

The role of the financial and related professional services industry in levelling up – June 2022

About TheCityUK

TheCityUK is the industry-led body representing UK-based financial and related professional services, an industry that contributes more than 10 percent of the UK's total economic output. It is the largest taxpayer and employs 2.3 million people, 1 in 14 jobs across the country. It is also the biggest exporting industry, generating a trade surplus in excess of all other net exporting UK industries combined.

Executive summary

This submission sets out the contribution that the financial and related professional services industry already makes to levelling up and identifies the further progress industry and government could make together.

It begins by [highlighting the ways](#) in which our industry can help to overcome the barriers to levelling up. It then gives [policy recommendations](#) in a range of areas from business lending, to skills, to devolution.

Two annexes are provided, outlining [regional salary figures](#), and giving a [range of examples](#) of the work our members are doing to support communities across the UK.

Background

TheCityUK welcomed the publication of the Levelling Up and Regeneration Bill and the government focus on sharing wealth, opportunity, and prosperity more widely across the UK. We have been campaigning on issues of regional growth and development for many years, reflecting the fact that two thirds of the 2.3 million high quality jobs our industry provides are based outside of London.

We are pleased that some of the policy recommendations made in two of our flagship reports from last year - [A roadmap for economic recovery](#) and [Enabling growth across the UK](#) – have already been implemented by the government. These include:

- The appointment of a cabinet-level minister with specific responsibility for levelling up
- The creation of a civil service taskforce to drive the project forward
- The development of specific metrics to measure success

However, we do believe that more can be done to build a genuine partnership between government and industry to level up the UK.

Building this partnership is essential given the vital role our industry can play in overcoming many of the barriers to growth and development which afflict regions and nations across the country.

Five ways in which financial and related professional services support levelling up

1) Developing infrastructure

The private sector plays a vital role in infrastructure investment with most projects in energy, utilities and digital infrastructure being financed privately. Nearly 50 per cent of the infrastructure pipeline is expected to be financed by the private sector in the coming years. The financial services sector is a key player in this private financing: pension funds and insurers are expected to invest between £150 billion and £190 billion in infrastructure in the UK in the next decade.

More broadly, the UK-based financial and related professional services industry builds a bridge linking private investors and infrastructure investment. For example, the industry supports infrastructure investment by providing capital, as well as legal and advisory services.

2) Providing high skilled, well paid local jobs

In addition to the international financial centre in London, major centres with over 30,000 in employment in financial and related professional services include Birmingham, Bristol, Edinburgh, Glasgow, Leeds and Manchester. These are followed by Belfast, Cardiff, Liverpool and Sheffield with between 19,000 and 27,000 in employment. Other centres with over 14,000 in employment include Milton Keynes and Warrington¹. Overall, 21 towns and cities in the UK each have over 10,000 people in employment in the industry.

The teams in these towns and cities are performing specialist, highly skilled jobs, supporting the operations of some of the largest companies in the world.

In every region and nation our industry pays a higher salary than the local average. For example, in the East Midlands the average financial and related professional services salary is £31,354 p.a., over £7,000 p.a more than the overall local average. [See annex one for a full list of regional figures.](#)

Providing so many high skilled and well paid jobs means our industry supports workers to fulfil their ambitions without having to move away from the area where they grew up.

3) Boosting productivity

Financial services productivity is nearly twice as high as productivity in the UK economy as a whole. Annual output per worker stood at £114,793 vs £58,261 respectively² in the last year for which we have figures.

TheCityUK's 2021 report, ['Enabling growth across the UK'](#), found that this differential in output per worker was present in all parts of the UK, and is especially striking in Scotland (£112,585 vs £55,75), the West Midlands (£89,680 vs £50,774), and the North West (£88,011 vs £51,559).

Boosting productivity is one of the essential ways in which our industry can support economic growth in every region and nation of the UK.

4) Supporting small businesses in every region and nation

The outstanding amount of loans made available by major banks to UK businesses totalled £525. billion at the end of 2021. Of this total, 40.1 per cent was lent to SMEs³.

¹ [enabling-growth-across-the-uk-2021-uk-based-financial-and-related-professional-services.pdf \(thecityuk.com\)](#)

² [Vision of 'high wage, high skill' economy powered by financial and related professional services | TheCityUK](#)

³ Bank of England, 'Monetary financial institutions' loan to UK non-financial business, by size of business', (February 2022), available at:

The UK has one of the largest stock markets for small companies in Europe. During 2021, companies listed on AIM (the London Stock Exchange's market for small and medium size growth companies) raised £8.7bn through new and further issues of shares⁴.

