

Sector Summary Report – Business Management – Financial Services

Sector Definition

For the purpose of this report the Financial Sector data is covered by the footprint of the Financial Service Skills Council (FSSC) which includes the following sub sectors:

- **Banking and Building Societies** – offering credit, managing transactions and collecting deposits. Banks (not the Bank of England), National Savings Bank, Building Societies, Credit Unions, Loan Company, Pawnbroker.
- **Insurance** – offering individuals and organisations protection against risks and their implications. Includes Life Insurance and Non-life or general insurance (provision against unexpected, high-impact events).
- **Financial Advice** – includes the distribution of retail finance products and services such as independent or multi-tied financial advice, iSA's/Unit Trusts, certain pension funding activities, mortgage and insurance broking. Personal retirement planning, investment and savings and mortgage advice are the most common advice needs as registered by IFA Promotions.
- **Wholesale Financial Services** – are distinguished from the retail industry partly by the type of activity and volume of transactions undertaken but mostly by the nature of the counterparties involved. Large companies, banks or governments and service providers including securities and derivatives firms, investment banks and insurers as well as market infrastructure providers such as exchanges. Activities include – corporate finance and advisory work, treasury dealing, investment management and securities trading.
- **Investment and Fund Management** – allocate savings efficiently by facilitating access to a broad range of financial instruments to achieve sensibly diversified portfolios. The UK is one of the largest markets in the world for fund management alongside the USA and Japan.
- **Credit, finance and leasing** – Activities can be categorized in terms of the customers and needs catered for as asset, consumer and motor finance. It includes firms involved in credit, finance and leasing including banks and building societies and their subsidiaries, finance arms of large retailers and manufacturers as well as independent firms. Includes hire purchase, personal contract purchase plans, secured and unsecured personal loans, credit cards and store cards. Asset finance includes car (new or used), commercial vehicles, plant, machinery and equipment.
- **Third party Administration** - refers to non-core financial operations that firms both in financial services and outside of the industry choose to outsource or contract out. Includes claims processing, risk management, management of insurance policies for employees and related claim management activities, back office, custody (processing cross border securities trades, keeping financial assets safe) and clearing services.
- **Accountancy** - In April 2008 FSSC took on responsibility for Accountancy and its associated activities. Accountancy consists of the accounting function of compiling and providing financial

information primarily by reports referred to as financial statements. Accounting includes bookkeeping, systems design, analysis and interpretation of accounting information.

Overview

Nationally in 2005, the financial services sector accounted for 7.8% of total GVA. The North East has approximately 27,400 people working in the Financial Services sector, 2.7% of the total in the region compared to 3% across England. The North East is another region where financial services are heavily geared towards banking and insurance broking. The region is led by the financial services cluster in Newcastle-upon-Tyne and accounts for 38 per cent of all financial services employees

INDICATOR	Financial Services Skills
EMPLOYERS	
Number of establishments	1,200
Share of all establishments	2.1%
EMPLOYMENT	
Number of employee jobs	27,400
Share of all employee jobs	2.7%
OCCUPATIONAL STRUCTURE	
Employees in:	
Higher level occupations	46.7%
Intermediate level occupations	52.2%
Craft level occupations	0.7%
Lower level occupations	0.4%
QUALIFICATION LEVELS (INDICATIVE)	
Employees whose highest qualifications are at:	
Level 4 and above	25.6%
Level 3	19.0%
Level 2	37.6%
Below Level 2	16.4%
No qualifications	1.3%
Proportion of employees without qualifications at Level 2	17.7%

(Sector Skills Needs in the NE: Summary Matrix (modified 13 October 2008))

Future Skills Key Demand side issues for 2009/10

From research conducted by FSSC for the Sector Skills Agreements (SSA) http://www.fssc.org.uk/388_17.html?i=4), the following key themes were identified:

- The industry needs to source more and better skilled staff at entry level which is Level 3;
- The industry needs to maintain its commitment to the wider development needs of its workforce;
- Smaller businesses need to be further engaged in training and the development of skills in the workforce.

