

**The Strategy for the Financial
Services Industry in Scotland**
2008 Annual Report

SUCCESS

People



Profile



Infrastructure

The Financial Services Advisory Board (FiSAB) is the custodian and advocate of the *Strategy for the Financial Services Industry in Scotland*.

Current members of FiSAB are:

Rt Hon Alex Salmond MP MSP, First Minister of Scotland – **FiSAB Chair**

John Swinney MSP, Cabinet Secretary for Finance and Sustainable Growth

Jim Mather MSP, Minister for Enterprise, Energy and Tourism

John Campbell – Chairman, Scottish Financial Enterprise and Senior Managing Director,
State Street Corporation – **FiSAB Industry Deputy Chair**

Ian Ferguson – Director of Underwriting, Norwich Union

David Fleming – National Officer, Unite the Union

Martin Gilbert – Chief Executive, Aberdeen Asset Management plc

Colin Matthew – Chief Executive, Strategy, International, Treasury & Asset Management, HBOS plc

Jack Perry – Chief Executive, Scottish Enterprise

Sir Muir Russell – Principal, University of Glasgow and Convener, Universities Scotland

Lisa Stephenson – Director, Lloyds TSB Scotland

Ben Thomson – Chairman, Noble Group Limited

Otto Thoresen – Chief Executive, AEGON UK

Margaret Wallace – Managing Director, Morgan Stanley

Willie Watt – Chief Executive, Martin Currie Investment Management Ltd

David Wilson – Director, Enterprise, Energy and Tourism, Scottish Government

Observer from HM Treasury

The delivery of the *Strategy* is managed by the Financial Services Implementation Group (FiSIG). FiSIG's membership reflects that of the FiSAB partnership. Current members are: Liz Cairns, Unite the Union; Steven Cameron, AEGON UK; Danny Cusick, Scottish Enterprise; Douglas Greig, Scottish Government; Owen Kelly, Scottish Financial Enterprise; Margaret McGrath, Scottish Government; Mark McMullen, Scottish Development International; Helen McNeill, Lloyds TSB Scotland; Alan Murray, Standard Life; Sam Walker, Aberdeen Asset Management.

Thanks are also given to: Gordon Arthur, Scottish Financial Enterprise; Amber Batool, HM Treasury; Graeme Dickson, Scottish Government; Amanda Harvie, Scottish Financial Enterprise; Trevor Matthews; Simon Palmer, Lloyds TSB Scotland; Cathy Malone, Scottish Enterprise; Brenda Rankin, Scottish Enterprise; John Wilkes, Equal Opportunities Commission whose work contributed to this report.

Special thanks are also given to the following organisations for providing representatives to the five FiSIG-led delivery groups: Chartered Insurance Institute; Chartered Institute of Bankers in Scotland; Close the Gap; Financial Services Authority; Financial Services Skills Council; Heriot Watt University; Institute of Chartered Accountants of Scotland; Jobcentre Plus; Scottish Centre for Financial Education; Scottish Enterprise Glasgow; Scottish Funding Council; Scottish Investment Operations; Scottish Qualifications Authority; University of Edinburgh; University of Glasgow.

Scottish Government officials provide secretariat support to both FiSAB and FiSIG.

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Ministerial Foreword – First Minister of Scotland

Scotland: achieving sustainable economic growth – facing the future in partnership



Welcome to the third Annual Report of the *Strategy for the Financial Services Industry in Scotland*.

This has been an exciting year. The new Government, elected last May, has been busy delivering for the people of Scotland. Notable achievements include the preparation of our spending plans for the next three years, Parliamentary approval for our first Budget, and the publication of the Government Economic Strategy. This Strategy guides the decisions and the economic ambitions of the Scottish Government and it highlights Scotland's financial services industry as one of our priority industries.

The Financial Services Advisory Board (FiSAB) – the pioneering collaboration between Government and the wider public sector, trade unions, our higher education sector and the financial services industry – is the cornerstone of a partnership which can deliver success for our businesses and for the whole country. We are all aware of the challenges in today's global financial markets and the Scottish Government believes that we are stronger when we face these challenges together.

As this report makes clear, Scotland's financial services industry continues to build on the remarkable growth and success of the past decade. Over the last year – and during difficult global conditions – Scotland's financial services industry has recorded continued growth and attracted new business from several world-leading financial institutions. These companies will enhance Scotland's position as a leading European financial centre, which now employs around 86,000 people directly and supports many more in related industries.

Over the last year, we have broadened the reach of the *Strategy*. Five new delivery groups, bringing together experts from the public and private sector, trade unions and our professional bodies, provided a wider pool of knowledge and expertise to drive forward delivery on the aims of the *Strategy*.

Events this year have made clearer than ever the interconnectedness of global financial markets, and their potential impact on the real economy. This interconnectedness presents new risks and new challenges for our industry – and for policymakers worldwide. It also creates important new opportunities for Scotland's financial services industry – and the chance to build on our reputation for innovation and excellence.

I was delighted when, in March this year, the Financial Times Group, in an international survey, awarded Scotland the title of Europe's place of the future. And I know that in financial services, Scotland has major strengths – our world-class workforce; our strong expertise in banking, insurance and investments; and the major competitive advantage that we offer through risk minimisation and cost competitiveness – that provides the foundation for long term success.

I am pleased, as Chair of FiSAB, to be joined on the Board by both John Swinney, Cabinet Secretary for Finance and Sustainable Growth and Jim Mather, Minister for Enterprise, Energy and Tourism, in working with our partners to achieve our ambitious agenda for the future.

There are exciting challenges ahead for all of us and very good reasons to be positive about the prospects for Scotland's financial services and the Scottish economy. I am confident that working together, through the FiSAB partnership, we can deliver future growth and prosperity for the financial services industry and for the people of Scotland.

A handwritten signature in dark ink, which appears to read 'Alex Salmond'.

The Right Honourable Alex Salmond MP MSP, First Minister of Scotland

Industry Foreword – John Campbell

Scotland: working in partnership for continuing success and growth



I referred in last year's report to "the highly competitive and fast-changing global environment in which the financial services industry operates". We have seen some very clear illustrations of that in the year to March 2008. However, I believe Scotland has continued to exhibit the qualities that make us both successful and resilient as a centre for excellence and innovation in financial services.

Scotland's reputation in international financial services is well-known and well-recognised. Central to that success is our diversity; all of the main sectors of the industry are well represented in Scotland and the professional and other support services stand comparison with any in the world. Scotland's history as a centre for innovation in financial services is unrivalled and we provide a secure and well-regulated environment for companies aiming to operate in global markets.

But the Financial Services Advisory Board, this unique partnership between Government, the industry and trade unions, adds a new dimension to that environment. The work of the Board has continued without interruption in 2007, reinvigorated by the change of Scottish Government in May. The commitment of Ministers in the new administration to the work of FiSAB, which is very important to the industry, has been both very clear and very welcome.

FiSAB's work this year has focused on its three priorities: skills, infrastructure and promotion. Progress in each is highlighted in the report but I have been particularly impressed by the work we have seen to improve understanding of financial matters among our young people. This is not only of benefit to them as individuals, since such understanding is an essential part of life in a modern market economy, but also of long-term benefit to our financial services industry and, indeed, to Scotland as a whole.

The Scottish financial services industry looks forward to building over the coming years on the successful collaboration with our partners in Government, in higher education and the trades unions that is reflected in this report.

A handwritten signature in black ink that reads "J. D. Campbell". The signature is written in a cursive style with a long horizontal line extending from the end.

**John Campbell, FiSAB Industry Deputy Chair
(and Chairman, Scottish Financial Enterprise and Senior Managing Director, State Street Corporation)**

The *Strategy for the Financial Services Industry in Scotland* aims to deliver the vision 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.

The *Strategy for the Financial Services Industry in Scotland* focuses on the following strategic aims:

Innovation

Exploit market opportunities through innovative products and services

People

Strengthen the world-class workforce

Profile

Build the industry's profile within and beyond Scotland, by influencing, marketing and communicating effectively

infrastructure

Improve the business infrastructure

Effective partnership working across the public and private sectors has delivered progress across all areas.

Overview

The Financial Services Advisory Board (FiSAB), the pioneering collaboration between the financial services industry, trade unions, the Scottish Government, Scottish Enterprise (SE) and Universities Scotland, is the custodian and advocate of the *Strategy for the Financial Services Industry in Scotland* (the *Strategy*).

In leading the development of the *Strategy* in 2003, the Financial Services Strategy Group (FSSG), comprising industry leaders, trade unions, government and the wider public sector, formed a unique and equal partnership to define the environment which would ensure that Scotland remains home to an innovative, competitive and thriving financial services industry. The *Strategy*, launched in March 2005, was a culmination of this work.

FiSAB is supported by the Financial Services Implementation Group (FiSIG) which delivers the *Strategy*.

In May 2006 the first Annual Report was published, highlighting achievements and forward plans as well as identifying the continued success of the industry. The Annual Report proved a successful platform to publicise not only the *Strategy*, but also Scotland's position as a leading financial services centre. The second Annual Report was published in March 2007 and provided a summary of achievements in the second year of the *Strategy*, comparative data on the strong progress made by the industry in Scotland and an outline of plans for Year 3 and beyond.

