Productive finance working group publishes recommendations addressing the barriers to investment in less liquid assets

The Productive Finance Working Group is industry led, co-chaired by the Governor of the Bank, the Chief Executive of the FCA, and the Economic Secretary to HM Treasury.

Appropriately managed, investment in such assets has the potential to generate better returns for investors, including those saving for retirement in defined contribution (DC) pension schemes, given their typically long-term investment horizons. These types of pension schemes are an increasingly important vehicle for saving for retirement, given their assets have increased from around £200 billion in 2012 to over £500 billion today, and are expected to double to £1 trillion by 2030.

Investment in productive finance assets can also benefit the wider economy by supporting the economic recovery from Covid, facilitating the transition to a net zero economy and supporting financial stability. Greater investment in longer-term productive UK assets, such as research and development, technology, and infrastructure can provide a boost to long-term growth and support an innovative, greener future for the UK.

However there are a number of barriers and challenges to investment in less liquid assets and therefore these investment need to be carefully managed. The aim of the Group, convened in November 2020, was to propose solutions to such barriers, including a roadmap, timetable and set of actions.

In its report published today, ‘A Roadmap for Increasing Productive Finance Investment’, the Group has published four recommendations, underpinned by 13 specific actions, with a focus on supporting DC pension schemes to invest and developing the long-term asset fund (LTAF) structure.

The recommendations require action from industry and the official sector and will create an environment in which DC schemes and other investors can benefit from appropriate long-term opportunities. They include:

- Shifting the focus to long-term value: DC schemes trustees, trade bodies and consultants should consider how increasing investment in less liquid assets could generate greater long-term value for their members.

- Building scale: The DC market has a high proportion of small schemes. Their lack of scale can make it challenging for them to invest in less liquid assets for a variety of reasons.

- A new approach to liquidity management: Most DC schemes currently invest predominantly in daily-dealing funds which in theory means their holdings can be sold at short notice. Investment in less liquid assets does not present the same daily dealing opportunity. Therefore a broader range of DC schemes should find ways to enable them to invest in less liquid assets as part of a diversified portfolio. To support that, the Group recommends industry develop guidance, in collaboration with the Bank and FCA, on good practices for liquidity management at a fund level.

- Widening investment in less liquid assets: The group recommended that the FCA consult on changing its rules for investment in illiquid assets through unit-linked funds and reviewing the LTAF distribution rules to facilitate wider distribution to appropriate retail clients.

Chancellor of the Exchequer, Rishi Sunak, said:

> Now is the time for institutional investors to seize the moment and invest in longer-term UK assets. By doing so they can help boost Britain's long term growth, enable pensions savers to access better returns, and support an innovative, greener future for the UK.
>
> So it's great that the industry working group have put forward proposals that will help to overcome the barriers to investing in long-term UK assets and I look forward to seeing them put into action.

Andrew Bailey, Governor of the Bank of England, said:

> Addressing the investment barriers which exist for long-term assets can help unlock valuable economic opportunities. Carefully managed, this is especially important for people saving in their retirement and the broader economy. The input that the working group has provided over the past year in coming up with these recommendations should be commended and it is vital that they are implemented.

Nikhil Rathi, Chief Executive of the Financial Conduct Authority, said:

> Defined contribution pension schemes have increased in importance over the past 10 years with increasing numbers of people using them to save for their retirement. Supporting access to different investment opportunities, which have the possibility to provide more diversified returns to members as well as benefiting the wider economy, is important. The working group produced a group of recommendations that could really make the difference and my colleagues and I at the FCA look forward to working with the

industry and others to ensure they are implemented.

Chris Cummings, Chief Executive of the Investment Association said:

> Investing in illiquid assets is a way for savers to diversify their portfolios and at the same time provide capital for long term projects which boost the economy. The Long-Term Asset Fund will offer DC pension schemes and certain retail investors a new way to access illiquid investments through a fund structure designed specifically for such investments.
>
> We welcome this report, in particular the work done by the Productive Finance Working Group to identify barriers to distributors offering funds with limited redemption opportunities and the commitment to look closely at allowing the LTAF to be sold to a broader range of retail investors with appropriate safeguards. We look forward to working with policy makers, investment managers, distributors and other organisations to take forward the report's recommendations to make the LTAF a success and increase the supply of productive finance in the UK economy.

