

KEY FACTS

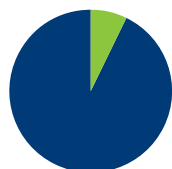
ABOUT UK-BASED FINANCIAL AND RELATED PROFESSIONAL SERVICES 2020



About TheCityUK

TheCityUK is the industry-led body representing UK-based financial and related professional services. In the UK, across Europe and internationally, we promote policies 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 almost equivalent to all other net exporting industries combined.

KEY FACTS ABOUT UK-BASED FINANCIAL AND RELATED PROFESSIONAL SERVICES



OVER 2.3 MILLION PEOPLE
WORK ACROSS THE COUNTRY IN **FINANCIAL AND**
RELATED PROFESSIONAL SERVICES ACCOUNTING
FOR **1 IN 14** WORKERS IN THE UK



2/3 OF THIS EMPLOYMENT
IS BASED **OUTSIDE LONDON**

FINANCIAL SERVICES HAVE
1.1M PEOPLE IN EMPLOYMENT



BANKING — 380,000



INSURANCE — 305,000



FUND MANAGEMENT — 48,000

OTHER FINANCIAL SERVICES ACCOUNT FOR **315,000**

RELATED PROFESSIONAL SERVICES HAVE
1.2M PEOPLE IN EMPLOYMENT



MANAGEMENT CONSULTANCY — 519,000



ACCOUNTANCY — 418,000



LEGAL SERVICES — 338,000



FINANCIAL AND RELATED PROFESSIONAL SERVICES
CONTRIBUTED

£200.5BN

TO UK GROSS VALUE ADDED (GVA), REPRESENTING **£10 OF EVERY £100** OF ECONOMIC OUTPUT



UK FINANCIAL SERVICES CONTRIBUTED

£75.5BN

IN TAX REVENUE IN 2018/19 WHICH ACCOUNTED FOR 10.5% OF TOTAL
TAX RECEIPTS AND WAS EQUIVALENT TO 3.5% OF UK GDP



UK-BASED FINANCIAL AND RELATED PROFESSIONAL SERVICES GENERATED A TRADE SURPLUS OF

£84.1BN

IN 2018 WHICH REPRESENTED 3.9% OF GDP

ENHANCING CUSTOMER EXPERIENCE THROUGH DIGITAL FINANCIAL SERVICES:

THE NUMBER OF CHEQUE PAYMENTS DECLINED BY
74% OVER THE LAST DECADE TO £342 MILLION IN 2018



THE USE OF ONLINE BANKING INCREASED
FROM 41% IN 2009 TO 73% IN 2019

48% OF THE POPULATION USED BANKING APPS IN 2018



ANNUAL CONTACTLESS PAYMENT TRANSACTIONS
REACHED £7.4BN IN 2018, UP 31% FROM 2017

LOANS TO BUSINESSES FROM MAJOR BANKS - **£490.8BN** IN 2019, UP 2.7% FROM 2018



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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 and mortgage lending. In the midst of the current crisis triggered by the Covid-19 pandemic, the vital importance of the industry to the economy at both the macro and micro levels has been brought into stark relief. Financial intermediation, SME lending, insurance and risk management have suddenly assumed importance of historic proportions.

Our latest 'Key Facts about UK-based financial and related professional services' report provides the annual update on the quantifiable value of the industry to UK society and businesses. As usual, it presents historical data and does not cover the current period in which many industry and economic metrics are displaying huge volatility. Given the inevitable lags in the publication of official data, the full impact of the pandemic on the industry will not be known for some time, and will be captured in future economic research. In the meantime, this research offers the latest benchmark assessing financial and related professional services' indispensable economic contribution.

Anjalika Bardalai

Chief Economist & Head of Research, TheCityUK



SUPPORTING EMPLOYMENT AND GROWTH ACROSS THE UK

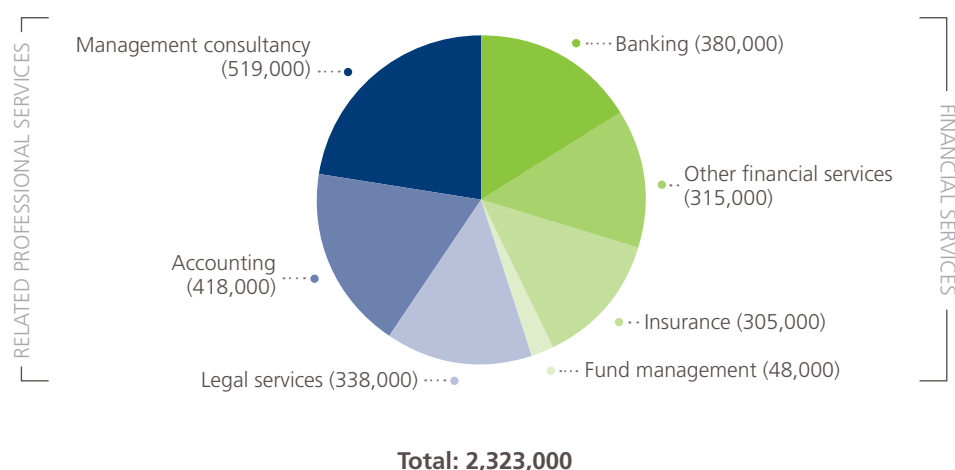
A leading employer

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 24,000 in employment. Other centres with over 14,000 people in employment include Brighton and Hove, Milton Keynes, Warrington and Watford.
- Twenty-two 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 (380,000) and insurance (305,000). Fund management provides employment for a further 48,000 and other financial services 315,000.
- Related professional services have over 1.2 million people in employment divided among management consultancy (519,000), accountancy (418,000) and legal services (338,000); see Figure 1.¹

