TheCityUK

KEY FACTS

ABOUT UK-BASED FINANCIAL AND RELATED PROFESSIONAL SERVICES

2019

May 2019

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 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

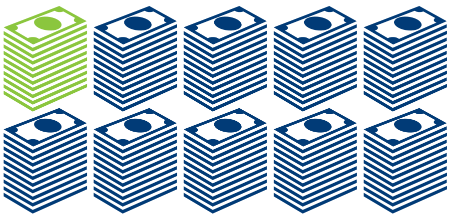
1 IN EVERY

14

PEOPLE IN THE UK WORK IN FINANCIAL AND RELATED PROFESSIONAL SERVICES

2/3 OF WHOM ARE OUTSIDE LONDON

FINANCIAL AND RELATED PROFESSIONAL SERVICES



CONTRIBUTE

£10

OF EVERY £100 OF UK ECONOMIC OUTPUT

UK FINANCIAL SERVICES CONTRIBUTED

IN TAX REVENUE IN 2017/2018

GENERATING A TRADE SURPLUS IN 2017

UK FINANCIAL SERVICES

£60.9BN

UK FINANCIAL AND RELATED PROFESSIONAL SERVICES

AROUND

£75.1BN

FOREIGN DIRECT INVESTMENT TO THE UK

FINANCIAL SERVICES ATTRACTED

£15.9BN

= 31.4% OF TOTAL INWARD FDI IN 2017

FINANCIAL SERVICES HAVE ALMOST 1.1 MILLION PEOPLE IN EMPLOYMENT*

BANKING (394,000)

INSURANCE (304,000)

FUND MANAGEMENT (51,000)

*OTHER FINANCIAL SERVICES ACCOUNT FOR 313,000 EMPLOYEES

RELATED PROFESSIONAL SERVICES HAVE OVER 1.2 MILLION PEOPLE IN EMPLOYMENT

MANAGEMENT CONSULTANCY (495,000)

ACCOUNTING SERVICES (400,000)

LEGAL SERVICES (339,000)

THE UK HAS THE 2ND LARGEST PENSION INDUSTRY WORLDWIDE

TOTAL INVESTMENTS = £3TRN

UK FINTECH REVENUE IN 2016

= £7BN

ONLINE BANKING USAGE IN BRITAIN INCREASED

FROM **35%** IN 2008 TO

69% IN 2018

CONTACTLESS PAYMENTS

NUMBER OF TRANSACTIONS

= 5.6BN IN 2017

UP **97%** FROM 2016

41%

OF THE UK POPULATION USED

BANKING APPS

IN 2017

LOANS TO UK BUSINESSES BY MAJOR BANKS

£477BN

34.8%

OF THESE WERE TO SMEs*

*BY THE END OF 2018

ALTERNATIVE FINANCE

MARKET

= £6.2BN

IN 2017

UP BY

35% YEAR ON YEAR

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FOREWORD

The UK-based financial and related professional services industry continues to play an important day-to-day role in the lives of individuals and the operations of businesses. For example, it provides traditional services like saving and mortgage lending; fund managers and insurance companies look after assets and protect against financial risks. When people buy their homes, save for their retirement or start their own business, it is this industry that helps make it possible. The industry also makes everyday interactions easier through newer technologies such as contactless cards and mobile banking apps: almost half of people in the UK now use apps to access bank current accounts. The industry plays a vital role as a facilitator supporting companies in other sectors through bank lending, equity financing and bond issuance, among other activities. Investing in infrastructure boosts the efficiency and productivity of the economy. Financial services – together with the related professional services of legal, management consultancy and accounting – thus contribute to the economy both directly and indirectly.

Another way of considering the industry's contribution to the UK is to identify its real purpose, and to ask whether it fulfils that purpose. Research by Pension Insurance Corporation ('The purpose of finance - why finance matters: building an industry that services its customers and society', March 2017) defined 'the purpose of finance' to be: the safe-keeping of assets; provision of an effective payment system; risk sharing; and intermediation.

While their project on the purpose of finance, through which they are facilitating a wider debate, has yet to reach a conclusion on whether and to what extent the industry has met its purpose, our 'Key Facts about UK-based financial and related professional services' report quantifies the measurable value of all four of those aims as it explores trends in savings, insurance, business lending, and other areas.

