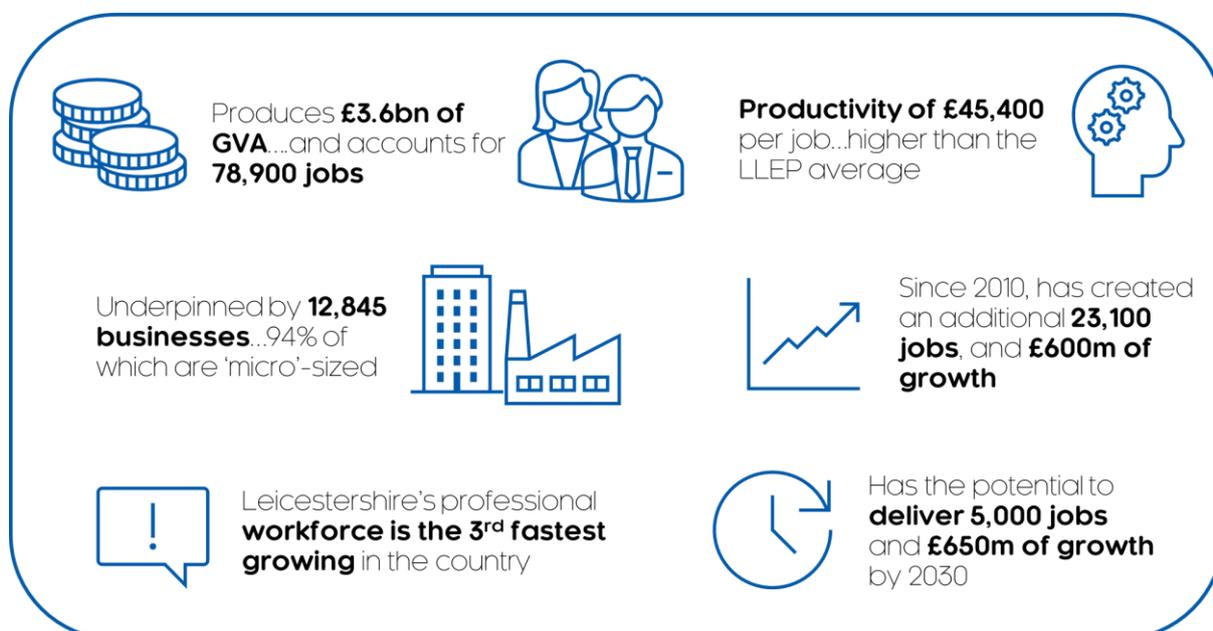


## Sector profile: Professional and Financial Services in Leicester and Leicestershire



Source(s): See *Economic and growth indicators*

### Defining Professional and Financial Services

**Professional and financial services cover a very broad range of activities** – including finance, pensions, insurance, digital and IT services, accountancy, legal services, architecture, design and creative, scientific and R&D, and consultancy.

### Market and economic outlook

#### Global market

Statista.com estimates the **size of the global business consulting market at \$132 billion in sales 2020, down from \$160 billion in 2019**. Market research reached \$73 billion in sales in 2019. Global HR and staffing services generated \$417 billion in sales in 2020. According to Researchandmarkets.com, the global financial services market is expected to grow from \$20,490.46 billion in 2020 to \$22,515.17 billion in 2021 at a compound annual growth rate (CAGR) of 9.9%.

**Globalisation is key for the delivery of business services to a domestic client base.** It makes it possible to service business processes offshore and provide a global supply chain. The benefits of accessing supplies and labour from around the world won't disappear but a more sophisticated approach will be required. Firms will need to show better risk management and resilience capabilities.

**Clients will demand less emphasis on economies of scale**, and more emphasis on service providers building in some redundancy, greater resilience, and more focus on business

continuity. The successful services companies after COVID-19 will be able to combine valuing their staff, investing in technology for efficiency, consistency and resilience, and ensuring their clients understand the value of what they are buying, according to [PwC](#).

