THE 2024 FSG MAYORAL & CITY BRIEFING

Supporting the 696th Lord Mayor's mission of 'Unleashing Growth'

Briefing Purpose

This document is presented in a spirit of support for the 696th Lord Mayor's aim to '**Unleash Growth**', and for the extraordinary City[1], a globally unique place where the FSG Liveries and their members live and ply their livelihoods.

The context for this support is the recent 15-year period where the City has been under threat from multiple headwinds. We, alongside the Lord Mayor and the Corporation, believe it is now time to turn that tide. To that end, we have decided to focus on the hurdles, barriers and challenges to growth, as there is no point in hoping for change, you must **do** something to make it happen.

To this end, this document contains the considered input from each of the 15 Livery Companies that make up the Financial Services Group (FSG) and is intended to be used by the Lord Mayor and his team in Mansion House and the Policy Team in Guildhall to support their policy and promotional work both in the UK and overseas. It is presented in a spirit of collaboration and total support for a thriving City of London that the FSG believes is the beating heart for the prosperity of the whole UK.

The Financial Services Group of Livery Companies (FSG)

The financial services industry – primarily banking and insurance, supported by a range of professional and ancillary services – is the core economic engine of the City of London, and indeed of the UK, supporting and aiding growth and trade, in all its forms.

The FSG is comprised of London Livery Companies and Guilds that cover both financial trades and supporting professional services. Its role is two-fold - firstly, to support the Lord Mayor, the Sheriffs and the Officers of the Corporation of London by providing input, advice, and support to help them promote the City and its core activities, globally; and secondly, to foster collaboration between Livery Companies with overlapping and complementary interests, events and activities, that can be opened to the benefit of all.

The FSG is made up of the following 15 Livery Companies and Guilds and is chaired by Mark Spofforth OBE, Chartered Accountant.

Chartered Accountants; World Traders; Insurers; International Bankers; Entrepreneurs; Information Technologists; Arbitrators; Tax Advisors; Actuaries; Chartered Secretaries; Chartered Surveyors; Marketors; Management Consultants; City of London Solicitors; and Investment Managers.

How the Briefing was developed

A working group from the FSG, led by Mark Johnson from the Worshipful Company of Insurers, along with fellow Insurers, Dave Matcham, Noemi Wall, Jeremy Cross, Paul Brady, and others, including Rob Wirszycz, Deputy Master, Worshipful Company of Information Technologists, sent out out a detailed questionnaire in June 2024, seeking input to the briefing. Following significant interaction, detailed replies were received from every FSG Livery.

The working group then collated the responses, arranging the input by theme and tasked Rob Wirszycz with editing the output into a coherent briefing. The resulting document was then put through a series of reviews by the working group and to a wider audience before being approved by the FSG in October 2024. The briefing therefore represents a collective, not Company specific, view from the 15 Liveries and Guilds that make up the FSG.

It is important to further note that while many of these Liveries and Guilds work closely with their professional and trade associations, this briefing does not contain their views, although there is significant alignment.

Briefing Structure

This briefing is structured as follows:

[1] *Note that the term "City of London" is interchangeable with the words "City" or simply "London" throughout this document. In some instances, "London" may also refer to the wider metropolitan area, which will be clear from its context.*

Section 1: Executive Summary

While the City is pre-eminent in many areas, with significant strengths and 'bright spots' (**see Section 6**), this briefing highlights the areas where the FSG believes that attention needs to be paid, and work undertaken to ensure that London does not become less competitive and attractive as a place to fund and build companies and create wealth. In this way, it is completely behind the 696th Lord Mayor's agenda to 'unleash growth', as without removing the obstacles, both real and perceived, we may fall behind to other financial centres who embrace the need for change faster than we do.

The following 5 areas are highlighted as in need for special attention:

A. REGULATION: The primary focus of Regulation and Regulators should be to enhance competitiveness - not blunt it

Regulators need to put the competitiveness mandate first and foremost, be consistent and 'smart' with their regulation, not 'overreach' their scope, and not slow down the pace of change.

B. TALENT: The City is only as good as its talent pool – we need to cast our net wider

We need to recognise and promote the need for a broader based talent pool by promoting City careers in schools and universities, enhancing the apprenticeship route, reducing barriers for global talent, and address the 'diversity deficit'.

C. GROWTH FINANCING: We need to reverse the decline in the influence and attractiveness of the LSE

There is an imperative to improve the influence and attractiveness of the London Stock Exchange (LSE). Doing this may require bringing forward the implementation of the CMIT capital market and Mansion House reforms, re-align the regulation and governance requirements in the UK to those of other markets, and increase the investment in UK-listed stocks by pension/investment funds.

D. GREEN ECONOMY: The path to 'net zero' provides London with an opportunity for global leadership

The City has a huge opportunity to lead the global move towards 'net zero', promoting the transition to a 'greener economy', by presenting investments in new no and low carbon power generation, by promoting innovative climate-tech companies, and leading in carbon off-setting markets.

E. AI: The City needs to fully embrace the potential for AI while appropriately managing the risks

There are significant commercial and productivity opportunities presented by AI – these need to be advanced while putting in place appropriate 'guard rails' such as policies, frameworks and protocols. There is also a need to prepare now for the coming impact of quantum computing.

Other areas in the report:

The need for a long-term vision for the City

The financial and professional ecosystem of the City of London is continually impacted by multiple headwinds and tailwinds such as changes in regulation, society, taxes, standards, ESG, technology and global events. To keep the City's leadership position will require constant nurturing by multiple parties who all should operate against a common desire to keep and grow London's position as the World's financial centre – this will require coordination and constant communication which the Corporation is well positioned to provide.

The need for the Livery Movement to be understood as a force for good

The Livery is a unique institution that is often misunderstood. It's modern expression is philanthropy, both through charitable funding as well as pro bono expertise giving. It's work in education, inclusion, inequality, and community is little known and deserves to be understood more widely.

Section 2: Introduction - The Extraordinary City of London

THE CITY IS A UNIQUE HUB FOR FINANCE AND TRADE WITH A UNIQUE SUPPORTING ECOSYSTEM

The City of London is a unique hub of entrepreneurship, talent, and innovation. The physical proximity of key infrastructure within the Square Mile, coupled with a diverse and cross-skilled workforce has created an environment where the whole truly is greater than the sum of its parts. This ecosystem has long made London a global leader in finance, law, and business, attracting top talent and companies from around the world.

THE CITY'S STRENGTHS ARE MANY, WIDE AND DEEP

London's strengths are well-known: a deep pool of talent, a concentration of ancillary professions, strong historical ties, a multicultural environment, and the advantages of English law and a convenient time zone. The UK's well-established governance arrangements, clarified by courts over many years, further enhance its appeal, alongside considerable support from other professional services firms. Businesses operating in London benefit from access to a wide range of expertise; from legal and financial advice to management consultancy. This ecosystem of professionals offers holistic and practical business advice, enabling companies to navigate the complexities of the market with confidence and agility.

However, this position cannot be taken for granted…

These strengths cannot be taken for granted as London's dominance is beginning to slip — not just to its obvious competitor, New York, but also to other rising global hubs. It is this concern that the FSG wants to highlight as key areas for the Lord Mayor to focus on during his year promoting The City.

THERE IS AN IMPERATIVE FOR CHANGE

The City's continued success depends on harmonising its diverse elements to ensure that London remains greater than the sum of its parts. With rising competition from other global financial centres, London must innovate, adapt, and leverage its unique ecosystem to stay ahead. The challenge lies in maintaining its attractiveness while addressing the pressures of a rapidly changing global economy.

To sustain its leadership, the City must confront the emerging challenges head-on and adopt a stronger and more competitive stance, ensuring that the City continues to be a magnet for global talent and investment in the years to come. Indeed, its role in the global economy demands that we are structured as outwardly 'business-friendly'.

The City needs a Government that actively supports the City, treating it not as a risk to be managed but as a national asset to be promoted. Financial services are crucial to the UK's economy, stimulating growth in all parts of the UK, and its success should be publicly championed as essential to the country's prosperity.

In sum, London's position as a leading global legal and financial centre can no longer be taken for granted. The combination of competition, the fallout from Brexit, geopolitical shifts, and rising global competition is steadily eroding its leadership position.

The FSG believes that the Corporation and the Government and others need collaborate on a long-term strategy for the City, recognising its importance as a global financial and professional services hub, and as a national asset.

GLOBAL COMPETITION IS EATING AWAY AT THE CITY'S ADVANTAGES

The City's attractiveness as a financial services hub is waning. Increased regulatory burdens, perceived hostility towards financial services, and rising competition from both the USA and other global financial centres are dampening the City's allure. This is compounded by the growing influence of geopolitical events on trade flows, which is adding layers of complexity to the business environment.

THE DECLINE IN THE LONDON STOCK EXCHANGE IS A MAJOR CONCERN

There has been a decline in the economic influence of the UK and EU, now making up 21% of the global economy, down from 30% in 2006. UK-listed equities have also decreased in global market share, representing just 4% of the MSCI World Index, down from 11% two decades ago. The London Stock Exchange (LSE) has seen a significant decrease in the number of listed companies, dropping from 1,166 in 2018 to 1,036 by March 2024. Additionally, many companies have left or are planning to leave the LSE, representing a total value of £94bn.