Figure 1: Employment by sector in UK financial and related professional services, 2018

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



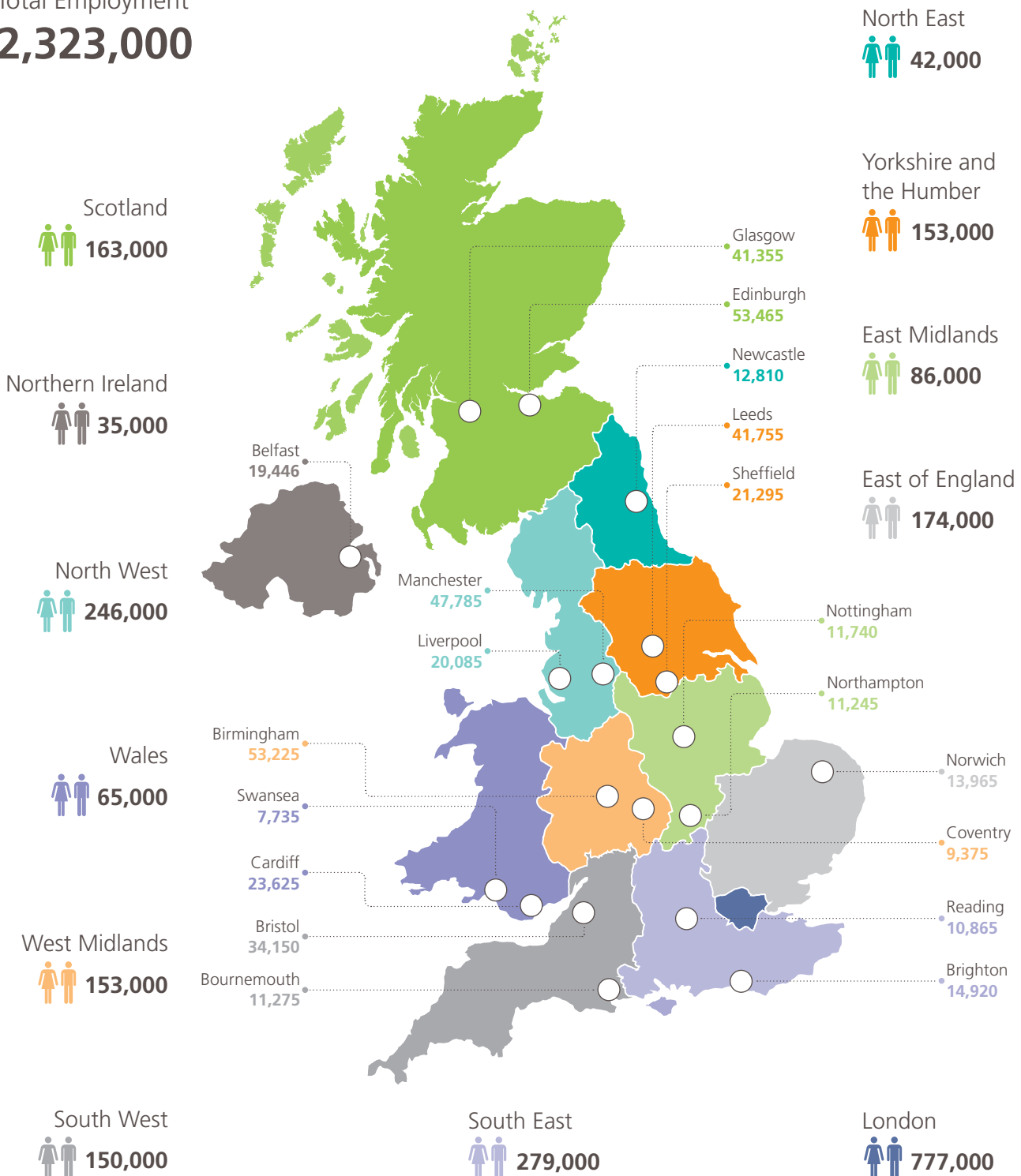
¹ TheCityUK calculations based on Nomis, 'Business register and employment survey: open access', (February 2020), available at: <https://www.nomisweb.co.uk/query/construct/summary.asp?mode=construct&version=0&dataset=189>

Figure 2: Employment in UK-based financial and related professional services, 2018

