

The Place of Nottingham as a Financial Centre

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1. Introduction

The financial services sector has long played an important role in the British economy. While the prominence of the City of London as a leading international financial centre can be traced at least as far back as the beginning of the nineteenth century, the last two decades have been marked by a significant heightening of the importance of both London's financial district and of the role of the financial services sector more generally in the national economy. The importance of financial services as a key engine of economic growth is such that recent writers have argued that the UK, like the United States, should now be considered a financialised economy (Froud et al., 2006), wherein the role of financial services within the overall functioning of the economy has become dominant.

The aim of this report is to analyse Nottingham's place as a financial centre and to assess its relative importance in the context of the wider network of regional and sub-regional financial centres in the UK. While there are a number of different ways in which the significance of a financial centre can be measured, this report will be primarily based on an extensive analysis of Office for National Statistics' (ONS) employment data, collected as part of the Annual Business Inquiry and accessed via NOMIS (www.nomisweb.com). In order to understand the dynamics of British financial centres, employment data from 1984 through to 2006¹ will be analysed at the level of both Travel-to-work-area (TTWA) and Local Authority District (LAD). In defining financial services, the report not only includes activities grouped under the label of financial intermediation in the ONS' Standard Industry Classification (SIC), but also legal services and accountancy, classified as business activities by the SIC (Table 1)². This is for two reasons: first, much of the commercial activity conducted by legal and accounting firms complements and strongly overlaps with the services offered by financial services companies; second, previous analyses have made clear the significant role played by these in the development of provincial financial centres over the past two decades (French and Leyshon, 2003; Leyshon et al. 1989).

¹ 2006 is the most recent year for which data is available.

² For the remainder of the report the term financial services will be used to mean financial intermediation, law and accountancy.

Table 1 Definition of financial services

SIC category	SIC no.	SIC activity description (2003)
65. Financial intermediation, except insurance and pension funding	6511	Central banking
	6512	Other monetary intermediation
	6521	Financial leasing
	6522	Other credit granting
	6523	Other financial intermediation not elsewhere classified
66. Insurance and pension funding, except compulsory social insurance	6601	Life insurance
	6602	Pension funding
	6603	Non-life insurance
67. Activities auxiliary to financial intermediation	6711	Administration of financial markets
	6712	Security broking and fund management
	6713	Activities auxiliary to financial intermediation not elsewhere classified
	6720	Activities auxiliary to insurance and pension funding
74. Other business activities	7411	Legal activities
	7412	Accounting, book-keeping and auditing activities; tax consultancy

2. Financial Centre Dynamics

Before looking in detail at the case of Nottingham as a financial centre, it is important to provide a brief overview of the history of financial services in the UK and of the factors that influence the growth and dynamics of financial centres. Financial services employment has grown markedly over the past two decades. In 1984 the financial services sector accounted for just over 1 million full-time equivalent (FTE)³ jobs, whereas by 2006 this had grown to approximately 1.4 million FTE jobs, representing an increase of 36%. During this period not only has there been an absolute increase in the numbers employed in the sector, but the contribution of the financial services sector to total employment has also risen from 5.55% to 6.30%. Apart from being an increasingly important source of employment, the success of the financial services sector is also illustrated by the scale of current business activities. To take just one example, the British insurance industry is now the largest in Europe and the third largest worldwide (after the United States and Japan), with annual premiums in 2006 totalling some £154 billion and one-fifth of premium income being derived from business overseas (ABI, 2007).

The growth in importance of financial services over this period can be understood as an outcome of a policy of competitive re-regulation of both wholesale and retail financial

³ Full-time equivalent employment is calculated by dividing part-time jobs in half and adding to full-time jobs.

markets by the Conservative government in the mid-1980s. The system of structural regulation that had prevailed for much of the post-war period, under which the activities firms were allowed to undertake and markets they were allowed to service were strictly controlled, was replaced by a new regime of prudential regulation (French and Leyshon, 2003). For retail financial services markets the Building Societies Act and the Financial Services Act (both passed in 1986) made it possible for banks, insurance companies, building societies and other financial services firms to compete much more freely with one another in what were previously strictly circumscribed product markets. Whereas under structural regulation systemic financial risk had been guarded against by the strict demarcation and balkanization of financial institutions and markets, henceforth financial stability was to be ensured by firms demonstrating compliance with regulatory requirements for prudential financial management (French and Leyshon, 2003). While the system of prudential regulation has come under serious scrutiny on a number of occasions in the intervening period – not least, the collapse of Northern Rock in 2007 – the increase in competition that has occurred in its wake has spurred innovation in the different types and number of financial products available, the development of new delivery channels such as the telephone and Internet banking, and the opening of new markets such as for sub-prime mortgages.

While employment in financial services has undoubtedly grown significantly in the wake of such processes of competitive re-regulation, firms have exhibited a strong tendency to cluster in select locations and, as such, a large proportion of financial activity is concentrated within a relatively small group of urban financial centres, chief amongst which is the London financial district. In 2006, London accounted for over a quarter (26.5%) of total financial services employment, a slight increase from 1984 (25.6%) (Table 2). Moreover, the top 10 financial centres measured together accounted for some 46% of all financial services employment in the UK in 2006. While the dominance of the City of London – which is one of the largest and most important financial centres in the world – is unlikely to be seriously threatened in the foreseeable future, its very success has brought its own set of problems such as congestion and high labour and property costs, which have in turn provided the stimulus for the decentralization of financial activity from the capital. During the 1970s and 1980s diseconomies of agglomeration, coupled with the City of London's growing focus on the international market in the wake of the Big Bang reforms of the stock market in 1986, led to the relocation of much back office and retail financial services activity away from London

and into the wider South East region, as well as along the M4 corridor into the South West and further afield (Leyshon et al. 1989).

Explanations of why financial services firms cluster in particular cities and understandings of the drivers that generate change in the hierarchy of financial centres focus on four factors (Bailey and French, 2005; French and Leyshon, 2003; Leyshon et al. 1989):

a) *Access or proximity to market.* Demand for many types of financial service is closely correlated to concentrations of population and businesses. One important reason why firms locate in large urban centres, and a reason that explains why financial centre hierarchies often closely mirror that of the existing urban hierarchy, is the desire to access local and regional markets. Changes in local market conditions can act as powerful push or pull factors, attracting firms to centres in which demand is growing or, conversely, driving firms away from centres in which demand is falling or has become saturated. These firms may be local in origin or, increasingly, the branches or offices of multi-locational financial services firms. Leyshon et al. (1989) have argued, for example, that increase in demand for financial services in many regional cities during the 1980s⁴ combined with processes of decentralisation led to a resurgence of provincial financial centres. More recently, studies of the rise of Bristol as a significant regional financial centre have also stressed the importance of local demand and the ability of local firms to compete with financial services providers in the City of London, for example in servicing local demand for small and medium sized IPO activities (French and Leyshon, 2003). Conversely, in the case of Nottingham, there is a concern that due to their limited extent local markets may soon become saturated and, as a result, a danger that firms will choose to relocate to other centres in the wider Midlands region – such as Birmingham – in order to access larger markets (Experian, 2007; Mincher and Nettleship, 2007).

b) *Urban infrastructure.* Firms are attracted to urban centres not only because of local demand but also because cities have the infrastructure to supply firms with the assets they need to produce financial services, assets that include skilled labour, commercial

⁴ This resulted partly from a general growth in demand stimulated by competitive re-regulation and partly as a reflection of the strategic realignment of firms in the City of London from national clients toward more lucrative international clients and markets.

property and information communications networks. While cities are generally better placed to supply such assets than are centres further down the urban hierarchy, significant variance exists between the types of assets that different cities can supply. Perceptions of good quality of life have played an important role, for example, in Bristol's success in attracting and retaining highly skilled financial labour (French and Leyshon, 2003; Bailey and French, 2005). While recent studies have highlighted Nottingham's strength in terms of its highly educated workforce and competitive commercial property rental values, Nottingham appears to do less favourably on indicators of quality of life, its ability to attract highly skilled labour, and its supply of appropriate commercial property in the city centre (Experian, 2007; Mincher and Nettleship, 2007).

c) *Internal economies of scale and scope* (that is, the benefits that can accrue from the concentration of activities within a single firm or site). While internal economies do not on their own explain the tendency for financial services firms to cluster in specific centres, they can operate as a powerful force for reinforcing the concentration of financial services activity especially when considered in conjunction with the key role cities play in supplying the infrastructure (principally property and labour) essential for firms to be able to take advantage of potential economies of scale and scope (Bailey and French, 2005). Changes in market conditions, the application of new technology such as the introduction of telephone distribution channels, the emergence of call centres, or pressures to increase the efficiency of internal economies through mergers and acquisitions can threaten the existing spatial hierarchy, presenting opportunities and threats for individual financial centres (Bailey and French, 2005). On the one hand, centres such as Newcastle have benefited considerably from the new opportunities to reap internal economies afforded by call centres (Richardson et al. 2000). Nottingham itself has also benefited from the decisions of companies like Capital One and Experian to maximise their own internal economies by locating the majority of their operations in one city. On the other hand, however, Nottingham's reliance on a small number of large firms also render it vulnerable to the future pursuit of new internal economies, either in the form of organizational restructuring, geographical relocation, or merger and acquisition activities (Mincher and Nettleship, 2007).

d) *Agglomeration economies*. It is important to distinguish between processes of agglomeration on the one hand and the co-location of financial services on the other. While forces of demand, urban infrastructure and internal economies of scale and scope frequently lead firms to co-locate, it is often the case that there exists very little interaction between firms that are located in the same city-region. In contrast, financial services agglomeration, as epitomised by the City of London and other leading financial centres, are characterised by dense networks of inter-firm trade and knowledge interdependencies. Not only do such interdependencies frequently lead firms to cluster within a relatively small geographical area, but the significant advantages that can be accrued from the external economies of complexity, scale and scope, as well as the ability to tap into vital knowledge networks represents a powerful pull factor for many financial services firms (French, 2002; Leyshon and Thrift, 1997). In the case of the City of London, for example, firms have traditionally clustered in the square mile area around the Bank of England in order to maximise the advantages of agglomeration and what Storper (1997) has termed traded and untraded interdependencies. While it is possible to draw a clear conceptual distinction between agglomeration and co-location, in practice a financial centre can often exhibit characteristics of both. Moreover, it is often difficult to assess the nature of a financial centre without having conducted in-depth and detailed qualitative research. However, by analysing and comparing financial employment data at both the TTWA scale (which provides a measure of employment in the city-region) and the smaller scale of the LAD (which provides a measure of employment in the city centre) an indication of the relative geographical concentration and thus the relative agglomeration of financial activity in a particular centre can be gauged. As in the case of the three other factors, agglomeration economies can act as both a pull factor in attracting firms to a financial centre as well as, in certain instances, act to push firms away from a specific centre. The high concentration of activity in the City of London has, for example, significantly driven up the costs of doing business and has recently led many retail financial firms to relocate out of central London. Such periodic waves of decentralisation clearly offer opportunities for cities like Nottingham to attract firms looking for cheaper locations. However, Nottingham's current lack of identity as a financial centre (Experian, 2007; Mincher and Nettleship, 2007) might well serve as an impediment when competing with other centres for relocations.

3. Financial Centre Geographies

3.1 Trends in Employment and Ranking

Tables 2 and 3 rank the top 20 LAD and TTWA with the highest number of FTE financial services employees for the years 1984, 1991, 1995, 2000 and 2006. Both tables highlight the continued pre-eminence of London and the relative stability of financial centres in the top seven positions (London, Edinburgh, Glasgow, Manchester, Leeds, Birmingham and Bristol) over that period. The geography of financial services employment in the UK is therefore made up of a 'core' of financial centres that has developed based on economies of agglomeration, and such strategies of cluster development continue to reinforce their growth and prominence over time. However, new centres have also moved up the ranking in the same period, such as Crawley, Chester and Flint, and Bournemouth. These smaller centres have developed as the result of either the relocation of back office functions or the creation of new financial products and services with increased demand for office space, such as call centres, credit card centres and new loan facilities.

There is therefore a well established framework of financial centres in the UK at the top of the hierarchy but it is also possible to identify winners and losers during this period. Liverpool, for example, has dropped down the ranking over the years while Leicester has also lost out during this period to other financial centres in terms of share of employment. Leeds, on the other hand, has moved steadily into the top rank and has become an established provincial financial centre in its own right. Cardiff is another city that has moved up the ranking and more than doubled its FTE employment between 1984 and 2006.