This third Annual Report sets out achievements in Year 3, which build on and broaden the success to date. In 2007 there was significant change in the political environment in Scotland with the election of the first Scottish National Party Government. The partnership of FiSAB and FiSIG has been continued by the new Government, consolidating its position as a highly successful collaboration. All partners are continuing to drive forward the *Strategy* and contributing to achievements across all three strategic pillars (see diagram opposite). This task is ever more important given the significant change in the global economy.

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Looking to the future, ambitious plans have been set out to meet the challenges and opportunities ahead. FiSAB and FiSIG remain committed to adding to the significant progress already achieved, to ensuring that plans meet current industry needs, and also reflect the anticipated future shape of the industry.

Achievements

This section details achievements across all three strategic pillars and highlights our cross-cutting approach to innovation with examples in each pillar.

● Achievements: Strengthening the world-class workforce

In relation to skills and workforce development, our medium and long term objectives are to ensure Scotland offers a labour market which supports the internationally competitive financial services industry by meeting the industry's current skills requirements and anticipating future needs.

In order to gain the widest possible input to our deliberations and activities FiSIG set up a number of delivery groups to undertake specific work. Three of these delivery groups, **Skills**, **Gender Pay Gap** and **Financial Capability** have been focused on our overall aim of strengthening the world-class workforce.

The **Skills** delivery group has completed a full mapping exercise of the skills activity in Scotland. This has shown that a significant amount of work is being undertaken throughout the country and is:

raising the appeal of the industry as a career choice:

- 10 Financial Services tours delivered for teachers, careers advisers, students and Jobcentre Plus advisers in Edinburgh, Glasgow, Dundee and Fife; over 325 delegates and 26 companies involved.
- Three e-mentoring projects delivered with 88 participants each completing a 10 week course; involving Firhill High School and Scottish Widows, Royal High School and State Street Corp, Peebles High School and Lloyds TSB Scotland.
- Both State Street Corp and Lloyds TSB Scotland participated in an e-mentoring project with Napier University undergraduates involving 24 participants.
- Five Stock Market Challenge events held in Edinburgh, Dundee and Glasgow involving 625 S3 pupils from 125 schools sponsored by Standard Life Investments, Morgan Stanley, BNP Paribas and Barclays Wealth and supported by Careers Scotland.
- Three Stock Market Challenge university events held in Edinburgh, Dundee and Glasgow involving 130 university students sponsored by Standard Life Investments, Morgan Stanley and BNP Paribas and supported by the universities' careers services.



University students enjoy the live trading floor in Stock Market Challenge

Financial Services and the International Financial Services District (IFSD) passes “student test”:

After a day meeting representatives from four of Glasgow IFSD’s best-known employers, over 90% of the history and maths undergraduates who took part in a Financial Services tour in March 2008 said they were now interested in a career in financial services.

Over the course of the day, 36 students met representatives from Morgan Stanley, Barclays Wealth, RBS and Abbey to find out about the diverse range of careers within the industry. As students studying for non-vocational degrees many had not previously considered financial services as a possible career. That view had certainly changed by the end of the day, with the following just a selection of some of the comments from participants:

“it has made me more aware of the different sectors within each company”

“it’s been a real eye opener”

“it was not something I had considered previously but it is now a real option”

Cathy Malone from SE, who organised the tour said: “The tours are designed to bring financial services firms looking for high quality candidates together with students who want to live and work in Glasgow when they graduate, but don’t know what’s on offer for them from the financial services industry. It’s a win-win for everyone, including Scotland.”

The students who participated in the tour were recruited through the Aiming University Learning @ Work Project based at the University of Glasgow. Irene Bell, Project Manager stated that: “The students and staff who took part were immensely impressed by the content and format of the day. It opened up a potential career sector to the students that hitherto they would not have considered. In addition, it acted as a confidence builder, to learn that the attributes developed by their chosen degree courses were much in demand by financial services firms.”

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Providing people with the skills to work in the industry, for example, by delivering pre-recruitment training:

- Chartered Institute of Bankers in Scotland (CIOBS) Schools Certificate in Financial Services delivered to 58 S5 and S6 pupils across Scotland.
- Introduction to Investment Operations courses delivered to over 40 individuals across Scotland.
- 16 students undertaking the Higher National Diploma (HND) in Financial Services.
- National Qualification (NQ) Accounting delivered to 4,176 S3, S4 and S5 pupils across Scotland.
- Skills for Work in Financial Services (Scottish Credit and Qualifications Framework (SCQF) Level 5) delivered to 101 S5-S6 pupils and non-advanced Further Education (FE) students across Scotland.

Ensuring workforce development activities deliver skills for the future:

- Association of Chartered Certified Accountants (ACCA) cross-sector accounting qualification delivered to 4,152 work-based students across Scotland.
- Financial services employees studying for CIOBS qualifications across Scotland which includes 447 enrolments for Certificate level qualifications; 564 for the Chartered Banker and affiliated courses; 125 for Diploma level qualifications and 431 for regulatory qualifications across Scotland.
- Chartered Insurance Institute (CII) delivered Ed ASSESS online learning system offering technical and market knowledge with in excess of 500 users across Scotland.
- Almost 6,000 exams taken at public centres in Scotland for CII qualifications leading to Chartered status for Brokers, Insurers, Financial Planners and Insurance Practitioners.
- Over 1,000 students across Scotland studying for Institute of Chartered Accountants of Scotland (ICAS) qualifications leading to Chartered Accountant status; from this 243 are now qualified.
- Over 200 Modern Apprenticeships and Scottish Vocational Qualifications (SVQ) achieved by financial services employees across Scotland through a range of providers with support from SE and more than 200 currently in training.
- 57 people across Scotland working towards achieving SVQ Accounting level 2.
- Around 550 employees in the investment industry achieved Securities & Investment Institute's (SII) Introduction to Investment – the Foundation qualification and around 200 achieved SII's Investment Administration qualification.
- 10 employees achieved SII Advanced Certificate Examinations developed with Scottish Investment Operations (SIO); around 70 achieved Certificates in the SII Certificate Programme; 25 achieved SII Diplomas.
- National Progression Award (NPA) – Financial Services SCQF level 6 delivered to 50 candidates in RBS.



Stuart Bernau, Group Retail Director, Nationwide Building Society and former FSSC Chairman, Teresa Sayers, FSSC Chief Executive with John Swinney MSP, Cabinet Secretary for Finance and Sustainable Growth at the FSSC Dinner in Edinburgh Castle

Building a talent pool for Scotland's Investment Industry

Scottish Investment Operations (SIO) extended its successful Introduction to Investment scholarship programme which provides aspiring talent with an opportunity to enter the industry.

SIO won additional funding from the Stewart Ivory Foundation, which has supported the project since 2003, and new funding from SE to provide over 40 individuals with a unique chance to learn about the industry and network with industry employers with the goal of finding a job – over 75% of delegates surveyed now work within the industry.

SIO also re-launched its website which increased user levels by 160% to 2.1 million hits per annum. Additionally, *The Innovators 2007* saw SIO crowned Investments category winner for its work on the development of advanced qualifications for the investment industry.

Alan Thornburrow, Chief Executive, SIO commented: "2007 was a very successful year and we look forward to building on that in 2008 with more initiatives to support the industry on talent attraction and skills development."



Alan Thornburrow, Chief Executive of Scottish Investment Operations and winner of *The Innovators 2007* Investment Award, pictured with the Securities & Investment Institute's Carlye Campbell

Encouraging an increased and diversified pool of potential employees for the financial services industry:

Two initiatives address this issue: the Scottish Government's Fresh Talent Initiative and SE's industry-specific talent attraction activity, [talentscotland](#). In addition, FiSIG set up a delivery group to look at issues around gender pay in the industry. The following activity took place:

- ▶ Fresh Talent Initiative officials have hosted a number of Fresh Talent events across the country with a number of financial services companies attending. A financial services factsheet to be distributed at workers' fairs (including overseas) has been developed and is downloadable from [scotlandistheplace](#) website. This site also hosts Fresh Talent case studies of individuals working in financial services, showcasing the successes of individuals and the opportunities available to them.
- ▶ Immigration specialists within the Relocation Advisory Service have held a number of meetings with financial services companies to provide advice and assistance to those looking to recruit staff from overseas.
- ▶ Working with financial services companies to target individuals with key skills, over 2,000 financial services professionals from more than 50 countries have registered their interest in living and working in Scotland by subscribing to the SE talent attraction website, [talentscotland.com](#).
- ▶ 34 financial services organisations are profiled on [talentscotland.com](#) which also features job opportunities, industry news and the relocation stories of senior financial services personnel who have chosen to base their careers in Scotland.
- ▶ Following the release of revised statistics on earnings, the **Gender Pay Gap** delivery group produced a paper providing an overview of earnings across gender in Scotland and Great Britain (GB). In particular, the paper focused on earnings across gender in the financial services sector and provided a review of several studies that examine the gender pay gap in a broader sense, including a summary of recent studies and research carried out in Scotland, the United Kingdom (UK) and Europe on the underlying causes of observed gender pay gaps.

Attracting a skilled and diverse workforce through Fresh Talent

Independent Scottish accountancy and business advisory firm Henderson Loggie has cast its net internationally in its search for candidates with the right skills. Six of the firm's 210 employees are from outside the UK, including an assistant manager from New Zealand, a Russian insolvency administrator, and office administrators from Africa and Germany.