Anjalika Bardalai

Chief Economist & Head of Research, TheCityUK

SUPPORTING EMPLOYMENT AND GROWTH ACROSS THE UK

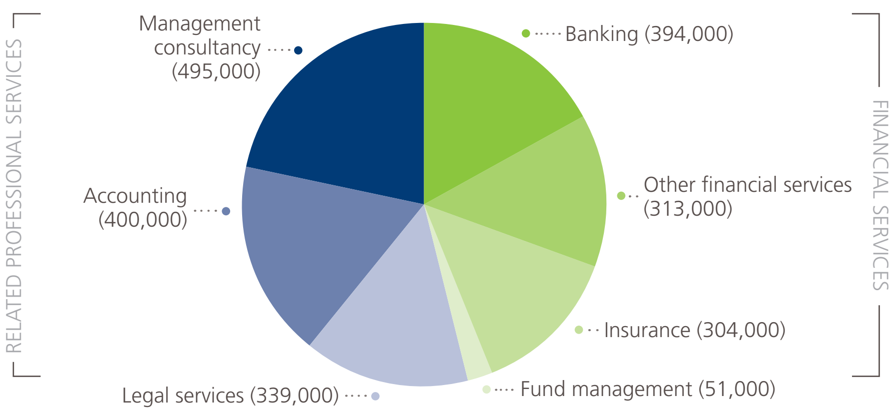
A leading employer

Nearly 2.3 million people work across the country in financial and related professional services – including legal services, accounting services and management consultancy – accounting for 7.3% 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, Sheffield and Watford with between 15,000 and 22,000 in employment. Other centres with over 12,000 people in employment include Brighton and Hove, Milton Keynes, Newcastle upon Tyne, Norwich, Swindon and Warrington.
- 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 (394,000) and insurance (304,000). Fund management provides employment for a further 51,000 and other financial services 313,000. Related professional services have over 1.2 million people in employment divided among management consultancy (495,000), accountancy (400,000) and legal services (339,000); see Figure 1.[1]

Figure 1: Employment by sector in UK-based financial and related professional services, 2017

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

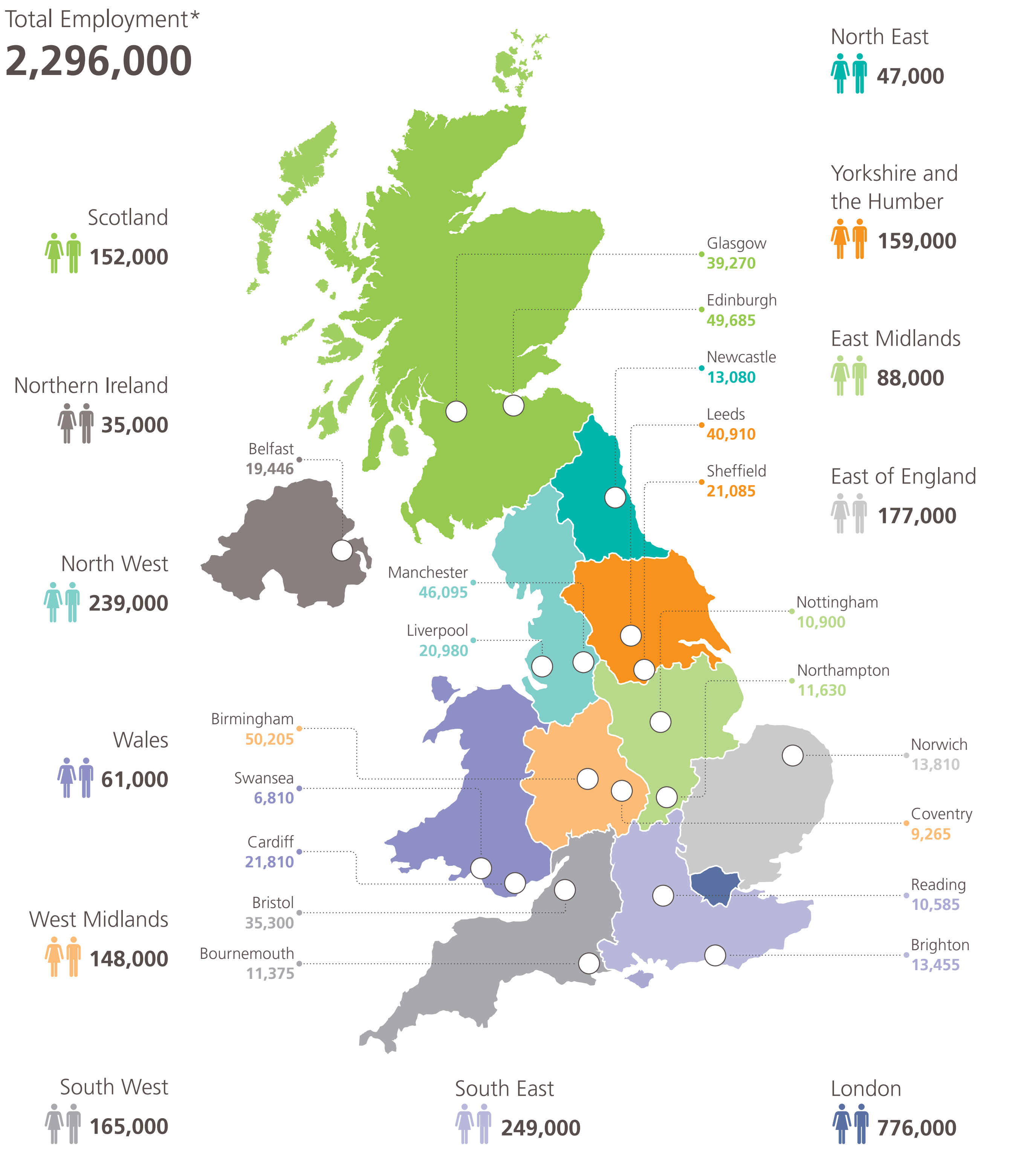


Total: 2,296,000

1 TheCityUK calculations based on Nomis, 'Business register and employment survey: open access', (January 2019), 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, 2017

