Appendix 1

London Assembly Economy Committee - Friday, 10 December 2021

Transcript of Agenda Item 5 – The Future of London's Financial and Professional Services

Shaun Bailey AM (Chairman): We now move on to the main item of business today, our discussion with invited guests on the future of London's financial services and professional services. I would like to welcome our guests, Allen Simpson, Interim Chief Executive, London & Partners (L&P); Rajesh Agrawal, Deputy Mayor for Business; Anna Purchas, London Region Chair and Office Senior Partner, KPMG; and joining us over Zoom are Professor Sarah Hall, Senior Fellow, The UK in a Changing Europe; and Miles Celic, Chief Executive for TheCityUK.

As is our tradition, I will ask the first one or two questions and then we will go from there. Good morning again to all our guests and thank you for attending. Thank you, Deputy Mayor, because I know you are our best attendee, very pleased to see you. I will ask this question to Miles and the Professor to start with and then I will come to you probably later on, Rajesh.

As the world recovers from the impact of the pandemic, how has London's financial services sector responded to the challenges and adapted to remain relevant? If I start with Miles please.

Miles Celic (Chief Executive Officer, TheCityUK): Thanks very much, Chairman, and thank you for the invitation to participate in this. As Members may be aware, TheCityUK is the representative body for financial and related professional services here in the United Kingdom (UK). In fact, it was created partly at the request of the Greater London Authority (GLA) and the mayoralty about ten years ago and the Mayor puts a representative on our board, as does the City of London Corporation, and we work very closely in partnership with both. I would like to take this opportunity to thank Rajesh and the Mayor for all the efforts they have made over the last 18 months and beyond in terms of dealing both with Brexit and with COVID.

In terms of the question that you have asked, Chairman, I would say the first thing is that the industry has avoided disruption. It has been stable; it has been able to support economic activity here in the UK and more broadly. The markets functioned well. We work very closely with regulators, with central Government, with devolved governments and international governments, to make sure that the industry was able to do its bit to support economic activity and to keep the economy going through particularly those early days of hibernation during lockdown.

There is still a lot of noise among the signal in terms of some of the longer-term impacts here. The very fact, for instance, that we are doing this meeting as a hybrid meeting, I think there are questions about what this means for cities, what this means for clusters. One of the great advantages of London, and also cities such as New York or Hong Kong or Singapore is the cluster effect of talent that they bring. Deloitte did a report a little while ago that showed that London is the biggest concentration of high-skilled jobs anywhere in the world, 1.7 million high-skilled jobs here in London. The next biggest centre is New York with 1.2 million.

As we move forward, what does that mean in terms of where people want to be based, particularly younger workers? We have a highly-mobile population in some of the areas that are of particular interest for the future of financial-related professional services. Here I am thinking of financial technology (fintech), digitisation, green and sustainable finance. If you look at fintech, for instance, 42% of the people working in fintech here in the UK are from outside the UK.

How do you make sure that you can continue to attract these people? How do you keep a city like London attractive, not just in terms of the important things, such as infrastructure - and here I am thinking of transport in particular, but also office space - but the appeal of a city such as London. It is a very easy sell to say to somebody outside the UK, "You are now going to do two years working in London." Or indeed the rest of the UK, but particularly in London. It is a global city; it is a global population. There is an enormous amount of soft infrastructure that makes it very appealing to work in.

Then the final point I would raise is also the consequences this might have in terms of regulation and supervision over the long term. Regulation and supervision is often place-based. It is based, not just within borders, but as we found during the COVID crisis, often certain trades have to be done in a controlled environment. They have to be done in the office. What we found during the crisis was that the Bank of England was able to get on with its gilts programme out of somebody's bedroom. This was a very different way of doing things. To what extent does regulation and supervision therefore need to adapt as we move forward to address those sorts of thing?

Shaun Bailey AM (Chairman): Thank you for your comments. Our latest report has been about supporting our night-time economy because it is part of the soft infrastructure that makes London very attractive. If I can move on to the Professor please?

Professor Sarah Hall (Senior Fellow, The UK in a Changing Europe): Good morning, Chairman, and thank you very much for the introduction. When I think about the future of London, I make a distinction between COVID, which is more of a shorter-term set of impacts; and Brexit and the reorientation of London's economy outside the European Union (EU), which I think is more of a medium to longer term. I will just take each of those in turn.

On COVID I very much agree with Miles that financial and professional services weathered this well. There was no market instability. This was largely because a lot of the work that goes on in financial and professional services could pivot to home and hybrid working. That does raise questions about what that looks like in the future. It is important to note that some of the soft infrastructure that you just mentioned, Chairman, had a much harder COVID and indeed still is, and particularly with Omicron and the introduction of Plan B.

One of the vital aspects of the clustering effect within London is the hospitality sector. We know from research that the hospitality sector is not a nice add-on to financial and professional services, but is quite a critical place in which knowledge and expertise is shared. Therefore, on COVID I would be looking closely to see what happens in terms of that softer infrastructure, which has been impacted more than financial and professional services themselves.

In terms of the UK's trading relationship, obviously London is known as a genuinely global and international financial centre. That is quite distinctive from other European centres and makes London in many ways much more similar to New York in terms of that genuine international global outlook. That has been a recurring theme throughout the history of London as a financial centre.

There are just a couple of things to note about that. New York obviously has a large domestic hinterland upon which it can provide financial and professional services. The UK economy is not the same size as the United

States (US). For London continuing to act as a kind of global hub within the international financial system it is going to be important if it is going to maintain its position as a leading international financial centre.

We have seen some early signs of changes in the trade relationship between the UK and the EU. It looks like some diversion of trade away from between the UK and the EU towards the UK and the US. Miles had a report earlier this week that showed the growth in exports to the US outpacing those to the EU for the first time since those records were collected.

The key point on Brexit is that it is very early days. The worst-case scenarios in terms of job relocations from London have not happened. The number of jobs that have been relocated out of London to Europe is lower than a lot of the worst-case estimates. However, we do need to have a little bit of caution with those figures. Business plans have clearly been disrupted because of COVID and I do not think we are at the end point in terms of what the UK's trading relationship with Europe will look like for financial and professional services. Here there are questions about the EU's interest in brass-plating and chaperoning, for example, and what that might do to business models.

We also need to think about labour market mobility. I very much agree with Miles that attracting international highly-skilled labour into London has been central. Here we need to think about visas, but also mobility more generally, shorter-term business, depending on what happens post-COVID.

Regulation will be critical and there is obviously an awful lot of work going on there. However, it does seem that financial service is one of the areas where the UK Government is particularly interested in exploring how regulation might be used to trigger a Brexit dividend.

Finally, I do think we need to think about London's relationship with other financial centres. There might be a slight risk that, if we focus just on UK and Europe, we miss out on some of the really significant growth markets in financial services, particularly in the US, but also Singapore and Asian markets.

Shaun Bailey AM (Chairman): Thank you for that. You beautifully segued me into my next question, and I will start with Miles and come back to you, Sarah.

What has been the main challenge and opportunities and what are the remaining challenges from the impact of Brexit and from the pandemic for London moving forward, challenges and opportunities?

Miles Celic (Chief Executive Officer, TheCityUK): The first thing I would say is it is really important to pay tribute to the work that was done by Government and by regulators, and indeed by industry on both sides of the channel, and indeed Irish Sea in the run-up to Brexit. Pretty much from the day after the referendum all of those groups went into a pretty intensive planning to ensure that the risks of market disruption and economic dislocation were minimised. We can see that we had Brexit, and even right after that with the impact of COVID, the amount of market disruption has been very minimal, if at all. Therefore, that is testament to the amount of work and planning that went in.

In terms of what remains to be done and what remains to be seen, I would very much agree with what Sarah has said. We are seeing an evolution, people may call it divergence, it has also been described as parallel evolution between the UK and the EU. The thing to bear in mind here is that, while the UK, and London in particular, were highly successful - and remain in many ways highly successful - as a European financial hub, that was always a minority even of the international business that took place in the UK. It peaked at around

40% or so. It is now, as Sarah has talked about, in decline and she kindly referenced the report that we issued earlier this week that showed that the US is now our major international export market, taking about 34% of all of the exports in financial services from the UK.

Financial services exports in the UK are the most successful of their kind anywhere in the world. We are the most successful exporter bar none. In fact, we export more financial services than the next three countries put together. That gives you a sense of the scale here and it also gives a sense - again building on what Sarah was saying - that the domestic market here in the UK, while significant, certainly is not of the sort of scale that you would expect from the US. Therefore, we tend to be more export-minded than centres such as the US or China. That tends to be the focus from the UK.

In terms of things that remain as areas of risk with the EU, the broader political relationship is clearly troubled and clearly has a number of areas of tension. What we have consistently asked for is that the very technical relationship between the UK and the EU in financial and professional services, and the European ecosystem that exists in financial and related professional services, should not fall victim to political debates and political arguments that are happening in parts of the economy that have nothing to do with financial and related professional services.

Secondly, and related to that, we think it is unfortunate that the Memorandum of Understanding (MOU) on Financial Regulatory Co-operation has yet to be agreed by the EU. The UK is ready to move on that and has been for some time. While that sets up a number of formats and forums for regulatory co-operation and is not in itself a decision-making body, it is nonetheless helpful as a mechanism for sharing best practice and air-traffic control between the UK and the EU.

Then the other area that we have concern about over the longer term is this approach that could be characterised as a market location approach over a market efficiency approach that the EU has now adopted, which builds on its open strategic autonomy concept that it is taking forward. There is very clearly a decision to prioritise sovereignty over market efficiency and cost. We feel that there are a number of risks that come with that. Equally, on the more positive side, the recent decision on central counterparties (CCP) having their equivalence extended was absolutely the right thing to do on both sides and reflective of both sides, particularly on the EU side, beginning I hope to listen to customers and businesses a little more.

Then that is balanced out by things such as the Lugano Convention on Judicial Co-operation and Enforcement, which appears to have again been held hostage by the political circumstances.

Shaun Bailey AM (Chairman): Unfortunately, politics can do that. Can I just bring Anna in at this point and ask, what for you have been the main opportunities and challenges that still remain?

Anna Purchas (London Region Chair and Office Senior Partner, KPMG): Thank you for inviting me today, really looking forward to hearing from the other speakers and seeing how we can learn and move forward together.

At KPMG, and just for those not familiar with us, we are about 16,000 of us in the UK, approximately half our workforce is based out of our office in Canary Wharf. COVID has meant for us two things, in terms of client service we were able to move very fast to working from home. We had, luckily, the technology in place to allow us to do that. Therefore, it did not mean any drop-off in terms of client service and how we could work with our clients in very different ways.

For all of us working at KPMG, working from home until last summer, and most people did work from home until last summer, was of course very different. We put the wellbeing of our staff at the forefront of our agenda and focused on health and safety. That meant working from home. We did recognise that has mental health implications and from the regular surveys we did of our staff we could see that loneliness, mental health, were increasingly a concern for us that we needed to focus on.