"The ability to recruit and retain higher-quality individuals than competitor organisations is becoming much more of a strategic priority for business, especially within the professional services sector" explained HR director Liz Jackson. "But most employers are finding that the war for talent is getting harder every year. To ensure that we continue to attract the best candidates with the right skillset, we decided to look further afield.

"Having made that decision, we've either been directly approached by people going onto our website or seeing our adverts on recruitment websites. We tailored that process with making sure we had the correct policies and procedures in place to handle the people that came forward.

"As far as we're concerned, quality and diversity are integral to our core values. We will recruit the best talent we can get, from wherever we can get it."

The overseas recruits work in a range of professional roles covering audit, accountancy, financial preparatory work and general administration. So skills in areas such as fluency of English language, numeracy, finance, computing and client liaison are essential.

Delivering financial education in schools and beyond

The Scottish Centre for Financial Education (SCFE), part of Learning Teaching Scotland (LTS), delivered on its Action Plan for Widening the Industry's Involvement for 2007-08 *Learning Money Matters in Scotland: A Framework for the Further Development of Financial Education in Scottish Schools*. In doing so, the following financial education activities have been delivered:

- Talk Money, Talk Solutions was produced in partnership between the SCFE and Clydesdale Bank. The SCFE is working with Scottish local authorities in distributing this to every primary school in Scotland. The use of this resource in schools has been supported by continuing professional development (CPD) opportunities for teachers.
- The Specialist Schools and Academies Trust, working in partnership with Prudential, produced a resource for learning and teaching in English secondary schools called Adding up to a Lifetime. Working with the SCFE, this resource has been adapted to suit the Scottish curriculum and over 800 copies have been distributed to secondary schools in Scotland.
- The award-winning On the Money resource was produced in partnership between the Scottish Book Trust, SCFE and Standard Life. The SCFE is working with local authorities to distribute this resource to every primary school in Scotland.
- The idea of schools running a Money Week has really taken off. For example, in Glasgow more than 120 schools have run a Money Week since September 2007. Money Week is a themed week where every class in a school does work on issues related to money. This can, for example, involve young people working with parents, employees of banks and credit unions or setting up a "fair trade" tuck shop. The idea started in primary schools but has been adapted by a number of secondary schools across Scotland.
- SCFE in partnership with Stirling Park delivered a number of CPD events for teachers to enable them to learn more about financial education to assist delivery in the classroom.
- RBS in partnership with SCFE delivers MoneySense to secondary schools throughout Scotland where students learn about personal finance, money management and enterprise skills; teachers benefit from teacher placements and help from a dedicated RBS employee.
- Young Enterprise Scotland's Financial Education Initiatives are delivered to both primary and secondary schools targeted at hard to reach and vulnerable young people. This is delivered in partnership with SCFE; SIO; More Choices, More Chances; Determined to Succeed and the Prince's Trust.

On the Money

The production of the On the Money set of short stories has been the result of a partnership across the business, culture and education communities. Standard Life, Scottish Book Trust and SCFE set out to produce a resource that would be fun and engaging for young people in primary schools. One of the other aims was to make the resource as inclusive as possible. To achieve this, a pack of support materials was developed that includes:

- British Sign Language Video
- English and Gaelic Audio
- English Subtitles
- Illustrations

This work was acknowledged at *The Innovators 2007* where the partnership was recognised by the award for innovation in Corporate Citizenship.

"I would not just recommend this book to my friend, I'd recommend it for the world." Danielle Murie, Primary 7, Arkleston Primary School



Author Alison Murray reads from *On the Money* to children at St Philomena's Primary School

Mapping the delivery of financial capability activities

The **Financial Capability** delivery group has completed a full mapping exercise of financial capability in schools and beyond in Scotland. This has been a significant piece of work which has produced an excellent overview of the activity going on throughout the country, for example:

- Citizens Advice Scotland (CAS) Pilot Education Projects to vulnerable clients post school in East Dunbartonshire, East Renfrewshire, East Lothian, Airdrie, Angus and Dumfries & Galloway.
- Save by the Bell financial savings scheme in schools in Dundee sponsored by the Stewart Ivory Foundation.
- Financial education delivered in schools in Glasgow, West Dunbartonshire, East Ayrshire, North Lanarkshire, South Lanarkshire, North Ayrshire, West Lothian, Renfrewshire and Western Isles – all supported by the Scottish Government's Financial Inclusion Fund.
- Financial Services Authority (FSA) has delivered the Financial Capability in the Workplace programme providing free financial education to employees across industry, with the support of a secondee from AEGON UK.
- POLisi – IT Based Business Challenge developed by the Insurance and Actuarial Society of Glasgow (IASG) as part of its 125th Anniversary Programme is a business game for students aged 15-17 years to simulate running an insurance company in competition with other teams. Games are currently running in Glasgow with a view to rolling out nationally in 2008.
- Stewart Ivory Foundation programme delivered in half of Scotland's secondary schools preparing S5 and S6 pupils for life after school.
- FSA delivering a toolkit to support student money advisers and student support services to students in FE; also delivering Money Doctors with the same aims but targeted at university students.
- FSA produced a Colossal Cards resource and Money Made Clear website.
- Dunfermline Building Society's Money Detective initiative produced for primary schools in partnership with SE and Careers Scotland.
- CIOBS runs the Financial Education Partnership (FEP). The FEP is funded by Airdrie Savings Bank, Clydesdale Bank, Dunfermline Building Society, HBOS, Lloyds TSB Scotland, RBS and Standard Life. Staff from the member organisations undertook around 720 visits involving approximately 25,000 individuals covering 12 subject areas relating to personal financial capability. The workshops are adapted to suit a range of age groups from primary and secondary pupils through to adult groups.

Informed and confident customers

Having undertaken an initial survey of financial learning in communities across Scotland, Learning Connections and the Financial Inclusion Team of the Scottish Government have now identified a suite of case studies of adult financial education projects taking place across Scotland.

The case studies describe work taking place in a variety of settings, including community learning and development, prisons, workplaces, credit unions and citizens advice bureaux. They provide evidence that financial education with adults is most successful when it emerges from partnership working. For example, three projects in West Lothian have been particularly successful because of the effective links between the West Lothian Credit Union Forum and the local authority's community learning and development service. The case studies also demonstrate that adults are often most motivated to take part in financial learning when they are in some sort of transition: for example, going back into employment, leaving prison, or developing a community organisation.

Work is now ongoing to deliver interactive case studies which will be useful to:

- adult learning and youth workers who want to find out about effective resources and teaching ideas (such as websites, games and other activities);
- development workers in communities and organisations, who are looking for ideas about how to attract adults into learning with whom they might work in partnership; and
- policy makers.

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The case studies will be available from summer 2008.

Supporting Innovation by bringing industry thinkers and experts together

Scottish Financial Enterprise (SFE) has initiated a programme of business briefings, designed specifically to engender debate about future trends and developments in financial services. The first of these, in March 2008, looked at the rapidly changing nature of the global competitive environment for the Scottish industry and examined some of the implications. SFE is also working with the Scottish Council Foundation and other partners to extend innovative thinking beyond the industry and into wider social and political networks.

● Achievements: Global and local profile

Significant efforts have been made throughout the year to raise the profile of Scotland's international financial services centre to key audiences in Scotland and around the world by taking forward the aims of the FiSAB Communications Plan. This will ensure consistent messages about Scotland's financial services strengths, investments proposition and global reach are articulated.

Investment and expansion in Scotland's international financial services centre:

- ▶ SE and Scottish Development International (SDI) activity to promote Scotland as a hugely successful financial services centre with a strong legacy and a significant competitive advantage through risk minimisation and cost competitiveness has seen major investment by international companies directly and indirectly involved in the financial services industry such as BNP Paribas, Morgan Stanley, Shell, NCR and Dell.
- ▶ In total more than 1,800 financial services jobs have been secured through inward investment consolidating Scotland's position as the best performing region in the UK and a leading region in Europe for attracting foreign direct investment (fDi). Scotland was recently named as the European Region of the Future 2008 by the Financial Times fDi magazine, beating 38 other European regions for the title. This is the second time in four years that SDI has won this prestigious award. The award sends a strong message to the international business community about Scotland's economic potential.
- ▶ Regional Selective Assistance (RSA) has proved a valuable asset in attracting new companies to Scotland and helping established companies remain in Scotland to develop and grow. For example, Barclays Wealth Management's new infrastructure base at the Aurora building in Glasgow. This project was supported with RSA of up to £4.2m creating some 500 new jobs and safeguarding at least 800 existing jobs. It will see the company's operations in Glasgow extend, complementing the existing three sites in the city, currently employing over 1,000 people.