## UK market

**The Professional and Business Services sector continues to provide high value, good quality jobs and adds £190bn to the economy, [according to a recent study for BEIS](#).** It makes up 11% of productivity; 13% of employment with 2/3 of jobs outside London; 27% of UK service exports; 25% of all businesses, making £34bn in investment and exceeding average growth by 3 percentage points and average jobs growth by 2 percentage points.

**Financial services:** from a capital perspective, most banks are in a stronger position now than before the last crisis, with more than three times more capital. Agreements not to pay dividends and bonuses have further fortified their position, allaying fears of immediate existential risk to the UK's major banks. Historically low interest rates and fierce competition have increasingly pinched margins for more than 10 years, and recent emergency base rate cuts from central banks will ensure margins remain compressed for the foreseeable future.

**Business to business and professional services:** the current business environment, impact of Covid-19 and future prospects are mixed. Some firms have demonstrated agility and responsiveness during the pandemic - for example, those in professional advisory or business process outsourcing (BPO) that have helped clients manage their way through the crisis while demonstrating their adaptability are likely to have their reputations enhanced. For some organisations in the UK, the current crisis and response to recovery will sharpen their view of what they consider core and non-core. Driven by financial realism and a desire to comply with risk management, health and safety and other regulations, they will look at outsourcing as a means of remodelling business operations, getting fixed costs off their books, and using a third party to bring efficiency to necessary but non-core functions. While the crisis may trigger an evolution in the use of outsourcing, clients will evaluate potential partners through a different lens, testing for greater resilience, flexibility, and control as well as cost and quality. Simple offshoring alone will no longer be sufficient.

## Business impacts of Covid-19 and Brexit

**As Covid-19 heaps pressure on revenue growth and increases credit losses,** navigating this near-zero rate environment will be even more difficult. Banks will therefore need to transform their cost base while still providing positive customer and employee outcomes. In the absence of opportunities to substantively improve the top line, cost reduction is the only lever available to improve financial performance. Banking is set to be transformed by digital technologies and services, new forms of lending (e.g. Fintech), and an environment of credit losses and stagnant lending growth.

**The insurance industry has been hit by Covid-19 related claims** from business disruption, travel disruption, ill-health and increased mortality. Furthermore, insurers' capital strength will suffer as a result of falling asset values. Consumer demand has also changed, with a significant increase in support services for health insurance. Against a challenging backdrop of lower earnings, as well as an increase in claims, insurers will have to focus on transforming and digitising their operating models to build in flexibility, agility and new income streams.

**Early in the pandemic, the UK accounting industry had to reduce partner profits and implement large-scale furloughing.** [By April 2020](#), the “Big Four” firms had slashed partners’ pay by up to a quarter and their mid-tier rivals furloughed junior staff to cope with the coronavirus fallout. This economic blow to the professional services industry follows years of corporate failures and accounting scandals that have hurt their reputations.

**The COVID-19 crisis has exposed a divide between the technology-enabled and those slower to evolve.** Firms able to embrace digital tools and services have largely prospered during the crisis, capable of providing continuity of service to their clients while remaining in operation. Those with lower-tech capabilities, such as those yet to digitise paper-based processes or because their service relies on physical location and resources, have suffered by comparison.

**Much of the services sector is heavily people-dependent. Scaling up means increasing the workforce.** When lockdown restricts movement, it exposes the fragility of the wage arbitrage model. When lockdown is global, it doubly exposes the fragility of outsourced services. Historical underinvestment in technology will cause significant challenges for many in the sector. For others, such as those in professional services, working from home is proving to be surprisingly manageable, supported by video conferencing, workflow management, collaboration suites, and other tools and platforms.

**Enabling technologies will change how services are provided and delivered in future.** Sales and marketing; demand-led or virtual service delivery options for the built environment made possible by the Internet of Things; increased deployment of Robotic Process Automation in areas of BPO that continue to be people- and paper-intensive; and security and monitoring safeguards to ensure office space can be used safely and securely, and to ensure the resilience of a more fragmented workforce. Tech-enablement is not just about the continuity of service: it’s about cost efficiency and transforming at scale as services are unshackled from geographical constraints.