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

Total Employment*

2,323,000



*Northern Ireland figures are employees

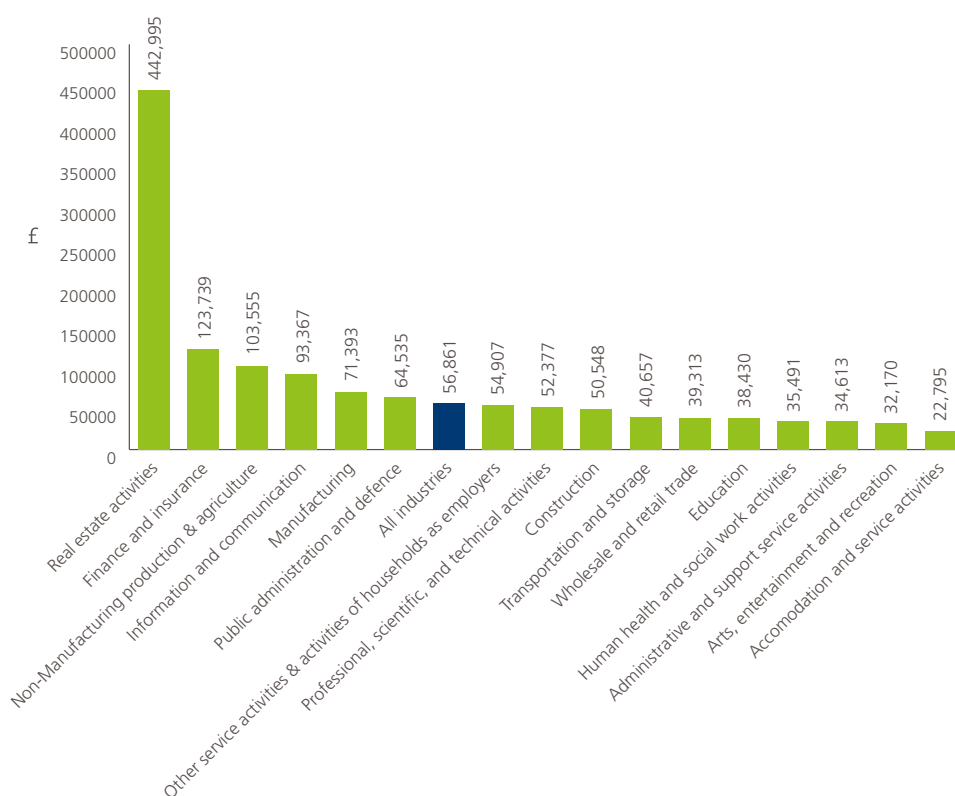
A significant contributor to UK economic output

Across their domestic and international activities, financial and related professional services contributed £200.5bn to UK gross value added (GVA) in 2018, 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

According to data from the Office for National Statistics, financial services sector productivity remains twice as high as whole-economy productivity in terms of output per job. Output per job for the financial services sector was £123,739 in 2018, compared with the average for all industries of £56,861. On this metric, the sector ranks second, behind real estate activities (£442,995) and ahead of non-manufacturing production and agriculture (£103,555); for more information see Figure 3. A similar trend is revealed using output per hour, which is an alternative measure of productivity.³

Figure 3: UK output per job by sector, £, 2018

Source: Office for National Statistics



² TheCityUK calculations based on the Office for National Statistics, 'Nominal regional gross value added (balanced) per head and income components', (19 December 2019), available at: <https://www.ons.gov.uk/economy/grossvalueaddedgva/datasets/nominalregionalgrossvalueaddedbalancedperheadandincomecomponents>

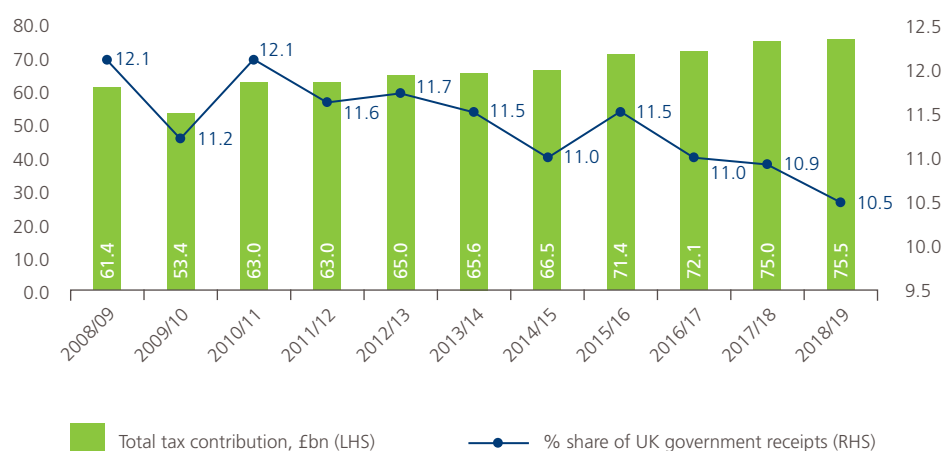
³ Office for National Statistics, 'Region by industry labour productivity', (5 February 2020), available at: <https://www.ons.gov.uk/economy/economicoutputandproductivity/productivitymeasures/datasets/industrybyregionlabourproductivity>

A large generator of tax receipts

UK financial services are a vital source of tax receipts, contributing £75.5bn in tax revenue in 2018/19. This accounted for 10.5% of total UK tax receipts (Figure 4) and was equivalent to 3.5% 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 £84.1bn in 2018, based on data from the Office for National Statistics.⁵ This represented 3.9% 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 £142.4bn.⁹

4 City of London Corporation and PwC, 'The total tax contribution of UK financial services in 2019: 12th Edition', (7 January 2020), p.4-5, available at: <https://www.cityoflondon.gov.uk/business/economic-research-and-information/new-research/Documents/total-tax-report-2019.pdf>

5 TheCityUK calculations based on the Office for National Statistics, 'Trade in services, Pink Book 2019', (31 October 2019), available at: <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/3tradeinservicesthepinkbook2016>

6 TheCityUK calculations based on the Office for National Statistics, 'tistics, mestic product at market prices: current price: seasonally adjusted adju (11 February 2020), available at: <https://www.ons.gov.uk/economy/grossdomesticproductgdp/timeseries/ybha/pn2>