Continue to engage and influence regulators and policy makers, including HM Treasury, the FSA and the EU, by utilising the co-ordinated Scottish Voice of the public sector, the private sector and trade union

- ▶ Full engagement has continued with UK Trade & Investment (UKTI) via SFE's membership of the Financial Services Sector Advisory Board (FSSAB) and SDI membership of the UKTI Regional Forum.
- ▶ SFE Reception at Dover House, London in June 2007 involving MPs and other London based officials with stakeholders, where the success of the *Strategy* was communicated and partners met with stakeholders.
- ▶ SFE and member companies continued proactive engagement with EU officials and Commissioners during a visit to Brussels in June where they met, amongst others, Agne Pantelouri, Director, Consumer Affairs, DG Health and Consumer Protection and David Wright, Director, Financial Services Policy and Financial Markets, DG Internal Market and Services.
- ▶ Scottish Government officials worked with colleagues from HM Treasury to organise a stakeholder event in Scotland to discuss HM Treasury consultation on the European Commission (EC) proposals on conflict of laws on contractual obligations to include insurance contracts (also known as Rome1).
- ▶ The Fraser of Allander Institute at the University of Strathclyde has been commissioned to undertake a study of the economic impact of the Scottish financial services industry on the Scottish economy.

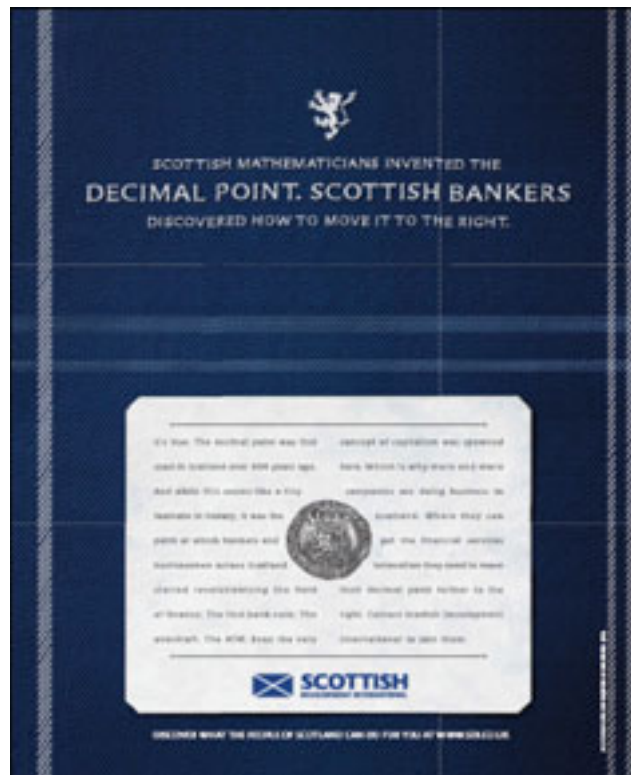
Raising Scotland's international profile as a leading financial services location:

- ▶ In September 2007, SDI in conjunction with UKTI hosted 20 European based journalists who met and received presentations from SDI, AEGON UK, Citygroup and AON along with SFE; John Swinney MSP, Cabinet Secretary for Finance and Sustainable Growth hosted a dinner for the visiting journalists.
- ▶ Seven Chinese journalists visited Scotland as part of a UKTI press tour; SDI provided an overview of the financial services industry in Scotland and during the visit the journalists visited and received presentations from Baillie Gifford, Martin Currie, Standard Life and SFE.
- ▶ In November 2007, UKTI held a seminar at the British Embassy in Tokyo to promote the UK's strengths in financial services; as part of this event, SFE presented Scotland's strengths and capabilities to an audience of 50 Japanese financial institutions.
- ▶ As part of a UKTI-organised visit by the Chinese Insurance Regulatory Commission (CIRC) in November 2007, SDI organised presentations by SFE, Aberdeen Asset Management and Standard Life, to showcase Scotland's strengths in both the insurance and asset management sectors.

Marketing Scotland's financial services industry around the world:

SDI has undertaken a dedicated marketing campaign promoting Scotland's financial services industry. As well as direct marketing and e-marketing campaigns which have resulted in a significant increase in web traffic, there has also been a series of high profile adverts in some of the world's leading business press including the FT, Les Echos, Wall Street Journal, The Economist, Business Week and Forbes magazine (see below).

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An example of SDI's international marketing campaign

***The Innovators 2007* offers an exciting new addition to the retirement options available in the UK**
AEGON UK – 5 for Life retirement solution

AEGON UK has launched 5 for Life, the first product for the UK pensions market to guarantee income of at least 5% of the amount invested for the rest of the investor's life, coupling the security of a guaranteed income with the benefits of retaining control of investments. The product meets a gap in the market for an alternative to annuities, which do not enable the investor to benefit from improvements in stock market performance, or investment plans, which could run out of money during the investor's lifetime. Launching 5 for Life has enabled AEGON UK to take the lead in a new market, and has paved the way for AEGON UK to develop new bank distribution partnerships. Since its launch in September 2006 AEGON UK has seen steady growth in sales of 5 for Life and some of the company's major competitors are now developing their own equivalents.



Overall winners of *The Innovators 2007*. Gregor Stewart, Partner, Head of Advisory Services, Scotland Ernst & Young LLP, Peter Dorman, Director of Partnership & Distribution Development, AEGON UK, Gordon Arthur, SFE Interim Chief Executive

● Achievements: Improving the business infrastructure

By the very nature of infrastructure projects, delivery of actions is more likely to be in the medium to longer term. Short term actions therefore focus on ensuring engagement and understanding of related policy issues which the industry has identified as critical, such as planning. This year, the Scottish Government's Chief Planner led FiSIG through the process and progress of the National Planning Framework (NPF) review. The NPF sets out the Scottish Government's ambitions for Scotland's development over the next quarter of a century, providing detail on critical elements of national infrastructure and addressing national spatial issues. Other achievements have included:

Using FiSAB and FiSIG influence to continue to address industry priorities within emerging transport policy and seek to improve transport connectivity in and between Scotland's cities and with global markets

- Advance work for the Glasgow Airport Rail Link (GARL) was completed in November 2007 in terms of installing 71 of the portal frames which will be required for the Overhead Line Electrification (OLE) equipment on the Glasgow to Paisley rail corridor; work was completed ahead of time and under budget.
- Transport Scotland has been tasked with the delivery of packages of work collectively known as the Edinburgh to Glasgow Improvement Programme which is designed to prepare and implement cost-effective ways to improve reliability, reduce journey times and increase capacity for the expected continued growth in rail passenger numbers between Edinburgh and Glasgow; the scope includes improvements on the Shotts, Carstairs, Cumbernauld, Dunblane, Alloa and Stirling lines as well as the core Edinburgh to Glasgow line.
- The Route Development Fund (RDF) ended on 31 May 2007 due to changes required by EU rules; however, the Spending Review 16|17 outcome provides continuing support for RDF routes launched before that date with 36 routes continuing to operate and 22 (17 international and five domestic) of these routes still receiving investment from the Fund.
- Scottish Ministers have chosen to build a replacement Forth Crossing; this will be a cabled stayed bridge, just west of the existing bridges and will have multi-modal capacity and offer connections to the surrounding transport networks.
- Rail franchise extension includes plans to improve connectivity between Scotland's cities and London.

Improved communications connectivity within and across Scotland's major cities

The Glasgow:Edinburgh Collaboration Initiative is a partnership between the councils of Edinburgh and Glasgow and SE. One of its main priorities is to get good physical and virtual connectivity between the two cities for the benefit of Scotland. The Initiative has recently published research on the potential economic benefits from enabling wi-fi and voice connectivity on the move. Not only do rail and bus passengers now expect access to wireless and mobile technology on the move, but a number of transport operators also accept that wireless and voice connectivity is an integral part of the service. City Link recently announced free wi-fi access on its buses between Glasgow and Edinburgh and National Express has announced wireless access as part of its franchise. First ScotRail is also looking to provide wi-fi access on its services between the cities and an announcement is expected soon.



Laura Gordon, Director, Glasgow:Edinburgh Collaboration

Laura Gordon, Director, Glasgow:Edinburgh Collaboration said: "The provision of integrated voice and data communications on the Glasgow-Edinburgh trains remains a key focus not only for the obvious economic benefits outlined by our research, but also to help stimulate a modal shift, from car travel to train, when passengers realise they can be productive for the entirety of the journey."

Increase awareness and accessibility of public sector support for innovation

Scottish Government grant support for R&D alongside advice and assistance from the public sector have contributed to successes in Year 3. For example, projects include two Edinburgh-based SMEs working in the fund management arena:

- Level E Ltd which is developing artificial intelligence-base technologies for multi-asset portfolio management; and
- Timberpost Ltd which is developing a novel highly-automated long/short equity fund management system.

In addition, Korala Associates is working with the University of Edinburgh to model the vulnerability of ATM software and develop protective patches.

On 31 January 2008, Jim Mather MSP, Minister for Enterprise, Energy and Tourism announced a new SE grant to support business R&D. This was the final action stemming from an extensive review of business grants in 2006 which aimed to better focus grant support on the main areas that will assist future competitiveness, increased productivity and greater investment in R&D product development. The new grant was launched at the start of April and is open to business of all sizes. SMEs in particular are now able to access much larger grants for larger projects.

“Enhancing the quality and focus of support for business and innovation will have a direct and positive impact on competitiveness and growth”

Jim Mather MSP, Minister for Enterprise, Energy and Tourism.



Jim Mather MSP, Minister for Enterprise, Energy and Tourism

Increase the level of collaboration between the financial services industry and universities in Scotland

The **Industry and University Collaboration** delivery group comprising academia, industry and government has been established to increase the level of collaboration between the financial services industry and universities in Scotland to encompass skills; knowledge and experience; research and internationalisation. Initial actions have included the identification of actions being taken to ensure the integration of “employability” skills within university courses at all levels and that these meet the needs of the financial services industry.