Table 2 Top 20 financial centres ranked by employment (LAD)

Ranking	1984 ^a		1991 ^a		1995 ^b		2000 ^b		2006 ^c	
	LAD	FTE	LAD	FTE	LAD	FTE	LAD	FTE	LAD	FTE
1	London	263754	London	301634	London	315856	London	381366	London	370329
2	Birmingham	30917	Birmingham	35654	Birmingham	39129	Birmingham	42288	Manchester	47171
3	Manchester	28776	Manchester	35213	Edinburgh	34607	Manchester	40414	Leeds	38688
4	Glasgow	23290	Edinburgh	31879	Manchester	34419	Edinburgh	39519	Edinburgh	37771
5	Edinburgh	20131	Bristol	30567	Bristol	32025	Glasgow	32125	Birmingham	35993
6	Bristol	19714	Glasgow	24684	Leeds	27680	Leeds	30213	Bristol	30707
7	Leeds	15968	Leeds	24525	Glasgow	25611	Bristol	29535	Glasgow	29831
8	Liverpool	13840	Liverpool	17021	Liverpool	15804	Liverpool	14951	Liverpool	18710
9	Croydon	11689	Norwich	14604	Croydon	12439	Sheffield	12904	Cardiff	16838
10	Brighton and Hove	9758	Croydon	13797	Cardiff	11867	Cardiff	12726	Sheffield	15052
11	Norwich	9179	Brighton and Hove	12617	Sheffield	11200	Brighton and Hove	12153	Newcastle-upon-Tyne	14674
12	Sheffield	9166	Newcastle-upon-Tyne	11423	Norwich	11056	Croydon	11280	Norwich	14598
13	Newcastle-upon-Tyne	9010	Cardiff	11170	Bradford	10934	Calderdale	11108	Nottingham	11077
14	Cardiff	8774	Reading	11101	Calderdale	10435	Norwich	11097	Bradford	10399
15	Sefton	8686	Sheffield	10710	Newcastle-upon-Tyne	10036	Reading	10676	Reigate and Banstead	9946
16	Bradford	7760	Bradford	9555	Bournemouth	9437	Newcastle-upon-Tyne	10463	Bournemouth	9887
17	Southend-on-Sea	7159	Northampton	9509	Nottingham	9283	Southampton	10224	Brighton and Hove	9479
18	Leicester	7131	Nottingham	9198	Northampton	9016	Bradford	9449	Chester	9472
19	Reading	7081	Southampton	9075	Reading	8933	Leicester	8808	Calderdale	9202
20	Nottingham	6937	Bournemouth	8690	Southampton	8501	Bournemouth	8773	Bromley	9019
							Nottingham (#22)	8498		

Annual Business Inquiry data from NOMIS. Ranking based on full-time equivalent (FTE) employment (total number of full-time workers and half of part-time workers).
Local authority district (LAD) boundaries used except for London which is Greater London, Birmingham includes Solihull, Bristol includes South Gloucestershire, and Manchester includes Salford and Trafford.
^a Based on SIC 8140, 8150, 8200, 8310, 8320, 8350, 8360 (1980 definition)
^b Based on SIC 65, 66, 67, 7411, 7412 (1992 definition)
^c Based on SIC 65, 66, 67, 7411, 7412 (2003 definition)

Table 3 Top 20 financial centres ranked by employment (TTWA)

Ranking	1984 ^a		1991 ^a		1995 ^b		2000 ^b		2006 ^c	
	TTWA	FTE	TTWA	FTE	TTWA	FTE	TTWA	FTE	TTWA	FTE
1	London	345781	London	400507	London	413228	London	489728	London	455003
2	Manchester	41064	Manchester	51010	Manchester	51093	Manchester	58372	Manchester	63669
3	Birmingham	34915	Birmingham	40737	Birmingham	44047	Birmingham	48379	Birmingham	41193
4	Glasgow	28328	Edinburgh	33590	Edinburgh	36621	Edinburgh	41761	Leeds	39834
5	Liverpool	24332	Bristol	31256	Bristol	33572	Glasgow	38072	Edinburgh	38588
6	Edinburgh	21631	Glasgow	30175	Glasgow	33437	Bristol	31430	Glasgow	35912
7	Bristol	20369	Liverpool	26300	Leeds	27547	Leeds	30012	Bristol	33464
8	Slough and Woking	18991	Slough and Woking	24886	Liverpool	24707	Slough and Woking	26499	Liverpool	28083
9	Leeds	15867	Leeds	24403	Slough and Woking	23296	Liverpool	23734	Newcastle & Durham	19371
10	Tyneside	13392	Crawley	16648	Crawley	19433	Reading	16361	Cardiff	19260
11	Crawley	11304	Tyneside	15982	Tyneside	15013	Crawley	16264	Crawley	18510
12	Sheffield and Rotherham	11166	Reading	15366	Southampton and Winchester	13980	Southampton and Winchester	15544	Norwich	17627
13	Brighton	11027	Norwich	15319	Reading	13781	Tyneside	15482	Sheffield & Rotherham	17492
14	Southend	10525	Brighton	14490	Sheffield and Rotherham	13294	Sheffield and Rotherham	15162	Southampton	16168
15	Reading	10439	Southend	14325	Cardiff	13032	Brighton	13998	Nottingham	15691
16	Norwich	9761	Southampton and Winchester	13739	Southend	12779	Cardiff	13689	Guildford & Aldershot	14878
17	Cardiff	9658	Maidstone and North Kent	13443	Nottingham	12213	Southend	13391	Reading & Bracknell	14705
18	Guildford and Aldershot	9127	Sheffield and Rotherham	13222	Norwich	12090	Leicester	12271	Luton & Watford	13122
19	Nottingham	9083	Cardiff	12290	Bradford	11660	Norwich	12103	Leicester	13026
20	Southampton and Winchester	9027	Nottingham	11935	Maidstone and North Kent	11437	Nottingham	11528	Bournemouth	12819

Annual Business Inquiry data from NOMIS. Ranking based on full-time equivalent (FTE) employment (total number of full-time workers and half of part-time workers).

^a Based on SIC 8140, 8150, 8200, 8310, 8320, 8350, 8360 (1980 definition)

^b Based on SIC 65, 66, 67, 7411, 7412 (1992 definition)

^c Based on SIC 65, 66, 67, 7411, 7412 (2003 definition)

Turning to the case of Nottingham, we see that the position of the city has risen steadily over the years (except for a marked dip in 2000 on TTWA data). FTE employment in financial services in the city has increased by about 40% from 1984 to 2006. However, the figure is relatively close to its immediate competitors, compared to the much higher figures for the top tier financial centres. This indicates some vulnerability in terms of ranking, as a small change in employment will have a large impact on its relative status and image for financial centre development. Conversely, attracting major financial services firms into Nottingham could lead to a significant increase in employment and its ranking.

Examining employment figures at both the scale of the TTWA and the LAD gives an insight into the nature of financial services activity within financial centres. The TTWA is a bigger geographical aggregation and captures information about the broader local labour market. By plotting the levels of financial services employment for each city by TTWA against LAD, it is possible to get an indication of how concentrated financial service activity is within each centre. Figure 1 illustrates the relationship between financial services employment for leading UK financial centres (excluding London) and plots a best fit line of correlation for employment at the TTWA and LAD scales. Centres that appear above the line have proportionately more employment within the LAD than the TTWA, illustrating a greater spatial concentration of financial employment and activity. Centres that fall below the line have proportionately more employment within the TTWA than in the LAD, which suggests that their financial services employment is less spatially concentrated and more likely to be co-located rather than agglomerated. Centres that emerge as having particularly agglomerated financial services employment include Leeds, Edinburgh, Birmingham and Bristol. Nottingham falls below the best fit line, indicating that proportionately more of its financial services employment is located in the TTWA in comparison to the LAD. This suggests that a significant proportion of its financial services employment is co-located rather than agglomerated.

As an important financial centre in its region, Nottingham is able to attract workers from the surrounding counties due to the lack of comparable regional competitors (Leicester and Northampton are the nearest local competitors cities, but are relatively minor financial centres). Figures 2 and 3 show how Nottingham has kept pace with and even surpassed the growth in financial services employment compared to other cities in the region. The LAD

figures, on the other hand, focuses on the smaller geographical space of the city centre and the steady rise in Nottingham's position over the years reveals the importance of city centre activities, especially legal and accounting services which are traditionally located in the city centre. Nevertheless, as Figure 1 illustrates, the employment in the city is significantly less concentrated compared to the leading regional financial centres.

Figure 1 Correlation of financial services employment for leading UK financial centres (excluding London)

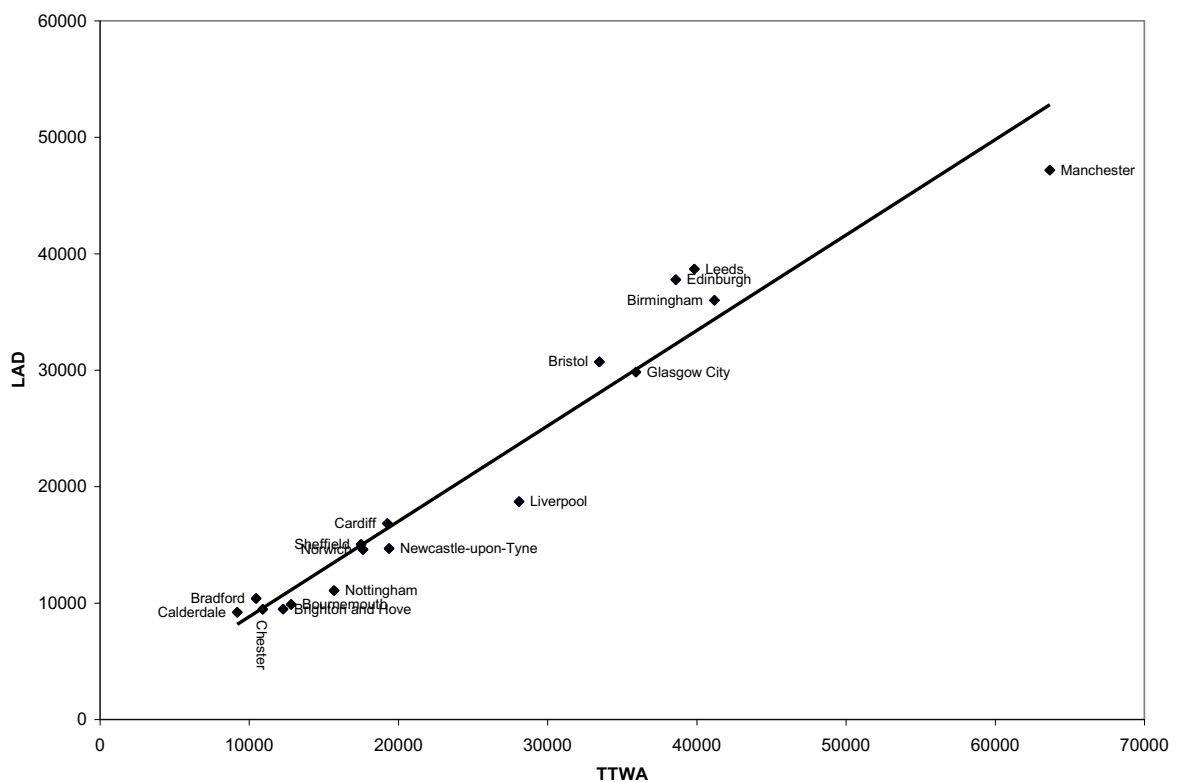
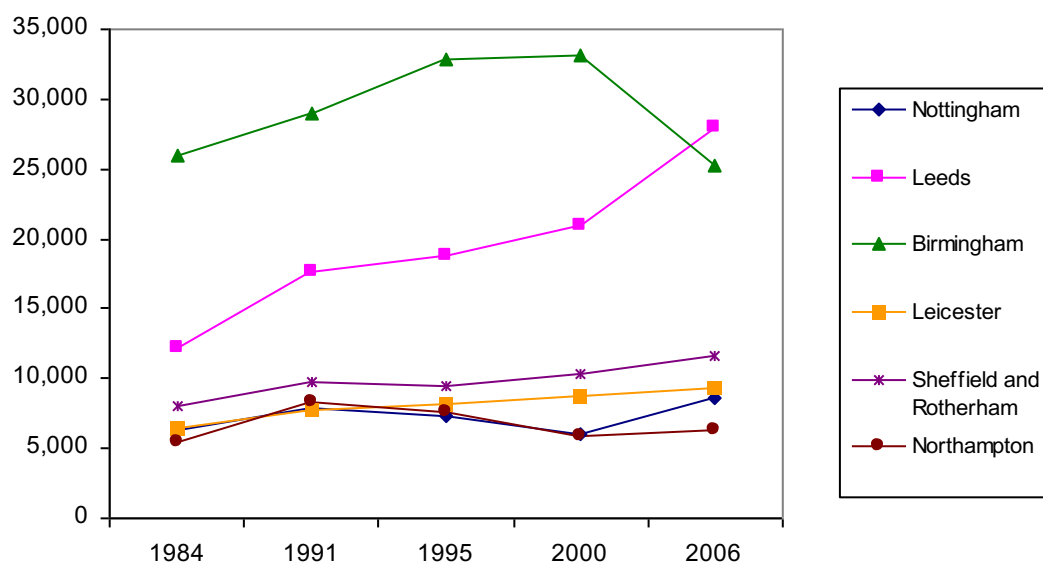
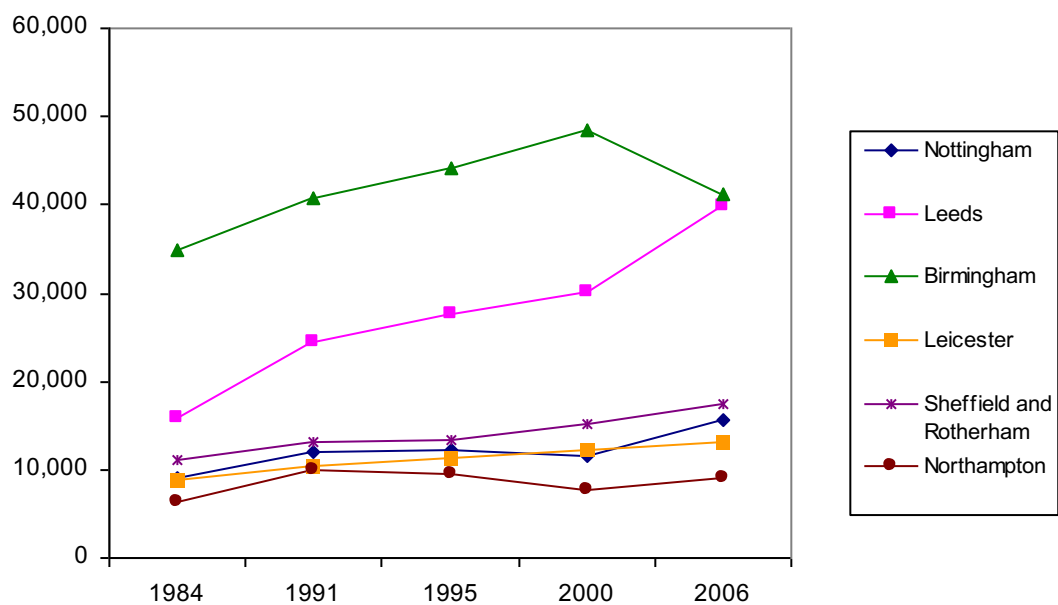


