

A Strategy for the Financial Services Industry in Scotland:

First Year Implementation Plan, March 2005

This implementation plan supports A Strategy for the Financial Services Industry in Scotland which was developed by the Financial Services Strategy Group and published in March 2005.

SUCCESS

People & Infrastructure

Profile

Innovation



one
scotland
SCOTTISH EXECUTIVE

Our vision is of:






An innovative, competitive and thriving international financial services industry in Scotland, underpinned by world-class infrastructure and universally recognised as a leader on the global stage.

Achieving this will demand sustained effort by all partners. Paving the way for the task ahead are the substantial achievements made to date by the FSSG:

- ▶ a solid network between the public sector, the trade unions and the industry
- ▶ greater shared understanding of the scale, diversity and component parts of the industry in Scotland; baseline data have been established
- ▶ a new shared understanding of the environment in which the different sectors of the industry operate and the pressures and constraints on them
- ▶ clearer knowledge within the industry of the component parts of the public sector and the roles they play
- ▶ a catalogue of education and labour market initiatives for use throughout the financial services industry
- ▶ ongoing work by Scottish Enterprise on its Financial Services Action Plan

Legend

Actions have been grouped into themes corresponding with the three pillars of the strategy, plus additional ones for the next steps of delivery and measuring progress.

	Next Steps: Delivery
	People and Infrastructure
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	Next Steps: Measuring Progress

Next Steps

We are committed to making our vision a reality. With the publication of the strategy, the work of the FSSG is complete. However, turning the strategy into action will require continued collaboration between the industry, the trade unions and the public sector.

We have created a Financial Services Advisory Board (FiSAB) to ensure the delivery of the strategy. Board members will be drawn from all parts of the industry, trade unions and the public sector and will include Scottish Financial Enterprise (SFE), the independent organisation that supports and represents the interests of the financial services industry based in Scotland. Representation on the Board will be at senior level with a Ministerial chair and an industry deputy chair.

FiSAB's key roles will be to:

- ▶ ensure delivery and further development of the strategy
- ▶ continue strategic level collaboration and communication
- ▶ enable rapid response to changes in the operating environment
- ▶ promote the financial services industry within and beyond Scotland
- ▶ act as guardian and champion for the strategy.

FiSAB will meet for the first time as soon as practicable. Thereafter it will meet at least twice a year.

A Financial Services Implementation Group (FiSIG), again with wide representation, will report to FiSAB and engage with the wider network of financial services firms. Where appropriate the group will draw in the supply network and other interested professions. FiSIG will convene immediately and will maintain a regular monthly contact.

Together these two groups will direct and implement the specific actions needed to deliver the strategy. Each year they will publish an implementation plan, highlighting the priority, short-term and longer-term actions and taking into account market changes and progress to date.

To support the work of FiSAB the Scottish Executive will maintain a team dedicated to representing the interests of the financial services industry. Led by the Department of Enterprise, Transport and Lifelong Learning, the team will be drawn from across the offices in Scotland, London and Brussels.

Transport

The delivery of transport and infrastructure projects in Scotland is undertaken at both national and regional level by a range of bodies. Crucially, the new and overarching national Transport Agency for Scotland will have a clear focus on making projects happen – particularly on managing and enhancing the road and rail network. Transport Agency priorities will be set by the Scottish Executive and Regional Transport Partnership; thus it is vital for the industry to make its needs known and articulate them effectively. Transport is important at a local level to ensure people can get to work. It is also important nationally and internationally to support the global reach of the financial services industry.

Aims:

- A transport infrastructure which supports the needs of the financial services industry, specifically:
 - The creation of new direct air routes from Scotland
 - Delivery of the Edinburgh and Glasgow city centre to airport rail links
 - Delivery of the Edinburgh airport tram line
 - A scoping study to explore and appraise options for improving the Glasgow to Edinburgh rail service, including the feasibility of a high speed rail link.
- 1 **The industry's** views and priorities will be gathered and fed into the development of the National Transport Strategy (NTS), in the course of 2005, and into the Strategic Projects Review (SPR). The **Scottish Financial Enterprise** transport survey will help inform this. The NTS and the SPR will determine the Scottish Executive's priorities for transport and how these priorities will be reflected in infrastructure investment.
 - 2 **Industry** will provide initial evidence by end March 2005 in support of the development of desired new air routes from Scotland to key financial services locations.