THE REGULATORY AND TAX ENVIRONMENT IS HAMPERING, NOT ENCOURAGING, GROWTH

The UK's regulatory environment, though intended to support compliance and growth, is failing to do so. It is noted that the UK imposes stamp duty on share trading, unlike most countries, and calls are made for reforms in pension rules and corporate governance codes, which are seen as burdensome without improving business efficiency.

The recently announced changes to the taxation of non-domiciled individuals are likely to shift the profile of investors interested in the UK, potentially deterring some, while attracting others.

THERE IS A NEED TO STEM THE OUTFLOW

A pressing concern is the outflow of large companies and businesses from the UK. As these entities relocate to other financial centres, they take with them not just capital but also crucial employment opportunities. The resulting brain drain could severely weaken London's ability to maintain its position as a leading global hub for finance, innovation, and professional services.

IMMIGRATION AND VISA ISSUES STYMIE GROWTH

The government's approach to immigration is proving to be a significant barrier for international businesses. The current visa process is not only costly but also cumbersome, creating obstacles for companies looking to bring in overseas talent or relocate employees, particularly in the legal sector. For multinational firms, the complexities of moving lawyers between offices are becoming increasingly prohibitive, adding another layer of difficulty to operating in the UK.

PERCEPTION WITHIN GOVERNMENT AND THE MEDIA UNDERMINES THE CITY'S VALUE

The UK government's apparent lack of visible support for City firms is raising alarms within the financial sector. Instead of championing the industry that plays a crucial role in the national economy, government rhetoric has at times portrayed these firms as sanctions breakers and enablers of economic crime. The constant stream of criticism directed at the UK's banking and financial services industry cannot help but erode confidence. While accountability for misconduct is essential, the broad-brush vilification of an entire industry undermines its critical role in supporting the UK economy. International observers have begun to take note, with adverse comments emerging in global forums about the UK's hostile environment towards its own financial sector. These challenges are compounded by the lingering legacy of the 2008 financial crash and the broader cultural shifts that followed, particularly in the wake of the Trump era. The erosion of respect for experts and established systems of economic management has left the financial sector vulnerable to populist rhetoric and short-sighted policy decisions.

PERCEPTION OF LOWER EXECUTIVE REMUNERATION

Adding to these challenges is the issue of executive remuneration, a critical factor in determining corporate domicile. The USA is perceived as a more favourable environment for executives, where success is handsomely rewarded, whereas the UK is viewed as more restrictive and challenging. This perception is discouraging companies from setting up in the City, further weakening London's competitive edge.

Section 3: Key Area A: Regulation

REGULATORS NEED TO PUT THE COMPETITIVENESS MANDATE FIRST AND FOREMOST

The current perception of UK financial regulation as a source of delay and expense is a significant obstacle. If the UK is to maintain its status as a global financial centre and a breeding ground for innovation, its regulatory environment must be recalibrated to support, rather than stifle, the entrepreneurial spirit that drives growth and progress.

The FSG believes that the culture within UK regulatory bodies must evolve to become more commercially minded, prioritising the speed and efficiency of regulatory execution and adopting more agile and proportionate methods of supervision.

SMART CONSISTENT REGULATION IS REQUIRED

The FSG believes that we need smarter regulation based on policies that are transparent, accountable, proportionate, consistent, and targeted. These principles advocate for regulations that are clear and understandable, with measurable objectives and accountability for those enforcing them. Crucially, regulation should be proportionate, considering both the issue at hand and the potential disadvantages, with alternatives explored before new rules are imposed. Moreover, consistency across regulations is vital to avoid contradictory outcomes, and regulations must be targeted to address specific problems with a goals-based approach.

The FSG believes that enforcement should be risk-based, and regulation should undergo systematic review, with provisions for modification or elimination when they are no longer effective or necessary. By adopting 'smart regulation' the UK can create a more efficient, business-friendly environment that fosters growth and attracts international investment.

OVER-REACHING REGULATION HAMPERS GROWTH AND INNOVATION

The complexities of the current regulatory framework, coupled with high taxation, are seen as impediments to growth and innovation. An example is the recent stalling of legislation that would grant the Solicitors Regulation Authority (SRA) unlimited fining power. The City of London Law Society is now calling for a rethink of these proposals, advocating for a balanced approach that enables the Solicitors Disciplinary Tribunal (SDT) to continue managing disputes effectively without disproportionately shifting power to the SRA.

The FSG believes that this underscores the broader need for regulatory reforms that protect fairness and encourage a competitive, yet responsible, business environment.

GAP BETWEEN UK REGULATION AND US GOVERNANCE STANDARDS

A significant issue is the disconnect between the international nature of the UK's banking and financial services sector and the governance standards imposed by influential groups like ISS and Glass Lewis that wield significant power over shareholder decisions and often impose standards on UK firms that are inconsistent with those in the USA, particularly in areas such as remuneration and environmental policies.

The FSG observes that the impact of this has been a widening gap in the ability of UK companies to attract top talent, exacerbated by the shift from a 'comply or explain' governance approach to a more rigid 'comply or comply' regime.

THE PACE OF REGULATORY CHANGE IS TOO SLOW

The FSG believes that one of the most glaring examples of regulatory overreach is the impact of MiFID II on the London Capital Markets industry — a regulatory framework that, despite its good intentions, has had negative consequences for the City.

The FSG applauds efforts like the Edinburgh Reforms, the Mansion House agreement, and the London Stock Exchange-chaired Capital Markets Committee that are attempting to address these issues, but they represent only a fraction of what is needed to reverse the trend. An example is that the Edinburgh Reforms, that removed constraints from the Prospectus Directive were announced at the end of 2022, but this change is not slated to take effect until 2025. Similarly, the long-awaited Solvency II reform, proposed in 2020, won't be implemented until the end of 2024. Even the FCA's Consumer Duty proposal, though well-intentioned, suffers from a lack of critical definitions and clarity, leaving both consumers and financial providers in a state of uncertainty.

REMOVING OBSTACLES TO ACCESSING TALENT AND INVESTMENT

The FSG believes we need to remove unnecessary legal or regulatory barriers that hinder overseas investment in London. Visa issues, for instance, can pose significant obstacles for international talent and investors looking to contribute to the UK's economy. Simplifying these processes and ensuring that London remains accessible to the world's best and brightest is essential for sustaining the City's competitive edge. This must be reflected not only in policymaking but also in the efficient supervision of the industry, fostering an environment that is open and attractive to international capital and talent.

PENSION REFORM IS NEEDED TO UNLEASH INNOVATION

The FSG believes that a drag on the potential of the City's ability to support innovation is the restrictive regulatory environment surrounding pension funds, which, in turn, has significantly limited their engagement with equities and the stock market, reducing liquidity on the London Stock Exchange, further eroding the City's attractiveness as a global financial hub and its ability to attract and support innovation.

TAX POLICY IS REMOVING FUNDS FROM THE ECONOMY

The recently announced changes to the taxation of non-domiciled persons further complicate the UK's appeal to international investors. While the proposed changes have minimal impact during the first four years after an individual arrives in the UK, they become significantly more punitive thereafter, potentially discouraging long-term investment.

The FSG believes that high taxes and an increasingly complex tax code are making the UK market less competitive on the global stage. As other countries streamline their tax regimes to attract investment, the UK risks being left behind if it does not address these challenges.

WITH THE RIGHT REGULATORY FRAMEWORK, THE UK CAN LEAD GLOBALLY IN CAPTIVE INSURANCE

While the UK leads the world in commercial and specialty insurance its ability to continue to do this will only be possible if buyers of insurance in the UK can access all the tools available. This is especially true of captive insurance; a long-established tool used by many UK and international businesses and public sector bodies and is rapidly growing with the global market estimated to reach US$161 billion by 2030. All parties involved in the insurance and risk transfer industry, including captive owners, in the UK believe that, with the right regulatory structures, Britain would be a popular jurisdiction, given its extensive financial services eco-system and expertise.

The FSG believes that UK captive framework could deliver a major boost to the London Insurance Market and be a tangible example that the UK is open for business.

DIGITISATION CAN LUBRICATE TRADE

The FSG applauds the increased digitisation of trade documentation and taxation agreements, along with the lowering of tariffs, which may streamline some aspects of doing business in the UK, but these improvements alone are unlikely to offset the broader regulatory and fiscal challenges facing the country.

THE COST OF REGULATION IS DETERRING GROWTH

Between 2010 and 2020, regulatory costs imposed on UK firms soared to a very significant £35 billion. The current regulatory landscape, designed ostensibly to mitigate risk, is having the opposite effect — shrinking the volume of business rather than fostering a controlled, thriving marketplace.

The FSG believes that pervasive risk aversion not only hampers domestic growth but also drives talent away from the UK, with a notable exodus of skilled professionals heading to the Middle East, the USA, and Europe. Unlike direct costs such as taxation, which are transparent and measurable, the financial burden of regulation is far more insidious. These costs are often unintended, indirect, and concealed from public scrutiny. Politicians and the public may view regulation as a cost-free solution when urgent action is demanded, but the reality is far more complex and damaging.

