



Skills Investment Plan

For Scotland's financial services sector

2nd edition

Skills
Development
Scotland

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Foreword and introduction



Jim Lindsay, Financial Services Advisory Board (FiSAB) member and Skills Group Chair

Scotland's reputation for financial services stretches back hundreds of years and is one of which we can justifiably feel proud.

Our sector enjoys a global reputation for excellence, is a key driver of the nation's economy and in Edinburgh we have the UK's largest financial services centre outside of London. Indeed, the 2,700 financial services businesses based in Scotland contribute £8.9 billion annually to the nation's economy, employing 86,000 people. Productivity is more than twice that of figures for Scotland's economy as a whole, with each person in the sector contributing an average of more than £100,000 per annum.

It is through the talent, hard work and innovation of those people that such a record has been achieved. Scotland enjoys this strong reputation for its financial services thanks to the deep well of skills and experience that lie at its core. Maintaining that hard-won global reputation demands a continuing flow of new talent and for those already in the sector to have every opportunity to flourish and make the very best of their careers.

This was the aim of the first Skills Investment Plan for Scotland's financial services sector launched in late 2013, and a great deal has been achieved since that time.

Industry take-up of Modern Apprenticeships has increased year-on-year and the sector has been promoted to young people through projects such as the Investment Challenge. Initiatives such as the Certificate of Work Readiness are ensuring new entrants are more prepared for the world of work, and the establishment of the FiSAB Skills Group is contributing towards making the skills system more responsive to industry's needs.

However, there is recognition that a great deal of work remains to be done if we are to build on what has already been achieved, and this is why the refreshed Skills Investment Plan (SIP) is a key document for the future of the sector.

Driven by industry itself, this refreshed SIP has been developed through consultation with a wide range of people with an interest in the sector's continued prosperity. This ranges from employers to industry bodies such as Scottish Financial Enterprise, to educational bodies and a number of other public sector agencies.

Through this consultation, a picture has emerged of how the sector looks today, its current skills issues and the pattern of skills provision. Actions to address current skills issues are grouped under four themes: talent attraction, work readiness, developing key skills and improving engagement. Industry told us that these themes, expressed in the original SIP, are still relevant for organising updated activity.

In talent attraction, there will be a focus on digital channels to promote the sector, improved information on career pathways, industry support for educational initiatives and targeting a broader pool of talent and career influencers.

To improve work readiness, Foundation Apprenticeships will be expanded, employability initiatives will be further developed and opportunities for work experience and internships will be increased.

To develop key skills, a regular skills survey will be undertaken, higher level and Graduate Level Apprenticeships will be expanded, and crucially, activity to address the requirements for ICT and digital skills will be upscaled in alignment with the ICT and digital technologies Skills Investment Plan and the emerging Fintech strategy.

Finally, engagement with industry will improve. A new governance model for delivering the SIP will be established and the web service for employers, ourskillsforce.co.uk, will be developed as a channel for engagement. Activities will be delivered through regional structures and a communications plan for the SIP will be implemented.

In many respects, this final theme cuts across the other themes, reflecting the fact that the level of industry engagement will determine to a large extent how successfully the SIP delivers on its aims.

Foreword and introduction continued

There is an understandable tendency amongst many employers across all sectors to cite the uncertainty of the economic environment in which they operate as a limiting factor in future skills planning. The outcome of the referendum on UK membership of the European Union makes it more difficult for employers to be confident when plotting out their future skills requirements.

However, it can surely be argued that employers are in a stronger position in this respect now than they were when the first edition of the SIP was launched in 2013, when the destabilising effect of the financial crisis was uppermost in all of our minds. As the impact of the EU referendum on the industry's skills requirements becomes clearer, the SIP will provide a flexible process of engagement to respond.

Employers have clearly communicated fundamental requirements around establishing a quality talent pipeline reaching back into schools, building a diverse workforce and addressing immediate and future needs for ICT and digital skills both in their traditional applications and the rapidly developing area of Fintech.

The challenge now is for the industry and the skills system to maintain a high quality engagement in planning and delivering actions to address these needs. This SIP provides a framework which, with the collaboration of employers of all sizes and key industry partners, can contribute to ensuring Scotland's financial services sector remains a major driver of the nation's economy in the years to come.



1

Purpose and process

Skills Development Scotland (SDS) published the first financial services Skills Investment Plan (SIP) in November 2013.

The purpose of the SIP was to:

- clarify the scale and nature of the skills issues facing the sector
- focus the response from employers and the skills system
- provide a framework for private and public sector investment to develop skills provision to meet industry needs
- stimulate and support industry ownership of its future success through commitment to and investment in skills.

The Skills Investment Plan set out a strategy and actions to attract and develop talented individuals who could effectively utilise and deploy their skills in the financial services sector.

The plan aimed to foster new engagement between the industry, education providers and funders to jointly rise to this skills challenge.

Reviewing and refreshing the SIP

SDS embarked on a review and refresh of the financial services SIP in early 2016 with extensive industry and partner engagement.

Refreshing the SIP involved gathering and analysing a range of primary and secondary data.

Data was tested and validated with a significant grouping of industry employers, agencies, sector skills councils, trade associations, tertiary education and public bodies with a deep interest in the skills and development issues impacting on the sector.

The aim of the refreshed SIP is to:

- reflect changes in the economy
- highlight skills system or policy changes
- identify progress against actions
- assess any change in priorities/ actions required
- outline changes in industry demand for skills
- set a clear direction in the form of a refreshed action plan and performance framework.

The process also included an additional stage of reviewing progress with implementation against the original action plan.

Key stages were:

- reviewing and updating data from the financial services sector, wider economy, and labour market supply and demand
- consultation with employers and partners including the Financial Services Advisory Board Skills Group, industry bodies and other partners, through surveys, workshops and interviews
- action planning sessions with national organisations such as Scottish Funding Council and sector specific partners, noted above
- consultation around the SDS service offer requirements for financial services and future planning sessions.

The refresh is an important step in assessing the extent of collaboration between industry and public sector partners, to ensure that economic and employment opportunities across the sector can be realised.

2

Sector characteristics

Key points

- Scotland is recognised as the most important UK financial centre outside London and the South East
- the financial services sector is important to the Scottish economy, contributing £8.9bn in 2014
- it employs 86,600 people and employment in the industry is on a steady upwards trend
- productivity is more than double the average level for all industries
- it is a high paying industry with the average salary for full-time workers – £588 per week in 2014, 13% higher than for all industries
- the asset management/ investment operations sub-sector stands out in terms of employment gains while the banking sub-sector continues to account for over half of all jobs.

Sector definition

The skills investment plan focuses on the five main sub sectors¹ in financial services defined as follows:

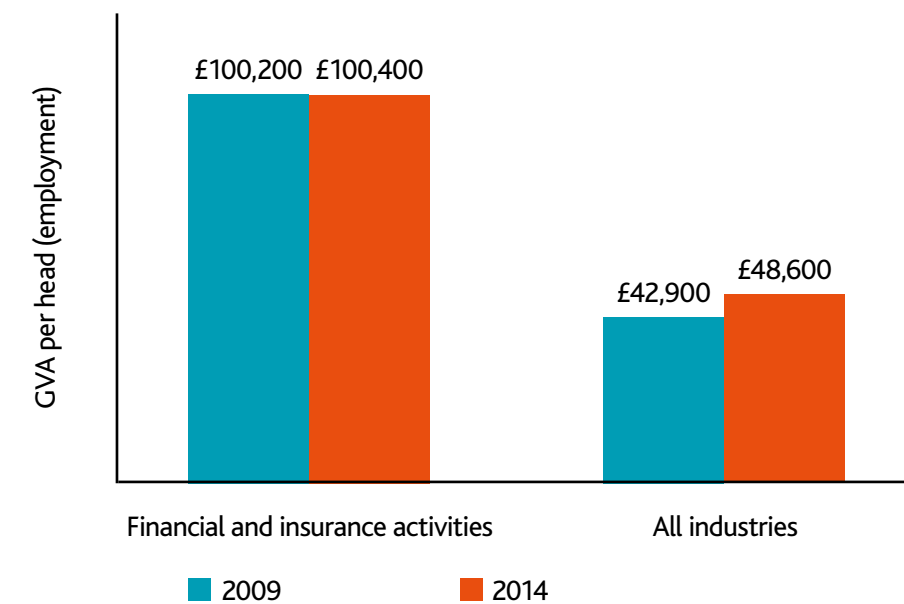
- **banking** – including the activities of banks, building societies, credit granting activity by non-financial organisations and mortgage finance
- **asset management** – including activities of fund managers, investment companies and trusts, venture capitalists, security dealing and commodity contracts brokerage and administration of financial markets
- **general insurance** – provision of insurance services other than life insurance
- **life and pensions** – this encompasses underwriting annuities and insurance policies, employee benefit plans, pension funds and plans, and retirement plans
- **intermediation** – risk damage and evaluation, activities of insurance brokers and advisors, and actuarial services.

Size and economic contribution

The financial services sector is a strong driver of growth in the Scottish economy. In the ten years to 2007 output from the sector more than doubled. Although there was a sharp fall in output following the global financial crisis in 2008, the latest available data shows a return to growth between 2011 and 2014. The sector's contribution to Scotland's economic output was £8.9bn in 2014, 7% of the total for all industries. Productivity in the sector, measured by GVA per head, amounted to just over £100K, more than double the average of £49K for all sectors combined, although growth in productivity between 2009 and 2014 was considerably slower than for all sectors.

The financial services sector makes a major contribution to Scotland's trade. In 2013 the total value of exports from financial services in Scotland was £9.1bn, accounting for 12% of all Scottish exports in that year. The rest of the UK is by far Scotland's largest export market for financial services, accounting for 86% in 2013.

Fig 2.1: GVA per head (employment) in Scotland, 2009 & 2014



Source: ONS Regional Accounts; Business Register and Employment Survey
Based on GVA at current basic prices. Denominator is total employment.

¹ Sub-sectors are defined using SIC (2007) codes as follows: Banking: 64.1, 64.91, 64.92, 64.992; Life & Pensions: 65.11, 65.201, 65.3; General Insurances: 65.12, 65.202; Asset Management: 64.3, 64.991, 64.999, 66.1, 66.3; Intermediation: 66.266.1, 66.3; Intermediation: 66.2

2 Sector characteristics continued

Business base

In 2015 there were 2,700 registered businesses in the financial services sector in Scotland, up from 2,100 in 2010. Virtually the whole of this increase was accounted for by micro-businesses with 0-9 employees. This is perhaps unsurprising given the major restructuring undertaken within the sector during this period.