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



*Northern Ireland figures are employees

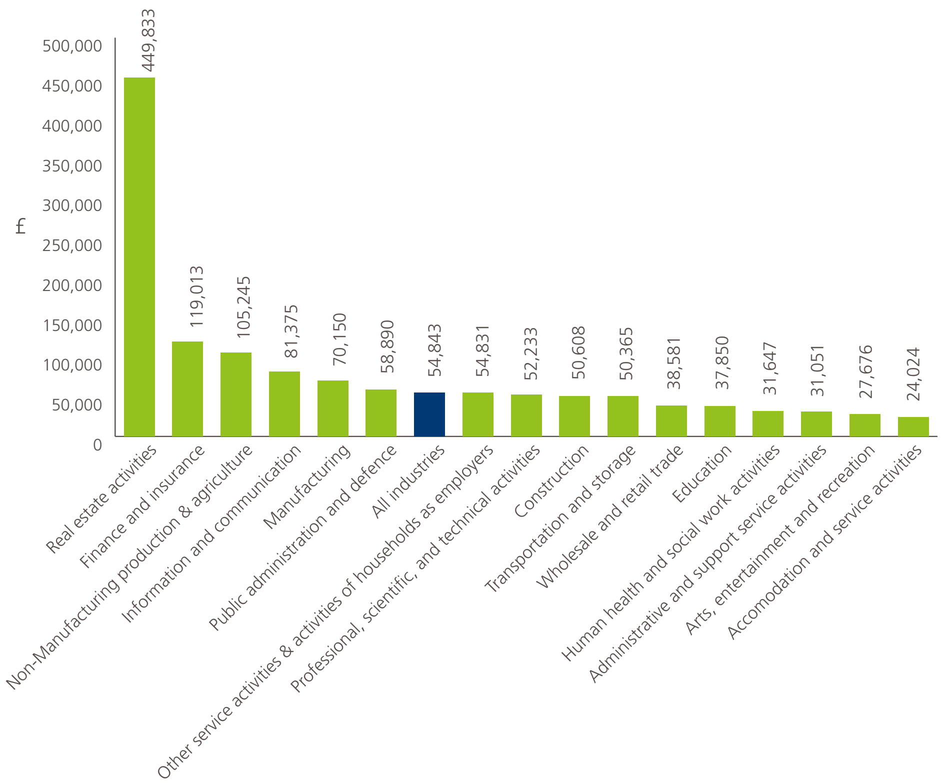
A significant contributor to UK economic output

Across their domestic and international activities, financial and related professional services contributed £190bn to UK gross value added (GVA) in 2017, 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 £119,013 in 2017, compared with the average for all industries of £54,843. On this metric, the sector ranks second, behind real estate activities (£449,833) and ahead of non-manufacturing production and agriculture (£105,245); 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, £, 2017

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', (12 December 2018), available at: https://www.ons.gov.uk/economy/grossvalueaddedgva/datasets/nominalregionalgrossvalueaddedbalancedperheadandincomecomponents

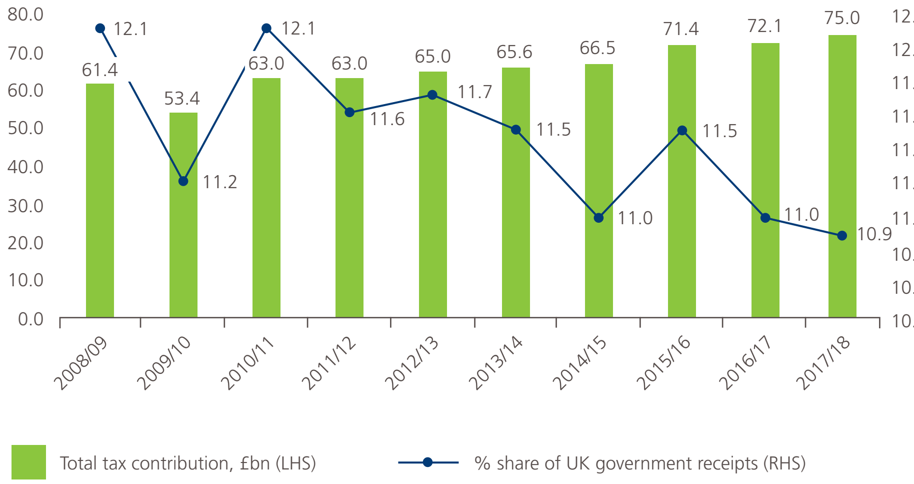
3 The Office for National Statistics, 'Region by industry labour productivity', (6 February 2019), available at: https://www.ons.gov.uk/economy/economicoutputandproductivity/productivitymeasures/datasets/industrybyregionlabourproductivity

A large generator of tax receipts

UK financial services are a vital source of tax receipts, contributing £75bn in tax revenue in 2017/18. This accounted for 10.9% of total UK tax receipts (Figure 4) and was equivalent to 3.7% of UK GDP. A major source of tax receipts was the £32.9bn from employees' income tax and national insurance contributions.[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 £75.1bn in 2017, based on data from the Office for National Statistics.[5] This represented 3.7% of GDP.[6] Although London dominates exports, around half of the industry's exports came from outside London.

