

Committee(s): Policy and Resources – For information	Dated: 11/04/24
Subject: Innovation & Growth AI Workstream	Public
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?	6(b), 6(d), 7(b), 7(c)
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain’s Department?	N/A
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Summary

Artificial Intelligence (AI) is a key area of focus for businesses, regulators and governments across the globe. The potential for AI to transform our day-to-day lives is widely acknowledged. However, as the technology becomes more advanced, concerns increase on how to harness the benefits while addressing safety and ethical issues.

For its future success, UK FPS (financial and professional services) need to embrace these emerging capabilities whilst upholding ethical and safety standards.

The Corporation has already worked on AI adoption. This report sets out what is being delivered, developed and supported by CoLC.

Recommendations

Members are asked to:

- Note the work being carried out and/or supported by the Corporation relating to AI.

Main Report

Background

1. AI is a growing sector which will have a significant impact on UK FPS and the wider economy over the coming years. The FPS industry is amongst the strongest adopters of AI.

2. The AI sector currently contributes £3.7 billion to the UK economy. In the future, Generative AI is expected to add £31 billion of GDP to the UK economy through boosting productivity levels.
3. A recent UK Finance paper showed that 39% of financial institutions have widely deployed Predictive AI. By contrast, none of the firms surveyed have widely deployed Generative AI. In terms of narrow deployment, there is 52% take up of Predictive AI versus 22% of Generative AI. This means that the vast majority of UK FPS are facing new challenges and opportunities in light of emerging AI capabilities.
4. Supporting the responsible use of AI is a fundamental aspect of nurturing innovation under CoLC's Competitiveness Strategy and IG's business plan.
5. AI is also intrinsically linked to the priorities of the Policy Chairman and the Lord Mayor. Supporting UK FPS's adoption of AI aligns with the aims of the Vision for Economic Growth report to becoming a digital first economy.
6. The UK Government has been proactive in responding to the potential challenges and benefits associated with AI. Regulators have also been doing work on this space to support innovators with their regulatory requirements. See more detail on the UK Governments and regulators recent initiatives on AI at [Appendix 1](#).
7. IG's AI activity will consolidate CoLC's position as a significant contributor to advancements in this space and a go-to-partner for AI initiatives across both the public and private sectors.

Current position

8. The Corporation already has a strong track record in AI-related initiatives. Recent examples include:
 - [AI Dinner](#) – In October 2023 CoLC and the Department for Science, Innovation & Technology (DSIT) co-hosted the 'AI for Innovation' Dinner at Guildhall. Almost 400 attendees from the AI ecosystem were present. During the dinner hosted by CPR and the SOS for Science, innovation and Technology, CoLC launched the "[Accelerating Innovation Report](#)" in partnership with EY and a promotional video created by IG. This strengthened the relationships with DSIT, positioned CoLC as a credible voice on AI and broadened CoLC's AI-related networks.
 - [International Regulatory Strategy Group \(IRSG\) policy paper on AI](#) – CoLC, alongside TheCityUK, published a policy paper on AI. This reflected the importance of a coherent, interoperable global framework for AI regulation.

For further detail and activities please see Appendix 2.

9. This work has positioned CoLC as a credible partner on AI. To shape future activity, IG conducted a scoping exercise to identify the AI-related issues most common to FPS stakeholders, and where it could contribute most value. The scoping exercise

involved collecting intelligence through different channels: events, desk research, AI related working groups, roundtables, and more than 30 1:1 interviews with representatives from across the AI ecosystem. Please find more detail about the scoping exercise at [Appendix 2](#).

10. Amongst the topics discussed during the scoping exercise were barriers to adoption of AI, lack of skilled workers, safety and ethical concerns around AI related products, vulnerabilities of AI models, various levels of maturity of organisations in their AI “journey”, and the risks and opportunities of Generative AI.

Current AI related projects

11. IG is involved in several ongoing projects that relate to AI. These projects are at different stages of the project cycle, with some currently being delivered and others still in development (for more detail on projects still in development see [Appendix 3](#)).

12. These key projects are generally related to AI skills, AI innovation or set piece events used as platforms to showcase the UK’s AI capabilities. For example:

- **AI Skills Projects:**

- [Ethical AI Initiative](#) - IG has supported the Lord Mayor’s Ethical AI Initiative. This initiative has launched two Ethical AI Qualifications. The first, aimed at deployers of AI in the financial services sector is led by the Chartered Institute for Securities & Investment. The second, aimed at computer professionals as builders of AI, is led by the British Computer Society. Since November 2023 there have been around 3,600 course registrants and several hundred graduates from the Ethical AI Initiative. This includes representatives from over 45 countries, representing over 300 firms, seven regulators and four central banks.
- [Beyond Automation: future-proofing FPS careers](#) - This project aims to develop a report exploring how AI will impact FPS careers and recommendations on measures for government to implement. The report will support FPS in the changes that are likely to occur to their workforce over the coming years.
- [Women Pivoting to Digital Taskforce](#) – IG is launching a taskforce focused on addressing the digital workforce gaps and the underrepresentation of women working in AI and digital roles across FPS and technology sectors. The Taskforce will highlight and catalyse action around supporting women from non-technical backgrounds pivot to digital roles.

- **AI Innovation Projects:**

- [AI Innovation Challenge in partnership with Microsoft](#) – The third edition of the Challenge will focus on the role of AI in helping to defend against cyber-attacks or fraud. The aim of the Challenge is to accelerate innovation by supporting the development of AI technology products that are fit for the UK FPS market. This helps to ensure that UK FPS remains at the cutting-edge of technology

innovation and adoption, to defend itself against complex forms of cyber-attack or fraud.

- CoLC/DSIT Tech Dinner – on 15th April CoLC and DSIT will host a second Innovation & Technology Dinner to follow the success of the previous event in 2023. The dinner theme will be AI investment which will provide a platform to showcase the strengths of the UK on AI and to update CoLC stakeholders on key developments and CoLC activity in this area.

Corporate & Strategic Implications

13. Strategic implications - IG's work on AI helps advance key CoLC strategies in the following ways:

- Competitiveness Strategy – Nurturing Innovation. This includes helping to unlock the capabilities of emerging technology and understanding the relevant risks involved. The driving ethos behind the AI activity is supporting UK FPS to safely realise the potential benefits of AI. This will support FPS to stay at the forefront of what is a fast-developing and critical global shift in how AI is being used to support and augment the provision of FPS to an international consumer base.
- The incoming Corporate Plan – Dynamic Economic Growth. This focuses on the UK becoming a digital-first economy. The continued integration of AI into UK FPS is integral to that vision being achieved. IG's AI activity exhibits a proactive and pro-innovation approach which reflects UK Government's position.
- Lord Mayor Priorities – The Connect to Prosper Theme advocates for the importance of knowledge sharing and collaboration. These are at the heart of the Cyber Innovation Challenge and the supply chain work. The AI activity also champions the importance of showcasing solutions and demonstrating inventiveness.

14. Financial implications - IG's AI activity is being met by IG budget and section 106 funding.

15. Risk implications –

- There is a potential lack of engagement from stakeholders to inform and derive benefit from the activity. However, given the importance that stakeholders have been giving to AI, this seems unlikely. Steps have been taken to mitigate this risk by engaging with numerous and diverse set of stakeholders in the development of IG's AI activity. There has been widespread enthusiasm to get involved in various projects.
- Insufficient capacity or resource to deliver the AI workstream to the high standard required. This has been mitigated with careful consideration being given to capacity as part of IG's business planning process. If there are risks to quality, we will look at scaling back.

16. No legal, equalities, climate or security implications arise from the recommendations in this report.

Conclusion

17. Whilst the true scale of AI's impact on FPS is emerging, the importance of exploring its capabilities and its risks is undeniable. It is important for CoLC to capitalise on the activity that it has carried out to date and the position it has established as a credible voice on the role of AI in UK FPS.

18. Our ongoing work in this area will ensure that CoLC retains its position as a go to partner on AI initiatives. It also provides CoLC with a platform through which to champion positive and responsible AI integration and provide practical support to help FPS firms realise the capabilities of AI. This is vital to the continued international success of UK FPS.

Background Papers

- Innovation & Growth Artificial Intelligence workstream - 19 October 2023.

Appendices

- Appendix 1 - Additional background on relevant developments on AI
- Appendix 2 – Recent IG AI Activity
- Appendix 3 – IG scoping projects

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