CONCERN EXISTS ABOUT A 'FAST TWITCH' REGULATORY RESPONSE TO NEW TECHNOLOGY SUCH AS AI

There is a concern that the UK could repeat the regulatory mistakes detailed above with the regulation of AI, where over-regulation could place the UK at a significant disadvantage compared to other global centres that adopt a more open and flexible approach, stifling innovation, driving talent and investment away from the UK, and ultimately weaken the country's competitive edge in one of the most important technological fields of the future.

The FSG believes that as markets evolve and new developments in technology arise, the regulatory framework must be capable of evolving rapidly to keep pace. A rigid, one-size-fits-all approach could inhibit growth and prevent the UK from capitalising on new opportunities.

Section 3: Key Area B: Talent

SUPPORT FOR CONTINUING PROFESSIONAL DEVELOPMENT

The FSG believes that the City of London must continue to support professional bodies and training organisations to ensure that its people remain among the best in the world. This commitment to professional development is crucial for maintaining the City's competitive edge and its reputation as a global leader in finance and business.

PROMOTING CITY CAREERS IN FINANCE AND TECHNOLOGY WITHIN SCHOOLS AND UNIVERSITIES

The big wish for the banking and financial services professions is that the comprehensive financial and professional hub becomes a preferred destination for school and university leavers and international talent, so elevating the perception of the local and international banks and financial services firms as diverse, trusted and globally effective partners.

By showcasing the diverse opportunities available within the City, we can inspire the next generation to pursue careers in these dynamic sectors. Organisations like Local Village Network and Urban Synergy are already making strides in this area, and they would benefit from additional support to further their efforts. Special emphasis should be placed on reaching underrepresented groups and communities within the catchment of the City of London, potentially through a Mansion House outreach programme.

The FSG believes that continued access to high-quality talent is essential for the City's future success. To this end, there is a need for a promotional campaign that positions insurance and other City jobs as a 'destination career' for students in schools, colleges, and universities.

PROMOTING THE APPRENTICE ROUTE TO CITY JOBS

The FSG believes that there is a widespread misconception that apprenticeships are an inferior choice for school-leavers and a less valuable source of talent for employers in the City. This outdated view must be challenged. **The FSG believes** the Lord Mayor is uniquely positioned to lead this change, working to reframe apprenticeships as a viable and attractive pathway to success.

As of October 2023, 59% of students in Years 9-12 are now considering an apprenticeship as a viable route into their future careers. In response to this growing interest, UCAS has, for the first time, begun offering apprenticeships alongside traditional undergraduate degree options, signalling a broader acceptance of vocational training within the higher education landscape.

A good example of this is in the legal sector with the recently launched solicitor apprenticeship programme, 'City Century', which is funded by City firms and the City of London Solicitors Livery company. This represents a significant step towards opening the legal profession to a broader range of individuals, particularly those from underrepresented backgrounds. This innovation and similar initiatives would benefit from the support of the Lord Mayor, amplifying the positive narrative around City firms and highlight their contributions to social mobility and professional development. As Livery Companies we can also encourage this option through fellow Livery Company Schools via the Livery Education Network and the Livery Schools Link is another important step.

Community engagement is another key area of focus. Working with secondary schools in Tower Hamlets, the City is creating inclusivity through apprenticeship programmes and skills teaching initiatives, including AI training. These efforts are designed to equip young people with the tools and knowledge they need to succeed in the modern workforce, while also fostering a sense of belonging and opportunity within London's diverse communities.

THE CITY FACES A TALENT CRISIS

The London Insurance Market, along with other sectors in the City, are facing a looming talent crisis as revealed in The *London Matters Research 2024* report which concluded that the market now has as many people over 50 as it does under 30. **The FSG believes** that this stark statistic underscores the urgent need to attract diverse, younger talent into the City; a challenge that has been exacerbated by the broader skills shortages in the post-Brexit era.

DIGITISATION DEMANDS NEW SKILLS

The FSG believes that, in response to the talent challenges, the digitisation of financial services markets is not just desirable but essential. An example of this is the development of a new digital back-office system for the London Market, which is a significant step forward, signalling the industry's willingness to embrace technological solutions to control costs and enhance customer service. However, the successful implementation of these digital initiatives will depend heavily on the City's ability to recruit and retain the necessary talent.

IMMIGRATION CHALLENGES POST-BREXIT

The FSG believes that the UK's restrictive immigration policies have created additional hurdles for businesses seeking to tap into the global talent pool. There is a pressing need to reduce barriers for workers to undertake temporary migration for work, ensuring that London remains an attractive destination for the world's best and brightest.

THERE IS A NEED TO ADDRESS THE 'DIVERSITY DEFICIT'

Ethnic minority businesses (EMBs) contribute over £25 billion to the UK economy each year, yet they face substantial barriers that limit their growth and sustainability. These challenges include limited access to mainstream business support, difficulties in securing external finance, and ongoing structural inequalities that have been exacerbated by the COVID-19 pandemic.

The FSG believes that the plight of EMBs is reflective of a broader issue that also affects female, neurodiverse, and socio-economically disadvantaged entrepreneurs. While entrepreneurs from diverse backgrounds often bring unique perspectives and innovative solutions to the table, with many having first-hand experience of overcoming socio-economic challenges or navigating life with neurodiverse conditions, they face a demonstrable differential in investment support. For ethnic minority founders, the struggle to secure funding is particularly acute, with systemic biases creating additional hurdles that their non-minority counterparts are less likely to encounter.

FEMALE BUSINESS FOUNDERS FIND CHALLENGES TO SCALE THEIR BUSINESSES

Female entrepreneurs continue to face significant challenges in accessing the capital and support they need to scale their businesses. A recent report from the Women-Led High-Growth Enterprise Taskforce highlights these disparities in detail, underscoring, **the FSG believes**, the urgent need for systemic change to level the playing field for women in business.

INCLUSION AND EQUITY IS A GOVERNANCE ISSUE AND AN IMPERATIVE FOR THE CITY

The importance of good governance is becoming increasingly clear, particularly in the recognition of the value of community, diversity, and inclusion in corporate strategy. London's success as a global trading hub is deeply rooted in its community of highly talented and specialised small companies. However, this thriving ecosystem can only be maintained if it is truly inclusive, drawing on the vast pool of innate talent that exists not just in London, but across the UK and the world. This is particularly true for underrepresented groups, whose participation is essential to the continued vitality and innovation of the City.

The FSG believes that incorporating diversity and inclusion into corporate governance is not just a matter of compliance or reputation management — it is a strategic imperative. Inclusive businesses are better positioned to understand and serve diverse markets, drive innovation through varied perspectives, and create more resilient organisational cultures. Governance professionals are at the forefront of this transformation, guiding their companies toward more inclusive practices that can unlock new opportunities and drive long-term success.

THE CITY AS A GLOBAL HUB FOR TECHNOLOGY INNOVATION

London's vibrant start-up and scaleup ecosystem, exemplified by initiatives like Tech Advocates London, further underscores the City's commitment to fostering innovation and inclusivity. These programmes provide crucial support for emerging tech companies, helping them to grow and thrive in a highly competitive environment. By nurturing these start-ups, the City is positioning itself as a global hub for technological innovation, while also creating new opportunities for entrepreneurs from diverse backgrounds

The City of London's focus on enhancing access to the professions, supporting social mobility, and nurturing talent is critical to its long-term success. By backing these initiatives and promoting a positive narrative around the City's contributions, **the FSG believes** that the Lord Mayor can play a key role in ensuring that London remains a vibrant, inclusive, and globally competitive centre of excellence.

Section 3: Key Area C: The LSE & Supporting Growth

THE LONDON STOCK EXCHANGE'S WANING INFLUENCE AND DECLINE

The London Stock Exchange (LSE) now finds itself in the throes of a significant downturn, marked by a stark decrease in activity on the FTSE All-Share Index. Average daily traded volumes on the FTSE have plummeted from nearly £15 billion in February 2007 to a mere £3.4 billion in February 2024 — a decline of more than 75%.

According to a report by the *Evening Standard* (27 March 2024), the contrast between 2021 and subsequent years is stark: while new companies raised £12 billion on the exchange in 2021, that figure plummeted to just £338 million in 2022, and a mere £18.5 million was raised in 2023.

The FSG believes that this is not a symptom of changing market dynamics but rather a broader erosion of confidence in the LSE as a viable platform for companies seeking to raise capital. This is evidenced by a growing number of high-profile firms opting to list on alternative exchanges in the USA and Europe, bypassing what was once the premier destination for public offerings.

The LSE is struggling to keep pace with its American counterparts. While the City has long been a leader in corporate governance standards and financial innovation, it is increasingly perceived as a less attractive venue for initial public offerings (IPOs) and investment, with more companies choosing to delist rather than remain on the Exchange. This troubling trend underscores a growing concern within the financial community: London's appeal as a global financial hub is diminishing.

THE 'VALUATION GAP' EXISTS, DRIVEN BY SHIFTING ASSET ALLOCATIONS

The FSG believes that the root of this decline in competitiveness is the 'valuation gap' where companies listed in the United States are consistently rated higher and trade at greater multiples than their UK counterparts. This disparity is driven by a significantly higher demand for USA-domiciled shares compared to those based in the UK.