The UK private equity and venture capital sector manages assets totalling around £420bn. In 2020, UK private equity funds invested £25.1bn in more than 1,300 UK companies. Regionally, London accounted for 44.2 per cent of total amount of capital invested, followed by the South East (13.2 per cent), and then Wales, the South West and North West (12.4 per cent)⁵.

Small businesses are the engine room of the economy, but can only fulfil their role in regional growth with access to the finance our members provide.

5) Supporting workers to buy a home, save for retirement and invest for their future

Sixty-five per cent of the public enjoy the security of home ownership in England - a rate which is supported by mortgage lending. According to the FCA and the Bank of England, gross UK mortgage lending was over £315 billion in 2021⁶.

UK fund managers helped to protect and grow around £11 trillion in financial assets in 2020, representing savings through pensions, life assurance policies and other investments⁷.

Pension providers have a key role in delivering cost effective and accessible pensions in the future. The UK had total investments of £4 trillion at the end of 2020⁸.

These benefits are felt throughout the UK and support workers in every region and nation of the UK.

Policy recommendations

Our industry is already investing in people and communities across every region and nation of the UK – [Annex Two gives some excellent examples](#) - but we can do so much more with the right partnership with government.

Devolution

TheCityUK has always regarded regional clusters as key drivers for growth. This is one of the reasons for the creation of our network of 'Regional and National Chairs'. These are industry practitioners who underpin and bring together a network of our members with other key economic and political partners in each region and nation. We believe the government shares this vision and we commend their work around devolution.

<https://www.bankofengland.co.uk/boeapps/database/index.asp?first=yes&SectionRequired=A&HideNums=-1&ExtraInfo=false&Travel=NlxSTx>

⁴ London Stock Exchange, 'AIM statistics', (December 2021), available at:

<https://www.londonstockexchange.com/reports?tab=issuers>

⁵ British Private Equity & Venture Capital Association, 'BVCA report on investment activity 2020', (September 2021), p.6 - 7, available at: [https://www.bvca.co.uk/Portals/0/Documents/Research/2021 per cent20Reports/BVCA per cent20Investing per cent20with per cent20Integrity per cent20- per cent20September per cent202021. pdf](https://www.bvca.co.uk/Portals/0/Documents/Research/2021%20per%20cent20Reports/BVCA%20per%20cent20Investing%20with%20per%20cent20Integrity%20per%20cent20September%202021.pdf)

⁶ [Mortgage lending statistics - June 2022 | FCA](#)

⁷ [IMS report 2021.pdf \(theia.org\)](#)

⁸ [IMS report 2021.pdf \(theia.org\)](#)

Recommendation: Now is the time to accelerate devolution in the regions and nations. Devolving power to a clearly and tightly defined ‘place’, be that a city region, sub-region or a major new town, can ensure decision-making takes place at close proximity and in continued dialogue with the local industry cluster. We wish to see further devolution to these defined places proceed at pace.

Skills

TheCityUK has previously called for targeted mapping of skills needs in different areas and a greater employer involvement in education. The current Apprenticeship Levy regime is well intentioned but overly rigid. Introducing more flexibility to how Levy funds can be spent would allow our industry to create more opportunities across the UK.

Recommendation: The Apprenticeship Levy should be reformed to allow employers to:

- deploy Levy funds over a period longer than 24 months in a more targeted way which reflects local need, rather than the current ‘use it or lose it’ approach
- increase the portion of Levy funds which can be transferred to small businesses or charities (currently capped at 25 per cent) which are the driving forces of the economy in many towns across the country
- create flexibility around the length of an apprenticeship to reflect what is appropriate for that firm, candidate and sector, rather than having it prescribed at 12 months
- provide additional support for candidates from disadvantaged backgrounds to broaden opportunities provided by apprenticeships in the financial and related professional services industry

Green growth

A focus on sustainability is vital to delivering future economic prosperity and growth and this imperative should be integrated into legislation.

Recommendation: The government should work urgently to identify the structures that can help promote sustainable investments over non-sustainable ones, and consider how the tax system can be used to incentivise the journey to net zero.

Driving growth through international trade

The UK’s trade surplus in financial and related professional services is estimated to be \$101.7bn (£79.3bn)⁹. The UK’s trade surplus in financial services is nearly equivalent to the combined surpluses of the next two leading countries (the US and Singapore)¹⁰. The industry’s trade surplus is more than the combined surplus of all other industries in the UK that register trade surpluses¹¹. Nearly half of the industry’s exports are generated outside of the capital¹².