Michael Moore, Director General of the BVCA, said:

> The Productive Finance Working Group is a hugely significant initiative. Not only is it encouraging collaboration and the sharing of perspectives from across the financial services sector, it's also tackling the challenges faced by certain types of investor that are currently excluded from the impressive returns of private equity and venture capital funds.
>
> The BVCA welcomes its involvement in the group and the opportunity it has had to provide data and guidance on investing in this sector. We are confident that the group's recommendations can help defined contribution pension schemes and other investors along the path towards allocating to our asset class. We look forward to supporting the group's ongoing workstreams.

Ruston Smith, Chair of the Tesco Pension Fund, said:

> Many members in defined contribution schemes typically have long term time horizons and, in delivering good member outcomes, good quality illiquid assets can contribute towards improved diversification and future net risk adjusted returns. Other countries' DC schemes and UK DB schemes have, for some time, included appropriate allocations to private markets as part of their aim of delivering good member outcomes.

Following the success of automatic enrolment, this initiative is incredibly important to further improve the incentive and accessibility of good quality illiquid assets for UK defined contribution schemes and their members. Further support from consultants and on trustee education, in this important area, will help provide good informed decisions and the further development of UK DC investment strategies.

John J. Haley, CEO, Willis Towers Watson

Willis Towers Watson views the report produced by the Productive Finance Working Group as a critical step forward in getting more illiquid, productive investments into Defined Contribution schemes, thereby improving the investment outcomes for millions of Defined Contribution members in the UK; We are proud to have been an active participant in the project.

We recognise there remains work to be done in this area, and we look forward to continuing our work with other committed stakeholders to further improve the UK DC market.

Chris Hill, Chief Executive Officer, Hargreaves Lansdown, said:

Over the last 18 months many have reassessed their finances and started to consider their plans for later life, with many investing for the first time to build their financial resilience. We are all responsible for our own retirements, so Hargreaves Lansdown particularly welcomes the recognition of the rights of retail investors and their importance to the UK economy in the report.

When people have enough savings for emergencies and the time to invest for the long term, they should have the option to access these types of opportunities as part of their investment portfolio. Providing the right information to ensure investor knowledge and understanding of the risks of these new funds will be essential for their safe distribution.

Further information:

1. The final report, 'A Roadmap for Increasing Productive Finance Investment' has been published.
2. Further details on the Productive Finance Working Group, including Minutes from their meetings can be found online.
3. FCA CP21/12: A new authorised fund regime for investing in long term assets can be found online.

VMD and FDA Announce Mutual Recognition Agreement

News story

Announcement of Mutual Recognition Agreement for Pharmaceutical Good Manufacturing Practice Inspections of Veterinary Medicines.

The Veterinary Medicines Directorate (VMD) and the U.S. Food and Drug Administration (FDA) today, 27 September, announce their decision to expand the scope of the U.S.- UK Mutual Recognition Agreement (MRA) Sectoral Annex for Pharmaceutical Good Manufacturing Practices (GMP) to include inspections of veterinary pharmaceuticals.

This MRA entered into force on 1 January 2021, but initially included only pharmaceuticals intended for human use. Today’s action to include veterinary medicines in the MRA is an important step that will enhance efficiencies for the UK and U.S. regulatory systems.

An MRA is an agreement between two or more countries to recognise a specific process or procedure of the other country and this is the first step toward strengthening use of each other’s veterinary medicines inspection expertise and resources.

The overall goal of the MRA is to produce greater efficiencies for both regulatory systems and provide a more practical means for both the VMD and the FDA to oversee the facilities that manufacture veterinary medicines in these locations.

By utilising each other’s inspection reports and related information, an MRA can ultimately enable the VMD and the FDA to avoid duplication of some inspections and enable regulators to devote more resources to other areas where there may be greater risk.

Over the past several months, the VMD and the FDA have taken numerous steps to prepare for expanding and implementing the MRA’s coverage. This has included among other things, sharing information about the oversight of veterinary medicines manufacturing, observing audits and evaluating regulatory frameworks, which found both countries have the capability, capacity, equivalent standards and procedures to carry out routine GMP surveillance inspections that meet the requirements for veterinary products.

Published 27 September 2021

New COVID-19 study

An actuary from the Government Actuary’s Department (GAD) is one of a group of scientists, clinicians and cross-government analysts who have published new research on further effects of COVID-19.