Solutions to address these business critical issues include:

- Management and Leadership - the issue most often cited as the industry's 'first priority';
- New entrants including Apprentices to replace the numbers and expertise of departing staff ;

- Higher level skills;
- Soft skills - often referred to as 'work-readiness' – or the lack of it.

Sector Qualification Strategies (SQS) and Vocational Qualification Reform (VQR)

The Sector Skills Council has recently completed its SQS and Action Plan. Through this process a variety of new and updated qualifications will emerge that are more closely aligned to the needs of employers. It is anticipated that there will be a need for providers to develop capacity and up skill their workforce to deliver new qualifications. The following is a link to the sector qualification strategy: http://www.fssc.org.uk/235_14.html?i=4&l1=true

Compacts

A sector compact is a non-contractual agreement between the Department for Innovation Universities and Skills, the Learning and Skills Council and a Sector Skills Council to work collaboratively to drive up demand for skills across England through Train to Gain. The LSC will be working with FSSC to develop their compact in 2009/10. It is anticipated that the flexibilities within the compact will facilitate growth in provision.

Economic Developments

At a time when world markets are in turmoil and the public view financial services ever more warily, the UK needs a robust financial services sector that we can all be confident in.

A new online service on careers in financial services and accountancy is now available, known as Directions http://www.fssc.org.uk/129_13.html?i=0&l1=true. Directions is aimed primarily at careers advisers and teachers, and can also be used by students, parents and anyone advising on careers in finance. It has been developed by the Financial Services Skills Council (FSSC), which provides strategic leadership for education, training and skills development for the UK financial services and accountancy industries.

Analysis of provision - Train to Gain

Following a thorough analysis of provision, there are no qualifications delivered directly attributed to FSSC qualifications. There are a large volume of starts on generic Customer Service NVQ's. Employers often cite uptake of generic Customer Service qualifications only because of absence of appropriate qualifications or lack of knowledge of appropriate qualifications. Consideration should be made to the additional Train to Gain level 2 and 3 qualifications lists.

Analysis of Provision - WBL Apprenticeships

Provision in WBL for FSSC is negligible. Nationally and regionally, FSSC have indicated that there is a need to increase the uptake of apprenticeships in the sector as follows:

Retail Financial Services - The Level 2 apprenticeship has two pathways in General Insurance and Retail Banking. The Level 3 advanced apprenticeship has four pathways in General insurance, Investment Administration, Retail Banking and Long Term Insurance.

General Insurance - The general insurance pathway within the level 2 Apprenticeship focuses on those who deal with, assess, investigate and settle insurance claims, as well as those working in broking and in underwriting straightforward and complex business.

Investment Administration - The investment administration pathway of the level 3 Advanced Apprenticeship/Modern Apprenticeship focuses on securities and other investments insofar as these relate to those working in operations and administration. This will include, for example, handling investor records, presenting information to investors, and measuring investment performance.

Retail Banking - The retail banking pathway within the level 2 Apprenticeship focuses on work in a bank or building society, call centre or remote financial services site.

Long Term Insurance - The long-term insurance pathway of the level 3 Advanced Apprenticeship will focus on the specialised area of long-term insurance contracts.

Accounting - Level 2 Apprenticeship - AAT Foundation/Certificate level

The Apprenticeship frameworks are located
http://www.fssc.org.uk/295_14.html?i=3

Focus Recommendations for 09/10

A key focus for 2009/2010 will be to provide support to the sector during the economic downturn, building the capacity and capability of the provider network to develop skills solutions for the business critical issues of:

- Management and Leadership - the issue most often cited as the industry's 'first priority';
- New entrants including Apprentices to replace the numbers and expertise of departing staff;
- Higher level skills;
- Soft skills - often referred to as 'work-readiness' – or the lack of it.