The vast majority of financial services companies are located in the central belt although there are important centres elsewhere including Perth, Stirling, Dundee and Aberdeen. Regional GVA figures from 2014 show Edinburgh accounted for 48% and Glasgow 28% of total GVA generated by financial services. Analysis by local authority for 2015 reveals 700 businesses and 36,700 jobs in Edinburgh; 375 businesses and 23,400 jobs in Glasgow.

Employment in financial services

Employment in financial services is on an upward trend. The Skills Investment Plan, published in November 2013, quoted a 2011 figure of 84,700 people employed in financial services in Scotland. In 2014 the total had risen to 86,600, representing a 3% share of all jobs in Scotland. Unsurprisingly, all subsectors are still below their employment totals around the time of the financial crisis with the notable exception of asset management.

In 2014, 86% of the workforce was employed by 20 large companies and in the same year full-time workers in the financial services sector in Scotland earned an average of £588 per week in 2014 – 13% higher than the average of £519 for all sectors.

Table 1: Changes in FS business base in Scotland 2010-2015

Size of business	2010	2015	Change 2010-15	
			No	%
Micro (0-9)	1,905	2,500	595	31%
Small (10-49)	140	150	10	7%
Medium-sized (50-249)	30	25	-5	-17%
Large (250+)	20	20	0	0%
TOTAL	2,095	2,695	600	29%

Source: UK Business Counts – Enterprises

Table 2: Employment 2009-2014

Size of business	2009	2014	Change 2009-14	
			No	%
Banking	50,200	46,600	-3,600	-7%
Asset management	13,300	16,900	3,600	27%
Intermediation	14,800	12,500	-2,300	-16%
Life and pensions	12,400	8,200	-4,200	-34%
General insurances	3,400	2,200	-1,200	-35%
Other	200	0	-200	-100%
TOTAL – financial and insurance activities	94,200	86,600	-7,600	-8%
TOTAL – all industries	2,523,100	2,540,200	17,100	1%

Source: Business Register and Employment Survey

All figures have been rounded to the nearest 100, percentages have been calculated on the unrounded figures.

Case Study: The Skills Action Plan for General Insurance

The demand from employers in the General Insurance sub-sector to meet their current and future skills needs has led to the development of a new Skills Action Plan.

Providing a strategic summary of skills issues facing the sub-sector, the Skills Action Plan for General Insurance proposes actions for inclusion in Scotland's refreshed Financial Services Skills investment Plan (SIP).

The development of the Skills Action Plan forms part of strategic work led by Ian Ferguson, Property Claims Director at Aviva and FISAB member, which aims to position Scotland as a centre of excellence for the General Insurance (GI) industry.

The work is being guided by a steering group comprising GI companies, industry bodies and its professional institute. The group is working with a number of strategic partners including Scottish Financial Enterprise, Scottish Enterprise and Skills Development Scotland (SDS).

The steering group held a facilitated workshop with a wider group of stakeholders to discuss perspectives on current skills issues and land on actions. Building on the output of the workshop, SDS worked with the Chartered Institute of Insurance (CII) to produce a skills demand statement and an action plan designed explicitly to align with the refreshed SIP.

The plan features a number of key skills actions such as:

- quantifying demand and areas of skills shortage
- targeting promotional activity to interest and attract talent
- building industry engagement with education around "Discover Risk", a CII interactive tool
- development of apprenticeships and work-based learning pathways.

Ian Ferguson said: "Our vision is for the industry and the Scottish Government to work together to make Scotland the best place in the world to buy insurance.

"A high quality talent pipeline is critical and we are delighted to channel the industry guidance and input required to work with colleagues in the skills development agencies to help make that vision a reality."

CII Chief Executive Sian Fisher added: "This is a great industry-led initiative with a specific Scottish focus which we at the CII are delighted to support to ensure the general insurance sector in Scotland has access to the skills and career development pathways it requires to deliver on its vision."



3

Progress since the 2013 skills investment plan

Key points

- an industry/education skills action plan is in place in Glasgow
- successful expansion of work experience, internships and launch of Foundation Apprenticeship programmes
- development of new higher level Professional Services Apprenticeships and higher level frameworks in Insurance and Banking
- National Skills Group and Financial and Business Services skills group in Glasgow established to successfully drive forward key activities in the SIP
- General Insurance sub-sector worked with Chartered Insurance Institute, Scottish Financial Enterprise and SDS to develop a demand statement and action plan for inclusion in 2016 SIP.

The first financial services SIP identified four key themes for skills development for financial services:

- improving the attractiveness of the sector to new and experienced talent
- improving work readiness
- developing and retaining key skills
- developing a more responsive skills system.

Table 3 gives some examples of activities undertaken since the publication of the SIP in November 2013. The following text gives further detail of progress in relation to planned actions as well as a note of implications for future actions against the themes. This section also summarises the key messages from the consultation relating to future activity focus.

Table 3: Progress since the launch of the 2013 SIP

Improving sector attractiveness	Improving work readiness	Developing and retaining key skills	Developing a more responsive skills system
My World of Work's financial services industry page was redesigned with improved functionality related to Careers Information and Guidance (CIAG) and key Labour Market Information (LMI) and role profiles	Promotion of internship and work experience opportunities established in Glasgow via International Financial Services District website in partnership with Glasgow Economic Leadership Financial and Business Services work stream	Industry take-up of Modern Apprenticeships increased year on year, with a shift towards Level 3 and greater representation from 16-24 age group	Skills Group established and Glasgow Economic Leadership Financial and Business Services work stream established a skills group to drive forward skills actions in alignment with the SIP in Glasgow
Investment Challenge, co-sponsored by SDS and BNP Paribas, has grown year on year and has been delivered to senior phase school pupils	Foundation Apprenticeships - pathfinders established in Glasgow and Edinburgh and delivered in 2015/16 with leadership from GEL FBS work stream	New higher level apprenticeship in Professional Services developed, as well as higher level frameworks developed in insurance and banking	General Insurance sub-sector worked with Chartered Insurance Institute, Scottish Financial Enterprise and SDS to develop a demand statement and action plan for 2016 SIP
Engagement opportunities and case studies for financial services promoted on Our Skillsforce through the development of an Inspiration Hub	Certificate of Work Readiness programme successfully delivered in partnership with Lloyds Banking Group	Strong support for Scottish Apprenticeship week from industry, with daily events held in Glasgow for individuals and employers, along with events in Edinburgh and Stirling	In partnership with ICT/Digital sector, development of industry specific information zones on Our Skillsforce
Industry/education action plan developed by Glasgow Economic Leadership Financial and Business Services work stream, including "industry tours" for pupils and CPD for teachers	Continued strong support from industry for the Career Ready programme in schools	Links made with ICT/Digital SIP delivery – MA in Information Security developed and industry support for Digital World campaign and CodeClan delivery	E-newsletter for financial services highlighting key skills activity developed and distributed by SDS on a six monthly basis

3

Progress since the 2013 skills investment plan continued

Improving the attractiveness of the sector to new and experienced talent

The key areas for action under this theme were in relation to online provision of career opportunities. There was a focus on SDS' My World of Work, industry/education engagement, information on sector trends and opportunities and targeted marketing. There were ten specific actions all of which were fully or partly achieved. Table 3 highlights key examples of achieved actions supporting this theme.

There was a broad ambition to map and communicate opportunities for the sector to engage with schools which was supported by Our Skillsforce, the SDS web service for employers, with a focus on key industry initiatives and inspirational case studies. The challenge presented by the sheer quantity and diversity of provision required a wider collaborative solution. A local focus for this work is now emerging through the establishment of the Developing the Young Workforce groups and a key element in this SIP is further development and communication of opportunities for engagement at a local level to complement national initiatives.

The action to provide information on sector trends and opportunities and targeted marketing was delivered through a range of channels including digital (My World of Work), Careers Information, Advice and Guidance materials for use by career coaches and other colleagues working with young people, and CPD sessions for teachers. This refreshed SIP contains actions which will develop these approaches in partnership with industry, focusing for example on the expanding requirement for digital skills and supporting the aim of increasing diversity at entry level.

Improving work readiness

Under this theme there were two action areas: developing employability competencies for the financial services sector and work experience/internships. Table 3 highlights examples of achieved actions supporting this theme.

A collaborative approach on internships was taken forward by the Glasgow Economic Leadership Financial & Business Services (GEL FBS) Work Stream, through a partnership with the International Financial Services District website and the universities. The GEL group also led the employer voice in the development of the Foundation Apprenticeship for Financial Services in which structured work experience is a key component.

An innovative approach creating a pathway into employment and apprenticeships using the Certificate of Work Readiness was developed by Lloyds Banking Group and LearnDirect with the support of SDS.

Two working groups of employers and stakeholders focused on the detail of employability competencies required of graduate entrants to financial services. It was concluded that the attributes sought were cross sectoral in nature and the industry should therefore support existing activity delivered by higher education. The output was fed into a generic approach on employability developed by Universities Scotland and set out in their report "Taking Pride in The Job."

Building on the success of the initiatives above, the future focus for addressing work readiness issues in this SIP will further develop plans for structured work experience, Foundation Apprenticeships and internships.

Developing and retaining key skills

Three action areas formed this theme: Modern Apprenticeships, provision mapping and design, and articulating future requirements. Table 3 highlights examples of achieved actions supporting this theme.

Over the course of three years there was a 57% increase in the total number of MA starts with financial services companies (776 increasing to 1,217). During the same period there were more starts proportionally at Level 3 and in the 16-24 age group. New higher level frameworks at Level 4 were developed in Professional Services, Banking and Insurance. From only 18 ICT starts in the industry in 2012/13 the number had expanded to 114 by 2015/16.

Through the GEL FBS work stream a higher education forum was established to add value to established links between HE provision and Glasgow's financial services community. The intention, through this refreshed SIP, is to examine ways of achieving a similar collaboration in other geographies, notably Edinburgh.

The action to complete a future skills survey was not taken forward due to the continuing level of uncertainty around future skills and labour requirements, as restructuring following the financial crisis continued to unfold. Industry feedback through the consultation however, suggested the timing is now more appropriate and stakeholders were strongly of the opinion that a statement of future skills requirements was an essential requirement. The refreshed SIP calls for scoping of a skills survey in relation to the industry's broad skills requirement and for areas of skill shortage, in particular ICT/digital skills.

3

Progress since the 2013 skills investment plan continued

Developing a more responsive skills system

There were three actions under this theme. The first was to establish a skills group chaired by a FiSAB member, the second was to develop a sector presence on Our Skillsforce and the third was to develop a communications map for stakeholders. Table 3 highlights examples of achieved actions supporting this theme.

The first two actions were both achieved as noted in Table 3. Indeed, engagement developed well beyond the national group with the establishment of an exemplary local financial and business services skills partnership in Glasgow as part of the Glasgow Economic Leadership. More recently, the development of a specific General Insurance skills action plan has been embedded within this SIP. This approach, focusing on local engagement channels and supplementing the broad action plan with sub sector specific actions, will be developed further in the refreshed SIP.