The research featured in the British Medical Journal establishes which groups of the population could still be at risk from COVID-19 despite being vaccinated. Among those identified are people with Down’s Syndrome, people who’ve had organ transplants and others with weakened immune systems. Risks are highest for people who have not been fully vaccinated.

The report includes expertise from actuary Nazmus Haq, seconded to the Department of Health and Social Care as the senior analyst for COVID-19 clinically extremely vulnerable.

Fresh research

The conclusions identify a range of important clinical risk factors for severe COVID-19 outcomes despite vaccination. The highest risk ratios are for people with specific medical conditions. The research was based on data from the second pandemic wave in England which started at the beginning of September 2020.

The team developed and validated multiple new QCovid® risk algorithms. QCovid® 2 is based on unvaccinated patients while QCovid® 3 is based on vaccinated patients.

The models combine several characteristics to calculate weighted, cumulative risk scores for serious health outcomes due to COVID-19 including:

- age
- sex registered at birth
- ethnicity
- deprivation
- body mass index
- specific health conditions and treatments

The new data collected to update the original QCovid® model indicates some risk factors identified in QCovid® 1 now have a smaller impact in updated models.

This could be due to changes in the virus, levels of immunity within the population and the roll out of coronavirus vaccinations. Other risk factors continue to have a similar impact in the updated models, showing certain groups within the population remain at elevated risk despite vaccination.

Research and success

Actuary Nazmus Haq said: "This research is so vital in identifying people most at risk from COVID 19. Our population-based risk model has broken new ground by identifying the patients at highest risk of COVID-related death and hospital admission after vaccination.

"It really demonstrates the value of having a cross-partnership team of multiple specialities in delivering innovative research and improvements for the healthcare system. It also shows how actuaries can use their skillset outside of traditional actuarial applications. We hope this research will help to facilitate discussions between clinicians and patients regarding individual COVID-19 risk."

The publication of the research follows the team's success earlier this year when they won a Royal Statistical Society award. The Covid-19 Population Risk assessment powered by QCovid® is a predictive model used to estimate the risk of serious health outcomes due to COVID-19 for individuals.

Bold new strategy to fuel UK's world-class space sector

- National Space Strategy sets out long-term plans to strengthen the UK's status as a world-class space nation
- New vision will help grow UK's multibillion-pound space industry, boost private investment and capitalise on UK strengths such as satellite manufacturing
- Brings together UK government civil and defence space activities to protect UK interests at home and abroad

New plans to strengthen the UK as a world class space nation by firing up its multibillion-pound space industry have been set out in a National Space Strategy launched today.

From connecting people with their friends and family and monitoring climate to helping farmers to manage their crops, space plays a pivotal role in our daily lives, and is a vital part of the UK economy, worth over £16 billion per year.

Today's National Space Strategy sets out the government's long-term vision for how the UK can establish itself as one of the most attractive and innovative space economies in the world. It will empower British space businesses to innovate and grow by unlocking private finance, while positioning the UK at the forefront of international space research – whether that's by supporting the first British spaceport satellite launch due in 2022, or leading international space missions that help tackle global challenges such as climate change.

The Strategy brings together the UK government's civil and defence space activities to ensure an integrated approach to combating hostile forces and emerging international threats such as cyber-attacks and anti-satellite missiles, while protecting UK interests at home and abroad.

It also sets out how the government will build on the UK's strengths in space including satellite manufacturing and communications, while working with British companies at the cutting edge of the latest advances in space technologies. The Strategy outlines how the UK can establish global leadership in high-growth areas, such as satellite broadband operations, building on the government's recent investment in OneWeb, while also focusing on new and emerging markets like in-orbit servicing and space debris removal.

Science and Innovation Minister George Freeman said:

> As we enter an exciting new space age, we have bold ambitions for the UK to be at the vanguard of this industry in our role as a science superpower – whether it's launching the first satellite from British soil, or leading major international space missions to help combat climate change.
>
> Today's National Space Strategy sets out our vision for ensuring that our thriving space sector lifts off for the long term. It will put rocket boosters under the UK's most innovative space businesses, ensuring they can unlock private capital and benefit our home-grown space expertise.
>
> Above all, by integrating our commercial and military space activities, we will use space to protect British interests abroad and on home soil, establishing the UK as one of the most attractive and innovative space economies in the world.