As a priority, **Scottish Enterprise** will consider applications from airlines for Air Route Development Fund support arising from that evidence.
 - 3 The **Scottish Executive** will do everything possible to ensure that rail links to Glasgow and Edinburgh airports are achieved within their currently projected timescales of 2008 and 2010, respectively.
 - 4 Where projects important to the industry are being planned or are on-going, **industry** will build and maintain links with the delivery teams responsible, including the national Transport Agency for Scotland.
 - 5 The **Scottish Executive** would consider jointly (on a 50:50 basis with **industry**) funding and managing an additional study to identify and appraise options for improvements to the Edinburgh to Glasgow service which involve significant change to the existing network, or which require new track to be laid.

Mobile Telecoms

To operate effectively, businesses need reliable mobile communications which operate continuously between Scotland's main business centres.

Aim:

- Continuous, uninterrupted mobile communications between and around Edinburgh and Glasgow as a first priority and then between and around our other main city regions.
- 6 As a matter of urgency, the **Scottish Executive** will work closely with mobile operators and transport stakeholders to identify gaps in mobile coverage on the main rail routes in Scotland and establish how these might be eliminated commercially to provide uninterrupted reception, firstly between and around Glasgow and Edinburgh, and then between and around other key financial services locations (Aberdeen, Perth, Stirling and Dundee). In parallel, the **industry** will engage with the mobile operators to press the case. Provision will be discussed on an **ongoing** basis with **FiSAB** and the **industry**.

Planning

Planning issues, including housing, can have a big impact on the financial services industry given that it employs a high density of people. It is important that suitable housing is available within easy reach of business premises, and that high quality premises are available and can be developed in Scotland. The Scottish Executive National Planning Framework, which was published in April 2004, is to be reviewed every four years and FiSAB will have the opportunity to feed directly into these reviews either in its own right or as part of a more general engagement with the business community. It will also have the opportunity to make its views known on the forthcoming package of planning reforms, including the proposed Planning Bill.

Aims:

- A planning framework which recognises and supports the needs of the financial services industry
 - Planning decisions which enhance the development of the industry.
- 7 **The industry's** views and priorities will be gathered and fed into the reviews of the Scottish Executive National Planning Framework in **2007/08**, as well as into the forthcoming package of planning reforms, including the proposed Planning Bill.

Regulatory Costs

The business and regulatory environments have a significant impact on the international competitiveness of financial services companies based in Scotland and of Scotland as an investment location for financial services business. It is important not to add to the cost of doing business from Scotland.

Aims:

- The maintenance of a business-friendly regime which enhances Scotland's competitiveness as a global financial services location.
- 8 On an **ongoing** basis, **FiSAB** will identify areas of regulation where it believes the interests of the financial services industry have not been adequately recognised. It will notify these to the Scottish Executive's **Improving Regulation Unit** and review the effectiveness of the Unit's response.

The **Scottish Executive** will ensure that, in devolved areas, the business environment and regulatory regimes are appropriate and proportionate without gold-plating. (For reserved areas see action 15.).

Education and Labour Market Initiatives

The FSSG has mapped the wealth of financial services education and labour market initiatives serving the industry in Scotland, in order to help identify and address mismatches between supply and demand. The availability of skills continues to be a priority for the industry in Scotland.