In addition to Our Skillsforce, a further web service from SDS, apprenticeships.scot, was developed providing individuals and employers with a wealth of information about apprenticeships and a channel for apprenticeship recruitment.

The third action was given a lower priority as this was considered more of a cross-sectoral issue. Action centred on communications with the industry through a planned schedule of regular electronic newsletters and event-focused communications. This will be further developed with partners through the refreshed SIP action plan.

Employer consultation and review

As part of the review and refresh of the SIP, members of the Financial Services Skills Group and other key stakeholders were consulted. The consultation comprised of one-to-one discussions and workshop sessions involving representatives of 40 organisations covering all five sub-sectors (Appendix1):

- banking
- life & pensions
- general insurance
- investment
- financial intermediation.

Consultees were asked to identify what progress has been made against each strategic skills priority. Overall, they felt that progress had been made against all four themes but that continued action was required.

The key messages from consultees on progress to date and looking ahead to a refresh were that:

- there was agreement that the broad themes are still relevant as a framework for action
- the SIP is a work in progress, targeting both short and long term change which needs to be updated to reflect a changing context and business drivers
- it is crucial that a process, such as a regular survey, is established with industry to enable it to articulate and update its skills requirements

- the broad issues of perceptions, awareness and work readiness continue to be important and should inform actions on talent attraction
- technology and innovation, regulation and business performance are important business drivers which need focused actions on specific skill sets
- graduate recruitment remains important but increasing diversity of entry points and learning pathways to support business aims and the wider economic agenda must be a key aspect of the skills plan
- given the footprint of the industry there are opportunities to do more targeted work in specific locations and with sub sectors
- awareness of the SIP across the industry should be broadened
- the governance structure in place to develop, implement and monitor delivery of the SIP needs strengthened to drive partnership action and increase industry ownership.

These key messages sit at the heart of the refreshed skills investment plan.

Case Study: The Investment Challenge

Offering school pupils an insight into some of the skills needed for a career in financial services, the Investment Challenge makes connections between employers and young people both in the classroom and the workplace.

An annual competition, the challenge involves pupils working in teams to increase the value of a virtual investment fund, buying and selling shares and commodities and carrying out their own research to make investment decisions while reacting to incoming news stories.

The joint initiative is supported by Skills Development Scotland (SDS) and BNP Paribas Securities Services in partnership with the publisher of the Global Investor business simulations.

During the competition, volunteers from BNP Paribas Securities Services visit each school to meet teachers and students and talk about opportunities in the sector.

Teams who perform best in the classroom are invited to the offices of BNP Paribas to take part in the final and to hear more about working in financial services.

Attila Boncz, Senior Manager at BNP Paribas Securities Services, said: "This competition gives young people an insight into the world of financial services.

"It's a fantastic opportunity for us to explain more about what we do, the careers on offer in the sector and what steps young people should take if they want to work in financial services."

In 2015, nearly 1,000 pupils from 46 schools across the country took part in the Investment Challenge, with 16 staff from BNP Paribas involved in visiting schools.

Douglas Academy in Milngavie and Madras College in St Andrews emerged as the final winners.

Hazel MacLeod, Business Management Teacher at Douglas Academy, said: "It's been a fantastic competition for everyone who has taken part and they've all showed a keen interest in it.

"It allows them to see business working in practice rather than theory, and it's great for encouraging skills such as teamwork and communication as well as increasing understanding of financial services."



4 Skills demand

The key skills issues for employers are:

- addressing demand for key technical skills, especially in ICT/digital roles to support the rapid expansion of Fintech which is central to the delivery of financial services
- improving understanding and awareness of the sector and its opportunities amongst the talent pool to ensure a continued flow of high quality talent into the sector
- accessing a wider talent pool and communicating career pathways to reap the business benefits that accrue from increased diversity in the workforce
- continuing to work with partners to improve the work readiness of new entrants.

This section considers the key business drivers of change influencing the industry's demand for skills. It outlines what is known about future demand for skills and how that is expected to change, the extent of current skills gaps and shortages, and the key skills issues identified in the industry consultation which inform the development of the skills action plan.

Total employment in financial services in Scotland is expected to grow in the period 2012-2022. Driven partly by globalisation and technological advancements, there is a long-term trend towards higher level skills and qualifications in the industry which is set to continue.

Skills shortages have increased since 2013 although the incidence is still below many other sectors and financial services invests more in training than any other sector.

Sector drivers

The research identified a number of drivers of change within the business environment in which the financial services sector operates. These are summarised in the table below. The key messages arising from this analysis are that:

- there are implications both for the pipeline of new entrants and the supply of experienced, technically specialised talent
- the use of technology and digital applications require a range of specialist skill sets, mainly at a higher level, but also user skills in more generic roles
- business change is the norm, meaning skills needed to plan and implement that change are in high demand, therefore staff flexibility and adaptability is of critical importance
- in a heavily regulated environment all staff need to understand the impact of regulation both on their role and the wider business
- the skills required are sought by many other sectors, meaning the industry will need to present both an attractive 'offer' to new talent and ensure it reaches out to a diverse talent pool.

Table 4: Drivers of change and skills implications

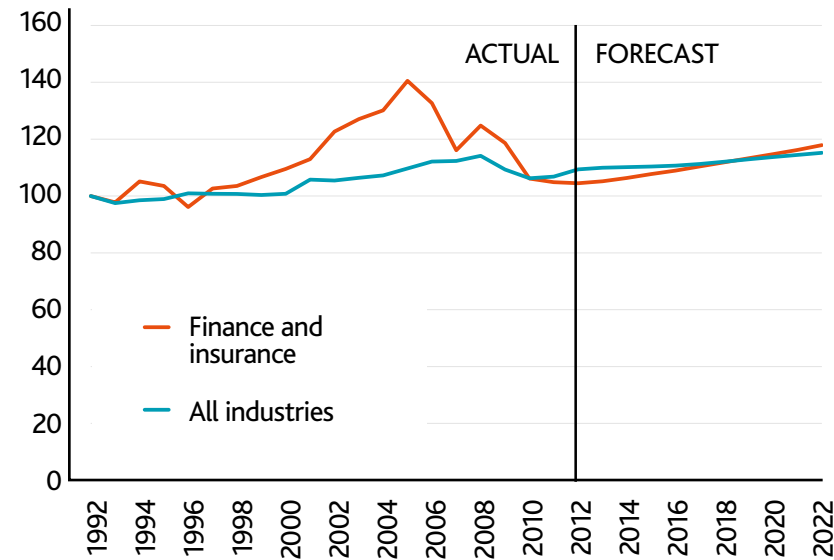
	External changes	Skills implication
Regulation	Intensification of financial services regulations following the financial crisis	Ensure workforce is up to date with changes and have the appropriate skills to carry out their roles
	Companies are required to develop a Governance, Risk Management and Compliance strategy	A range of specialist skills in this area are in high demand with shortages mainly addressed through upskilling
Innovation and technology	Increased strategic focus on innovation, however it is not a skill that is easily taught	Innovation is recognised as a core skill but ambiguity over teaching
	Digital technologies inform decision making on new delivery models, business and organisational structures	Significant demand for technical/digital skills
	Big data enables companies to provide tailored services/approaches to current and future clients	Technical skills and competitive market
	Cyber security plays a significant role in ensuring data is held in a secure manner	Similar to big data skills, this also requires technical skills and is a very competitive market
	Increasing need for the general workforce to be familiar with ICT and digital content as more activities are transacted via digital channels	Ensure workforce are upskilled and confident in their ability as users of digital applications
	Increasing emphasis in reducing the cost base since financial crisis. More functions moving online and less delivered via customer facing roles	Requires individuals who are capable of implementing change. Also implications for those roles that are no longer required – conversion skills required
	The financial services sector is likely to be in a continual state of flux over the medium term	Developing project management capacities and capacity within the industry is key

4 Skills demand continued

Future workforce demand

Working Futures, a ten year study (2012-2022) published by the UK Commission for Employment and Skills, gives valuable insights into the changes anticipated in overall employment by occupation and qualification.

Fig 4.1: Employment in Scotland, 1992-2022



Source: Working Futures 2012-2022

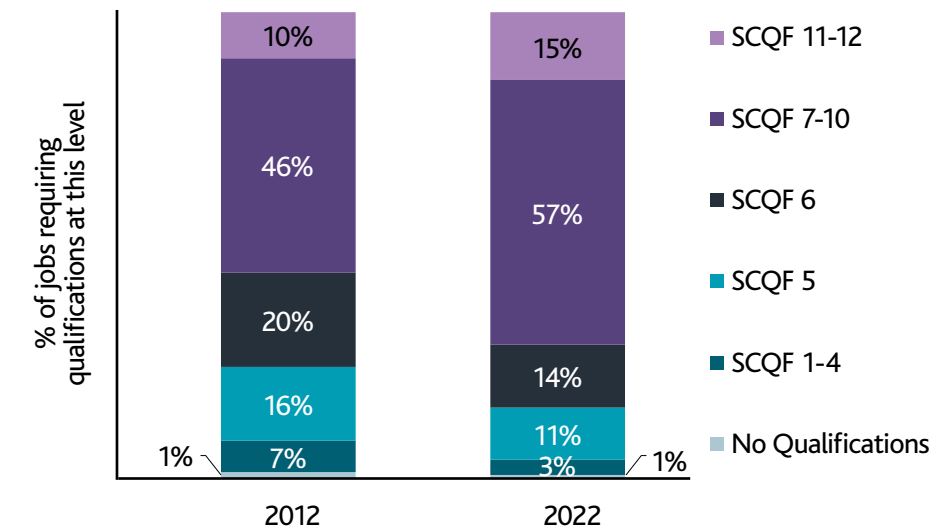
Total employment in financial services in Scotland is expected to grow in the period 2012-2022 continuing the recent trend of gradual employment growth since publication of the SIP in 2013.

Over the same period the study finds that there will be 47,500 job opportunities in financial services, comprising 11,600 new jobs (expansion demand) and 35,900 opportunities created by people leaving the sector (replacement demand). The majority of roles (62%) will be for managers, professionals and associate professionals through a combination of both expansion and replacement demand. A further 25% will be for administrative and secretarial roles, although these are expected to decline in net terms. Sales and customer service roles are set to experience both expansion and replacement demand forming 9% of the total.

Financial services has higher proportions of managerial, professional and technical roles than for all industries. In 2012, more than half (52%) of all people working in the financial services sector in Scotland were employed in managerial or professional/associate professional occupations – higher than the equivalent proportion of 41% for the Scottish workforce as a whole. The trend is forecast to continue with these roles accounting for 58% of the workforce in 2022.