Figure 2 Comparison of financial services employment for Nottingham and neighbouring financial centres (The TTWA definition for Northampton includes Wellingborough in 2006.)

a) Narrow definition (excludes legal services and accountancy)



b) Broad definition (includes legal services and accountancy)



3.2 Location Quotient: Analysing Sectoral Strengths and Weaknesses

The location quotient (LQ) is a measure of the ratio of an area's share of employment benchmarked against national figures. LQ analysis has been applied here to reveal how different financial centres have fared over the years in terms of their share of employment in particular financial services sectors compared to national level data and acts as a useful barometer of financial strengths and weaknesses. A LQ of higher than 1.0 means it has a higher share of employment in particular industries or sectors compared to other financial centres.⁵ Table 4 shows the LQs for the financial services sector for the top seven financial centres and four other selected centres in the UK for 1991 and 2006. It reveals that the top seven leading financial centres identified earlier all have LQs over 1 and that, surprisingly, Edinburgh emerges above London as the 'most financialised' centre with the highest share of financial services employment as a proportion of total employment. Nottingham's LQ in 2006 was 0.88, which indicates a smaller than expected share of financial employment, but one that has nevertheless increased from 0.73 in 1991.

Table 4 LQ of the financial services sector for selected cities

City	1991	2006
Edinburgh	1.64	2.03
London	1.96	1.86
Leeds	1.34	1.58
Bristol	1.61	1.42
Manchester	1.03	1.30
Glasgow	0.91	1.16
Birmingham	0.94	1.04
Sheffield & Rotherham	0.76	0.96
Nottingham	0.73	0.88
Northampton & Wellingborough	1.25	0.82
Leicester	0.71	0.68

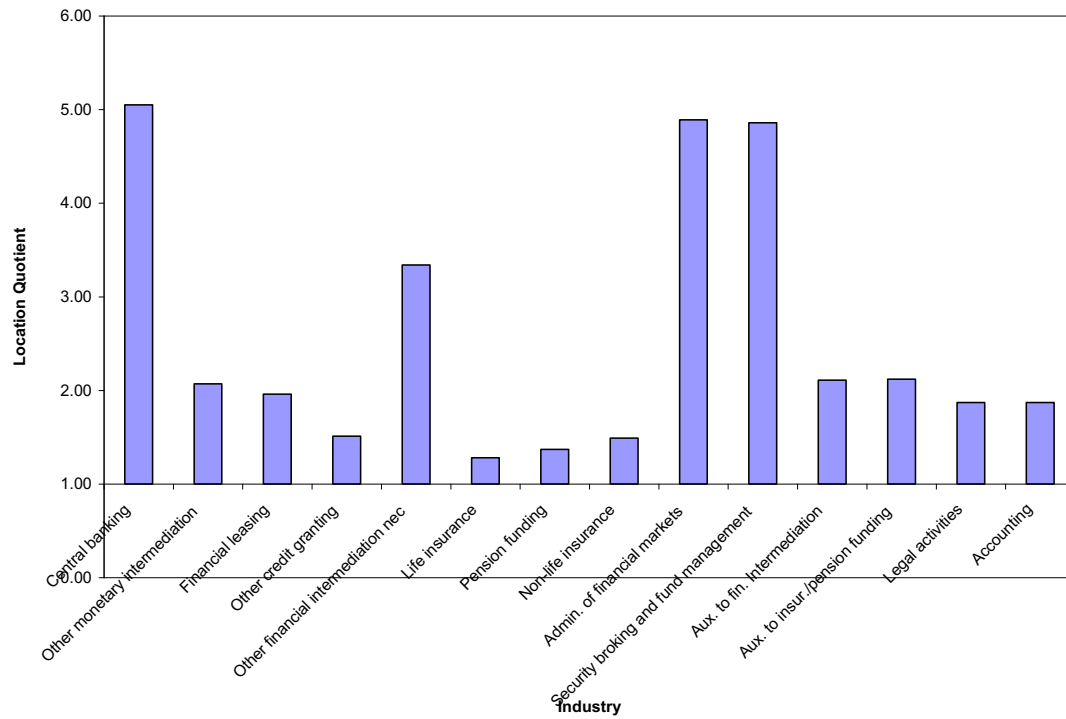
Figures 3 to 9 show detailed LQs for constituent financial services sectors for the top seven financial centres (London, Edinburgh, Glasgow, Manchester, Leeds, Birmingham and Bristol) in 1991 and 2006. Figure 3 confirms London's status as a very strong financial centre, with high LQ indices for most of the constituent sectors of the financial services industry. However, the figure also illustrates that between 1991 and 2006 London lost its pre-

⁵ The LQ analyses are based on total employment figures rather than FTE employment due to the analysis tools available on NOMIS. The LQ for Pension Funding is not available in the 2006 graphs as employment figures in this sector has been recorded as zero from 2003 onwards, due to a shift in SIC definition and business activities.

eminence in *all* financial services sectors, as the LQ for the other credit granting and the life insurance industry's fell below 1.0, indicating that the capital's share of employment in these sectors was less than expected. The declining importance of these sectors within the London financial district is no doubt a result of the diseconomies of agglomeration referred to earlier (i.e. firms within the sectors have concentrated the employment growth in other locations and/or relocated activities out of the city). No other financial centre in Britain demonstrates London's all-round strength across the financial services sector, although centres such as Edinburgh, Glasgow, Bristol and Leeds all show particular strengths within parts of the overall industry (for example, Edinburgh is particularly strong in Life Insurance, Glasgow in Other Credit Granting Activities, Bristol in Life Insurance, Financial Leasing and Non Life Insurance, while Leeds is strong in Non Life Insurance and Other Credit Granting Activities).

Figure 3 LQ of financial services in London

a) 1991



b) 2006

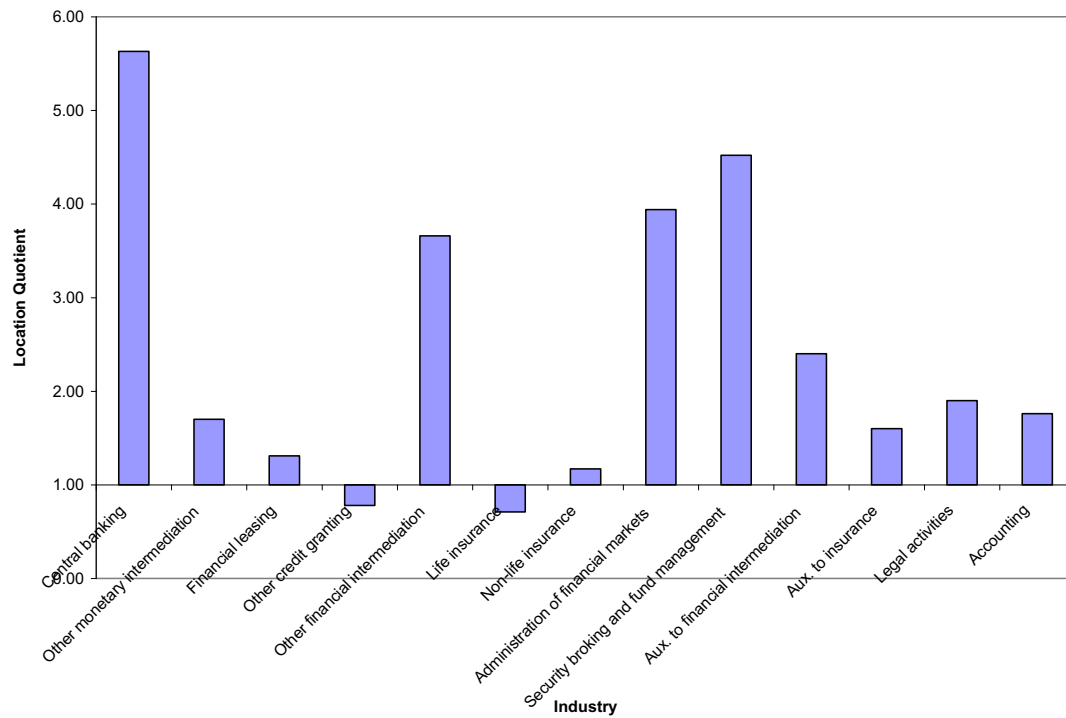
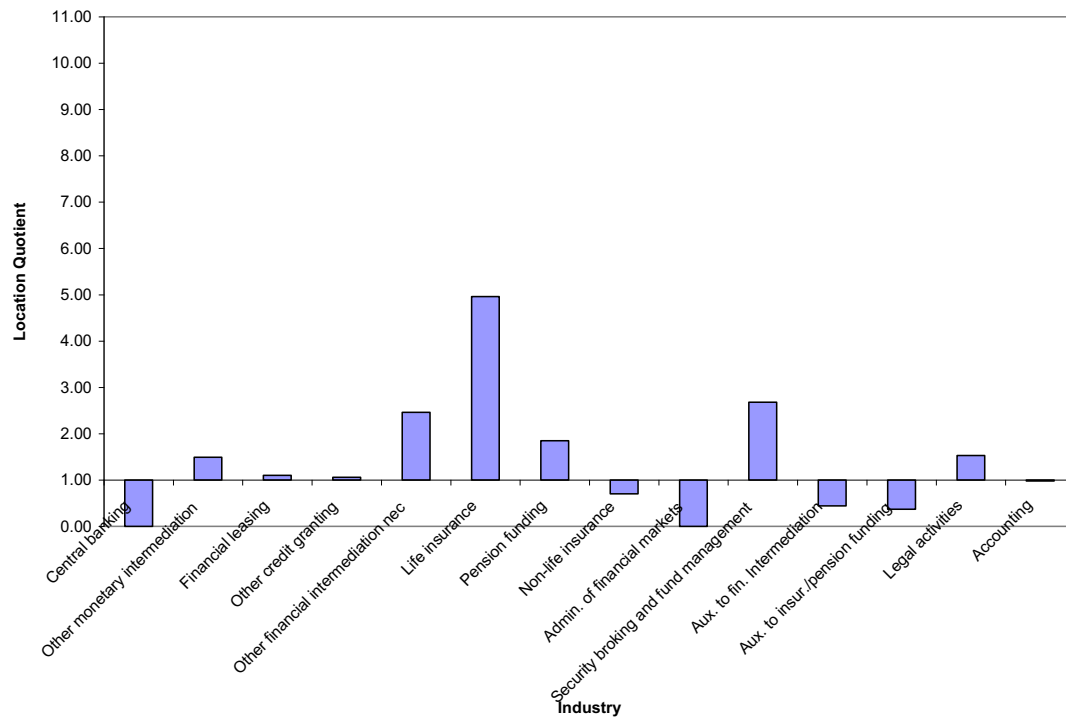