- The UK's trade surplus in financial services is nearly equivalent to the combined surpluses of the next three leading countries (the US, Switzerland and Luxembourg).[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 nearly equivalent to the combined surplus of all other industries in the UK which register trade surpluses (Figure 5).[8] This helps to partly offset the UK's trade in goods deficit of £137.4bn.[9]

4 City of London Corporation and PwC, 'The total tax contribution of UK financial services in 2018: 11th Edition', (29 November 2018), p.2, available at: https://www.cityoflondon.gov.uk/business/economic-research-and-information/research-publications/Documents/total-tax-report-2018.pdf

5 TheCityUK calculations based on the Office for National Statistics, 'Trade in services, Pink Book 2018', (31 July 2018), 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', (21 December 2018), available at: https://www.ons.gov.uk/economy/grossdomesticproductgdp/timeseries/ybha/qna

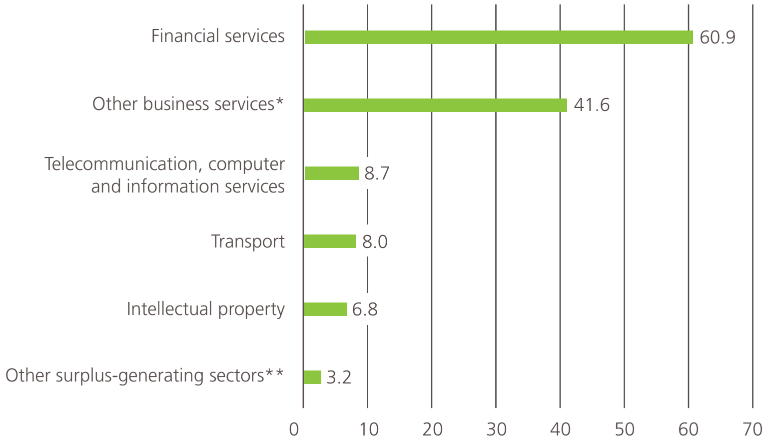
7 UNCATD, 'Services (BPM6): Exports and imports by service-category and by trade-partner, 2005-2017', (January 2019), available at: https://unctadstat.unctad.org/wds/TableViewer/tableView.aspx?ReportId=135718

8 The Office for National Statistics, 'Trade in services, Pink Book 2018', (31 July 2018), available at: https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/3tradeinservicesthepinkbook2016

9 The Office for National Statistics, 'Trade in goods, Pink Book 2018', (31 July 2018), available at: https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/2tradeingoodsthepinkbook2016

Figure 5: UK sectors generating a trade surplus in £bn, 2017

Source: Office for National Statistics



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

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

Attracting foreign direct investment to the UK

The UK remains a key destination for financial services investment; the industry attracted £15.9bn of foreign direct investment (FDI) in 2017, representing 31.4% of total inward FDI.[10]

10 TheCityUK calculations based on the Office for National Statistics, 'Financial account, Pink Book 2018', (31 July 2018), available at: https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/7financialaccountthepinkbook2016

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. Retail finance has been undergoing 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.

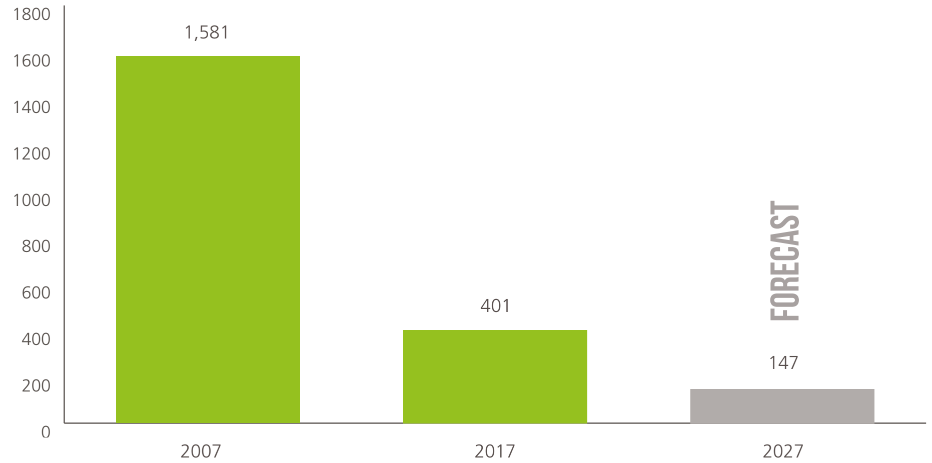
Enhancing consumer welfare by embracing digital financial services

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

The shift away from paper payments continues. The number of cheque payments declined by around 75% over the last decade to 401 million in 2017. The number is expected to continue falling, reaching 147 million in 2027 (Figure 6).[11]

Figure 6: Summary of cheque payments, million

Source: UK Finance



- In Great Britain, the use of online banking increased 34 percentage points over the past decade, to 69% in 2018 (from 35% in 2008).[12]
- Forty-one per cent of the population used banking apps on their smartphone or tablet to access bank accounts in 2017.[13]
- 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 5.6 billion in 2017, up 97% from a year earlier.[14]

11 UK Finance, 'UK payment markets summary 2018', (January 2019), p.8, available at: https://www.ukfinance.org.uk/system/files/Summary-UK-Payment-Markets-2018.pdf