The restructuring of the financial services workforce now requires more individuals in highly skilled roles, and this is reflected in changing demand for qualifications. The share of financial services jobs that will require individuals qualified to SCQF Level 7 and above is expected to increase from 56% in 2012 to 72% in 2022, with postgraduate qualifications rising from 10% to 15%.

Fig 4.2: Qualification profile of the financial services workforce in Scotland, 2012-2022



Source: Working Futures 2012-2022

4

Skills demand continued

An analysis of the workforce in the Working Futures study shows that women accounted for just over half (52%) of those employed in financial services compared to 48% for the Scottish workforce as a whole.

In terms of the age profile, analysis from the Annual Population Survey (2014) shows financial services employs comparatively fewer young people under the age of 25 (10%), compared to all industries (13%). This may reflect a tendency to recruit graduates and experienced staff. At the other end of the age range there are proportionately fewer employees aged 50 or older.

Skills mismatches

The 2015 UKCES Employer Skills Survey reported on the industry's skills and recruitment challenges.

The key findings were as follows:

- 18% of employers reported having at least one vacancy – this was the same as the 2013 figure
- in 2015, 17% of all financial services vacancies were reported as being a skills shortage vacancy². This is a significant increase on 2013 when the proportion was 5% although it is still well below the levels reported by many other sectors. It may reflect the challenge around recruiting key technical skills, especially ICT/digital
- 16% of employers in the financial services sector reported that they had at least one skill gap³. This contrasts with the 2013 figure which stood at 20%
- financial services companies trained a greater proportion of their staff than other sectors – 86%.

Skills issues

Consultees were asked to give their view on the key skills issues and priorities for the sector, commenting on the continued relevance of the priorities identified in the original SIP. There was a view that the industry has worked through the impact of the financial crisis, undergoing much structural change – although this is by no means complete. The prospect of limited growth also needs to be taken into account.

It was felt the original priorities were still largely relevant, as were the themes under which actions were organised. However, the refreshed SIP should take more account of skills issues and consider solutions as they apply both regionally and to the sub sectors; for example building on the approaches taken by the Glasgow Economic Leadership and the General Insurance sub sector respectively.

Key issues

i. Understanding and awareness of financial services

Despite the wide range of career opportunities, career development and rewards potential within financial services there is a view, backed up by research (e.g. Bridging the Gap, Chartered Insurance Institute, 2014), that the industry is still not seen as attractive. Stakeholders felt views held by potential entrants and their influencers were shaped by:

- media reports of cases of financial irresponsibility
- a perception of a continued drive for cost cutting with associated redundancies
- major changes to business processes and operations leading to uncertainty in the labour market.

It was still felt there is little understanding of the scope of the sector and the opportunities it offers. All stakeholders recognised progress had been made through a range of initiatives, but that there was still work to be done in order to ensure that the supply of future talent is maximised. In particular, it was felt work needs to start in the early years and should encompass influencers such as parents, teachers and advice and guidance professionals.

It was recognised that this requires the industry to lead action on this issue working closely with education and public bodies. The refreshed SIP action plan should continue to build on work around digital platforms as a source of information and inspiration. It should feed labour market and career management information into the Careers Information, Advice and Guidance process, providing opportunities for work experience and internships, and articulating the variety of possible entry points.

ii. Addressing demand for specific roles

In general, companies do not report major skills shortages. However, there are some roles where there are issues with recruitment which, in some cases, may present a barrier to growth. The main challenge is around ICT/digital skills as well as specialist roles such as risk, regulation and compliance. There are also pockets at a local level where companies have had difficulty sourcing talent for 'volume' jobs, in particular contact centres.

ICT/Digital skills

Research by the Tech Partnership⁴ forecasts an increase in demand for technology specialists across all sectors in Scotland of 26% between 2015 and 2025 equating to a total of 87,000 jobs in 2025. In common with all sectors, financial services is in competition for this talent.

Advancements in technology and digital applications are creating a step change both in the way financial services are delivered to the customer and in business processes. The Fintech industry comprises the big corporate names in financial services to small start-up tech businesses developing disruptive applications. At a strategic level the development of a Fintech strategy for Scotland is the subject of a collaboration between Scottish Financial Enterprise, the industry, Scottish Government agencies and education partners⁵. The rate of change and the certainty that financial services will be driven continually by developments in technology, many as yet unknown, requires agile skills responses to help protect existing employment levels and meet the demand for new high value tech roles.

² A skills shortage vacancy occurs when an employer cannot find applicants with the necessary skills, qualifications or experience to do the job.

³ A skills gap exists when an employer thinks that a worker does not have the required skills to perform their job with full proficiency.

⁴ https://www.thetechpartnership.com/globalassets/pdfs/research-2016/datasheet_techspecialists_feb16.pdf, February 2016.

⁵ The Fintech Steering Group has adopted the following definition of Fintech, developed by Deloitte: "The consideration, application or provision of support to new or repurposed technology that creates efficiency, reduces costs, manages risk or generates new insights to organisations working within, or supporting, the Financial Services industry. This also includes the crossover of pre-existing technologies prevalent in other industries into financial services organisations and applies to all types of organisations from start-up through to established firms."

4

Skills demand continued

The consultation identified a number of broad areas which currently require ICT/digital skills:

- development of banking, payment and other financial services through digital channels such as the web and mobile phone applications
- data analysis and data mining to better understand consumer behaviours and preferences – 'big data'
- cyber security to prevent fraud and maintain secure systems
- software development and support to maintain systems
- customer service operations using digital platforms to provide increasingly complex support.

Consultees recognised that further research is needed to quantify numbers, roles and timelines in order to enable effective skills planning and this needs to be an early action. The ICT/digital Skills Investment Plan is already delivering a suite of cross sectoral skills actions. The financial services SIP refresh will provide strategic input to ensure the industry's requirements influence, and are aligned to, ICT/digital skills actions.

Other roles

Risk, regulation and compliance were cited by consultees as an ongoing recruitment issue although with less urgency than in the first SIP. This was raised particularly by General Insurance, Banking and Financial Intermediation respondents, although it applies across all subsectors. The main issue was the difficulty of attracting experienced, specialist skill sets which was partly addressed by upskilling existing staff. The impact of a skills shortage in regulation and compliance is high given its business critical nature although the consultation indicated the numbers required are relatively low. This is an area that requires further research to determine how the skills system can enhance the action already being taken by industry.

There are localised recruitment difficulties in relation to contact centre operations where the volume requirement for staff creates short term issues. However, there is a key point about overcoming outdated perceptions of contact centre roles and the working environment. With the increasingly sophisticated use of technology at the customer interface, the person to person contact tends to be around more complex issues requiring higher skill levels, knowledge and, importantly, empathy. The message again is to tackle inaccurate perceptions with an additional focus on taking advantage of industry/education engagement opportunities at the local level. The refreshed SIP can support a strategic approach working with local structures such as the Developing the Young Workforce groups.

iii. Widening the talent pool

In recent years companies came to rely mainly on graduate recruitment. Whilst this will continue to be a major feature of the talent attraction process, there is a growing recognition that expanding routes into employment has a range of business benefits from tackling skills shortages to introducing different thinking into teams and a workforce more reflective of the client base. It also increases workforce diversity.

Modern Apprenticeships are increasingly seen as a valuable entry route, reflected in year-on-year starts in the 16 to 24 year-old age range, as well as their role as a workforce development tool. The work based learning approach is also gaining traction with the industry through the establishment of Foundation Apprenticeships in financial services, for pupils in their senior school years. Other significant developments include the emerging Foundation Apprenticeships in ICT and Business Skills and, at the other end of the apprenticeship family, the new Graduate Level Apprenticeship offers an attractive prospect for the sector, by allowing employees to gain a degree and professional qualifications through a flexible work-based learning approach.

The issues for the industry revolve around:

- clarifying and communicating 'career pathways', that is the various routes into employment, to the future talent pool possibly best done by sub sector in collaboration with professional bodies
- better alignment of apprenticeship routes between the nations, a particular issue highlighted by UK-wide companies. It was noted in the consultation that some companies delivering apprenticeships are not using SDS-funded frameworks

- ensuring frameworks meet industry requirements.

Feedback from the consultation raised the potential for targeting other groups including returners, under-represented groups in certain roles and conversion of workers leaving other sectors, which aligns well with the Scottish Government's economic strategy.

iv. Improving work readiness

A consistent comment was that, with the exception of a few technical roles, subject discipline is less important than appropriate core skills and attitudes in new entrants. Roles have broadened and employees work across a number of areas which requires an understanding of customers' needs both within and outwith the business, empathy and the ability to communicate.

Numeracy, literacy and communication skills are again cited as key, as is the facility to use digital channels to interact and ability in the use of standard computer packages. The majority of consultees reported engaging with the education system through specific initiatives, internships, work experience etc. but recognise there is more to be done.

The footprint of the sector and emerging regional structures such as the Developing the Young Workforce Groups present an opportunity for the industry to engage with employability and work readiness initiatives at a local level; an opportunity which will be taken forward through the action plan.

Case Study: Foundation Apprenticeships in financial services

Pupils from Glasgow and Dunbartonshire are among the first in the country to complete a new apprenticeship for young people who are still at school.

The young people from schools in Glasgow, East Dunbartonshire and West Dunbartonshire have completed a Foundation Apprenticeship in Financial Services.

The new work-based learning course enables pupils to spend time at City of Glasgow College and with local employers gaining industry recognised qualifications and building experience in the financial services sector.

Connor Burns is one of the 17 Foundation Apprentices to be the first to complete the course.

The 18-year-old has already launched his career in the financial sector having secured a position with Glasgow based Nexus Wealth Planning Ltd.

Connor, who attended Bannerman High School in Baillieston, said: "I would highly recommend the Foundation Apprenticeship.

"You not only get a qualification but also practical work skills as the course is split between learning theory at college and getting hands-on experience within a business, which I gained during my time with Barclays Stockbrokers."

"A Foundation Apprenticeship gives you an advantage when applying for jobs and attending interviews. Being able to say you've had experience working for a large company such as Barclays makes you stand out as a candidate."

Having completed the Foundation Apprenticeship the young people plan to go on to continue their studies at college or university, complete a Modern Apprenticeship or go directly into employment.

Maxine McClintock, Finance & Business Services Project Manager at City of Glasgow College, said: "Connor and the other apprentices have shown some great qualities including teamwork, maturity and the ability to bring knowledge and practice together which will stand them in good stead.

"Foundation Apprenticeships can help young people to hone the skills that employers tell us they are looking for. Whether they continue in education, go on to complete a Modern Apprenticeship or go straight into work these skills will help to give them a head start in their career."