Work is now also being taken forward to develop a proposal to establish a Scottish centre of excellence in financial services research.

Ensure a business-friendly regulatory and planning environment

It is imperative to create an environment in which the financial services industry in Scotland can flourish. The FiSAB and FiSIG partnerships continue to ensure that policy makers gain advantage from industry-led solutions by:

- Regular updates provided to FiSIG on relevant Scottish Government regulatory developments.
- The Regulatory Review Group is developing a strategic approach, in addition to its role in trying to resolve specific problems. The strategic approach is designed to achieve practical improvements in the way existing regulatory regimes are operated and improve the way that legislation is drafted by, for example, making recommendations for improving Regulatory Impact Assessments.

Strengthen the Scottish supplier community

SE's most recent supplier development event was held at HBOS headquarters in Edinburgh on 14 November 2007. The focus for this event was on the customer and the changing shape of the value chain for financial services and explored how best technology suppliers can build better relationships with the industry. As well as HBOS, representatives of Dunfermline Building Society, Intelligent Finance, Standard Life, RBS and Scottish Widows Bank plc also participated. There were also contributions from Google, BT and Vodafone. Thirteen of Scotland's leading technology companies, as well as representatives from the University of Edinburgh, participated in the event.

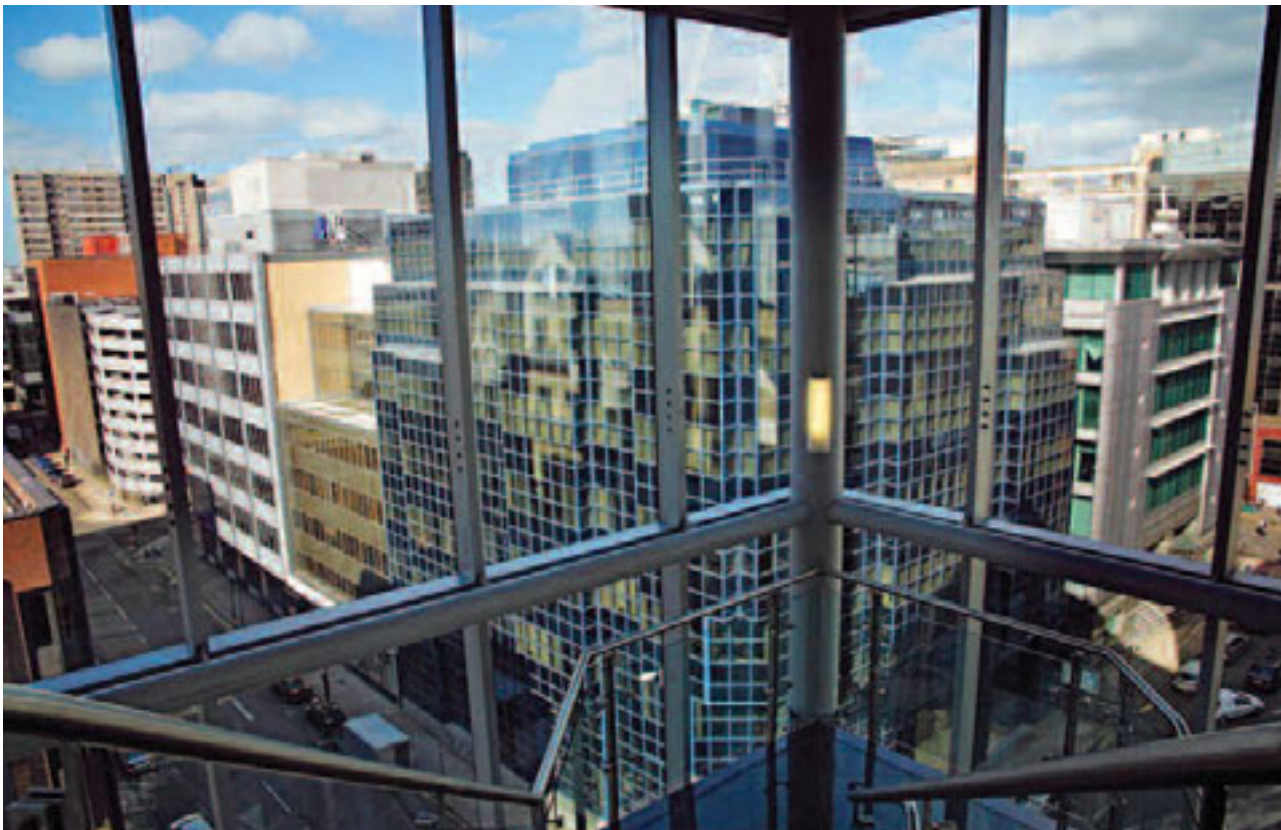
IFSD – Glasgow

One of Glasgow's biggest success stories in recent years is the International Financial Services District. Fronting onto the River Clyde at the Broomielaw, the IFSD offers a purpose-built environment to meet the modern day needs of financial services companies.

Through a partnership between the public and private sectors, almost £1 billion has been invested so far, providing high quality offices, an outstanding public realm, the latest technology infrastructure and a highly skilled workforce.

Many of the world's leading financial services companies now have a presence in Glasgow including Morgan Stanley, JP Morgan, esure, Direct Line, Barclays Wealth, HBOS, RBS, ACE, Lloyds TSB Scotland, BNP Paribas, AON and National Australia Group.

18|19



This view taken from esure's building in the heart of Glasgow's IFSD illustrates the scale and modern features of the City's financial district

Continued success

Scotland's financial services industry continues to build on its record of outstanding success and rapid growth over the past decade and remains a key sector in the Scottish economy. In particular, over the period 1998-2007, Gross Domestic Product (GDP) in the financial services industry in Scotland increased by a greater proportion than in UK financial services overall, or indeed the Scottish and UK economies as a whole. The last year has seen further expansion of the industry in Scotland and despite challenging market conditions, the arrival or expansion of some of the world's leading international companies. Examples include BNP Paribas, Barclays Wealth Management and Morgan Stanley, who view Scotland as a country with the business environment, skills, and opportunities to help their operations grow¹. In addition, recent SFE surveys of the industry in Scotland report that 65% of organisations increased business volumes through 2007. These positive trends are reflected in the Scottish industry's strong and sustained performance against a range of UK and international benchmarks. Median earnings for example in Scottish financial services continue to outpace the average across Scotland and the UK, while the industry also employs a greater proportion of graduates than either the Scottish and UK economies as a whole. Looking forward, it is clear that while business confidence has been understandably affected by recent events in global financial markets, the prospects for the industry in Scotland remain robust with generally positive profit forecasts in early 2008.

Summary

The summary chart reports the Scottish financial services industry's strong performance relative to UK financial services and the Scottish and UK economies as a whole. Figures 1 to 5 provide further detail on each of the performance indicators.

Indicator	Performance of the Financial Services in Scotland relative to:		
	Scottish Economy	UK Economy	UK Financial Services
Growth in GDP (1998Q1-2007Q4)	▲	▲	▲
Growth in Employment ²	N/A	N/A	N/A
Median Earnings (2007)	▲	▲ ³	▼ ³
Growth in Median Earnings (2006-2007)	▲	▲ ³	▲ ³
Proportion of workforce educated to degree level (2007)	▲	▲	▼
Growth in proportion of workforce educated to degree level (2001-2007)	▲	▲	▲

Notes: ▲ indicates that the financial services industry in Scotland has outperformed the comparator (Scottish Economy, UK Economy and UK financial services).

▼ indicates that the financial services industry in Scotland's performance has been weaker than that of its comparators.

Details and sources for individual measures are contained in figures 1-5.

¹ Joslin Rowe Scottish Financial Services Recruitment Review 2008.

² Due to a change in survey methodology in 2007, employment data for 2006 cannot be compared with previous years.