## Activities and key organisations in Leicester and Leicestershire

Banco Santander, which took over the building society Alliance & Leicester retains a strong presence in Leicester and Leicestershire, along with several other major financial institutions which include RBS, NatWest, Barclays, HSBC and the State Bank of India. A relative newcomer, the Cambridge and Counties Bank which was formed in 2012 also has its headquarters in the city. PFK Cooper Parry opened offices in Leicester in 2011 and expanded and moved to new premises at East Midlands Airport in 2015. Other notable firms include Hastings Direct (insurance), IBM (computing), Mattioli Woods (financial and pension advisors), RSM UK (audit, tax, consulting, accounting), Grant Thornton (audit, tax, consulting, accounting) and Mazars (accounting). Beyond the direct financial and business consultancy services present in the area, there are a number of legal firms such as Gateley PLC, Freeths, and Serjeants LLP; and specialist firms also represented such as Pick Everard (construction consultancy), Assist Business Consulting (Insolvency), and Hogg Robinson (international business travel services).

## University and R&D expertise

The three universities in the area all have expertise in the sector and offer commercial services as well as offering degree courses in professional services related subjects:

- De Montfort University offers courses in Accounting & Finance, Economics & Finance, Accounting & Business Management, Accounting & Economics and Finance
- The University of Leicester provides courses in Economics, Banking & Finance, Economics & Accounting and Financial Economics
- Loughborough University offers courses in Banking, Finance & Management, Accounting & Financial Management, Business Economics & Finance and Economics with Accounting

In addition, FE colleges in the area offer a range of courses and apprenticeships in professional services such as accountancy.

## Economic and growth indicators

Table 1: Summary of key economic and growth indicators for the Professional and Financial Services sector in Leicester and Leicestershire

	Value, 2019	% of economy total	% of economy total (UK average)
GVA (£m)	3,577	14.6%	23.5%
Jobs	78,900	14.3%	16.3%
Businesses	12,845	25.8%	26.0%
Productivity (£)	45,400	101.9%	143.5%
	Value, 2010-19	% change p.a.	% change p.a. (UK average)
Real GVA growth (£m)	596	2.0%	2.5%
Jobs created	23,100	3.9%	2.5%
New businesses	4,290	50.1%	40.9%
Productivity growth	-	-1.8%	0.0%

Source: ONS, Cambridge Econometrics.

**Worth £3.6bn and accounting for 78,900 jobs** (according to official statistics – see [Table 1](#) above), Leicester and Leicestershire is home to a large and increasing professional and financial services presence, with the **3<sup>rd</sup> fastest growing professional workforce in the country** (ranked out of 38 LEP areas).

**Recent growth has been employment-led, with a substantial 20,800 additional jobs created since 2010** - over 3 times that of any other sector - driving £600m of GVA growth. Accompanying productivity growth however has been subdued, and in contrast to the UK average has contracted by 1.8% p.a. over this time.

**This has further widened the sectors historical productivity gap relative to the UK average, which now stands at almost 40%**, meaning professional and financial activity in the LLEP area is almost half as productive than elsewhere in the country. If this gap was closed, the sector could be some £2bn larger.

**The sector is comprised of almost 13,000 local businesses**, with the overwhelming majority (94%) 'micro'-sized (employing <9 people). High entrepreneurial activity has seen the creation of 4,290 additional businesses since 2010, with the sector accounting for almost half of new businesses in the LLEP area.