When guidance did change and we were able to think more about bringing people back to the office if they wanted to do so, we were able to do that. We did do that at KPMG. Prior to Plan B coming into place, we were moving forward with our hybrid working plans, which we see as an excellent way forward and a very beneficial way forward for our employees.

Shaun Bailey AM (Chairman): Anna, can I just ask you a quick question? What sort of proportions are we talking about of your workforce that was working from home and has now returned to the office?

Anna Purchas (London Region Chair and Office Senior Partner, KPMG): For most of COVID, everybody was working from home, unless there was a very significant personal wellbeing reason to come into the office. The vast majority working from home in line with Government guidance.

When we started to say, "If you want to come back you can come back," either for a business-critical reason or for personal wellbeing or latterly for personal choice, we were up to about 40% of people coming in. We do still have a minority of people who have not been in at all and chose to continue to work from home.

Shaun Bailey AM (Chairman): OK, thank you. Let me just move on to my second question, I will start with Sarah. What progress has been made on post-Brexit bilateral trade agreements and what does this mean for London?

Professor Sarah Hall (Senior Fellow, The UK in a Changing Europe): One of the surprises, at least early on, following the agreement of the Brexit trade deal was that did not unlock additional market access into Europe for London-based financial services. Miles has shown that on that UK and EU relationship things are rather more strained than we might have expected.

On trade and financial and professional services, the first thing to note is that trade deals do not typically do that much for services. Not as much as they do in terms of liberalising goods trade, for example. Although, that being said, there is evidence that they are important in terms of fostering trust and also potentially fostering regulatory dialogue and co-operation. I would not say they are unimportant, but we just need to be a little bit cautious about how significant they are.

The other point to make is that trade is typically deepest within services with your nearest trading partner. In other words, geography does matter in trade. London has done very well in terms of cementing a kind of New York and London trading relationship. The other kind of caveat I would make is that trade is harder now between the UK and the EU in financial and professional services. Therefore, the prospects to offset that with other trade deals, we need to be a little bit cautious as we look for evidence.

That being said, I would just draw your attention to three that I think are particularly important and might be worth drawing the Committee's attention to. The first is the UK and Swiss agreement on financial services. Switzerland is clearly a key financial centre also outside of the EU, and the UK has been clear that it does seem to want to prioritise a trading relationship, which would include mutual recognition for regulatory frameworks with Switzerland. That is important.

The second one I draw attention to is the UK and Singapore financial partnership. This is important because of the growth rates in Singapore and neighbouring markets. This was agreed in June 2021 and it does facilitate closer regulatory co-operation and includes an MOU that recognises UK and Singapore regulatory regimes. Although I am a little bit sceptical about the extent to which trade deals in and of themselves can stimulate financial and professional services trade, there are some important agreements that are taking place.

The third one that I would draw attention to is the Singapore and UK digital economy agreement, which is a very recent announcement. This is really important, partly because it is quite innovative in terms of what it does on digital trade. However, this is particularly important for London financial and professional services because digital and fintech are one of the areas that London and the UK are seeking to stimulate post-Brexit to try to trigger a Brexit dividend. Showing leadership in facilitating digital trade and digital trade agreements is going to be important.

Shaun Bailey AM (Chairman): Thank you. I am going to move on now to Assembly Member Ahmad.

Marina Ahmad AM: Thank you, Chairman. My first questions are to Miles, Anna and Allen. What are the opportunities for the future of financial and professional services in London now that the UK has left the EU? I know you mentioned some of those things, but I just wonder if we could go into those in a little bit of detail.

Allen Simpson (Interim Chief Executive Officer, London & Partners): Hello, everybody. I will start with where the other witnesses have left off really, which is to say that in some ways the level of access, which has been won post-Brexit, was worse than the worst expectation during the early stages of the negotiations. The impact of that has been less severe, at least in terms of dislocation, than was the case. Some analysis by TheCityUK back in the 2016 period expected, if you include ecosystem impact, about a loss of 75,000 jobs. It has probably been a tenth of that gross and net possibly job creation has gone up in the sector. We are starting from the principle of not having to defend against significant dislocation loss and that is a good thing.

The challenge in some ways is the same as it was pre-Brexit, which is that Brexit is one of four megatrends affecting the city and one of the others of course is a pivot to Asia. One of the things that London needs to do is to make sure that it establishes London's standards as the standards that define the new phase of the global economy. That is why it has been very important that since 2010 the Government has had a real focus on London being a good partner for Asia as a fundraising mechanism.

The second opportunity, which is also a risk, is that London has in many ways defined the last 150 years of global finance. It has been the place where modern banking has been developed. That means that, frankly, and to Miles's point, it is very hard for any other financial centre to counter us as the place where you raise global money. New York is where you go to raise money if you are American. The UK is where you go to raise money if you are from anywhere in the world. If you are a Mexican company wanting to invest in the Middle East you do it through London because both counterparties can be confident in our standards.

However, we are seeing significant disruption in financial services and that is across payments, it is across lending, it is across retail, wholesale, the whole gamut. I saw this in my time in the city. We cannot assume that we win that. Amazon transacts many more financial transactions in any given day than any high street bank. It is not based in the UK. The risk and the opportunity for London is how do we make sure that we are as dominant in those emerging disruptive fintech-based financial and professional services models, and regulatory technology (regtech) and legal technology (lawtech), as we have been in the banking that I worked in for a decade.

What that means is that innovations like the regulatory sandbox are incredibly important because we need to be very good at being seen to be innovation-ready as a market. I was very encouraged by the speakers' comments about the importance of culture as well. I would say that of course, as the Committee knows, we run the tourism work for London as well. If London can make itself a place where young entrepreneurs who are setting up businesses in fintech, regtech, lawtech, want to bring their businesses, then we can have significant expectation of doing well in the next phase of the global economy.

Marina Ahmad AM: Thank you very much.

Anna Purchas (London Region Chair and Office Senior Partner, KPMG): I will answer the question through the lens of the professional services firms. Taking a step back and thinking about London, the advantages we have through the English language, through our regulatory and legal setup, through our time-zone, that has led us, over the centuries, to have developed professional qualifications, which are recognised globally. As I am sure you are aware, people come from all over the world to gain a British professional qualification, which they then take back. That is a very important part of how my firm operates as part of our global network.

Thinking about that and what does that mean going forward, we have an opportunity as a sector to drive further growth for London and for the UK. That point is really important. We are very strong in London, about half our employees are based in London, but of those employees they do not all live in London, they live across the UK and hybrid working of course facilitates that. The way we support growth throughout the UK is a very important point in the context of the levelling-up agenda.

This sector, my sector, should be looked at as an opportunity for growth. In terms of where we can see growth, we have already talked about financial services, another area is environmental services. This is of course hugely important for us. In the UK we already have a great depth of expertise in that among the professional services sector. For me it is an area for further growth. That is in terms of when we are advising clients and doing deals, in terms of consulting services, and of course in terms of providing assurance over reporting to support people on their journey to improve. Environmental, social, and governance (ESG) is a huge opportunity for us for growth as a sector in terms of the advice we give.

Thirdly, I would say with some pride that I do think the professional services sector rightly takes a role as forward-looking employers. If we want to have the best talent working for our firms, we have to be strong in this area, because the best people want to work for firms that are forward-looking. Of my firm, we were very early reporters of gender pay gap, ethnicity pay gap. This year we have reported on the socioeconomic pay gap. We were very early members of the minimum wage, and now living wage, foundation. The role we have to play as very responsible employers pushing for good practice should be recognised as well as an asset.

Marina Ahmad AM: Thank you, Anna.

Miles Celic (Chief Executive Officer, TheCityUK): Anna and Allen have both made a number of terrific points. I will just build on those and also just to add to the points that Sarah was raising earlier. We have seen terrific progress on the international basis. Those free trade agreements (FTA) do not tend to cover services much, but they open the dialogue for regulators and governments to talk to each other. The UK is the most successful services exporter in the world, or in the Group of Seven (G7), 45% of our exports are services, the highest proportion in the G7. Also, a lot of the goods exports that we make have a connection to services. Firms like Anna's, firms in financial services and elsewhere, have contracts that are connected to goods trading.

I absolutely take the point that Sarah has raised on geography. That is absolutely vital. It is a slightly more nuanced picture when it comes to services, particularly financial services, as we have seen with the fact that the US is now our largest export market for financial services.

In terms of some of the specific areas that I would like us to see you focusing on, and I think this is happening, thematically green finance and green and sustainability issues, which has been touched on already. There is an area for the UK to build on. We are seeing huge progress being made there by the US, by France, by Germany. The UK, depending on which measure you look at, we are either very much in that pack or slightly behind. Either way, there is more that we can do there and that draws on both the expertise in financial and professional services as we look at transition financing and transition support for the rest of the economy as we move towards net-zero. That was one of the areas that we identified when we launched our international strategy for the future competitiveness of the UK earlier this year.

A couple of others, one around fintech where we are clearly among the leading geography jurisdictions internationally alongside the US and China. One thing I would point to as evidence of the impact the UK is having here already is if you look at the UK and Japan FTA versus the EU and Japan FTA, they are very similar in many ways. They are not quite the copy-and-paste that some people claim they are. However, on data localisation there is an explicit difference between UK and Japan versus EU and Japan. The EU has gone down the data localisation route, which raises costs for customers. The UK and Japan have agreed not to do that, to explicitly rule that out.

Investment; there is a huge amount that we could do in terms of driving investment into the UK and from the UK and the role the financial and professional services traditionally played on that, and risk management is a huge area for London in the future. We already have the fourth-largest insurance industry, the fourth-largest insurance market in the world here, with huge amounts of expertise that exists in professional services. There are a number of opportunities here.

The final point I will just make is that we need to recognise - and I think this has been touched upon by all the speakers already - we do not have a god-given right to success here in the UK. Europe in particular is littered with financial centres that got it wrong and are now no longer the leading international financial centre; places such as Florence or Amsterdam. The UK, while we are doing terrifically well in areas such as fintech, and we are growing overall, there are other centres that are growing faster than us in some areas. We need a national effort to ensure that we do continue to utilise the industry here as a national strategic asset.

Marina Ahmad AM: Thank you. That leads very neatly on to my next question. You have all outlined the challenges, particularly as a result of Brexit. You have also talked about opportunities as well, which is very positive. Do those opportunities in your particular sectors outweigh the challenges? I wonder, Anna, if you could start, because you were very positive about the opportunities?

Anna Purchas (London Region Chair and Office Senior Partner, KPMG): Yes, I am positive about the opportunities. The concern some other speakers have already raised, the number one concern we have, is skills shortage. I have never known such a competitive skills market as we have across the professional services sector as we do right now. That is partly driven by growth in demand of what we offer to clients. It is also impacted by a skills shortage. We have seen a reduction in EU workers wanting to come and work in our sector. That does cause us issues. That is my number one concern in terms of making the most of the opportunities that I have.