12 The Office for National Statistics, 'Internet access – households and individuals, Great Britain: 2018', (7 August 2018), available at: https://www.ons.gov.uk/peoplepopulationandcommunity/householdcharacteristics/homeinternetandsocialmediausage/bulletins/internetaccesshouseholdsandindividuals/2018

13 UK Finance, 'UK payment markets summary 2018', (January 2019), p.4, available at: https://www.ukfinance.org.uk/system/files/Summary-UK-Payment-Markets-2018.pdf

14 UK Finance, 'UK payment markets summary 2018', (18 June 2018), p.4, available at: https://www.ukfinance.org.uk/system/files/Summary-UK-Payment-Markets-2018.pdf

- 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%.[15]
- The creation of new digital identities is being driven by the use of challenger banks and digital-only banking services. The revised Payment Services Directive (PSD2) and the Open Banking initiative has also pushed the number of digital identities in financial services into the millions, and the number is expected to continue increasing in the future.[16]
- Verification of an individual's identity is an essential tenet of UK financial services regulation, yet no universal facility exists that enable the consumer to fully identify themselves once and reuse that identity across multiple financial services providers. TISA, the membership organisation focusing on consumer savings and investment, is leading an industry project to develop a digital identity for UK consumers that meets all relevant regulatory requirements. The project is focused on the development of a range of prototypes to test consumers' ability to register for a Digital Identity and to fully assess the technical and operational aspects of the identity. The project team has developed standards that define the data required to identify a consumer and is designing a trust framework along with planning the technical delivery. A business case is being developed that includes a plan for the rollout of the Digital Identity across UK financial services.

Providing bank finance

- Around 99% of adults in the UK have at least one bank account.
- Personal deposits of up to £85,000 in each bank are protected through the Financial Services Compensation Scheme.[17]

Providing mortgage finance

Sixty-three per cent of the public enjoy the security of home ownership - a rate which is supported by mortgage lending.[18] The value of gross mortgage lending nearly doubled over the last decade, reaching £268bn in 2018 (Figure 7).[19]

15 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%20 2018%20driving%20real%20impact%20with%20digital%20and%20analytics/digital-insurance-in-2018.ashx

16 TechUK, `The case for digital IDs: A techUK white paper', (February 2019), p.12, available at: https://www.techuk.org/images/ documents/digital_id_FINAL_WEBSITE.pdf"

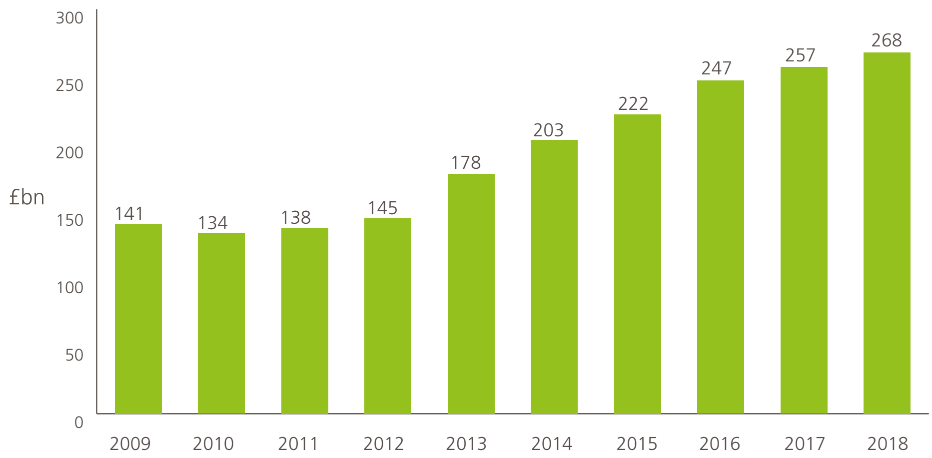
17 Financial Services Compensation Scheme, 'New £85,000 deposit limit from today', (30 January 2017), available at: https://www. fscs.org.uk/news/2017/january/new-85000-deposit-limit-from-today/

18 Ministry of Housing, Communities and Local Government, 'Home ownership', (10 October 2018), available at: https://www. ethnicity-facts-figures.service.gov.uk/housing/owning-and-renting/home-ownership/lates

19 UK Finance, 'Total market data – gross mortgage lending statistics – December 2018', (25 January 2019), available at: https://www. ukfinance.org.uk/statistics/mortgages/

Figure 7: UK gross mortgage lending, £bn

Source: UK Finance



More than 1.2 million Help to Buy ISA accounts have been opened since the scheme was launched in 2015. With the support of the scheme, 169,980 properties have been completed and £189m bonuses have been paid through the scheme. The North West, and Yorkshire and The Humber have the highest proportion of properties that have been completed with the support of the scheme.