Figure 4 LQ of financial services in Edinburgh

a) 1991



b) 2006

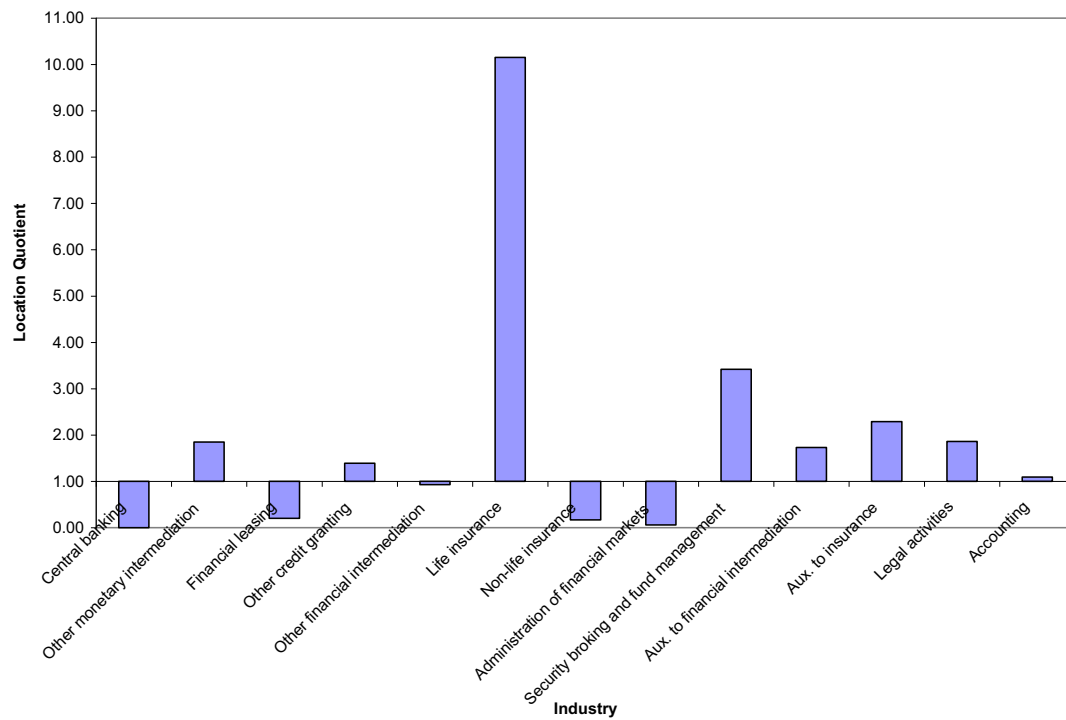
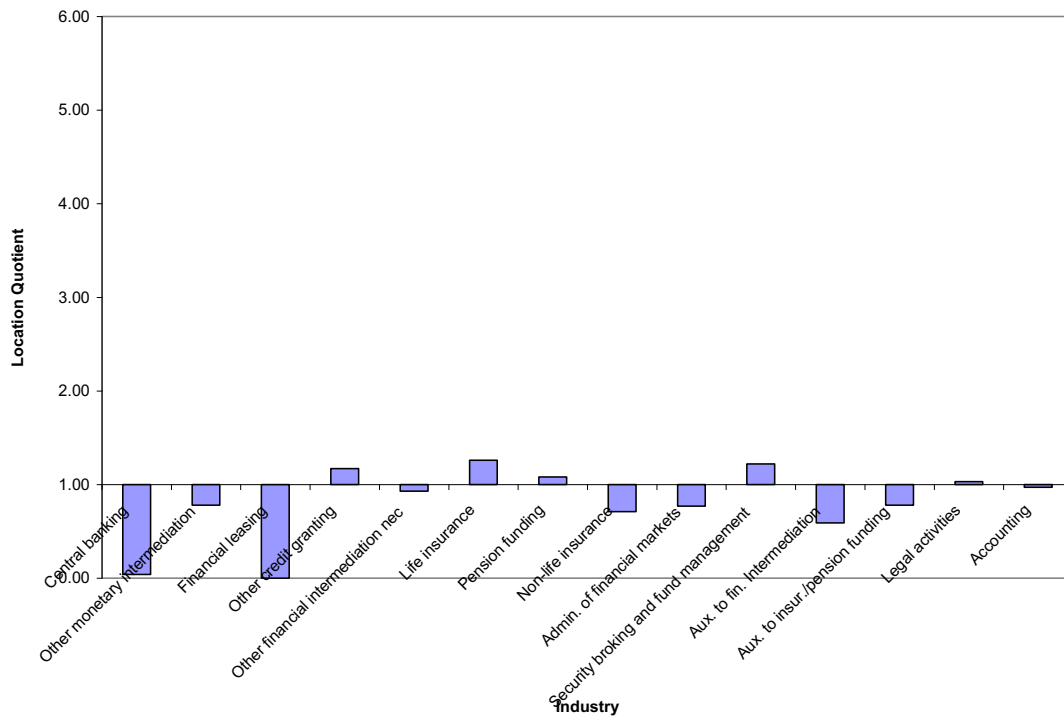


Figure 5 LQ of financial services in Glasgow

a) 1991



b) 2006

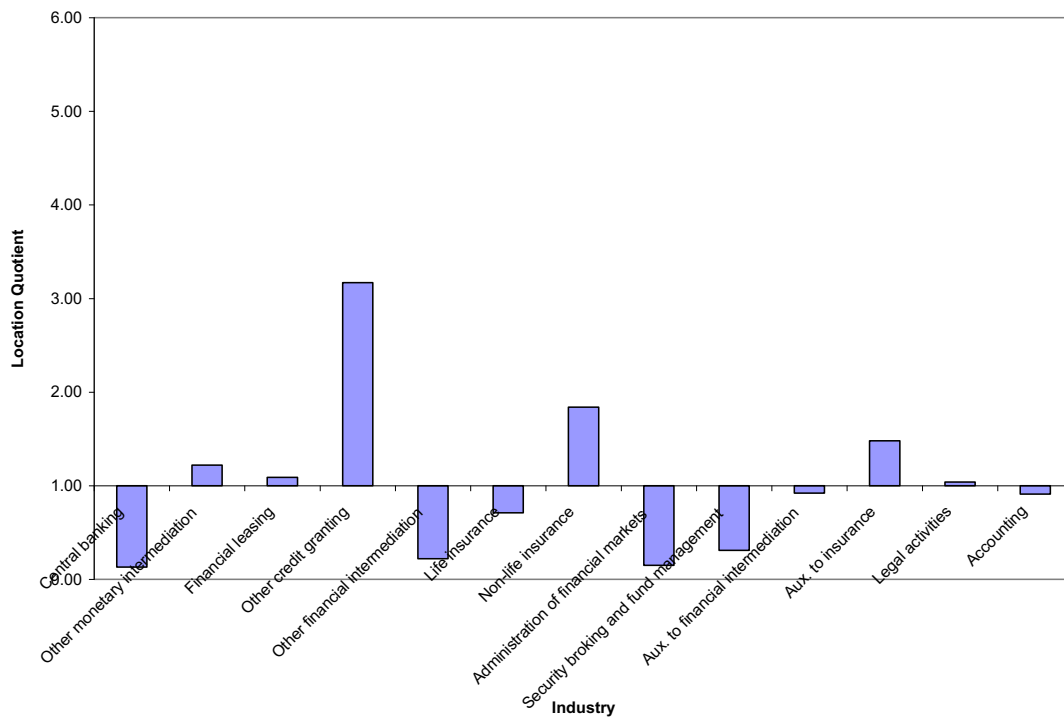
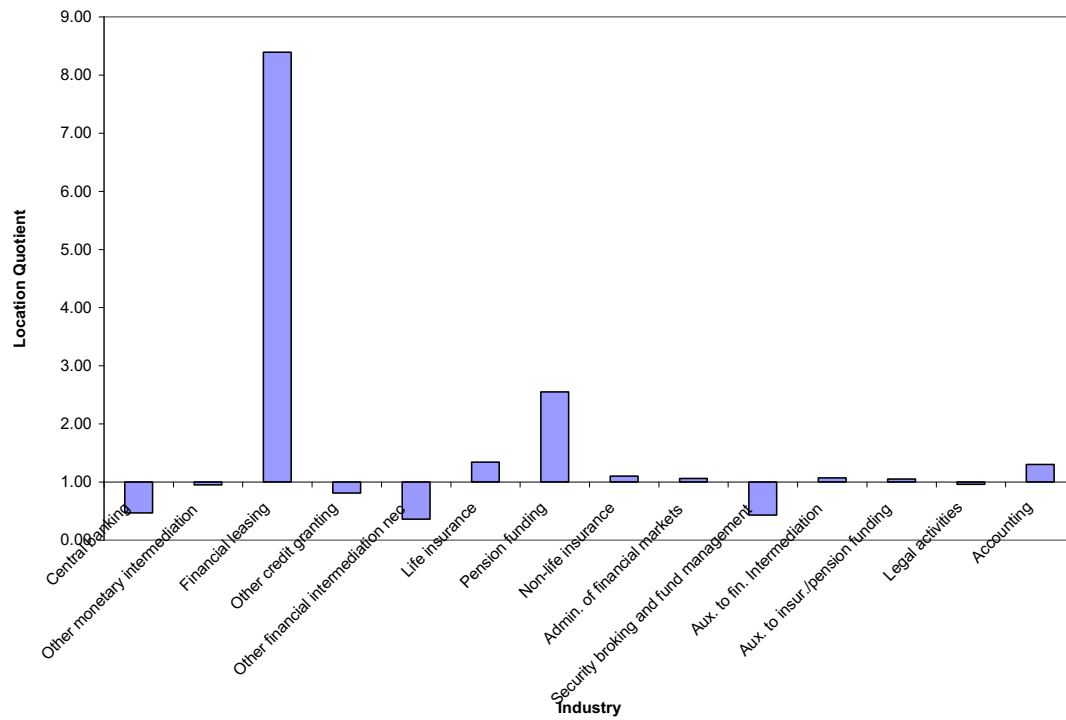