Over the past 30 years, global asset allocation by UK-based fund managers has seen a dramatic shift, with the weighting of UK assets in their portfolios plunging from 40-45% to just 6-8%. International fund managers are similarly cautious, maintaining a lower allocation to the UK. This lack of demand is a key factor driving the valuation gap, leaving UK-listed companies at a disadvantage when compared to their American peers.

LONDON IS THE WORLD'S FINTECH CENTRE BUT YOU WOULDN'T KNOW IT FROM LSE LISTINGS

Despite being home to a vibrant ecosystem of innovative fintech, insurtech, proptech, and legaltech companies, few of these fledgling firms choose to list in the UK. The absence of a robust growth investor base in London is a major deterrent. As one industry insider noted, "Without the growth investors, you don't have enough depth of potential purchasers. And therefore, as a company, you let yourself be held hostage by a very small group of investors."

In a candid article published in *City AM* on 29 May 2024, Rishi Khosla, founder of Oaknorth, a digital business bank chaired by Adair Turner, voiced concerns that London is becoming *"less attractive"* as a listing destination compared to its international peers. Khosla pointed to the UK's faltering brand image over the past several years as a key factor. The lack of growth companies on the London Stock Exchange exacerbates the problem. Without a critical mass of high-growth firms, the market struggles to attract the growth investors who are crucial for sustaining a dynamic and competitive financial environment.

The FSG believes this creates a vicious cycle where the absence of growth companies leads to a shortage of growth investors, which in turn discourages more companies from listing in London.

THERE IS COMPETITION FROM OTHER FUND-RAISING SOURCES

There are multiple choices for companies seeking to raise funds and diversify their ownership bases. From private equity deals to crowdfunding, and even the increasingly popular route of direct listings, companies now have more options than ever to achieve their financial goals without the burdensome requirements of a full-scale FTSE listing.

The FSG notes that the ripple effects of this shift are profound, raising questions about the future of the LSE and its ability to remain relevant in an increasingly competitive global market. As companies continue to seek out more flexible and cost-effective methods to secure capital, the allure of the London Stock Exchange to support the growth of a company appears to be fading.

UK PENSION FUNDS DO NOT INVEST ON THE LSE

The FSG observes that UK pension funds have the lowest domestic market allocation compared to their global peers, highlighted by the Capital Markets Industry Taskforce, which points out that UK pension funds are lagging when it comes to supporting the domestic economy. A recent report from New Financial said that less than 5% (4.4%) of UK pension funds are allocated to UK equities. This compares with 6.1% last year and 50% 25 years ago. Comparing this to other markets, the UK has poor allocation – USA 44%, Australia 24% and Hong Kong 22%. This represents a 'Doom Loop' of lower demand, lower valuations and a less dynamic market. It is noted that if the allocation was increased by 50% to 6.5% it would represent an additional funding of £53 billion into the UK market.

MAKE THE MANSION HOUSE COMPACT A REALITY

The 'Mansion House Compact' signed by the nine largest defined contribution (DC) pension funds in the UK commits these funds to allocate at least 5% of their default funds to unlisted entities by 2030 while aiming to expand overall value of pension savings by up to 12% and unlock an additional £50 billion of investment for businesses by 2030. The Compact spoke of channelling investment from defined benefit pension schemes into sectors that can drive long-term economic expansion such as social infrastructure and green energy. The potential benefits are clear - by increasing their investment in domestic companies, UK pension funds can help drive innovation, support job creation, and contribute to a more resilient and dynamic economy. Other moves could include enlarging the scope of the UK Individual Savings Account (ISA) to invest more heavily in UK-listed companies.

The FSG believes that the challenge now lies in ensuring that these initiatives are not just promises on paper but are implemented effectively to create real impact. We understand that Pension Fund trustees are mandated to secure the best risk-adjusted returns that they can, and that even if the restrictions were removed there is no incentive to invest in UK innovation if better returns are available elsewhere.

CHAMPION SMEs

The FSG believes that the UK's small and medium-sized enterprises (SMEs) stand at the heart of the economy's resilience and growth. Representing the backbone of the nation, these agile and entrepreneurial firms employ half the workforce, drive innovation, and contribute significantly to local communities. Supporting SMEs is widely recognised as a crucial strategy for unlocking economic and social value, making them a vital force for the UK's future prosperity. This enterprise mindset, which is deeply embedded in the City's culture, creates a unique selling point for London as the destination for conceiving, creating, and delivering next-generation solutions.

NOTING THE RECENT REFORMS TO THE UK LISTING RULES

The FSG notes that on 29th July 2024 new reforms to the UK Listing Rules came into force, marking the most significant change to the regime in 40 years. These follow the recommendations made in the UK Listing Review, chaired by Lord Hill, and published in 2021. Given the comments in this paper, **the FSG welcomes** the fact that the FCA has sought to create a simpler, more disclosure-based listing regime that aims to increase liquidity in the UK market and to move towards restoring competitiveness to the UK capital markets. While noting that the FCA has noted its plans to carry out a formal post-implementation review of the reforms in five years' time we consider that a sense of urgency needs to be applied to necessary reforms.

REVITALISING THE LSE IS CRITICAL TO THE CITY'S FUTURE

The FSG believes that a coalition of key stakeholders must come together to debate the underlying reasons for this decline and formulate a comprehensive plan to reverse the trend. This plan should include the following key actions:

1. Streamlining and lowering the costs of Initial Public Offering (IPO) process to make it more efficient and attractive for companies looking to list in London.
2. Simplifying the regulatory environment, so London can attract the growth companies and through them, attract the world's leading financial institutions and maintain its position as a global financial hub.
3. Promoting the choice of English law and jurisdiction, widely regarded as one of the most reliable and predictable legal systems in the world, making it the preferred choice for international contracts and dispute resolution.
4. Encouraging more companies to set up operations in the London Insurance Market, including establishing Lloyd's syndicates, and tapping into the market for captive insurance, which offers significant growth potential.
5. The complexity and cost associated with dual listings need to be addressed as simplifying the process and making it more attractive, especially in cases where the London Stock Exchange (LSE) is not the primary listing authority, would encourage more companies to consider London as a viable location for raising capital, especially for global businesses.

Section 3: Key Area D: Leading the Green Economy

LEADING THE PATH TO A LOW CARBON ECONOMY

There is a clear commitment within the City to support the global drive towards sustainability, while also recognising the substantial business opportunities that come with leading this charge. Significant investments will be needed - green technologies, restructuring of industries, and the management of risks associated with climate change.

Moreover, the industry is under increasing pressure to align with environmental, social, and governance (ESG) criteria. Agreement on the measurement and reporting of these criteria in trade is crucial, as ESG considerations become central to business strategies across sectors. For the London Insurance Market, this means not only adapting to new regulatory expectations but also leveraging ESG as a competitive advantage in a rapidly evolving global marketplace.

The FSG believes that London has the potential to be a global leader in sustainable finance and insurance but must avoid the topic being weaponized in political or ideological battles, leading to fragmented approaches and inconsistent policies. A successful transition will require collaboration across sectors, clear communication of goals, and a commitment to long-term sustainability over short-term gains.

REGULATORY ESG DIVERGENCE BETWEEN UK AND THE EU NEEDS CLARITY

There is divergence between the UK and the EU's approaches to regulate on environmental, social, and governance (ESG), with the UK regulator leaning toward a voluntary code, while the EU is moving (anticipated in 2025) towards a formal ESG ratings.

The FSG thinks that this difference in approach can be confusing for companies and investors given there is a broad consensus to push towards more sustainable practices.

PROMOTE CLIMATE TECH

The FSG believes that the Climate Tech (renewable energy solutions like solar and wind power plus technologies like energy storage and carbon capture) sector is a significant opportunity for the City of London as companies and countries race towards net-zero emissions targets. However, high upfront costs, particularly in areas like advanced battery technology, pose significant barriers. Moreover, policy uncertainty, especially concerning government support for renewables, could derail project timelines and dampen investor enthusiasm.

LEAD ON CARBON OFFSETTING MARKETS

As stricter regulations on carbon emissions take hold globally, companies are turning to offsets to compensate for their carbon footprints. However, the integrity of some offset projects has been called into question, raising concerns about reputational damage for companies involved. The rapid growth in demand for offsets threatens to outpace the supply of high-quality projects, potentially leading to a market bubble.

The FSG believes that London should be at the centre of responsible offsetting.

PUT FOCUS ON THE CIRCULAR ECONOMY

By focusing on minimising waste and pollution through extended product life cycles and resource efficiency, the Circular Economy concept aligns with both rising raw material costs and increasing consumer preference for sustainably sourced goods. Technological advancements in recycling and remanufacturing are making these processes more cost-effective, but consumer behaviour remains a significant hurdle, with many still favouring cheaper, less durable products.

While the City is also at the forefront of the Circular Economy, leading by example in reducing waste and promoting the efficient use of resources, **the FSG believes** that more can be done to support the moves by LCAG and others to move this to the top of the policy agenda.

PROMOTE THE CITY AS AN EXEMPLAR FOR URBAN CENTRES

By widening the use of innovative power solutions across the City, London can showcase its commitment to sustainability and highlight its role as a global leader in the fight against climate change.

The FSG believes that the City's transition to alternative energy not only reduces its carbon footprint but also sets a powerful example for other urban centres worldwide.