The financial and related professional services industry also acts as an engine for growth for the wider economy, providing vital capital and a world leading eco-system which allows business, communities and individuals to grow, invest and save.

Supporting businesses in every region and nation of the UK to access international markets and increase exports should be central to the government’s vision for levelling up.

⁹ [key-facts-about-the-uk-as-an-international-financial-centre-2021-v2.pdf \(thecityuk.com\)](#)

¹⁰ UNCATD, ‘Services (BPM6): Exports and imports by service-category and by trade-partner, annual’, (July 2021), available at: <https://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx>

¹¹ TheCityUK calculations based on the Office for National Statistics, ‘03 Trade in services, the Pink Book’, (29 October 2021), available at:

<https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/3tradeinservicesthepinkbook2016>

¹² [enabling-growth-across-the-uk-2021-uk-based-financial-and-related-professional-services.pdf \(thecityuk.com\)](#)

Recommendation: Government should dedicate resources – including expertise, marketing collateral and logistical support – to representing major regional clusters, with a view to expanding global networks and client bases across emerging global centres. TheCityUK also proposes that the government should have a duty to work with geographic industry clusters to promote the offer that a particular area can make to investors, as well as prospective clients and staff.

Infrastructure and investment

The Levelling Up and Regeneration Bill reflects TheCityUK's call for resilient digital infrastructure with its plans for nationwide gigabit capable broadband and 4G coverage with 5G coverage for most of the population.

Recommendation: The government should ensure that future investment in digital and physical infrastructure is evidence based, particularly tapping into the findings of the Local Industry Strategies which have flagged the strengths and drivers of inclusive growth in every region.

Setting clear goals

As TheCityUK highlighted in our most recent [Enabling Growth Report](#), clear goals for the levelling up agenda will be key to its success, alongside clear and transparent communication about government priorities.

More can be done to hardwire the concept of levelling up and regional development into the UK's policymaking machinery. A national strategy of this scale – which depends on the success of the UK's constituent parts – must have an effective measure of success.

Recommendation: In consultation with the public, regional leaders and industry stakeholders, the government should build on its 12 levelling up missions to establish wider indicators of policy success to ensure that the levelling-up agenda has rigour. These could include metrics focused on economic opportunities and environmental impact.

Machinery of government

The way in which central government delivers services has an impact on how effective these services are, but it can also influence industry and other bodies. Relocation of staff and expertise to other towns and cities can foster better collaboration across the centres that host two thirds of the industry. This could be particularly helpful for challenger institutions and other start-ups such as FinTechs outside the M25. Regulators and other government bodies with a greater understanding of the wider needs of the entire UK, as well as easier access to key individuals, has the potential to transform the nature of a company's early relationships with their supervisors.

Recommendation: Government should accelerate the progress it has already made in ensuring that relevant regulators and central departments establish operations in major financial and related professional services hubs outside London, such as the Treasury's new Economic Campus in Darlington.

Engagement

One of the critical factors which allow any business to have a constructive and efficient relationship with government at any level is clear channels of communication. As more power is devolved to regions and communities it is essential that employers and investors have accessible, designated points of contact across government and public bodies and that where appropriate these organisations have a clear remit to drive growth. There must be closer collaboration between government and regional promotional bodies. Investment agencies and business organisations can support government in defining and enhancing its

dialogue with industry. TheCityUK and affiliated organisations act as a bridge for policy makers to access industry insight and engagement.

The new Levelling Up Directors and ‘local panels’ which were outlined in the Levelling Up White Paper should have a strong relationship with business as one of their key priorities.

The Levelling Up and Regeneration Bill builds on TheCityUK’s previous calls for a devolution of powers and budgets to clearly and tightly defined places by proposing a new model for England. For new local leaders to have the greatest impact on their communities, they will need to work and plan collaboratively with businesses. Arm’s length bodies that include business – such as the West Midlands Growth Company – offer a good model for this.

Recommendation: New local decision makers should have a duty to consult with business and key local employers on the best ways to invest in local economies. We also believe that government should work with industry clusters to promote the holistic, local offer a particular area can make to international and domestic investors, as well as prospective clients and staff.

Conclusion

The jobs, economic growth and capital that our industry is able to create in the service of the country mean that we have a significant role to play in levelling up.

We have set out some of the steps that the industry and government can take to deliver on the aspirations of this agenda, notably in our two flagship reports in this area - [A roadmap for economic recovery](#) and [Enabling growth across the UK](#). We will continue to work with our members to advocate for these priorities.