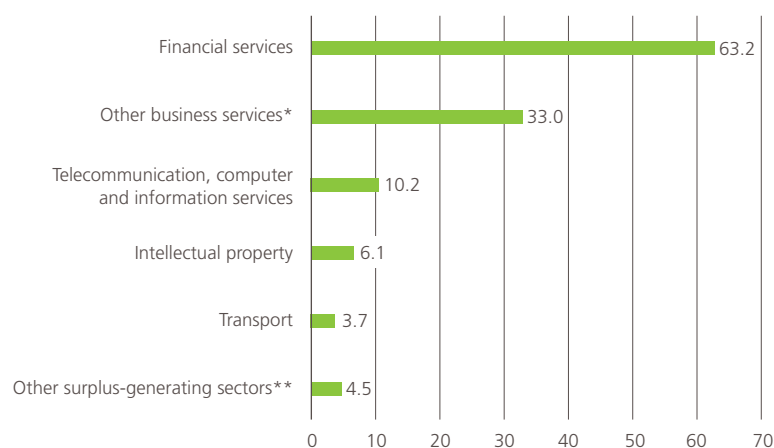
7 UNCTAD, 'Services (BPM6): Exports and imports by service-category and by trade-partner', (February 2020), available at: <https://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx>

8 Office for National Statistics, 'Trade in services, Pink Book 2019', (31 October 2019), available at: <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/3tradeinservicesthepinkbook2016>

9 Office for National Statistics, 'Trade in goods, Pink Book 2019', (31 October 2019), available at: <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/2tradeingoodsthepinkbook2016>

Figure 5: UK sectors generating trade surplus in £bn, 2018

Source: Office for National Statistics, Pink Book 2019



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

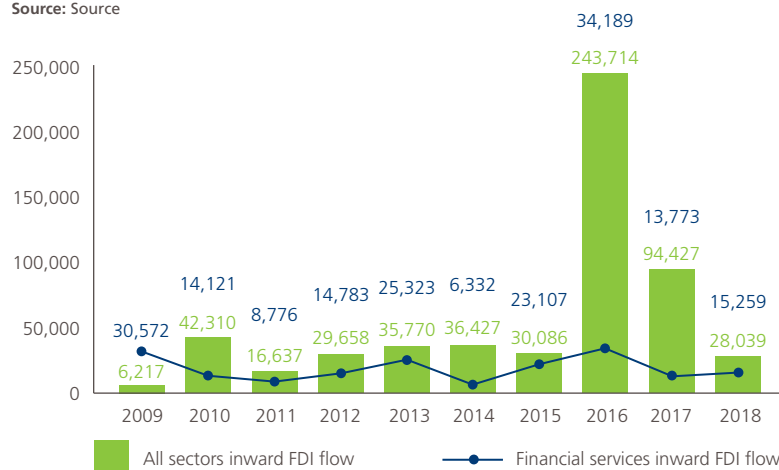
** Maintenance and repair; manufacturing on physical inputs owned by others; personal, cultural and recreational services; construction

Attracting foreign direct investment to the UK

The UK remains a key destination for financial services investment; the industry attracted £15.3bn of foreign direct investment (FDI) in 2018, representing 54.4% of total inward FDI. While inward foreign direct investment (FDI) is volatile from year to year, UK financial services is a key sector in terms of attracting overseas investment. Financial services inward FDI averaged £18.6bn during the period 2009-18, accounting, on average for 33% of overall FDI (Figure 6).¹⁰

Figure 6: Inward FDI flow, £m

Source: Source



¹⁰ TheCityUK calculations based on the Office for National Statistics, 'Financial account, Pink Book 2019', (31 October 2019), available at: <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/financialaccountthepinkbook2016>

MAKING A POSITIVE DIFFERENCE TO PEOPLE'S LIVES

Providing broad access to financial products and services

Banks continue to improve the speed and ease with which customers can use their services to manage their everyday finances. Around 99% of adults in the UK have at least one bank account, and personal deposits of up to £85,000 in each bank are protected through the Financial Services Compensation Scheme.¹¹ But retail finance has undergone something of a revolution in recent years, with the use of traditional payment methods like cheques declining sharply in tandem with the rapid rise of more innovative, digitally-enabled payment methods.

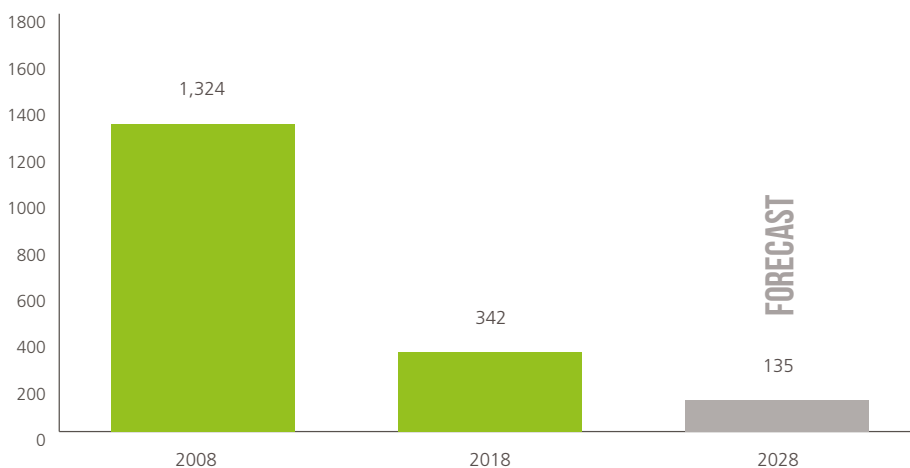
Enhancing consumer welfare by embracing digital financial services

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

The shift away from paper payments continues. The number of cheque payments declined by 74% over the last decade to 342 million in 2018. The number is expected to continue falling, reaching 135 million in 2028 (Figure 7).¹²