SUPPORT THE SHIFT TOWARDS GREEN BUILDINGS

As the global push for sustainability intensifies, the demand for energy-efficient and sustainable buildings is surging, creating growth opportunities for specialist businesses – the UK is seen as a leader in green building design, sustainable construction, asset re-purposing, and green finance, positioning London at the forefront of the global green revolution.

Section 3: Key Area E: Optimising the benefits of AI

ADOPT A MEASURED APPROACH TO INTEGRATING AI INTO THE CITY

As financial institutions gear up to double their spending on artificial intelligence (AI) by 2027, the sector finds itself at a crossroads. While it promises to revolutionise operations and unlock new efficiencies, it also opens the door to unprecedented risks that could reshape the financial landscape in ways few can predict. However, AI should not be viewed solely as a threat. It also offers immense opportunities for innovation and growth within the City. By embracing AI, the financial services industry can improve service delivery, enhance compliance, and develop more sophisticated analytical tools.

The FSG believes this requires a strategic and measured approach to integrating AI while maintaining the human expertise that is essential to navigating complex systems.

INDUSTRY IS TAKING STEPS TO UNDERSTAND AI

The technology is advancing at such a speed that traditional regulatory approaches may soon be rendered obsolete. This presents a potentially dangerous situation where AI, if not properly regulated, could lead to significant ethical, legal, and societal challenges.

The FSG notes that several initiatives are already in place within the City:

- The Law Society Technology and Law Committee has taken proactive steps by issuing an essential guide on generative AI specifically tailored for the legal profession which complements the City of London Law Society's work through its 'AI Committee', that addresses ethical standards and navigating the complex regulatory landscape that AI is rapidly shaping.
- The 695th Lord Mayor's Committee on AI Ethics that has resulted in training programmes from the BCS and CISI that have had international take-up.
- Lord Mayor Professor Michael Mainelli has driven the 'Walbrook AI Accord' that aims to harmonise the global efforts of global quality infrastructure partners to ensure that AI technologies are developed, deployed, and utilised in a manner that is safe, secure, ethical, and sustainable. This consensus reflects a shared understanding of the challenges and opportunities presented by AI, emphasising the imperative for a collaborative approach to governance that leverages consensus-based standards and accredited third-party assurance, with a focus on promoting the ISO 42001 AI Management System.
- The Management Consultant's Centre for Management Consulting Excellence is fostering debate among leading academics and practitioners on the AI agenda and is helping to shape the conversation around AI governance, ensuring that the latest insights and best practices are disseminated across the industry.
- The Information Technologists have produced a guide to Generative AI for Livery Companies and their schools and charities. It also runs an experience sharing group for charities, currently working with over 80 charities.
- AI is changing how risk is assessed and managed for Actuaries, offering more sophisticated tools for analysis and decision-making. The Actuaries in early 2024 published a report, through their professional association, which stated that the profession will introduce new professional development and standards to support them as they build or use AI systems and outputs.
- In construction, AI is poised to make marketplaces more efficient by aligning building design and construction more closely, optimising the use of materials, and delivering cost savings. The technology promises to enhance the speed of assembly, improve the management of material supplies, and increase the resilience and quality of building components.
- AI is expected to contribute to the Circular Economy by improving the supply and design of building materials, thereby delivering energy efficiency, fire safety benefits, and ensuring that repurposed buildings perform better in terms of energy efficiency, water use, and waste management.
- Within the financial services industry, AI can add to areas such as quantitative research, pre- and post- trading analytics, risk identification, and the testing of trading strategies.
- AI is leading to changes in job roles and restructuring within white-collar and knowledge-intensive employment sectors.
- AI is being used in insurance, unlocking productivity gains in internal operations and innovation in customer experience. The adoption of algorithmic and augmented underwriting in the London Insurance Market, for instance, is introducing efficiencies that improve accuracy, reduce operational costs, and allow insurers to adjust their risk appetite in real-time.
- The increasing dependence on AI is driving the need for insurance companies to develop assurance products or partner with companies to validate the models they underwrite. The potential for tokenisation to transform the operational backbone of the fund and wider capital markets is also significantly positive, with the UK emerging as a market leader in this area.
- In the tax profession, AI is expected to free up professionals from mundane tasks such as tax return completion, allowing them to focus on advising businesses. However, this technological shift could force tax firms that focus primarily on tax compliance out of business, potentially reducing competitiveness in the sector and leading to greater dominance by larger firms. As the technology evolves, the industry must find a balance between leveraging AI's capabilities and ensuring that the next generation of tax experts is adequately trained and prepared.

BOARDS ARE NOT TAKING FULL ADVANTAGE OF THE AI OPPORTUNITY

While AI has the potential to accelerate or enhance governance, productivity and customer experiences, its adoption is fraught with trust issues. Rather than representing an opportunity for transformational change, AI's role in boardroom decision-making is often seen as an extension of existing process improvement agendas. For some, this hesitation over deploying AI relates to the challenge of control and accountability. **The FSG believes** that the Lord Mayor needs to encourage boldness in AI deployment across the City.

WHEN WE DEPLOY AI AND NEW TECHNOLOGIES, TRUST IS AT STAKE

While high-profile scandals, such as the Post Office Horizon debacle, have shaken public confidence in institutions and technology., bigger threats to this trust are likely to come from the misuse of emerging technologies, particularly AI and soon, quantum computing. Adding to these technological threats is the growing issue of misrepresentation and the anti-expert culture that has gained traction in recent years, with political figures and media casting doubt on the integrity and value of professional expertise.

The FSG believes that we need to collectively address the broad cultural shifts that are undermining trust in experts, systems and institutions with policymakers and industry leaders promoting transparency, security, and ethical responsibility in the development and deployment of new technologies.

THE NEED TO AVOID AI MAKING DIGITAL INCLUSION WORSE

The UK is witnessing an alarming surge in online and mobile fraud, with the rise of AI-generated fake audio and video set to exacerbate the crisis. This wave of sophisticated scams is not only inflicting financial losses but is also severely undermining digital inclusion efforts, particularly among the over-65 demographic, who are increasingly wary of embracing technology as trust in digital platforms erodes. The closure of high street bank branches and other face-to-face service points has only compounded the problem for this vulnerable group, stripping them of the opportunity to seek help from real people. Many older adults are left feeling isolated and vulnerable, without the support needed to navigate the complexities of online financial services. The increasing prevalence of online scams, phishing attacks, and system breaches, coupled with the rise of authorised push payment (APP) fraud — where victims are tricked into transferring money directly to scammers — have created a perfect storm, with vulnerable elderly individuals, unfamiliar with digital financial services, are particularly at risk.

The rise in AI-driven fraud is not just a financial concern; it represents a significant threat to public trust in digital platforms. Unless decisive action is taken, the UK could face a future where the elderly and other vulnerable groups are left behind in an increasingly digital world, too fearful to participate due to the ever-present threat of fraud. While initiatives such as Community Tech Hub and Digital Equity Hub are valuable **the FSG believes** that the City should ensure that AI adoption does not add to existing digital access and inclusion issues.

THE NEED TO ADOPT AI POLICIES AND FRAMEWORKS

Adapting to the new realities of AI while maintaining the high standards of compliance and ethical conduct that are expected of them will be a significant challenge. **The FSG believes** that the Corporation and all City firms, regardless of their size or sector, should adopt an 'AI Policy Framework' that sets a strategy for how AI is integrated, managed, and reported within their organisations. This is not just a matter of operational efficiency, rather something that is essential for maintaining robust governance in an era where AI's influence continues to grow.

THE NEED TO AVOID CITY INSTITUTIONS FALLING BEHIND WITH AI

There is a belief, possibly misplaced, that AI adoption is at its lowest within the historic institutions of the City of London, such as the Mansion House and the Guildhall, as well as among the Fellowship of Clerks. There is a need for engagement with AI within the City Corporation and the Livery Companies to ensure they do not fall behind.

CAN LONDON BECOME THE WORLD'S HUB FOR AI INNOVATION?

London, long recognised as a global fintech hub, offers a model for how the City can now position itself as a global AI hub. The success of London's fintech sector was the result of a supportive infrastructure, access to funding, a favourable regulatory framework, and a market eager to embrace new technology. Indeed, despite not hosting a global AI Large Language Model (LLM) vendor, the UK has managed to create the most AI start-ups outside of the USA and China. **The FSG believes** the Lord Mayor and the Corporation should adopt, channel and transfer the fintech success story and create a global hub for AI innovation.

BEYOND AI – THE IMPACT AND THREAT OF QUANTUM COMPUTING

Quantum computing promises unprecedented computing power but also significant risks, particularly in cybersecurity as the ability of quantum computers to crack current encryption algorithms poses a grave threat to secure communication across all sectors. This vulnerability is not lost on criminals and hostile nation-states, who are eagerly eyeing the potential to exploit quantum computing for malicious purposes. In response, financial institutions and technology companies are urgently investing in 'quantum-safe' encryption and quantum-secured communications. These advancements are critical to safeguarding sensitive information in a world where traditional encryption methods may soon become obsolete.

The FSG believes that the City of London, with its concentration of financial powerhouses and tech firms, must remain vigilant and proactive in adopting quantum-safe solutions.