Aims:

- Improved knowledge among companies of the range of initiatives serving the Scottish industry and the opportunities available to companies to exploit these initiatives
- A better match between supply and demand which anticipates and better meets industry needs
- Strong and effective partnership established through Scottish Enterprise working with the Financial Services Skills Council, industry and other partners.
- 9 **Scottish Enterprise** will publish the database of education and labour market initiatives **by end March 2005** in order to make this resource accessible for HR professionals in the industry.
- 10 **Scottish Enterprise** will present the analysis and database to a forum of financial services Human Resources professionals **by end May 2005** in order to raise awareness of this resource and its capabilities.
- 11 Building on earlier actions, **Scottish Enterprise** will establish an **immediate** dialogue with the **industry** to identify mismatches between supply and demand and, working with partners, to start working up initiatives to address areas of need.
- 12 **Beyond the first year of the strategy, Scottish Enterprise** will coordinate with partners to identify future industry requirements, agree ownership, and where appropriate, oversee delivery of initiatives to address supply-side weaknesses and gaps.

Financial Education

A financially literate population in Scotland will benefit the industry both by developing an informed and aware customer base and helping to support its current and future workforce needs. The industry is already directly involved in funding and delivering financial education and Scotland is playing an active part in developing and implementing the Financial Services Authority's (FSA) Financial Capability Strategy. In particular, the Scottish Executive is working to update the framework for financial education in Scottish schools and is also developing ways in which financial education can be delivered outwith school settings. The industry is closely engaged with the FSA and the Scottish Executive on these initiatives and will be building on the numerous activities already taking place in Scotland.

Aim:

➤ A financially literate population in Scotland.

13 The **industry** will continue to develop its financial education work in Scotland in partnership with the public sector. Through its work on the *Financial Inclusion Action Plan* (Jan 2005), the **Scottish Executive** will review progress with financial literacy and highlight where improvements can be made. **FiSAB** will support the financial literacy agenda, help to identify any gaps in coverage and contribute its views to ensure that education and information provided are appropriate to Scottish needs.

Communication and the Scottish Voice

Effective communication is a prerequisite for effective partnership. The FSSG has provided a good opportunity for enhanced understanding between the public and private sectors and the creation of this shared strategy is the first tangible outcome.

Firms in Scotland are fully engaged in the process of consultation which goes to shape regulations and their implementation. A collective Scottish voice from the public sector and the industry may support and supplement existing mechanisms.

Aims:

- ▶ Effective partnership and an understanding of the financial services industry which is shared between industry, the trade unions and public sector participants
- ▶ A co-ordinated Scottish voice, utilising the strengths of the public and private sectors, on matters affecting the financial services industry which can be used to inform the work of regulators at UK and at EU level.

14 With effect from **March 2005, industry, the public sector and the trade unions** commit to continued networking and dialogue: formal and informal engagement will continue to be developed and maintained on an ongoing basis.

15 The following actions are ongoing and their effectiveness will be reviewed by **FiSAB annually**:

- The industry's trade and representative bodies will continue to have the most prominent role in voicing Scottish issues and concerns in response to HM Treasury consultations
- The Scottish Executive will use its good working relationships with HM Treasury and the Scotland Office to identify emerging issues at an early stage
- FiSAB and FiSIG will help to identify and discuss issues where a co-ordinated Scottish voice could add value to the Scottish financial services industry and, where appropriate, draw together a view for action or negotiation.

Promotion

Clear and consistent messages must be communicated to promote Scotland effectively: as an investment location for firms currently based in Scotland as well as to attract additional inward investment; to promote awareness of the Scottish financial services industry at home and abroad; and to persuade people to work in financial services in Scotland. As a basis for overseas sales and marketing activity in financial services, Scottish Development International (SDI) has already developed a detailed understanding of Scotland's competitive positioning and the unique propositions that Scotland offers existing and potential businesses in terms of skills, capabilities, infrastructure, costs and 'brand values'.

Aims:

- ▶ Universal recognition of Scotland's strengths as a leading global financial services centre
- ▶ A stronger business case for locating financial services activities in Scotland
- ▶ A more international education and training base.

16 During 2005, Scottish Enterprise and SDI will build on their existing work with individual firms and establish regular links with the **industry** as a whole, to share material on the Scottish financial services proposition. This material will be for use both in Scotland and abroad. Feedback will be sought to ensure that propositions remain well targeted and compelling. Financial services will continue to be one of SDI's key priorities.