I am less concerned about hybrid working going forward for our sector in terms of our staff. Of course, I am concerned about the impact that has on the economy in London and more broadly.

Marina Ahmad AM: Thank you. Miles, I can see the Chairman is getting a bit agitated, will you just keep it slightly brief, maybe bullet points please?

Miles Celic (Chief Executive Officer, TheCityUK): Sure. Briefly, I completely agree with what Anna said. What I hear from companies when we speak to them in our membership is talent is the number one issue, both domestic and international. We need to do better at getting people from other communities that are not as well represented in financial and professional services in the UK into the industry as well as being open.

Two other ones that I would identify really quickly: tax, this is not just about the headline rate, this is about the streamlined predictable stable tax regime. We are uncompetitive when you look at particularly bank taxation. However, as I say, it is more than just headline rate.

The other is on regulation. We need to ensure that we have agile regulation here in the UK. We are no longer part of a market of 500 million people with the scale that brings and the authority that brings in terms of regulatory negotiations. We need to be fast; we need to be agile; we need to be nimble. We very much welcome the Government's proposals on an economic growth and competitiveness duty for the regulators. We think that is a very positive thing.

Marina Ahmad AM: Thank you very much.

Allen Simpson (Interim Chief Executive Officer, London & Partners): On this regulatory point, there is a balance here, and this is how we balance the risks and opportunities. This is the most important strategic decision we have made in our global trade relationships in many years. There is a question mark over how much you reregulate. Let us try to talk about regulatory precision rather than regulatory easement.

If we try to maximise our regulatory opportunities globally by reducing some of the burdens, there are two risks, which we have to trade off. The first one is that there should be an equal and opposite loss of access to the European Union as a risk that we need to manage. You cannot cover a double bed with a single duvet. If you try to move towards Singapore, you move away from Europe. If you try to move towards Europe, you might lose access somewhere else. The solution to that is high standards. High standards are quite a good access route anywhere.

The second thing is balancing cost of fundraising versus investor protections. We saw this in the aftermath of 2008 with some arguments that London interestingly had with France about making sure investors are properly protected. You need to make sure that you have a sufficient set of standards so that international investors continue to have confidence in London as a place where they can invest in risk. For me there is this balance of risks and opportunities is really a balance of standards. If we can maintain sufficiently high standards, then my experience of working in financial services in London is that the capital, and therefore everything else, flows into London. I can talk in more detail about that but that for me is the key issue.

Marina Ahmad AM: OK, thank you very much.

Shaun Bailey AM (Chairman): Thank you, Assembly Member Ahmad. Before I move on to Assembly Member Bokhari, can I just come back to Allen. You talked about four megatrends and you listed two, Brexit and COVID, what were the other two?

Allen Simpson (Interim Chief Executive Officer, London & Partners): From my perspective, there are four core trends, which are affecting financial and professional services, but frankly the broader economy. There is Brexit, and we talked a little bit about that, there is COVID, we have talked a little bit about that. The third is recession and it is underestimated that going into last year most serious market commentators put the chance of a recession across the western economies at more than 50%. You could see that, for instance I provided some data to the Committee last time, which illustrated that. Then the fourth is what you can call Asia pivot, or the move towards the southeast of the world.

Generally speaking, to Miles's point, nowhere is the global fundraising centre forever. There is a reason that Lombard Street in London is called Lombard Street. There is a reason we call banks "banks;" it comes from the Italian word *banco*, which means "bench." In the same way that London absorbed a place as the global financial centre, as growth in Asia grows to a point where you have significant domestically invested capital, rather than exported capital, you get to a situation where financial services moves with it in order to serve it. There is a thing that you often hear people say in the city, which is that the last thing to leave is the nameplate on the building. The capital goes, and then the teams who trade that capital move, and then the support services move, and then finally they turn off the lights in the building.

That general trend in economic growth from the northwest of the world to the southeast is one of the four megatrends that I think we need to align with the other three.

Shaun Bailey AM (Chairman): Thank you.

Hina Bokhari AM (Deputy Chair): I found that really interesting, Allen, thank you. My question is this to Anna from KPMG: I want to know what is making you stay here in London. There are all these concerns about skills shortages, EU, reduction of staff, and if the success of the hybrid approach means that somebody who is really skilful comes from somewhere in the EU, you are very welcome to just invite that person to KPMG, work for you, but on a hybrid way. They do not have to be here in this city. So, what is making KPMG say, "Right, we will stay here", because you could go anywhere.

Anna Purchas (London Region Chair and Office Senior Partner, KPMG): Yes. It is a really good question and we are committed to staying here. We have invested significantly in our Canary Wharf buildings recently. You do need some time together with colleagues and there are some activities that are much better face-to-face. Technology is brilliant but we have found that our teams do need to be together. We are an organisation that recruits in a significant amount of junior colleagues. At any one time we have about 3,500 people going through training and some of that does need to be on the job, face-to-face, or in a classroom. There will always be reasons for needing to be together.

In terms of why London is the right place to be together, in the context of the UK it is our head office. We will continue to see people wanting to come to their head office for that sense of being in the centre. Indeed, some of our research across the UK economy, our UK economist Yael Selfin [Chief Economist, KPMG] has shown that we expect that to continue as a trend. There will continue to be head offices based in hub centres and people will want to travel there, and they will be areas of stronger productivity. We do see London as being one of those hubs.

Versus the EU, again it comes back to our historical reputation in terms of professional qualification and again the English language. It is hard to discount how important that is at the moment for colleagues in the EU and more broadly to want to come and have "working in London" on their CV. It is a huge asset and one that I care very much about that we protect that very valuable asset that we have.

Hina Bokhari AM (Deputy Chair): Thanks. A very quick question to Miles. You have talked about the new trade deals having an impact on London's financial and professional services. What are you measuring in terms of what is beneficial and what is not beneficial? What kind of metrics are you using?

Miles Celic (Chief Executive Officer, TheCityUK): That is a really good question. One of the problems that we have here is that the statistics, the data around services trade are nowhere near as good as the statistics around goods. For the fact that the UK economy is 20% goods and 80% services, that is not terribly helpful, and I have already pointed out the success the UK has got regarding the services exports that we have. This is something that we have been working with the Office for National Statistics (ONS), it is something the World Trade Organisation (WTO) has been looking at in terms of improving the data around services. What we do have are certain measures. Our international key facts report, which we issued this week, uses those as the basis for the analysis. There are ways of cutting this, but it is not as an exact a science as we would hope.

Zack Polanski AM: Thank you all for coming to the Committee, both physically and on Zoom. Deputy Mayor, if I can begin with you. Both the Mayor and the Government have committed to making London a global leading centre for green finance. What impact will this have on financial services and how can we make sure that action is taken?

Rajesh Agrawal (Deputy Mayor for Business): Good morning and thank you very much for inviting me here today. I want to begin, if I may, by paying tribute to the financial and professional services sector. Throughout the pandemic they have done a terrific job. Data last year showed that 84% of all the banks, building societies and post office branches remained open throughout the pandemic. They have done a terrific job in terms of distributing the loans under the Government guarantee schemes and so on, 1.5 million businesses have managed to access £75 billion. I just wanted to pay tribute to them.

In terms of green finance, many of my colleagues here and on the panel have mentioned this issue, the opportunity area. The Mayor is very ambitious on green finance. We want to double the size of the green economy of London within the next decade. It is an area of absolutely huge opportunity.

The Mayor has set the target for London to be net-zero by 2030. What that means is, in order to achieve that target, we will require about £61 billion worth of injection. In fact on one level it could be £100 billion. It is a once in a lifetime opportunity where we can bring private and public sectors together to harness this opportunity. The Mayor wants to utilise his position as the Chair of C40, which he is now, to really boost this as well. We are bringing private and public sectors together. The Mayor has convened several meetings in this area.

It also shows that the UK retail savers have been putting about £1 billion every month towards the responsible investment funds last year, which shows that the consumers are also wanting that. If you look at the London

Stock Exchange, again there is a huge opportunity for capital markets there, and the London Stock Exchange was named as the greenest exchange in the world last year. Its bond market now has got 300 active bonds, which have raised about $70 billion, and London has seen a 250% increase in green bonds. It is about bringing the private and public sectors together and really harnessing this opportunity. Combining with that all our ambitions that we are doing around it - clean tech, green tech, all of that together - is a phenomenal area of opportunity.

Zack Polanski AM: Thank you, Deputy Mayor. Here is my concern. I spent a couple of weeks last month at COP26 [26th United Nations Climate Change Conference of the Parties]. While it was a fantastic opportunity and a vital discussion for the globe to have, I was aware of a lot of greenwashing that was going on, on the ground, not fully, but some greenwashing going on. The Mayor says in his draft Budget that he wants this £61 billion. Now I was really pleased to hear you then say, "from public and private investment," but in the draft Budget it just says, "to enable a major increase in private-sector investment." What safeguards are there and how can we as Londoners and as an Assembly know that the money that we are accepting as private investment is ethical, that it is right, and that it is going to tackle the climate emergency and is not just greenwashing?

Rajesh Agrawal (Deputy Mayor for Business): Yes, you are absolutely right and that is one thing that one has to be very careful about; that ESG does not become just a buzz word in a glossy corporate brochure but that it is genuinely done in the right kind of spirit. I believe that whilst the majority of businesses are doing it in the right spirit, they see this not just as being responsible towards the planet and the environment, but genuinely see it as an economic opportunity. What we need to do from City Hall, as we continue to do, is make it easier for them to convene, do business and invest in those areas, and that is what we are doing, trying to bring projects together which are highly investable. The opportunity is huge, but also the challenge is huge and that is why we have got to be ambitious and we cannot do this alone. We have to bring along the private sector with us.

Zack Polanski AM: Yes, if you will forgive me, I agree with your answer and I heard all the opportunities. What I did not hear though is what safeguards there will be or what checks and balances there will be to make sure that that private investment is coming from the right places.

Rajesh Agrawal (Deputy Mayor for Business): As it is already, you look at any kind of procurement. If you are talking specifically, for example, there are the procurement powers that the Mayor has through Transport for London (TfL) and through the Metropolitan Police Service, and so on. We believe in responsible procurement and we use that to make a lot of changes, not just on climate and recycling, but also on the Good Work Standard, for example. We have got to make sure that the companies that are supplying into GLA group organisations, for example, are looking after their employees well, paying them fairly, and providing them the right working conditions. Similarly, part of the whole thing is also looking at their environmental risk credentials as well, and this is all weaved into the Procurement Strategy.

Zack Polanski AM: Thank you very much. Allen, if I can turn to you now. Rajesh is your Board's Chairman, but from a London & Partners point of view how do you see green finance and this private investment conundrum?

