership Proposal for Continued Sponsorship (Appendix) and as agreed with your officers on an ongoing basis.
22. Members are asked to note that this level of corporate membership represents an overall reduction in our contribution to Innovate Finance as a lead sponsor year-on-year when compared to previous agreements to sponsor the organisation.
23. Members are also asked to note that this agreement for continued sponsorship is agreed on the basis your officers will work with the Innovate Finance leadership to devise an exit strategy from status of lead sponsor of the organisation by the City Corporation by March 2021, reducing our funding status at that time.

Corporate & Strategic Implications

24. In addition to the above implications for raising and supporting the City Corporation's profile in this sector, this decision would also meet Key Policy Priorities 1 and 3 of the current Corporate plan: ('Supporting and promoting the international and domestic financial and business sector' and 'Engaging with London and national government on key issues of concern to our communities').

Financial Implications

25. This continued sponsorship would be charged to your Committee's 2018/19, 2019/20 and 2020/21 Policy Initiatives Fund, categorised under 'Promoting the City' and charged to City's Cash. The current uncommitted balance of the Policy Initiatives Fund for 2018/19, 2019/20 and 2020/21 is £696,665, £1,117,365 and £1,243,365 respectively prior to any allowance being made for any other proposals on today's agenda.

Conclusion

26. It is imperative that we continue to support Innovate Finance as our key partner in fintech. Our partnership with that organisation provides unique support for our own strategic objectives, both in the UK and overseas, in the development of policy and the promotion of the future of financial services, especially around the UK's status (particularly London) remaining a global hub for both technology and

finance, is support of our status as an international hub for financial and professional services.

Appendixes

Membership Proposal between Innovate Finance and the City of London Corporation for Continued Sponsorship of Innovate Finance, February 2018

Background Papers

Report to Policy & Resources Committee approving funding for “New FinTech UK” [now known as Innovate Finance], 20 February 2014

Report to Policy & Resources Committee regarding additional sponsorship to support Innovate Finance, 20 July 2016

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