Figure 6 LQ of financial services in Manchester

a) 1991



b) 2006

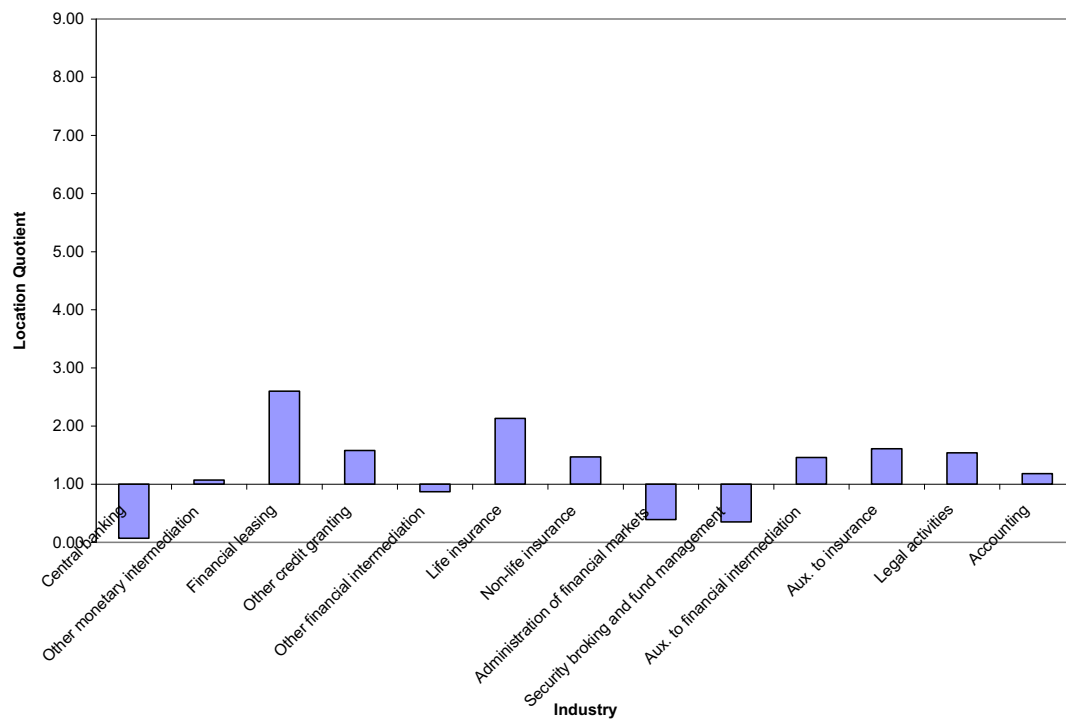
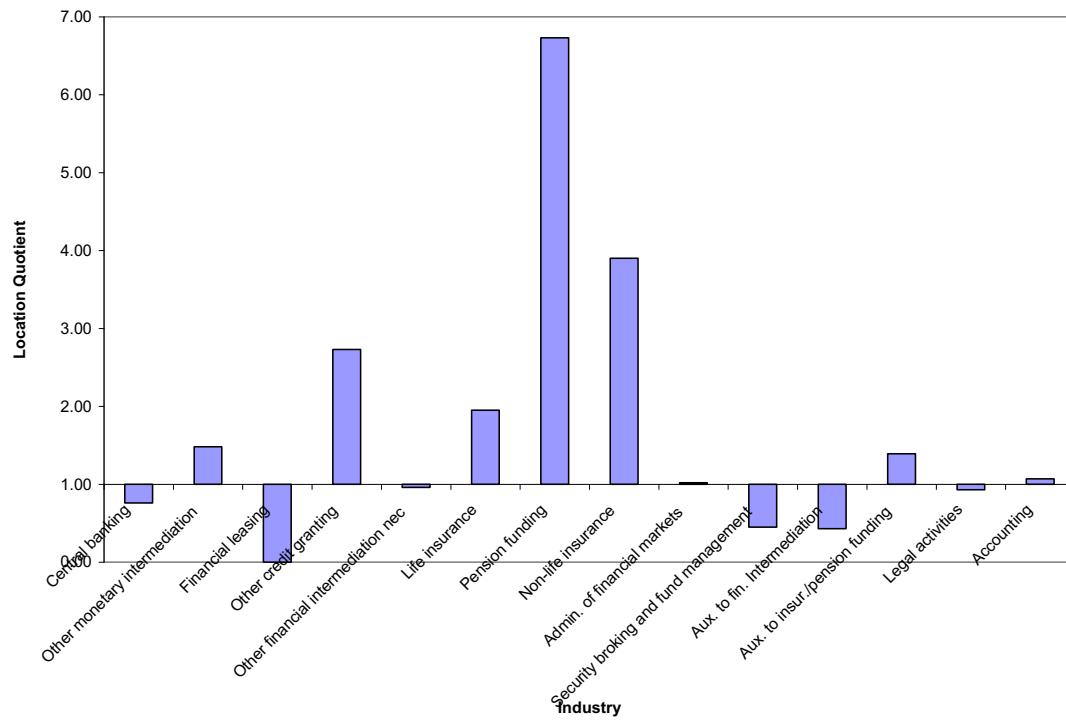


Figure 7 LQ of financial services in Bristol

a) 1991



b) 2006

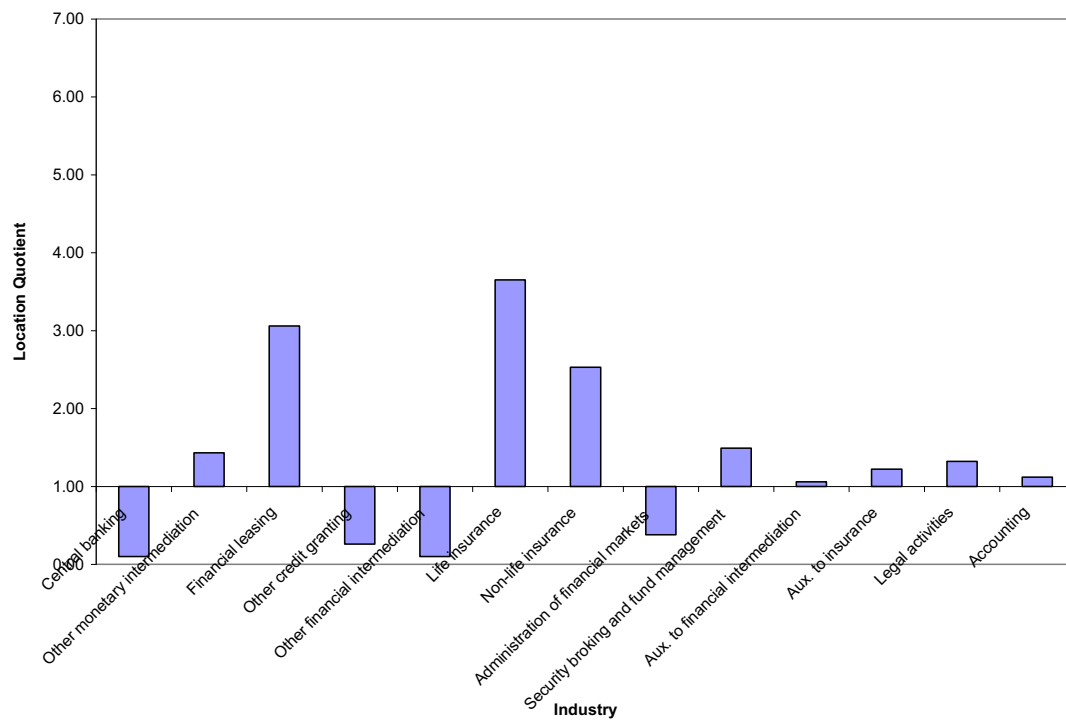
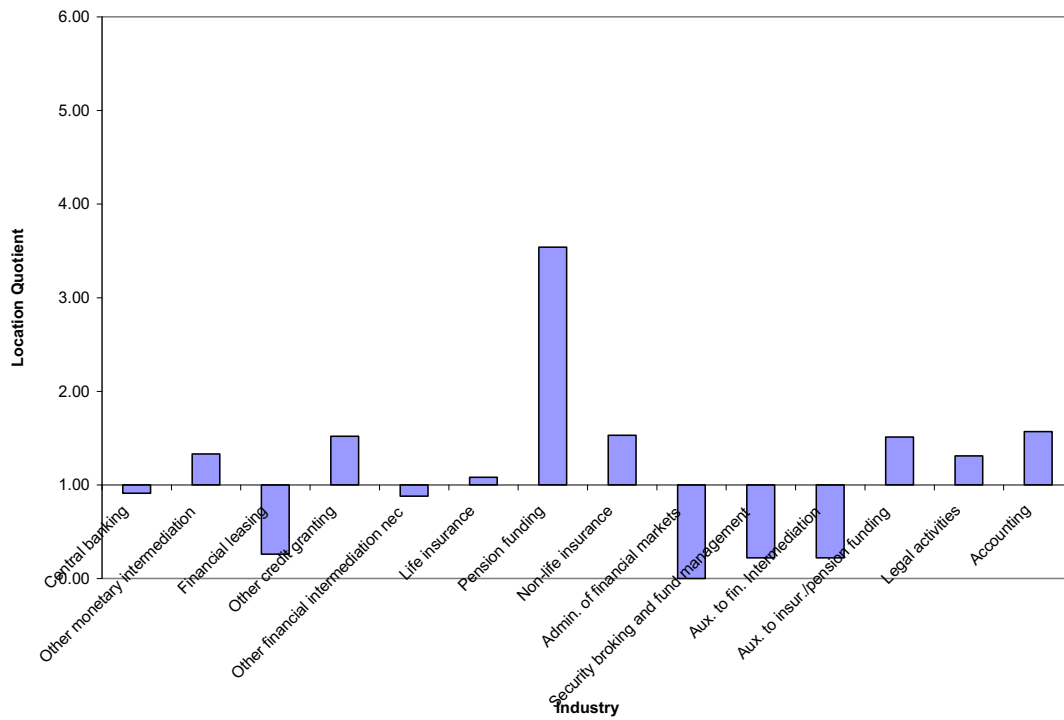


Figure 8 LQ of financial services in Leeds

a) 1991



b) 2006

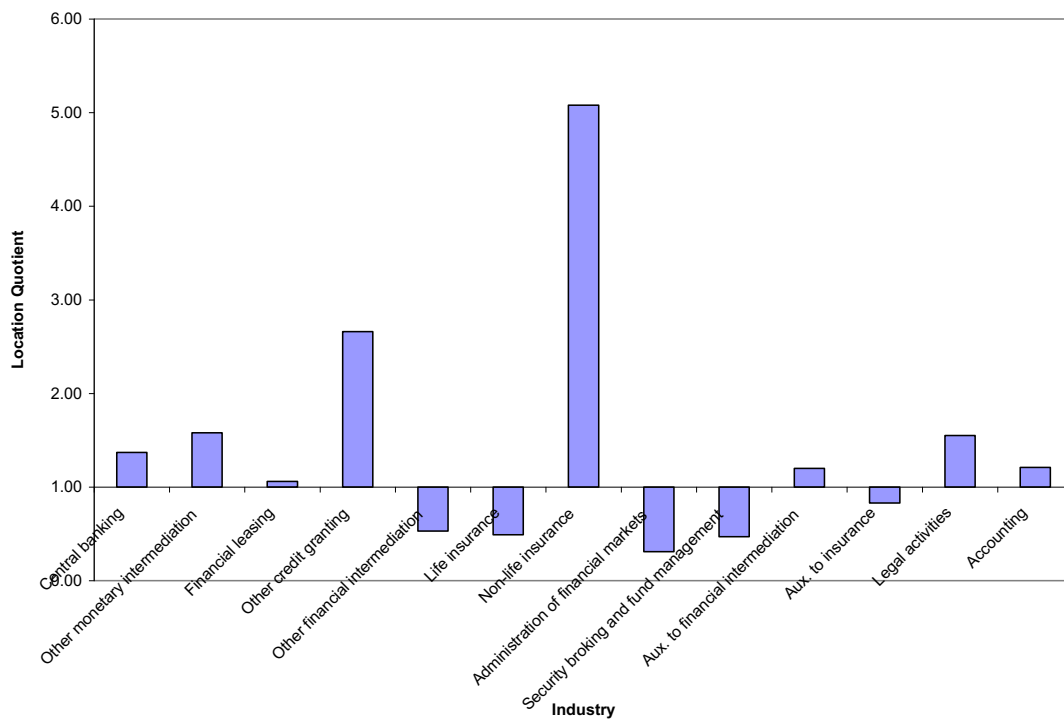
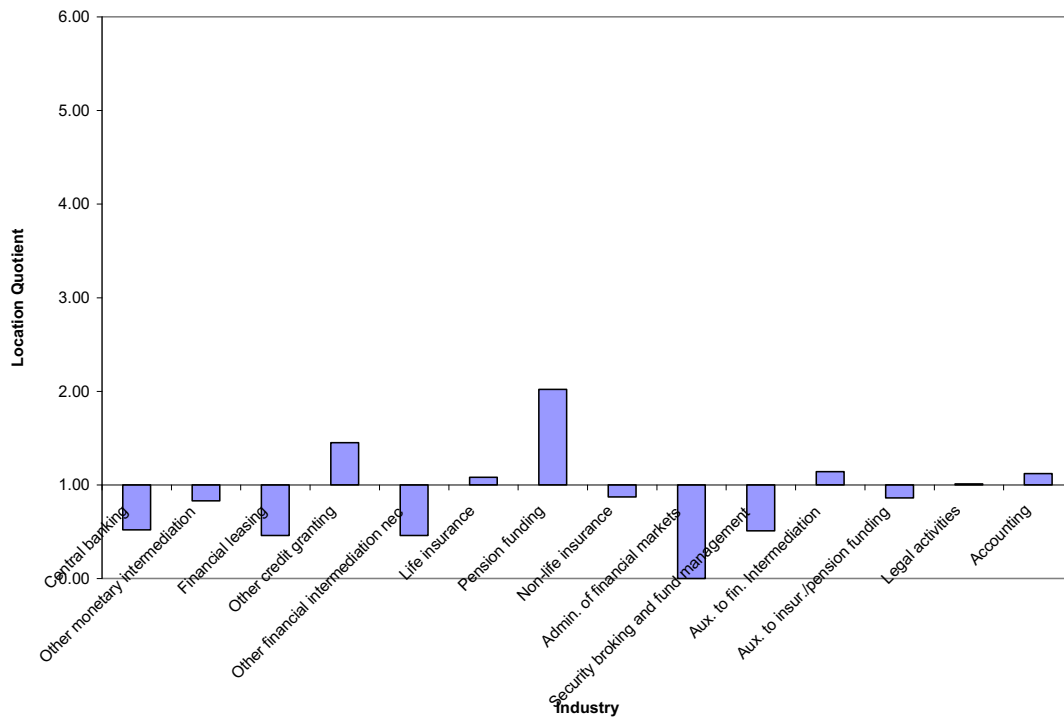
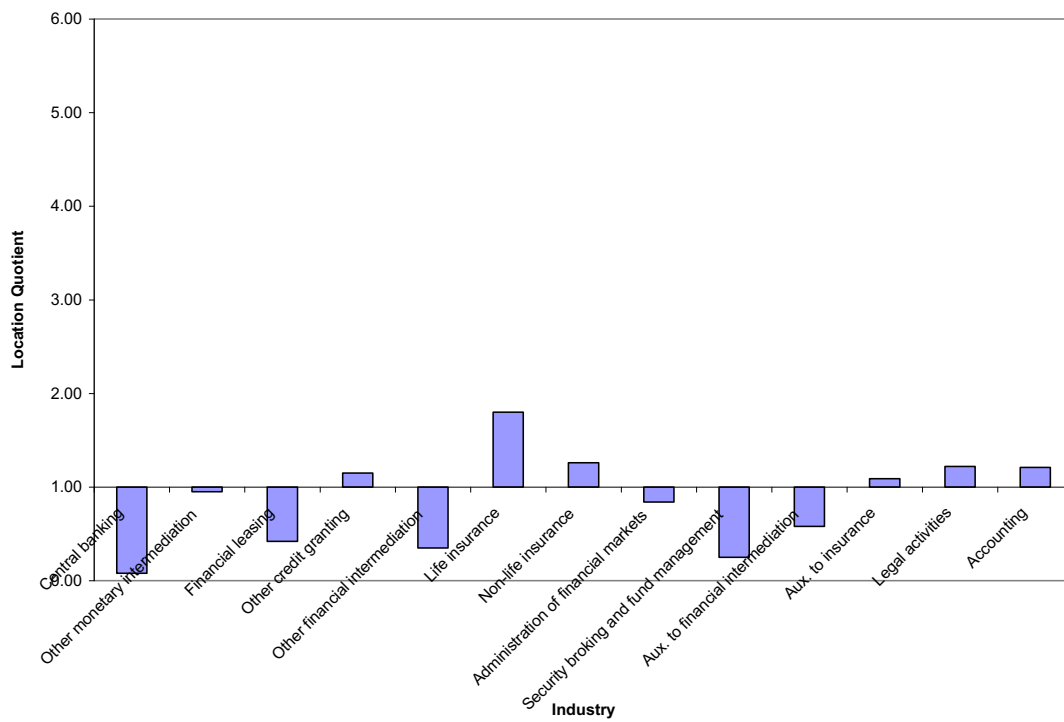


