

<b>Committee</b> Public Relations & Economic Development Sub-Committee Policy and Resources	<b>Date:</b> 14 January 2020 21 January 2020
<b>Subject:</b> Innovation & Growth update on Tech	<b>Public</b>
<b>Report of:</b> Director for Innovation & Growth	<b>For Information</b>
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## Summary

Tech companies are becoming increasingly important in London, and across the UK. The convergence and co-location of technology businesses with our established FPS cluster is a significant opportunity to enhance London's competitiveness. Few other financial centres have this. Technology companies are increasingly considering using their platforms to launch financial products. Established firms are acting more like tech businesses as they consider their use of data and skills. The scope for synergy is significant. We have adopted the following strategic approach to capitalise on this trend:

1. **Products and Partnerships:** where non-FPS firms are launching financial products, on their own or in partnership with regulated firms we will engage and support.
2. **Policy:** areas such as access to talent and skills, data regulation and cloud, increasingly impact both tech and FPS in the same way. Our work in this space can leverage the needs of both.
3. **Growth Finance:** the UK needs to improve its offer as the best place to start and scale a tech business. This applies to fintech as much as cleantech. The barriers to becoming a scale-up destination apply to a spectrum of tech businesses and our work should benefit all of it.

This approach demands that we interact with a broader set of stakeholders. Notably we are ramping up our work with 'Big-Tech' (including Google, Amazon, Facebook, Apple, and Microsoft) and the broader technology sector. The paper reflects the breadth of activity currently being undertaken across Innovation & Growth.

## Recommendation

Members are asked to note this report for information.

## Main Report

### Background

1. Members asked for a report outlining our approach to tech. Innovation & Growth has been increasing our engagement with tech firms for some time to ensure the UK continues to develop a competitive offering.

2. It has become apparent that the broader technology sector is becoming increasingly relevant to our activities. This is for several reasons:
  - **The increasing number of technology companies physically located in and around the Square Mile.** There are approximately 2440 technology firms working in Information and Communication in the Square Mile. This represents 10% of city firms.
  - **The integrated and commonly used technology being provided by these firms.** This includes artificial intelligence, biometric recognition, data analytics, natural language processing, cloud computing, and blockchain.
  - **The increasing tilt towards financial services by Big Tech** and other companies, whether through the provision of bank accounts, payment applications, or digital currencies.
3. The convergence of tech and finance also has implications for our regional work. The UK hosts some of the world's leading cities for the development, financing, and adoption of technology. London, Liverpool, Edinburgh, Belfast, Bristol and Leeds are well-known hubs for emerging technologies including greentech, insurtech, fintech, and lawtech, but global leadership is contested.

## Our Approach

4. Innovation & Growth is focused on enhancing the UK's position as a leader in technology and innovation. A key objective of our 2020/21 Business Plan is to position the UK as a global leader in technology adoption. We do this in three ways:
  - **A: Products and partnerships:** where non-FPS firms are launching financial products, on their own or in partnership with regulated firms we will engage and support.
  - **B: Policy:** areas such as access to talent and skills, data regulation and cloud, increasingly impact both tech and FPS in the same way. Our work in this space can leverage the needs of both.
  - **C: Growth Finance:** the UK needs to improve its offer as the best place to start and scale a tech business. This applies to fintech as much as cleantech. The barriers to becoming a scale-up destination apply to a spectrum of tech businesses and our work should benefit all of it.
5. As we deepen our relationships with tech firms, we apply this approach accordingly. We engage with Big Tech particularly on **Products and Partnerships**. In banking and payments. Big Tech firms are playing a bigger role either on their own or in partnership with established FPS or even fintechs. The opportunity here is to support widespread integration of technology into FPS to evolve its offer and improve competitiveness.
6. On **Policy**, our work on data cannot be restricted to financial services. Whilst FPS can be a sector leader, what will define our competitive success is the UK's economy-wide approach to data. Similarly on skills, the needs of FPS and Big-Tech businesses for digital skills are converging.