Allen Simpson (Interim Chief Executive Officer, London & Partners): Money is neutral. Money is neither green nor dirty; it is what it is used for that is green or dirty. If you have got money that came from something you might call dirty and it is going towards green, then it is always what it goes towards. From my perspective, we are in a transition period where at the moment there is a significant - but in the context of the trillions of pounds traded in London relatively small - amount of money going towards what we would call a green project. Climate tech in London has got venture capital (VC) of about $28 billion behind it and that is great. Phase 2 though - and we are not there yet, but I can see we are in transition there - is towards it not being possible to raise money at anything like market rate to fund something which you have not demonstrated is at least climate neutral. That is the bigger thing because it is the price of money that defines what big companies invest in and we are not there yet.

In terms of what we are trying to do, which is really the question, we went live - I think in October [2021] and I shared it with you - with our green and sustainability investment product. Like a lot of what we do, what it is trying to do is to de-risk green and sustainable investment into London by giving people the information on how to do it better here than somewhere else. That is a large amount of what we are doing. The hope is that because we particularly feel that we have the ability to affect decision-making in smaller and high growth firms, who maybe do not have access to in-house strategy teams and all the rest of it, by focusing on those companies we can support green disruption. L&P probably has less of a role in what I described as Phase 2 and that is going to be market-driven by larger players and by particularly, I suspect, pension funds. Our focus is on trying to make sure that we de-risk green and sustainable investment into London so that that $28 billion of VC investment into green tech can become $60 billion, $120 billion and so on.

Zack Polanski AM: Thank you. That is a really fair answer. The only thing I find objectionable - and maybe I have just misunderstood - is your idea that money is neutral in terms of, yes, it matters where it is going, but London has a moral and ethical responsibility. Therefore, accepting money that has come from exploitation or conflict or wherever it might be in the world, then we have a duty to not accept that money and to challenge it.

Allen Simpson (Interim Chief Executive Officer, London & Partners): We may not be so I will test it, but we are probably in violent agreement. If I have got £5 in my wallet, I do not know where it has come from and the question for me as the person holding that £5 is what I do with it. It may have been used to fund something objectionable in the past; the question is what we do with it. We are probably talking about two separate things. One is making sure that we have got the proper legal values and other controls on use of money in London and the question of whether we have enough green money in London is really a question of "Do we have enough green investment happening?" if I am making the right distinction.

To your point about, well, you need to know where the money has come from, yes, but that to me is a broader and separate question, an important question but a broader and separate one. The question of green money is really about what it is being invested in. It is what you are investing that money in. Money is a fungible product, it may have been used for something else at some other point, but investment is ultimately a demand side activity, not a supply side activity. If you create the right green investment opportunities in your city, then the money flows to it and therefore by definition it is not somewhere else.

Zack Polanski AM: Yes, I agree. They are two separate questions, but they are inextricably linked, and it is important that we show that leadership. Thank you very much, Chairman.

Shaun Bailey AM (Chairman): Before I give you Assembly Member Bokhari, I would like to ask the Deputy Mayor if you have a definition, broad or otherwise, for what would constitute a green investment and, for me personally, most importantly green jobs. What is a definition of a green job?

Rajesh Agrawal (Deputy Mayor for Business): Green job?

Shaun Bailey AM (Chairman): Yes, because in the Mayor's manifesto - I have heard you say it as well - you talk a lot about generating green jobs. What does a green job look like? What is it?

Rajesh Agrawal (Deputy Mayor for Business): A green job is quite a broad term, but it is essentially in the green economy, so the economy that is working towards reducing the carbon footprint, for example. If it is electric vehicles, for instance, or installing charging points, that would be the green economy, for example, but there could be quite a long lead --

Shaun Bailey AM (Chairman): In the context of London, you are talking about new green jobs, jobs that did not exist last year? We are --

Rajesh Agrawal (Deputy Mayor for Business): No, there are jobs that also exist, for example, recycling. There is a lot of recycling that already happens in London, but it is building on it, district heating, for example, which is happening in [the London Borough of] Islington. Again, we need to build more of that.

Shaun Bailey AM (Chairman): What I am trying to get to is --

Rajesh Agrawal (Deputy Mayor for Business): We really want to build the existing --

Shaun Bailey AM (Chairman): I am trying to identify the performance indicator. You are saying that you will be counting green jobs that do something about carbon footprint and do something about a cleaner environment. I understand that part. I want to know when you will be counting them from. Will it be the beginning of this term? In the manifesto, you talk about a number of green jobs you want to generate. When I say "you," I mean the Mayor. When will that count start? Will it be from the beginning of this term?

Rajesh Agrawal (Deputy Mayor for Business): Yes, it is part of the manifesto commitment and manifesto commitments are for the second term, so yes, at the start of the term.

Shaun Bailey AM (Chairman): Thank you for that.

Hina Bokhari AM (Deputy Chair): Rajesh, this is for you as well. What action is the Mayor taking to support the growth of green financial services in London? You have already touched on some of that.

Rajesh Agrawal (Deputy Mayor for Business): Thank you very much. I have answered some of that in my response to the previous questions, but again the Mayor wants to use his position as the Chair of C40, for example, to show that leadership. The Mayor's Green New Deal will focus on decarbonising London's transport and buildings and doubling the size of the capital's green economy. We want to make London the number one centre in the world for green finance, including setting up a new financing facility to attract a greater level of private-sector investment in London's infrastructure. The aim is for the proposed facility to support projects from 2023 and we are already working with the Green Finance Institute and the City of London to identify and remove barriers in attracting private investment at scale to close the climate finance gap. In October [2021], the Mayor hosted a discussion with the private sector on steps to maximise the flow of private sector capital into a pipeline of London project, aiming at tackling the climate and ecological emergencies.

Also, it is worth saying that the Mayor's current £500 million Energy Efficiency Fund can invest in projects until the middle of 2023, and is providing flexible and competitive finance and funding options to deliver decarbonisation projects such as low carbon energy networks or retrofitting of existing public buildings. The opportunity is huge, and we have got to be ambitious. Again, like I said, we have to bring private and public together, use new technologies and be creative in terms of how we tackle the climate emergency and make the most of it through the green economy and green finance.

Hina Bokhari AM (Deputy Chair): Thank you, Rajesh. I note that the Mayor stated in March 2021 that the Green Finance Initiative (GFI) was producing an interim report. Why has that report not been published yet? What is the delay?

Rajesh Agrawal (Deputy Mayor for Business): There is the obvious reason, but I can come back to you with exact reasons why there has been a delay. They are working with City of London to identify certain barriers, and so on. I can come back to you if that is OK with the exact timetable of it.

Hina Bokhari AM (Deputy Chair): OK, brilliant. We will write to you about that then. Thank you.

Shaun Bailey AM (Chairman): Assembly Member Sheikh?

Sakina Sheikh AM: Thank you for indulging me, Chairman, because I know I was not supposed to come in on this, but I find green finance really fascinating. Welcome to the panel and thank you for joining us. Rajesh, I might pick up on something that yourself and Allen have talked about in terms of green investment and infrastructure and I wonder whether Miles might be able to offer some insight on this. You are right about the opportunity in terms of climate infrastructure. There is huge potential with offshore wind farms, for instance, in the UK, it is absolutely the infrastructure of the future, but the UK owns very little of the current offshore wind farm infrastructure. What I have realised, having worked in green finance for a little while, is capital moves much quicker than politics. In that balance between public and private, how do we ensure the public has enough of the meat, basically? How do we ensure that the private sector can almost ensure that? When we look at local government as well and their pension funds, there is a huge opportunity from local government pension funds to invest in offshore wind farms. We saw Mark Carney, the old Governor of the Bank of England, talking about the fiduciary duty and the need to divest away from fossil fuel and reinvest, for instance, in that infrastructure. I wanted to drill down a little bit on what that balance looks like right now. How do we ensure the public sector has a big enough seat at the table? Perhaps, Miles, you might also be able to offer some insight into that, given your role. I will start with you, Rajesh.

Rajesh Agrawal (Deputy Mayor for Business): You are absolutely spot on that the Government and the public sector need to have skin in the game and that divesting pension funds away from fossil fuels is a good start to that. The Mayor is fully committed to do that and we encourage others to do that as well. Also, you mentioned for example, wind farms. It is not exactly for London city and wind farms are a bit hard for obvious reasons, but there are other opportunities in terms of developing new technologies. For example, there is a huge opportunity in district heating and our ambitions around that.

If you take the example of Bunhill district heating, which is in [the London Borough of] Islington, it is the world's first where the waste from underground train networks is actually being used to heat buildings. It is quite extraordinary. We need more of those. We need to be distributed across London and more and more part of London's heating needs to come from those localised heating facilities. We need to be more entrepreneurial, if I may use that word, in terms of what is in London's interests, because that is what people want and that is what Londoners want. Again, we cannot do it alone, but we have to do our bit and we have to lead the way to a certain extent.

Also, what we have here is amazing convening power. We can welcome private sector investment. We can convene meetings, as the Mayor has been doing, bringing those players together and encouraging them to invest in the sector. I am delighted that the private sector understands the real economic opportunity here. Wind farms are great, but we have to look beyond at what else it involves. Retrofitting, for example. We are doing our bit. Without going into detail, there is a huge fleet of zero-emission buses, for instance, in TfL, using the waste from Underground networks and so on.

We just have to continue, and often we can learn. We are one of the greatest cities in the world, but we can still learn. There are cities around the world doing amazing work, sometimes very small cities and sometimes in the developing world but they are doing some good work. That is why the C40 is a really good platform to be able to share knowledge from what we are doing and also learn from other cities as well.

Sakina Sheikh AM: Thank you, Deputy Mayor.

Miles Celic (Chief Executive Officer, TheCityUK): One of the things that came out of COP26 - and the Deputy Mayor and Allen have already touched on this - is that this is a partnership. This is not something that the public sector can do by itself, nor is it something that the private sector can do by itself. COP26 was very much about that partnership approach on green financing.

If you look at the demands that exist in terms of infrastructure renewal, the International Energy Agency has already identified that we are going to have to find an additional more than $1 trillion a year - I think it was $1.1 trillion a year - in order to address the amount of investment that is going to be needed to deal with the implications of climate change and the move to net zero, just in global infrastructure. To put that into context, that is about 40% of the entirety of the UK's gross domestic product (GDP) every single year that has to be found. This is a huge challenge.

The role for the private sector and the public sector, working together, is how we identify these areas where we can move the ESG agenda forward, how we identify new solutions, and how we provide support for ESG investment, the use of green bonds and the development of ESG indices and databases. Working with sovereign wealth funds is going to be a large part of this.

One thing I will just touch on - and we have already talked about greenwashing in this discussion - is that something that is not terribly helpful is the regulatory fragmentation around green disclosure standards and green taxonomies. That is going to make it harder for any single centre to emerge as a global hub here, it is going to make it easier for regulatory arbitrage and it is going to make it a lot easier for greenwashing. Having an internationally consistent set of standards in this area is, to my view, absolutely foundational.

Sakina Sheikh AM: Very interesting. Thank you.

