TheCityUK

Key facts

about UK-based financial and related professional services 2021

March 2021

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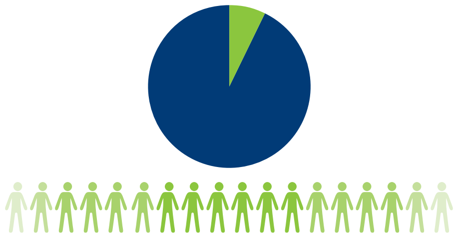
About TheCityUK

TheCityUK is the industry-led body representing UK-based financial and related professional services. We champion and support the success of the ecosystem, and thereby our members, promoting policies in the UK, across Europe and internationally that drive competitiveness, support job creation and ensure long-term economic growth. The industry contributes over 10% of the UK's total economic output and employs more than 2.3 million people, with two thirds of these jobs outside London. It is the largest tax payer, the biggest exporting industry and generates a trade surplus exceeding that of all other net exporting industries combined. It also makes a real difference to people in their daily lives, helping them save for the future, buy a home, invest in a business and protect and manage risk.

Key facts about UK-based financial and related professional services 2021



1 in 14
workers in the UK work in financial and related professional services. That's over 2.3 million people

Two thirds of this employment is based outside London

Financial services have almost 1.1m people in employment

banking – 388,000

insurance – 311,000

fund management – 61,000

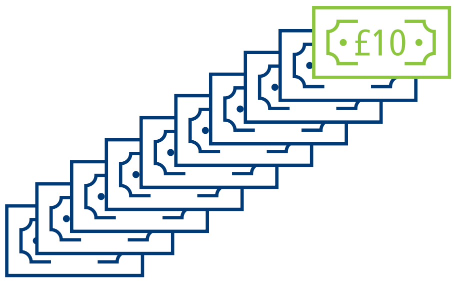
other financial services account for 319,000

Related professional services have over 1.2m people in employment

management consultancy – 510,000

accountancy – 404,000

legal services – 350,000



Financial and related professional services contributed

£194.2bn

to UK gross value added (GVA), representing £10 of every £100 of economic output

UK financial services contributed

£75.6bn

in tax revenue in 2019/20 which accounted for 10.1% of total tax receipts and was equivalent to 3.4% of UK GDP

UK-based financial and related professional services generated a trade surplus of

£77.9bn

– more than the combined surplus of all other surplus-generating industries in the UK

Enhancing customer experience through digital financial services:

The number of cheque payments declined by 78% over the last decade to £272 million in 2019

The use of online banking increased from 30% in 2007 to 76% in January to February 2020

50% of the population used banking apps in 2019

Contactless payment transactions reached £8.6bn in 2019, up 16% from 2018

Loans made available by major banks to UK businesses in 2020 totalled

£529.9bn

up 8.3% from 2019

Contents

Foreword

The UK-based financial and related professional services industry has always supported individuals and businesses in their day-to-day activities through familiar services like saving, mortgage provision, and business lending. In April 2020, one month into the Covid-19 pandemic that many thought (and hoped) would be relatively short-lived, in the previous edition of this report we noted that the crisis had brought into stark relief the vital importance of the industry to the economy at both the macro and micro levels.

One year on, we present the latest edition of our annual `Key facts about UK-based financial and related professional services' report. As usual, it provides an update on the quantifiable value of the industry to UK society and businesses using historical annual data. The full impact of the pandemic on the industry will not be known for some time. Covid-19 and its attendant disruption to mobility, output and consumption is, after all, not yet behind us; moreover, the official statistics on which our research is based are published with a lag. The data currently available show that in terms of both output and working hours, financial services has suffered less than many other sectors of the economy — no doubt partly because of the ability of many industry employees to work remotely — but also a testament to the essential nature of much of the industry's output and continued (indeed, in some cases increased) demand for its products and services.

Covid-19 was of course not the only remarkable event of the past 12 months. With the Brexit transition period ending on 31 December 2020, the UK is now formally outside the Single Market and Customs Union, and its relationship with the EU is instead governed by the Trade and Cooperation Agreement concluded in December 2020. The precise nature of the impact of this momentous change on UK-based financial and related professional services remains to be seen; in the meantime, this research offers the latest snapshot of the industry's indispensable economic contribution.

Anjalika Bardalai

Chief Economist & Head of Research, TheCityUK

Supporting employment and growth across the UK

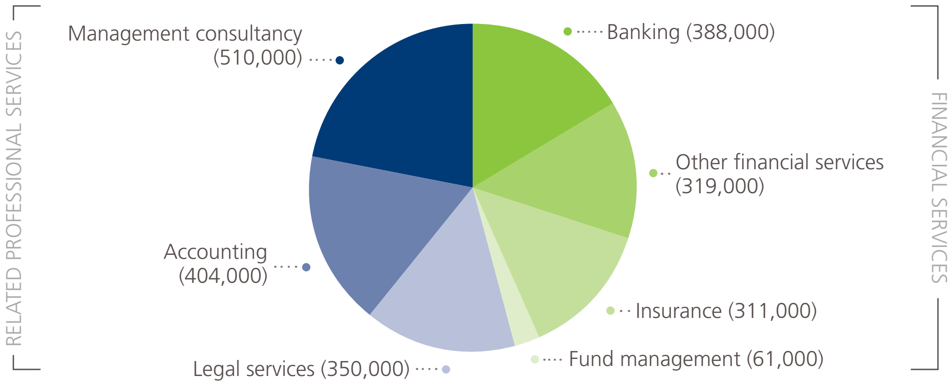
A leading employer

Over 2.3 million people work across the country in financial and related professional services – the latter comprising legal services, accounting services and management consultancy – accounting for 7.4% of total UK employment (meaning that around one in every 14 people in employment is in the industry).

- Two thirds of this employment is based outside London. There are over 30,000 people in employment in financial and related professional services in Birmingham, Bristol, Edinburgh, Glasgow, Leeds and Manchester. This is followed by Belfast, Cardiff, Liverpool and Sheffield with between 19,000 and 27,000 in employment. Other centres with over 14,000 people in employment include Milton Keynes and Warrington.
- Twenty-one towns and cities in the UK each have over 10,000 people in employment in the industry.
- Financial services have almost 1.1 million people in employment, the majority of whom are in banking (388,000) and insurance (311,000). Fund management provides employment for a further 61,000 and other financial services 319,000.
- Related professional services have over 1.2 million people in employment divided among management consultancy (510,000), accountancy (404,000) and legal services (350,000); for more information see Figure 1.[1]

Figure 1: Employment by sector in UK financial and related professional services, 2019

Source: TheCityUK calculations based on data from Nomis and the Northern Ireland Business Register and Employment Survey