Figure 7: Summary of cheque payments, million

Source: UK Finance



- In Great Britain, the use of online banking increased 32 percentage points over the past decade, to 73% in 2019 (from 41% in 2009).¹³
- Forty-eight per cent of the population used banking apps on their smartphone or tablet to access bank accounts in 2018.¹⁴
- Traditional banks have embraced online and mobile banking, but globally, six top

11 Financial Services Compensation Scheme, 'New £85,000 deposit limit from today', (30 January 2017), available at: <https://www.fscs.org.uk/news/2017/january/new-85000-deposit-limit-from-today/>

12 UK Finance, 'UK payment markets summary 2019', (June 2019), p.5, available at: <https://www.ukfinance.org.uk/sites/default/files/uploads/pdf/UK-Finance-UK-Payment-Markets-Report-2019-SUMMARY.pdf>

13 Office for National Statistics, 'Internet access – households and individuals, Great Britain: 2019', (12 August 2019), available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/householdcharacteristics/homeinternetandsocialmediausage/bulletins/internetaccesshouseholdsandindividuals/2019>

14 UK Finance, 'UK payment markets summary 2019', (June 2019), p.4, available at: <https://www.ukfinance.org.uk/sites/default/files/uploads/pdf/UK-Finance-UK-Payment-Markets-Report-2019-SUMMARY.pdf>

challenger banks are each valued more than \$1bn—three of which are based in the UK. After raising \$440m in February 2019, OakNorth was valued \$2.8bn. Monzo Bank, headquartered in London, was valued at \$2.7bn as of June 2019. The valuation of Revolut, a UK-based challenger bank, was \$1.7bn (estimated, April 2018).¹⁵

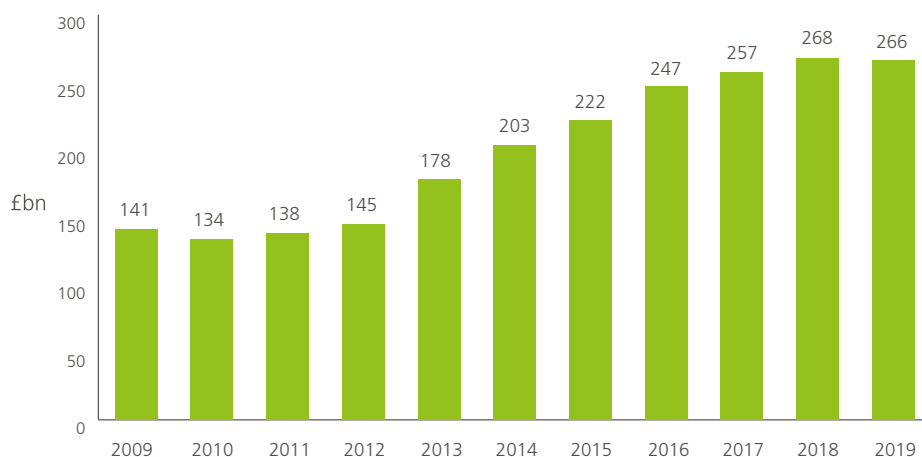
- Contactless payments have increased rapidly in recent years. According to data from UK Finance, the number of annual transactions made with contactless payment cards reached 7.4 billion in 2018, up 31% from a year earlier.¹⁶
- Insurance is benefiting from digitalisation through improved communication with clients, cost efficiency and business model innovation. According to research by McKinsey, automation can reduce claim costs by 25-30%.¹⁷

Providing mortgage finance

Sixty-four per cent of the public enjoy the security of home ownership in England - a rate which is supported by mortgage lending.¹⁸ The value of gross mortgage lending in the UK nearly doubled over the last decade, reaching £266bn in 2019 (Figure 8).¹⁹

Figure 8: UK gross mortgage lending, £bn

Source: UK Finance



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

¹⁵ FinTech Futures, 'Top 10 challenger banks by valuation and funding', (27 December 2019), available at: <https://www.fintechfutures.com/2019/12/top-10-challenger-banks-by-valuation-and-funding/>

¹⁶ UK Finance, 'UK payment markets summary 2019', (June 2019), p.3, available at: <https://www.ukfinance.org.uk/sites/default/files/uploads/pdf/UK-Finance-UK-Payment-Markets-Report-2019-SUMMARY.pdf>

¹⁷ McKinsey & Company, 'Digital insurance in 2018: driving real impact with digital and analytics', (December 2018), p.4, available at: <https://www.mckinsey.com/~media/mckinsey/industries/financial%20services/our%20insights/digital%20insurance%20in%202018%20driving%20real%20impact%20with%20digital%20and%20analytics/digital-insurance-in-2018.ashx>

¹⁸ Ministry of Housing, Communities and Local Government, 'English housing survey, home ownership, 2017-18', (17 July 2019), available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/817623/EHS_2017-18_Home_ownership_report.pdf

¹⁹ UK Finance, 'Household finance update', (27 January 2020), available at: <https://www.ukfinance.org.uk/data-and-research/data/household-finance/household-lending-and-deposits>

Safeguarding savings and managing investments for the future

UK fund managers help to protect and grow around £9.1trn in financial assets, representing savings through pensions, life assurance policies and other investments.²⁰

The UK has one of the largest pension industries worldwide, with total investments of £3trn at the end of 2018. 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.²¹

Pension participation has been increased, partly because of automatic enrolment that was introduced in 2012.²² 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 supplement state and occupational pension schemes.²³

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 2018/19, the number of annuity sales decreased to 73,977 from 77,192 in 2015/16.²⁴

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.²⁵ 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 9.²⁶