Figure 9 LQ of financial services in Birmingham

a) 1991



b) 2006

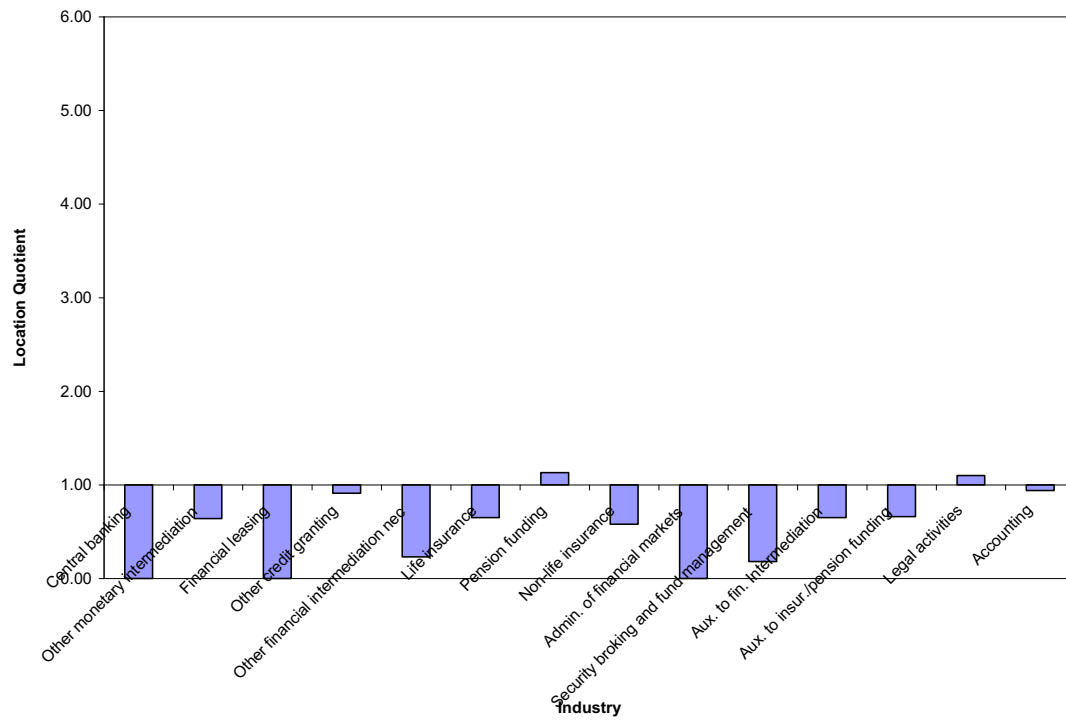


Figures 10 to 13 show the LQs of Nottingham and other centres in the regional economy (Leicester, and Northampton and Wellingborough) and the nearest competitor cities in other regions (Sheffield and Rotherham) over the same period. While the contrast between these centres and the leading regional financial centres in terms of their financial strength is marked, Nottingham is clearly a financial centre of prominence in the East Midlands region. As such there is an opportunity for Nottingham to capitalise on its regional pre-eminence and attempt to move up the financial centre ranking by consolidating its advantages over neighbouring centres.

An analysis of Nottingham's financial services LQ between 1991 and 2006 reveals a significant increase in its national share of employment over the period. In 1991, only three constituent financial services industries recorded an LQ of at least 1.0, compared to four in 2006. Moreover, there was a marked increase in the city's share of employment in the Non Life Insurance and Activities Auxiliary to Financial Intermediation and Accounting sectors (Figure 14). However, the financial services overrepresented in Nottingham are mainly auxiliary financial services, which is both a sign of relative weakness but also an indication of where efforts need to be targeted to develop the city as a more agglomerated regional financial centre.

Figure 10 LQ of financial services in Nottingham

a) 1991



b) 2006

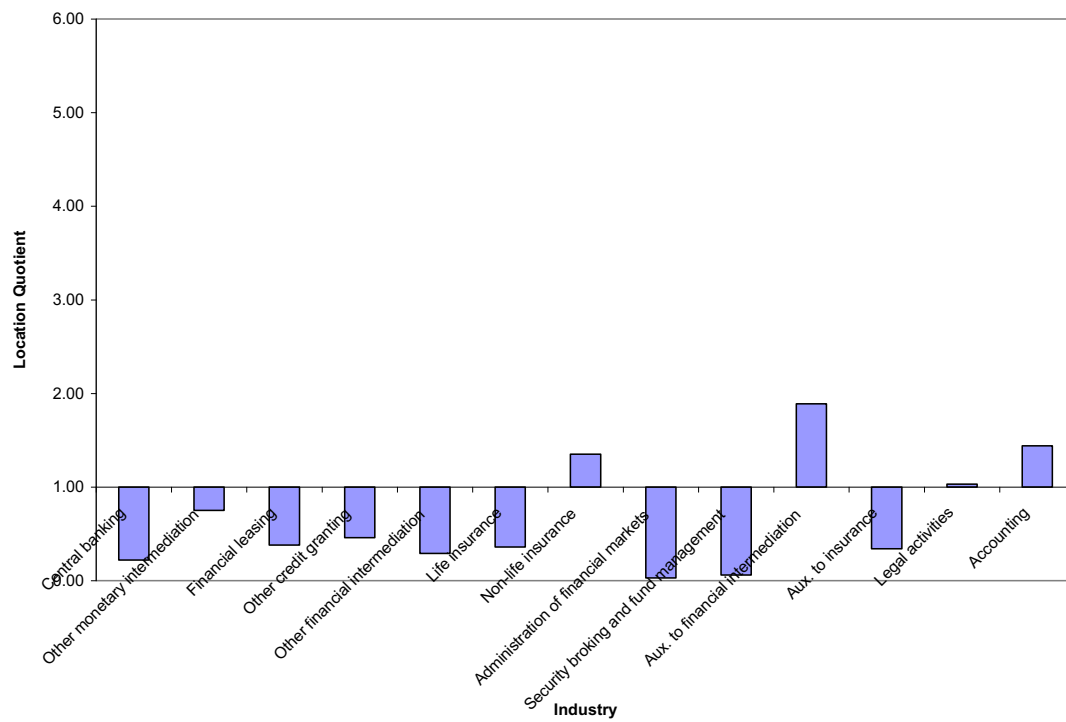
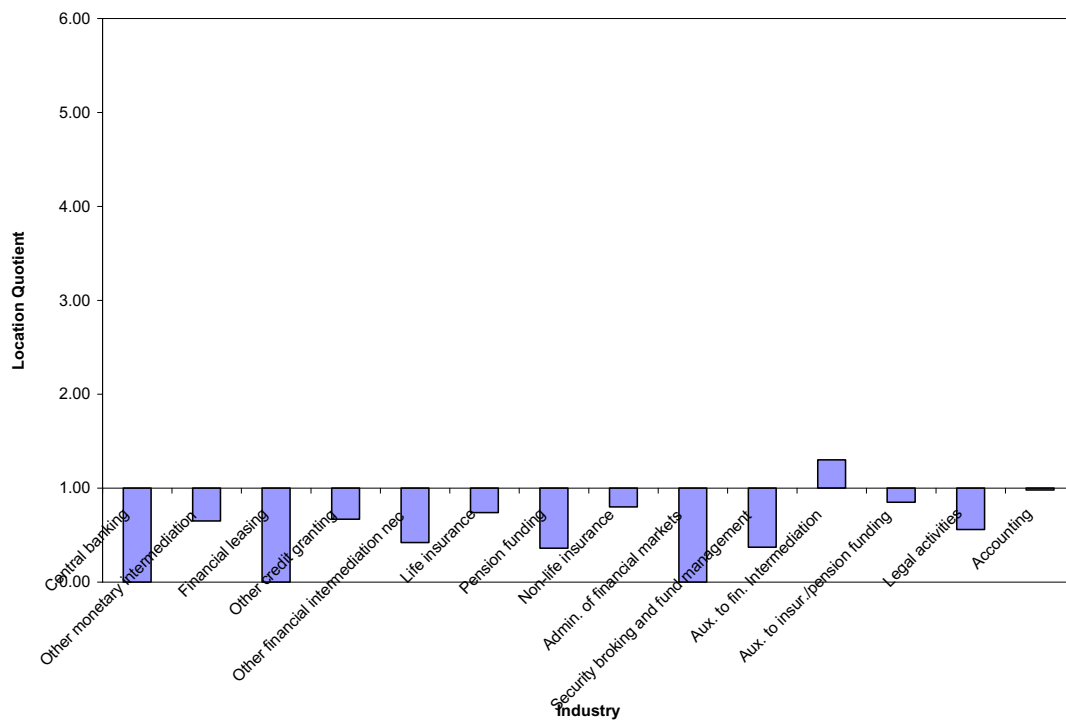


Figure 11 LQ of financial services in Leicester

a) 1991



b) 2006

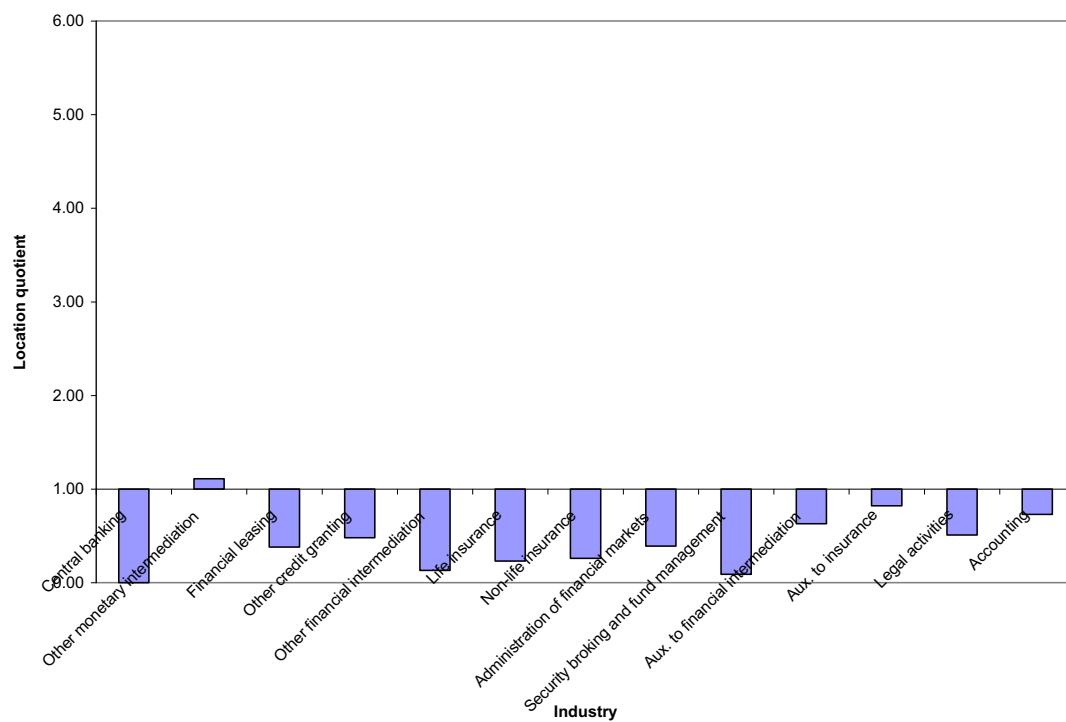
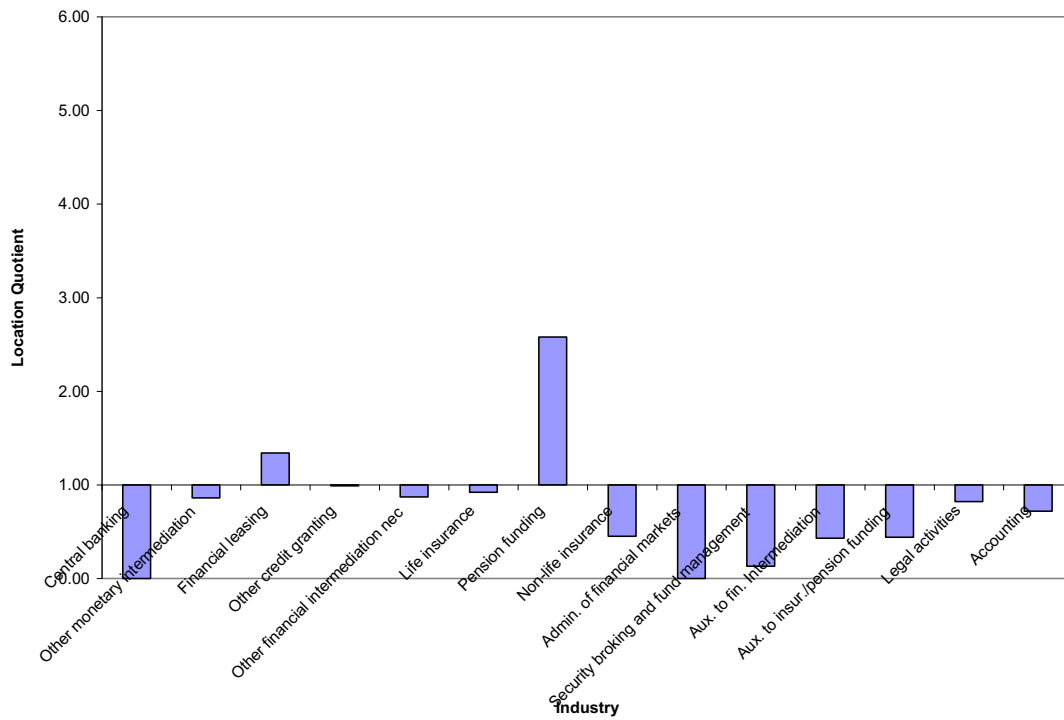


Figure 12 LQ of financial services in Sheffield & Rotherham

a) 1991



b) 2006

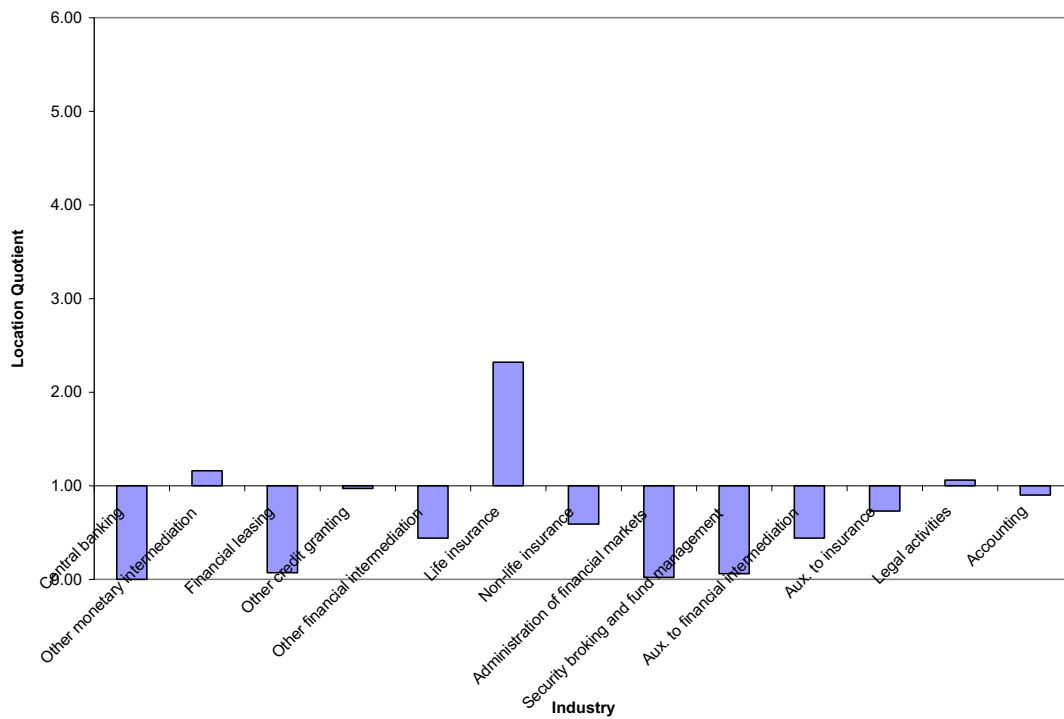
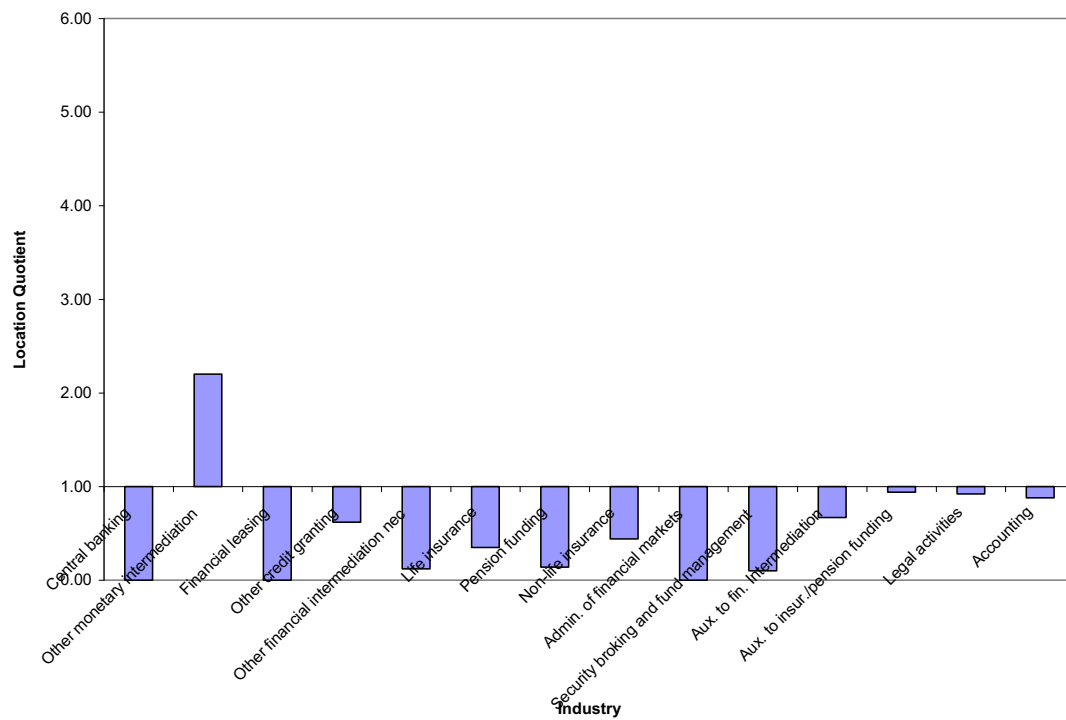


