

# West Midlands FinTech ECOSYSTEM REPORT 2020



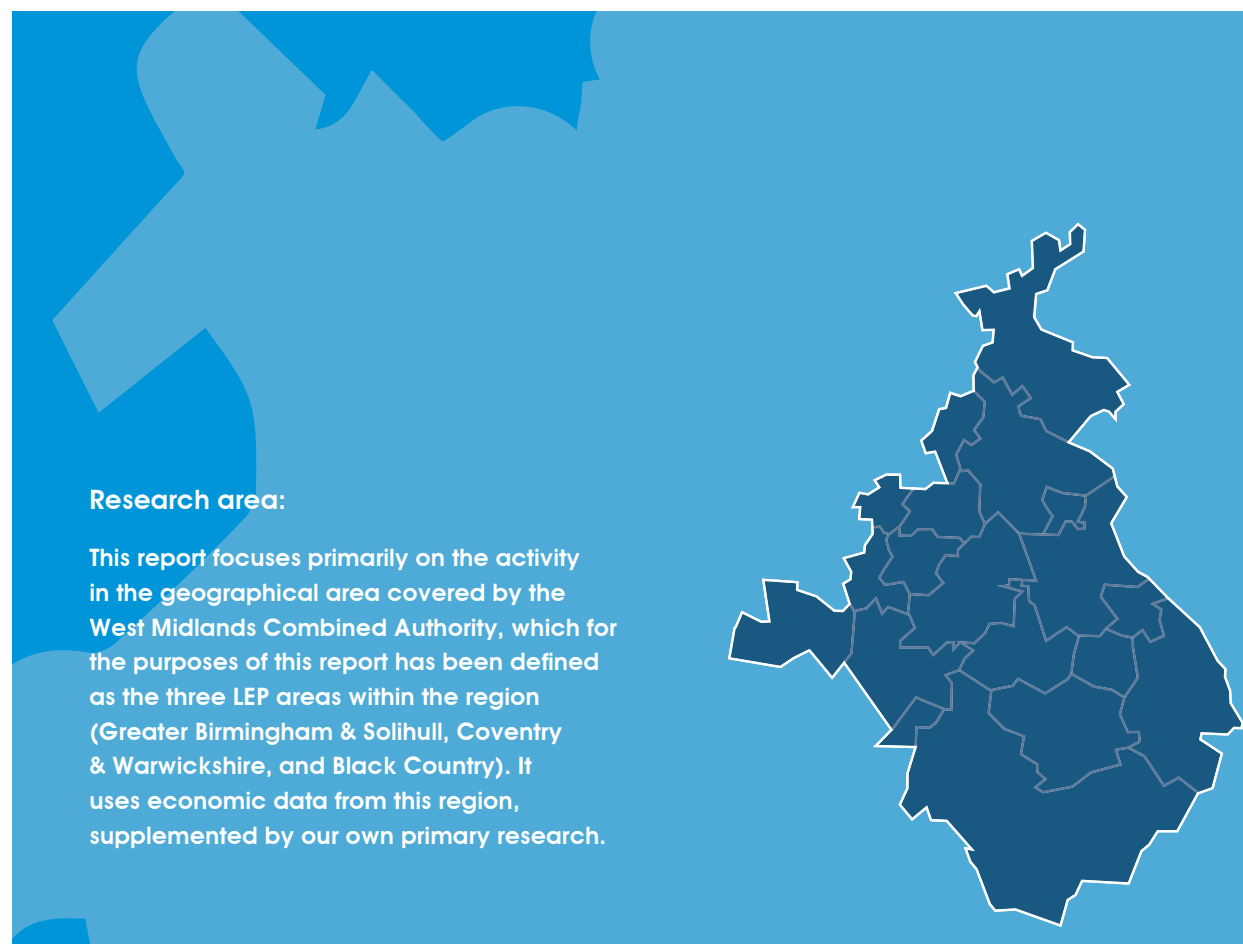
In partnership with

**Greater Birmingham  
& Solihull**  
Local Enterprise Partnership



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This report was commissioned by GBSLEP on behalf of the three LEPs in the West Midlands conurbation and the West Midlands Combined Authority.



# WEST MIDLANDS FINTECH ECOSYSTEM - SUMMARY

# West Midlands FinTech Ecosystem Summary 2020

## West Midlands region

**4,500,000**  
population

**1,900,000**  
workforce

**136,862**  
people working  
in FS or Tech

**7,265**  
FS & Tech firms

**164,000**  
students

**9**  
Universities

**£99bn**  
GVA

**6.3%**  
of UK GVA

## FinTech sector

**122** firms

**60%** established FS/  
FinTech firms

**20%** Tech  
firms

**20%** startups &  
scaleups

**93%**  
people working  
in established  
organisations

**7,377**  
estimated FinTech  
related roles

**£411.7m**  
GVA (estimated)

**6.2%**  
of UK FinTech GVA

## FinTech startups & scaleups

**24** firms,  
employing

**87%** B2B

**534** people

**21%** B2C

**48yrs**  
average age  
of founders

**8 yrs**  
average age  
of firms

**71%**  
have main office  
in the region

**54%**  
are startups

## FinTech in West Midlands region

1. Largest **asset management** FinTech hub in Europe (Engine Room).
2. Core strength in the development of **technology and software** in the asset management, investment and mortgage lending sectors.
3. **46% of the FinTech startups and scaleups** in the West Midlands are **scaleups**, which is proportionally very high when compared to most other regions we have researched<sup>1</sup>.
4. **Significant potential** for Fintech startups and scaleups – the region has a financial services and Tech economy that could sustain around 100 FinTech startups and scaleups.
5. 2 of the 19 regionally based FinTech firms to participate in the **FCA Sandbox** to date have been based in the West Midlands.
6. Key FinTech locations: Birmingham, Solihull, Warwick, Leamington Spa.

## West Midlands region highlights

1. It is the **largest conurbation outside London** with a population of 4.5 million.
2. Birmingham is **home to HSBC UK**, the first and only major UK bank to complete a full relocation.
3. It will be the **first multi-city 5G test bed** in the UK ready to trial new 5G applications and services at scale.
4. **Proximity to London** is being recognised as current and future asset, with the current strong transport links to London to be enhanced by HS2.
5. Birmingham is the youngest major city in Europe, with under 25s making up 40% of population.
6. There are **more students here than any other UK region**, across 9 major universities.

<sup>1</sup>Other Whitecap Consulting FinTech Ecosystem projects have studied Leeds City Region, Greater Manchester, North East, Bristol.

# West Midlands FinTech & Support Ecosystem



# FOREWORDS



# Greater Birmingham and Solihull LEP



**Tim Pile, Chair, Greater Birmingham & Solihull Local Enterprise Partnership (GBSLEP)**

**FinTech is an incredibly exciting sector both regionally and nationally, offering huge growth opportunities. This report provides an overview of the current state of the FinTech ecosystem across the West Midlands, along with a set of recommendations to enhance our capabilities further. It demonstrates our strong foundations and why we are ideally placed to become a significant centre for FinTech in the future.**

The building blocks for a thriving FinTech ecosystem are already embedded in our region, with a strong and well-established history in Financial Services, a youthful, diverse and expanding workforce, and a host of incubators and innovation centres. We are home to over 7,625 financial services and tech firms including leading financial institutions such as HSBC UK, Deutsche Bank, Lloyds, as well as associated professional services firms with significant financial services teams present in the region, such as PwC and Deloitte.

A supportive FinTech ecosystem can play a key role in advancing the region's reputation as a high-value business and professional services location. This report revealed over 120 firms already operating within the West Midlands ecosystem, delivering an estimated GVA of £411.7 million per annum (or 6.2% of total UK FinTech GVA).

Combine this with our status as the first multi-city test bed to trial new 5G technology at scale, our excellent university base with more students than any other UK region, and our expertise in technology and software, it is clear that there is enormous potential to support more FinTech start-ups and scaleups here in the West Midlands.

This is the time to capitalise on these opportunities. Utilising our combination of talented people, world-class research

centres, increasingly high quality of life and availability of funding streams to create a fertile environment in which FinTech can flourish. Our focus now should be on connecting and enabling organisations to collaborate and share ideas, while also providing access to our established financial services sector.

GBSLEP welcomes the findings of this report and remains committed to providing clear strategic direction and support. The recommendations made in this report provide us with clear markers that point the way towards creating the right conditions for our burgeoning FinTech ecosystem to develop. Yet, existing strengths are not sufficient alone, and the recommendations also make clear that there is a great deal that we need to do to nurture accelerated growth of the sector.

It is now up to all of us across the region to commit to action. I encourage those in the business community to take an active role in driving these recommendations forward to help ensure we unlock the significant untapped potential identified in this report.

This comprehensive review was commissioned by GBSLEP and authored by Whitecap Consulting based on extensive research and analysis in collaboration with multiple industry stakeholders. The delivery of such a detailed and far-reaching report would not have been possible without their contribution and support, and I would like to give my personal and profound thanks to each of them for taking the time to share their insight with us.

Working together across the private, public and education sectors, I am confident that we can turn this potential into a reality for West Midlands.



# Whitecap Consulting



**Richard Coates, Managing Director  
Whitecap Consulting**

**We are pleased to present our inaugural assessment of the West Midlands FinTech Ecosystem, conducted on behalf of Greater Birmingham & Solihull Local Enterprise Partnership (GBSLEP), which has involved us actively engaging with the region's FinTech community.**

This is a region with strong and deep heritage in the financial sector, having been the original base for well-known banking brands such as Midlands Bank and Lloyds Bank. Our analysis has found there is potential in FinTech in the region, based on the proximity to London, depth of the talent pool, and the strengths in financial and professional services and technology. The recent creation by The Investment Association of a FinTech hub (The Engine Room) at Wesleyan in Birmingham could prove to be a pivotal development.

In our role as a regionally focused strategy consultancy, we are exposed to many high growth sectors across the UK and have been actively involved in FinTech since we founded the company in 2012. Since that time, we have worked with established financial services organisations, tech providers, FinTech startups and scaleups, universities, PE and Corporate Finance firms, the public sector and inward investment organisations on a range of FinTech related projects.

FinTech provides a material economic growth opportunity for the UK, and for the West Midlands. On a national level, the sector is expected to create approximately 30,000 more jobs and over 1,600 new businesses by 2030<sup>1</sup>. According to Dealroom<sup>2</sup>, since 2013 European FinTech companies have created over 2x more value than any tech sector in Europe. Additionally, the annual report from Tech Nation<sup>3</sup> in 2019 confirmed the UK remains the global leader for scaleup investment into FinTech firms, generating £4.5bn in funding between 2015 and 2018.

It is clear that London is a major centre of the sector on both a national and an international basis, with an emphasis on

startup and business funding. However, the dynamic is quite different in other parts of the UK, including the West Midlands.

Our analysis across all UK regions, including the West Midlands, shows that the focus tends to be less on startups and driven more by established financial services organisations seeking innovation and collaboration. This has been driven by increasing competition, new technology, increased customer expectations and legacy IT systems; reflecting the wider shift to a digital economy.

For established financial service organisations who have evolved their systems and processes over time, it is increasingly difficult to operate efficiently and effectively in a digital world. In contrast, the newer entrants have more of a flexible strategy, ideally suited to an ecosystem-based approach and are well placed to exploit specific opportunities including developments such as Open Banking.

The issue of legacy technology in the financial sector is not a new one, but the major change now is a move towards openness and the adoption of different operating models with multiple supplier relationships. The challenge of adapting to this new digitally orientated operating model is something that is a common theme in our work with established organisations in the financial services and technology sectors.

FinTech has evolved from disintermediation to collaboration, and within a few years it will be the way financial services is delivered. Also, the technology and data competences that underpin FinTech are highly transferable to other industry sectors; a key factor in regional economic development.

We would like to take this opportunity to thank all stakeholders in the West Midlands who have helped us produce this report, which hopefully will contribute to future growth in this exciting and rapidly developing sector across the region.