Allen Simpson (Interim Chief Executive Officer, London & Partners): As I think we probably all recognise and agree, there is more private money than public money so unless the market leads this, it does not happen. What can policymakers do to help to drive it? There are three things, I suppose.

The first thing, as Miles has talked about, is transparency so that institutional investors and their stakeholders - and retail investors, through them - can understand and make decisions about where they deploy their money. As Miles says, at the moment that is hellishly difficult. I struggle to read these things and it is my job.

The second thing is customer pricing signals. All the while it is cheaper to drive diesel than electric or what have you, it is very difficult for individual consumers to make choices they would prefer to. There is an elasticity point. People will bear a certain additional cost to do the right thing but past a certain level, they will not. We know that. We are consumers and we know that about ourselves.

Then the third is crowding in investment, and this has been done quite successfully in the past. The European Investment Fund (EIF) funded funds across the UK, which used money via Brussels - but, ultimately, of course, UK taxpayers' money - to invest on a co-investment basis. That crowds in private sector money because it de-risks it and you can do clever things with first loss and that sort of thing. The Funding London work has been an example of that, and that is, I would argue, a very competently run scheme.

If I was looking for something to report on, it would be use of customer pricing signals, crowding in investment, and transparency of standards, all of which are in the gift of policymakers to improve.

Sakina Sheikh AM: Thank you very much. Maybe the regulations that Miles was talking about, in terms of unifying that.

Krupesh Hirani AM: Allen, one of the points you made about recession was quite alarming, in your four issues that are really impacting the sector and London. The Mayor has commented many times, "There cannot be a national recovery without a London recovery." My question, with that in mind, is to Miles first and maybe Sarah, if you can come in after. How can the Mayor work with Government and what can Government also do to build better relationships with businesses to support the financial and professional services (FPS) in London and be a strong advocate for protecting the city, given its strategic importance to the UK economy?

Miles Celic (Chief Executive Officer, TheCityUK): Thanks very much for that question. Firstly, I would like to stress that we have had a terrific relationship with the Mayor, the administration, and indeed the GLA more broadly. I think there is an absolute recognition of the importance of this ecosystem, the financial and elated professional services ecosystem, to London and to the UK more broadly. Two thirds of the jobs in this industry are outside the M25 but London is a terrific hub for that activity.

In terms of what I think the industry would like to see - and we hear this pretty consistently through the conversations that we have - we have talked about the importance of talent, keeping people in the UK, keeping people in London and attracting people to London. One very brief aside or anecdote I would identify is that we can do all sorts of things with visas, we can do all sorts of things with mobility, but there is that atmosphere of whether a not a place is welcoming and aspirational that attracts people. That is very difficult to quantify. You know it when it is there, and you know it when it is not there. San Francisco has suffered from it previously, and places like Toronto have therefore been the big winners. It is that sense of just being welcoming. Continuing to have London as an aspirational place for people who have dreams that they want to take forward, entrepreneurs who have terrific ideas and exciting things that they want to provide to customers, having that at the heart of London, as it has been historically, is going to be vital.

The other thing here, though, is avoiding the risk of silos developing between central Government, within central Government, and in devolved governments well. The issues that keep London attractive for financial and related professional services do not sit within one part of government. They are not just within Her Majesty's Treasury, the Department for Business, Energy and Industrial Strategy, the Home Office, or the Department for Digital, Culture, Media and Sport when it comes to data, for instance, or the Department for International Trade when it comes to trade deals. It is not just within central Government or devolved government. The more that the Mayor can do what he has been doing, which is being an advocate for the industry and an advocate for a joint, integrated, national UK approach to the importance of London and the importance of this industry, the better. Just continuing to bang the drum on that would, I think, be very powerful.

Professor Sarah Hall (Senior Fellow, The UK in a Changing Europe): I would draw attention to three things here, and Miles has touched on a couple of them.

The first is keeping a close dialogue with the industry itself around regulatory priorities but also being clear about the risks and opportunities that regulatory changes bring. It needs to be made clear that the more you tailor UK regulation to the specifics of London and the UK, the less likely enhanced EU market access is. That is a regulatory fact, but you do need to be clear and transparent about the choices that are made in regulatory terms.

Second, I would very much echo the points made around mobility and access to talent. The research shows us that this has been central to London's development as a hub, and attention should be paid to both the visa but also the mobility, day-trip-type business trip mobility that has not really been tested post-COVID. The mobility elements of the Brexit trade deal are very complex, and we do not really know how they are going to work in practice because business travel generally has been muted due to COVID. Maintaining an ability for ease of access for highly skilled individuals is a second area.

Then the third, which touches on something that has come up throughout this conversation, is being a little bit humble about the strength of London and its position within the UK. There is quite a lot of opportunity to signal how a strong London recovery helps regional growth across the UK, linking with the asset management industry in Edinburgh or the significant fintech cluster in Belfast, for example. Being clear about what a London-led recovery looks like for the regions is going to be important. I know TheCityUK has done a lot to try to promote this, but I think that is going to be very important, particularly within the wider context of a concern about addressing regional equality across the UK. That is also particularly important for London because we know that for some parts of the London economy, the impacts of COVID have been much more severe than they have been in other parts of the UK. It blows both ways.

Krupesh Hirani AM: Thank you. You touched on some important issues about how London and other cities across the UK work together as well. A lot of what we have heard today is about London's importance on the international scene and its importance as a global city. How does that tie in with the current 'levelling up' agenda and what do you feel about the current narrative around it? Maybe if I turn to Miles first.

Miles Celic (Chief Executive Officer, TheCityUK): The first thing I would say is that this is no longer, and nor has it been for some time, a question of "London or." It is not London or Edinburgh, London or Manchester, or London or Birmingham. Very much as Sarah has talked about, there is a recognition that London is a terrific gateway into the UK that can lead to investments that go elsewhere into the UK. Companies will come to London first. They know it. There is a talent pool here. There is a familiarity with it.

Then, as they get to know the UK a little bit better, they will start thinking about, "What is it that we could do in other parts of the UK?" You can see that with some of the American banks, for instance, who started out in London and have now opened offices across the UK drawing on the talent clusters that are developing, particularly in terms of cities that have been good at working hand in glove with their local university, for instance, or where there is a strong professional services representation.

In terms of what we can do together between London and other parts of the UK, a lot of that is happening already. There is clearly a lot of cooperation between the various metro mayors in the UK. We would like to see greater devolution of powers to local and devolved level, and we would like to see greater representation of regulators and supervisors at local and devolved level. In fact, the Financial Conduct Authority (FCA) are making some very welcome steps towards that. They are beefing up their office in Edinburgh, which is the only one in the UK other than London. They are opening an office in the north of England - it looks like that might be Leeds - and a few other people will be based around the UK as well.

Then it is, again, as Sarah as touched on, recognising that there are clusters that are developing of particular specialisms and expertise in different parts of the UK, and that working together you can offer a much more compelling, much more integrated offer to the rest of the world when it comes to financial and related professional services in the UK.

Krupesh Hirani AM: Thank you. Miles, just very quickly, we are reaching crunch point this weekend with TfL and many businesses have come forward in support of getting the Government and the Mayor around the table around a sustainable funding deal for TfL. How important is it for the City and for financial services for TfL to have long-term, sustainable funding and better financial security as well? What effect would not having this have on the sector?

Miles Celic (Chief Executive Officer, TheCityUK): I have been at two major international firms that regularly review their domicile as part and parcel of their regular governance. Everybody thinks that those decisions are made solely around tax or regulation, and the reality is they are not. They are multifaceted, nuanced decisions that a company goes through, a process that it goes through when it decides where it is going to keep its headquarters and all the economic activity that comes with that. I really would not underestimate the importance of transport infrastructure as a part of that. Now, some of that is international - the benefits of London's international connectivity are self-evident - but also it is the ability to move people around a city and get them to the office with convenience, with speed, and safely. Absolutely, the importance of the infrastructure here in London is critical.

Companies do not want to go somewhere where you literally cannot get people into the office and I am sure that will continue to be the case even as we move into a more hybrid-based situation. Nor do you want people coming to a city where they cannot move around easily, just in getting from the airport to the meeting that they want to get to. It is part of the appeal of a city to investors. It is part of the appeal to people who want to come and live in a city and need to move around it, whether they are on an international placement or they have moved from another part of the UK. The success of TfL and the transport infrastructure that we have here in London is absolutely critical.

Shaun Bailey AM (Chairman): Thank you, Assembly Member Hirani. Before I go on to Assembly Member Sheikh, I would just like to circle back to the Deputy Mayor. The Mayor runs a number of business boards which are often, for some people, confusing about what role they take, what board is doing what. Do you think we could use these boards to better effect? Also, could we do a better job of managing their comms?

Rajesh Agrawal (Deputy Mayor for Business): Before Sadiq [Khan, Mayor of London] got elected he promised that he was going to be the most pro-business mayor, and part of that was to work with businesses and business leaders. All these business boards serve towards that. We have the Mayor's Business Advisory Board, which is a fantastic board on an ongoing basis. It is a great sounding board for the Mayor to talk to business leaders in a trusted environment. Then, more recently, around COVID, there is the COVID Business Forum, which particularly represents businesses, for example, who have been hard-hit by the pandemic. That is an ongoing board as well. Then you have, obviously, the London Economic Action Partnership (LEAP) and so on. There are various boards for various purposes. For example, there is a mid-city board, there is L&P --

Shaun Bailey AM (Chairman): You are making my point for me. It is not a problem with the boards; I get the Mayor would like to set up certain things to take sounding and so on. That is my point. There are quite a few of these boards. Their communications to the rest of us are pretty poor. We do not know what they are for. If I ran a big City firm, which board should I be trying to join? How would I find out? My point is: is somebody looking at these boards, making some kind of collation of their activities and then giving it to London, to the Assembly, so that we can understand what is going on? That would be my point.

Rajesh Agrawal (Deputy Mayor for Business): Very happy to do that. We will write to you with what the different boards are, what the roles are and so on, everything, if that is OK. It is also on the london.gov website but we are happy to --

Shaun Bailey AM (Chairman): Again, that is what I meant about poor communications. The london.gov website. There you go.

Marina Ahmad AM: Before we leave this subject, if I could just ask Miles, just in a minute, to reiterate something and maybe deep-dive a bit more? I was very gratified to hear you talking about it not being London or somewhere else. In terms of the recovery that we have to have in this country, it has to be a united effort. I just wonder if you would like to comment on the thing that I keep saying all the time, which is that if you kick London, you kick the rest of the country.

Miles Celic (Chief Executive Officer, TheCityUK): I completely agree with that. We have a group of city chairs who represent the major FPS centres beyond London - they are in places such as Cardiff, Manchester, Birmingham and so on - who work very closely with our counterparts at Scottish Financial Enterprise north of the border, and you never hear anybody talking about doing down London. It is quite the contrary. It is an advantage to Manchester, Edinburgh, Birmingham, Cardiff, and Belfast that London is successful.