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 £9.1trn in financial assets, representing savings through pensions, life assurance policies and other investments.[20]

- According to data from the Investment Association, over nine million eligible jobholders in the UK were automatically enrolled in pensions as of the end of 2017.[21]
- Contributions to personal pension pots totalled £24.8bn in 2016/17, up 2.1% from the previous year. Personal pensions help savers to achieve their aspirations for independent and fulfilling retirement years. Personal pensions supplement state and occupational pension schemes.[22]
- The UK has one of the largest pension industries worldwide, with total investments of £3trn at the end of 2017. 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.[23]

20 The Investment Association, 'Asset management in the UK 2017-2018: The Investment Association annual survey', (September 2018), p.17, available at: https://www.theinvestmentassociation.org//assets/files/research/2018/20180913-fullsummary.pdf.pdf

21 Ibid.

22 HM Revenue & Custom, 'Personal pensions statistics', (September 2018), p.11, available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/764790/Sept_2018_Personal_Pensions_publication.pdf

23 The Investment Association, 'Asset management in the UK 2017-2018: The Investment Association annual survey', (September 2018), p.56, available at: https://www.theinvestmentassociation.org//assets/files/research/2018/20180913-fullsummary.pdf.pdf

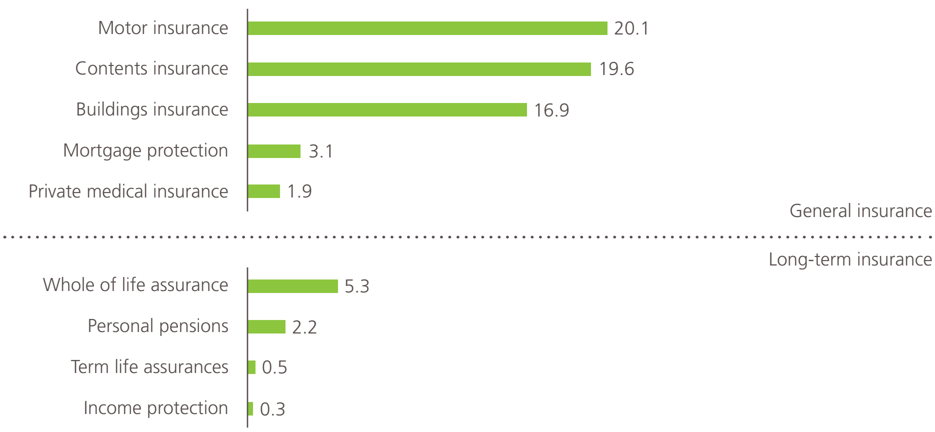
Annuities have often been used to provide a guaranteed income in retirement. However, the pension landscape changed dramatically following changes introduced in the 2014 Budget. These changes meant that those who could demonstrate that they had a guaranteed income of at least £20,000 per year did not have to annuitise. Due to the policy change, which took effect in 2015, annuity sales have diminished considerably in recent years. For example, in 2017/18, annuity sales decreased by 7% year on year, while drawdown sales rose by 13% year on year. Nevertheless, the number of annuity contracts in payment is still over eight times more than the number of drawdown plans.[24]

The UK insurance industry paid out an average of £2,978 per person in the UK in 2017 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 20.1 million households being covered in 2016/17. This was followed by contents (19.6 million) and buildings insurance (16.9 million). For long-term insurance, more than 5 million households bought life assurance in that year, followed by personal pensions (2.2 million); for more information see Figure 8.[26]

Figure 8: Number of household insurance products by type in millions, 2016/17

Source: Association of British Insurers

Note: the total number of UK households in 2016/17 was 26.6 million



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.

24 Financial Conduct Authority, 'Data bulletin September 2018: in focus: latest trends in the retirement income market', (6 September 2018), p.3, available at: https://www.fca.org.uk/publication/data/data-bulletin-issue-14.pdf

25 The Association of British Insurance, 'Annual long-term insurance overview statistics 2017', (28 September 2018), available at: https://www.abi.org.uk/data-and-resources/industry-data/free-industry-data-downloads/

26 The Association of British Insurers, 'UK insurance and long term savings key facts 2018', (December 2018), p.4, available at: https://www.abi.org.uk/globalassets/files/publications/public/key-facts/key_facts_2018.pdf

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 2017 study by Thomson Reuters found that around 50% of law firms and 60% of corporate legal departments 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. However, looking to the future, 46% of corporations plan to use an ALSP for specialised legal services in next five years and 56% of corporations will be looking to an ALSP for help with regulatory risk and compliance.[27]

27 TheCityUK, 'Legal excellence, internationally renowned: UK legal services 2018', (November 2018), p.15-16, available at: https://www.thecityuk.com/assets/2018/Reports-PDF/86e1b87840/Legal-excellence-internationally-renowned-UK-legal-services-2018.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 £477bn at the end of 2018. Of this total, 34.8% was lent to SMEs.[28]

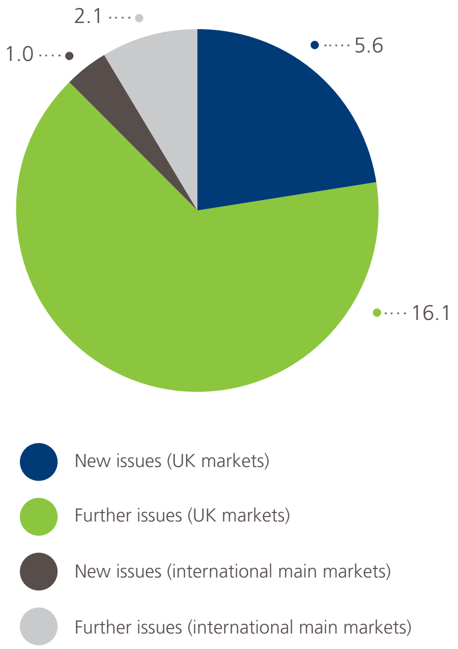
The geographical distribution of SME borrowing is generally reflective of the locational spread and turnover of all businesses in the UK.