<sup>1</sup> UK FinTech – State of the Nation 2019, Department for International Trade

<sup>2</sup>The State of European FinTech 2019, Finch Capital & Dealroom, October 2019

<sup>3</sup>UK Tech on the Global Stage - Tech Nation Report 2019



# Innovate Finance



**Charlotte Crosswell, Chief Executive,  
Innovate Finance**

**It is my pleasure to contribute to this report on FinTech in the West Midlands, a region which plays a significant role in the UK economy and one with a long-standing heritage in financial services. We have been keenly following the evolution of FinTech across the UK and are delighted to see the ecosystem taking shape in Birmingham and the wider West Midlands.**

Innovate Finance is the independent industry body that represents and advances the global FinTech community in the UK. Our mission is to accelerate the UK's leading role in the financial services sector by directly supporting the next generation of technology-led innovators.

The UK is the global leader in FinTech and over the past decade, the country's position as a trailblazing force in the sector has been growing from strength to strength. Building on our long-standing financial services pedigree, and injecting it with innovation and transformative technology, the results have transformed all areas of financial services.

The numbers speak for themselves. The innovation in financial services has resulted in over 100,000 new jobs across the UK, and the sector continues to attract record amounts of investment. In 2019 the UK FinTech sector retained its role as the top-ranking investment destination in Europe, with venture capital and private equity investment growing 38% year on year to a new record of \$4.9bn, despite a year of political challenges and uncertainty.

As a nation, we have embraced FinTech with open arms. Our progressive regulation has encouraged innovation and a large part of our success is down to just this. Yet, in common with many industries, the COVID-19 pandemic has presented the FinTech sector with significant challenges, but also many opportunities. Innovators and entrepreneurs need a framework that allows them to thrive, so it is vital that we continue to develop and adapt regulation in ways that create the right conditions for FinTech to prosper. To date, the UK is the best place to start and scale a business – and we need to make sure that remains the same for years to come.

As we begin to operate in a 'new normal' post-COVID-19, FinTech firms will continue to play a critical role. It is at times like these that we really see the value of their innovative thinking, agility and bravery to try something new.

We are looking forward to moving forward later in the year with the major independent review of the UK FinTech sector, announced in the March 2020 budget. Innovate Finance has long been advocating for an in-depth look at the sector and we are confident that this important review will underpin the future growth and prosperity of the sector across the whole of the UK.

Talent will accelerate growth across the FinTech sector, so we need to ensure we continue to blend the skills of finance, engineering and computer science that has propelled UK

FinTech to the top. This is of immense importance as we enter the global race for talent and access to the brightest minds in the space. By investing and laying the groundwork for the next generation of innovators and entrepreneurs, we are creating opportunities for the FinTech leaders of the future, who will become ambassadors for the UK's global growth.

There is a clear opportunity for the government to set the parameters for UK FinTech to remain competitive on the global stage. By better understanding the needs and key focus areas for the sector, we can boost the industry and in turn support the economy as a whole. This will bring benefits not just in London and the South East, but to those vibrant FinTech hubs across the UK.

Whilst London is acknowledged as the global epicentre in the world of FinTech, other regions of the country play an important role in building a diverse and robust national FinTech ecosystem - from Northern Ireland and Scotland, to the West and North of England. We need to ensure we shine a spotlight on these regions to showcase their success and contribution, to in turn drive further growth and attract investment across all areas.

At Innovate Finance, we have recognised this potential and the FinTech National Network has been established with some key partners to foster collaboration between national hubs and encourage innovators up and down the country. If we can combine this network with local and central government support, as well as access to patient capital to scale companies, the future of UK FinTech will be even brighter.

This will form the basis to engage with international markets as a united front, ensuring our great reputation as a FinTech nation, and enabling us to continue setting the pace for the industry on an increasingly competitive international stage.



ECOSYSTEM  
RESEARCH  
2020





# West Midlands Ecosystem Research 2020

## Introduction and approach

Welcome to the inaugural report into the West Midlands FinTech Ecosystem, commissioned by Greater Birmingham & Solihull Local Enterprise Partnership (GBSLEP). This report has been produced by Whitecap Consulting as part of the implementation of the Local Industrial Strategy, a regional economic plan for the West Midlands.

Since September 2019 we have conducted an analysis of the FinTech activity in the region, which has included more than 40 individual interviews, focus groups, an online survey, desk research, and insight gathered from relevant events, meetings and the course of our ongoing consulting engagements in FinTech across the UK.

Throughout the projects, GBSLEP has been an actively engaged partner, and upon completion of the research process, we jointly hosted a discussion group in January to share the preliminary findings with a group of approximately 30 stakeholders. This enabled the report to be finalised and ensured the next steps could be planned in an inclusive manner.

In various guises we have actively engaged more than 100 people in the production of this report, to ensure we are able to put forward a considered, well informed and data rich report. The output is intended to serve as a building block for stakeholders across the region to support the development of the FinTech sector in the West Midlands.



## Definitions and methodology

**FinTech can be defined as the application of technology to improve financial products and services.**

This makes it a very broad category, in which it is acknowledged to be extremely challenging to categorise companies and jobs, especially in the absence of standard measures such as SIC codes.

In this report we have differentiated between three different types of companies directly operating within the FinTech sector:

- **FinTech startups and scaleups** - pure FinTech business models, often with a focus on disrupting the sectors they work in.
- **Established Financial/FinTech** - established entities, offering financial products or services.
- **Tech firms** - businesses operating in multiple markets (must include serving financial services or FinTech).

Categorising jobs within FinTech is also challenging, as it is not the case that everyone working in

established financial services or tech is working in FinTech. We have conducted primary research to establish the number of jobs within FinTech startups and scaleups and have adopted a proxy methodology to estimate overall FinTech sector roles within the three categories listed above.

To calculate the FinTech workforce and GVA we have adopted the following methodology:

- Estimated FinTech workforce = 5% of combined FS workforce (derived from TheCityUK data) and tech workforce (derived from Tech Nation data) in the research area + all identified workers within FinTech startup & scaleup firms (Whitecap primary research).
- Estimated regional FinTech GVA = estimated FinTech workforce X GVA contribution per worker (using UK average).

In the absence of any current publicly available estimate, the 5% estimate is based on a broadening of a previous EY estimate from 2015 which suggested 5% of the FS sector is categorised as 'FinTech'.

## Report authors:



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Whitecap Consulting



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**Daniel Ryan**  
**Jake Fox**  
**Emma Harrison**

# Overview

**The research has taken place at a time when the West Midlands is establishing itself as a thriving tech centre. Momentum is building from developments such as HSBC UK's new head office, the creation of UK's first large-scale 5G testbed (West Midlands 5G), the Birmingham 2022 Commonwealth Games, and the new HS2 rail link which will improve the region's national connectivity.**

The close proximity of the West Midlands to London is an asset which can be developed and leveraged. This is an advantage over other regions of the UK, but arguably previously contributed to keeping the development of the FinTech sector in the region at a relatively early stage. The balance has now shifted to this geography being a key differentiator in catalysing growth.

This research has found the West Midlands has significant potential in FinTech, aligning with 'next generation services' which has been identified as a major new market within the West Midlands Local Industrial Strategy. The region has strong financial and tech sectors, with a relatively small but growing group of early stage FinTech startups and scaleups. The need for more collaboration and increased clarity around the region's FinTech proposition are being recognised and there is an increasing amount of activity in the region. Inventive new approaches to funding are also providing a boost.

This research has identified untapped potential and a strong and growing interest in FinTech in the region. It estimates, the West Midlands is contributing 6.2% of the UK's FinTech GVA, compared to the 6.3% of the UK in all sectors. This research has also estimated a potential 7,375 people in the West Midlands working in FinTech related roles.

To help understand the level of interest in the sector, an analysis was conducted of the regional media mentions of FinTech in relation to the West Midlands. The first time FinTech was mentioned in the media in relation to the region was 2013, when there were two articles. In 2019, there were around 550 articles related to FinTech and the West Midlands, which helps illustrate the growth of the sector nationally and internationally.

The early stage FinTech firms in the region are geographically dispersed, and those in Birmingham are based in different hubs or office locations. FinTech is not just about startups though, and there are a significant number of established financial organisations in the region. The decision by the Investment Association in 2019 to establish The Engine Room, a FinTech hub based at Wesleyan in Birmingham, has played a key role in bringing FinTech to the fore and providing national PR exposure. This new hub will help to build the FinTech community in the West Midlands region, providing a focal point as activity continues to grow, and providing a FinTech theme to a growing digital economy already benefitting from the initiatives of Innovation Birmingham and other progressive organisations.

The FinTech sector is relatively new in the region, but it is quickly becoming a rallying point for the resurgence in tech. There is a healthy debate as to how specialised the region's offer becomes, as the breadth of its professional and digital cluster is seen as a benefit. The research interviews found positive sentiment about FinTech as a speciality, and the growth of the sector could help provide resilience to the regional financial and professional services economy.

There is an opportunity for the West Midlands to enhance

its identity and make a clearer statement about its offer. This theme was a general one, not specific to FinTech. This invariably led to discussions around brand and proposition, which is not an unusual theme in exercises such as this.

Being selected as the centre for HSBC's UK retail bank has been a significant statement for financial services in Birmingham and has created significant positive sentiment. This news has given the region a headline story that it has been able to build its narrative around. During the course of conducting this work there appeared to be an upturn in positivity towards FinTech in the region. The announcement of The Engine Room hub at Wesleyan was well received, as was the fact this research was taking place.

# Future potential

**The region's untapped potential in FinTech is significant, and there is an opportunity to accelerate the development of the FinTech sector in the West Midlands. To capitalise on this opportunity, strategy and leadership is required, and the commissioning of this report illustrates the desire of key stakeholders in economic development such as GBSLEP to play an enabling and supportive role.**

Based on interviews conducted to develop this report, there is a risk that a focus on FinTech could become a focus on the startup community rather than giving support to experienced businesses. It is important that future activity does not become limited to networking and business support with ill-defined outcomes or outputs. The region would benefit from further attraction of large brand names establishing a regional presence, examples of this have already been seen but should remain an area of focus going forward.

The West Midlands is not currently represented by a HM Treasury FinTech Envoy. Whilst there is no direct evidence to suggest this is holding back the region's progress, it represents a missing link to the UK FinTech scene and a missed opportunity to connect with the UK-wide network of Envoys.

The West Midlands has the potential, and incentive, to grow rapidly as a FinTech hub. It has distinct advantages compared to comparable cities, including:

## **Asset & wealth management speciality**

- With an existing group of FinTechs in Warwickshire such as Moneyinfo and WealthWizards, this has the potential to become a sector strength, which is further enhanced by The Investment Association's decision to open the Engine Room, a Birmingham based accelerator. This initiative is part of the Engine programme that the Investment Association runs, which used to be called Velocity. This creates what is believed to be the largest asset management FinTech accelerator in Europe. Whilst not excluding or disincentivising other FinTech variants, an identifiable speciality helps distinguish the region strategically, as well as boosting regional credibility and outreach.

## **Access to talent**

- Accessing experienced talent remains a challenge in all regions, the West Midlands is the largest population centre outside London. The region's nine universities create a large graduate pool and graduate retention in the region is improving. Harnessing the talents of the broader non-graduate community, creates significant additional potential, particularly given the relative youth of the population profile.

## **Proximity to London**

- The region's close proximity to a major global financial and FinTech centre is a current and future asset and provides an opportunity to leverage value by collaborating with and supporting London, as opposed to competing with it.

- Since 2016, Birmingham has been the most popular location for people moving out of London.

## **Commercial sustainability**

- Operating and property rental costs in the region are favourable when compared to London, which when combined with access to talent and universities can permit FinTechs to operate on longer cash runways and less aggressive valuations. This can improve return on investment and allow greater development or adoption time, arguably nurturing more stable and sustainable business models.