London is the kind of city that any other European country - or any other country, bluntly, possibly with the exception of the US - would love to have; the cluster of talent that you have here, the gateway that it offers and the connectivity that exists. It is not an issue for a bank to have its global headquarters in London and its UK headquarters in Manchester or Birmingham. That is an advantage. These are all huge areas of potential collaboration. We are already seeing that collaboration. I would not underestimate the extent to which this is seen as a cluster that is made up of a number of different hubs, or a number of different spokes, rather, around the hub of London. That is a benefit to the UK.

Shaun Bailey AM (Chairman): Thank you. I think the point to be made is: it is politicians who talk about London too much, not business. The rhetoric should be what we should be doing for other regions for the country in relation to London. That is where the problem lies.

Sakina Sheikh AM: I am going to direct these questions to Rajesh and Allen. I would like to hear from you: what action are the Mayor and L&P taking to promote London internationally as a global hub for FPS? Rajesh, why don't start us off?

Rajesh Agrawal (Deputy Mayor for Business): First of all, sometimes I describe part of my job as a travelling salesman, travelling around the world and selling London, and I thoroughly enjoy that part of my job. I am very proud to also be the Chair of L&P. I think they do an absolutely terrific job at championing the city around the world as the best city to visit, to come here to study, to start and grow a business, and to invest in. We spend a huge amount of time talking to business leaders from around the world when we are travelling abroad. Obviously, for the last couple of years it has been difficult to travel so we have been doing a lot of virtual engagement. Equally, when there are visitors from abroad who are visiting London, we are doing that.

Then, taking London businesses abroad. I will let Allen expand on that, but we have, for example, the Mayor's International Business Programme, which in the last five years has taken about 1,000 London businesses overseas. These are some of our best entrepreneurs and they are all running fast-growing London businesses, and taking them abroad and showcasing them is like showcasing the talent that we have in London. This is all part of promoting London.

One thing that has come out very, very clearly in this discussion, as well as every time I speak to businesses, is that London is a unique ecosystem. It is not just that it is the financial capital of the world, but it is also the cultural capital of the world. We have more theatres than any other city in the world. We have concert halls, we have great universities, great schools, and all these things. All of that together makes London's offering very, very unique, and we have to protect that. When we are championing London as a great cultural city, all of that is going towards London for business too because it makes it attractive for investors to invest in, makes it attractive for the people from around the world who want to come and work here, for instance, or for the companies who want to relocate their staff from other parts of the world to London. All of that makes it much easier.

Part of that is also the Let's Do London campaign, which is our domestic tourism campaign, but it has very wide global reach now. For example, this week - and I urge everybody to go if they have time - in the Guildhall in the City of London, above that, there is a fantastic light show, Borealis. You will see basically the Northern Lights and so on. All of this has a wide-reaching impact.

The Mayor also utilised COP26 as a great opportunity to sell London because, again, COP26 was attended by so many global leaders, political and from the business world. The Mayor also met with the EU Commissioner for Financial Services when she visited in September [2021] and so on. All of this is part of a huge amount of international engagement. I will again say the Mayor is now the chair of C40, a great platform for him to promote London around the world, particularly on its green credentials, and encourage other cities to do the same.

Sakina Sheikh AM: Brilliant, thank you. It is interesting because I think two meetings ago we talked a lot about tourism and beginning to frame, almost, tourism as an export. I wonder if that plays into this, Allen. It would be helpful to drill down specifically on how that promotes London to FPS.

Allen Simpson (Interim Chief Executive Officer, London & Partners): Yes. Just very briefly, in framing, as the Committee is aware, every major city around the world has a version of L&P but most have several; there is one for tourism, there is one for inward investment, there is one for trade, and so on. L&P looks at the gamut and we were set up by the previous Mayor on that basis.

The way that I personally imagine a customer journey is: imagine a young family come to London from India and their eldest daughter says, "Mum, Dad, I love London and I want to come back and study here," so she comes and studies here. Then she goes back to Bangalore and sets up a fintech. We know she is much more likely to then bring that fintech to London, if she takes an international step in her business journey, because she was a student here and because she was a tourist here. It is very important, as you have done, to see all of those things as being very conceptually linked, and, of course, we will generally see a city more in its culture and tourism branding than we will as a business place. We will receive those messages more.

L&P, since we were set up in 2011, have added £2.5 billion to the London economy on a very conservative measure. A significant amount of that is in FPS, which is one of our core focus markets. We started this conversation talking about Brexit. That is a useful jumping-off point for some of this. We, in the aftermath of Brexit, deliberately asked ourselves, "How can we maximise the benefits of Brexit and mitigate the risk?" as you need to do with any strategic choice that you make.

That was about expanding our presence into Europe so that we could lay the groundwork for trade and investment to continue to flow from Europe as that relationship improved, and we have started to see that. After a challenging two or three years for the team where they have had to do the leg work, we, this year, have started to see the pipeline from Europe really thrive, and we have had £18 million worth of investment through L&P into London from Europe.

We also deliberately expanded, very consciously, in cities and markets which have significant FPS, as well as clean and green tech strength, across North America, including in Canada, and a big expansion in India and China. That is not just where the growth is but where we think the growth can realistically come to London. Just to offer a counterfactual, if we had expanded in South America, there is a lot of growth in South America and there are some really important and interesting fintech innovations coming out of South America, but it will tend to either go to New York or, if it wants to take a European step, it will go to a Spanish or Portuguese-speaking country. We have focused on where the growth is, but where the growth that is available to London is. That has led to a £2.6 billion contribution.

Just for the Committee's interest, yesterday fDi Markets, which is the big player in research and so on in our space, named L&P as one of the top two trade and investment agencies in the world. We are back in the top two again. Obviously, we want to push for number one, but it demonstrates that globally we are seen as being world-class.

Sakina Sheikh AM: Fantastic, thank you. You have already moved on to one of the questions I wanted to also drill down on, which is how that strategy has changed since we have decided to leave the EU. Obviously, you identified the longer-term courting of financial services and professional services through a customer journey. More at a top level, how has that core strategy changed? Rajesh, it would be great for you to come in as well on this because I know you spoke about the adaptation to virtual, but I see those as more pragmatic as opposed to core strategy changes. If I start with you, Allen, and then I came back to Rajesh.

Allen Simpson (Interim Chief Executive Officer, London & Partners): I will just recirculate for the Committee, so that they have it to hand, our strategy which took us from 2018 to 2021. It might be worthwhile just having a quick scan through that. It is two things, fundamentally. The first one is a market pivot. We expanded in Europe and that is now showing dividends, but, as importantly, we looked to see where we thought the longer-term growth was. I said at the beginning that there are four macro trends here. One of them is a pivot to Asia, and that took our strategy in that direction. You can think of those as being verticals. Then horizontally across that we had a renewed sector focus on sectors which we thought were going to be resilient against change and where London had availability. FPS was a core one of those.

Of course, more recently, in response to the current pandemic and its impact on London, we focused our mission much more to create not just growth but growth that is resilient, sustainable, and inclusive. Resiliency is largely economic resiliency. There is no point bringing a sector to London that we have reason to believe is about to be disrupted out of existence. Sustainability we have talked a lot about, and we all understand what we mean by that, and inclusivity as well. Of course, one of the realities of the sorts of sectors that we operate in is that a lot of people who work in them look a lot like me. In a city where that is not the case, we have been working to find ways that we can bring companies to London and help them to hire in ways which are more diverse, help them to move the geography of where they hire but also move the demographics of where they hire so that the opportunities to take on these jobs in fintech, in medical technology, in culture and in urban, are available to all Londoners rather than to a relatively limited few.

Sakina Sheikh AM: Brilliant, thank you.

Rajesh Agrawal (Deputy Mayor for Business): Allen makes some really good points. All I would say is that in the last few years, let us be honest, the UK's reputation internationally has taken a lot of battering, but brand London remains strong. The UK's reputation has taken a beating around Brexit, the handling of COVID, and so on, but brand London remains strong and that is why, straightaway, in the first term, straight after the country voted to leave the EU, we launched the London Is Open campaign. I talk to people and they still identify with that. That really made a huge difference in terms of keeping London open and sending that message to the world that London continues. "You are very welcome here." Similarly, for the EU Londoners, all the work that has been done from City Hall to say that EU Londoners are very welcome here and then helping them to apply for a settlement visa and things like that has really made a difference.

One of the greatest strengths of our city is its diversity and the talent pool. That is what we highlight significantly when we talk to international investors and that is one of the reasons why a lot of people invest in the UK, because regardless of the industry sector, you will find amazingly talented people. That is one thing that we should never lose sight of. Unfortunately, we do not control immigration or borders but that is why I think it is important that the Mayor has asked for more devolved powers, so that we are able to work with businesses and identify the sectors where there is more shortage of talent and then promote and bring talent from abroad, should the need be.

Sakina Sheikh AM: Great. Just to finish off this question, it is good to hear how that strategy has been pivoted both in the context of Brexit and the pandemic. I just wanted to ask what you think the role of the Government is in supporting London in remaining an attractive hub for FPS both in the context of Brexit and the pandemic. What support has there been and what role do you think there should be?

Rajesh Agrawal (Deputy Mayor for Business): All I would say is that the Mayor and I are very supportive of levelling up. In fact, even in the first term, several times I went to other parts of the UK and different cities with the message that London is open, not just to the world but also within the UK too. We have tried to build bridges and we have tried to say this message. For example, when we buy trains in the UK they are supporting jobs in Derby, if we are buying new buses in London then they are supporting jobs in Yorkshire, and so on and so forth. We are all on one side, London and the rest of the UK are on one side, and when London does well, the whole country does well. That message is very important for all the cities in the UK.

When we talk about the Government, we say, "Look, we support the levelling up agenda but there is so much levelling up to be done within London as well. We have some of the most deprived parts of the country here in London. Let us work together in trying to make this happen." There cannot be a UK recovery without a London recovery. Keeping London out of the room is not the answer. We are part of the solution, not part of the problem. London is the economic engine of this country; we can really help level up in the country and we can really help in the UK's recovery. That is the message to the Government.

Sakina Sheikh AM: Thank you. Allen, did you want to add anything, or has it been covered?

Allen Simpson (Interim Chief Executive Officer, London & Partners): We benefit from and really welcome very strong working relationships with the Minister for Investment, [Lord] Gerry Grimstone, who I was at Barclays with, but also Paul Scully [MP], the Minister for Small Business and Minister for London, and Nigel Huddleston [MP, Minister for Sport, Tourism, Heritage and Civil Society] on tourism. It is a really strong working relationship, but as the Vice-Chair of the Northern Powerhouse [Partnership] said, this is not a question of London versus the north, it is a question of London and the north arguing for more devolution.

If I was to ask for two practical things from central Government, it would be first to help us with funding a London international recovery campaign, and we are in conversations with them about that. We have been working with the Tourism Minister and the Minister for London to develop this. We can identify and target tourists who are most likely to come to London and then distribute. We know who they are, we know demographically who they are, and we can go after them.