Equity and bond financing

- Shares: UK and international companies raised £24.9bn in issues of shares on the London Stock Exchange in 2018: £21.8bn in issuance of shares on UK markets; and £3.1bn in international main markets (Figures 9 and 10).[29]

Figure 9: Issues of shares on the London Stock Exchange, £bn, 2018

Source: London Stock Exchange

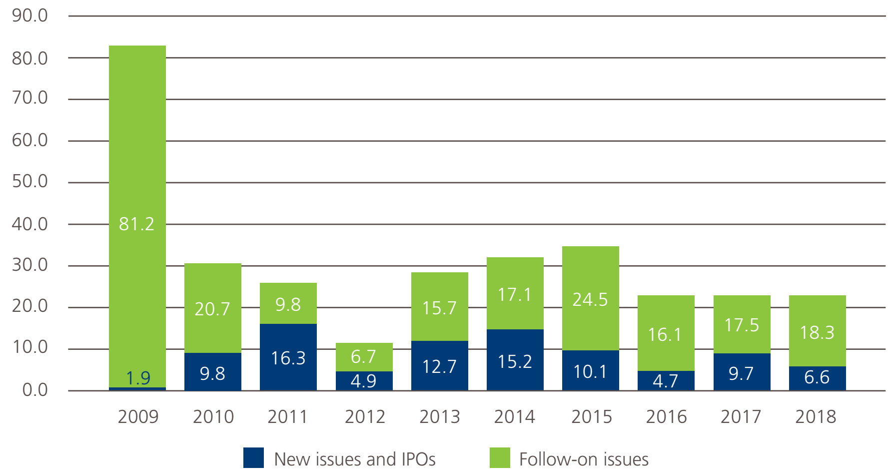


28 Bank of England, 'Monetary financial institutions' loans to UK non-financial business, by size of business', (26 January 2019), available at: https://www.bankofengland.co.uk/statistics/details/further-details-about-monetary-financial-institutions-loans-to-non-financial-businesses-data

29 The London Stock Exchange, 'New and further issues', (31 December 2018), available at: http://www.londonstockexchange.com/statistics/new-issues-further-issues/new-issues-further-issues.htm

Figure 10: Equity issuance on the London Stock Exchange, £bn

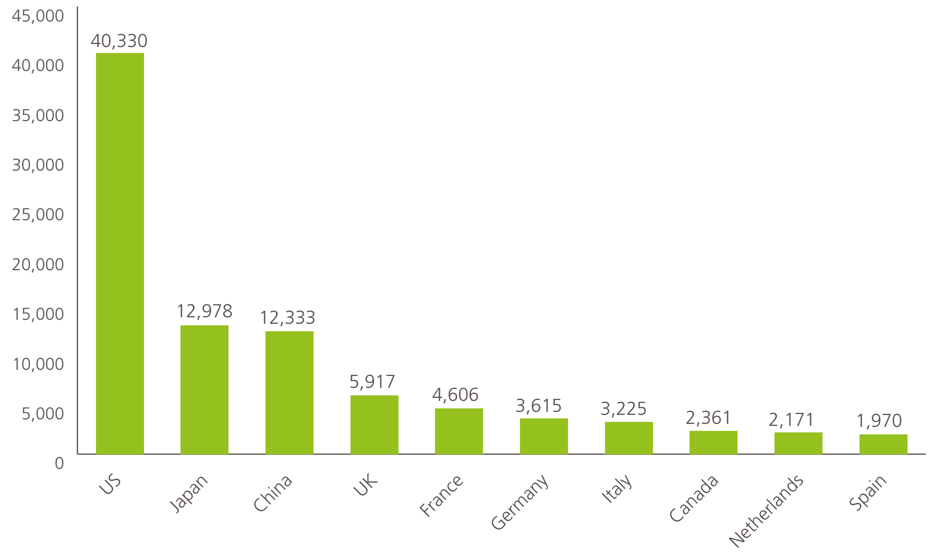
Source: London Stock Exchange



- Small cap equity market: small caps from across the UK enjoy access to one of the largest share markets for small companies in Europe, with 923 companies quoted on the AIM. In 2018, AIM companies raised £5.5bn 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 $5.9trn in the second quarter of 2018. The UK has the largest debt security market in Europe and the fourth largest market globally, behind the US ($40.3trn), Japan ($13trn) and China ($12.3trn); for more information see Figure 11.[31]

Figure 11: Debt securities outstanding, top countries, $bn, Q2 2018

Source: Bank for International Settlements



30 The London Stock Exchange, 'AIM statistics', (08 February 2018), available at: http://www.londonstockexchange.com/statistics/markets/aim/aim.htm

31 Bank for International Settlements, 'Summary of debt securities outstanding', (16 December 2018), available at: https://www.bis.org/statistics/c1.pdf

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 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 exceeded £166bn.[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.