## **Diversity**

- The region's size and complexity are well suited to test propositions on representative cross sections of society, and can reflect behaviours, concerns and cultural responses to new FinTech propositions.

## **Access to financial services community**

- FinTech organisations are dependent on a close interaction with financial sector and regulatory organisations. The region's financial services sector is large and growing, and whilst there are currently apparently few internal tech teams from the major players in the region, London is close at hand, and local tech capability is growing rapidly.

Following the completion of the initial research findings, Whitecap tested these differentiators with stakeholders and found general acceptance.



# Stakeholder quotes - key growth opportunities

"HS2 will be great for Birmingham. Birmingham should make the most of it. Birmingham's heritage is about building and innovation."

**Iain Tait, CIO, Delta Financial Systems**

"HS2 won't lead to Birmingham being a dormitory town of London. With 5 universities, our assets, housing, a burgeoning city, where the next centre is, is Birmingham. We need to create a pull, tell enough stories, get some optimism and we've got a real chance."

**Julian Beer, Deputy Vice Chancellor, Birmingham City University**

"We opened an office in Bromsgrove as there was a better supply of the people we wanted, and it gave us a better central location for our work across the rest of the UK."

**Mark Loffhouse, Chief Executive, Mortgage Brain**

"The UK tech sector as a whole continues to grow and mature. We need to make sure that projects such as 5G put us on the map as a region where development and innovation can happen at scale."

**Tim Kay, Sector Lead - Technology and Media, KPMG**

"There's a coherence to regional and national strategy. The retail banks are all here. Access, comparison, simulation and switching should be easily available to start / scale ups. We can link to co-funding and the third sector as well."

**Mark Hart, Professor of Entrepreneurship, Aston Business School**

"The differentiator is a horizontal. Disruptive tech is a capability that can feed into all sectors, including FinTech. 'Digital is the golden thread' is a phrase used by Andy Street. We can create an "Innovation Engine" which can break down barriers or sectors and use the horizontal "innovation" message to support the FinTech vertical."

**Iain Mansell, Networks & Partnerships Manager, West Midlands Innovation Alliance**

"Birmingham needs to create an identity to compete. It could be a centre for good developers and coders. They are coming out of top end universities in the region."

**Jack Knight, Deputy CEO, The Investment Association**

"Cyber is a massive issue. Birmingham is one of the cities which could become a cyber centre of excellence."

**Iain Tait, CIO, Delta Financial Systems**

"Our HSBC UK head office is now well-established in the region and our aim is for the region to thrive as a financial services centre and the role of FinTech is a vital part of that. A growing financial services cluster will strengthen the region's ability to attract and retain the talent that we all need." "

**Jon Bramwell, Managing Director, Large Corporates, Midlands & East Region, HSBC UK**

"Proximity to London is very positive, yet we don't market ourselves as being convenient to London. London is commutable, but Birmingham could have advantages in cost of living, quality of life, and connections back to London."

**Stephen Hunt, CEO, BNP Paribas Personal Finance**

## Areas requiring the most attention over the next 2-3 years

*"There is no overall guiding strategy or cohesion within the region. We need to bring it together and to generate a sense of mission. Strategise it. Feel that it is something that knits together."*

**Iain Tait, CIO, Delta Financial Systems**

*"We need to create more awareness, more publicity, more buzz. At the moment, if FinTech is mentioned you hear Shoreditch, Manchester, Silicon Glen, but you never hear Birmingham. Creating more awareness and buzz would be a great start."*

**David Stewart, Chief Operating Officer, Wesleyan**

*"Bringing more people together would be valuable. The professional services firms do it but in a sporadic way. It doesn't always progress, even though I know all of them see financial services as important to their business. Encouraging more regular opportunities for people to meet would be helpful."*

**Jeremy Wood, Chief Executive, Dudley Building Society**

*"The West Midlands is a regional success story. Its unparalleled strategic location, established business eco-system, and leading talent pool across the financial services spectrum makes it a natural choice for any organisation and demonstrates why the region has emerged as a leading destination for financial and professional services."*

**Matt Perkin, Head of Region, Midlands & South West, Zurich**

*"We can create something here, but we should guard against isomorphism, and make sure we're not just doing something to look like somewhere else. We should create something that looks like Brum."*

**Andy Newnham, Deputy Director of Business Engagement, University of Birmingham**

## Biggest obstacles to growth of FinTech in the region

*"We need to bolder in telling our story on a national and international stage. We have the entrepreneurial talent and success stories; we need to promote them to investors, government, and scale-ups outside of the region to show why they should relocate companies, talent and capital."*

**Tim Kay, Sector Lead - Technology and Media, KPMG**

*"If we are going to create a FinTech sector here then it needs to be to service the global sector and not just the local economy as things are so fluid and we need to match our ambition with business opportunity."*

**Hilary Smyth-Allen, Executive Director, BPS Birmingham**

*"For me, London is the biggest obstacle. A high % of FinTech companies are already established there and hubs, communities and collaboration are far in advance of the West Midlands area. The key to growth is to provide the same potential value by setting up in the West Midlands as could be achieved elsewhere."*

**Michael Daniels, Head of Operations, Obillex**



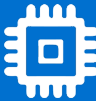
*"The great thing about Birmingham is we get our heads down and just do it; the downside of Birmingham is we get our heads down and just do it, and no-one ever knows."*




**Richard Marshall, CTO, Wealth Wizards**







# Findings and recommendations

<b>Talent</b> 	<b>Key findings</b> <ul style="list-style-type: none"> <li>Talent is replacing market proximity as main driver for company location.</li> <li>London's proximity means some people commute or move to London, although more Londoners now return to the Midlands than go the other way.</li> <li>Talent potential is very high, given the size and diversity of the population within the region, and strength of universities, with interventions such as bootcamps helping unlock talent in non-graduate communities, and FinTech courses increasing employability of graduates.</li> <li>There are some talent shortages and a skills gap, particularly where there is a need for and overlap of experienced tech and FS skills, but this is experienced in most regions.</li> </ul>	<b>Suggested Stakeholder Actions:</b> <ul style="list-style-type: none"> <li>Focus on using quality of life and other measures to re-orientate London commuters to roles in the region.</li> <li>Increase interaction between bootcamps, universities and financial services / tech businesses to expand talent pool to non-graduates.</li> <li>Increase FinTech specialisation and course content in universities.</li> <li>Potential for a marketing campaign to strengthen the image of the region as aspirational area to live and work.</li> </ul> <b>Suggested GBSLEP Actions over the next 12 months:</b> <ul style="list-style-type: none"> <li>Create a FinTech cluster to increase interaction between talent providers FS and FinTech businesses to further increase graduate retention.</li> <li>Design and launch a FinTech Development Programme and consider talent as a key focus area and potential future differentiator.</li> </ul>	<b>Key Stakeholders:</b> <ul style="list-style-type: none"> <li>Universities</li> <li>Training providers / bootcamps</li> <li>Policy makers</li> <li>Employers active in FinTech related sectors</li> </ul>
<b>Established financial sector</b> 	<b>Key findings</b> <ul style="list-style-type: none"> <li>Already strong with presence of several major brands and strengthened by HSBC UK's relocation.</li> <li>Decision-making, especially on FinTech, previously often out of region. The business / financial / professional services offer is "full service" offering, with growing focus on F.S.</li> <li>Recent relocations and expansions in the region (HSBC UK, PWC, HMRC) make the sector increasingly vertically integrated, and capability in region is broadening.</li> </ul>	<b>Suggested Stakeholder Actions:</b> <ul style="list-style-type: none"> <li>Promote tech team expansion amongst existing institutions (through influencing 'anchors' such as HSBC, targeted messages and proposing interim initiatives such as holding regular regional 'tech surgeries').</li> </ul> <b>Suggested GBSLEP Actions over the next 12 months:</b> <ul style="list-style-type: none"> <li>Continue to collaborate with West Midlands Growth Company to support financial sector inward investment strategy.</li> </ul>	<b>Key Stakeholders:</b> <ul style="list-style-type: none"> <li>Inward investment organisations</li> <li>Major financial services employers</li> </ul>
<b>Tech sector</b> 	<b>Key findings</b> <ul style="list-style-type: none"> <li>There are specialist financial services technology providers with a depth of expertise in regulated financial technology. Leamington Spa is also a major gaming centre.</li> <li>Potentially due to the lack of a high-profile global tech brand, the region is not currently perceived as a tech 'hot spot' in terms of external recognition, although major brands e.g. IBM have significant presence.</li> <li>There has recently been a resurgence in confidence arising from Birmingham Tech Week and the growth in collaboration across community.</li> </ul>	<b>Suggested Stakeholder Actions:</b> <ul style="list-style-type: none"> <li>Build on success of Birmingham Tech Week and develop stronger tech cluster activity and interaction (momentum already building) with increased events and interaction.</li> <li>Encourage greater support for tech bodies and encourage greater collaboration and inclusivity.</li> <li>Create a clearer and bolder external brand for the region's activity.</li> </ul> <b>Suggested GBSLEP Actions over the next 12 months:</b> <ul style="list-style-type: none"> <li>Engage the new FinTech cluster body with existing tech bodies.</li> </ul>	<b>Key Stakeholders:</b> <ul style="list-style-type: none"> <li>Major tech employers</li> <li>Regional tech bodies/clusters</li> </ul>

<p><b>FinTech startups/scaleups</b></p> 	<p><b>Key findings</b></p> <ul style="list-style-type: none"> <li>• The early stage FinTech sector is currently relatively small in comparison to the region's GDP and financial sector.</li> <li>• The Engine Room accelerator has already attracted new FinTech firms and has potential to be a major FinTech hub outside London.</li> <li>• There are few startups; the region is stronger in scaleups, although many have a low profile within the region.</li> <li>• There are some groupings of FinTech firms in Birmingham, Solihull and Leamington / Warwick.</li> <li>• Large tech companies also cover FinTech as a sector (Phoebus, Focus, IRESS, Advanced).</li> </ul>	<p><b>Suggested Stakeholder Actions::</b></p> <ul style="list-style-type: none"> <li>• Identify FinTech as part of the broader business, professional and financial services (BPFS) sector action plan and a key sector for inward investment.</li> <li>• Create a clear regional FinTech differentiator based on wealth management, access to talent, diversity and sustainability.</li> <li>• Appoint a marketing partner to develop brand.</li> <li>• Assess opportunity for potential Catapult or equivalent.</li> </ul> <p><b>Suggested GBSLEP Actions over the next 12 months:</b></p> <ul style="list-style-type: none"> <li>• Launch a FinTech cluster body to encourage best practice and interaction.</li> <li>• Launch a FinTech Development Programme to co-ordinate and accelerate progress in talent, funding and incubators. This is an opportunity for a new entrant into region to directly support FinTech Development Programme.</li> <li>• Request a Treasury FinTech envoy appointment for West Midlands.</li> </ul>	<p><b>Key Stakeholders:</b></p> <ul style="list-style-type: none"> <li>• Public sector</li> <li>• Inward investment organisations</li> <li>• Regional tech bodies / clusters</li> <li>• Operators of physical hubs / co-working spaces</li> <li>• Enterprise communities (eg CICs)</li> </ul>
<p><b>Relationship between financial sector and FinTechs</b></p> 	<p><b>Key findings</b></p> <ul style="list-style-type: none"> <li>• The interaction appears to be limited, influenced by the absence of technical teams in the region. FinTechs reported they are frequently diverted to London, however the growth of capability through recent relocations and expansions should encourage more local interfaces.</li> <li>• There is currently no established cluster activity in FinTech.</li> </ul>	<p><b>Suggested Stakeholder Actions:</b></p> <ul style="list-style-type: none"> <li>• Encourage financial services companies to expand capability and tech teams or hold regular tech team surgeries in the region.</li> </ul> <p><b>Suggested GBSLEP Actions over the next 12 months:</b></p> <ul style="list-style-type: none"> <li>• Establish a FinTech cluster &amp; FinTech Development Programme, using this as a driver to bring together the Financial Services, Tech and FinTech together in the region.</li> </ul>	<p><b>Key Stakeholders:</b></p> <ul style="list-style-type: none"> <li>• Major tech employers</li> <li>• Regional tech bodies/clusters</li> <li>• Tech/FinTech communities</li> </ul>
<p><b>Funding for FinTech</b></p> 	<p><b>Key findings</b></p> <ul style="list-style-type: none"> <li>• The funding landscape perceived to be difficult to navigate, and there are low deal flows.</li> <li>• Angel investment and recirculation of capital is limited and perceived to favour sectors such as manufacturing.</li> <li>• New initiatives are helping to streamline processes and increase investment activity.</li> </ul>	<p><b>Suggested Stakeholder Actions:</b></p> <ul style="list-style-type: none"> <li>• Maximise opportunity to use the Midlands Engine Investment Fund for FinTech sector investments.</li> <li>• Work with providers to navigate and streamline the funding support structure and increase interaction with angel investors.</li> <li>• Hold investment showcase events in the region.</li> </ul> <p><b>Suggested GBSLEP Actions over the next 12 months:</b></p> <ul style="list-style-type: none"> <li>• Establish a funding stream within the FinTech cluster / FinTech Development Programme, to increase availability of investment.</li> </ul>	<p><b>Key Stakeholders:</b></p> <ul style="list-style-type: none"> <li>• Funding community</li> <li>• Public sector</li> </ul>

<b>Physical space / hubs</b> 	<b>Key findings</b> <ul style="list-style-type: none"> <li>Multiple co-working spaces and accelerators but limited collective impact; associated ecosystems and collaboration are limited.</li> <li>The Engine Room accelerator has the potential to generate real cluster momentum; it is already the largest asset management FinTech hub in Europe.</li> <li>Other hubs are promoting digital tech, such as Innovation Birmingham, although there is no specific FinTech theme.</li> </ul>	<b>Suggested Stakeholder Actions::</b> <ul style="list-style-type: none"> <li>Increase collaboration to unlock existing capacity and capability across incubators.</li> <li>Utilise The Engine Room on multiple fronts, namely as: a central location for cluster bodies; a venue for social and professional development events; a showcase for investor events; and a high-profile marketing asset for the region.</li> <li>Assess opportunity for potential national Catapult or equivalent.</li> </ul> <b>Suggested GBSLEP Actions over the next 12 months:</b> <ul style="list-style-type: none"> <li>Create an interest group within the FinTech cluster and set objectives within the FinTech Development Programme to streamline navigation and increase scale up performance.</li> </ul>	<b>Key Stakeholders:</b> <ul style="list-style-type: none"> <li>Universities</li> <li>Major financial and tech organisations</li> <li>Current &amp; potential hub operators (including co-working spaces)</li> </ul>
<b>Interaction between key players</b>	<b>Key findings</b> <ul style="list-style-type: none"> <li>FinTech has not previously held a high profile in the region, and within the wider tech sector there has not been a consistent form of interaction.</li> <li>There has been a perceived upward swing in optimism and collaboration following Birmingham Tech Week.</li> </ul>	<b>Suggested Stakeholder Actions:</b> <ul style="list-style-type: none"> <li>Use FinTech as a 'rallying point' for tech resurgence and collaboration across the region.</li> </ul> <b>Suggested GBSLEP Actions over the next 12 months:</b> <ul style="list-style-type: none"> <li>Establish a FinTech cluster &amp; FinTech Development Programme to help enhance interaction in ecosystem.</li> <li>Establish links to the national ecosystem by joining the FinTech National Network via the FinTech cluster brand.</li> </ul>	<b>Key Stakeholders:</b> <ul style="list-style-type: none"> <li>Regional tech bodies/clusters</li> <li>Tech/FinTech communities</li> </ul>
<b>Role of the universities</b> 	<b>Key findings</b> <ul style="list-style-type: none"> <li>A very strong asset given the size of the sector, with 164,000 students across 9 universities.</li> <li>Graduate retention is growing &amp; collaboration between universities and business is increasing.</li> <li>A formal qualification is already offered by Coventry (MSc), while Birmingham, Warwick and UCB are incorporating FinTech into their curriculums.</li> <li>A new £3m FinTech research centre has been created at University of Warwick, and the University of Birmingham has launched a Sustainable Financial Innovation Centre.</li> </ul>	<b>Suggested Stakeholder Actions:</b> <ul style="list-style-type: none"> <li>Increase FinTech content in courses and develop academic thought leadership through ventures such as the Gilmore Centre and the Sustainable Finance Innovation Centre.</li> </ul> <b>Suggested GBSLEP Actions over the next 12 months:</b> <ul style="list-style-type: none"> <li>Encourage participation in a talent stream of the FinTech cluster / FinTech Development Programme / cluster to increase interaction with FinTechs and FS companies and ensure compatibility of course content with sector requirements.</li> </ul>	<b>Key Stakeholders:</b> <ul style="list-style-type: none"> <li>Universities</li> <li>Major tech employers</li> <li>Regional tech bodies / clusters</li> <li>Tech / FinTech communities</li> </ul>

#### Summary of Actions:

- Agree a high-level vision for the region, recognising FinTech as a priority in the BPFS Sector Action Plan, and a priority area for inbound investment.
- Appoint a FinTech envoy to the Treasury to position the West Midlands within national FinTech strategy.
- Establish a representative cluster body, similar to other UK regions, to act as a focal point for the FinTech community and promote the region locally, nationally and internationally.
- Pioneer a FinTech Development Programme to set objectives, oversee actions and deliver tangible outcomes.
- Invest in a marketing campaign to increase positive external perception and brand for FinTech in the Midlands, nationally and globally.



# Availability of talent

Talent potential is very high, given the size and diversity of the population in region, and strength of universities



London proximity has more positives than negatives, with a net gain of people moving into the region from London

There are some talent shortages in the region, particularly in roles where experienced tech and financial services capability overlap

**The region is one of the largest and most diverse talent pools in England. Birmingham is the youngest major city in Europe, with under 25s accounting for nearly 40% of its population<sup>4</sup>. The region's universities generate over 50,000 graduates per year. Talent is becoming an increasingly business critical issue, as companies locate to access people and skills rather than their target markets, given global markets can now be accessed virtually.**

It is possible to commute to London from parts of the region, but more Londoners are now moving to Birmingham than heading in the opposite direction. Data released in July 2019<sup>5</sup> showed 7,771 Londoners moved to Birmingham in 2018 - a rate of more than 21 a day. 728 more Londoners moved to Birmingham than travelled in the opposite direction over the course of the year.

As is the case in other regions, a perceived talent shortage was reported by many interviewees, especially regarding experienced talent that bridges tech and financial services. It is possible the region's financial and tech sectors are harder hit than others by the proximity to London, but there are signs of change and it should be noted that some of the commentary around HSBC UK moving to Birmingham focused on the positive impact of extending career ladders that previously caused senior people to leave the region.

The presence of nine major universities and size of the region's population are both seen as sources of huge potential if they can be maximised. Recent initiatives are indicating up to 70% of graduates stay in region<sup>6</sup>, although some perception remains that graduate retention in the region is an issue. Furthermore, the universities are increasingly aligning themselves to FinTech.

However, the challenge of hiring and training graduates was frequently highlighted. The challenges referenced included

graduates not yet knowing their sector, and likely not yet having testing, deployment, or development skills.

Another challenge, and opportunity, is the scale of unexploited talent in the region. 55% of the population has not been to university, which is one reason why there is significant potential within the non-graduate community. The School of Code and Digital Innov8ors are helping address this; the latter is based at Solihull College and trains students in digital skills, working with organisations such as BNP Paribas.

The majority of the financial services tech firms interviewed said they do not necessarily need deep domain expertise as the ability to define and find solutions to the problem is more important. Frequent feedback indicated recruiting from non-traditional graduate sources created more engaged and inquisitive personnel. School of Code specialise in developing more specialised skills, directly in line with client requirements, but again recruiting from a diverse background.

There are some significant employers in tech and FinTech related fields. One of the most prominent in the region is Advanced, a software provider, which decided to locate in Birmingham rather than Northampton for access to talent. It has built from zero to 400 staff, all based locally. The firm previously tried to recruit at entry level in Shoreditch but cost of living was cited as an issue.

In July 2018, the West Midlands Combined Authority secured a Skills Agreement with government for up to £69m to support digital and technical skills, job opportunities and productivity across the region. Initiatives emanating from this include the development of two Institutes of Technology (IoT) to deliver higher technical education in the West Midlands.

<sup>4</sup>Birmingham Economic Review 2018

<sup>5</sup>Office of National Statistics

<sup>6</sup>HESA

# Stakeholder quotes

"The level and quality of pitched preparedness coming out of London exceeds that we see local, although it's improving. We do have some good talent, but we still have some cultural challenges to address; the fear of loss of control by founders but also angel investing lacks the same profile as in the South East. I remain concerned that we will lose out as our best talent migrates to London and the South East, driven by opportunity and money. The circle then continues as these are the investor of the future, then invest in local companies in the South East. 73% of each pound invested in equity in 2019 was pumped into London – Beuhurst Equity investment the UK 2019."

**Alex Toft, Head of Minerva Business Angles, Minerva**

"With the majority of our workforce in tech, CoreLogic UK is ideally placed to benefit from the region's considerable talent pool. However, salary inflation and increasing competition from other technology firms requires us to constantly rethink our recruitment and retention strategy. Strong links with local universities, innovative approaches to recruitment and regular benchmarking of our employee value proposition are essential to ensure we attract and keep the right people."

**Mark Blackwell, Chief Operating Officer, CoreLogic UK**

"Everyone we have hired in the last four years has been a graduate, most from within the region."

**Bob Hunt, CEO, Paradigm Mortgage Services**

"We know there is a strong talent pool. FinTech talent has traditionally been directed towards London, and Birmingham has suffered most from that. Moving forward proximity will be a good thing and this region can be a centre of excellence for talent, but with less cost."

**Jack Knight, Deputy CEO, The Investment Association**

"Technical talent is increasingly important within the insurance sector and collaboration between education and industry has never been more important. The region's pool of leading talent and our access to highly-skilled graduates and apprentices from leading educational establishments provide a competitive advantage."

**Matt Perkin, Head of Region, Midlands & South West, Zurich**

"We need to be giving young people a route, especially non-graduates. Young talent is not just graduates."

**Eban Lovatt, CEO, Moneyshake**

"There are talented individuals in the region and there's an enthusiasm about the tech industry, but there is a need for more experienced individuals to support companies in high growth industries and better opportunities to share their success stories. There are promising initiatives by organisations such as the School of Code, but it will take some time and effort to develop people and build the appropriate infrastructure for the region."

**David Baker, Investment Associate, Mercia**

"FinTech has two aspects: tech talent and financial services talent. It's difficult to get the convergence of both, particularly financial knowledge that can translate to the technical side. What makes us a FinTech is that we can put services and tech together but it's impossible without having people with financial skills and a mindset to do that. Being a FinTech is not about the digital transformation of existing businesses – it's about disrupting the existing patterns of work."

**Richard Marshall, CTO, Wealth Wizards**

"We're focused on regulated financial tech, so people expertise can be hard and expensive and having a cluster is helpful. Finding younger talent is harder. We're creating a digital division which we think will be more agile and attractive for new entrants to the tech jobs market."

**Steve Andrews, Head of Managed Services, Focus Solutions**

"Tech companies are increasingly employing right people then training them."

