

# MAYOR OF LONDON

**Hina Bokhari AM**

Chair

London Assembly Economy Committee

C/o [lauren.harvey@london.gov.uk](mailto:lauren.harvey@london.gov.uk)

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**Date:** 9 June 2022

Dear Hina,

I am writing in reply to the letter of 25 March received from Neil Garratt AM following the London Assembly Economy Committee meeting on 10 December 2021 relating to London's financial and professional services sectors. Please find responses to the recommendations in the annex below.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Sadiq Khan', with a small '2' written below the name.

**Sadiq Khan**

Mayor of London

Atts.

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## Annex

### **Mayor of London's response to the recommendations of the London Assembly Economy Committee's report on London's Financial and Professional Services sector**

#### **Recommendation 1**

The Mayor, Deputy Mayor, and London & Partners should continue to work with central government to champion and support London's financial and professional services sectors and ensure that the city remains a world leader in these areas. This work should involve promoting these sectors abroad, including outside the European Union. The Mayor should report back to the Committee on the targets he has set for this work and the countries he is focusing on for promotional activity

The Mayor, Deputy Mayor for Business, Rajesh Agrawal, and London & Partners (L&P) work closely with central government and the City of London Corporation and other membership organisations to champion and support London's world-leading financial and professional services sectors.

Last month, the Mayor visited the United States, where he met with senior leaders from major international businesses, including those from the financial services sector. As well as joining the Mayor on this trip to promote London as a world-leading centre for business, Rajesh has recently returned from a L&P-led fintech trade mission to the United Arab Emirates. Trade missions are also planned in India this year, as well as a dedicated fintech mission to Amsterdam this month.

As the Committee is aware, L&P is the Mayor's business growth and destination agency for London. L&P continues to perform strongly in bringing investment to London and supporting London-based businesses in high-growth sectors to increase their trade. In terms of international promotion, the Mayor's International Business Programme is an award-winning cohort programme for high growth scale-ups and has supported over 1,200 businesses to expand and win international business through workshops, trade missions and mentoring. Since its inception, it has conducted over 63 international trade visits inside and outside the EU: to the US, India, China, Japan, Middle East and Europe, including 17 virtual missions since the start of the pandemic. Each trade mission is sector-focused. Fintech is a sector that is especially crucial as London seeks to maintain its world-leading position in financial services, and is a key driver in certain markets.

#### **Recommendation 2**

The Mayor, Deputy Mayor, and London & Partners should set out an action plan for how they intend to champion emerging professional and financial services areas, such as fintech, regulatory technology, legal technology, and environmental, social, and governance (ESG). London has the opportunity to be a world leader in these areas

As we have seen during the pandemic, while some areas of London's economy have suffered, high growth sectors have been enormously resilient. Investment into London's fintechs in the first half of 2021 was 2.4 times greater than during the same time period in 2020, showing investor confidence returning as the economy began to recover from the global pandemic. This comes on the back of record levels of tech venture capital funding in 2020 as well as London being the leading destination to grow a technology business outside of Silicon Valley.

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Another of our city's success stories has been that London has emerged as one of the world's leading hubs for impact tech, attracting large amounts of Venture Capital (VC) investment into start-ups addressing one of the 17 UN Sustainable Development Goals. London's impact firms secured 429 deals between 2015 and 2020, more than any other city globally – growing by almost 800% in five years.

Unsurprisingly, climate change and clean energy solutions are most attractive to investors, making up over 50% of overall VC investment in 2020 into London's impact tech companies. London is also one of the world's most advanced ecosystems for climate tech, with the UK capital's startups raising \$3.3bn since 2016 and investment growing 6.3 times over this period, faster than the global average.

London's green economy had sales worth £48bn in 2019/20 – sales have doubled in the last ten years and in the five years prior to the pandemic it has grown at nearly 10% year on year. The Mayor's Green New Deal will ensure London continues to champion our competitive advantage in this sector – it aims to double the size of the green economy. The Mayor is providing an additional £54.4m of revenue through the Green New Deal Fund and Green New Deal revenue budget over 2021/22 and 2022/23. This includes delivering ambitious skills programmes to ensure even more Londoners benefit from our leadership in this sector.

The Mayor, Rajesh and L&P will continue to ensure that London remains at the forefront of these areas.

## **Recommendation 3**

The Mayor should share with the Committee the 'Optioneering Report' that is being developed with the Green Finance Institute, due to be published in Spring 2022. If the report does not contain a clear timetable for the project, then this should be provided alongside the report.

The Green Finance Institute's (GFI) Optioneering report – *Creating a Financing Facility for a Resilient, Circular and Zero-Carbon London – Options Analysis*, is due to be published later this year.