17 During 2005, SDI will continue to develop the financial services proposition ensuring that this capitalises on the exemplary financial education and training Scotland offers. Furthermore, SDI will offer Scottish education and training providers appropriate levels and types of support in marketing their expertise and initiatives internationally.

Fresh Talent

The key objective of the Scottish Executive's *Fresh Talent* initiative is to attract and retain 'talented' people to live and work in Scotland to support economic growth. Scotland is renowned for the high quality of its financial services labour force but the availability of skills and people continues to be a priority for the industry in Scotland.

Aim:

- ▶ Ensuring a sufficient supply of suitably talented individuals to meet the current and future needs of the financial services industry in Scotland.
- 18 The Scottish Executive** will ensure that the industry's needs are taken into account in the development of the *Fresh Talent* initiative. The Scottish Executive will monitor *Fresh Talent* on an **ongoing** basis to ensure that the current needs of the financial services industry are reflected in the promotion of the initiative. **Industry** will work with the Scottish Executive to look for ways to gain from the *Fresh Talent* initiative such as work placement opportunities and internships for international students.

The Scottish Executive and its agencies, including the Enterprise Networks, have a range of support mechanisms in place to encourage innovation: programmes include the SMART, SPUR and SPUR+ initiatives and Knowledge Transfer Partnerships (KTP) as well as R&D Plus, for large firms. There is considerable scope to expand uptake of these within the financial services industry and its suppliers.

Continual innovation of business models, processes, products, markets and services is an ongoing feature of the financial services industry and essential to individual company and overall industry sustainable competitiveness.

In order to sustain, identify and exploit new and existing opportunities, the industry in Scotland can gain from leveraging the Scottish applied technology base.

Aims:

- Increased innovation by firms in the financial services industry and its supply base
- A Scottish financial services industry which has very high levels of innovation and a competitive advantage resulting from integration with relevant world-leading non-technology research
- A Scottish financial services industry supported by very high levels of innovation locally, deriving a competitive advantage from integration with the Scottish applied technology base.

19 Within the first year of the strategy, the **Scottish Executive and Scottish Enterprise** will ensure that all of their support initiatives for innovation fully recognise the potential for uptake by firms in the financial services industry and its supply base. They will ensure that the industry and its suppliers have been made aware of all appropriate forms of support for innovation, including the development of new products and markets, available in Scotland. The uptake of innovation schemes by the financial services industry and its supply base will be monitored on an annual basis and the results made available to FiSAB.

20 A secondary priority will be a study to establish the links that exist between the industry and the academic base both within and outwith Scotland and to identify the relevant research being undertaken by the Scottish academic base. The scope for this study will be developed by **FiSIG** in **Q4 2005**.

21 Building on the study outlined at **20**, **FiSAB** will consider the potential benefits to the industry of running seminars and conferences that brain-storm leading edge relevant academic research and related industry practice on issues of topical interest, such as broadening the sector's customer base.

22 The **Scottish Executive** will engage with Technology Ventures Scotland to explore potential avenues to help bring together industry and the Scottish applied technology research base. The needs of the financial services industry and how these can be addressed will be discussed with a view to setting up workshops **within the first year of the strategy**.

Supply Network

A strong and competitive Scottish supply network is a significant existing factor in the attractiveness of Scotland as a location for financial services. A strong financial services supply network also brings broader economic benefits to Scotland in terms of wealth generation and jobs.

Aim:

- Further strengthening and development of the Scottish supply network for the financial services industry.

23 Within the first year of the strategy, Scottish Enterprise and SDI will identify strengths and weaknesses of the existing supply network.

24 Within the first year of the strategy, Scottish Enterprise and SDI will work with financial services companies and suppliers to build improved levels of understanding of the requirements of the industry, to help increase the capabilities of individual suppliers, and, where appropriate, to encourage all tiers of the supply network to engage internationally.

25 Beyond the first year of the strategy, Scottish Enterprise and SDI will coordinate with partners to identify appropriate actions to address deficiencies in the supply network and leverage its strengths.