5 Current provision

Key points

- through the research employers declared themselves broadly content with higher education provision and they value the high quality of its output
- the industry recruits from a wide range of subject disciplines which supports the employers' stated view that generally a good degree and work readiness are the key requirements
- numbers of graduates on financial services courses at university are growing overall; the major growth area is taught postgraduate with a significant expansion in EU and non-EU students
- the bulk of college provision is at HE level and the student profile is older and predominantly female compared to all courses at college
- the industry is increasingly looking to Modern Apprenticeships as an entry route with a significant rise in overall starts and a shift in the profile towards higher level starts with more in the 16-24 age range
- this analysis looks at financial service courses but there is a deeper piece of work to be done on identifying and communicating the industry demand for ICT/digital provision, differentiating between what is cross-sectoral and what relates specifically to financial services.

This section describes provision in universities, colleges and Modern Apprenticeships associated with entry into financial services roles.

University provision

The following analysis is based on the number of graduates from 'Finance' and 'Accounting' courses at Scottish universities, collectively referred to as 'Financial Services Courses'.

The number of graduates of financial services courses at Scottish Universities has grown strongly in recent years, outpacing growth across all subject areas. There were 4,200 graduates from financial services courses at Scottish universities in 2013/14, accounting for 6% of all graduates from Scottish universities in that year. This represents a 21% increase on the number of financial services graduates in 2010/11, much higher than the increase of 11% across all subject areas combined.

Taught postgraduates (SCQF Level 11 and above) accounted for just over half (50.2%) of all graduates from finance-related courses at Scottish universities in 2013/14. The majority of the recent increase in the number of graduates from finance-related courses has been at this level.

Table 5: Financial services graduates by level, 2010/11 – 2013/14

	2010/11	2013/14	Change 2010/11 - 2013/14	
			No	%
Postgraduate (research)	30	40	10	34%
Postgraduate (taught)	1,380	2,070	700	51%
First degree	1,310	1,500	190	15%
Other undergraduate	750	580	-170	-23%
TOTAL FINANCIAL SERVICES	3,470	4,200	730	21%

Source: Scottish Funding Council

All figures have been rounded to the nearest 10; totals and percentages have been calculated on the unrounded figures.

Table 6: Financial services graduates by domicile, 2010/11 – 2013/14

	2010/11	2013/14	Change 2010/11 - 2013/14	
			No	%
Scotland	1,710	1,680	-30	-2%
Rest of UK	120	110	-20	-12%
Other EU	200	300	110	53%
Outside EU	1,440	2,110	670	46%
TOTAL FINANCIAL SERVICES	3,470	4,200	730	21%

Source: Scottish Funding Council

All figures have been rounded to the nearest 10; totals and percentages have been calculated on the unrounded figures.

5

Current provision continued

The recent increase in the number of financial services graduates is mainly accounted for by students from outside the EU coming to study in Scotland. This category forms 50% of all financial services graduates. There has also been an increase in the number of other EU students while the number of students from Scotland and the rest of the UK have fallen slightly. The analysis suggests that the increase in provision is largely catering for non EU students coming to study postgraduate qualifications.

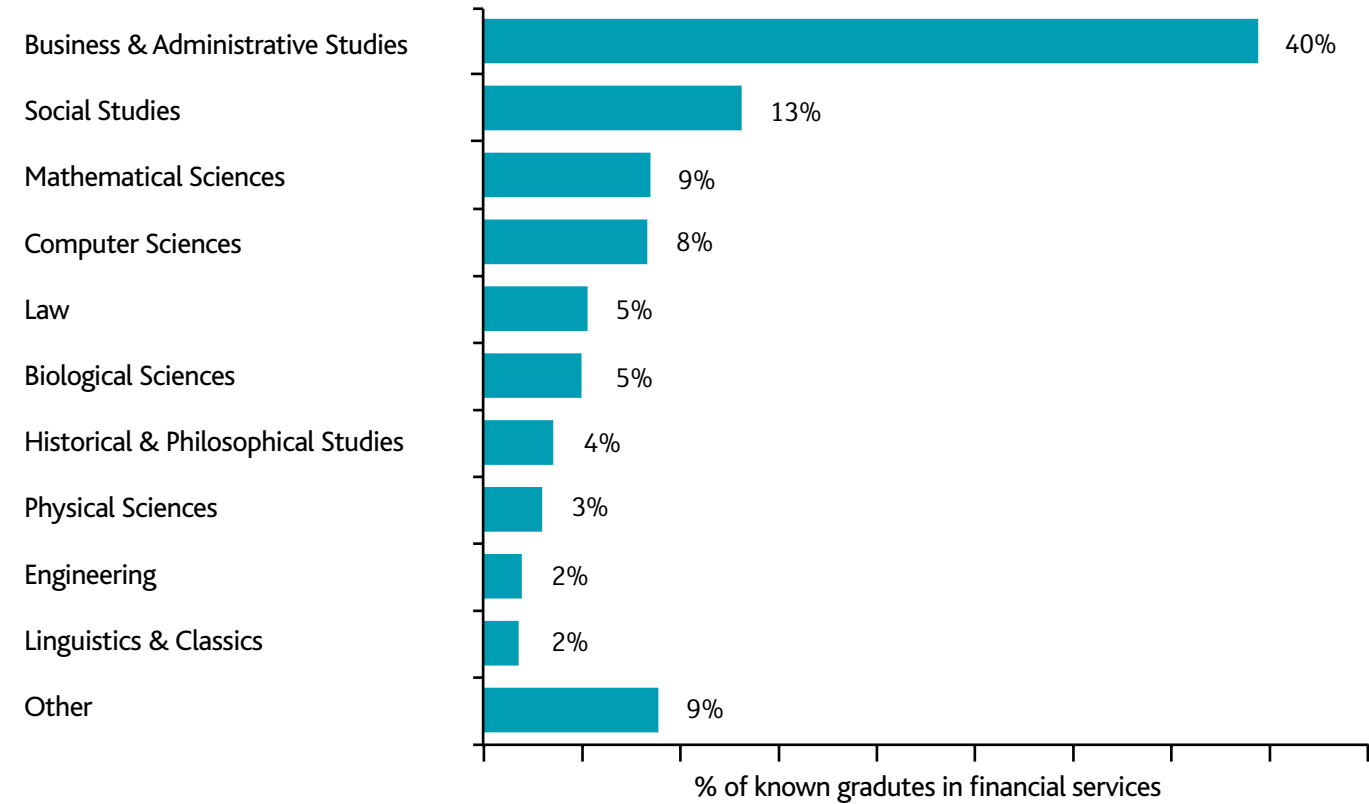
More than two thirds (67%) of all graduates from finance-related courses at Scottish universities in 2013/14 were under the age of 25. In 2013/14 women accounted for 53% of graduates from financial services courses. This compares to a share of 58% for all courses.

Graduate destinations

The Higher Education Statistics Authority (HESA) carries out an annual survey of leavers from Higher Education Institutes (HEIs) across the UK. The survey gathers information from graduates on what they are doing six months after graduation. Just over 1,340 graduates from financial services courses at Scottish HEIs completed the survey in 2013/14, accounting for 32% of all financial services graduates in that year. The survey is carried out fairly soon after graduation (six months) and so the results are unlikely to represent the 'final' destination of many of the respondents. However, they do provide useful insight into the graduate labour market and immediate prospects of those graduating with finance-related degrees.

Within the survey population, 40% of new graduates into the sector came from the Business and Administrative Studies classification, a broad category which includes finance-related courses. However, the sector attracts new graduates from a broad range of other disciplines. Computer science and mathematical science courses together accounted for 17%.

Fig 5.1 Subjects studied by graduates working in financial services, 2013/14



Source: HESA Destination of Leavers Study; Scottish Funding Council
Bases: Financial services; 1,240; All industries; 61,480

5

Current provision continued

More than half (57%) of survey respondents were in full-time employment six months after graduation in 2013/14 – in line with the equivalent rate of 58% across all subjects. Financial services graduates are much more likely to enter work and further study (11%) than the graduate population as a whole (6%). Around a third (34%) of financial services graduates were working in associate professional and technical roles six months after graduation in 2013/14.

Around two-thirds (67%) of financial services graduates from Scottish HEIs were working in Scotland six months after graduating in 2013/14 – below the equivalent figure of 74% for all graduates. One in every six (17%) were working outside the EU, more than double the equivalent share of 8% for all graduates of Scottish HEIs.

Through the research, employers declared that they were broadly content with higher education provision and value the high quality of its output.

College provision

College provision is measured in terms of headcount, the total number of individual students, and SUMs – student unit of measurement equating to approximately 40 hours of planned learning classroom-based attendance. For the purposes of this analysis, 'financial services courses' includes financial management/accounting and general financial services courses.

Headcount on financial services courses fell by 1,700, from 4,100 to 2,300, between 2009/10 and 2013/14. This decline of 42% was faster than the equivalent decline of 32% in the total number of students at Scotland's colleges over this period.

However, SUMs in finance-related subjects increased by 1% over the period pointing to a shift away from part-time to more full-time provision for the sector. This small increase of 1% was in contrast to a decline of 8% across all subject areas.

In 2013/14 the majority of college provision, 77%, in financial services courses was at HE level, defined as SCQF Level 7 and above. This was in marked contrast to the provision for all subjects which was 27% at HE level. This potentially explains the fact that in the same year a much lower percentage of students on these courses were aged below 18. In addition to being older, students were also predominantly female.

Table 7: Profile of college students by age and gender (headcount), 2013/14

Age	Financial services	All subjects
Under 16	<1%	8%
16-17	5%	14%
18-19	21%	17%
20-24	25%	17%
25 & over	50%	44%
Gender		
Male	36%	48%
Female	64%	52%
Total Headcount:	2,300	271,000

Source: Skills Funding Council
Base: Headcount

All figures have been rounded to the nearest 100; percentages have been calculated on the unrounded figures.

5 Current provision continued

ICT/digital provision

ICT/digital courses, covering a wide range of specialisms, are provided at virtually all of Scotland's universities and colleges. Their graduates find careers in all sectors. From the destination figures given above we know that 8% of the graduate entrants to financial services in 2013/14 came from a computing science background. We also know that financial services companies cite ICT/digital as their key skill shortage area and that there is a growing demand in relation to Fintech. There is a need to analyse and articulate the financial services sector's requirements for 'generic' ICT/digital provision as well as to identify requirements for specialist provision including financial technology. The next section builds this requirement into the development of the action plan taking account of the skills planning structures already in place.

Modern Apprenticeships

A total of 1,309 people started a Modern Apprenticeship (MA) in financial services in 2015/16. This accounted for 5% of all new MA starts in Scotland, a 1% increase on the previous year. The majority (64%) of the MA starts in the industry were in financial services or customer service frameworks. The remainder were spread across a range of other frameworks with management, ICT and business and administration accounting for the largest numbers.