The Strategy has 4 cross-cutting pillars where government will take bold action to achieve its goals:

- unlocking growth in the UK space sector – supporting UK businesses, researchers, and innovators to grow the space sector and level up our economy
- collaborating internationally with our partners and allies –

demonstrating global leadership, and becoming an international partner of choice in space activities
- growing the UK as a science and technology superpower – continuing to collaborate in high profile space missions and backing space technologies to tackle global challenges such as climate change
- developing resilient space capabilities and services – ensuring our critical national infrastructure can rely on a wide range of resilient space technologies and delivering the UK Defence Space Portfolio to strengthen UK security at home and overseas.

The UK already boasts a thriving space sector employing over 45,000 people in highly skilled jobs – from space scientists and researchers to engineers and satellite manufacturers. The National Space Strategy looks to harness these strengths and support British companies to seize future opportunities, with the global space economy projected to grow from an estimated £270 billion in 2019 to £490 billion by 2030.

Ensuring the UK keeps pace with our competitors and adversaries as space becomes more competitive, congested and contested, the Strategy commits to the delivery of the UK's first Defence Space Portfolio. This will see the government investing an additional £1.4 billion in developing new capabilities over and above the £5 billion already committed to enhance the military's satellite communications.

Defence Secretary Ben Wallace said:

> The ability to operate in space is fundamental to the success of our Armed Forces but also in maintaining civilian, commercial and economic activity. We launched UK Space Command this year for this very purpose.
>
> Collaboration with academic and industry partners ensures we progress research and development needed to stay at the forefront of pioneering technology and ahead of our adversaries.
>
> The new National Space Strategy builds on our commitment to spend more than £6 billion over the next 10 years to enhance our space capabilities, support vital skills and expertise whilst strengthening the UK's security at home and overseas.

Also published today is the National Severe Space Weather Preparedness Strategy, which sets out a 5-year vision for boosting UK resilience to the risk of severe space weather events.

Severe space weather refers to the variable conditions on the sun and in space that can influence the performance of technology and national infrastructure that we use on Earth – from power grid outages to disruption of satellite-navigation systems that we use.

The National Severe Space Weather Preparedness Strategy outlines a series of commitments by government to work with industry, academia, and international partners to increase the country's understanding and preparedness for a sever space weather event, while tapping into UK expertise already in place, such as the 24 hour Met Office Space Weather Operations Centre.

Notes

Read the National Space Strategy.

With the UK set to become the first country to launch a rocket into orbit from Europe in 2022, the National Space Strategy cements the UK's ambition to become the leading provider of commercial small satellite launches in Europe by 2030. It will prioritise the development of spaceports across the country, from Cornwall to the Shetland Islands, to capitalise on the UK's competitive strength in small satellite manufacturing.

This will be supported by world class UK space industry regulations which were passed in Parliament earlier this year, and which will help attract further international investment to develop commercial spaceflight technologies and make UK spaceflight a reality.

To provide UK space businesses with clear direction so that they can reap these rewards, the Strategy features a Ten Point Plan, identifying the highest impact opportunities where resources will be targeted. Priority areas include developing and levelling up the UK's world class space clusters, from Durham to Newport, using space technology to improve public services and our transport system, as well as investing in the UK's most innovative space products, building on the government's recent Innovation Strategy.

The National Space Strategy also prioritises international collaboration, building on the success of the recent UK – Australia 'Space bridge', and seeking to establish new trade partnerships with global space allies. It reiterates the important role the UK will continue to play as part of the European Space Agency, while also leading international efforts at the UN to promote space safety, security and sustainability – holding other nations to account for their actions.

It commits to continued collaboration on high profile space missions that increase our understanding of the Universe – from monitoring space weather events such as solar flares to returning samples from Mars to the Earth. In addition, it reinforces the importance of using pioneering space research and technologies to tackle global challenges such as climate change, including working with the European Space Agency on the UK-led TRUTHS mission to deliver a 10-fold improvement in accuracy of climate data.

Alongside today's Space Strategy, a study is being published on Space Based Solar Power (SBSP), looking at the feasibility of using satellites in geo-stationary orbit with large-scale photovoltaic panels to capture solar energy that can be beamed using radio technology to a fixed point on the earth.