Section 4: Background Data

CORPORATION TAX DISADVANTAGE

Currently, the UK's corporate tax rate is higher than the average top rates in many EU Member States, where it stands at 21.13%, and OECD countries, where the average is 23.73%. This discrepancy places the UK at a competitive disadvantage, particularly in attracting and retaining both large multinational firms and smaller companies.

RECOVERY IN THE CONSTRUCTION AND COMMERCIAL SECTOR

The 12-month outlook for both employment and workloads appears optimistic, with infrastructure projects leading the charge as the strongest component of this rebound. Similarly, the UK commercial sector is showing tentative signs of stabilisation following a challenging 2023, when value declines were prevalent. While capital markets remain subdued, there is a noticeable divergence with occupational markets, where rents have been on the rise, especially in London, where demand for office spaces that boast strong environmental credentials and offer a wealth of amenities continues to grow, despite broader market uncertainties.

DIGITISATION OF FINANCIAL SERVICES IS ACCELERATING

The digitisation of the financial sector is also accelerating, as evidenced by HMRC's push towards Making Tax Digital. With tax returns increasingly required to be submitted electronically, the government's digital agenda is reshaping the way individuals and businesses interact with tax authorities. Recent attempts by HMRC to reduce helpline hours in favour of online-only support, though reversed, indicate a clear direction towards greater reliance on digital resources.

SCAMS AND CYBER CRIME ARE RISING FAST

Data from Action Fraud, the UK's national fraud and cybercrime reporting service, paints a grim picture. In 2023 alone, 22,530 people reported having their online accounts hacked, with total losses reaching £1.3 billion. Overall, fraud in the UK more than doubled to a staggering £2.3 billion last year, marking 2023 as the second-highest year for scams in two decades. A recent FraudTrack report from accounting firm BDO highlights the scale of the issue. The number of reported fraud cases rose by 18% to a three-year high, with high-value fraud cases over £50 million surging by 60% year-on-year. Half of these high-value scams exceeded £200 million, underscoring the sophisticated nature of these operations.

UK banks have sounded an alarm, warning of an 'epidemic of scams'. Barclays reported that over 70% of scams now occur on social media platforms, online marketplaces, and dating apps, highlighting the changing landscape of fraud. London and the southeast of England remain the epicentre of this crisis, with a 170% year-on-year increase in the value of fraud, driven by several high-profile cases, and a 43% rise in the number of reported incidents.

UK CONSTRUCTION FACES A PERFECT STORM

The UK construction sector is navigating a turbulent landscape, as a confluence of financial constraints, skill shortages, and regulatory pressures continues to batter the industry. Tight financial conditions are amplifying credit and insolvency risks, while rising costs are undermining the viability of many projects. The sector is also grappling with a critical shortage of both professional skills and labour, further exacerbating capacity issues. Compounding these challenges is the increasing burden of regulation and planning, which is slowing down construction timelines and adding to the uncertainty that has become a hallmark of the industry. The spectre of climate change looms large over the construction industry as well. Environmental legislation aimed at curbing carbon emissions is creating the risk of "stranded assets" — properties that lose value due to their environmental impact or non-compliance with new regulations.

THE LIMITS OF CYBER INSURANCE NEED TO BE CLARIFIED

Acts of terror and war are generally excluded in cyber insurance policies, with the interpretation that these are matters to be picked up by governments regarding physical assets. However, given the increasing use of cyber-attacks by foreign states, this represents a potentially huge systemic risk. Reinsurers are nervous of that interpretation changing.

CHANGING INVESTMENT PATTERNS AWAY FROM REAL ESTATE

The improved solvency of Defined Benefit (DB) pension schemes is reshaping investment patterns within the sector. As pension funds increasingly move to match their liabilities in bond markets, there is a noticeable reduction in their exposure to real estate. This shift is likely to put downward pressure on property values, with the reduction in capital flow also hindering crucial regeneration projects and efforts to decarbonise the built environment.

POST COVID HYBRID WORKING THREATENS PRODUCTIVITY

Post Covid, there is an ongoing concern about the pros and cons of home working versus office working, and how this is impacting team collaboration and productivity. There is a view that new entrants to our professions are missing some of the vital professional learning that can only be experienced in face-to-face situations and the dynamic of collaboration, communication and enterprise and the success that has flowed from living and working in London.

A NEED TO GROW THE DOMESTIC SAVINGS INDUSTRY

The UK's savings industry is heavily reliant on overseas capital, with over 50% of transaction values dependent on foreign investment. To reduce this dependency and bolster the sector's stability, there is a pressing need to develop a stronger domestic savings industry that can provide greater support to the City.

GROWING CONSUMER FINANCIAL SELF-RELIANCE

The growing realisation that state support may be insufficient to meet future needs is leading to a broader understanding of the importance of financial self-reliance. This realisation has created a rising demand for private insurance, savings, and investment solutions, driving people to seek out private healthcare options, tax-advantaged savings vehicles, such as ISAs and pensions, and other forms of investment to secure their financial futures. This shift in consumer behaviour is creating significant opportunities for the insurance and financial services sectors. The challenge for policymakers and the financial industry alike will be to ensure that these trends do not exacerbate existing inequalities. The industry and regulators need to ensure that financial products are inclusive and that the benefits of investment and saving are accessible to all segments of society.

LAW FIRMS STRUGGLING WITH GROWTH

Despite economic turbulence, the UK's top 100 law firms saw their revenue rise by 8% to £33.7 billion in 2023, but this financial success was not uniformly felt as performance across these firms was inconsistent, with only half of the top 10 reporting growth. Firms are struggling to pass on the increased costs of staff and suppliers to their clients.

THE EROSION OF LONDON'S LEGAL SUPREMACY

The ramifications of Brexit have further destabilised London's legal dominance. European clients, once reliant on English jurisdiction, are now being heavily incentivised to choose French and German courts instead. In a bid to broaden their appeal, some proceedings are even being conducted in English abroad, making these jurisdictions more attractive to international clients. The UK's departure from the Brussels Convention, which had facilitated the swift enforcement of judgments across EU member states, has introduced a new layer of uncertainty. Without automatic enforcement of UK judgments in Europe, EU clients are increasingly hesitant to rely on UK courts. The geopolitical landscape has also shifted, particularly in the wake of Russia's invasion of Ukraine. Russian clients, who had historically favoured UK courts for their disputes and contract law needs, are now migrating to other jurisdictions like Singapore, which offers a legal system akin to the UK's.

STIFLING OF UK ENTREPRENEURSHIP THROUGH RISK AVERSION

The reality for many start-ups in the UK is stark: approximately 60% of new businesses fail within their first three years. The reasons are varied, ranging from cash flow issues and market competition to difficulties in scaling operations. One persistent issue is the gap in mid-tier financing, particularly for businesses seeking between £1 million and £3 million in working capital. While seed investment, especially in tech, is buoyed by schemes like EIS/SEIS tax breaks, and larger Series A rounds attract interest, this critical middle ground remains underserved. The higher perceived risk in this bracket discourages investors, leading to a survival rate that sees many promising ventures falter just as they are poised for growth.

Addressing this gap requires more than just financial incentives; it demands a cultural shift in how investment is approached. Tax breaks and reliefs like EIS/SEIS, even at reduced levels and across a broader range of business sectors, could provide the much-needed stimulus for growth. With 99.9% of the UK's businesses classified as SMEs, nurturing this segment is crucial to sustaining the entrepreneurial journey. Encouragingly, the City Corporation has recently approved an integrated five-year strategy for SMEs, with the Company of Entrepreneurs named as a key delivery partner — a step in the right direction.

MANUFACTURING IN DECLINE

Despite the UK's strong legacy in manufacturing, the sector has struggled to attract new talent and investment. The perception of manufacturing as a less desirable career path, combined with a nationwide shortfall in engineering skills, is severely limiting the sector's ability to innovate and grow. This talent gap is particularly concerning at a time when technological advancements and global competition demand a highly skilled workforce capable of driving the next generation of manufacturing enterprises. The implications of these challenges are reflected in the UK's shrinking share of global exports. Currently, UK goods exports account for just 2.1% of worldwide exports — a stark contrast to the 6.9% share represented by UK services. This disparity underscores the relative decline of the manufacturing sector compared to the services sector, which has been buoyed by the UK's reputation as a global financial and professional services hub.

HMRC'S INCREASINGLY ADVERSARIAL RELATIONSHIP WITH BUSINESS

There is a growing need for HMRC to adopt a more collaborative approach when engaging with businesses. Entrepreneurs and business owners are calling for HMRC to provide binding rulings on points of tax uncertainty, allowing them to make informed decisions with confidence. This kind of engagement would not only reduce the risk of costly disputes but also foster a more positive relationship between businesses and the tax authorities.

HMRC is now more inclined to take disputes to the Tax Tribunals and the Courts rather than negotiate settlements with businesses. This shift towards litigation over negotiation reflects a broader hardening of attitudes within HMRC, driven by a desire to crack down on tax avoidance and protect the public purse. However, this approach also raises concerns about the growing adversarial relationship between businesses and the tax authorities, which could stifle investment and innovation.