Then the second thing would be that our trade schemes are funded by European money. Well, money via Europe; it is UK money, ultimately. That money is obviously running off and it is quite important that we find ways of funding those schemes with replacement money. You look at the international trade programme that we run, the Mayor's International Business Programme (MIBP). Monzo, Revolut, Checkout.com and Bloom & Wild have all been through that scheme and done very well. I am sure they would say that they played some role in their own success as well, but it would be a mistake not to replace those schemes. We genuinely welcome the co-working that we have with Government and I would encourage them to build on that by supporting an international investment campaign and the trade work.

Shaun Bailey AM (Chairman): Thank you. Before we move on to Assembly Member Garratt, can I just ask you: I and many Members, over my time on the Assembly, have been sceptical sometimes of L&P and what it has done. I am beginning to warm up to it, but I have to make this challenge. This is a genuine question, and I would prefer you wrote to us because it might take some time to answer. Why would the Government give money to L&P to promote London and the specific thing you said around tourism, and not UK tourism?

Allen Simpson (Interim Chief Executive Officer, London & Partners): Can I answer that briefly, because I know you want to move on --

Shaun Bailey AM (Chairman): Please do.

Allen Simpson (Interim Chief Executive Officer, London & Partners): -- but then I am happy to write in more length. There are very practical reasons. By the way, the industry that works across the country agrees with us on this. London needs a specific sort of message. The way that you acquire tourists for London requires a different tone of voice and sorts of graphics. We talked about this last time when we talked about tourism, but marketing is perhaps less on the creative and more on the analytics and targeting. The people who you can bring to London are different to the people you can bring to the Cotswolds. You do need quite a specific sort of campaign to reach them both in terms of what it looks like and who you are reaching, and the industry would absolutely agree with that and have made that point to central Government quite well, I think.

The second thing is that London is one of the top three reasons that people visit the UK. One of the others is heritage. I forget, off the top of my head, the third.

Shaun Bailey AM (Chairman): Our weather.

Allen Simpson (Interim Chief Executive Officer, London & Partners): Indeed. It is probably is, yes. If you lose London from the message, you see a decline in tourism. It is generally accepted in the industry and if you were to talk to any industry representatives, they would share this view. London requires quite a specific message. That is phase one.

Question two is: who is the right person to deliver that message? I think it is generally felt that we have more strong expertise in the London message than, for instance, Visit Britain or Visit England do. They are very, very good at what they do but we are London specialists.

Shaun Bailey AM (Chairman): I get it. You have a London focus. I just ask because, of course, L&P were set up to have some public funding from the GLA and some private, and the proportion has wildly swung to the public purse. Is there a plan to change that?

Allen Simpson (Interim Chief Executive Officer, London & Partners): It has in the last year and a half, of course. The Committee are aware that our private sector money comes from a number of sources. We run the .london domain name, which is profit-making. We sell tickets to Harry Potter to tourists who are coming in. We have sponsorships. The .london domain name is still doing quite well because it is less affected, but ticket sales, of course, are very down and organisations are cutting back on sponsorship. Although in relative terms our private sector income, like a lot of organisations, has taken a turn and we have had to work very hard to restructure the business - and I led that in my day job as Managing Director of Strategy - to respond to that, the intention is absolutely to rebuild that revenue stream.

What I would say if you do not mind, very quickly, Chairman - and I know you have heard me say this before, but I do intellectually believe it to be true - is that Berlin and Paris have twice our public funding, New York has three times, Singapore has ten times. It is generally understood that organisations like ours address a market failure and they address a market failure on behalf of the public. So long as they can generate the returns and investment needed, they are generally seen as being a considerably above-average use of public money in terms of economic impact. The £2.5 billion - or £2.6 billion now - created since we were set up by the previous Mayor does significantly outpace the amount of public money that we have --

Shaun Bailey AM (Chairman): I know. As I said, in the past, many Assembly Members, including myself, have been sceptical. I am warming up to it and I do not think we need to go through it now because we have other questions we need to answer --

Allen Simpson (Interim Chief Executive Officer, London & Partners): OK, sure.

Shaun Bailey AM (Chairman): -- but I still think there are a few questions to answer before I start waving a L&P flag.

Just quickly to the Deputy Mayor, what has the MIBP achieved? You talked earlier about some of the good times you have had travelling abroad selling London, and I do not say that as any kind of criticism. How many high-potential firms have come to London because of the activities of the MIBP, for instance?

Rajesh Agrawal (Deputy Mayor for Business): I can write to you with some detail, with exact numbers and so on, but I can tell you that about 1,000 companies, roughly, have gone through the MIBP. Again, Allen can add more detail to it, but essentially these are typically a size of around 15-odd entrepreneurs in one group and they are from a particular subsector. It could be fintech, it could be fashion tech, it could be life sciences, it could be business-to-business (B2B) tech, and so on. Then it is quite customised. These trade missions are then taken. Now, of course, in the last two years that has not been the case. It has been more virtual.

With these trade missions, we put them in front of potential partners, potential customers, and potential investors. A huge amount -- and I can give you the exact figures because we have the exact numbers --

Shaun Bailey AM (Chairman): I am going to stop you there because we understand what the activity is. We want to see what the impact is. Why don't you commit to write to us as a Committee and give us some numbers of that?

Rajesh Agrawal (Deputy Mayor for Business): Yes.

Shaun Bailey AM (Chairman): We would be very interested because that, if done correctly, would be a good spend of public money to make things happen.

Rajesh Agrawal (Deputy Mayor for Business): It is amazing.

Shaun Bailey AM (Chairman): Yes. Please give us some detail on that. If you are very, very quick.

Allen Simpson (Interim Chief Executive Officer, London & Partners): Very quick. Just wanted to make a distinction. The job of the MIBP is to take companies out rather than to bring companies in.

Shaun Bailey AM (Chairman): Yes, and I would like the details on that as well. That is where I started; the Deputy Mayor went somewhere else.

Hina Bokhari AM (Deputy Chair): We have talked a little bit, from Assembly Member Sheikh's questions, about L&P's work and the Mayor's work promoting London, but I do want to talk a little bit more about how we make London an internationally attractive place to do business. One of the things, Rajesh, I would like to talk to you a little bit about is that you were talking about how you think the promotion of saying "London is open" has been so successful, and yet the reality is not always the case that London is open, particularly if we think about the visa issues. The EU is now no longer doing passporting. The Government has not agreed to any equivalents and has actually given up on doing an equivalent version of this. The Economy Committee in 2016 said they wanted their own visa system. What is the Mayor doing in terms of encouraging or pushing for this new way of working and perhaps even having a visa system?

Rajesh Agrawal (Deputy Mayor for Business): Again, one of the main reasons why London is successful as a city is that people from around the world come and work and make this city their home. Almost 40% of Londoners were born outside of the UK, and it is important that we have an immigration system which is business-led, which is economy-led and which is business-friendly. That is why the Mayor backed the COVID recovery visa which has been called for by some business organisations, because we know that in so many different industry sectors, we are seeing a huge shortage of people. I know that there are restaurants who are not able to open at full capacity because they do not have people and so on. That is why the Mayor has backed that.

Also, in the last few months particularly, businesses have suffered because of a lot of travel restrictions. Again, the Mayor, a couple of months ago, wrote to the Transport Secretary to open the borders from countries where there are low risks with all the precautions. To help business, we need to bring international travel back. Sadly, we do not control the borders or have any direct powers over immigration, but it is important, especially in a post-Brexit London/post-Brexit Britain, that people who are from elsewhere, who are not from the UK - who are, let us say, from the EU and are living in London - they feel like home and they feel welcomed. That was part of the thinking behind the London Is Open campaign and all the stuff we did with the EU Londoners in London. We will continue to bang the drum for London, and --

Hina Bokhari AM (Deputy Chair): Saying one thing when the reality is a different thing does give a false impression, does it not? That is my concern. I want London to be open, but it really has to be open. That is what we need to make sure that we are pushing the Government to do, and I am sure that the Mayor will continue to do that.

The impact of L&P's work on promoting London internationally as an attractive place to do business, can you tell us a little bit more about that, Allen? Particularly I am interested in the targets that you have set for L&P in this particular area. I did some learning and I know that there is a way of doing this in terms of using SMART criteria - see, I am learning here - and I would like to know little bit more about how you are being specific, measurable, agreed, realistic and timetabled in the way you are doing your measuring.

Allen Simpson (Interim Chief Executive Officer, London & Partners): Are you particularly interested in, if you like, the promotional side?

Hina Bokhari AM (Deputy Chair): Yes, we are looking at promotion and how to make London an attractive place for business.

Allen Simpson (Interim Chief Executive Officer, London & Partners): Sure. There is a chain of logic where you tend to think of it in terms of a funnel, so you change people's consideration and then you acquire. Just to start with the principles and then talk about how we measure each stage, you start with quite broad work to try to change the way that people think about London. In the case of our inward investment work you are talking about quite an identifiable and small group of people who own businesses in Silicon Valley, own businesses in Shenzhen or Bengaluru. You start by doing that and then, once you have identified them, our teams in markets go and talk to them and try to identify their business models and see whether or not we can convince them to come to London. Then, ultimately, hopefully, we do.

At the start of every year, we set a set of targets. The core goal for us is gross value added (GVA) creation, economic growth creation. This year we set a target for GVA creation which, actually, we beat by the end of the first half of the year (H1). Somewhat to our surprise, we delivered a V-shaped recovery in-year. We retargeted and we have now delivered £182 million of additional economic activity to London this year. We have a core GVA target.

Then, on our brand work, it gets very targeted to the specific thing that we are trying to do. We set targets around the number of people we reach, the reach of our website and that sort of thing. Those are not published targets because, frankly, they are input targets. Lots of people coming to our website does not do anything for London unless at the end of it we see the companies coming to London. We will have specific internal targets for our websites, for specific campaigns, and then we go back and we validate whether or not we have delivered against them, but we very specifically do not have public targets for that work because it is an input measure, not an output measure, if that makes sense.

For something like Let's Do London, where the campaign is its own goal in a way that the rest of our brand work is not, then we can be more specific and publish it. You can say, "How many people do we want to reach? What is the size of the economic impact you want to have?" and that sort of thing. Ultimately, on the trade and investment work, everything we do is geared towards our core metric, which is the amount of GVA created in pound sterling.

Hina Bokhari AM (Deputy Chair): If I was to assess your success, what do I need to be looking for specifically? Are you going to be able to provide very clear data? Is it footfall? Is it money? Is it amount of businesses that increase? Is it the way we trade? What am I going to be looking for?

Allen Simpson (Interim Chief Executive Officer, London & Partners): It is GVA. It is gross value added. It is additional economic activity as a result of our work. I do not want to bore too much on the methodology, and I will send the methodology, but conceptually it is growth which would not have been created without us. How do we do that? Well, we say, "How much of the company's decision to come to London is due to us?" We know that we are not the major reason, so we factor out all of the parts of their decision-making which were not due to us.