Total: 2,343,000

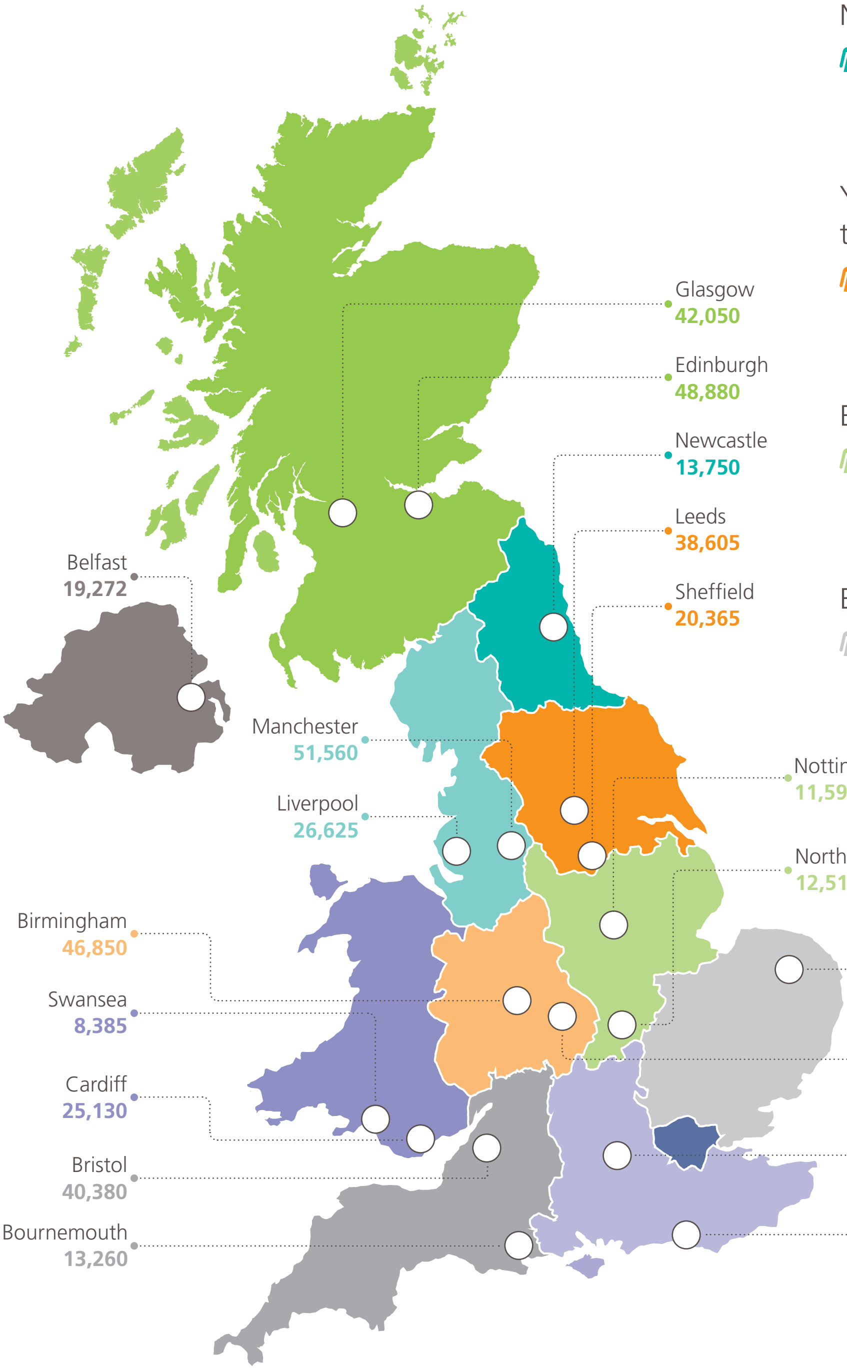
1 TheCityUK calculations based on Nomis, 'Business register and employment survey: open access', (February 2021), available at: https://www.nomisweb.co.uk/query/construct/summary.asp?mode=construct&version=0&dataset=189

Figure 2: Employment in UK-based financial and related professional services, 2019

Source: TheCityUK calculations based on data from Nomis and the Northern Ireland Business Register and Employment Survey

Total Employment*

2,343,000



Scotland	153,000
Northern Ireland	37,000
North West	263,000
Wales	69,000
West Midlands	127,000
South West	185,000
South East	270,000
London	786,000
North East	50,000
Yorkshire and the Humber	142,000
East Midlands	95,000
East of England	166,000

*Northern Ireland figures are employees

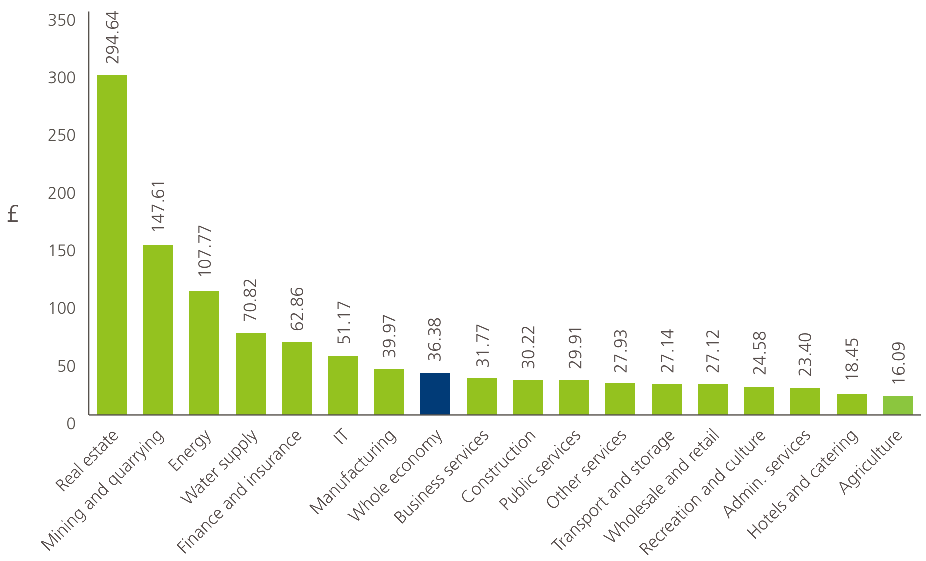
A significant contributor to UK economic output

According to the latest available data from the Office for National Statistics, across their domestic and international activities, financial and related professional services contributed £194.2bn to UK gross value added (GVA) in 2020, representing £10 of every £100 of economic output. Financial and related professional services is among the UK's largest industries as measured by GVA.[2]

Financial services sector productivity remains almost twice as high as whole-economy productivity in terms of output per hour. Output per hour for the financial services sector was £62.9 in 2019, compared with the average for all industries of £36.4. On this metric, the sector ranks fifth, behind real estate (£294.6), Mining and quarrying (£147.6), Energy (£107.8) and Water supply (£70.8); and ahead of IT (£51.2) and Manufacturing (£40.0); for more information see Figure 3.[3]

Figure 3: UK productivity by sector, £, end-2019

Source: Office for National Statistics



2 TheCityUK estimates based on the Office for National Statistics, 'GDP output approach - low-level aggregates', (12 February 2021), available at: https://www.ons.gov.uk/economy/grossdomesticproductgdp/datasets/ukgdpolowlevelaggregates

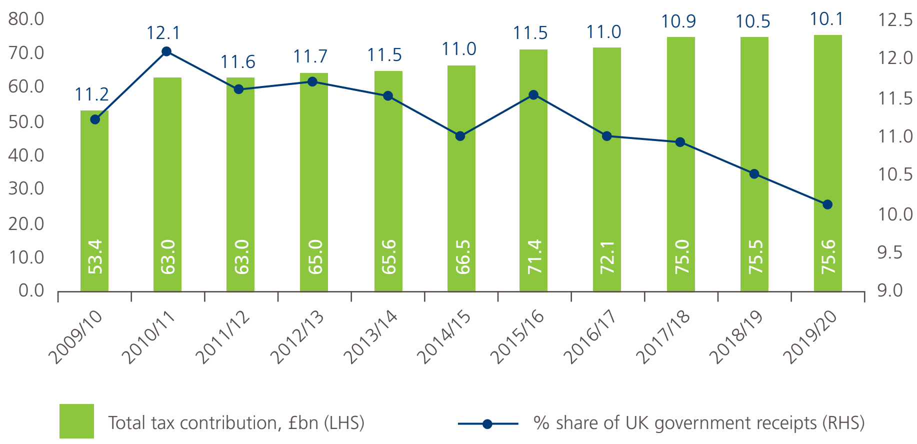
3 Office for National Statistics, 'Breakdown of contributions, whole economy and sectors', (19 February 2021), available at: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/datasets/annualbreakdownofcontributionswholeeconomyandsectors