The study supports a case for developing SBSP and future funding will be made available from the £1 billion Net Zero Innovation Portfolio to support development of relevant energy technologies that also have broader terrestrial applications and could still contribute to the UK's climate change commitments, whether SBSP is deployed or not.

Stakeholder quotes

Nick Shave, Chair of UKspace

> UKspace strongly welcomes the publication of the first National Space Strategy which recognises the strategic importance of Space to the United Kingdom. With this important new direction from government, we look forward to working closely with BEIS, MOD, the UK Space Agency and our colleagues in academia to move into the exciting delivery phase of our new national strategy, capitalising on our industrial strengths such as satellite communications, developing new growth opportunities such as small satellite launch, and leading the charge on the safe and sustainable use of space by all nations

British ESA astronaut Tim Peake said:

> For hundreds of thousands of years, we have looked to the stars in wonder. Today, space is part of our everyday life. Whether it is for navigation, communication, forecasting, science, sustainability, finance or simply entertainment, space is playing an ever-increasing role in delivering solutions. Space has become vital to our economy and a key part of our national infrastructure.
>
> But space still offers so many opportunities for inspiration, exploration and innovation. I'm delighted that the government is putting its weight behind the UK's growing space sector, and I look forward to celebrating the achievements of the next generation of space scientists, engineers and astronauts as we work together to make the UK a world-leading space nation.

Alex Zino, EVP Business Development and Future Programmes at Rolls-Royce Defence said:

> Space is an innovative and rapidly evolving market and we are excited to be exploring future nuclear power technologies for this domain. Across Rolls-Royce we believe there is a unique UK capability in this area and the launch of a National Space Strategy will help to strengthen that capability and establish the UK as a world leading space economy. We look forward to working collaboratively with the UK government and our wider industry partners to progress this long-term vision.

Kevin Craven, CEO, ADS

ADS welcomes the new National Space Strategy which outlines ambitious plans to support the long-term future of the UK’s prosperous Space sector, and capitalises on UK strengths such as satellite manufacturing.

The future growth of the Space sector, will leverage UK sovereign Space capability and enable increased regional prosperity and employment opportunity across the UK supporting high value manufacturing hubs, further strengthening the UK as a world-class space nation.

Space continues to play a growing role in our lives and is a vital part of the UK economy so we welcome the bold approach as we emerge from the COVID-19 pandemic. Delivering it will be critical for the sector.

Construction boss banned for negligent record keeping

The court heard that Angel Tas Limited was incorporated in October 2017 and Cristina Angelica Tasca (27), from Arbroath, was appointed the director. The company provided construction services for domestic buildings, specialising in plastering and rendering.

Angel Tas began to miss obligatory tax payments in 2019, and after failing to respond to repeated requests for payment the tax authorities petitioned the courts to wind-up Angel Tas. The courts wound up the construction company on 30 December 2019 before a liquidator was appointed.

Despite the liquidator’s numerous requests, Cristina Tasca failed to provide any company accounts or records. This meant the liquidator was unable to establish the purpose of more than £716,000 worth of expenditure, including cash withdrawals of £16,000 from the company’s bank.

The liquidators were also unable to confirm whether the receipts of nearly £700,000 were a true representation of all the company’s sales.

Following an investigation by the Insolvency Service, the case was heard in Forfar Sheriff Court on 7 July 2021 before Sheriff J Martin-Brown, where Cristina Tasca was disqualified for 7 years.

The disqualification prevents Cristina Tasca from directly or indirectly becoming involved in the promotion, formation or management of a company without the permission of the court.

Rob Clarke, Chief Investigator of the Insolvency Service, said:

> All directors have a duty to ensure their companies maintain proper accounting records. This includes delivering them to the office-holder in the event of an insolvency.
>
> For failing to account for all of Angel Tas' transactions, it is impossible to determine whether Cristina Tasca has performed her duties properly or is using a lack of documentation as a cloak for impropriety.

Cristina Angelica Tasca is of Arbroath and her date of birth is 1 April 1994

Company Angel Tas Limited (Company number SC579953) was incorporated in October 2017.

The disqualification order was granted in the Forfar Sheriff Court.

The court made the order on 7 July 2021. Her ban is effective from 27 July 2021 and lasts for 7 years.

Persons subject to a disqualification order are bound by a range of restrictions.

Further information about the work of the Insolvency Service, and how to complain about financial misconduct.

You can also follow the Insolvency Service on: