



London, Paris, Leeds... The Boyd Company reports on where the banks of the future may operate.

Posted on 18th November 2019 by Chloe Pryce

The Boyd Company, a New Jersey-based independent location counsel to corporations including Dell and GlaxoSmithKline recently released a report comparing the cost of operating a banking & financial services back office in London compared with nineteen other banking hubs across the UK, Europe and North America, including Leeds. Considering Brexit, variations in regulatory and compliance expenses across countries and the upstart of fintech players, banks are more than ever looking to AI and considering the bottom line when looking at locations for operations. So, which spot fares best and where does Leeds sit in the ranks?



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Whilst London and New York remain the two global capitals in the banking & financial services industry, migration towards up-and-coming FS hubs is increasingly popular. This is unsurprising considering the huge diversity in operation costs between hubs.

Between the most expensive city to operate a back office (San Francisco), and the least expensive (Warsaw, Poland), there is a huge \$8.9 million per year difference in operating costs. The operating costs can vary even between some of the main hubs with London \$2.4 million cheaper than San Francisco and 15.1% less expensive than New York.

Outside of the main hubs, popular spots include Paris, Frankfurt, Amsterdam and Montreal.

What it Costs to Operate a Financial Services Back Office in Leeds: The Highs and Lows (1)							
				<i>Highest Cost</i>	<i>Lowest Cost</i>	<i>Highest Cost</i>	<i>Lowest Cost</i>
				<i>North America City</i>	<i>North America City</i>	<i>European City</i>	<i>European City</i>
	London	Paris	Leeds	San Francisco	Montreal	Geneva	Warsaw
	UK	FR	UK	CA	QC	CH	PL
Labor Costs							
Weighted Average Annual Earnings	\$42,039	\$31,557	\$39,203	\$58,930	\$34,649	\$38,841	\$12,986
Annual Base Payroll Costs	\$5,254,830	\$3,944,629	\$4,900,338	\$7,366,250	\$4,331,154	\$4,855,100	\$1,623,273
Fringe Benefits	\$2,101,932	\$2,603,455	\$1,960,135	\$2,799,175	\$1,169,412	\$2,233,346	\$844,102
Total Annual Labor Costs	\$7,356,762	\$6,548,084	\$6,860,473	\$10,165,425	\$5,500,566	\$7,088,446	\$2,467,375
Electric Power Costs	\$123,192	\$93,006	\$123,192	\$154,440	\$59,494	\$105,638	\$83,198
Office Rent Costs	\$2,203,078	\$1,510,579	\$740,681	\$1,459,800	\$737,154	\$2,111,060	\$687,053
Amortization and Sales Tax Costs	\$1,500,063	\$1,510,314	\$1,500,063	\$1,727,750	\$1,636,619	\$1,598,366	\$1,456,984
Corporate Travel Costs	\$108,316	\$91,826	\$70,324	\$140,585	\$58,920	\$106,906	\$43,810
Total Annual Geographically-Variable Operating Costs	\$11,291,411	\$9,753,809	\$9,294,733	\$13,648,000	\$7,992,753	\$11,010,416	\$4,738,420

NOTES:
(1) Total annual operating costs are scaled to a hypothetical 30,000 sq. ft. (2,787 sq. m) financial services back office employing 125 workers. The analysis includes all major geographically- variable cost factors critical to the site selection process, including labor, office rents, power, taxes and others. All costs are in U.S. dollars.

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Where does Leeds sit? Leeds sits in a fairly sweet spot in the ranks. Most major banks already have a strong presence in Leeds and Santander and Barclays are closely connected with the University of Leeds. It would cost a bank around \$2m less per year to operate in Leeds compared with London. Whilst annual base payroll costs are high in Leeds compared to say, Paris, the cost of renting an office in Leeds and the cost of corporate travel are significantly smaller than in London and Paris making overall operating costs much cheaper.

Further, Leeds has a prominent AI academic programme. Courses at the University of Leeds such as cognitive robotics, coding, computer programming and the creation of mobile apps has lead to a large pool of AI talent in Leeds. This will increase the attractiveness of operating a bank in Leeds. Not only is a move from London to Leeds more attractive for businesses, talented workers may also be drawn north due to significantly lower costs of living in terms of for example, property prices as well as less congestion, pollution yet still well-connected and urban.

Back Office Location	Total Annual Operating Costs	Prominent AI Academic Program
San Francisco, CA	\$13,648,000	Stanford University
New York, NY	\$13,306,052	Columbia University
Boston, MA	\$12,333,832	MIT
Los Angeles, CA	\$12,000,968	University of California-Los Angeles
Chicago, IL	\$11,786,333	University of Chicago
London, UK	\$11,291,411	London School of Economics
Geneva, CH	\$11,010,416	University of Geneva
Jacksonville, FL	\$10,131,242	University of North Florida
Milan, IT	\$9,900,735	Politecnico di Milano
Paris, FR	\$9,753,809	Université Paris-Saclay
Leeds, UK	\$9,294,733	University of Leeds
Brussels, BE	\$8,877,640	Vrije Universiteit Brussel (VUB)
Frankfurt, DE	\$8,867,987	Goethe University Frankfurt
Amsterdam, NL	\$8,675,921	University of Amsterdam
Toronto, ON	\$8,606,484	University of Toronto
Vancouver, BC	\$8,423,702	The University of British Columbia
Dublin, IE	\$8,024,087	Trinity College
Montreal, QC	\$7,992,753	University of Montreal
Madrid, ES	\$7,257,361	Polytechnic University of Madrid
Warsaw, PL	\$4,738,420	University of Warsaw

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Find the full report here.

Image: [MarketWatch]

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