A large generator of tax receipts

UK financial services are a vital source of tax receipts, contributing £75.6bn in tax revenue in 2019/20. This accounted for 10.1% of total UK tax receipts (Figure 4) and was equivalent to 3.4% of UK GDP. A major source of tax receipts was the £34.5bn from employment tax.[4]

Figure 4: Tax contribution of UK financial services

Source: City of London Corporation and PwC



Generating a trade surplus

UK-based financial and related professional services generated a trade surplus of £77.9bn in 2019, based on data from the Office for National Statistics[5] This represented 3.5% of GDP.[6]

The UK's trade surplus in financial services is nearly equivalent to the combined surpluses of the next two leading countries (the US and Switzerland).[7]

UK-based financial and related professional services firms are the face of British businesses across the globe, contributing 'soft power' as well as economic and commercial success. The industry's trade surplus is more than the combined surplus of all other industries in the UK that register trade surpluses (Figure 5).[8] This helps to partly offset the UK's trade-in-goods deficit of £130.9bn.[9]

4 City of London Corporation and PwC, 'The total tax contribution of UK financial services in 2020: 13th Edition', (9 February 2021), p.8 & 10, available at: https://www.cityoflondon.gov.uk/assets/Business/total-tax-contribution-2020.pdf

5 TheCityUK calculations based on the Office for National Statistics, '03 Trade in services, the Pink Book', (30 October 2020), available at: https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/3tradeinservicesthepinkbook2016

6 TheCityUK calculations based on the Office for National Statistics, 'Gross Domestic Product at market prices: current price: seasonally adjusted £m', (12 February 2021), available at: https://www.ons.gov.uk/economy/grossdomesticproductgdp/timeseries/ybha/pn2

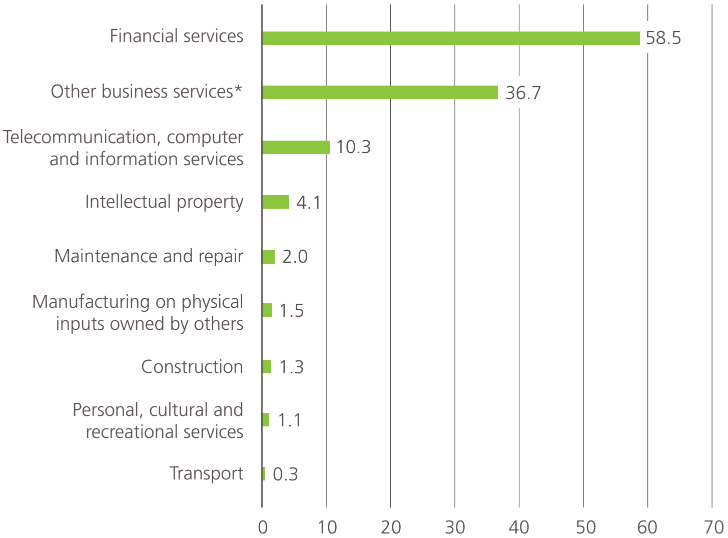
7 UNCATD, 'Services (BPM6): Exports and imports by service-category and by trade-partner', (February 2020), available at: https://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx

8 TheCityUK calculations based on the Office for National Statistics, '03 Trade in services, the Pink Book', (30 October 2020), available at: https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/3tradeinservicesthepinkbook2016

9 Office for National Statistics, '02 Trade in goods, the Pink Book', (30 October 2020), available at: https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/2tradeingoodsthepinkbook2016

Figure 5: UK services sectors generating trade surplus, £bn, 2019

Source: Office for National Statistics



* Research and development; professional and management consulting services; technical, trade-related and other business services

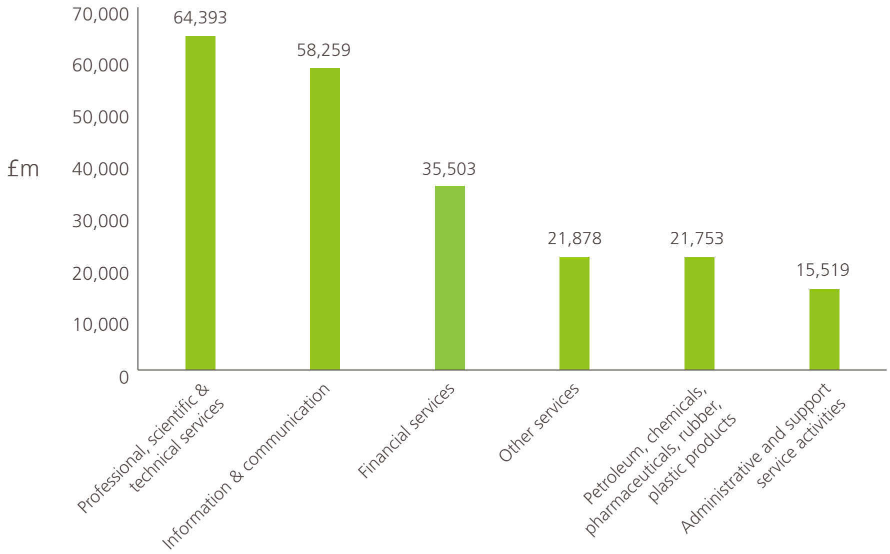
Attracting foreign direct investment to the UK

The UK remains a key destination for financial and related professional services investment. The standard measure of such investment, inward foreign direct investment (FDI), is a volatile indicator that can show significant changes from year to year (for example, in any given year the figure may be distorted by a particularly large deal(s). In 2019, the latest year for which data are available, the financial services sector attracted £2.5bn in FDI; the previous year's figure had been negative (indicating that direct investment interests were sold, and/or reinvested earnings were negative). Over the past four years (2016-19), cumulative inflows of financial services FDI totalled £35.5bn, equivalent to 10.9% of overall FDI. The professional, scientific and technical services sector that includes TheCityUK's defined related professional services attracted the most FDI (19.7% of the total during the same period).[10]

10 TheCityUK calculations based on Office for National Statistics, 'Foreign direct investment involving UK companies (assets and liabilities): liabilities', (21 December 2020), available at: https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/foreigndirectinvestmentinvolvingukcompaniesassetandliabilityinward