## Additional evidence and research

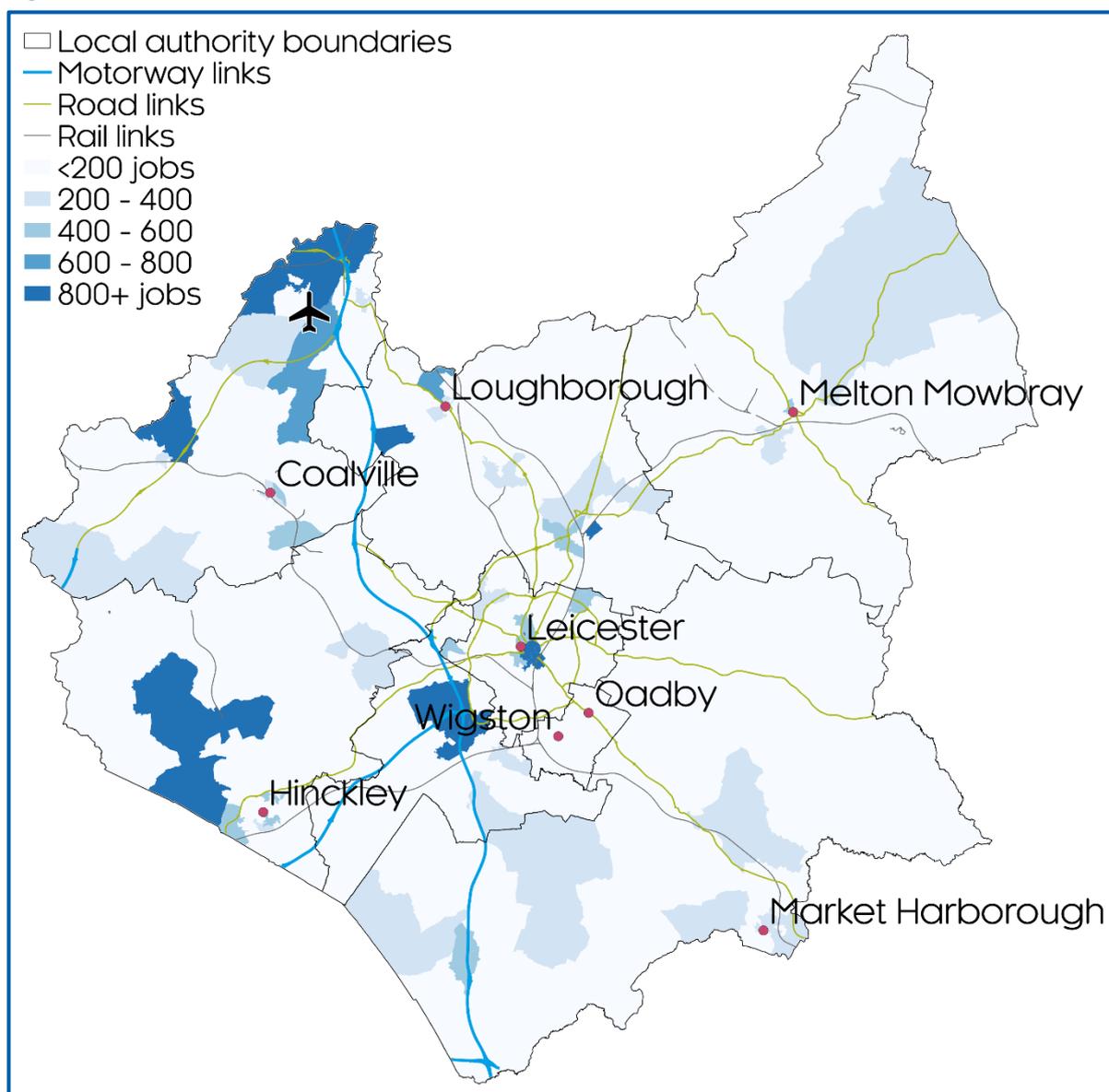
Additional indicators and research on the sector in Leicester and Leicestershire shows:

- Local firms exported £2.1bn of services in 2017, [ONS research found](#), though on a per worker basis this was 50% lower than the UK average. 44% of service exports were to the EU
- The sector helps drive £690m of R&D spend in Leicestershire, [according to Eurostat](#), though as a proportion of total GDP (1.2%) this is lower than the UK average (1.7%), and below the UK Governments target of 2.4%
- [VOA data](#) shows there was 1,200,000 m<sup>2</sup> of office floorspace present in Leicestershire in early 2020, with the average cost per m<sup>2</sup> more than 50% lower than the national average

## Spatial structure and clusters

Within Leicestershire, professional and financial services are largely focused on the city of Leicester, as Figure 1 below shows. [According to data compiled by the Centre for Cities](#), the city is one of the fastest growing knowledge intensive business clusters in the country.