Achieving the shared goal of spreading economic prosperity and social mobility more widely across every region and nation of the UK, requires clear goals and easy and open channels of communications between government and the industry so that we can create the physical, digital and education infrastructure this agenda requires. TheCityUK and its members will continue to work with government at all levels, as well as other partners to deliver this goal.

Annex One: Median salaries by region and nation in Great Britain

Region or nation	Activity	Median salary	Difference
East	FRPS industry	28,685	3,787
	Overall	24,898	
East Midlands	FRPS industry	31,354	7,264
	Overall	24,090	
London	FRPS industry	73,972	38,985
	Overall	34,987	
North East	FRPS industry	27,026	3,773
	Overall	23,253	
North West	FRPS industry	28,603	4,309
	Overall	24,294	
Scotland	FRPS industry	32,307	6,691
	Overall	25,616	
South East	FRPS industry	32,260	5,108
	Overall	27,152	
South West	FRPS industry	32,669	9,088
	Overall	23,581	
Wales	FRPS industry	28,020	4,697
	Overall	23,323	
West Midlands	FRPS industry	31,215	6,619
	Overall	24,596	
Yorkshire and The Humber	FRPS industry	31,218	7,483
	Overall	23,735	

Annex Two: Case studies of business supporting communities and those in need

Our members continue to make significant investments across the UK:

- Aviva is the largest private sector employer in Norwich, employs over 5,000 people. Aviva also has major bases in Sheffield and York
- JP Morgan's UK operate a major Corporate Centre in Bournemouth which employs over 4,000 people, making it integral to the local economy
- Goldman Sachs recently opened a major new office in Birmingham, projected to provide hundreds of roles for highly skilled technicians and engineers as well as being the location for the company's in-house incubator unit for new platforms and technologies in everything from inventory management to cloud-based platforms
- Citi operate a major hub in Belfast with over 3,200 employees across 21 different disciplines. They create 100 graduate positions each year and engage with 4,500 students annually to broaden their understanding of employment.

In addition, many of our members operate targeted programmes in their local communities in which they do business to support individuals and local projects to make a difference

Yorkshire Building Society (YBS) and the cost-of-living crisis

YBS have built a partnership with the Citizen Advice Bureau (CAB) in which CAB advisers are now present for one or two days per week in 15 per cent of YBS's overall branch network, providing free, accessible, face-to-face independent advice to customers and members of the public on financial well-being.

The programme to date has supported nearly 500 people with advice about benefits, tax credits, housing and legal issues. YBS and CAB estimate that if people act on advice received at these appointments, they could secure on average £7,500 each in expected additional income – making a real difference at a time of a cost-of-living crisis.

Barclays supporting a range of programmes

Barclays Bank operates several funds and programmes to support communities, individuals and projects to thrive.

- As part of **Barclays' COVID-19 Community Aid Package**, they launched the 100x100 UK COVID-19 Community Relief Fund to get support right into the heart of local communities across the UK. Barclays invited UK charities to apply for one of 100 donations of £100,000 each, to help the charity deliver impactful on-the-ground support. So far, Barclays have reached more than 180 organisations.
- The **Barclays Rebuilding Thriving Local Economies Fund** (distributed by Family Action) aims to support vulnerable individuals and families living in Bury, Kilmarnock and Loudoun, Great Yarmouth and Taunton Deane who are struggling financially. Most grants are supporting families' most basic needs, with nearly 90 per cent of applicants reporting that the grant is used to purchase food and other essential household items. These grants have proved to be a lifeline over the colder winter period with 37 per cent of applicants using the grant for new clothing and 53 per cent on utilities.
- **Barclays Eagle Labs** is one of the largest networks of tech focussed, start-up incubators, with 22 physical locations across in the UK. This network has supported more than 4,600 businesses and raised over £1.5bn through members, programme participants and alumni.
- **Barclays LifeSkills** delivers deep Impact work focussed on working with 160 students (including looked after children, young carers and those from other disadvantaged backgrounds) from 19 schools across three locations (Bury, Kilmarnock, and Taunton). The programme aims to expand students' aspirations, support their employability and develop transferable skills to help them with their next steps. The programme led to visible improvements in confidence and improved understanding of transferable skills, particularly problem solving and resilience.

Deloitte supporting young people to learn

The pandemic interrupted learning for many young people, but this has the greatest negative impact on children from under-privileged backgrounds and low-income communities. Deloitte donated pro bono services and volunteering hours to support tutoring for those who need it the most, and provided laptops to thousands of children, schools and organisations. Deloitte representatives also worked with the Education Endowment Foundation, the organisation which set up and managed the delivery of the National Tutoring Programme's tuition services.