20 The Investment Association, 'Investment management in the UK 2018-2019: The Investment Association annual surveyeconomic-resear2019', p.18, available at: <https://www.theia.org/sites/default/files/2019-09/IMS%20full%20report%202019.pdf>

21 The Investment Association, 'Investment management in the UK 2018-2019: The Investment Association annual survey', (September 2019), p.54, available at: <https://www.theia.org/sites/default/files/2019-09/IMS%20full%20report%202019.pdf>

22 Ibid.

23 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

24 Financial Conduct Authority, 'Retirement income market data 2018/19', (25 September 2019), available at: <https://www.fca.org.uk/data/retirement-income-market-data>

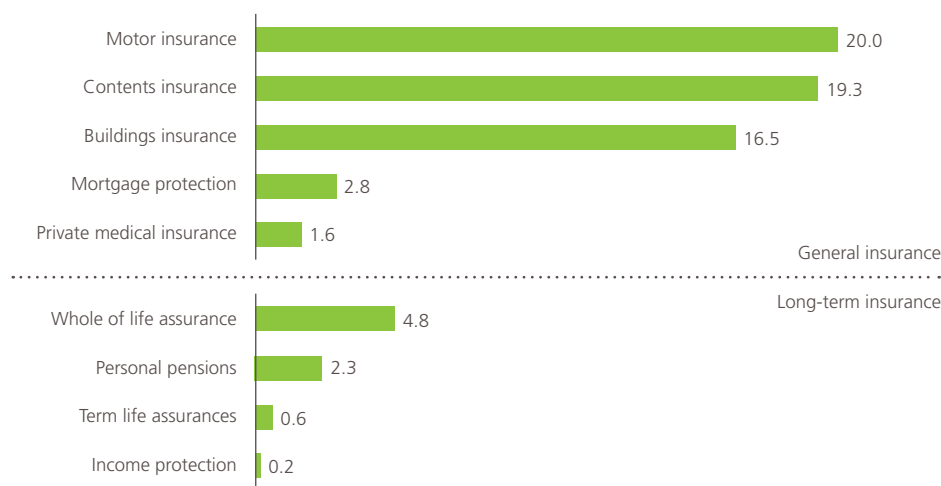
25 The Association of British Insurance, 'Annual long-term insurance overview statistics 2018', (12 September 2019), available at: <https://www.abi.org.uk/data-and-resources/industry-data/free-industry-data-downloads/>

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

Figure 9: 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. 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 2018 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.²⁷

²⁷ TheCityUK, 'Legal excellence, internationally renowned: UK legal services 2019', (December 2019), p.14-15, available at: <https://www.thecityuk.com/assets/2019/Report-PDFs/294e2be784/Legal-excellence-internationally-renowned-UK-legal-services-2019.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.

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

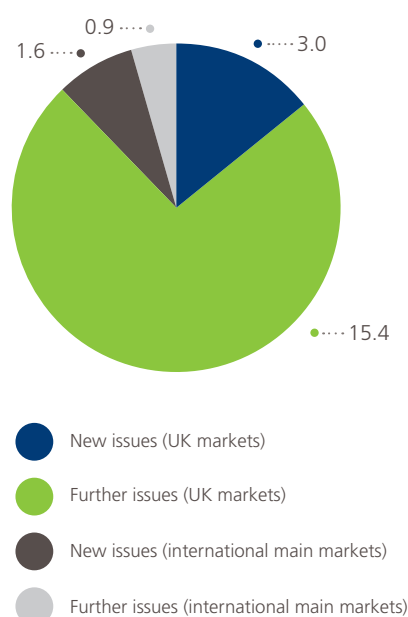
The outstanding amount of loans made available by major banks to UK businesses totalled £490.8bn at the end of 2019, up 2.7% from 2018. Of this total, 34.2% was lent to SMEs.²⁸

Equity and bond financing

Shares: UK and international companies raised £20.8bn in issues of shares on the London Stock Exchange in 2019: £18.3bn in issuance of shares on UK markets; and £2.5bn in international main markets (Figures 10 and 11).²⁹

Figure 10: Issues of shares on the London Stock Exchange, £bn, 2019

Source: London Stock Exchange

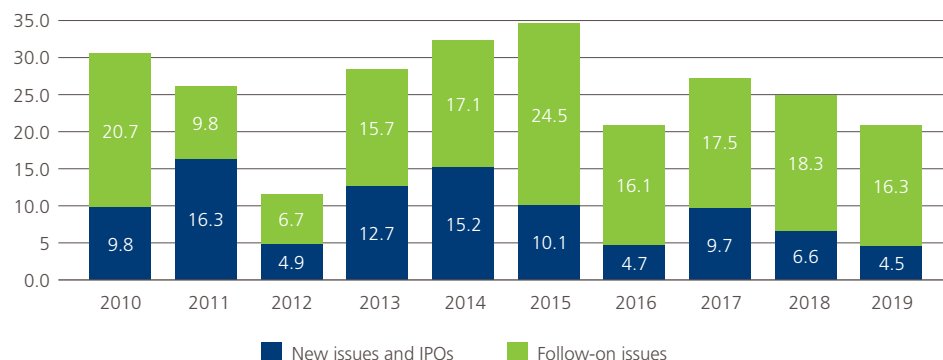


²⁸ Bank of England, 'Monetary financial institutions' loan to UK non-financial business, by size of business', (February 2020), available at: <https://www.bankofengland.co.uk/boeapps/database/index.asp?first=yes&SectionRequired=A&HideNums=-1&ExtraInfo=false&Travel=NlxSTx>