We also look at displacement. It was not one of our companies, but when Uber came to London, they created jobs. They also affected existing jobs. We are always looking to see what is the additional number of jobs, based on any losses.

We also assume that a job created today is worth more than a job created in the future. If a company says, "We are going to create ten jobs in three years," we consider that to be worth less than ten jobs today because we all know things can go wrong.

We adjust for the fact that entrepreneurs are always overexcited about how well they are going to do. If we ask a company, "How many jobs are you creating?" and they say, "300", and we know what their sector is, we can look back at the last set of investments in that sector, see what they told us they were creating versus what they did, and apply another discount. The idea is you start with a company coming to London and creating 1,000 jobs. Brilliant. How much of that is due to us, how much of it displaces economic activity somewhere else, and how much of it is over-ambition? Then we capture that smaller bit. GVA is ultimately the thing.

Now, we do know how many jobs we have created because GVA is the value of a job times the number of jobs. We know how many companies we have brought to London. That is a bit over 2,000. Jobs created are about 75,000. We have that data, but our core metric is GVA because that, fundamentally, is the actual output.

Hina Bokhari AM (Deputy Chair): Just lastly, do you honestly believe that it is your work directly from L&P that has made that direct impact?

Allen Simpson (Interim Chief Executive Officer, London & Partners): That is exactly the right question. On balance, no; a little bit, yes. If a company has come to London, we are part of that decision, but we are not the majority part of that decision. What we do is we try and affect marginal decision-making.

By the way, we only capture companies who we know are looking competitively at London and somewhere else. If they phone us up and this happens, "Hi, I want to come to London, can you help us?" we do help them, but it does not go into the pot and it does not get captured. We only capture it if we have been actively fighting against Paris, Berlin, Stockholm, Shenzhen or wherever. We do not capture if we are competing against somewhere in the UK, we deliberately do not do that because that drives the wrong behaviours from a levelling-up perspective. We specifically, in our methodology, only capture the small amount of it that we can legitimately say is due to us.

By the way, just very quickly, if you put our numbers through the central Government's methodology, we would be counting a much higher number. We are considered to be highly conservative, and, in fact, our auditors who audit our performance have said to us in both years that they have audited these numbers, "You are too conservative in your measurement, you are worth more than this."

Zack Polanski AM: Deputy Mayor, we talked quite a while ago now about tourism. Now, I am the Chair of the Environment Committee, and I might have Shirley Rodrigues as Deputy Mayor for Environment come to the Environment Committee and talk about reducing aviation, and then you are coming here and talking about promoting tourism and internationalism. Of course, we do need tourism, particularly domestic tourism. Would you and the Mayor lobby the Government for a frequent flier levy, for instance, to square this circle, to make sure that if people are coming by means that are not particularly green, that we are still tackling the climate emergency?

Rajesh Agrawal (Deputy Mayor for Business): There are many ways to get to the UK and obviously flying is only one way. There is Eurostar; there are so many different ways of doing it. Our public Transport Strategy within London is more cycling, using more public transport; when you look at the international it is on similar lines, wherever you can.

We have to be very careful. We have to keep "London Is Open," we have to start answering that question, London is open, and then we have to make it easier for people to come into London through different ways. I have not looked straight into the duty, but there are other ways to promote as well. For example, one of the points that we recently made to the Treasury is where they abolished duty-free, VAT-free shopping in London, which has hurt a lot of London retail businesses in the West End, in particular. Those are the other things that can be done to encourage tourism.

Zack Polanski AM: I have lots more to ask but I will not wind up the Chairman, I will just say thank you.

Shaun Bailey AM (Chairman): Sorry, I will just say, you did not say if you would support the levy or not. Yes or no?

Rajesh Agrawal (Deputy Mayor for Business): Again, we have not looked into it.

Shaun Bailey AM (Chairman): OK. You have not looked into it.

Neil Garratt AM: It has been a very interesting discussion. Actually, perhaps I should declare a minor interest in that before I did this, I was part of London's thriving service export economy. That is actually what brought me to London.

What I would like to do, if I can, is go around, and I will finish with Rajesh at the end. The discussion has been very interesting, and we have captured a lot of issues that I recognise. What I would like, since we are approaching Christmas, is a sort of list for Santa, from Government and from the Mayor, about what they could do to ensure that London continues to be a thriving international finance centre and to ensure that it continues to be a thriving destination for these service companies. The company I worked for is an American company and when they expanded into Europe, the Middle East and Africa (EMEA) they located here. Obviously, there are lots of other places they could have gone. How do we make sure that companies like that keep making that decision? If I could stress, perhaps bullet points rather than paragraphs. If we start with Sarah, what would be your bullet point list from the Mayor and from the Government?

Professor Sarah Hall (Senior Fellow, The UK in a Changing Europe): Leadership as a financial centre is earnt and is collaborative, so my suggestions would be in that realm. It would be demonstrating leadership internationally around regulation and contributing to international regulatory debate, particularly in areas where there are real opportunities that have been discussed this morning, for example, trying to drive harmonisation in green taxonomies to address some of the comments that Miles raised. That would be my first one.

My second one would be working to maintain an internationally and nationally open labour market for FPS. For me that would include work on visas, but it would also include work on mutual recognition of professional qualifications in areas like audit, for example. You asked for bullet points. I would draw attention to those two.

Miles Celic (Chief Executive Officer, TheCityUK): I very much agree with what Sarah said. A partnership approach across Government, whether that is central, devolved, or local, is absolutely critical. As we touched upon, talent is absolutely key to London and the UK's future success on this.

Getting the right regulatory approach in place. I think Allen touched on this earlier, but it not about deregulation. There is no future for London or the UK in being a low standards regulatory centre. It is about having high standards but being nimble and being able to lean into future areas of growth such as green, such as risk management, such as digital and such as fintech, and then making sure that we remain internationally competitive on tax issues.

Neil Garratt AM: Thanks, Miles. Anna, what is on your list?

Anna Purchas (London Region Chair and Office Senior Partner, KPMG): I absolutely agree on mobility and the mutual recognition of professional qualifications. I would add in, from your area, regulation around data. I also think the point around working together, public and private, is hugely important. It has been a fantastic conversation today. More focus on that. Lastly, just recognition that London is a global city and our global pre-eminence is a huge asset to the UK. The focus on that.

Neil Garratt AM: Thank you very much. I do not think I said that it was information technology (IT) but that was a very good guess, if it was a guess.

Allen Simpson (Interim Chief Executive Officer, London & Partners): It is not wholly in the UK Government's gift but addressing the access problem. I am looking here at a list of equivalencies and adequacy of determinations we do not have. It is not wholly in their gift but that would be nice. In my small, limited part of the world, I would say replacing the European Regional Development Fund (ERDF) funding could be transformative.

Neil Garratt AM: Thank you very much, and if we could finish with Rajesh.

Rajesh Agrawal (Deputy Mayor for Business): Yes, thank you. It is really good to hear that list and reinforce my view already, and I am glad we are working on some of the things which are directly linked to us. For example, we are working with other cities and working with fintech - my own background is that I am a fintech entrepreneur - which is an area which is growing really fast in London. Again, many of the MIBP trips have been fintech-related. There have been a lot of fintech investments that have been attracted in London.

On the regulation side, we work with the FCA and with the Bank of England. In fact, I remember one of the fintech delegations I took to China about three years ago and there was a representative of the Bank of England on that trip as well. I agree with the point that we should not lower our standards. One of the great things about Britain is that the FCA regulations are considered gold-standard around the world, and it is part of our great reputation.

What we can do in terms of fostering innovation and so on, we will continue to do, but the labour market remains key. That is why we have to keep pressing it. It keeps on coming back. It is not just this sector but across all sectors. We have to continue to press to the Government that we have to keep it open.

Finally, just one last point because we are so close to the thing. News headlines like the TfL funding deal, for example, when that gets published in *Financial Times*, do not send a great message to people round the world. It would be great if there is a deal that can sort that out. It is not a good look for London or Britain in front of the investors, and so on.

Neil Garratt AM: In terms of what the Mayor is doing to both publicise London overseas and, as part of that, to attract businesses potentially locating or investing here, is all of that work that the Mayor does essentially through L&P? That is the one vehicle?

Rajesh Agrawal (Deputy Mayor for Business): L&P is the main but there is a lot of direct and indirect work done by the Mayor as well, for example, being at COP26 and meeting potential investors there, and meeting potential investors here when they are visiting London. The Mayor unfortunately has not been able to travel very much in the last two years but when he is travelling abroad, he also meets international investors there. When we talk about promoting London, there are so many different ways of promoting London, whether it is online, whether it is offline, whether it is through events, whether it is speaking at various events, and so on. It is all of that in combination, but a lot of the work related to foreign direct investment (FDI) is done via L&P.

Neil Garratt AM: On that, my colleague has already quizzed Allen about the metrics and I think I did at the previous meeting as well, so I will perhaps take a break from quizzing L&P about their metrics. The other part of that work that you just described, how do we measure how much of that goes on and what impact, if any, that has? This is the non-L&P bit of what the Mayor is doing to promote London.

Rajesh Agrawal (Deputy Mayor for Business): Like I said, L&P's one is very direct and measurable, and I think if you focus mainly on that. It is very hard to put a number on "the Mayor met so-and-so." It is with L&P.

One thing I would recommend - this has happened in the past, and there are a lot of new Assembly Members as well - is for L&P to do a session, now they are based in this building, with the Assembly Members to explain the metrics in some detail and more about that work. I would encourage the chief executive officer (CEO) of London & Partners to do that.

Neil Garratt AM: That is a good idea, and I will take that up, but my question was about the other bit. The other bit is not really captured because it is a bit more vague and fuzzy, about handshake conversations at a conference.

Rajesh Agrawal (Deputy Mayor for Business): It is all part of London's soft power, the Mayor's soft power, as opposed to direct numbers.

Neil Garratt AM: Thanks very much, Chairman, I will leave that there.

Shaun Bailey AM (Chairman): Thank you very much, Assembly Member. At this point, we will be coming to an end. I would just like to thank my guests. I would just say this has been a very good, broad conversation. Some of the things we will take away as a Committee are that London has no god-given right to its position, we are going to have to work for it, and I think that is a good place; London as the head office of the world, I think we need to work on that as a concept as well; and regulation. I have now transported the word "regulation" into my head as "standards." I think a number of the guests here have suggested that regulations are actually good standards. Often in politics, regulations are seen as red tape; to see them as high standards, I think, will be useful.

Then, of course, the fact that London is part of Britain. The problem we have had recently is that for political reasons it suits to set London against the country, but we all know that London is part of the country and want to take our place next to these regions, not ahead of them. That is another message that came loud and clear from our guests.

Again, I would like to thank our guests for their attendance and their very, very high level of expertise. You have done a very good thing for the Committee and we will be taking forward many of your recommendations when we write our report on this particular aspect of our work.