The report analyses the options available for the development of a financing facility for London. The facility is one part of the Mayor's wider Green Finance London programme, which includes long-running initiatives such as the Mayor's Energy Efficiency Fund and the recently announced Green Bond. The GFI's report will be accompanied by an update on the Mayor's Green Finance London programme and how initiatives within this programme work coherently to attract finance and advance London's net-zero and environmental objectives.

## **Recommendation 4**

The Mayor should set out how his work with the Green Finance Institute will support the growth of green finance in London, and how it will mitigate against greenwashing.

The Mayor's work with the GFI is part of a long-standing approach to Green Finance in London. The Mayor's Energy Efficiency Fund (MEEF) was launched in 2018 to help mobilise finance for low carbon, sustainable projects and infrastructure. It has mobilised over £310m of public and private capital and enabled projects including heat networks and electric vehicle charging – reducing London's CO2 emissions by more than 12,500 tonnes per year.

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Even greater volumes of finance must be mobilised, the creation of a financing facility will strengthen London's ability to raise the private sector finance needed to achieve London's environmental objectives. The options for various investment structures available to the Greater London Authority (GLA) have been explored by the GFI. The analysis has taken into consideration the key features that would be required by the GLA, the private sector and key London stakeholders requiring project finance, such as the boroughs, in establishing its recommendations. This includes ensuring that such a facility will support the growth of green finance in London and achieve genuine additionality, driving environmental, social and economic outcomes.

The Mayor announced that he will switch the GLA Group to more renewable energy and invest in new power generation infrastructure, such as wind and solar in the UK, through the use of Power Purchase Agreements (PPAs). Transport for London (TfL) is pioneering this London-wide change, with the first procurement to launch soon to secure renewable energy via a PPA. The Mayor has committed £90m of GLA funds to secure £500m for investment in climate action by issuing green bonds. This will raise funds for new and existing projects which deliver environmental benefits and a more sustainable economy. Of this £90m there will be £4m used to develop high impact investment opportunities for the private and public sectors and £86m to support the delivery of the green bond programme.

The GLA is currently developing the details and processes for issuing the Green Bond and will ensure that the principles of a just and ethical transition are embedded in the process. This will include appropriate safeguards, using our existing experience and industry best practice, to ensure that it acts ethically and avoids potential conflicts of interest with investors in the bond.

The GLA already has procedures in place for undertaking due diligence when contracting with other parties, as set out in the Responsible Procurement Strategy, and when making and accepting investments, as set out in our Anti-money Laundering policies and Treasury Management strategy, which includes our policies for not investing in fossil fuel companies.

## **Recommendation 5**

The Mayor should outline how he is using his convening power to further support the growth of green finance in London and fulfilling his manifesto promise to 'support the City to be the world leading centre for green finance'.

The Mayor is actively convening stakeholders around the shared goal of enabling and accelerating the flow of finance into climate-related projects to support London in reaching net zero by 2030. In October 2021, the Mayor convened private sector stakeholders at a *Future Green Finance Facility for London Roundtable*, to discuss the scale of the challenge and how to overcome barriers to mobilising private sector finance. In February 2022 at the London Greener and Warmer Buildings Summit, a closed session was convened with London Councils to discuss City Hall's shared goal of enabling and accelerating the flow of finance into climate-related projects and the important work being undertaken in pursuit of this. The Mayor's team regularly meet with key partners, such as the London boroughs, London Councils, UKIB, private sector investors and academic organisations.

The Mayor is also working closely with the UK Cities Climate Investment Commission, and sits on the Advisory Board of the Commission, to support its innovative work on green finance and ensure that work across London to harness the scale of finance needed is coherent and complementary. This includes working with partners to overcome key barriers such as identifying projects ready for investment in the immediate term and supporting the development of a long-term pipeline.

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## Recommendation 6

The Mayor should lobby the Government to ensure the UK's new visa and immigration system following the UK leaving the EU is working in the right way to address London's skills needs in financial and professional services.

In a speech to financial services leaders in September 2021, the Mayor urged the government to change its immigration system to better meet London's economic needs and help our businesses, including our financial and professional services industry. The Mayor has called for the government to create a regional shortage occupation list for London and other cities, to allow the capital to attract and retain staff in the areas and sectors where London has the greatest hiring challenges. He has also recommended that the UK creates a reciprocal Youth Mobility Scheme with the EU and will continue to push for a future immigration policy which keeps London open to European and global talent, and allows businesses and public services to find the people they need at all skill levels.

## Recommendation 7

The Mayor should set out how he actively considers and supports London's financial and professional services through his work in other policy areas, and what assistance he requires from government for this. This could be in relation to transport, culture, and ensuring London is seen as a welcoming place for people to live and work.

Financial and professional services businesses choose to locate in London because of the inherent and long-standing benefits the city offers; global connections, access to diverse, world-class talent, an incredible cultural offering, first-class infrastructure and a dynamic innovation ecosystem. London has so much to offer and it is vital that we continue to nurture this.