There was a 57% increase in the total number of new MA starts in financial services companies between 2012/13 and 2015/16. The vast majority of the increase was due to an expansion in take up of the financial services framework, with the number of new MA starts on this increasing four fold over the period. Starting from a low base, the number of starts in ICT frameworks rose dramatically in 2015/16 due in large part to recruitment of MAs by a major employer. There was also continued growth in the numbers in business and administration, and management and accountancy, although it is noted that some of the reported increase in the latter is due to how the figures have been assigned⁶. A new framework, payroll, was added during the year.

The vast majority of the recent increase in MA starts in the financial services sector occurred from 2014/15 and was concentrated in Level 3 frameworks. There were increases in take up of Level 2 and Level 4 frameworks in the sector over this period, but the numbers were much smaller.

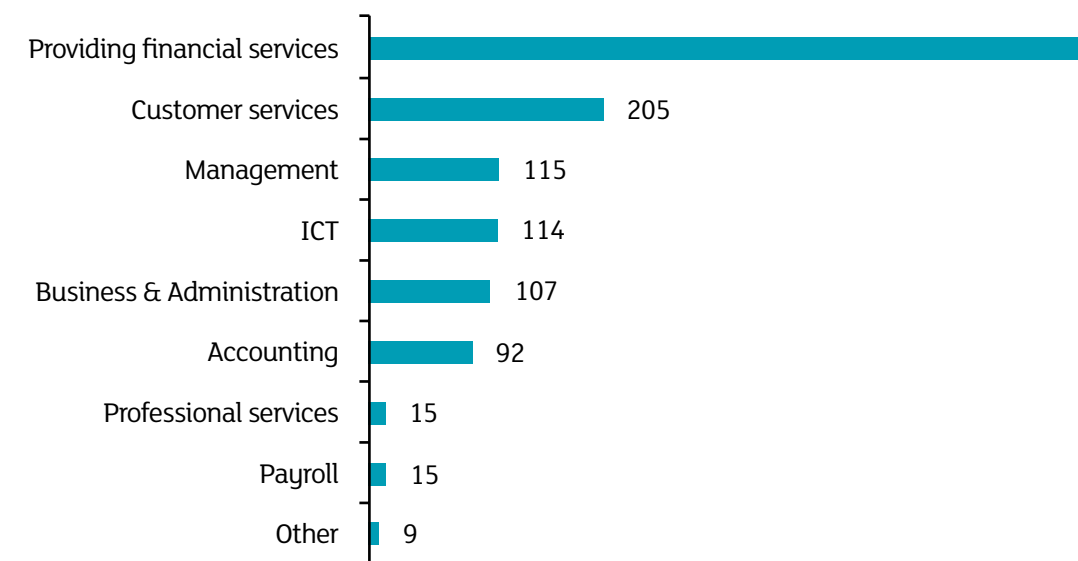
Table 8: Modern Apprenticeship starts in financial services, 2012/13 – 2015/16

Framework	2012/13	2015/16	Change 2012/13 – 2015/16	
			No	%
Providing financial services	162	637	475	293%
Customer service	381	205	-176	-46%
Business & administration	92	107	15	16%
Management	105	115	10	10%
Information & communications	18	114	96	533%
Professional services	N/A	15	15	-
Payroll	N/A	15	15	-
Other	18	9	9	100%
Total financial services	776	1,217	441	57%
Accountancy*	3	92	89	-
Total financial services (inc. accountancy)	779	1,309	530	-

Source: Skills Development Scotland

* Accountancy figures are shown separately due to changes in counting methodology during the years shown.

Fig 5.2: Modern Apprenticeship starts in financial services, 2015/16



Source: Skills Development Scotland

Bases: MA starts in financial services = 1,309

⁶ From 2014/15, all starts on accountancy frameworks were included in the total for financial services. In previous years, only accounting starts within financial services companies were included.

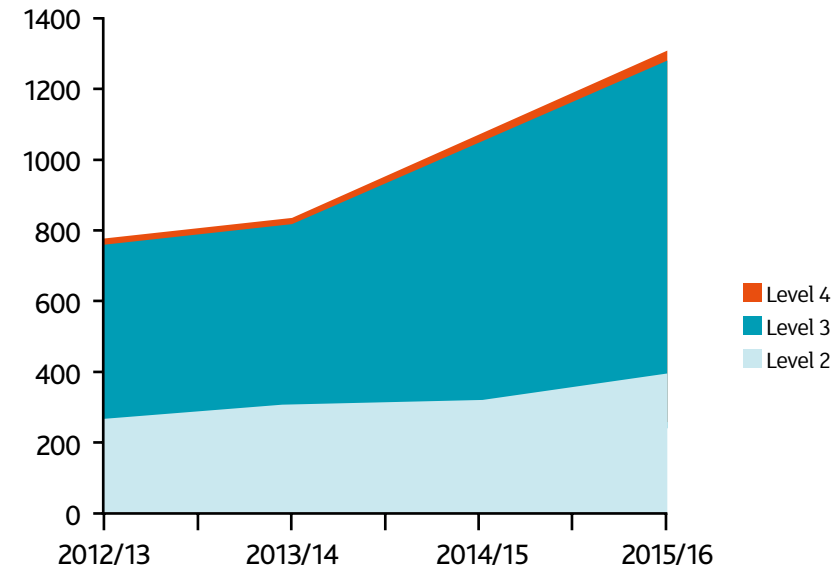
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Current provision continued

In 2015/16, 30% of all new MA starts in financial services were aged 16-19, lower than the equivalent figure of 50% for the Scottish MA programme as a whole. Conversely, the proportion of starts aged over 25 was much higher than for the programme as whole. However, in 2015/16 the proportion of starts in financial services aged 16-24 was 66%, compared with 49% in 2012/13, evidencing a trend to recruit more young people as Modern Apprentices.

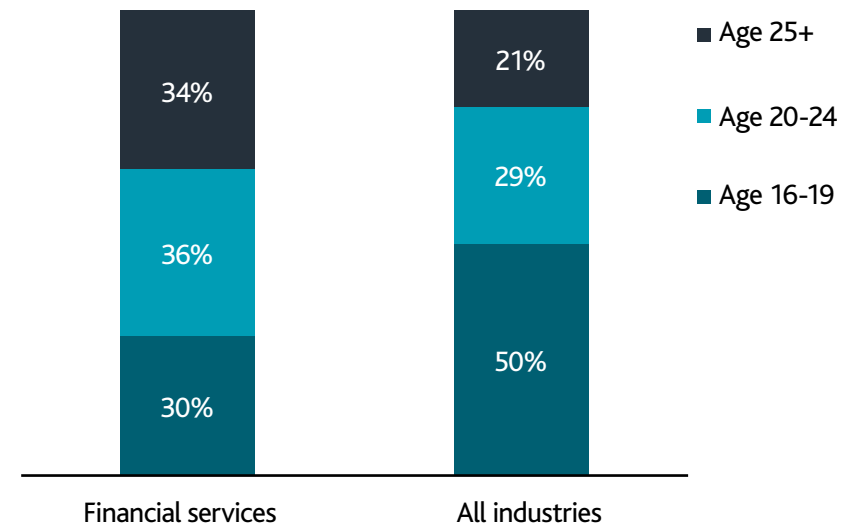
The industry is increasingly looking to Modern Apprenticeships as an entry route with a significant rise in overall starts and a shift in the profile towards higher level starts, with more in the 16-24 age range.

Fig 5.3: Modern Apprenticeship starts by level, 2012/13 – 2015/16



Source: Skills Development Scotland
Base: Total MA starts in financial services

Fig 5.4: Modern Apprenticeship starts by age band, 2015/16



Source: Skills Development Scotland
Base: Total MA starts in 2015/16

Case Study: Routeway into Employment and Apprenticeship programme

Aimed at giving young people with limited qualifications the chance to gain valuable skills and experience suited to financial services, Learndirect's Routeway into Employment and Apprenticeship programme has opened up a new career path to those involved.

A seven week full-time programme delivered from Learndirect's centre in Glasgow, the initiative targets young people aged 16 to 24 who have few qualifications and a lack of experience in the world of work.

Working with businesses with a shared vision around creating opportunities for young people who would not otherwise consider a career in the sector, the programme focuses on sustainable, long term employment with an emphasis on the skills that employers desire, including work experience placements that allows those involved to put new skills into practice.

All 13 young people to have completed the programme have gone on to gain employment as a direct result, with 11 having completed the Certificate of Work Readiness through the programme. This qualification demonstrates to employers that these young people have the skills they need at the start of their career. Eight of those involved have also begun a Level 2 Apprenticeship in Financial Services, giving them the opportunity to continue learning while in the workplace.

Kirsty Alexander, Site Recruitment and Engagement Assistant Manager at Lloyds Banking Group, said the programme brought real benefits for the bank as an employer.

She said: "This programme was a great opportunity to support young people in our community and help them gain the necessary skills and confidence in preparation for entering into a working environment.

"Lloyds Banking Group and Learndirect share the same vision to support people who may not have succeeded in this area without the workplace experience."

"Supporting apprenticeships in one of the key public commitments made within the Group's Helping Britain Prosper Plan where Lloyds Banking Group has committed to create over 8,000 apprenticeship positions by 2020."

The programme was also viewed as an attractive opportunity by the young people involved as they recognised the difference it made to their confidence and their chances of gaining employment.

That included 18-year-old Zangy Akhtar from Glasgow. She said: "The course with Learndirect helped me with my motivation and confidence. All the team really did help me to be more confident in front of people.

"I would recommend this course to everybody, I have already recommended it to my family members."



6

Strategic themes and action plan

The key strategic themes in the action plan are:

- to attract talent into the financial services sector and develop appropriate career pathways
- to improve the work readiness of new entrants seeking careers in the financial services sector
- to develop key skills, especially in the area of ICT/digital skills for financial services and Fintech and encourage the take-up of opportunities in the apprenticeship family
- to improve industry engagement to implement, support and monitor delivery of the Skills Investment Plan.

Relating the information on provision and skills mismatches to the earlier analysis of demand, there are some key observations to provide context around how this work can be taken forward.

The skills system is still broadly meeting the needs of the sector although there are specialist/technical skills requirements which present particular challenges. This includes, for example, ICT/digital skills and specialist roles in relation to the increasing burden of risk, regulation and compliance. The demand for these roles/skill requirements needs to be far better understood.

The sector is still heavily committed to a model of graduate recruitment. Information on graduate destinations shows that, apart from technical, specialist roles, the industry recruits from a wide range of degree disciplines. The critical factor is the level of degree gained and the work readiness of the graduates.

There is strong evidence that the industry is reaching out to a wider talent pool notably through its expanding take up of Modern Apprenticeships which, increasingly, are being used to recruit and develop younger age groups. There remain questions to be addressed around the concerns of large UK-wide employers about alignment of apprenticeship systems, the apprenticeship levy, and the take up by small/micro businesses.