The UK is a global leader in FinTech; the sector generated around £7bn in revenue in 2016, according to HM Treasury.[35] According to the most recent data from Innovate Finance, UK FinTech firms received $3.3bn investment from venture capital (VC) and private equity (PE) in 2018, up 18% on 2017, of which $1.7bn investment was from VC. The amount of VC investment in the UK was the third largest in the world, just after the amount in China and the US.[36]

Primary destination for private equity

The UK private equity and venture capital sector manages assets totalling around £270bn.[37] In 2017, UK private equity funds invested £22.2bn in 1,030 UK companies. Regionally, London accounted for 47.1% of total amount of capital invested, followed by the South East (13.9%), the North West (9%) and Scotland (8.8%); for more information see Figure 12.[38]

32 University of Cambridge and CME Group Foundation, 'The 5th UK alternative finance industry report', (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 Ibid.

34 Bank of England, 'Monetary financial institutions' loans to UK non-financial business, by size of business', (26 January 2019), available at: https://www.bankofengland.co.uk/statistics/details/further-details-about-monetary-financial-institutions-loans-to-non-financial-businesses-data

35 'FinTech will transform the way we live and do business', speech by The Rt Hon Philip Hammond MP, Chancellor of the Exchequer, 12 April 2017; available at: https://www.gov.uk/government/speeches/fintech-will-transform-the-way-we-live-and-do-business-says-the-chancellor

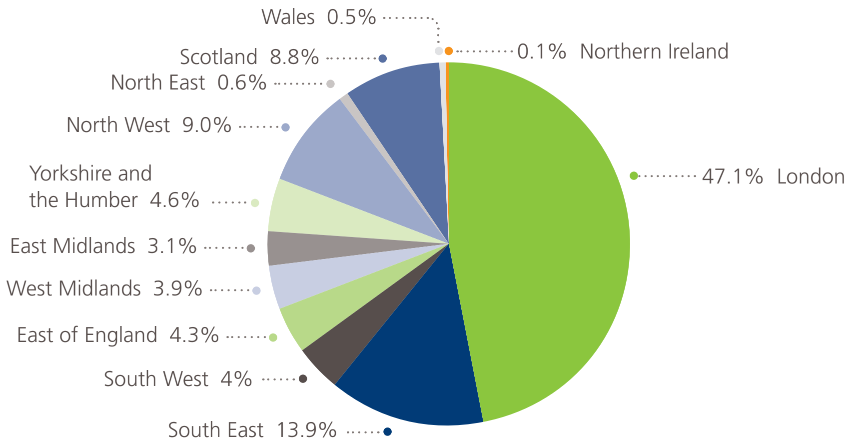
36 Innovate Finance, `2018 FinTech VC investment landscape', (February 2019), p.18

37 The Investment Association, 'Asset management in the UK 2017-2018: The Investment Association annual survey', (September 2018), p.17, available at: https://www.theinvestmentassociation.org//assets/files/research/2018/20180913-fullsummary.pdf.pdf

38 The British Private Equity & Venture Capital Association, 'BVCA report on investment activity 2017', (February 2019), p.19 and 27, available at: https://www.bvca.co.uk/Portals/0/Documents/Research/Industry%20Activity/BVCA-RIA-2017.pdf?ver=2018-07-05-190000-180&timestamp=1530813602675

Figure 12: UK private equity investments, % of amounts invested, 2017

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.[39] The UK government aims to invest over £400bn up to 2020/21 and beyond 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.[40]

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 £20.1bn, £14bn and £26.8bn respectively to UK output in 2017.

According to data from the Financial Reporting Council, there were over 360,000 members in seven main accountancy bodies in the UK and the Republic of Ireland in 2017. The ICAEW was the largest of these, with 126,560 members, followed by the ACCA (94,622).[41] Seventy-eight companies in the largest 100 UK listings have at least one ICAEW chartered holder on their board. Meanwhile, the ACCA supports over 200,000 members and more than 500,000 students in the UK and 178 other countries.

39 Infrastructure and Projects Authority and HM Treasury, 'Public private partnerships', (28 November 2018), available at: https://www.gov.uk/government/collections/public-private-partnerships

40 Infrastructure and Projects Authority, 'Analysis of the national infrastructure and construction pipeline', (26 November 2018), p.7 and 14, available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/759222/CCS207_CCS1118987248-001_National_Infrastructure_and_Construction_Pipeline_2018_Accessible.pdf

41 Financial Reporting Council, 'Key facts and trends in the accountancy profession', (July 2018), p.53, available at: https://www.frc.org.uk/getattachment/27725654-8bd9-4623-a410-ef1661a69649/Key-Facts-and-Trends-2018.pdf

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, 9,371 children have received delivery of this programme. An extensive evaluation programme has been conducted since the programme's inception, initially supported by funding from the Money Advice Service 'What Works' fund. This evaluation, conducted at least three months after the sessions were delivered, has shown some important outcomes from participating in the programme. For example, 68% of children who would not delay gratification before the programme, now do so, and 67% of those who did not understand the term 'budget' now do.

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

House of Commons Library

Infrastructure and Projects Authority

Innovate Finance

Institute of Chartered Accountants in England and Wales

Investment Association

London Stock Exchange

McKinsey & Company

Ministry of Housing, Communities & Local Government

Nomis

Office for National Statistics

PwC

UK Finance

UNCTAD

University of Cambridge

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