**Naomi Nash, Entrepreneur Engagement Manager, Tech Nation**

# Strength of the overall Financial sector

The financial sector (FS) is strong, with HSBC UK's new head office in Birmingham and major financial organisations such as Deutsche Bank having significant operations, as well as various mid-sized organisations



Decision-making within the large organisations, especially on FinTech, did not generally take place in the region previously, and the overall business and professional services offer is broad rather than FS focused

The professional services sector is very strong and expanding

**Financial services has a long history in the West Midlands, alongside other core sectors such as manufacturing. Midland Bank and Lloyds Bank both originated in Birmingham and the region undoubtedly has an existing strength in financial services, boosted by HSBC UK's new head office.**

Numerous major financial organisations have offices in the West Midlands. Historically, the region has been considered to be a base for operational and processing roles, but today the region is now also benefiting from higher value jobs. It is envisaged that growing the FinTech sector in the region can help create further high value employment in the financial services sector. The perceived 'over-heating' of London may lead to more financial services operations locating and developing in the West Midlands, including established FinTech firms. The West Midlands is not currently known as a base for technical functions of financial organisations, so this is an area of opportunity.

BNP Paribas Personal Finance, previously known as LaSer, employs over 700 people in Solihull and operates in the retail finance point-of-sale and motor finance sectors. The organisation is based almost entirely in the region, with the exception of a small operation in Northern Ireland. The innovation team is based in Solihull.

Two of the top 10 building societies are based in the West Midlands, namely West Brom and Coventry, with Dudley and Tipton & Coseley also based here. Coventry Building Society is the second largest of the 42 building societies in the UK. Another significant mutual, Police Credit Union, which is the largest credit union to belong to the Association of British Credit Unions (ABCUL), is based in Birmingham. NFU Mutual is headquartered near Stratford-upon-Avon.

There are some established mid-sized organisations in the region including the likes of Primis, Secure Trust Bank,

Paragon, Paradigm, and Precise Mortgages (part of One Savings Bank). Solihull based CoreLogic UK employs around 120 people providing mortgage lending and workflow management platforms. Its systems are now responsible for approximately 80% of the UK's residential property valuations. Although well known within their sectors, the presence of these brands within the regional FinTech scene is not particularly visible. This appears to be due to a combination of factors, most notably because they tend to operate within their sector verticals rather than interact regionally.

HMRC has been conducting a major review of its estate and is consolidating its offices into regional hubs across the country. It has confirmed that its new West Midlands regional hub will be based at the Arena Central complex in Birmingham city centre adjacent to HSBC UK, where around 3,600 staff will be based from 2020. In October 2019, the Government announced an additional hub in Birmingham, which will house 1,700 employees. Both hubs are due to open in 2021.

The professional services sector which supports the established financial services organisations is significant in size in the region. EY employs around 1000 people in its Birmingham office, and announced in 2018 that the FS practice would grow to around 100 people by 2020. PwC now employs over 2000 in Birmingham, an increase of almost 62% since 2016, and also completed a major relocation in the city in 2019. KPMG employs 1300 people in Birmingham, and the city is also home to Deloitte's largest office outside London.

The region has an opportunity to become an even more significant financial hub, and a 2017 report into the UK market said the West Midlands could become be the third fastest-growing financial services centre in the UK.

<sup>7</sup>A vision for a transformed, world-leading industry – Strategy& and TheCityUK, 2017

# Stakeholder quotes

"If we look at the West Midlands there's quite a financial services sector, but the region needs to shake off the industrial image. FS seems to get overlooked."

**Stephen Hunt, CEO, BNP Paribas Personal Finance**

"I'm yet to be convinced that strategy decisions are being influenced by the presence or lack of presence of FinTech in the region. We need to find a way to engage the leaders of the businesses, so that it is not seen as a CTO remit as they may or may not be in the West Midlands. How do we build capacity to engage with FinTech locally beyond asking them to go to an event?"

**Hilary Smyth-Allen, Executive Director, BPS Birmingham**

"I think financial services is probably underdeveloped in the West Midlands. Banks like Midland and Lloyds were based here originally. There are signs it's coming back, for example HSBC UK moving here. There are some fairly big organisations in the region, but there are also specialists and challenger banks in the region so the region could become very important in financial services, a bit like Bristol did with insurance."

**Jeremy Wood, Chief Executive, Dudley Building Society**

"I've always lived in Birmingham and I've always worked in financial services. I don't think there's a sense of community in financial services in the region, it's more within sectors of financial services that you see this."

**Steve Mazurek, IT & Innovation Manager, Police Credit Union**

"The West Midlands has a thriving insurance community with a history and heritage in the sector. It is market-leading in comparison with many other cities. There is strong road/rail infrastructure as well as good connectivity with London and other major cities which will only increase with the completion of HS2. It is an exciting time to be part of the region's economic renaissance."

**Matt Perkin, Head of Region, Midlands & South West, Zurich**

"London will always be the capital of finance, but the West Midlands can certainly grow its presence. With the development of infrastructure and a clear positive cost discrepancy vs London, more companies could turn to the West Midlands as a place to operate from."

**Michael Daniels, Head of Operations, Obillex**

"Really good. Most of the banks have grown in the last 5 years. HSBC UK coming to Birmingham is significant, but it may not have happened without ringfencing. We need a couple more major firms to support and develop the ecosystem."

**Andy Newnham, Deputy Director of Business Engagement, University of Birmingham**

"In financial services we don't realise how far behind we are in tech terms. Other sectors such as manufacturing are way ahead of us. When I worked in manufacturing we had a seamless supply chain via ERP systems, but we still don't have this in financial services. Everything I hear about FinTech is about productivity, which is where the debate was in manufacturing years ago."

**Neil Dyke, Chief Technology Officer, Phoebus Software**

"There's a lot of financial businesses but we're not interpreted as being strong in FS by people outside this sector. It is good news that the Wesleyan is setting up an accelerator."

**Stephen Hunt, CEO, BNP Paribas Personal Finance**

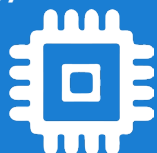






# Strength of the overall Tech sector

There are a number of specialist financial services technology providers with a depth of expertise in regulated financial technology



There has been a resurgence in confidence in the tech sector, with developments such as Birmingham Tech Week helping drive growth in collaboration across the region's tech community

There is a broader growth opportunity across multiple sectors, including FinTech, HealthTech, LegalTech and gaming

**Birmingham is one of the UK's largest tech clusters outside of London, and technology and innovation are focal points in the West Midlands development plans. The Local Industrial Strategy<sup>8</sup> says the region is well placed to take advantage of the global growth in creative content, techniques and technologies, building on a history of success in transforming products, processes and services.**

Most of the tech firms in the region serve multiple sectors, which highlights how the same core technology capability is required across different industries. During this project an upturn in confidence was observed, with initiatives like Birmingham Tech Week acting as a catalyst. The region is home to some high profile tech brands; there is a significant IBM campus at Warwick and Capita has a major presence in Birmingham.

There are core strengths in the region's tech sector in areas such as mobility, professional services, and construction. In terms of tech firms active in financial services and FinTech, our research has specifically identified 24 firms, which is comparable with the other regions researched. ONS data shows that the West Midlands has nearly 5,000 tech firms, indicating there is potential for the region's FinTech capability to develop further. Feedback points to an opportunity for the public sector to take a leadership role across the existing and developing tech representative bodies, where there is a need to build collaborative alliances.

There is a significant strength in the adviser technology market, as well as capability in the fields of asset management and investments. Warwick, Leamington Spa, and Solihull all have specialist financial services technology providers, and there are commonly links to people who have worked in several of the organisations during their

career. These firms all have a depth of expertise in regulated financial technology, and two of the biggest software companies in the regulated advice sector in the UK are based within 3 miles of each other in the West Midlands (IRESS and Focus Solutions, in Warwick and Leamington Spa respectively).

**Examples relating to the financial sector include:**

- **Advanced** is a major software provider. It is not a dedicated FinTech but works with large providers including Deutsche Bank. The firm operates across verticals which include education, health, charity, membership groups, manufacturing, and finance.
- **Focus Solutions** is a specialist financial services tech provider owned by Aberdeen Standard Life, employing just under 100 people in Leamington Spa. Its national client base is focused on the investment and mortgage lending sectors and includes the likes of NatWest, Bank of Ireland, NFU Mutual, Santander, Skipton Building Society and Brewin Dolphin.
- **Phoebus Software** employs around 130 people in Solihull, its only UK location. It operates in the banking sector, focusing on lending and deposits, and has over £55bn of lending assets on its technology platform across over 100 lender portfolios.

Recent new entrants to the region have included BJSS, a fast-growing tech consultancy headquartered in Leeds, with revenues of approximately £140m and 1000 employees in the UK. Nationally, the firm has doubled both its revenues and headcount in the last 3 years and has recently opened a Birmingham office.

The research interviews found a commonly expressed view that the region would benefit from considering the broader opportunity across other sectors including HealthTech and LegalTech. Within the region's digital sector, Leamington Spa, known locally as Silicon Spa, is world-leading in gaming.

<sup>8</sup>West Midlands Local Industrial Strategy, May 2019

# Stakeholder quotes

"We always thought our London office would grow strongly, which it has, but the most profitable area of our business is regional. Places you can commute to London from are more efficient for delivery."

**Stuart Bullock, Managing Director, BJSS**

"Tech in the Midlands has some impressive pockets (e.g. Leamington), however in Birmingham it is still very much in its infancy and lacks big players like Google, IBM, Microsoft etc. I believe when we see a start-up succeed with the right support this will change the attitude and perception of the Birmingham Ecosystem" Dave Wright, Ecosystem Manager, Eagle Lab Birmingham, Barclays UK Ventures"

**David Wright, Ecosystem Manager, Eagle Lab Birmingham, Barclays UK Venture**

"We have to take the stance that it's about horizontal capability not one particular vertical. If we want to succeed as an alternative tech hub we don't want to build just one vertical sector. The Midlands can be a great tech hub, because we are a melting pot, and we can take skills from one organisation and apply them elsewhere. It's taking 2 ideas and smashing them together, it's about cross-pollinating, so it's a horizontal movement that creates real innovation."

**Richard Marshall, CTO, Wealth Wizards**

"Everyone else wants to copy other cities and models,

but they are designed for other cities. We need to exploit our strengths and the opportunities in front of us: we can test scale. We can prove tech solutions work across a diverse cross-section of the population. We can seed companies with diverse tech talent to help grow and innovate. And have huge local public sector, health care, professional services, and transport - if you prove it here it can work anywhere. We have a real mix. We can prepare tech then scale out."

**Chris Meah, Founder, School of Code**

"The tech sector in the region today is so much better than 12-18 months ago. Birmingham Tech Week has shifted minds. It's less competitive, more collaborative and more friendly."

**Naomi Nash, Entrepreneur Engagement Manager, Tech Nation**

"We used to build everything ourselves but now it makes more sense to partner with specialist providers for specific services. APIs are making this easier and we're forming an ecosystem. Established brands are having to go through massive change programmes and it's very slow. We're finding they are more open to Cloud and DevOps."

**Steve Andrews, Head of Managed Services, Focus Solutions**

"Public-private partnership is vital for the growth of the finTech sector. Here at the West Midlands Growth Company, we have two dedicated tech sector leads with a remit to help new and expanding businesses in the region with practical support and key industry connections"

**Karolina Kuszowska, Business Development Manager, West Midlands Growth Company**

"Tech is now just another word for industry. FinTech in reality is just the financial sector today, and companies will use tech to either get ahead or they will be replaced."

**Chris Meah, Founder, School of Code**

# Strength of the FinTech startup/scaleup community

The region has a growing sector of FinTech startups and scaleups, comparable in size to other key UK regions



There is a significant opportunity in the region following the creation of The Engine Room, which has the potential to be largest FinTech hub space outside London

There has been increased stakeholder enthusiasm for FinTech as a potential growth area and for strategy to focus efforts

The group of FinTech startups and scaleups in the West Midlands is modest but growing. This research has identified 24 FinTech startups and scaleups in the West Midlands, a figure which increased during the course of the project. This number is comparable to Leeds City Region (24), a location often cited as a FinTech hub.