Improving work readiness continues to be an ask and the sector is becoming more engaged with the education system from school through to college and university via support for internships, work experience, and employability programmes. This is set to continue in a more structured way and as the sub sectors start to focus on their 'offer', delivery at regional level becomes established through local structures and the opportunities for supported work based learning become more widely available.

Strategic priorities

The review and consultation signalled the following strategic priorities to guide the formulation, organisation and delivery of actions to address the identified skills issues.

Priority	Details
Engaging the sector	There has been good but not universal engagement with the SIP across the wider sector and the future SIP should seek to address a number of issues, including: communication and awareness raising; industry inputs – roles and responsibilities; governance and delivery; and measuring progress and performance.
Developing the sub sectors	It is clear that each of the sub sectors can collaborate on skills issues and potential responses. Recognising this, a General Insurance (GI) Group within SFE has developed a set of skills actions (Appendix 2). This can be recognised and supported through the SIP as a replicable approach for other sub sectors.
A regional agenda	There is a strong regional dimension to the sector. The Glasgow Economic Leadership Financial and Business Services Work Stream has developed an approach to skills development which is seen as best practice. The SIP should align with regional structures elsewhere to bring a collective, local financial services voice.
Widening the talent pool	The industry recognises that it must seek to widen the talent pool if it is to address future skills needs. The review highlighted a range of options and initiatives but as a first step a focus on MAs and the wider work-based learning approach should be established.

6 Strategic themes and action plan continued

The Action Plan

The consensus of feedback was that the four SIP themes identified in the 2013 SIP are still relevant as a framework for organising the action plan. The four themes are:

- talent attraction
- work readiness
- developing key skills
- improving engagement.

Table 9 is a summary of the refreshed SIP action plan.

Key action areas under each theme have been formulated to address the industry's skills issues highlighted through the refresh process.

Table 9: Summary of action plan

Talent attraction	Work readiness	Developing key skills	Improving engagement
Improve use of digital channels to attract talent	Expand delivery of Foundation Apprenticeships	Scope and implement an industry skills survey	Implement new governance model for SIP delivery
Develop career pathways information	Further develop employability initiatives	Expand take up of Modern and Higher Level Apprenticeships	Further develop Our Skillsforce as channel for engagement
Rationalise industry support for educational initiatives	Increase work experience and internship opportunities	Pilot Graduate Level Apprenticeship	Deliver activities through established or emerging regional structures
Target broader talent pool and influencers		Address technology/digital skills shortages in alignment with ICT/Digital SIP actions	Develop broad SIP communications plan with timeline

There are a number of points to be made about the action plan:

- it was developed through an iterative process of consultations and workshops with the skills group and key industry stakeholders including industry bodies and professional bodies
- commencing at the date of publication of the SIP, it is a three year plan
- under the theme of 'Improving Engagement' the Skills Group itself will have a clear strategic remit for implementing, supporting and monitoring delivery of the action plan
- diversity and equality is a theme which runs throughout this document and the action plan. The business benefits of a diverse workforce have been highlighted with examples of employability initiatives. At the high level the industry has a good profile in terms of gender balance for example, but there are major issues in relation to key roles, not least ICT/digital skills in common with every other sector. Actions will be focused on supporting equality and diversity aims across the action plan. Examples of specific activities supporting this agenda are:
 - work-based learning and specifically the apprenticeship family which is extending entry opportunities beyond a traditional graduate model
 - expansion of Modern Apprenticeships in financial services which has baseline equality information and is linked to equality targets for MAs
 - educational initiatives to engage females in ICT/digital skills

- opportunities through initiatives such as CodeClan for those without the 'normal' required qualifications to train in ICT/digital skills
- a variety of employability initiatives supported by industry including Career Ready, Routeway into Employment apprenticeships and the Certificate of Work Readiness
- actions will be progressed by three work streams working with the Skills Group, led by industry, supported by SDS and comprising membership drawn from industry, education providers including professional bodies and wider partners. The work streams are:
 - **technology** – the technology work stream will engage with partners on the Digital/ICT skills agenda of which skills for Fintech is a key element, making connections in particular to the work of the Digital SIP and supporting delivery of the Fintech strategy
 - **engagement** – the engagement work stream will work with partners at both a national and local level on articulating skills requirements, talent attraction and engaging with education
 - **apprenticeships** – the apprenticeship work stream will connect with partners on the development of the apprenticeship family and MA expansion
- the focus of these work streams in relation to the broad action plan is set out in the diagrams below. More detail on the governance model for the SIP is given in section 7.

Technology

Action	Description	Timeline	Partners	Outcomes
Address technology/digital skills shortages in alignment with ICT/Digital SIP actions	Create skills demand statement based on emerging trends and technology e.g. Fintech	Year 1	Industry, Scottish Financial Enterprise, Scottish Investments Operations, Skills Development Scotland, Scottish Enterprise, Scottish Funding Council, Glasgow Economic Leadership, further and higher education	Skills actions based on industry need
	Input into ICT/Digital SIP baseline skills survey	Year 1		ICT/Digital SIP actions reflect financial services requirement
	Input financial services industry requirements into scoping and development of ICT/Digital projects with a key focus on influencing educational provision and improving engagement	Year 1-3		ICT/Digital SIP actions reflect financial services requirement
	Support delivery of ICT/Digital SIP current and future actions e.g. <ul style="list-style-type: none"> Digital World promotion and marketing activity MA development – ICT/digital frameworks Transition training and digital skills academy (CodeClan) Industry/education engagement 	Year 1-3		Improvement in talent pipeline and workforce skills for technology roles in financial services industry

Engagement

Action	Description	Timeline	Partners	Outcomes
Industry engagement	Develop broad SIP communications plan with timeline targeting employers, industry stakeholders, skills providers	Year 1	Industry, Scottish Financial Enterprise, SIO, SDS, SE, Professional bodies, Glasgow Economic Leadership, DYW groups	Improved awareness of SIP across sector
	Further develop Our Skillsforce as channel for engagement to improve access to skills support	Year 1-2		Better access to skills support for industry
	Scope and implement an industry survey to profile the industry's skills requirement and quantify demand	Year 2		Accurate and current information on skills requirements
	Rationalise industry support for educational initiatives and engagement e.g. around a sub sector approach such as the General Insurance demand statement and action plan	Year 2		Increased industry collaboration and more effective resource allocation
Future Talent	Develop and align actions to attract talent with Careers Information, Advice and Guidance (CIAG) agenda including: <ul style="list-style-type: none"> Improve use of digital channels to attract talent e.g. My World of Work, social media, links with industry platforms Develop career pathways information Target broader talent pool and influencers 	Year 1-3	Industry, Scottish Financial Enterprise, SIO, SDS, SE, Professional bodies, Glasgow Economic Leadership, further and higher education	Improved reach to target audiences Greater understanding of diversity in entry points and career development
	Further develop employability initiatives e.g. building on Certificate of Work Readiness activity to increase diversity	Year 1-3		Increased diversity in talent pool
	Increase work experience and internship opportunities to improve work readiness	Year 1-3		More 'work ready' candidates
Governance	Implement new governance model for financial services delivery to strengthen industry input and ownership	Year 1	FISAB Skills Group	Strengthened industry role in delivery and monitoring of actions

Apprenticeships

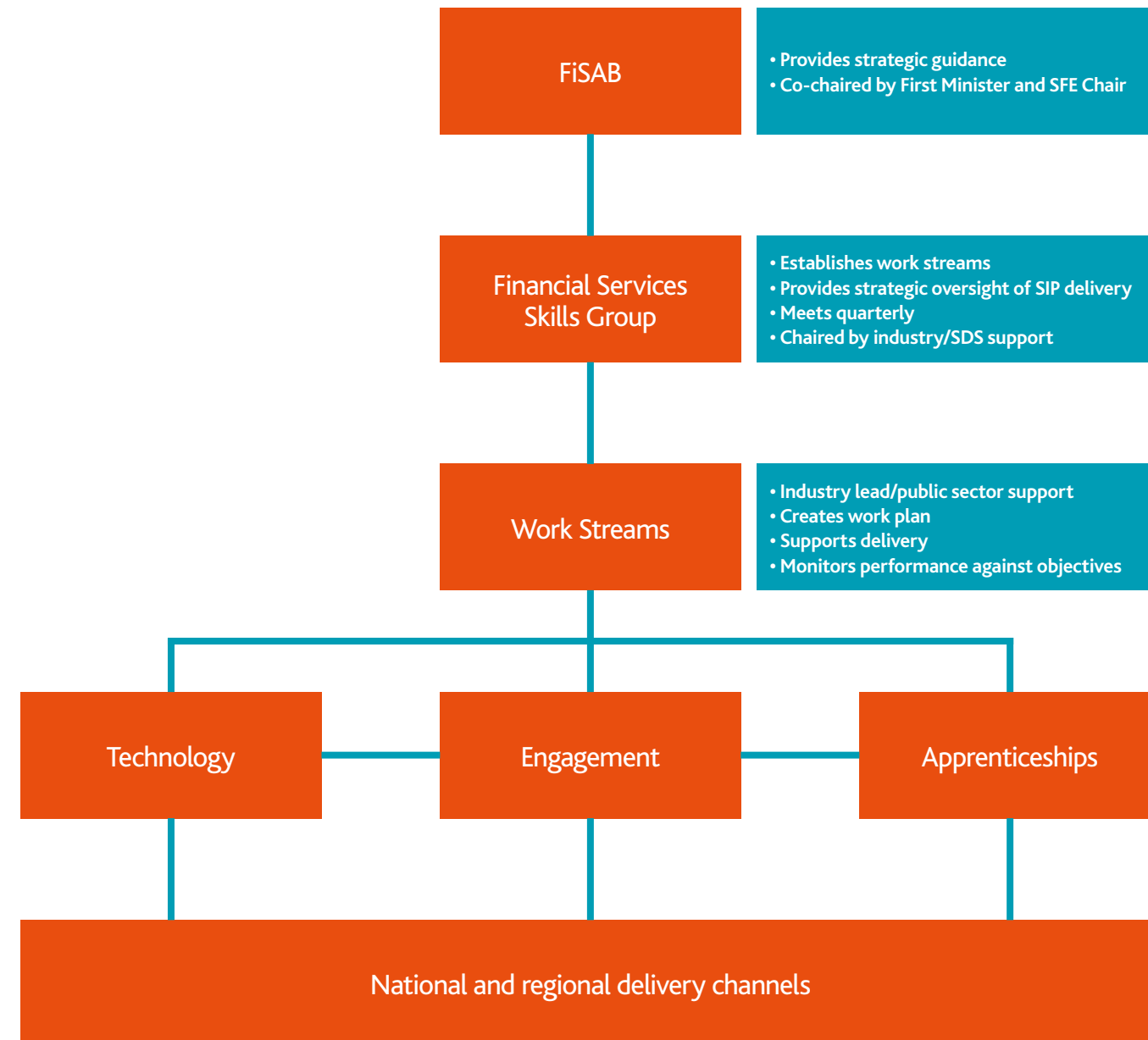
Action	Description	Timeline	Partners	Outcomes
Expand delivery of Foundation Apprenticeships	Increase promotion and awareness of Foundation Apprenticeships within industry and education	Year 1-3	Industry, Scottish Financial Enterprise SIO, SDS Glasgow Economic Leadership, FE	Increased diversity of intake. 'Work ready candidates'
	Increase opportunities across a range of frameworks including Providing Financial Services, ICT/digital, Business Skills			
Expand take up of Modern and Higher Level Apprenticeships	Input to review/design process to ensure frameworks meet industry requirements	Year 1-3	Industry, Scottish Financial Enterprise SIO, SDS, professional bodies Glasgow Economic Leadership, FE	Frameworks meet industry need
	Increase industry uptake of opportunities at SVQ levels 2-4 in alignment with Scottish Government expansion plan			FS industry increases apprenticeship starts
	Input intelligence on demand to annual contracting process			Allocation more accurately reflects demand
	Support promotional activity with a focus on Scottish Apprenticeship Week			Talent pool more aware of opportunities
	Develop apprenticeships.scot and promote industry usage in support of recruitment			More effective recruitment
Pilot Graduate Level Apprenticeship (GLA)	Influence design and development of GLA model to ensure alignment with industry requirement	Year 1	Industry, Scottish Financial Enterprise, SIO, SDS, professional bodies, Glasgow Economic Leadership, FHE	GLA in FS meets industry need
	Pilot a Graduate Level Apprenticeship	Year 2		GLA in FS delivered