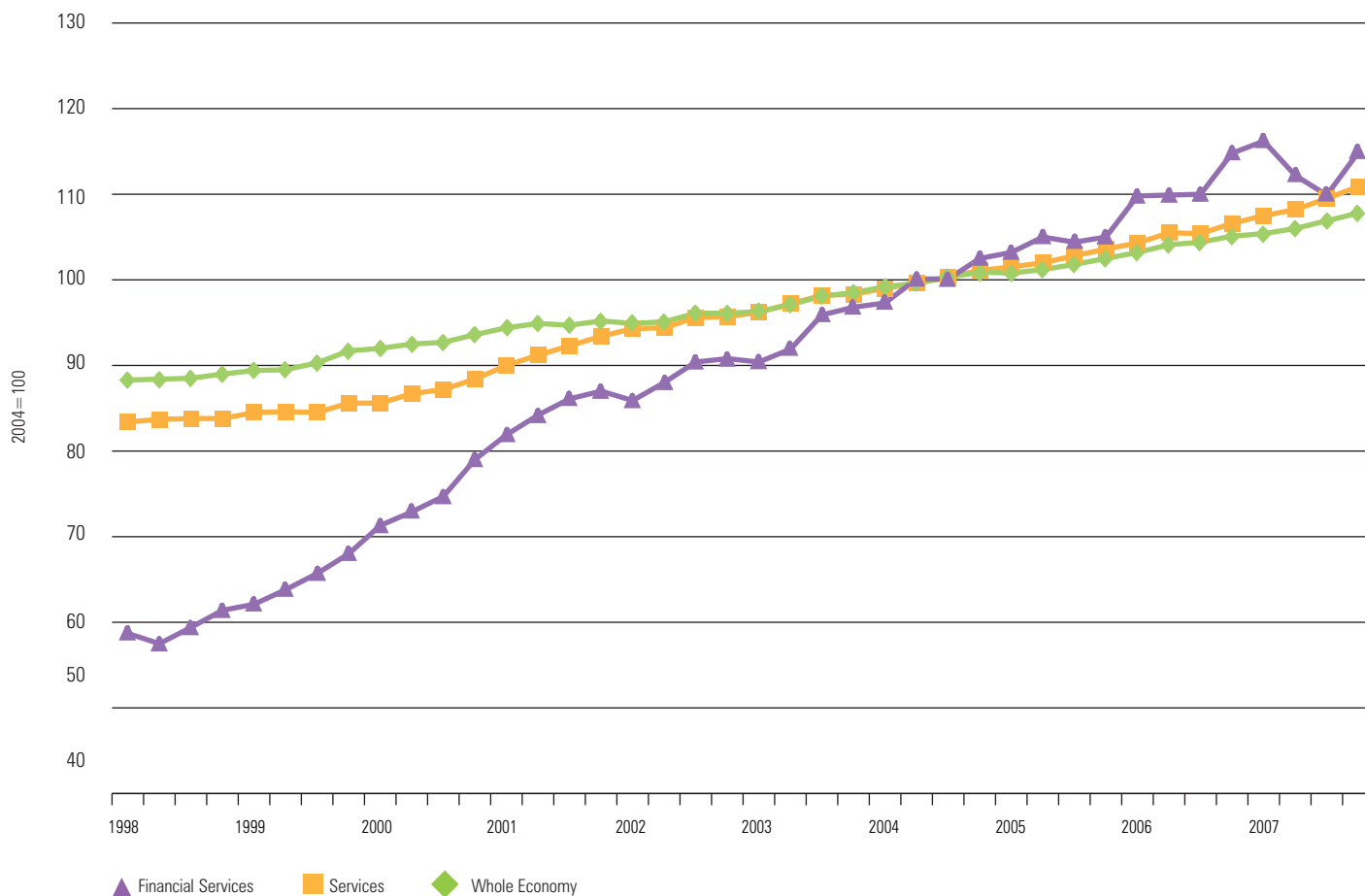
³ Comparison against data for Great Britain.

Contribution to the economy

The financial services industry in Scotland contributes around £7 billion to Scottish Gross Domestic Product (GDP). Since the start of 1998, Scotland's financial services industry has grown by 96%, compared to growth of 22% in the economy as a whole, and 84% across UK financial services as a whole.

More recently, Scotland's financial services industry continued to grow during 2007 but at a more muted annual rate of 2.0% when compared to recent years. Scotland is not isolated from global conditions however and the consecutive declines in the financial industry's output in quarters two and three of 2007 may have been the result of constrained credit conditions in international financial markets. Strong sectoral growth of 4.6% in the fourth quarter of the year, buoyed by the highest ever quarterly growth in Banking, provide encouraging signs of a recovery and a return to trend for the industry as a whole. Indeed, looking forward, Scotland's financial institutions are generally confident about the prospects for the year ahead⁴.

FIGURE 1: GDP PERFORMANCE IN FINANCIAL SERVICES 1998-2007Q4



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Notes: GDP is measured as Gross Value Added (GVA)

⁴ Joslin Rowe Financial Services Recruitment Review 2008.

Employment

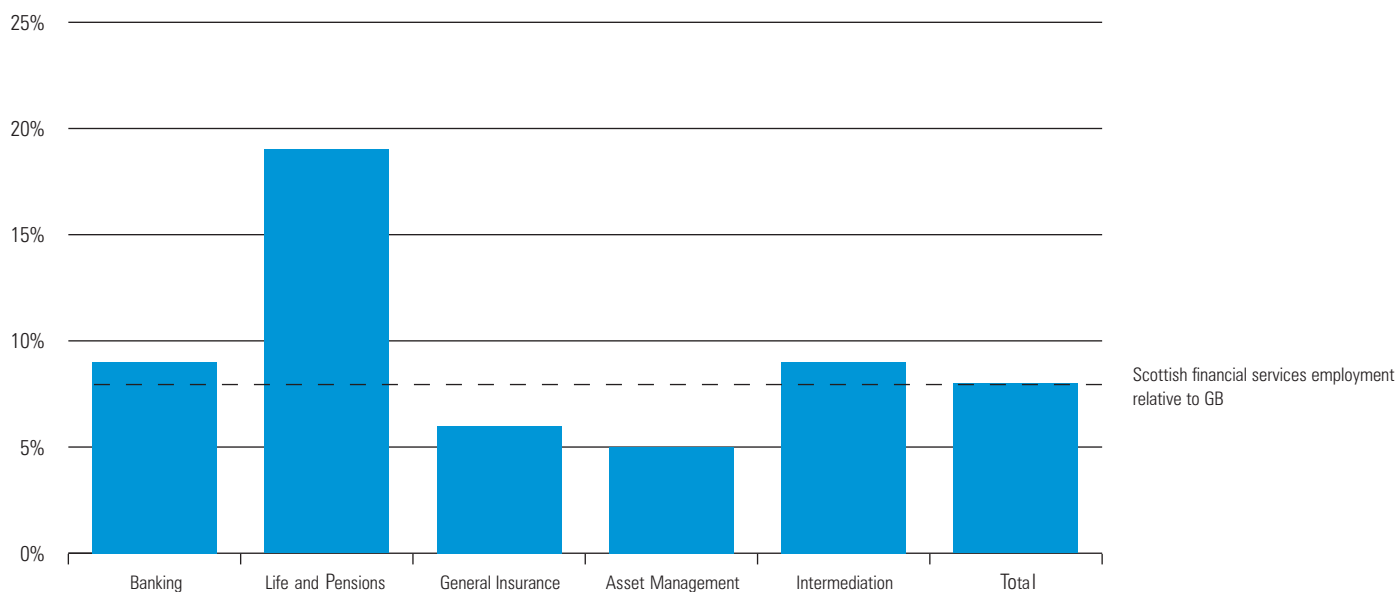
Employment in Scotland's financial services industry was estimated at 86,000 in 2006. It should be noted that the Office for National Statistics (ONS) has made substantial changes to the source of employment statistics (Annual Business Inquiry – ABI/1) over the last year which means that data from previous years are not directly comparable with the latest data for 2006⁵.

The 2006 figure for employment in financial services activity in Scotland is however significantly lower than reported in previous years. In addition to the aforementioned methodological changes, the 2006 figure also reflects detailed work between the ONS and financial services industry companies to improve the quality and rigour of employment data within the industry. In particular, the recent changes take account of restructuring within the industry. It should also be noted that some of Scotland's financial services industry companies also have employment in support activities (e.g. IT, call centres and real estate).

ONS current ABI revision policy means that no figures prior to 2006 will be revised in future publications. While the discontinuities in the data therefore prevent time-series analysis, the changes represent an improved baseline of employment and a more accurate picture of the financial services industry in Scotland.

In addition to those directly employed within financial services, the industry is estimated to also support indirect employment of around 70,000 across a range of other industries in Scotland. As illustrated in Figure 2, Scotland accounts for 8% of employment in financial services across GB, though the share of employment varies across sub-sector. Life and Pensions in particular stands out in Scotland, with 19% of all employment in that sector across GB.

FIGURE 2: FINANCIAL SERVICES EMPLOYMENT IN SCOTLAND – SHARE OF GREAT BRITAIN TOTAL BY SUB-SECTOR, 2006

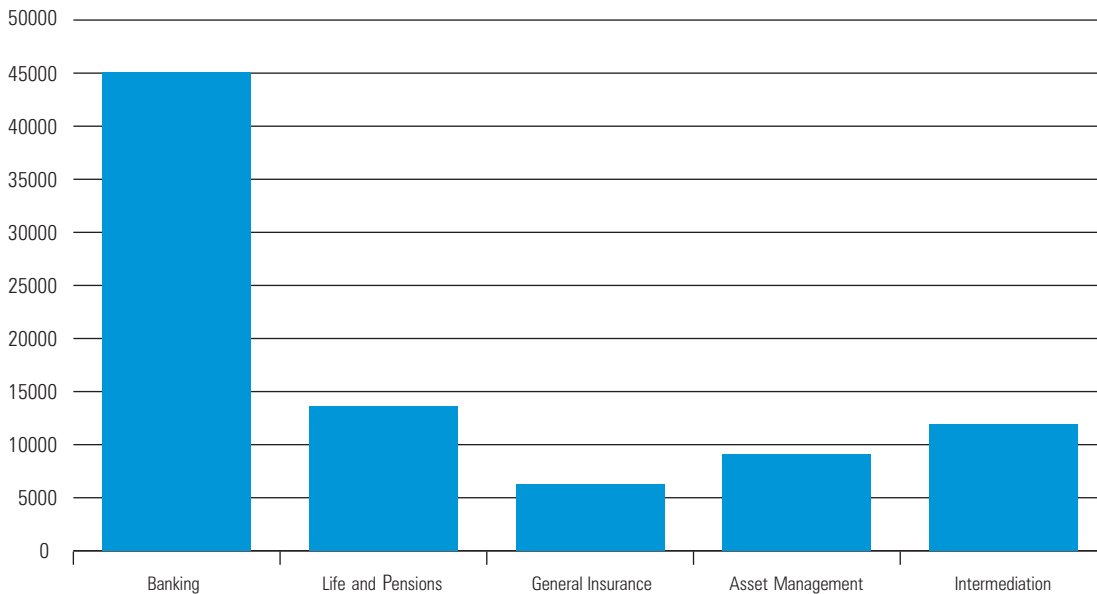


⁵ The changes are part of the longer term development towards the Business Register Employment Survey (BRES).