GEOPOLITICAL TENSIONS AND TRADE INSTABILITY THREATEN LONDON'S FINANCIAL SECTOR

The volatility of international markets, driven by events beyond any single nation's control, is compounding these challenges. The UK itself is grappling with an unstable political landscape, further eroding confidence in its ability to strike favourable trade deals with key partners like the USA, Canada, India, and the European Union. The failure to secure these deals not only diminishes the UK's standing on the global stage but also risks isolating London from lucrative markets and opportunities.

Compounding these issues is the ongoing impact of the war in Ukraine, the intensification of the Arab Israeli conflict, and the growing use of trade as a geopolitical weapon. These developments are reshaping the global trade environment, often with little regard for the economic fallout. The shift towards a more mercantilist approach to trade agreements is further disrupting traditional alliances and economic strategies, leaving many in the financial sector uncertain about the future.

The aftershocks of Brexit continue to reverberate through the UK economy, particularly for companies engaged in trade with the European Union. The additional documentation and checks now required for imports and exports are causing delays and increasing costs, hampering the efficiency and competitiveness of UK businesses.

The impact of the global Covid pandemic also lingers, exacerbating these geopolitical and economic tensions. The pandemic exposed vulnerabilities in global supply chains and highlighted the risks of over-reliance on certain markets, particularly in Asia. As countries scramble to recalibrate their trade strategies, the financial sector is left to navigate a landscape where stability seems elusive.

THE TAX REGIME NEEDS REFORM

There is an urgent need for a tax regime that better supports entrepreneurs and start-ups. The current tax system, with its complexity and administrative burdens, can often stifle the very innovation it should be encouraging. Reforming stamp duty and improving the overall tax regime for UK entrepreneurs are essential steps in creating an environment where start-ups and small to medium-sized enterprises (SMEs) can thrive. A simplified tax system, with targeted reliefs and reduced administrative burdens, would go a long way in empowering start-ups and SMEs.

INSURANCE KEEN TO GROW INTO EXPANDING ASIAN MARKETS

The London Insurance Market, while showing strong growth between 2020 and 2022, with a 32% increase, is facing stiff competition from other global centres, notably Bermuda, which grew by 39% in the same period. The latest London Matters Research highlights that the international attractiveness of London is on the decline, as other non-UK centres, particularly in Asia, continue to ramp up efforts to attract dispute resolution business. There is a growing desire within the insurance sector to be able to underwrite specialty risks from any country directly from London, further solidifying its position as a global hub for financial and insurance services – moves in this direction during the Lord Mayor's period in office would be welcomed.

Section 5: The Livery and the City

THE NEED FOR A POSITIVE NARRATIVE ABOUT THE LIVERY MOVEMENT IN MODERN BRITAIN

The Livery Movement, with its rich history of fellowship and education, offers immense value to its members and the wider community. Yet, it remains something of a mystery to many, leading to misunderstandings about its status, aims, and the criticisms it sometimes faces. In today's environment, where equity, diversity, and inclusion (EDI) are top priorities for many organizations, and against the backdrop of economic uncertainty, opening the "mystery" of the Livery by broadening the membership pool could prove highly beneficial.

Expanding access to the Livery Movement would not only help dispel myths and misunderstandings but also ensure that it remains relevant in a changing professional landscape. By drawing on a wider pool of members, including younger individuals with new skills, the Livery can stay attuned to the evolving needs of the professions it represents. In return, new members gain access to the support, opportunities, and networks that the Livery and its associated Companies offer — all aligned with the principles of the Diversity Charter for Livery Companies.

THE ROLE OF THE LIVERY IN FOSTERING INCLUSIVITY AND OPPORTUNITY

The City of London, known globally as a financial powerhouse, and its Livery Companies, with their rich history and resources, has the potential to be a catalyst for change, driving initiatives that empower disadvantaged communities and create opportunities for all, tackling social inequality through its support of various charities and social enterprises. These initiatives address some of the most pressing issues in the UK, including homelessness, social welfare, and rehabilitation. Examples of this are detailed below:

- The Constructors operate a bursary scheme for young people from disadvantaged backgrounds who are interested in pursuing full-time degrees in the built environment. This programme, which currently awards around 30 bursaries annually, each valued at £10,000 per year, has made a significant impact since its inception. Over the past five years, the Livery Company Bursary scheme has delivered more than £1 million in financial support, helping to break down barriers and open doors for those who might otherwise have been excluded from such opportunities.
- The Chartered Surveyors Training Trust, established by the livery, is another critical effort aimed at improving diversity, equality, and inclusion in the property industry — a sector that does not yet fully reflect the makeup of society. By providing young people with the training and support they need to succeed in this field, the Trust is working to ensure that the property industry becomes more representative and inclusive.
- The Worshipful Company of International Bankers supports several charities that assist underprivileged children in securing jobs in finance. These efforts are part of a broader commitment to financial education and inclusion, ensuring that young people, regardless of their background, have the knowledge and skills necessary to navigate the complexities of investing and personal finance.
- One such effort is the collaboration with Crisis, the leading homelessness charity, through their Venture Studio programme. This initiative incubates businesses specifically focused on addressing the complex issue of homelessness in the UK. By supporting this programme, the City is not only providing financial backing but also contributing to innovative solutions that could help reduce homelessness across the country.
- In South London, the charity Hatch Enterprises plays a crucial role in empowering entrepreneurs from diverse backgrounds. Through its incubation programmes, Hatch helps these entrepreneurs establish and grow their businesses, providing them with the tools and resources needed to succeed. The City's support for Hatch is a testament to its commitment to fostering diversity and inclusion in the entrepreneurial ecosystem.
- Another vital initiative is the partnership with No Going Back, a prisoner reform charity that assists individuals leaving custodial sentences in making a fresh start. By helping former prisoners reintegrate into society, No Going Back addresses the critical issue of recidivism, offering a second chance to those who have paid their debt to society.
- The City also supports The Trampery, a social enterprise co-working space that provides affordable workspaces for entrepreneurs, creatives, and innovators. This support enables The Trampery to continue its mission of nurturing socially conscious businesses that contribute positively to the community.
- In addition to these initiatives, the Social Welfare Solicitors Qualification Fund (SWSQF) was established in 2023 to provide financial assistance to aspiring solicitors working in social welfare law. This fund helps individuals serving disadvantaged communities qualify as solicitors, ensuring that legal support is accessible to those who need it most.
- The Livery food initiative is another example of the City's commitment to social welfare. By supporting City Harvest, which collects and redistributes food that would otherwise go to waste, the City helps combat food insecurity in London. Additionally, the initiative supports the Women's Trust, which aids women in London recovering from domestic abuse, providing them with the resources and support needed to rebuild their lives.

- LandAid, one of the property industry's most significant charity initiatives, is also supported by the City. LandAid's mission to end youth homelessness in the UK aligns with the City's broader commitment to addressing social inequality and supporting vulnerable populations.

The City of London has a unique opportunity to lead by example in fostering inclusivity and opportunity. Through targeted initiatives that support disadvantaged communities, promote diversity, and harness the potential of an ageing workforce, the City can continue to be a beacon of innovation, equity, and social progress.

UNLEASHING THE POTENTIAL OF LIVERY COMPANIES: A CALL FOR GREATER PHILANTHROPIC COLLABORATION

The Livery Companies of London, collectively the seventh-largest provider of philanthropic funds in the UK, stand as a testament to the City's long-standing tradition of charity and community support. However, there is a growing belief that these historic institutions could, and should, do even more to help those in need. The time has come to harness the collective power and wisdom of the Livery Movement, ensuring that their philanthropic efforts reach new heights in addressing the pressing issues of poverty, marginalisation, and social inequality.

Livery Companies have a long history of helping vulnerable people, those who are often marginalised and living in difficult situations. Yet, there is a sense that by working together, they can achieve far more than they have so far. The aftermath of the COVID-19 pandemic has sparked a greater willingness among these companies to cooperate and collaborate, particularly among the Modern Livery Companies, who are leading the charge in this new wave of collective action.

However, for this vision to be fully realised, added impetus and engagement from the older, and often wealthier, Livery Companies would be most welcome. Their involvement could significantly amplify the impact of these collective efforts, bringing about meaningful and lasting change on a much larger scale.

Encouraging tax-efficient giving is another avenue that could bolster the Livery's philanthropic initiatives. By promoting and facilitating tax-efficient donations, Livery Companies can ensure that more funds are directed towards supporting critical projects within the City and its neighbouring boroughs. This approach not only maximises the impact of charitable giving but also strengthens the relationship between the Livery and the communities they serve.

Furthermore, developing affiliations with youth organisations across the City presents a valuable opportunity to support and empower the next generation. By aligning themselves with these groups, Livery Companies can play a crucial role in helping young people achieve their objectives, providing them with the guidance, resources, and support they need to succeed.

In conclusion, the Livery Companies of London have a profound potential to drive positive change in society. By embracing greater collaboration, encouraging tax-efficient giving, and supporting youth organisations, they can significantly expand their philanthropic reach. The moment is ripe for the Livery Movement to come together, leveraging its collective strength to make a real difference in the lives of those most in need.

Section 6: Bright Spots

THE WORLD'S INSURANCE CENTRE

According to the 2024 London Matters Research, the City contains the highest concentration of insurance talent in the world, with over 350 businesses operating in the market, supported by a network of professional firms such as lawyers and claims adjusters. This concentration of expertise, coupled with the City's capacity in reinsurance, reinforces London's status as a global leader in the sector.