Figure 1: Professional and Financial Services clusters in Leicester and Leicestershire



Source: ONS, Cambridge Econometrics.

Clustered in and around the city centre, there are strong links with the city's two universities and its talented graduate pool, as well as enterprise assets such as Leicester Coworking Space, and Leicester Innovation Hub.

Pockets of notable activity are also evident elsewhere in the county, particularly head office functions and research facilities on business and science parks along the M1 corridor. This includes Enderby on the outskirts of Leicester, Magna Park to the south, and Pegasus

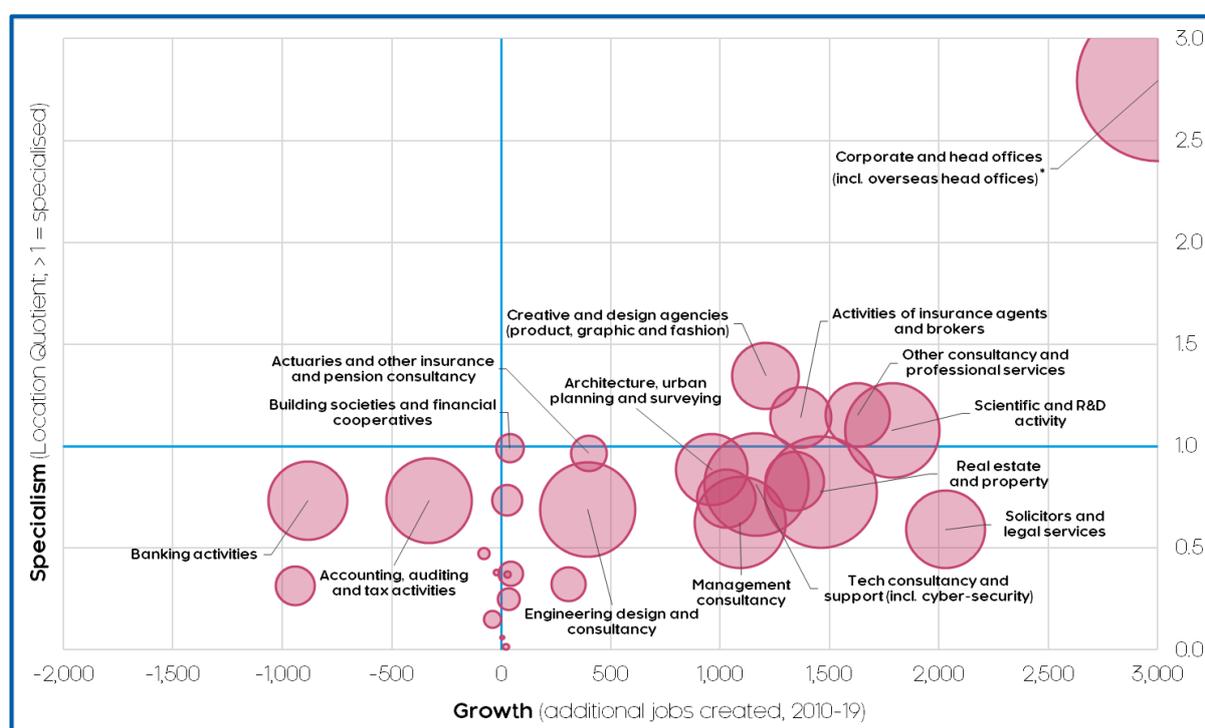
Business Park and Loughborough Science and Enterprise Park to the north, as well as MIRA Technology Park near Hinckley.