²⁹ London Stock Exchange, 'New and further issues', (February 2020), available at: <https://www.londonstockexchange.com/statistics/new-issues-further-issues/new-issues-further-issues.htm>

Figure 11: Equity issuance on the London Stock Exchange, £bn

Source: London Stock Exchange

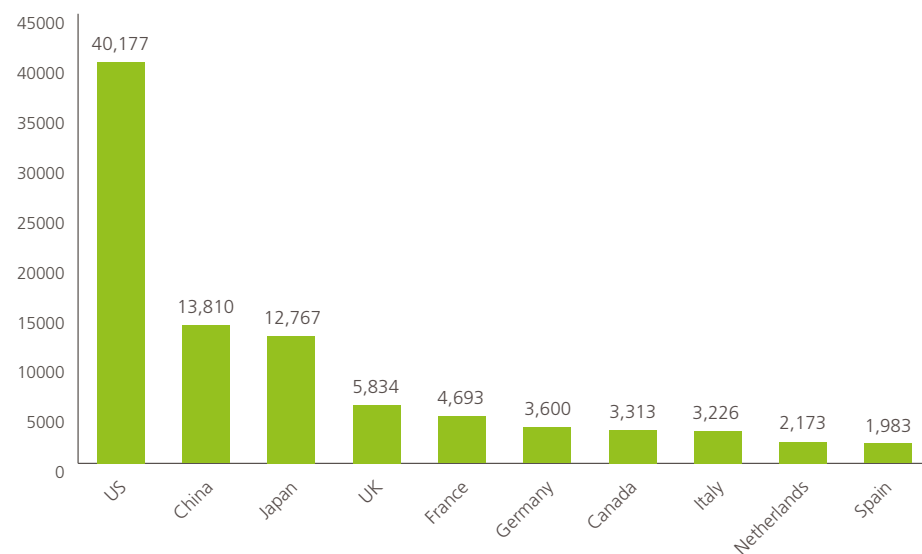


Small caps from across the UK enjoy access to one of the largest share markets for small companies in Europe, with 863 companies quoted on the AIM in the end of 2019. During 2019, AIM companies raised £3.8bn through new and further issues of shares.³⁰

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 \$5.8trn in the second quarter of 2019. The UK has the largest debt security market in Europe and the fourth largest market globally, behind the US (\$40.2trn), China (\$13.8trn) and Japan (\$12.8trn); for more information see Figure 12.³¹

Figure 12: Debt securities outstanding, top countries, \$bn, Q2 2019

Source: Bank for International Settlements



³⁰ London Stock Exchange, 'AIM statistics', (5 February 2020), available at: <https://www.londonstockexchange.com/statistics/markets/aim/aim.htm>

³¹ Bank for International Settlements, 'Summary of debt securities outstanding', (8 December 2019), available at: <https://www.bis.org/statistics/secstats.htm?m=6%7C33%7C615>

Alternative finance

Finance for SMEs has been enhanced by state support schemes such as the Funding for Lending scheme (which launched in 2012 and ran through January 2018) 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 the latest research by the University of Cambridge and CME Group Foundation, the alternative finance market in the UK was estimated to be worth £6.19bn in 2017, up by 35% year on year.³²

Although this figure includes peer-to-peer consumer lending and reward-based crowdfunding, among other models, 29,500 SMEs received around £4.2bn worth of funding from alternative business finance providers in 2017, 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 £168bn.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 untranchised 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.

Primary destination for private equity

The UK private equity and venture capital sector manages assets totalling around £280bn.³⁵ In 2018, UK private equity funds invested £20.6bn in 1,335 UK companies. Regionally, London accounted for 43.8% of total amount of capital invested, followed by the South East (16.6%), the North West (7.5%) and Yorkshire & The Humber (7.2%); for more information see Figure 13.³⁶

32 University of Cambridge and CME Group Foundation, 'University of Cambridge and CME Group Foundation, (November 2018), p.7, available at: https://www.jbs.cam.ac.uk/fileadmin/user_upload/research/centres/alternative-finance/downloads/2018-5th-uk-alternative-finance-industry-report.pdf

33 University of Cambridge and CME Group Foundation, 'University of Cambridge and CME Group Foundation, (November 2018), p.7, available at: https://www.jbs.cam.ac.uk/fileadmin/user_upload/research/centres/alternative-finance/downloads/2018-5th-uk-alternative-finance-industry-report.pdf

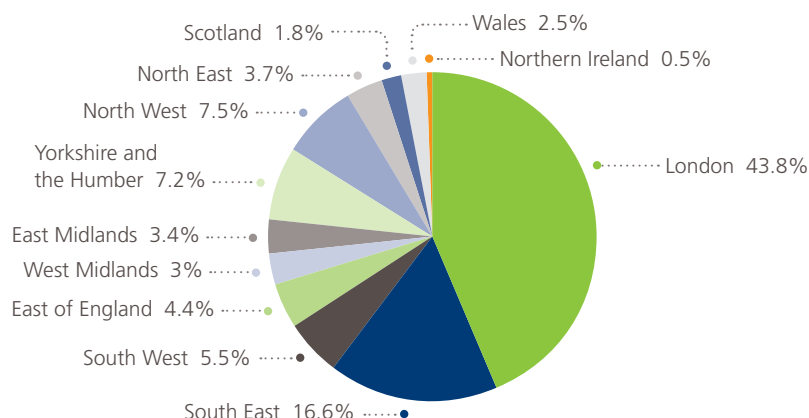
34 Bank of England, 'Monetary financial institutions' loan to UK non-financial business, by size of business', (February 2020), available at: <https://www.bankofengland.co.uk/boeapps/database/index.asp?first=yes&SectionRequired=A&HideNums=-1&ExtraInfo=false&Travel=NlxSTx>