Cluster Development

Within Scotland, employment in financial services is highly concentrated in both Edinburgh and Glasgow thereby creating a strong geographical cluster. There is a recognition of the benefits which industry clusters bestow on the firms involved through intra-firm linkages, professional support networks and flows of knowledge. Added to this is the very real and immediate benefit of a ready-made market for new developments and products. Such benefits add to the overall competitiveness of the industry.

Aims:

- A Scottish financial services industry which has access to all the elements needed for maximum competitiveness.

26 During the first year of the strategy, the Scottish Executive, together with Scottish Enterprise, will carry out a cluster study. This will map the existing linkages and structure of the financial services industry in Scotland and detail the relative importance of particular sectors and professions in supporting this activity in Scotland. It will complement and build on other more specific actions from this plan relating to workforce and suppliers. The analysis will also consider the additional economic benefits of clustered activity in terms of supporting new firm formation and knowledge spillovers.

27 Beyond the first year of the strategy, the Scottish Executive will coordinate with partners to identify any opportunities to strengthen the financial services industry cluster in Scotland.

Next Steps

It is important to have in place methods of monitoring progress towards the vision. A number of measures will be used to track against baseline data.

Aims:

- ▶ A clear understanding of progress towards realising the vision
- 28 The **Scottish Executive** will continue to measure and publish the contribution of the industry to the Scottish economy in terms of both output and employment. GDP figures will be published **quarterly**. Employment figures will be taken from the Annual Business Inquiry (ABI) and published **annually**.
 - 29 The **Scottish Executive** will also report various measures relating to the quality and competitiveness of the financial services workforce both within Scotland and the UK. Earnings data for the financial services industry will be sourced from the Annual Survey of Hours and Earnings (ASHE) and published **annually**. Qualifications data on the financial services industry will be sourced from the Labour Force Survey (LFS) and published **annually**. Data relating to the occupational structure of the industry will be sourced from ASHE & LFS and published annually.
 - 30 More detailed and industry-specific indicators will be developed **during the first year of the strategy** by the **Scottish Executive** working with the **industry** to give a greater insight into the individual sectors of the industry: banking; life & pensions; general insurance; asset management & securities broking; and intermediation.
 - 31 **By the end of the first year of the strategy**, the **Scottish Executive, in partnership with Scottish Enterprise**, will benchmark Scotland's competitiveness as a place to carry out financial services activities against international comparators.

Glossary

ABI – Annual Business Inquiry – Annual employer survey averaged over the year carried out by the Office for National Statistics

ASHE – Annual Survey of Hours and Earnings (Office for National Statistics), which replaced the New Earnings Survey in 2004.

GDP – Gross Domestic Product

GVA – Gross Value Added (GVA) measures the contribution to the economy of each individual producer, industry or sector in the United Kingdom. It is used in the estimation of Gross Domestic Product (GDP) and is a key measure of the economic value generated by all sectors of the economy in a given time period (quarterly, annual, etc.).

How does GVA relate to GDP?

GVA is a component of GDP, which is defined as GVA (at current basic prices; available by industry only) plus taxes on products (available at whole economy level only) less subsidies on products (available at whole economy level only).

i.e. GVA + taxes on products – subsidies on products = GDP

In the case of financial services sector firms, their contribution to GVA in Scotland includes all the net income generated from the various financial activities they undertake from within Scotland (commissions, charges, net interest, etc.) as well as the income which accrues to their employees (wages & salaries) within Scotland.

KTP – Knowledge Transfer Partnership - a scheme from the DTI which helps businesses to develop and grow by accessing the wealth of knowledge and expertise in the UK's universities, colleges and research institutions.

LFS – Labour Force Survey – A sample survey of the population seeking information on respondents' labour market status carried out by the Office for National Statistics and the Scottish Executive.

R&D Plus – a support scheme available from Scottish Enterprise for large company research and development.

SMART and SPUR – grants for innovation available from the Scottish Executive.