## Industry structure and specialisms

There are only a handful of highly specialised activities in Leicester and Leicestershire, though growth has been consistently strong within the sector, and further specialisms are beginning to emerge, as **Figure 2** below shows:

- **Corporate and head offices (incl. overseas head offices)** – 16,000 jobs, £350m GVA; the most specialised, largest and fastest growing activity, accounting for two-fifths of all additional jobs in the sector
- **Scientific and R&D activity** - 5,600 jobs, £340m GVA; also highly specialised, with strong links to other sectors (notably life sciences, automotive, and agri-food)
- **Activities of insurance agents and brokers** - 2,300 jobs; the most specialised finance activity, creating more jobs than any other finance discipline
- **Solicitors and legal services** - 3,800 jobs, £170m GVA; the second fastest growing activity locally
- **Real estate and property** - 7,800 jobs, £760m GVA
- **Management consultancy** - 5,300 jobs, £100m GVA

Figure 2: Local specialisms and growth within Professional and Financial Services



Source: ONS, Cambridge Econometrics. Note: \*Corporate and head offices jobs growth was +9,000 but scaled here to fit on chart. Size of bubbles relate to size of activity (in jobs terms). Bubbles above the blue horizontal indicate a specialism. Bubbles to the right of the blue vertical indicate growth (in jobs terms).

## Sector prospects in Leicester and Leicestershire

### Economic impact and recovery from Covid-19 and Brexit

**Despite recent buoyant growth, the sector is not immune to the effects of the Covid-19 pandemic, as well as the end of the EU transition period.** During a difficult 2020, GVA losses could total £200m locally, though employment is expected to remain resilient and adaptable, aided by high homeworking uptake (with the share of professional service workers working from home exceeding 70%). As **Table 2** below shows, the sector is expected to more resilient in Leicestershire than the UK average.

**Table 2: Covid-19 impacts and recovery prospects for the Professional and Financial Services sector in Leicester and Leicestershire**

Forecasted Covid-19 impact (2020)			
	Value, 2020	% change	% change (UK average)
GVA impact (£m)	-204	-5.7%	-5.8%
Jobs impact	5,700	7.2%	0.1%
Productivity impact	-	-12.1%	-5.9%
Forecasted Covid-19 recovery (2021-30)			
	Value, 2021-30	% change p.a.	% change p.a. (UK average)
Real GVA growth (£m)	650	1.8%	1.9%
Jobs created	5,000	0.6%	0.7%
Productivity growth	-	1.2%	1.2%

Source: Cambridge Econometrics Spring 2021 Forecasts.

**A strong recovery is expected through the 2020's**, with the potential for £650m of additional growth by 2030 – more than offsetting the losses of 2020. Leicestershire's professional workforce is expected to continue growing rapidly, with a potential 5,000 additional roles by 2030 - second only to health and social care for job opportunities during this time.

### Skills needs and challenges

**Characterised by ongoing technological change and development, the sector's skill needs are changing rapidly**, [according to research by UCKES](#), including reliance on technical skills – given increasingly advanced, digitised and analytics-based work – as well as softer and interpersonal skills and management aptitude to oversee diverse, technical teams and complex supply chains.

**Fast becoming one of Leicestershire's most skilled sectors**, [UKCES expects](#) that by 2024 over two-thirds (68%) of the professional workforce in the East Midlands will require high-level (QCF4+) qualifications, up from just half a decade ago.

With strong links to the local universities – with almost a one-third (27%) of local graduates staying in Leicestershire for work - UKCES also notes the positive uptake and impact of vocational learning and training in the sector.

If the supply for such skills and qualifications are not forthcoming, already high skills shortages and gaps could be exacerbated in the sector; [according to the 2019 UK Employer Skills Survey](#), a third (30%) of local vacancies in the sector were hard-to-fill.

## Appendix A: Sector definition and sources

Data has primarily been sourced from [Cambridge Econometrics LEFM](#). For a full and detailed overview of definitions, sources and forecasting methodology, please refer to the Technical Summary report accompanying this profile.