Nationally, there is evidence the region is participating in the FinTech sector. The West Midlands has had two participants in the five cohorts to date of the FCA Sandbox, which is comparable to regions such as Greater Manchester, Leeds City Region and Scotland. The South West has had more representatives (5) than any other region.

As part of the research process, Whitecap ran a calculation to assess what size sector might have been expected in the region, based on a combination of the size of the UK FinTech sector and the size of the financial sector in the West Midlands. The result was an estimate of 93 firms, and although the basis of this estimate is skewed by the dominance of London, it also indicates there is untapped potential in the region.

When exploring the reasons behind the development of the FinTech community of early stage businesses to date, the proximity to London was a common theme. HS2 will of course improve both travel time and capacity on this train route.

There are some geographical groupings in Birmingham (Obellix, Delta, EML, Colmore) and Leamington / Warwick (Wealth Wizards, Moneyinfo). The Birmingham cluster will be significantly accelerated by the launch of The Engine Room. This creates a collaborative environment for larger organisations such as Delta to develop products, for inward investment, and for startups and scaleups (such as Exate, Fregnan, and Vendex) to grow their operations.

The research identified a diverse range of FinTech firms in the region, including the following:

- **Moneyinfo** is a successful FinTech scaleup based in Henley In Arden, led by Mik Cons, a veteran of the financial services tech scene in the West Midlands. It has developed a white labelled wealth management app for consumers, which it sells to IFA firms. With 20 staff, no external funding, and operating profitably, it is an impressive case study of how a FinTech can be built via more traditional methods.
- **GFA Exchange** is a FinTech providing ML portfolio management support to lenders & investors, and it has been accepted into the new accelerator at The Engine Room.
- **Dashly** is a London based mortgage FinTech and has 23 employees based across London, Prague, and Solihull. The CEO of Paradigm Mortgage Services, based in Solihull, is an angel investor in Dashly along with various other angel investors from around the country (who were all brought together by the founder). Dashly will be creating roles in Solihull in the next 12 months. In December it appointed Mike Harris, the founder of First Direct and Egg, as its chairman.
- **Engage** is a startup that collaborates with SME banking institutions to focus on their customer journey, loyalty and advocacy using a blend of technology, automation, big data and human engagement.

Interviews with FinTech startups found a clear desire for these firms to engage with the established financial sector. Wesleyan's involvement in The Engine Room has been the most significant activity to date in terms of external engagement of large firms in relation to FinTech. The West Midlands would benefit from a more integrated approach, with more interaction between established organisations and early stage FinTech firms.



# Stakeholder quotes

"Speaking from personal experience alone, I do not feel that there is a massive FinTech community. That is not to suggest there aren't enough companies to create one, but it certainly doesn't openly exist from my experience. We need a clear community that encourages collaboration within the community, but also gives larger companies a place to locally pitch their requirements for smaller FinTech companies to fulfil."

**Michael Daniels, Head of Operations, Obillex**

"Growing organically can create a very successful business but doesn't create the headlines like some of the FinTech start-ups do. It's easy to be distracted by FinTech as there's so much money available. We are funded by more traditional means and run a tight ship looking to build up our recurring revenue."

**Mik Cons, Chief Executive, moneyinfo**

"FinTechs need mentors, but it's difficult to find the specialist support. It is easy to find an accountant but not a FinTech specialist. FinTech needs specific, technical support. Banks often view FinTechs as competition. Needs someone independent to help provide the privileged access to data etc."

**Omran al-Habbal, Co-Founder & Director, Birmingham Enterprise Community**

"The ecosystem exists, but it's the connections across the ecosystem that don't exist. We need to keep growing the ecosystem. I want competition, it makes us better, there may be synergies, and answers to problems."

**Eban Lovatt, CEO, Moneyshake**

"FinTech is being developed, but in isolated silos, with no critical mass. Plus, many companies may be located here but their new product / innovation teams are not in the city."

**David Hardman, Managing Director, Innovation Birmingham**

"Today London is the epicentre of the UK FinTech, scene centred around Silicon Roundabout. Due to pressure on talent, office space and new international firms moving into the Silicon Roundabout area, as well as firms growing up, we are seeing a trend of scale-ups moving out of London to centres up to 2hrs away. From what I am aware of I am not seeing the density of Fintech scale ups in the West Midlands to support an ecosystem. This may change over time as more large Financial Services players move into the Midlands but there's not a FinTech grouping here yet."

**Roland Emmans, UK Technology Sector Head, HSBC UK**

"On the one hand, there are the makings of an ecosystem that can be identified in the region, but not yet a connected ecosystem. On the other there are FinTechs who are doing great things."

**Joel Blake OBE, Founder & CEO GFA Exchange**

"As the largest business and financial hub outside of the capital—with financial enterprises, digital talent and innovative start-ups—it's no surprise that Birmingham's FinTech scene is on the rise."

**Ed Hobbs, Community Manager, WeWork Birmingham**

# Relationship between startup/scaleups & established Financial Sector

There is large untapped potential for established organisations to engage with FinTech startups and scaleups in the region



FinTechs are often diverted to London when approaching the financial services organisations with significant bases in the West Midlands, partly due to there are relatively few technical teams in the region

The Engine Room's proximity to Birmingham's Asset Management community is designed to increase interaction between investment managers and tech providers

**The potential for FinTech firms to engage with established financial services firms is one that has yet to be realised in the region, although there have been positive recent developments. Wesleyan's support of The Engine Room, which includes an accelerator from the Investment Association, is a significant development. Wesleyan has a history of building technology capability itself, however like many established financial organisations it is now increasingly looking to outsource and / or partner.**

The Engine Room will not just benefit Wesleyan though, and its presence increases the likelihood of interaction between Birmingham's wealth management community and the technology providers which can support its transformation. This was the concept behind the original Velocity accelerator in London. The eight companies that are initially based at The Engine Room are a mix of larger providers developing new concepts, early-stage businesses and inward investment scale ups.

Speaking at the time of the launch, Chris Cummings, Chief Executive of the Investment Association, said "Birmingham has one of the UK's largest tech clusters outside of London and a hub of professional and financial services, and through Velocity Birmingham investment managers can embrace the technologies of the future to the benefit of customers and the wider economy." The Velocity programme has since been rebranded as Engine.

Engagement between the established and early stage financial sectors has been limited to date, which may partly be the result of the absence of financial services in-house tech teams. The research interviews found the region needs better private sector influence and interaction. There was also a view that the region would benefit from more of a cluster for the broader digital tech sector, not just for FinTech.

There is evidence of established financial services firms in the region benefiting from FinTech partnerships, but less evidence of the FinTech firms being based in the region. For example, Police Credit Union has a partnership with Credit Kudos and the Open Banking integration this provides during the application process has enabled them to offer lending products to customers who they previously would not have considered lending to.

In the budget, this partnership was announced as the winner of the Nesta Affordable Credit Challenge, having been announced as one of six finalists in November.

LSL Group employs about 160-170 people in the region, around of 25 of which are in tech roles. It has invested in several early stage businesses including Yopa (an online estate agent), Property Master (a digital buy to let mortgage broker, based in Burton), Mortgage Gym (a digital mortgage broker, based in Surrey).

Although Zurich has no direct outreach in the Midlands, anyone throughout the organisation can reach out to external innovators. Being in the city and being near to Innovation hubs, and by making both types of organisation more proximate, the easier the interaction becomes.

NatWest and Barclays are running accelerators which operate across multiple sectors and overall the incubators in the region are broadly focused rather than providing a specialism in relation to FinTech firms, which can have very specific requirements in relation to regulation and compliance in particular.

Mortgage Brain is a long established FinTech firm with a Bromsgrove office, where the team includes front end developers, business analysts and a complex tech support function. The firm gets approached by smaller firms nationally who want to leverage its extensive distribution in the mortgage adviser market. At times it has acquired these firms and helped accelerate their growth. Recent acquisitions include Criteria Hub, a startup based in Ipswich, and it has made at least four other acquisitions, but none were based in the West Midlands.

# Stakeholder quotes

"One of the reasons we're based here is because we operate nationally. We have close relationships with financial services brands throughout the UK including those who are close to us."

**Mark Loffhouse, Chief Executive, Mortgage Brain**

"We have looked at the FinTech world and how it can help change mortgage distribution, and also make it less fragmented. FinTech approaches tend to come from outside the region, more from within the sector."

**David Copland, Executive Director, LSL Group**

"Rather than create something new (a FinTech network) can we join up what we've already got; build on the strengths of the region's Financial Services cluster with FinTech embedded in it."

**David Hardman, Managing Director, Innovation Birmingham**

"We've not been approached by any regionally based FinTechs, it's mainly London-based FinTechs who contact us and usually when they've done some work with another building society and want to expand in the sector."

**Jeremy Wood, Chief Executive, Dudley Building Society**

"We talk to other FinTechs if we need to integrate with them, not just because they are close to us geographically."

**Mik Cons, Chief Executive, moneyinfo**

"We are working very closely with one of the very large banks, and they are keen to work with us. Financial services companies are less keen to self build. Even institutions who had been slow are now going through a digital transformation."

**Richard Marshall, CTO, Wealth Wizards**

"Building a vertical community and building the tech community is something we would engage in. To date there have been different pockets of the ecosystem. Encouraging businesses to the region and seeing a forum being brought together would be attractive. Looking forward, from a networking angle, people could network more locally and use it to engage more locally, access prospective customers, tech providers and enablers."

**Gordon Wilson, CEO, Advanced**

"FinTechs never seem to get off the ground or are very slow. It is it's the lack of tech mentorship and giving back which holds back FinTechs. "There's a lack of visibly successful large businesses who are doing something to give back. We need more successes from businesses that want to re-engage."

**Naomi Nash, Entrepreneur Engagement Manager, Tech Nation**

"Good to get good relationships between smaller companies and larger companies. Collaboration means all are much stronger together. However normally best individually developed rather than through intervention."

**Helen Barge, Managing Director, Risk Evolves**

"We look locally at sourcing elements of our operation so there's no reason we would automatically go to London."

**David Stewart, Chief Operating Officer, Wesleyan**

"FinTech companies need to come together as a community and encourage collaboration and partnerships. An open platform that showcases the capabilities within the region would be highly beneficial, accompanied with active pursuit of larger financial and technology companies to use the local talent before offering their requirements elsewhere."

**Michael Daniels, Head of Operations, Obillex**

"Our esavings platform has FinTech characteristics and gives us a chance to build out our digital work. We're looking to build a more flexible IT capability that will be API friendly."

**Jeremy Wood, Chief Executive, Dudley Building Society**

"We are working with FinTechs today but none are from the West Midlands and would be open to more interaction if we could find FinTechs on our doorstep. We are keen to give access to our business, and proximity would enable us to mix our local teams with talent coming from the Fintechs. It's a shame that not more of what we procure and buy doesn't go into the local tech ecosystem. We have an innovation team here and every year we look at our R&D budgets and priorities. We'd like to get people in here to present and if we can tap into something local we could create real opportunities."

**Stephen Hunt, CEO, BNP Paribas Personal Finance**





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# Funding for FinTech

The region is well positioned to expand the levels of investment, within which the FinTech activity is currently limited



The funding landscape in the region can be difficult to navigate which may be suppressing investment levels

New initiatives are aiming to streamline processes and increase investment activity

**The size of the regional economy and its proximity to London means the West Midlands is well positioned to benefit not only from regional investment activity, but also from London-based investors. There is plenty of narrative to support the notion that London investors are keen to look elsewhere if there are the right opportunities. There is a sense that if there was a genuinely strong cluster then the region could build a reputation, which is attractive to investors.**

The findings of the research indicated that navigating the funding landscape is one of the key challenges facing entrepreneurs. This is consistent with the findings in other regions. There are initiatives in place to increase investment in the West Midlands, covering business support and angel investment and combining advisory capability with co-investment opportunities. This is providing early stage businesses access to all the support they need, which is envisaged to provide a spirit of co-operation in the Midlands.