The report also reveals that the UK's share of the global reinsurance market is now higher than at any point since the survey began in 2010. Between 2013 and 2018, the London Market saw a 22% increase in Gross Written Premium (GWP), but this growth accelerated significantly between 2018 and 2022, with GWP jumping by 44%. This remarkable expansion highlights the UK's resilience and adaptability in a highly competitive global market.

THE WORLD'S DISPUTE RESOLUTION CENTRE

London remains a preeminent centre for dispute resolution, thanks to its legal system, which is widely perceived as reliable, orderly, and independent. The City's reputation for legal professionalism and the quality of its corporate governance continues to attract high-profile businesses, reinforcing London's status as a global legal and financial hub.

THE WORLD'S SECOND-BEST PLACE FOR TECH TO START AND GROW

While London might lack the flashiness of Silicon Valley or the sheer market size of the USA, it remains a very attractive place to do business due to its 'light touch' pro-business environment, established financial and human infrastructure, and its status as the second-best place globally for tech businesses to start and grow.

In 2023, the UK tech sector was valued at £72.4 billion and projected to grow to £76.2 billion in 2024, with a compound annual growth rate (CAGR) of 5.8%. The tech sector is divided into four main segments: Consulting (£4.5bn), Solutions (£16.4bn), Operations (£35.9bn), and Software (£15.5bn).

In the City of London, there are approximately 86,000 tech workers, with a notable growth in tech jobs, adding 16,000 new positions in 2022. Tech jobs outpaced other professions such as accountancy and management consultancy. Although the financial contribution of the tech sector is not precisely quantified, it is estimated to account for around 20% of the City of London's £90 billion economic output, based on average productivity per worker.

ONE OF THE WORLD'S MOST ATTRACTIVE PROPERTY INVESTMENT CENTRES

The UK property market continues to stand out as one of the most attractive investment destinations worldwide due to a legal system that strongly upholds property rights, a restricted land supply that curbs the risk of overdevelopment, and a planning system designed to maintain market balance. These elements collectively ensure a high level of market transparency and liquidity that compares favourably to other global markets, making the UK a safe and profitable environment for investors.

The built environment is a vital part of the UK economy, contributing significantly to the country's GDP and employing over 1.2 million people. The built environment encompasses all forms of buildings, infrastructure, and urban spaces. Key players in the sector include professional bodies like the Royal Institution of Chartered Surveyors and others, who provide data and analysis on various subsectors. The built environment also plays a crucial role in advancing sustainability and addressing climate change. Economic data shows substantial value in both residential and commercial property sectors, although commercial values have recently declined.

THE LARGEST ASSET MANAGEMENT HUB OUTSIDE THE USA

The City of London is the largest asset management hub outside the USA, managing £8.8 trillion in assets. The UK boasts a highly diversified fund range across more than 100 classifications, including equities, fixed income, and alternative strategies, and is recognised as a pioneer in sustainable and responsible investing. Almost half of the assets under management (£4.6 trillion) are for overseas investors, underscoring London's international appeal. With 1,100 asset management firms, the UK has the largest concentration in Europe, offering a wide array of expertise.

London's strong reputation attracts global institutional investors, including sovereign wealth and public pension funds. Additionally, the UK is a global fintech hub and a centre for private asset management expertise. With 48% of total assets under management (AUM) coming from overseas clients and 78% of shares and bonds invested in global markets, London's ecosystem and historical track record continue to attract internationally headquartered firms and contribute significantly to the UK economy. This dominance is further bolstered by a thriving ecosystem of specialist micro-businesses, offering deep expertise, experience, and the flexibility that SMEs provide — an attractive proposition for science and technology-based start-ups.

THE WORLD'S GOVERNANCE CENTRE

The importance of proper governance as a driver of prosperity and competitive advantage is increasingly acknowledged across industries. High-profile failures underscore the critical role that robust governance plays in sustaining business success and safeguarding reputations.

The UK's governance standards are widely regarded as among the best in the world, providing a solid foundation for both domestic and international investments.

THE LARGEST GLOBAL HUB FOR FOREIGN EXCHANGE

The UK holds a trade surplus of £81 billion in financial and related professional services. It commands 38% of the global foreign exchange turnover, significantly more than the USA (19%) and Singapore (9%). London is a key hub for foreign exchange, with double the US dollar trades compared to the USA. In 2021, over 342 sustainable bonds were listed on the London Stock Exchange, raising approximately £104 billion. UK-based Islamic banks control 85% of European Islamic banking assets.

THE MOST DEVELOPED PRIVATE EQUITY MARKET OUTSIDE THE USA

The UK also boasts the most developed private equity market outside the USA, with £29.5 billion invested in 2021.

THE WORLD'S SECOND LARGEST HEDGE FUND HUB

London is the second-largest hub for hedge funds globally, managing around £350 billion. The UK leads in trading over-the-counter (OTC) interest-rate derivatives with a 45.5% global share, ahead of the USA. Fintech is also thriving, with 1,600 companies registered in the UK in 2021.

LONDON HAS THE LARGEST CONCENTRATION OF ACTUARIAL TALENT

London's concentration of financial institutions supports a significant portion of the UK's actuarial talent, with approximately 26% of the Institute and Faculty of Actuaries' UK members based in the City. This reflects the density of financial and related institutions in London, reinforcing the City's role as a global financial powerhouse.

ONE OF THE WORLD'S LARGEST CENTRES FOR MANAGEMENT CONSULTING

The UK management consulting sector generates around £9 billion annually and significantly impacts UK productivity. The Management Consulting Association's 2024 survey predicts a growth of 9% in 2024 and 11% in 2025. The sector includes major firms such as Accenture, PwC, Deloitte, EY, KPMG, and IBM, along with many medium-sized and small specialist consultancies. Large and medium firms account for less than 50% of the total industry. Clients come from various sectors, including the private sector (notably FTSE companies), the public sector, and the not-for-profit sector.

THE WORLD'S LARGEST SPECIALTY INSURANCE MARKET AND A MAJOR CONTRIBUTOR TO THE UK ECONOMY

The London Insurance Market is very significant to the UK economy, employing around 60,000 people and contributing nearly £50 billion to the UK economy, equivalent to 2% of GDP — representing a 26% increase since 2020. It is the world's largest specialty insurance market, generating around $160 billion annually, with almost three-quarters of that income coming from overseas, making it a key contributor to foreign earnings. The London Insurance Market's productivity per full-time employee is four times the UK average.

A GLOBAL HUB FOR INTERNATIONAL LEGAL BUSINESS

The legal sector places a crucial role in the City of London and in the broader UK economy, generating £90 billion annually, with its strong reliance on its services sector. London's legal system, based on English law, is a national asset, attracting clients from around the world. The legal workforce in the City includes approximately 33,000 solicitors, 15,500 barristers, and 108 High Court judges, with about 140,000 people employed in the sector overall. In 2022, the UK legal sector generated £43.7 billion in revenue, with £20-£25 billion estimated to come from City-based clients. The UK also leads in LawTech investment, with 200 companies attracting £674 million in 2020. London remains a global hub for international legal activities, hosting over 200 overseas law firms from 40 jurisdictions. The Commercial Court saw 63% of cases involving international parties in 2022. Furthermore, London handles over 80% of the world's maritime arbitrations, making it a top destination for international commercial arbitration.

SIGNIFICANT TAX ADVISORY TALENT

The tax advisory sector in the UK comprises an estimated 85,000 tax advisers serving 12 million taxpayers. Of these, 65% are professionally qualified, with 20,000 members belonging to the Chartered Institute of Taxation.

A DYNAMIC SME SECTOR

In 2023 in the UK, there were approximately 5.6 million private sector businesses with almost all (99.2%) classified as small businesses with 0 to 49 employees. The sector also included 36,900 medium-sized businesses and 8,000 large enterprises. The number of businesses in the private sector grew by 0.8% compared to the previous year, reflecting a dynamic and diverse entrepreneurial environment where small and medium-sized enterprises (SMEs) dominate, contributing to innovation across various sectors.

THE LEADING CENTRE FOR ARBITRATION

London is a centre for arbitration involving arbitration, adjudication, mediation, and expert evaluations. Its members come from various professions, including barristers, solicitors, judges, and chartered surveyors, and are typically affiliated with relevant professional bodies.

EUROPE'S LEADER IN ADVERTISING, COMMUNICATIONS AND MARKETING SERVICES

In 2023, 905,000 people worked in marketing-related fields in the UK, where marketing spending on media communications reached £37 billion. The UK leads Europe in advertising and communications, with internet channels commanding the highest spending. Financial services dominate as some of the highest-value brands in the UK.

EUROPE'S TECHNOLOGY CENTRE

The UK's technology sector has emerged as a formidable force on the global stage, wielding immense power in driving entrepreneurship and innovation. With a combined market value of $1 trillion, it stands as the leading tech hub in Europe and ranks third globally, trailing only behind the USA and China. This thriving ecosystem employs over 3 million people, fostering a culture of innovation, sustainability, and significant global impact, all backed by a robust VC and PE industry. Notable areas of investment include artificial intelligence (AI), life sciences, and renewable energy — positioning the UK as a leader in sustainable innovation.