Figure 3 reports employment levels in each of the financial services sub-sectors in 2006. The chart illustrates the dominance of the Banking sector in Scotland, with 45,100 employees, the equivalent of 52% of financial services employment in Scotland. Life and Pensions employment accounts for 16% of the financial services workforce, while Intermediation employs 14% of all employment within the sector. Asset Management and General Insurance account for 11% and 7% of employment respectively.

The latest Joslin Rowe Financial Services Recruitment Review suggests that 55% of respondents will be increasing permanent employee numbers during 2008, with 67% of them stating this will be due to business growth. Following a decline in 2006, the number of companies that recruited employees during 2007 increased, with 68% of companies reporting recruitment of permanent staff compared to 56% the previous year.

FIGURE 3: FINANCIAL SERVICES EMPLOYMENT IN SCOTLAND BY SUB-SECTOR, 2006



Notes: Banking – SIC codes 65.11, 65.12, 65.21, 65.22; Life & Pensions – SIC codes 66.01, 66.02; General Insurance – SIC code 66.03; Asset management & Securities Broking – SIC codes 65.23, 67.11, 67.12, 67.13; Intermediation (the activities of IFAs and insurance agents & brokers) – SIC code 67.20.

Earnings

Earnings in financial services in Scotland remained above the Scotland average in 2007. Between 2006 and 2007, full-time median earnings in Scotland's financial services rose by 9% to £28,100. During this time, earnings in Scotland across all sectors and in financial services in GB as a whole each grew by 3%.

FIGURE 4: MEDIAN EARNINGS BY OCCUPATIONAL STRUCTURE 2007⁶

Occupational Structure	Scotland Financial Services		Scotland – All Sectors		GB Financial Services		GB – All Sectors	
	% of sector	Earnings £	% of sector	Earnings £	% of sector	Earnings £	% of sector	Earnings £
Managers and Senior Officials	32	43,100	12	34,200	32	52,600	16	35,000
Associate Professional and Technical	15	28,200	15	26,700	17	32,800	15	27,200
Administrative and Secretarial and Sales and Customer Service	43	18,600	21	16,800	40	19,000	21	17,300
Other*	10	34,300	52	22,200	10	39,500	49	22,600
Total	100	28,100	100	23,100	100	31,200	100	24,100

Source: Annual Survey of Hours and Earnings 2007.

Notes: *Other includes a wide range of occupations, and in financial services, includes professional occupations such as actuaries and economists.

Qualifications

The qualifications data for 2007 shows that Scotland's financial services industry continues to employ a greater proportion of graduates (above NVQ level 4) than Scotland and the UK as a whole, although a slightly lesser proportion than UK financial services as a whole. However, including all those with HE at NVQ level 4, Scotland outperforms each of the comparators below. Scotland's financial services industry has increased its proportion of graduates in the workforce by 45% since 1999, which again has outpaced the growth of graduate employment in each of the comparators in Figure 5 below.

FIGURE 5: QUALIFICATIONS 2007

Qualification	Scotland Financial Services		UK Financial Services		Scotland – All Sectors	UK – All Sectors
	Number	% of sector	Number	% of sector	% of sector	% of sector
Above National Vocational Qualifications (NVQ) 4 – Degree or Higher	30,000	27	372,000	31	19	20
NVQ 4 – Higher Education below degree	14,000	13	79,000	7	13	9
NVQ 3 – A level or Equivalent	38,000	35	324,000	27	28	23
NVQ 2 GCSE A-C or Equivalent	20,000	18	325,000	27	18	23
NVQ 1 and below*	6,000	6	97,000	8	22	26
Total	109,000	100	1,197,000	100	100	100

Source: LFS 2007 Calendar quarter 2 (Apr – June).

Notes: * This includes those with NVQ level 1 qualifications, other qualifications and no qualifications. Those with unknown qualifications have been removed from the analysis. Estimates are rounded to the nearest thousand.

⁶ 2007 methodology revised to improve quality of data. Revisions include changes to the sample design and the introduction of an automatic coding tool, ACTR. 2007 data are only comparable with 2006 data that have been produced using this methodology and are discontinuous with results from previous years.

International benchmarking

It is essential that Scotland's financial services industry – and the success of the *Strategy* – is measured against international comparators. As was reported in the 2007 Annual Report, the strength of Scotland's financial services industry is monitored using a range of indicators that were developed by FiSAB and FiSIG. Scotland's financial services industry continues to perform strongly when set against regional and international comparators. In particular, against 29 other countries, Scotland has attained the third highest value of exports per worker, and is second only to London in terms of the share of GVA contributed by financial services within the regional economy. Additional financial services benchmarking measures are set out in Figure 6.

FIGURE 6: FINANCIAL SERVICES BENCHMARKING

Scotland Financial Services	International Comparisons			Regional Comparisons		
	Number of Comparator locations	Scotland's Position	Change in position since 2000	Number of Comparators	Scotland's Position	Change in position since 2000
Share of total employment (2006)	28	11	N/A	11	3	N/A
Employment Growth	N/A	N/A	N/A	N/A	N/A	N/A
Contribution to GVA (2004)	26	4	▲	12	2	▲
Exports per worker (2005)	30	3	▼ ⁷	UK as a whole	1	–
Average Earnings (international – 2006 or most recently available year) (regional – 2007)	24	10	– ⁸	11	2	▲ ⁹

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Figure 7 provides further indicators of how the wider economic environment in Scotland compares to other industrialised economies. Comparator locations are OECD members and include major economies such as the USA, Japan and Germany. Scotland's performance in terms of GDP per head of population, the percentage of graduates in the population, and net inward migration has been positive since 2000.

FIGURE 7: SCOTLAND'S GENERAL BUSINESS ENVIRONMENT BENCHMARKING

Indicator	International Comparisons		
	Number of Comparator locations	Scotland's Position	Change in position since 2000
GDP per head of population (2006)	31	16	▲
Productivity – GDP per hour worked (2005)	26	16	▲
Total Entrepreneurial Activity (2006)	20	15	
Percentage of Graduates in the population aged 25-64 (2005)	31	9	▲
Net migration as percentage of population (2005 or latest available year)	29	5	▲

Notes and sources

GDP data from Scottish Government Quarterly GDP Index. GDP per capita from OECD in Figures 2007 and ONS Regional Accounts.

Employment – Annual Business Inquiry (ABI) Employee Analysis and OECD employment by activities and status.

GVA: ONS Regional Accounts and Eurostat National Accounts.

Qualifications – Labour Force Survey.

Exports: ABI Employee Analysis, Global Connections Survey, OECD Statistics on International Trade in Services and OECD Employment by activities and status. Scottish Exports include sales to the rest of the UK. Exports at the sectoral level are not available for other UK regions.

Earnings: ONS Annual Survey of Hours and Earnings and Eurostat Labour Cost database.

Productivity: OECD International Comparisons of Labour Productivity Levels and ONS Productivity 2007. Change in position is from 1999.

Entrepreneurial Activity: Global Entrepreneurship Monitor (GEM). The GEM identifies the proportion of working age adults who are either setting up or have been running a business for less than 42 months.

Graduates: Labour Force survey and OECD, Education at a Glance, Change in position is from 1999.

Net Migration: OECD (2006) OECD Factbook, GROS Mid-year estimates.

⁷ Change in measured from 2002 due to data limitations.

⁸ Due to change in methodology, comparison over time not possible.

⁹ Change measured from 2006 due to data limitations.

Year 4: Looking to the future

Successful implementation of the *Strategy* over the last three years has been achieved through the pioneering partnership approach of FiSAB and FiSIG. In the last year, in recognition of the successful legacy of that partnership, the new Scottish Government quickly confirmed its commitment to the *Strategy* and to FiSAB with the Rt Hon Alex Salmond MP MSP, First Minister of Scotland taking up the FiSAB Chair. He is joined on the Board by both John Swinney MSP, Cabinet Secretary for Finance and Sustainable Growth and Jim Mather MSP, Minister for Enterprise, Energy and Tourism.

As well as the changes brought about by the election of a new government in Scotland, the financial services industry, and the wider Scottish and global economies have felt the impact of liquidity and stability issues which have dominated the economic environment. The partnership has responded to these issues by fully engaging in debate to identify the challenges ahead, and just as importantly, acknowledging the opportunities which may also arise.

Significant work has been undertaken this year to broaden the reach of the *Strategy*. Five FiSIG-led delivery groups enabled a wide pool of experience and knowledge to be applied to the targets set for Year 3 and beyond. This approach enabled the partnership to make use of the skills of colleagues throughout industry, the public sector and Scotland's world-renowned professional bodies. It also raised the profile of the *Strategy* among these bodies and their memberships – increasing the influence and reach of the *Strategy* and the combined Scottish Voice FiSAB provides.