The Birmingham Enterprise Community has recently launched a £1.5m Seed Enterprise Investment Scheme (SEIS) fund, designed to support innovative early stage businesses as part of their Forward Initiative.

Overall, 2.6% of the UK's angel investment takes place in the West Midlands compared to 56% in London, although all regions outside the Oxford – London – Cambridge arc were limited. Angel investment has a comparatively low profile in Birmingham, despite being well established in the wider region.

In terms of current FinTech investment activity in the region, the research found limited evidence and the interviews indicated the overall funding landscape is not yet fully formed and the region needs better deal flow to build local capital.

In June 2019, Sifted used Pitchbook data to rank non-capital cities across Europe by the number and value of angel, seed and early stage VC deals closed between 2013-18. Birmingham ranked 17th, a position which saw it behind other UK cities including Cambridge, Oxford, Manchester, Bristol, Glasgow, Belfast and Newcastle.

This is another illustration of significant opportunity for the West Midlands, as it has a more substantial asset base than most other UK regions upon which to develop investment and funding activity.

The availability of equity funding has improved with the creation of the Midlands Engine Investment Fund, although this has not been perceived to help expand the risk appetite in funding. One notable private equity deal in 2019 saw Solihull-based Phoebus Software taking on investment from North Edge to help exit its founding shareholders and prepare the business for future growth.

Looking beyond equity funding, over £45m of Innovate UK grant funding went to visible scaleups in 2018 (across all sectors). These grants were larger on average than in previous years, and by value, scaleups in the Midlands received a third of all grants awarded to scaleups<sup>9</sup>.

<sup>9</sup>The Scaleup Index 2019, Beauhurst & The Scale Up Institute

# Stakeholder quotes

*"Angel investors aren't showing the same appetite for investment in earlier riskier start-up tech, partly due to experience associated with the long gestation period which can amount to 10-14 years. Angels are still addressing the market failure zone funding i.e. companies with some but little revenue and below the threshold of interest to VCs. However, any angel group needs a balance of start-ups and scale-ups to ensure exits and thus sustainability which moves them also into the zone of VC interest."*

**Alex Toft, Head of Minerva Business Angles, Minerva**

*"If FinTechs are looking to raise money they naturally gravitate to London as Biotech do to Cambridge. A challenge for the Midlands (and to some extent the North) is the whole angel investing market remains underdeveloped compared to the South East. The further North you move the more property is seen as the investment vehicle of choice, not helped by the lack the diversity of funds managers and concentration enjoyed by the South East."*

**Alex Toft, Head of Minerva Business Angles, Minerva**

*"The universities are collaborating as exemplified by our growth across the university network and such initiatives as MICRA. There's a lot of buzz about tech in the health, AI, manufacturing and automotive sectors but less around Apps and FinTech. We don't see much FinTech locally and suspect the majority flows out to London. What we do lack however is a similar Fintech incubator infrastructure and ecosystem anywhere near to that of London?"*

**Alex Toft, Head of Minerva Business Angles, Minerva**

*"Government needs to put real money on the table and invest directly in startups, but be prepared to take controlling interests, with the founders earning their business back."*

**Gaynor Matthews, Co-Founder, myNexus**

*"To build up the talk and build the reputation, you would need the big hitters who've done well, or high performing VCs, to energise the community into believing this is actually possible. If I saw a thought leader it would attract a lot of attention. People who have been there and done it add more weight."*

**David Baker, Investment Associate, Mercia**

*"Everyone wants to be the new Silicon Valley, with loads of VCs and unicorns, but there's a reason we're not that. We're not as suited to grow VC backed, high valuation businesses from scratch. Our strategic advantage could be building more sustainable businesses, more pragmatic profit models, with a more cost-effective talent pool. We give companies the breathing room to explore and build something special."*

**Chris Meah, Founder, School of Code**







# Physical space / hubs

There are multiple co-working spaces and accelerators, which have the potential to become focal points for impact and collaboration



The Investment Association's recently opened space, The Engine Room, is the first specialist FinTech hub in the region, and there are numerous other spaces to support entrepreneurs

Most of the collaborative spaces are currently focused on startups rather than scaleups

**As has already been discussed in this report, the announcement of the creation of Europe's largest Asset Management hub at The Engine Room in Birmingham has been a significant and positive development for region's FinTech ecosystem. The hub itself spans 6000 ft<sup>2</sup>, contains 30 workstations, an auditorium, and will house 10-20 firms focused on the WealthTech side of FinTech.**

This could form a central location for cluster bodies, a venue for social and professional development events, a showcase for investor events and a high-profile marketing asset for the region. As is the case with other regions Whitecap has researched, there have previously been plans for FinTech hubs in the West Midlands which have not come to fruition, so The Engine Room is a notable development not just within the region, but nationally.

There are a number of other notable locations in the region, particularly in Birmingham itself, including those operated by Innovation Birmingham, WeWork, NatWest and Barclays.

Innovation Birmingham is part of Bruntwood and is part of a network of connected innovation campuses across UK to have to be involved in digital innovation, albeit the space is sector agnostic. It has incubated over 170 businesses. iCentrum is part of the Innovation Birmingham estate and has been private sector funded through corporate clients (including Barclays, Tata, Gymshark, NHS, and National Express). It is moving its business model from real estate to value added.

WeWork currently has two open buildings in Birmingham, located on Colmore Row and in Brindley Place. There are a number of co-working spaces available in Birmingham,

offering a range of environments and locations. Interviewees felt these spaces could be more powerful and influential if they were more joined up, not only regionally, but nationally with other spaces in the UK.

There is further opportunity for the incubators and accelerators to join up with initiatives such as the Birmingham Enterprise Community whose 'Forward' programme helps prepare very early stage businesses for more formal incubators.

A large proportion of the spaces in the region are operated by the corporate financial community to support early stage businesses. This is positive as it demonstrates the commitment of large organisations to support early stage businesses, some research interviews highlighted a concern that these organisations can lack true understanding of how to effectively support the non-financial requirements of the small business sector. There appears to be an opportunity for more follow-on space / scaleup space to be created in Birmingham. Moneyshake is an online car finance comparison service that was based in iCentrum as a startup but moved to Keele when it began to be more of a scaleup because of a lack of suitable space.

United Business Centres (UBC) offer short term leases where firms pay by the desk. Their Henley in Arden space is home to a FinTech scaleup (Moneyinfo) and also Mercia Asset Management has the most southern of its regional UK offices there.

Phoebus Software has created an Innovation Hub in a separate building in Solihull. It houses product owners and a product team, tackling specific challenges. It started as a team of six, isolated from the day to day business to focus on solving problems via technology. The team is now up to 20 people and will soon go live with its first product - a self-service proposition for the customers of its mortgage lender clients.



# Stakeholder quotes

*"Over the last decade at WeWork, we've recognised the need for scalable workspace, investment opportunities and a supportive network for our member companies to grow and thrive. In Birmingham, we've recognised demand for flexible workspace located in a business hub within the city. I'm excited to see WeWork play an important part in the success of Birmingham's growing FinTech scene."*

**Ed Hobbs, Community Manager, WeWork**

*"Wesleyan was looking to find appropriate partners for a space. Investment Association and Doctors Clinic were synergistic, and the IA hub is on point for the role we see ourselves playing in the local community."*

**David Stewart, Chief Operating Officer, Wesleyan**

*"Birmingham was an early innovator. We need to capture the challenge and spirit in the city and this FinTech hub can trigger it by providing a heart of technology innovation through co-working. It can be a catalyst for change."*

**Jack Knight, Deputy CEO, The Investment Association**

*"It is critical that the ecosystem is better connected. There are a number of incubators and initiatives doing good work in the region, but there isn't always a clear path from initial start-up to investment readiness. When I look at other incubators/accelerators in the UK or internationally, there tends to be a focus on a specialist area rather than general tech and they ensure that they have experts and thought leaders in residence to attract the best talent and companies. It takes time to build momentum, but as a region we need to ensure that we aren't left behind."*

**David Baker, Investment Associate, Mercia**

## The impact of incubators and accelerators

The value to startups of attending incubator and accelerator programmes is now better understood and recognised (across multiple tech sectors not just FinTech), but the challenges of operating FinTech programmes outside of London remain.

A BEIS survey of 428 startups<sup>10</sup> that have participated in an incubator or accelerator found that most considered the programme to have been significant or vital to their success. The startups perceived direct funding to be the most useful support they received as part of the programme. This was followed by access to office space, lab space and technical equipment.

The report also found the launch of an accelerator is associated with a significant increase in the number and value of investments made by VCs into non-accelerated seed and high-tech companies, relative to non-accelerated seed but non-high-tech firms. More than half of UK accelerators are based in London. The scarcity of specialist FinTech incubators and accelerators outside London is more acute and 85% of the accelerators attended by UK FinTech firms are in London.

The challenges of operating a FinTech accelerator outside of London are primarily linked to the supply of relevant firms. BEIS found that the average size of an accelerator cohort was 16 businesses and the average length of a programme was just over 6 months. Incubator programmes run for longer, usually two years. Given the relatively small number of early stage FinTech companies across the regional cities, it is understandable that most of the FinTech accelerators are based in London.

Whether a 'build it and they will come' approach to creating a regional FinTech accelerator would be successful is a source of regular debate in all the cities we have researched.

<sup>13</sup> The Impact of Business Accelerators and Incubators in the UK, BEIS Research Paper Number 2019/009

# Interaction and communication between key players

**FinTech has a growing profile in the region with an increasing amount of interest & interaction between stakeholders**

**There is an opportunity to form a cluster body in the West Midlands, to provide more structure and focus for the FinTech community**

**FinTech organisations are dependent on a close interaction with the financial sector and regulatory organisations. As has been highlighted in this report, the region's financial services sector is large and growing and the FinTech sector is gathering momentum. There is a desire to create more interaction between these groups and the wider FinTech support ecosystem which includes advisors, investors and other stakeholders, which opens up an opportunity for a FinTech cluster group within the region.**

To date, the sector within the region has been fragmented with a limited definition around its FinTech activity, which itself has seemingly been limited until recent months. However, there has been a swing in optimism and collaboration across the region, manifesting itself through initiatives such as Birmingham Tech Week and the recently formed Digital Cluster, which is led by KPMG's Tim Kay.

There is an opportunity for the private sector to take an ambassadorial role and for leadership to enable this, both within UK and internationally. The lack of brand profile and marketing relating to the tech sector is perhaps less about lack of desire, more about past investment decisions and strategies that have been put in place. Some existing bodies such as Silicon Canal and Birmingham Tech (emerging from Birmingham Tech Week) are showing some desire to engage with these issues.

There are some distinct areas within the region which have pockets of this activity but do not currently share a common identity. Typically, the people working in these businesses do not have a strong contact network across the region and are more focused on their own sector, often operating and networking nationally.

There are currently no FinTech-specific events or networking groups. In other regions these face-to-face collaboration opportunities appear to have had a very positive effect on bringing together and developing the FinTech community.

FinTech cluster bodies are established across various other regions of the UK. They act as a focal point for FinTechs within each region, and as an externally facing interest group to influence national policy, international awareness and attract inward investment. The West Midlands has

not previously had an equivalent body, which may have contributed to the muted FinTech performance to date.

There is limited data available about the effectiveness of the regional ecosystems which have been formed to date, but their role as a focal point and enabler of networking, interaction and communication within the respective regions is widely acknowledged. On a national level, the emergence of the FinTech National Network has also created more national visibility of the regional ecosystems.

A FinTech cluster body for the West Midlands would create a unified voice across a geographically diverse area. Meetings and events could migrate across the region and increase interaction between Birmingham, Solihull and Leamington / Warwick, to create a single, identifiable cluster (albeit with different activity 'hotspots', but which work collaboratively across the region).