35 The Investment Association, 'Investment management in the UK 2018-2019: The Investment Association annual survey economic research 2019', p.18, available at: <https://www.theia.org/sites/default/files/2019-09/IMS%20full%20report%202019.pdf>

36 British Private Equity & Venture Capital Association, 'BVCA report on investment activity 2018', (February 2020), p.19 and 27, available at: <https://www.bvca.co.uk/Research/Industry-Activity>

Figure 13: UK private equity investments, by region as a % of total UK investment

Source: British Private Equity & Venture Capital Association



Investing in infrastructure

UK-based financial and related professional services firms have provided private investment in UK public infrastructure through Public Private Partnerships (PPPs). Through PPPs, more than 700 projects with capital value of £56bn have been funded.³⁷ The UK government aims to invest over £400bn in its National Infrastructure Plan, £190bn of which will be invested up to 2020/21. Around 50% of the £190bn will come from a diverse range of private investment sources.³⁸

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 £21.6bn, £15.1bn and £28.8bn respectively to UK output in 2018.

According to data from the Financial Reporting Council, there were over 365,000 members in seven main accountancy bodies in the UK and the Republic of Ireland in 2018. The ICAEW was the largest of these, with 128,626 members, followed by the ACCA (98,049); for more information see Figure 14.³⁹

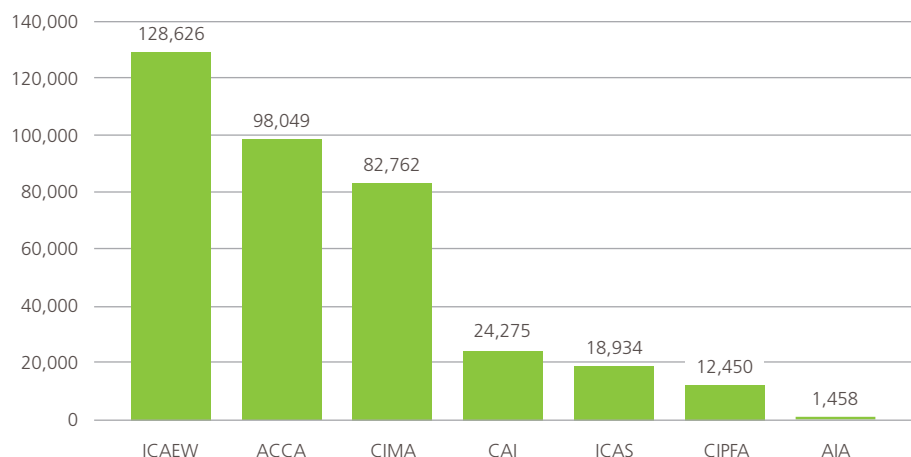
³⁷ Infrastructure and Projects Authority and HM Treasury, 'public private partnerships', (30 May 2019), available at: <https://www.gov.uk/government/collections/public-private-partnerships>

³⁸ Infrastructure and Projects Authority, 'Analysis of the national infrastructure and construction pipeline', (27 February 2019), p.7 and 14, available at: <https://www.gov.uk/government/publications/national-infrastructure-and-construction-pipeline-2018#history>

³⁹ Financial Reporting Council, 'Key facts and trends in the accountancy profession', (October 2019), p.2-4, available at: <https://www.frc.org.uk/getattachment/109373d4-abc2-424f-84d0-b80c2cec861a/Key-Facts-and-Trends-2019.pdf>

Figure 14: Membership of accountancy bodies in the UK and Ireland, 2018

Source: Financial Reporting Council



KickStart Money is a project initiated in 2017 through the TISA Savings and Investment Project, whereby 20 investment firms have committed £1m over a three-year period to take financial education to nearly 18,000 primary school children. To date, around 9,000 children have received delivery of this programme.⁴⁰ MyBnk conducted an independent evaluation for primary-aged children to examine the impact of KickStart Money sessions. Seventy-eight percent of the children can understand the term of 'salary' or 'wage', up 32 percentage points since the sessions were delivered.⁴¹

40 KickStart Money, 'Building foundations for a better financial future', (February 2020), available at: https://www.tisa.uk.com/wp-content/uploads/publications/803_kickstart-money-flyer-FINAL0517.pdf

41 KickStart Money, 'Evaluating KickStart's impact', (February 2020), available at: <https://www.kickstartmoney.co.uk/#info>

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. 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

Association of British Insurers

Bank for International Settlements

Bank of England

British Private Equity & Venture Capital Association

City of London Corporation

CME Group Foundation

Financial Conduct Authority

Financial Reporting Council

Financial Services Compensation Scheme

HM Revenue & Customs

HM Treasury

Infrastructure and Projects Authority

Innovate Finance

Investment Association

KickStart Money

London Stock Exchange

McKinsey & Company

Ministry of Housing, Communities & Local Government

Nomis

Office for National Statistics

PwC

TechUK

UK Finance

UNCTAD

University of Cambridge

TheCityUK Research:

For content enquiries, further information about our work or to comment on our programme/reports, please contact:

Anjalika Bardalai, Chief Economist and Head of Research

anjalika.bardalai@thecityuk.com

+44 (0)20 3696 0111

Mingjie Tang, CFA, Senior Executive, Economic Research

mingjie.tang@thecityuk.com

+44 (0)20 3696 0149

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TheCityUK, Fitzwilliam House, 10 St Mary Axe, London, EC3A 8BF

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