The Mayor has continued to maintain pressure on the government for financial support for TfL. During the pandemic, ridership levels hit historic lows requiring temporary revenue support from the government. Earlier this year, TfL secured a new funding agreement with the government until 24 June 2022, which enables it to continue running essential and safe transport services. The Mayor and his team are currently in discussions with the government seeking a longer-term arrangement that would enable TfL to provide some certainty. This is crucial as the network invests billions into the supply chain and supports tens of thousands of jobs across the UK.

London's culture and heritage is also a driver of talent to the UK which has been cited in recent reports by Deloitte and the City of London Corporation as a pull-factor for investment. During the pandemic, the Mayor invested £6m in London's biggest ever domestic tourism campaign, Let's Do London, which has brought £81m spend back to central London and 330,000 visitors to the capital, and supported thousands of companies and creatives, including many freelancers. Following the success of the Let's Do London campaign, L&P will lead a £9m international marketing campaign launched last month, prioritising international markets (US, France and Germany) that can most effectively be recovered.

London's Green Economy is one of the key factors that differentiates our city as a great place to live and to work – our low carbon and environmental goods and services sector has a greater value to the London economy than construction and manufacturing. The Mayor is directly supporting this sector through his Green New Deal, which aims to double the size of the green economy by 2030. He is now working to grow this sector by delivering the training and skills to ensure Londoners can secure good jobs in this sector through the £32m Good Work Fund. This includes a

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Green Skills Academy, focusing on areas where there is a high demand for skills – such as low carbon transport.

In January 2022, the Mayor published modelling that shows how London can achieve net zero by 2030 and his preferred ‘Accelerated Green’ approach to achieving this target. The analysis shows that it is possible to accelerate action and radically reduce carbon emissions with the right ambition, leadership, powers and funding. The Mayor cannot do this alone. It will take action from the GLA group, government, boroughs, businesses and the financial sector to make this happen, and with this comes the market opportunity that Londoners and London’s businesses can benefit from.

## **Recommendation 8**

The Mayor informed the EU Exit Working Group in 2021 that he had written to the Chancellor ‘urging the government to work urgently to close major gaps in the deal on issues such as financial services equivalence, recognition of professional qualifications and business travel.’ He should update the Economy Committee on the government’s response and outline any further action he has taken on these issues.

The Chancellor’s response to the Mayor’s letter outlined the work that the government is undertaking on financial services equivalence, recognition of professional qualifications and business travel – much of which is already in the public domain.

Following the Mayor’s engagement with the Chancellor, he continues to make the case for businesses post Brexit and has used conversations with business leaders to understand the impact and challenges that Brexit is having on their operations. Last year, he also met with Mairead McGuinness, EU Commissioner for financial services, financial stability and Capital Markets Union. This meeting was conducted in a very positive tone and the Commissioner and the Mayor agreed that it was desirable for the UK and EU to have as close and as constructive relationship as possible.

## **Recommendation 9**

The Mayor should continue to lobby the government to ensure that the UK Shared Prosperity Fund (UKSPF) fills the gaps left by the loss of ERDF funding and that London receives its fair share of this. The Mayor should demonstrate to the Assembly what work is being undertaken to achieve this ask.

Since 2017, the Mayor and L&P have been pushing for a timely devolved UK Shared Prosperity Fund settlement of at least the same quantum of funds as those received from the EU. City Hall and government officials have been in regular productive contact on this subject throughout this period. A copy of a 2021 letter concerning UKSPF sent by the Mayor to the government, and the response received is attached.

London’s share of the UK Shared Prosperity Fund was finally announced by the government on 13 April 2022. The Mayor welcomes devolution of this funding to London, as promised in the government’s February Levelling Up white paper. But a settlement of £144m over three years is disappointing and falls well short of the government’s promises that all parts of the UK would benefit from at least the same levels of funds as those previously provided by the EU. Were that the case, then London would have received around £267m over the same period. The Mayor’s team

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is now working on a submission of the UKSPF London investment plan in consultation with boroughs and other stakeholders.

## **Recommendation 10**

The Mayor and London & Partners should continue to monitor and report on the impact, including challenges and opportunities, of Brexit on London's financial and professional services. They should provide the Economy Committee with an annual report so the Committee can continue to review their assessment of this impact.

Rajesh and his team are in regular dialogue with the financial and professional services sector, which enables City Hall to monitor and understand the current challenges and opportunities that Brexit presents. Key business stakeholders and business groups such as Ernst & Young (EY) and TheCityUK are already tracking the impact of Brexit on the sector, for example, EY recently published their *EY Financial Services Brexit Tracker* which tracks business operations and staff levels since the UK left the EU. As a result, there is no need for the GLA to duplicate good work already being done by the sector.