Taking forward the outputs of these delivery groups to wider audiences are key priorities for Year 4. In parallel, industry requirements and aspirations will be mapped against FiSAB and FiSIG work to date to ensure consistency and fit.

SFE is providing the impetus and the environment to enable the industry to consider requirements now and trends for the future – looking ahead at the possible shape of the financial services industry in 2018, and at what needs to be done now to ensure a flourishing and successful industry. FiSAB and FiSIG will work over the next year to align this industry vision to the medium and longer term objectives of the *Strategy*.

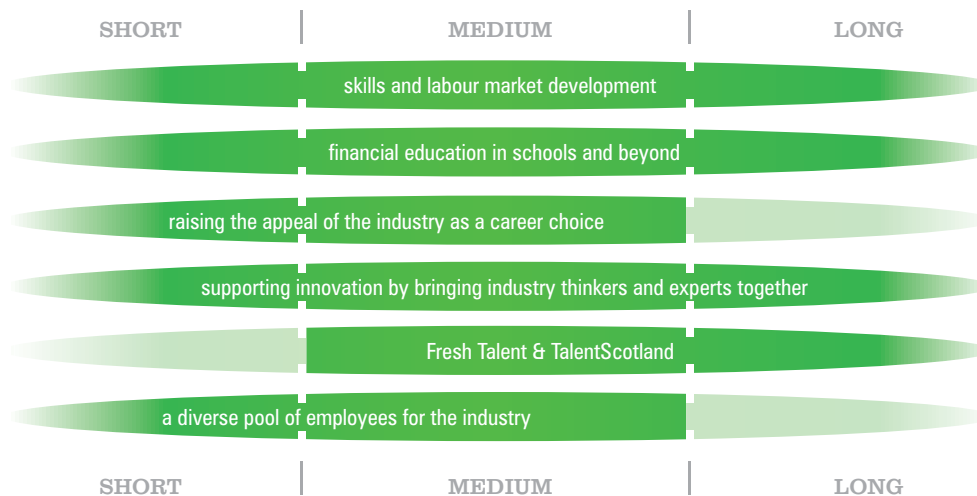
The following pages provide an overview of the issues that FiSIG will take forward to ensure the achievement of our long term vision of *an innovative, competitive and thriving international financial services industry in Scotland, underpinned by world class infrastructure and universally recognised as a leader on the global stage.*

● Looking to the future: People

People are the powerhouse of any economy. Whether in ensuring a highly skilled and flexible workforce which can be relied upon to deliver world-class products and services to a global customer base, or consumers who are confident in their own abilities to make informed choices about both the financial services products they need and the way in which they want to access them, public policy and industry thinking must be aligned in a way that provides for both. Attracting the right people with the right attitudes and skills not only to meet the industry's needs today, but who can also become its leaders of the future is a significant challenge and further work is therefore required to ensure that the industry's profile is such that it can achieve an increased and diversified pool of potential employees.

This year, the approach to delivering on strategic aims has been to plan activity on short, medium and long term timescales. Short term achievements this year are set out earlier in this report. Actions in Year 4 will therefore move on to deliver medium term activities which will entail forging links with delivery agencies to ensure engagement with financial services. For example, FiSIG's work on skills will continue to be progressed by a skills delivery group engaging with both FSSC and Skills Development Scotland (SDS) while links will be forged with financial capability agencies to ensure that the excellent work undertaken over the past year in identifying financial capability activities in Scotland can be accessed by all who need to use it. Innovative thinking will be applied to identifying the long term issues by making full use of SFE's work on looking to the future shape of the industry.

Activity in Year 4 will focus on:



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Actions will include:

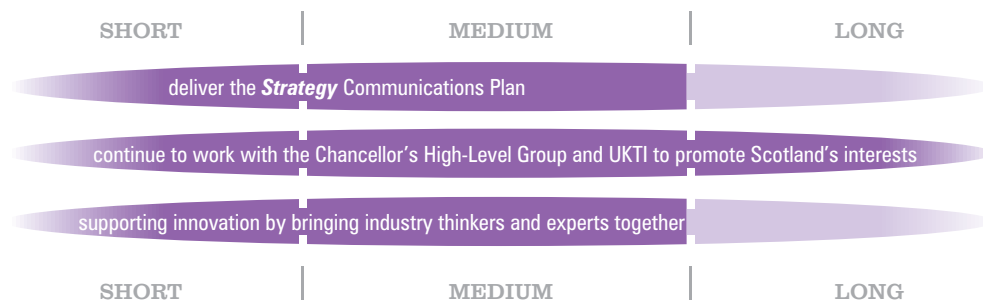
- ▶ Engaging with FSSC and SDS
- ▶ Forging links with financial education and capability agencies
- ▶ Building alignment between skills, capability and university collaboration efforts
- ▶ Analysing SFE's work in relation to the future shape of the industry in Scotland

● Looking to the future: Profile

Scotland is justly proud of its international financial services industry which is a cornerstone of the economy. Past successes stretch back over the centuries. However, past success does not guarantee the future and it is critical that Scotland sustains and improves upon its position as an internationally recognised financial services centre in the face of emerging new markets. Challenges need to be faced and opportunities brought by the growth of these new financial centres need to be realised. In order to take advantage of these markets and ongoing changes in global economies, the industry needs to attract the best and most talented individuals, and for this to happen people in Scotland and abroad need to understand the breadth and depth of the careers available within the industry.

The industry's profile is just as important nationally as it is internationally. In moving forward to medium term activities, FiSAB and FiSIG will continue to promote the industry at home and abroad - the first initiative in Year 4 is the Global Financial Services Week which sees events taking place across Scotland culminating in the inaugural Global Financial Services Conference in Edinburgh on 29 May 2008. This exciting project will help kick-start the Year 4 actions.

Activity in Year 4 will focus on:



Actions will include:

- ▶ Delivery of the Global Financial Services Week 26 to 30 May
- ▶ Review of outputs from the Global Financial Services Week and identification of actions required
- ▶ Continue to work with UK and EU organisations to promote Scotland's interests
- ▶ Analysis of outputs from the SFE industry-led work to focus on the future of the industry in Scotland in relation to communications

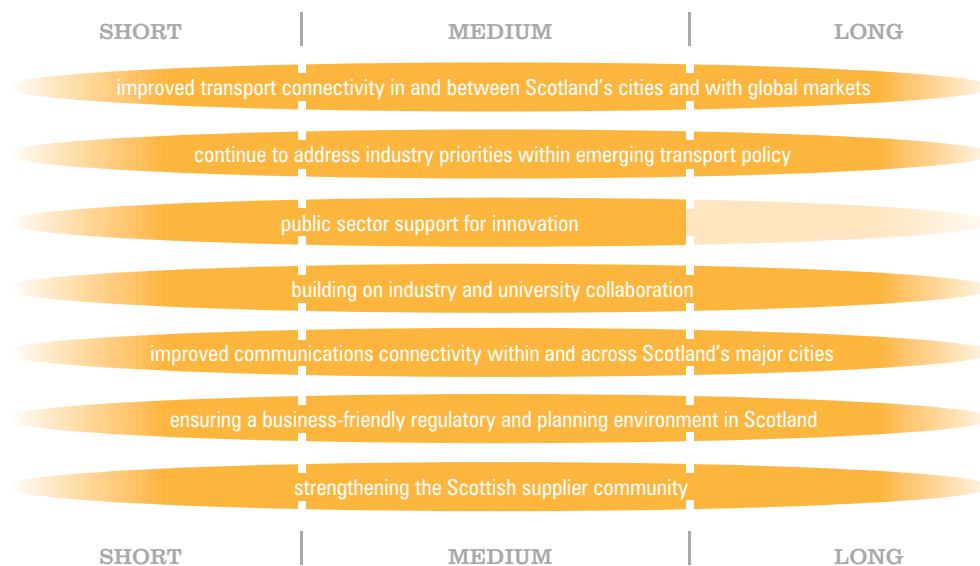
● Looking to the future: Infrastructure

Creating the right business infrastructure in Scotland to enable the financial services industry to flourish is a key strategic aim. By their very nature, infrastructure projects take time to progress and, as such, achievements are expected to be medium and long term deliverables. Important progress has been achieved as set out in preceding pages. Medium term activities for FiSAB and FiSIG will therefore focus on using the combined Scottish Voice of the partnership to influence policy makers to ensure they take account of the industry's requirements. Of vital importance, however, is the need to continually review our understanding of these requirements.

The global marketplace is changing rapidly and customers' needs, particularly as to how and when they want to access services, is ever changing as new and more sophisticated communication tools and methods evolve. We need to understand fully what these changes mean for the industry, their impact on the industry's infrastructure requirements and how the *Strategy* can help deliver them.

Going forward, the *Strategy* will be informed by SFE's look at the future shape of the industry in Scotland, as well as a wider debate on infrastructure.

Activity in Year 4 will focus on:



Actions will include:

- ▶ Develop a proposal to establish a Scottish centre of excellence for financial services research
- ▶ Delivering Scottish supplier community events
- ▶ Reviewing infrastructure priorities in light of SFE's look at the future shape of the industry in Scotland



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