The sector has been defined using 5-digit [Standard Industrial Classifications \(SICs\)](#), detailed as follows. These have been informed by government and/or industry recommended definitions, and aim to capture as much of the sectors value chain as possible:

- 62012: Business and domestic software development
- 62020: Computer consultancy activities
- 62030: Computer facilities management activities
- 62090: Other information technology and computer service activities
- 63910: News agency activities
- 64110: Central banking
- 64191: Banks
- 64192: Building societies
- 64201: Activities of agricultural holding companies
- 64202: Activities of production holding companies
- 64203: Activities of construction holding companies
- 64204: Activities of distribution holding companies
- 64205: Activities of financial services holding companies
- 64209: Activities of other holding companies (not including agricultural, production, construction, distribution and financial services holding companies) n.e.c
- 64301: Activities of investment trusts
- 64302: Activities of unit trusts
- 64303: Activities of venture and development capital companies
- 64304: Activities of open-ended investment companies
- 64305: Activities of property unit trusts
- 64306: Activities of real estate investment trusts
- 64910: Financial leasing
- 64921: Credit granting by non-deposit taking finance houses and other specialist consumer credit grantors
- 64922: Activities of mortgage finance companies
- 64929: Other credit granting (not including credit granting by non-deposit taking finance houses and other specialist consumer credit grantors and activities of mortgage finance companies) n.e.c.
- 64991: Security dealing on own account

64992: Factoring

64999: Other financial service activities, except insurance and pension funding, (not including security dealing on own account and factoring) n.e.c.

65110: Life insurance

65120: Non-life insurance

65201: Life reinsurance

65202: Non-life reinsurance

65300: Pension funding

66110: Administration of financial markets

66120: Security and commodity contracts brokerage

66190: Other activities auxiliary to financial services, except insurance and pension funding

66210: Risk and damage evaluation

66220: Activities of insurance agents and brokers

66290: Other activities auxiliary to insurance and pension funding

66300: Fund management activities

68100: Buying and selling of own real estate

68201: Renting and operating of Housing Association real estate

68202: Letting and operating of conference and exhibition centres

68209: Letting and operating of own or leased real estate (other than Housing Association real estate and conference and exhibition services) n.e.c.

68310: Real estate agencies

68320: Management of real estate on a fee or contract basis

69101: Barristers at law

69102: Solicitors

69109: Activities of patent and copyright agents; other legal activities (other than those of barristers and solicitors) nec

69201: Accounting, and auditing activities

69202: Bookkeeping activities

69203: Tax consultancy

70100: Activities of head offices

70210: Public relations and communication activities

70221: Financial management

70229: Management consultancy activities (other than financial management)

71111: Architectural activities

71112: Urban planning and landscape architectural activities

- 71121: Engineering design activities for industrial process and production
- 71122: Engineering related scientific and technical consulting activities
- 71129: Other engineering activities (not including engineering design for industrial process and production or engineering related scientific and technical consulting activities)
- 71200: Technical testing and analysis
- 72110: Research and experimental development on biotechnology
- 72190: Other research and experimental development on natural sciences and engineering
- 72200: Research and experimental development on social sciences and humanities
- 73110: Advertising agencies
- 73120: Media representation
- 73200: Market research and public opinion polling
- 74100: Specialised design activities
- 74201: Portrait photographic activities
- 74202: Other specialist photography (not including portrait photography)
- 74203: Film processing
- 74209: Other photographic activities (not including portrait and other specialist photography and film processing) nec
- 74300: Translation and interpretation activities
- 74901: Environmental consulting activities
- 74902: Quantity surveying activities
- 74909: Other professional, scientific and technical activities (not including environmental consultancy or quantity surveying)
- 75000: Veterinary activities
- 77400: Leasing of intellectual property and similar products, except copyrighted works
- 82301: Activities of exhibition and fair organizers
- 82302: Activities of conference organizers
- 82911: Activities of collection agencies
- 82912: Activities of credit bureaus
- 94110: Activities of business and employer's membership organisations