Figure 6: Cumulative inward FDI flow by top sector, 2016-19, £m

Source: Office for National Statistics



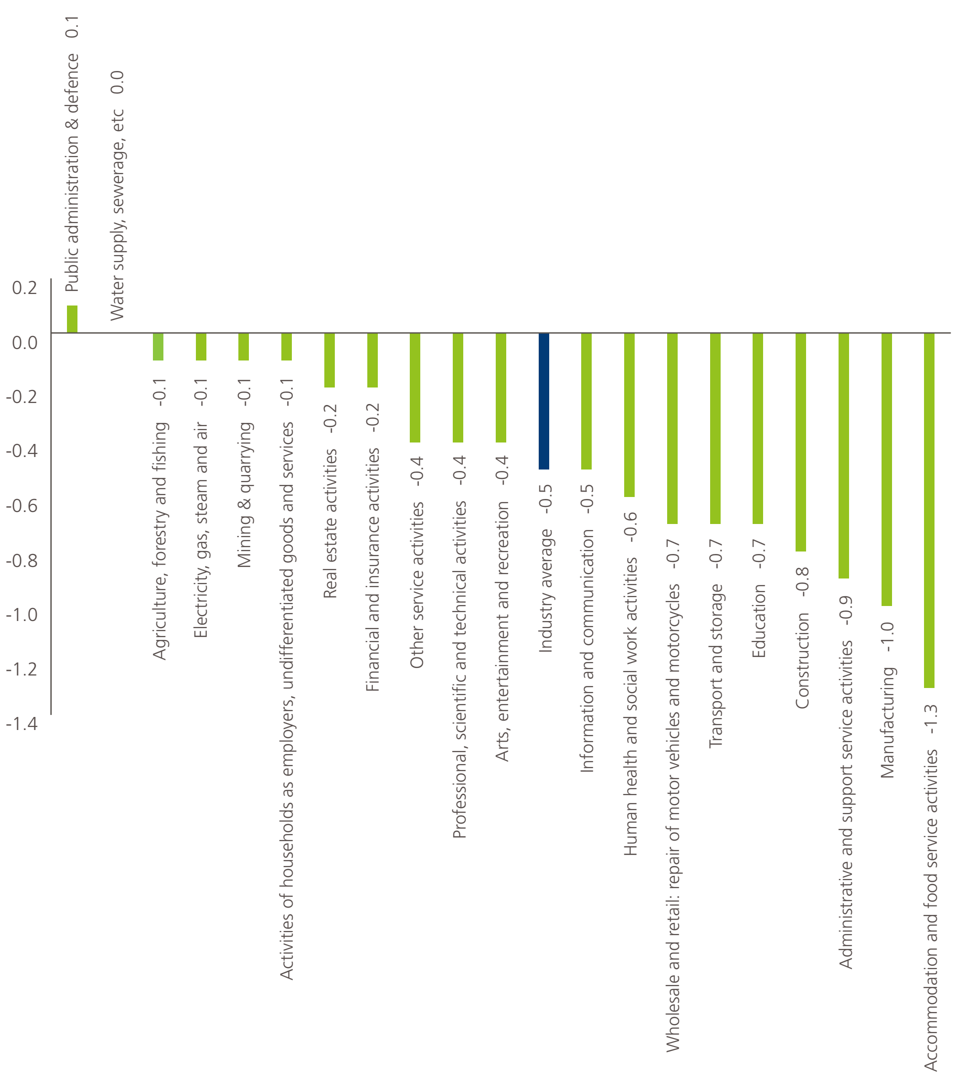
Supporting the UK throughout the Covid-19 pandemic

The financial and related professional services industry has demonstrated resilience throughout the Covid-19 pandemic, driven in part by continued demand for its products and services—aspects of which are highlighted in subsequent sections of this report.

For example, although all sectors of the economy contracted in 2020 aside from the government sector, financial services made a less negative contribution to growth than most sectors did. According to data from the Office for National Statistics, financial services contributed 0.2 percentage points to the total GVA contraction in 2020 of 9.1%, compared to the industry average of 0.5 percentage points (Figure 7).[11]

Figure 7: Contribution to year-on-year growth by sector, 2020, percentage points

Source: Office for National Statistics

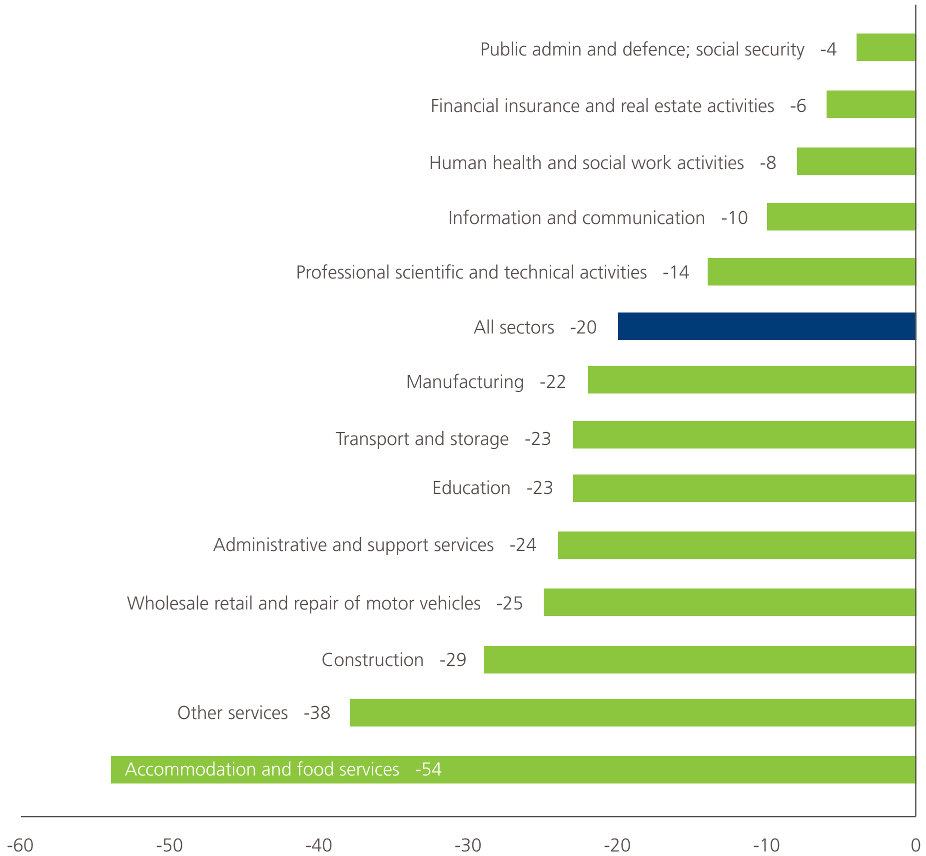


11 Office for National Statistics, 'Contributions to monthly GDP', (12 February 2021), available at: https://www.ons.gov.uk/economy/grossdomesticproductgdp/datasets/contributionstomonthlygdp

The latest data also show that in terms of employment impact, the fall in hours actually worked in financial, insurance and real estate activities was 6% in April 2020 compared to one year earlier. That decline was smaller than the decline in most sectors, just behind that of public administration and defence and social security (-4%); and ahead of human health and social work activities (-8%) and information and communication (-10%); for more information see Figure 8.[12]

Figure 8: Hours actually worked, % change on year, April 2020

Source: Office for National Statistics



12 Office for National Statistics, 'Coronavirus (COVID-19) roundup: Economy, business and jobs', (3 November 2020), available at: https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/conditionsanddiseases/articles/coronaviruscovid19roundupeconomybusinessandjobs/2020-07-02#earnings

Making a positive difference to people's lives

Enhancing consumer welfare by embracing digital banking services

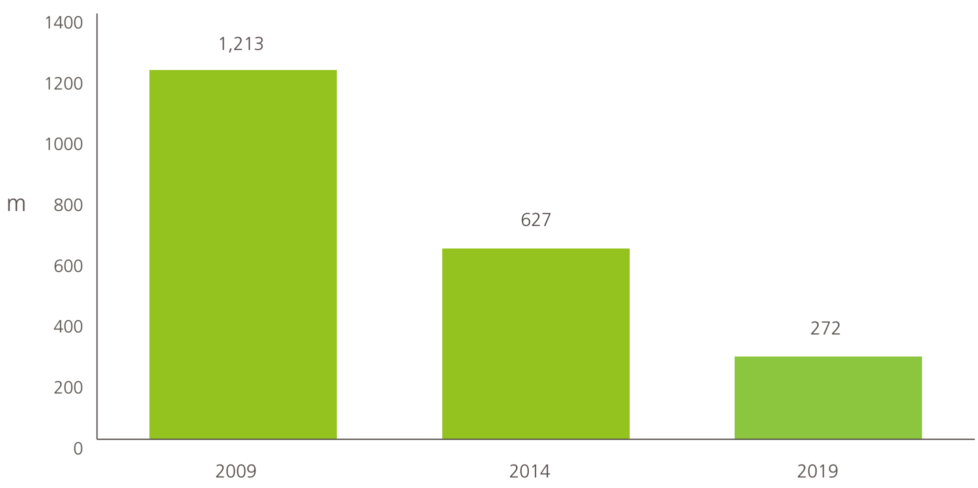
In recent years, financial services firms have made multi-billion pound investments to enable their customers to take advantage of conveniences such as internet and mobile banking, and contactless payments.

- The use of contactless payments has increased rapidly in recent years. According to data from UK Finance, the number of annual transactions made with contactless payment cards reached 8.6bn in 2019, up 16% from a year earlier.[13] Contactless payments have been particularly important during the pandemic as they have discouraged people from using cash, and promoted touch-free payment methods as a public health measure. In the March 2021 Budget, HM Treasury announced an increase to the limit for contactless payments to £100 from £45.
- In Great Britain, the use of online banking increased 46 percentage points from 30% in 2007 to 76% in January to February 2020.[14]
- Fifty per cent of the population used banking apps on their smartphone or tablet to access bank accounts in 2019.[15]
- Traditional banks have embraced online and mobile banking, but globally, six top challenger banks are each valued more than $1bn - three of which (OakNorth, Monzo Bank and Revolut) are based in the UK.

The shift away from paper payments continues. The number of cheque payments declined by 78% over the last decade to 272 million in 2019 (Figure 9).[16]

Figure 9: Number of cheque payments, million

Source: UK Finance



13 UK Finance, 'UK payment markets summary 2020', (June 2020), p.3, available at: https://www.ukfinance.org.uk/system/files/UK-Payment-Markets-Report-2020-SUMMARY.pdf

14 Office for National Statistics, 'Internet access – households and individuals, Great Britain: 2020', (7 August 2020), available at: https://www.ons.gov.uk/peoplepopulationandcommunity/householdcharacteristics/homeinternetandsocialmediausage/bulletins/internetaccesshouseholdsandindividuals/2020

15 UK Finance, 'UK payment markets summary 2020', (June 2020), p.4, available at: https://www.ukfinance.org.uk/system/files/UK-Payment-Markets-Report-2020-SUMMARY.pdf

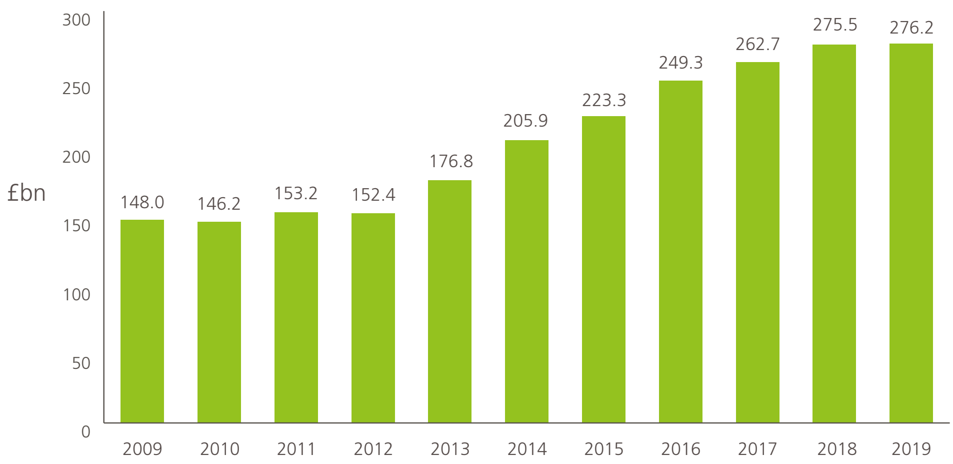
16 UK Finance, 'UK payment markets summary 2020', (June 2020), p.5, available at: https://www.ukfinance.org.uk/system/files/UK-Payment-Markets-Report-2020-SUMMARY.pdf

Providing mortgage finance

Sixty-five per cent of the public enjoy the security of home ownership in England - a rate which is supported by mortgage lending.[17] The value of gross mortgage lending in the UK nearly doubled over the last decade, reaching £276.2bn in 2019 (Figure 10).[18]

Figure 10: UK gross mortgage lending, £bn

Source: Financial Conduct Authority and Bank of England



In the rental market, private landlords and housing associations both largely rely on loans from banks and other lenders.

Safeguarding savings and managing investments for the future

UK fund managers help to protect and grow around £9.9trn in financial assets, representing savings through pensions, life assurance policies and other investments.[19]

The UK has one of the largest pension industries worldwide, with total investments of £3.8trn at the end of 2019. Pension providers have a key role in delivering cost effective and accessible pensions in the future, which for most people in the private sector are defined contribution (DC). Under DC schemes, pension payments are derived from the total value of contributions to pension pots made by individuals and their employers, with the value of the fund determined by the performance of investments.[20]

Pension participation has been increased, partly because of automatic enrolment that was introduced in 2012.[21] According to the latest available personal pension statistics published by HM Revenue & Customs in September 2019, contributions to personal pension pots totalled £28.2bn in 2017/18, up 3.1% from the previous year. Personal pensions help savers to achieve their aspirations for financially independent retirement years. Personal pensions

17 Ministry of Housing, Communities and Local Government, 'English housing survey 2019 to 2020: headline report', (17 December 2020), p.1, available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/945013/2019-20_EHS_Headline_Report.pdf

18 Financial Conduct Authority and Bank of England, 'Mortgage lending statistics – December 2020', (8 December 2020), available at: https://www.fca.org.uk/data/mortgage-lending-statistics

19 The Investment Association, 'Investment management in the UK 2019-2020: The Investment Association annual survey', (September 2019), p.19, available at: https://www.theia.org/sites/default/files/2020-09/20200924-imsfullreport.pdf

20 The Investment Association, 'Investment management in the UK 2019-2020: The Investment Association annual survey', (September 2019), p.59, available at: https://www.theia.org/sites/default/files/2020-09/20200924-imsfullreport.pdf

21 Ibid.

supplement state and occupational pension schemes.[22]

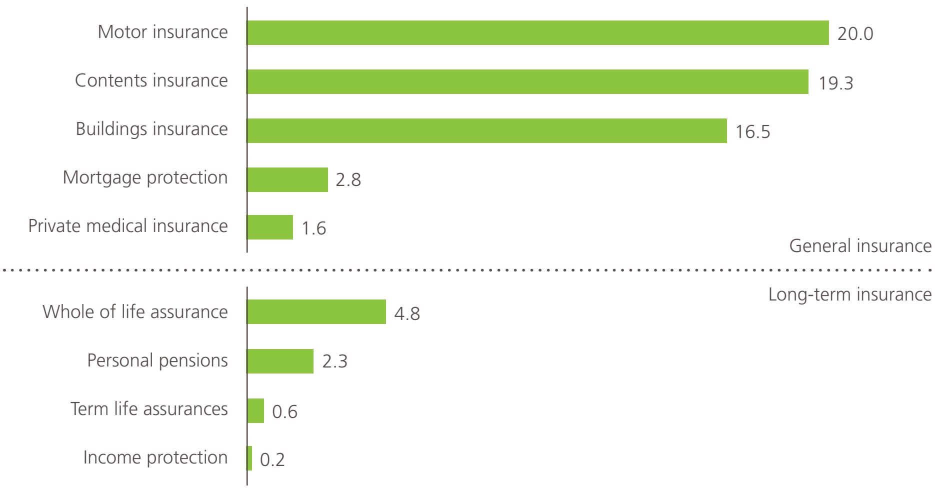
Annuities have often been used to provide a guaranteed income in retirement. However, the pension landscape changed dramatically following changes introduced in the 2014 Budget. These changes meant that those who could demonstrate that they had a guaranteed income of at least £20,000 per year did not have to annuitise. Due to the policy change, which took effect in 2015, annuity sales have diminished considerably in recent years. For example, in 2019/20, the number of annuity sales decreased to 69,519 from 77,192 in 2015/16.[23]

According to the latest available data published by the Association of British Insurers, the UK insurance industry paid out £218.3bn in 2018 in long-term insurance benefits. These claims were related to life insurance and annuities, pensions, and income protection and other business.[24] For the general insurance sector, the largest insurance product coverage was motor insurance, with 20 million households being covered in 2018. This was followed by contents (19.3 million) and buildings insurance (16.5 million). For long-term insurance, 4.8 million households bought life assurance in that year, followed by personal pensions (2.3 million); for more information see Figure 11.[25]

Figure 11: Number of household insurance products by type in millions, 2018

Source: Association of British Insurers

Note: Number of households with insurance products (in millions), out of 26.5 million households in the UK in 2018



Broadening access to related professional services

Like the financial services sector, related professional services have also made increasing use of technology in recent years. Legal services, for example, is making greater use of artificial intelligence, which has the potential to lower costs over the medium to long term.

22 HM Revenue & Custom, 'Personal pensions: September 2019 national statistics', (September 2019), p.1, available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/836637/Personal_Pensions_and_Pensions_Relief_Statistics.pdf

23 Financial Conduct Authority, 'Retirement income market data 2019/20', (29 September 2020), available at: https://www.fca.org.uk/data/retirement-income-market-data#full

24 The Association of British Insurers, 'Annual long-term insurance overview statistics 2018', (12 September 2019), available at: https://www.abi.org.uk/data-and-resources/industry-data/free-industry-data-downloads/

25 The Association of British Insurance, 'UK insurance & long-term savings: Key facts', (December 2019), p.4, available at: https://www.abi.org.uk/globalassets/files/publications/public/key-facts/key_facts_2019_spread.pdf

Additionally, the internet facilitates the provision of very basic legal services at low cost, bringing such services within the reach of individuals who may not otherwise be able to afford them.

The LawTech sector, the sector that uses new technologies to provide legal services, is growing fast, with the global market already valued at $15.9bn. The UK has become a global hub for LawTech. It benefits from a highly developed legal market, a technology talent pipeline, a competitive tax system, and a liberal regulatory regime. Whereas most jurisdictions continue to bar non-lawyers from involvement in legal services firms, the UK's Legal Services Act 2007 permitted Alternative Business Structures (ABS), business models that allow investment, ownership and management by non-lawyers. A 2019 study by Thomson Reuters found that around 40% of law firms are using an Alternative Legal Service Provider (ALSP) for at least one type of service, typically low-risk or standardised high-volume tasks such as document review and electronic discovery services.[26]

26 TheCityUK, 'Legal excellence, internationally renowned: UK legal services 2020', (November 2020), p.15-16, available at: https://www.thecityuk.com/assets/2020/Reports/1e13ba3d56/Legal-excellence-internationally-renowned-UK-Legal-Services-2020.pdf

Supporting businesses

Most businesses would not be able to operate without the financial services sector. It supports businesses in myriad ways, ranging from providing current accounts for day-to-day expenditures to insurance cover for assets to growth capital for investment.

In 2020, the industry's role in supporting businesses became even more pronounced because of the economic crisis triggered by Covid-19 and the unprecedented halt to much economic activity. For example, the banking and wider financial-services sector designed and launched a range of measures in consultation with the governments, such as the Coronavirus Business Interruption Loan Scheme (CBILS), the Coronavirus Large Business Interruption Loan Scheme (CLBILS), the Bounce Back Loan Scheme (BBLS) and the Corporate Financing Facility to support businesses.[27] These schemes were intended to provide financial support to both large firms and SMEs facing a sudden loss of revenue from conditions completely beyond their control.

The funds businesses need can come from a number of sources. The most common options for companies looking to raise money include bank finance, bonds, equities on stock markets and private equity. Other forms of finance include asset finance, business angel investment, insurance company and pension fund lending, crowdfunding, and private placements. Provision of finance enables companies to invest in creating jobs, training and developing people, and developing their products and services.

Bank lending

The outstanding amount of loans made available by major banks to UK businesses totalled £529.9bn at the end of 2020, up 8.3% from 2019. Of this total, 40.1% was lent to SMEs.[28]

Equity and bond financing

Shares: UK and international companies raised £43.2bn in issues of shares on the London Stock Exchange in 2020: £32.3bn in issuance of shares on UK markets; and £10.9bn in international main markets (Figures 12 and 13).[29]

27 UK Finance, 'COVID-19 business support', (February 2021), available at: https://www.ukfinance.org.uk/covid-19/business-support

28 Bank of England, 'Monetary financial institutions' loan to UK non-financial business, by size of business', (February 2021), available at: https://www.bankofengland.co.uk/boeapps/database/index.asp?first=yes&SectionRequired=A&HideNums=-1&ExtraInfo=false&Travel=NIxSTx

29 London Stock Exchange, 'New and further issues', (31 January 2021), available at: https://www.londonstockexchange.com/statistics/new-issues-further-issues/new-issues-further-issues.htm

Figure 12: Issues of shares on the London Stock Exchange, £bn, 2020

Source: London Stock Exchange

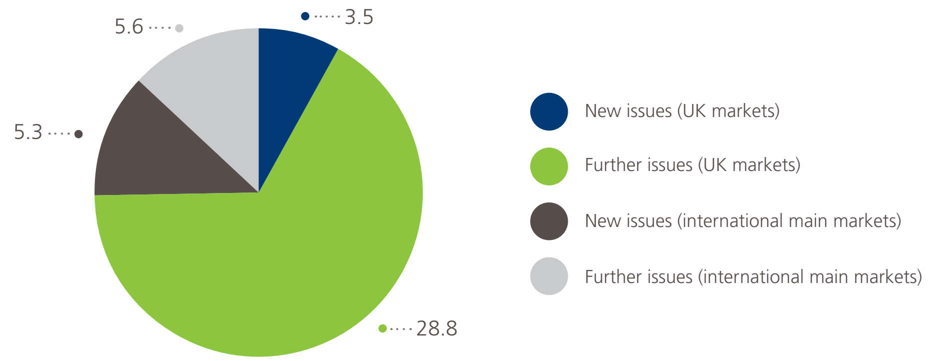
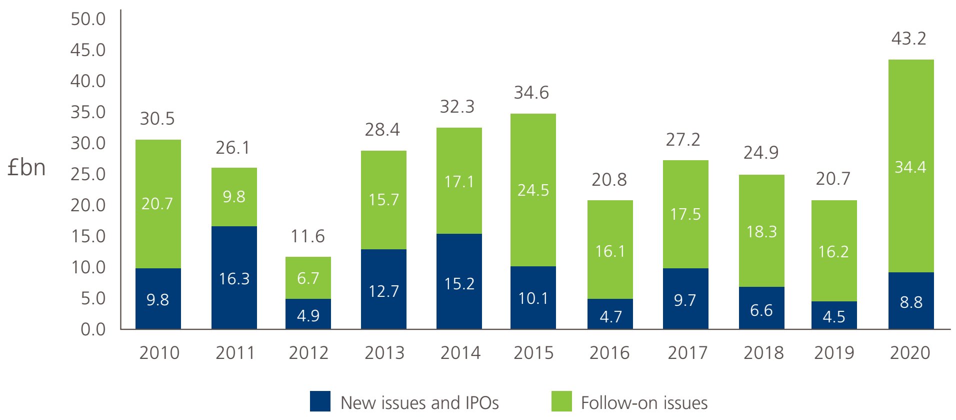


Figure 13: Equity issuance on the London Stock Exchange, £bn

Source: London Stock Exchange



Small caps from across the UK enjoy access to one of the largest share markets for small companies in Europe, with 819 companies quoted on the AIM in the end of 2020. During 2019, AIM companies raised £5.8bn through new and further issues of shares.[30]

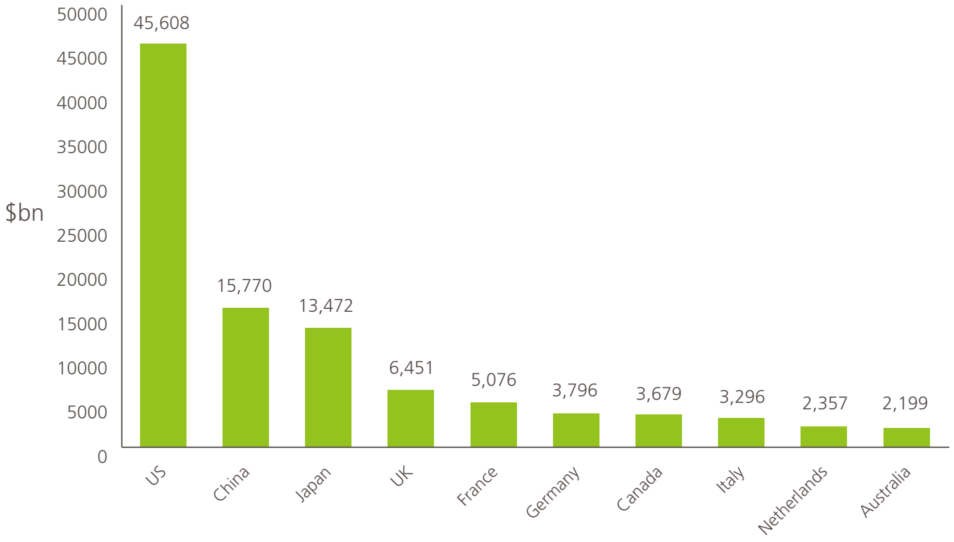
Bonds: London continues to be a major global centre for the issuance and trading of bonds. According to data from the Bank for International Settlements, the amount of debt securities outstanding in the UK was $6.5trn in the second quarter of 2020. The UK has the largest debt security market in Europe and the fourth largest market globally, behind the US ($45.6trn), China ($15.8trn) and Japan ($13.5trn); for more information see Figure 14.[31]

30 London Stock Exchange, 'AIM statistics', (December 2020), available at: https://www.londonstockexchange.com/statistics/markets/aim/aim.htm

31 Bank for International Settlements, 'Summary of debt securities outstanding', (7 December 2020), available at: https://www.bis.org/statistics/secstats.htm?m=6%7C33%7C615

Figure 14: Debt securities outstanding, top countries, $bn, Q2 2020

Source: Bank for International Settlements



Alternative finance

Finance for SMEs has been enhanced by state support schemes such as the Term Funding Scheme with additional incentives for SMEs launched by the Bank of England in April 2020, and the Start Up Loans scheme, operated by Start Up Loans, a subsidiary of the British Business Bank.

Alternative finance has an important role to play in financing SMEs. According to research by the University of Cambridge, the alternative finance market in the UK was estimated to be worth £10.4bn in 2018, up by 30% year on year.[32]

Although this figure includes peer-to-peer consumer lending and reward-based crowdfunding, among other models, SMEs in the UK received £6bn worth of funding from alternative business finance providers in 2018, accounting for 58% of the total UK alternative finance market, according to the University of Cambridge.[33] The market is set to continue to expand rapidly, albeit from a very low base: in comparison, outstanding bank loans to SMEs were around £212.7bn.[34]

There are also a number of other promising opportunities in alternative finance to complement bank lending, such as the development of private placement markets, the re-opening of SME loan securitisation markets as a mechanism to increase (especially longer term) funding to SMEs, the establishment of an institutional market in untranched whole loan conduits, the encouragement of credit rating services for mid-market companies, and the provision of a credit information exchange for SMEs and mid-market companies.

32 University of Cambridge, 'The global alternative finance market benchmarking report', (April 2020), p.74 & 84, available at: https://www.jbs.cam.ac.uk/wp-content/uploads/2020/08/2020-04-22-ccaf-global-alternative-finance-market-benchmarking-report.pdf

33 Ibid.

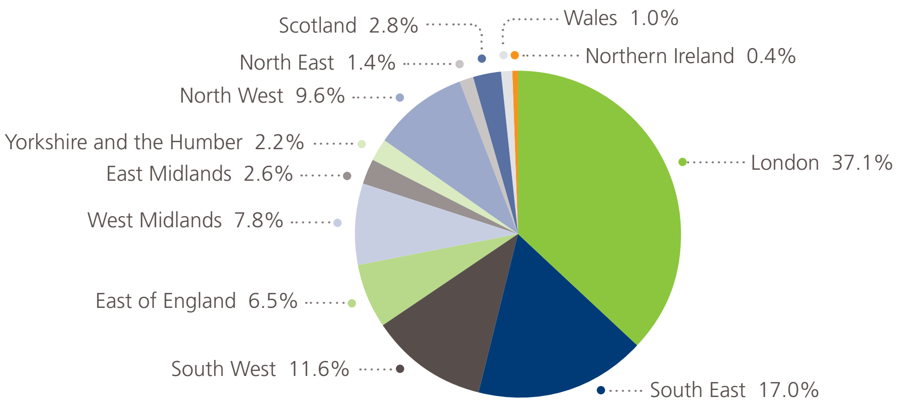
34 Bank of England, 'Monetary financial institutions' loan to UK small and medium-sized enterprises, by industry', (February 2021), available at: https://www.bankofengland.co.uk/boeapps/database/index.asp?first=yes&SectionRequired=A&HideNums=-1&ExtraInfo=false&Travel=NIxSTx