Figure 13 LQ of financial services in Northampton & Wellingborough

a) 1991



b) 2006

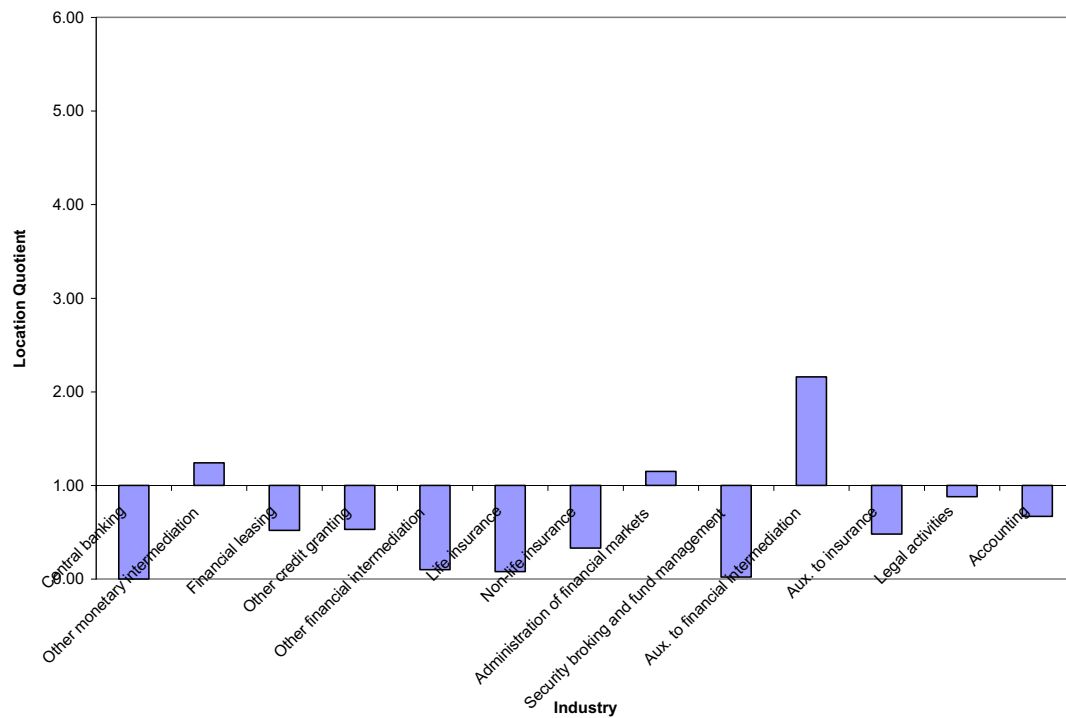
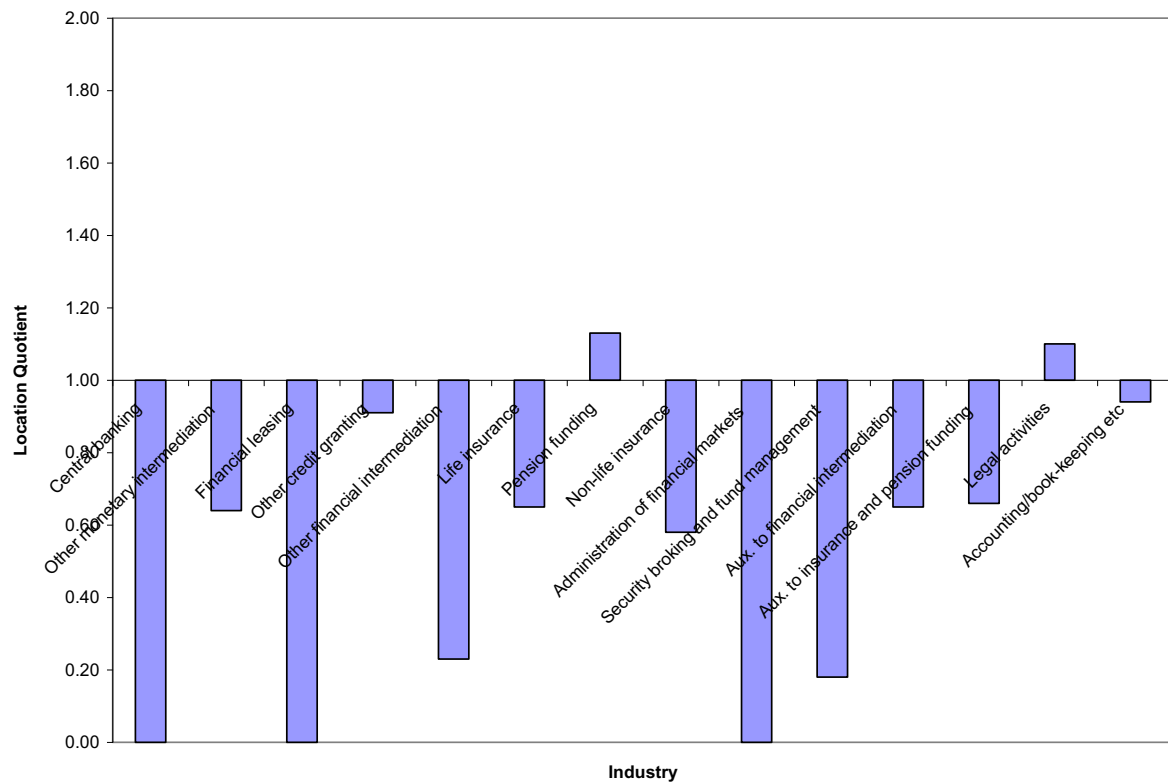
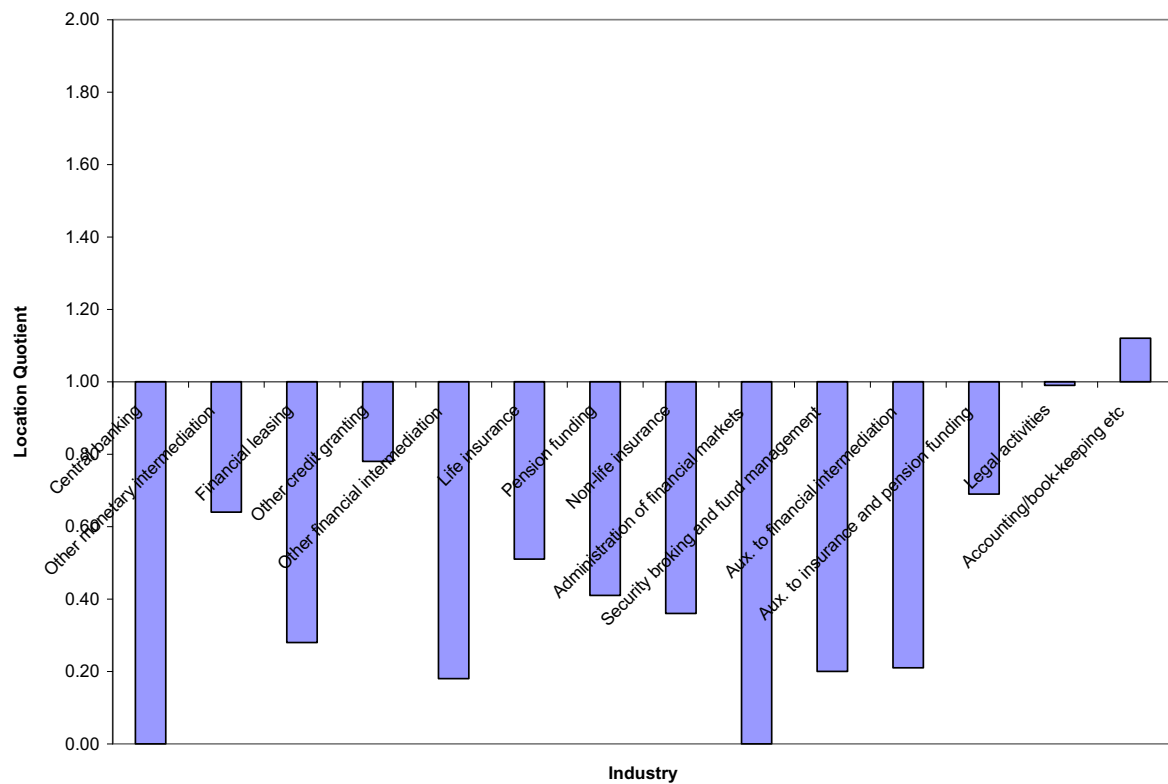


Figure 14 Changes in LQ of financial services for Nottingham

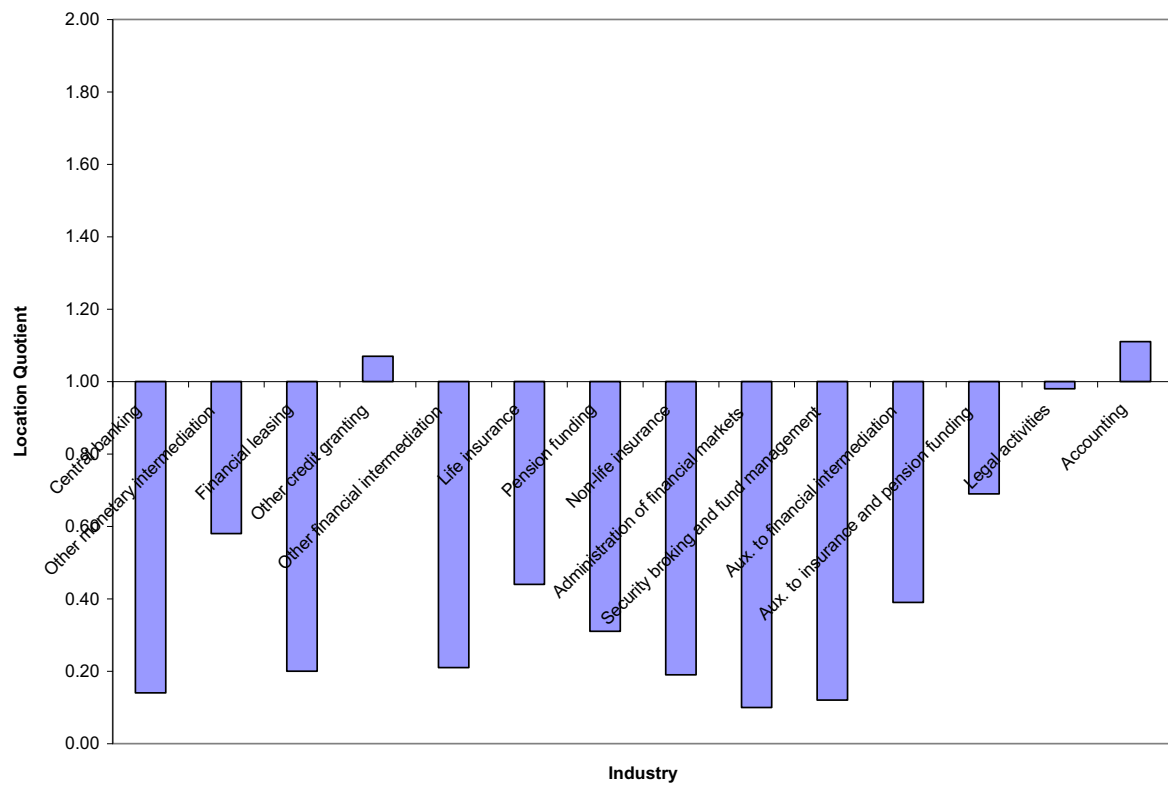
a) 1991



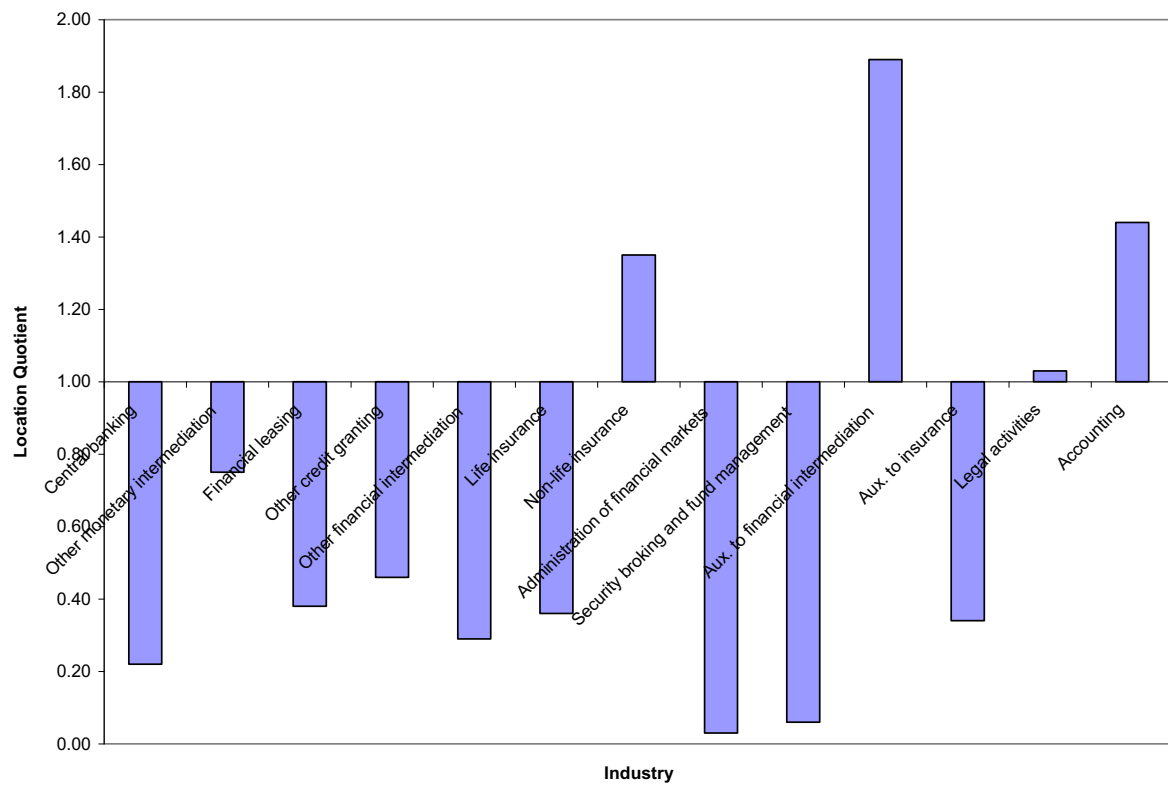
b) 1995



c) 2000



d) 2006



4. Conclusions

This report has sought to account for the current status of Nottingham as a financial centre within the UK. It has revealed that the city can be categorised as a third tier regional financial centre, behind London (the pre-eminent financial centre) and a set of much bigger provincial financial centres (Manchester, Birmingham, Leeds, Edinburgh, Glasgow and Bristol). The financial services located in Nottingham appear to be in proximity to one another on the basis of co-location rather than agglomeration, whereby the latter is understood as a dense clustering of activities engaged in relations of traded and untraded interdependencies. The city has become a stronger financial centre over the last 15 years or so, and has a higher than expected concentration of employment within a number of financial services industries, including non-life insurance, activities auxiliary to financial intermediation, legal activities and accounting. Nottingham could build on this positive trend and target the other financial sectors (that constitute core financial services) in order to develop the city as a more agglomerated regional financial centre.

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