7. On **Growth Finance**, we also engage with the technology community, whether it be start-up or scale-up enterprises. For example, those working on technological solutions to address common challenges such as Covid-19, or those providing Greentech solutions that will enable the UK to hit its net-zero target.
8. As technology becomes increasingly relevant, we see this as a mutually beneficial opportunity to boost competitiveness. We can support innovation and London's role as an attractive technology ecosystem. But we can also prioritize interoperability between FPS and technology to improve service delivery and global reach.

## Engagement & Activity

9. The following provides a summary of our engagement and activity across the three areas set out above

### A: Products and Partnerships

10. **London Recharged:** London Recharged is a report on the possibilities for London as a global city. It addresses how London can respond to some of the pressures Covid-19 has put on its global competitiveness. This includes the future of technology from a smart-city perspective and the importance of creating spaces for innovative, cross-industry partnerships to thrive.
11. **Digital Sandbox pilot:** A key element of the Digital Sandbox Pilot is providing a virtual collaboration eco-system. This includes opportunities for regulated entities to mentor and work with non-FPS firms on developing technology solution for issues exacerbated by the Covid pandemic. Both incumbent FPS firms and Big Tech firms are participating alongside fintech users.
12. **Innovation Ambassadors:** The Corporation piloted a legal innovation programme designed to highlight the possibilities of technology in legal services and increase cross-sector collaboration. The 4-week programme included key firms like BAE Systems, Rolls Royce, Monzo, Inmarsat, and KPMG.
13. **LawTech Sounding Board:** A cross-industry forum for discussion on the use of technology in legal services delivery. The forum encourages collaboration between firms, in-house teams (across different sectors), government, regulation, and technology.

### B: Policy

14. **Fintech Strategic Review:** There is considerable focus on ensuring access to the necessary skills and talents alongside regulatory issues like data and digital ID that have resonance across the broader tech sector.
15. **Data:** The IRSG has launched a report in partnership with DAC Beachcroft on the impact of data localisation on the financial services sector. Many of the themes and recommendations explored also apply beyond financial services.

The Corporation also participated in an internal stakeholder workshop on the role of data as a social utility. This is part of a broader workshop series by the Recovery Taskforce and is led by Oliver Wyman.

16. **Cloud research and roundtable:** The Corporation hosted an FPS Cloud Roundtable in collaboration with the Bank of England. Attendees discussed the need for greater cloud adoption and how the sector could work together to improve interoperability of services. Follow-up work also included research on SME access to cloud with stakeholders across the Square Mile.
17. **Whitechapel Think Thank:** We act as secretariat for the WTT which brings together experts from across FPS, technology, government and academia to discuss the role of blockchain technology. The WTT has published a report on the potential impact of digital currencies on the payments system.

## C: Growth Finance

18. **Finance for Sustainable Growth:** the Corporation commissioned research into the financing journeys of 850 Greentech businesses across the UK. We found a series of cold-spots where insufficient financial, policy or commercial support was available. The Corporation is exploring solutions through a series of roundtables, the first of which took place in December in the North East.
19. **Fintech Strategic Review:** The Investment chapter of the Review will include recommendations for increasing access to domestic institutional capital for high growth Fintech/tech companies.
20. **IPO Roundtables:** The Lord Mayor co-chaired a series of roundtables with a wide group of technology and FPS representatives. These involved discussion on the status of London as a listing destination for technology companies.
21. **VC Campaign:** This campaign focuses on strengthening the pipeline between US-based VCs and UK Fintechs. This includes showcasing UK Fintech and the UK's associated technology capabilities to international investors.
22. **London Office for Rapid Cybersecurity Advancement:** A cyber security accelerator where the Corporation sits on the Advisory Board and plays a role in strengthening the pipeline between LORCA members and FPS.

## Conclusion

23. In our work the focus is one of **collaboration and convergence**. The City Corporation is ideally placed to help foster collaborative relationships between Big Tech, broader technology, and FPS to improve internal efficiencies and evolve service delivery. Such collaboration is vital to ensuring that the UK remains competitive and able to fulfil its potential.

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