Primary destination for private equity

The UK private equity and venture capital sector manages assets totalling around £300bn.[35] In 2019, UK private equity funds invested £22.3bn in 1,530 UK companies. Regionally, London accounted for 37.1% of total amount of capital invested, followed by the South East (17%), South West (11.6%) and North West (9.6%); for more information see Figure 15.[36] According to research from Dealroom.co and London & Partners published in January 2021, the attractiveness of London's tech sector for venture capital investment remained resilient in 2020 despite the pandemic. London-based tech companies received venture capital investment of $10.5bn in 2020, close to the amount of $10.7bn in 2019.[37]

Figure 15: UK private equity investments, % of amounts invested, 2019

Source: British Private Equity & Venture Capital Association



Investing in infrastructure

The private sector plays a vital role in infrastructure investment. The majority of projects in energy, utilities and digital infrastructure, for example, have been financed privately. Nearly 50% of the infrastructure pipeline is expected to be financed by the private sector in the coming years. The financial services sector is a key player in this private financing: pension funds and insurers are expected to invest £150bn-£190bn in infrastructure in the UK in the next decade. More broadly, the UK-based financial and related professional services industry builds a bridge linking private investors and infrastructure investment. For example, the industry supports infrastructure investment by providing capital, as well as legal and advisory services.

The UK government published a new National Infrastructure Strategy in November 2020, which commits £27bn of funding to economic infrastructure investment in 2021/22. The strategy is also explicit about the need to encourage private investment in infrastructure by giving investors clarity about government policy. November 2020 therefore also saw the announcement of the establishment of a new UK infrastructure bank "to co-invest alongside the private sector in infrastructure projects".[38] The over-arching aims of the infrastructure investment supported by the new bank will be around post-pandemic economic recovery, reducing regional economic inequality, and meeting the UK's goal of net-zero carbon emissions by 2050.[39]

35 The Investment Association, 'Investment management in the UK 2019-2020: The Investment Association annual survey', (September 2019), p.19, available at: https://www.theia.org/sites/default/files/2020-09/20200924-imsfullreport.pdf

36 British Private Equity & Venture Capital Association, 'BVCA report on investment activity 2019', (February 2021), p.4 & 27, available at: https://www.bvca.co.uk/Portals/0/Documents/Research/Industry%20Activity/BVCA-RIA-2019.pdf

37 Dealroom.co and London & Partners, 'London: Europe's global tech city', (January 2021), p.2, available at: https://blog.dealroom.co/wp-content/uploads/2021/01/dealroom-london-jan-21.pdf

38 HM Treasury, 'National Infrastructure Strategy', (25 November 2020), available at: https://www.gov.uk/government/publications/national-infrastructure-strategy

39 TheCityUK, 'Key facts about the UK as an international financial centre 2020', (December 2020), p.22, available at: https://www.thecityuk.com/assets/2020/Reports/8716847a2f/Key-facts-about-the-UK-as-an-international-financial-centre-2020.pdf

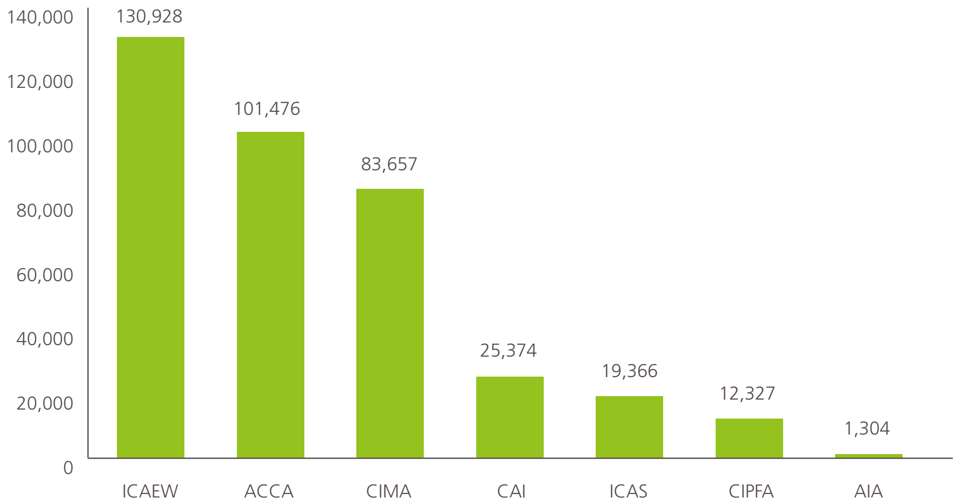
Providing professional and supporting services

The UK has high quality professional and support services; it has the largest and most developed market in Europe for related professional services (accounting, management consulting and legal services). These three sectors contributed £27.1bn, £16.8bn and £22.2bn respectively to UK output in 2018, according to the latest available data.

According to data from the Financial Reporting Council, there were 374,432 members and students in seven main accountancy bodies in the UK and the Republic of Ireland in 2019. The ICAEW was the largest of these, with 130,928 members and students, followed by the ACCA (101,476); for more information see Figure 16.[40]

Figure 16: Members and students in the UK and Ireland, 2019

Source: Financial Reporting Council



The Policy & Reputation Group (PRG) is a cross-firm industry group made up of representatives from the seven largest UK accountancy firms: EY, KPMG, Deloitte, PwC, Grant Thornton, BDO and Mazars. The PRG seeks to develop an understanding of evolving public interest issues and how these might be addressed to help maintain confidence in the profession to support the UK economy, and to participate constructively in shaping public policy. In 2020, these seven firms employed 87,000 people across the UK, and took on 5,000 new graduates and apprentices.[41]

KickStart Money is a project initiated in 2017 through the TISA Savings and Investment Project, whereby 18 savings and investment firms have committed more than £1m over a three-year period to take financial education to over 18,000 primary school children. After receiving the financial education, two out of three children have a savings goal, nearly doubling the national average.[42]

40 Financial Reporting Council, 'Key Facts and Trends in the Accountancy Profession', (October 2020), p.5, available at: https://www.frc.org.uk/getattachment/0f7be411-fb89-4afc-8e8c-281529cf76fc/Key-Facts-and-Trends-2020.pdf

41 Figures compiled based on firms' 2020 and/or most recent Transparency reports

42 KickStart Money, 'Building foundations for a better financial future', (February 2021), available at: https://www.kickstartmoney.co.uk/#home

Conclusion

The financial and related professional services industry generates employment, contributes to economic output, and supports businesses and individuals through its various sectors such as banking, insurance, fund management, accounting, management consulting and legal services. The need for such support has been highlighted by the Covid-19 pandemic. Both employment and economic output in the industry have been increasing in recent years. Tax paid by the financial services sector also reached a record high over the past decade.

The industry's traditional service models are also evolving. Through technology development, consumers benefit from digital financial services such as online banking, banking apps and contactless payments. Businesses are supported through bank lending, equity and bond financing, alternative finance and private equity, as well as accounting, management consulting and legal services.

List of sources

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Bank for International Settlements

Bank of England

British Private Equity & Venture Capital Association

City of London Corporation

Dealroom.co

Financial Conduct Authority

Financial Reporting Council

Financial Services Compensation Scheme

FinTech Futures

HM Revenue & Customs

Investment Association

KickStart Money

London & Partners

London Stock Exchange

Ministry of Housing, Communities & Local Government

Nomis

Office for National Statistics

PwC

TheCityUK

UK Finance

UNCTAD

University of Cambridge

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