7 Monitoring and governance

Each of the three work streams (Technology, Engagement, and Apprenticeships) will be led by industry and supported in delivery by the public sector.

The work streams will be responsible for creating and delivering a programme of activity with associated measures in support of the action plan. Membership of the work stream will reflect the work programme. Work stream partners will be responsible for delivery and monitoring of performance. The skills group will take a more strategic role in reviewing progress and facilitating industry engagement in the work programme. Working with FiSAB, Scottish Financial Enterprise and other industry stakeholders, the skills group will monitor the effect on the sector of the EU referendum decision and provide guidance on the requirement for review of the action plan.

Figure 7.1 Financial services Skills Investment Plan governance



7

Monitoring and governance continued

The progress review highlighted the need for a clear method of monitoring delivery and measuring impact. An outline performance monitoring framework is suggested for the SIP to:

- track performance against activities undertaken through implementation of the action plan
- identify if the project is making the difference sought by industry
- report to stakeholders on the impact of the SIP.

The Financial Services Skills Group and its work streams, supported by public sector partners, will finalise the Performance Management Framework (PMF) and populate it with performance measures appropriate for the activities undertaken. The focus will be on understanding outputs and outcomes and will be collected using a range of sources: SDS data; annual industry survey; partner data and published economic and skills data. Table 10 models the framework.

Table 10: Performance management framework

Activities	Outputs	Outcomes
Talent attraction <ul style="list-style-type: none"> • Educational initiatives delivered across all stakeholders to widen talent pool • Development and delivery of career pathways information • Development and delivery of initiatives to attract technical/ICT skills • Digital services delivery 	<ul style="list-style-type: none"> • Number of individuals involved in financial services-related initiatives • Measure to be aligned with ICT/digital skill group Digital services analytics 	<ul style="list-style-type: none"> • Fewer employers reporting skills shortages • More employers reporting improvements in accessing technical skills • More employers reporting improvement in talent pipeline
Work readiness <ul style="list-style-type: none"> • Development and delivery of financial services-related FA frameworks • Delivery of internships/placements schemes 	<ul style="list-style-type: none"> • Number of FA starts and completions in financial services-related frameworks • Number of individuals undertaking work placement/internship in financial services companies 	
Developing key skills <ul style="list-style-type: none"> • Development and delivery of financial services-related frameworks • Pilot Graduate Level Apprenticeship (GLA) • Complete employer skills survey 	<ul style="list-style-type: none"> • Number of MA starts and completions in financial services-related frameworks • Number of GLA starts and completions in financial services-related frameworks • Skills demand report produced 	
Improving engagement <ul style="list-style-type: none"> • Develop and deliver communication and engagement plan • Activities to widen and deepen the level of industry engagement and commitment to SIP 	<ul style="list-style-type: none"> • Number of companies reporting good or very good awareness of SIP • Number of companies actively engaging with SIP/committing time 	

Appendix 1: List of consultees

Fieldwork	Organisation	Subsector
General Insurance Workshop	Aviva	GI
	Chartered Insurance Institute	Industry body
	NFU Mutual	GI
	Sainsbury Bank	Banking
	Scottish Enterprise	Public sector
	Scottish Financial Enterprise	Industry body
	Scottish Financial Risk Academy	HE/FE
	University of Edinburgh	HE/FE
FiSAB Skills Group Workshops (2)	Aviva	GI
	Chair of Group	N/A
	RBS	Banking
	Scottish Funding Council	Public sector
	Standard Life	L&P
	BNP Paribas	Asset management
	Morgan Stanley	Asset management
	Aviva	General insurance
	Universities Scotland	Public sector
Telephone 1:1	BlackRock	Asset management
	Change Recruitment	Recruitment
	KPMG	Financial intermediation
	Morgan Stanley	Asset management
	Scottish Financial Enterprise	Industry body
	Scottish Funding Council	Public sector
	Scottish Enterprise	Public sector
	Standard Life	L&P
	Strathclyde University	HE/FE

Fieldwork	Organisation	Subsector
Telephone 1:1	Tesco Bank	Banking
	Barclays	Banking
	HIE	Public sector
	Lloyds Banking Group	Banking
	RBS	Banking
	JP Morgan	Asset management
	Unite	Union
	Santander	Banking
	State Street	Asset management
Electronic Company Survey	Allied International Credit	Financial intermediation
	BNP Paribas	Banking
	Bruce Stevenson Insurance Brokers Ltd	GI
	Franklin Templeton Investments	Asset management
	Prudential PLC	L&P
	AXA Business Insurance	GI
	Nexus Wealth Planning Ltd	Financial intermediation
	Morgan Stanley (Technology Glasgow)	Asset management
	Paraplanning Select Ltd	Financial intermediation
	Hicks & McNish llp	Financial intermediation
	Royal London	L&P
	Electronic Organisation Survey	Chartered Banker Institute
Chartered Insurance Institute		Industry body
Chartered Institute of Securities & Investment		Industry body
Investment2020		Employer project
Financial Skills Partnership		Sector skills council
Scottish Government		Public sector

Appendix 2: General Insurance Skills Demand Statement

This skills demand statement has been prepared and endorsed by the GI Skills working group. It aims to provide a strategic summary of skills issues and proposed actions for inclusion in Scotland's financial services Skills Investment Plan refresh process.

Skills issue headline		Skills issue detail	Evidence/baseline
S1	Skills shortages	<ul style="list-style-type: none"> • Technical skills relating to broking/claims/underwriting • IT/digital skills/cyber security • Customer service/entry level • Risk management 	<ul style="list-style-type: none"> • CII annual skills survey – UK findings applicable in Scotland for General Insurance
S2	Poor image and lack of understanding/awareness	<ul style="list-style-type: none"> • Low interest in sector as a career option • No awareness of variety of opportunities & career pathways • Poor perception of insurance amongst recruitment age • Low awareness of social benefit and opportunities to help customers/requirements for empathy emotional intelligence • Belief by talent pool that insurance not innovative/interesting • Need to access simplified channels for industry/education engagement 	<ul style="list-style-type: none"> • CII 2014 'Bridging the Gap' report survey – UK findings applicable in Scotland only 18% of students question would consider a career in insurance • Deloitte Talent in Insurance survey 2015 (of business student). Less than 1% opt for insurers as employer compared to 21% for banks. Insurance 19th out of 26 sectors
S3	Diversity of workforce does not reflect customer base	<ul style="list-style-type: none"> • Recruiters tend to recruit in their own image • Stereotypes reinforced – restricts pipeline • Customer perception of products/service enhanced by diverse workforce 	<ul style="list-style-type: none"> • Post magazine data – March 2015 • CIPD research (various) • CII survey of awareness of work experience and apprenticeships as good routes to capture > share of talent
S4	Ageing workforce, Capturing expertise, Talent continuity	<ul style="list-style-type: none"> • Many importance technical skills in general insurance e.g. underwriting, broking are delivered by an ageing cohort. Need to address replacement pipeline for key skills 	<ul style="list-style-type: none"> • CII skills survey - annual question re specific skills shortages plus anecdotal concerns of practitioners

Proposed actions to address the issues are listed below and mapped to financial services SIP refresh themes.

Action	FS SIP Theme	GI Skills issue	Partnership	Outcomes
1. Quantify shortfall and future demand for specified roles including ICT/digital skills, map to geographic locations. CII to develop Scottish cut of skills data.	Developing key skills	S1	CII/SE	Inform targeted activity - prioritise areas of greatest risk or focus. Develop Scottish hub(s) of GI expertise
2. Ensure ICT/digital demand information is captured in ICT SIP	Developing key skills	S1	SDS	ICT SIP actions reflect GI requirement
3. Develop targeted promotional material for technical roles requiring experience	Talent attraction	S1, S4	Talent Scotland/ CII	Build on CII guidance series for firms engagement with schools, colleges and careers advice (using online and other content)
4. Expand industry take up of Modern Apprenticeships (and developing a stronger vocational route)	Developing key skills	S1, S3	Employer lead/ CII/SDS	Employers in Scotland have greater understanding; are more engaged in developing own MA programmes. Develop MAS as part of their wider talent development
5. Leverage support to deliver Discover Risk	Talent attraction	S2, S3	CII/ABI/BIBA	Increased use of Discover Risk in schools and colleges in Scotland from 2015 base - leading to higher interest/ recruitment for insurers

Appendix 2: General Insurance Skills Demand Statement (continued)

Action		FS SIP Theme	GI Skills issue	Partnership	Outcomes
6.	Formulate work programme to deliver Discover Risk in specified locations	Talent attraction	S2, S3	CII/SDS/DYW groups/employer and trade bodies	Ensure employer and trade bodies are engaged and government careers bodies are locked in
7.	Develop promotional material and case studies to illustrate career pathways/entry points	Talent attraction	S2, S3, S4	CII/employers	CII career portal – accessing different types of talent
8.	Engage with work-based learning opportunities in schools and colleges including Foundation Apprenticeships	Work readiness/ improving engagement	S2, S3	DYW Groups/ FA leads/ employers/SDS	Evidence of increased numbers of work-based programmes, industry engagement and Foundation apprenticeships numbers by year)

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