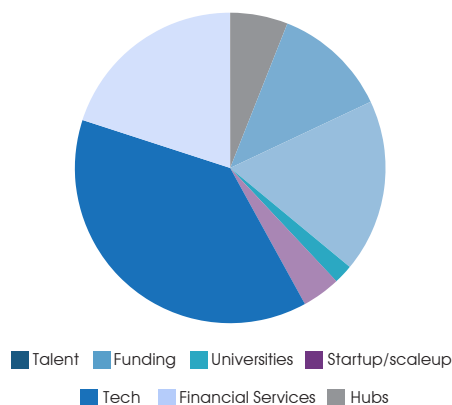
If a cluster body is created in the West Midlands, it could be branded to manage local sensitivities and strengthen perceptions of the region's image, as part of a broader marketing campaign. Non-geographic brands such as FinTech Engine (reflecting the Midlands Engine), FinTech Heart or equivalent, could distinguish the group on a national level.

**The role of a FinTech cluster body is not prescriptive would likely include:**

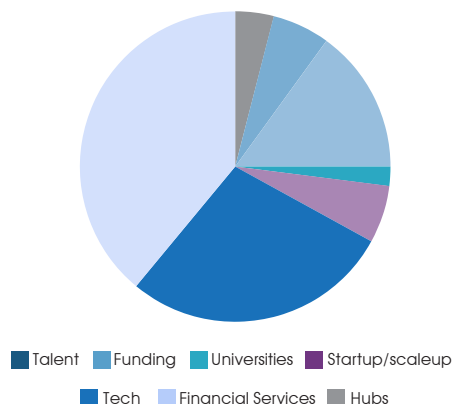
- Regular organisation of professional events and conferences.
- Encouraging social interaction amongst members.
- Portraying an external image and influencing local and national policy.
- Encouraging international interaction and building relationships with other FinTech clusters globally.

# Press and media

Topics covered as a proportion of FinTech news articles in the West Midlands region



Topics covered as a proportion of FinTech news articles in the United Kingdom 2017-2019



Throughout our research, we appraised the press and social media mentions relating to FinTech in the West Midlands, using data from Meltwater<sup>11</sup> to conduct this analysis.

## Press coverage

Since 2017 there have been over 1,600 press articles mentioning FinTech in association with the West Midlands, equivalent to 2% of the articles associated with the UK as a whole.

In terms of article themes, tech featured strongly in the articles identified. The proportion of articles mentioning financial services were considerably lower than other regions of the UK researched to date, and almost half the UK average.

## Social media

In other regions, a direct correlation was found between FinTech events and social media mentions, with peaks in mentions coinciding with the dates of the events. Whilst social media mentions are not a measure of economic success, it is helpful to understand what drives them.

In 2018 and 2019, the West Midlands had the fewest number of FinTech related social media posts of all the regions researched, which is reflective of the low amount of event, networking and marketing activity in relation to FinTech in the region.

This report has proposed a marketing campaign around FinTech in the region, which would help raise the profile of the sector and can feed more content into social media channels and other promotional activities.

<sup>11</sup>Figures available via Meltwater include Twitter and Facebook, but not LinkedIn.

# Stakeholder quotes

*"It's quite parochial, with lots of organisations and its very fragmented. With the Growth Company, the LEP, Chamber of Commerce etc it's quite a confused ecosystem and needs navigating around. We also need to link what is outside the core, businesses that are out there and unseen. We're part of the 4th largest bank in the world and we're not often seen as being here."*

**Stephen Hunt, CEO, BNP Paribas Personal Finance**

*"We'd like to be able to access an open environment to discuss topics like blockchain, P2P lending and other developments."*

**Neil Dyke, Chief Technology Officer, Phoebus Software**

*"Interaction tends to be infrequent and inconsistent between these key parties. Potentially I believe this is due to differing common goals and immediate priorities. Forums which allow these key players to openly communicate would encourage more interaction. Bodies such as the LEP will certainly help to achieve this. I believe a lot could be achieved with a more open, engaging engagement medium."*

**Michael Daniels, Head of Operations, Obillex**

*"In terms of the wider FinTech industry, we met Innovate Finance via a FinTech North conference in Manchester and we're now becoming a member. I came home from that FinTech North conference feeling a little sad that we don't have something like that here."*

**Steve Mazurek, IT & Innovation Manager, Police Credit Union**

*"With the growing presence of blue chip companies in the West Midlands, the opportunities for collaboration are clear. This will be heavily influenced by the FinTech community as a whole working with larger companies, but I do not see any reason that this cannot be achieved."*

**Michael Daniels, Head of Operations, Obillex**

*"We encourage our people to get involved in their local community in all our regions. are trying to be more visible and accessible. Being more visible and accessible is an important part of establishing a presence in the communities in which we operate. We've set aside budget to support these initiatives and this is already bearing fruit."*

**Stuart Bullock, Managing Director, BJSS**

*"5G is an important catalyst for growth in the tech sector. From start-ups to large corporates, the West Midlands' 5G network will create a new, unique market opportunity for tech businesses, leading to the innovation of new products and services here in the UK"*

**Karolina Kuszowska, Business Development Manager, West Midlands Growth Company**

*"There's an opportunity to create something. But how do we showcase what's going on and how do we position ourselves within global markets? We need a really clear narrative to support all our companies, rather than waiting for it to happen."*

**Joel Blake OBE, Founder & CEO, GFA Exchange**

*"There's no network, just pockets and communities. The big boys are coming in. They talk about support, mentors, workspaces, but nothing to help get going. It's money we need."*

**Gaynor Matthews, Co-Founder, myNexus**

*"Proximity to London is a mixed thing. Hiring is harder but cheaper. One of the frustrations is that all the conferences we want to go to are in London, which is not just time out of the office it's also expensive for travel costs."*

**Neil Dyke, Chief Technology Officer, Phoebus Software**







# The role of universities

The region's universities are a very strong asset with 164,000 students, with graduate retention within the region also growing

Universities are increasingly collaborating across the region



A number of the universities are actively engaged in planning and/or delivering FinTech initiatives and courses

**The West Midlands has one of largest clusters of major institutions in the UK, with 164,000 students, 80,000 of which are in Birmingham. Graduate retention across the West Midlands is now at 70% . Higher education institutions based in the region include University of Birmingham, Aston University, University of Warwick, Coventry University, University of Wolverhampton, Birmingham City University, University College Birmingham, and Newman University.**

Coventry University has currently the only formal FinTech qualification at MSc level, but three of the region's universities have been active in FinTech in recent months. The University of Birmingham's Department of Finance are developing a Sustainable Finance Innovation Centre and will hold their second annual conference on the Developments in Financial Technology. They are also developing plans for both MSc, and BSc qualifications in FinTech.

The University of Warwick has received one of its largest donations from an individual to establish a new Fintech research centre. The £3 million donation has been made by Clive Gillmore, founder and Group CEO of Mondrian Investment Partners and an alumnus of the University of Warwick. Mr Gillmore's donation will fund an academic director, a post-doctoral researcher and a PhD scholarship programme and be able to attract world-class talent from the UK and overseas to WBS. The Gillmore Centre for Financial Technology will be housed at Warwick Business School and will bring together the school's existing research in the area along with a host of new appointments.

Speaking at the time of the announcement, Clive Gillmore said

*"The interdisciplinary research environment at Warwick was a key motivator in my decision to establish the Centre. I think increasingly that problem-solving needs to be seen holistically, combining a multitude of skill sets. This new centre will endeavour to build bridges between academic departments, as well as encouraging specific, detailed world class research in Fintech."*

University College Birmingham (UCB) is opening a new Business School, with a fully operational Trading Floor and plans for vocational FinTech qualifications.

The West Midlands has a leading presence in the The Alan Turing Institute. The Turing is the national institute for data science and artificial intelligence, operating as an independent private entity on a not for profit basis. Its research is channelled around a number of ambitious challenges which represent areas in which AI and data science can have a game-changing impact for science, society, and the economy. It includes a finance and economics programme, funded by HSBC. West Midlands and Greater London are the only regions to have more than one representative amongst the 13 universities to be members of the Institute.

This research found examples of business engagement from organisations involved in FinTech. Mortgage Brain has a collaboration with Birmingham City University, going back over a decade. It takes in one or two students for their placement year and they often continue to work part time in their final year, with approximately 50% then accepting a job with Mortgage Brain.

Coventry and Aston universities are both involved in the Institute of Coding, a consortium of universities and employers with a mission to develop the next generation of digital talent at degree level and above. One tech firm interviewed was currently working with Aston in relation to a government scheme whereby the university conducts research for the company on the basis that they also provide a certain number of hours of consulting time free of charge.

<sup>12</sup> Higher Education Leavers Statistics: UK, 2016/17 (hesa.ac.uk)

# Stakeholder quotes



*"Research breeds innovation. If the universities continue to research further, then that can only be a positive move."*

**Michael Daniels, Head of Operations, Obillex**

*"The talent problem is not solved by the universities. They are good for large corporates with grad schemes for extra training over 2 years. Other companies need talent who can deliver value and get up to speed very quickly. There is a massive disconnect between what industry needs and the universities provide. This problem is particularly acute in the fast moving world of tech skills."*

**Chris Meah, Founder, School of Code**

*"A better cluster will create more opportunities and less movement to London. Better ties with universities could keep more graduates."*

**Helen Barge, Managing Director, Risk Evolves**

*"Universities are flooding the space with too many entrepreneurs and ideas, leaving very little space for identifying the good ideas. There are too many unprepared graduates who could lose their creativity, passion and drive."*

**Gaynor Matthews, Co-Founder, myNexus**

# Participating organisations

Advanced

Agora

Alpha Works

Aston University

Barclays

Birmingham City University

Birmingham Enterprise Community

Birmingham Tech Week

BJSS

BMET

BNP Paribas

BPS / GBSLEP

Break for Growth

Capita

Citi Redi / WMCA

Colmore

CoreLogic UK

Curium

Deloitte

Delta Financial Services

Digital Innov8ors

Dudley Building Society

Economist

Engage

Financial Conduct Authority

FinTech North

FinTech West

Focus Solutions

GBSLEP

GFA

HM Treasury

HSBC UK

Innovate Finance

Investment Association (Engine Room)

Innovation Alliance

Innovation Birmingham

KPMG

LSL Group

Mercia

Midven

Minerva

Moneyinfo

Moneyshake

Mortgage Brain

myNexus

Obilex

Paradigm

Phoebus

Police Mutual

PwC

RBS / NatWest

Risk Evolves

School of Code

Silicon Canal

Tech Nation

University College Birmingham

University of Birmingham

Warwick Business School

University of Warwick

WealthWizards

Wesleyan

WeWork

WMGC

Zurich



# Whitecap Consulting



*Photo credit: eternal child / Alamy Stock Photo*

## Whitecap Consulting

**Established in 2012, Whitecap Consulting is a regional strategy consultancy headquartered in Leeds, with offices in Manchester, Milton Keynes, Bristol, Newcastle and Birmingham.**

Whitecap typically works with boards, executives and investors of predominantly mid-sized organisations with a turnover of c£10m-£300m, helping clients analyse, develop and implement growth strategies.

The firm works with clients across a range of sectors including Financial Services, Technology, Outsourcing, Consumer and Retail, Property, Healthcare, Higher Education, Manufacturing and Professional Services, including Corporate Finance and PE.

Over recent years, Whitecap has become increasingly recognised as a specialist in the FinTech market with a range of public and private sector assignments including organising FinTech trade missions for The Department for International Trade into the Northern Powerhouse, working closely with the inward development agencies.

Whitecap has also been involved in the creation of two regional FinTech ecosystem bodies, FinTech North and FinTech West, both of which continues to help operate, representing the North and South West of England respectively. These entities are part of the FinTech National Network, which is led by Innovate Finance.



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The information contained in this report is of a general nature in relation to the FinTech sector in the West Midlands Region and is not intended to address the circumstances of any particular individual or entity. Appropriate professional advice should be sought before taking action relating to the contents of the report. Whitecap Consulting has endeavoured to provide accurate and timely information but cannot guarantee the accuracy of such information at the date of publishing or in future.