

Response to the Northern Ireland Assembly Committee for Finance by the Northern Ireland Branch of CIPFA

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Introduction

1. The Finance Committee of the Northern Ireland Assembly is currently undertaking scrutiny of banking and financial services which has been prompted by the number of local bank branch closures since 2020, as well as the arrival of Banking Hubs to Northern Ireland. Whilst oral evidence has been gathered, the Committee has sought written evidence from CIPFA.
2. The Northern Ireland Branch of the Chartered Institute of Public Finance & Accountancy (CIPFA) is pleased to respond to this consultation request. CIPFA is the only professional accountancy body in the world that is dedicated to improving public financial management, governance and performance of publicly funded organisations.
3. Whilst, within the timescales of this consultation we have not been able to canvass public bodies in Northern Ireland to seek views about banking and financial services, we have received some user feedback from members as well as our research of some of the wider issues in the banking sector. The details of this are set out below.

Access to Financial Services

5. The main challenge here is that many rural and low-income communities in Northern Ireland have limited access to banking and financial services due to branch closures and poor digital infrastructure. The Northern Ireland Assembly's research paper (niassembly.gov.uk) highlights concerns over rural bank branch closures and the need for alternative financial service models like credit unions and community banks.
6. There is therefore a need for the sector to improve digital financial infrastructure including broadband and mobile banking.
7. Also, there is a need for more effective community banks and credit unions through rationalisation of a relatively large number of small entities; building capacity in those who govern; and a more balanced approach to regulation, which has increased in recent times.

Regulatory Alignment Post-Brexit

8. Northern Ireland occupies a unique position with the EU due to the Northern Ireland Protocol, remaining in the EU single market for goods while being part of the UK financial regulatory system. This dual status creates uncertainty and complexity for financial firms according to the overview of the Northern Ireland Protocol and the Windsor Framework, detailing changes and proposals affecting financial services ([House of Commons Library](#)).
9. To address this requires greater clarity and streamlining of regulations that apply to Northern Ireland-based financial firms; consistent compliance guidance that aligns with UK and EU standards and steps to protect financial stability in cross-border transactions with the Republic of Ireland.

Support for SMEs and Regional Economic Growth

10. The business finance landscape has changed significantly over recent years with the diversification of finance sources as tracked most recently in Northern Ireland SME Access to

Finance Report by the British Business Bank. Although Invest Northern Ireland's Access to Finance initiative has invested over £200 million in over 1,250 NI businesses since 2011 to support start-ups and SMEs, the British Business Bank's report indicates that 21% of SMEs in Northern Ireland faced barriers when trying to access finance, with the most common obstacles being the ability to obtain funding. ([British Business Bank](#)).

11. There is a consensus with government enterprise networks that greater focus should be placed on signposting/referrals to appropriate alternative sources of finance to meet business needs when traditional banking finance isn't available e.g. small business loan fund or proof of concept rather than relying on family or expensive overdrafts. We understand that the issue of financial inclusion in the UK is being addressed by the Department for the Economy.
12. To address this requires expansion of local venture capital and alternative financing options; more effective lending programs tailored to NI's business environment; and greater financial literacy and business planning support for local entrepreneurs.

Workforce Skills and Talent Retention

13. There is a skills gap in digital finance, risk management, and compliance roles, as well as difficulties in retaining top talent according to the Department for the Economy. It projects that the workforce in Northern Ireland is expected to grow to around one million jobs by 2033, highlighting the importance of developing skills for future economic growth.
14. There should therefore be greater development of industry-led training and apprenticeship programs to help address specialist shortages. In addition, the sector should seek to strengthen university-industry links in finance and tech fields and provide incentives to retain and attract skilled professionals.

Financial Literacy

15. Financial exclusion, debt, and low financial literacy rates remain concerns for many Northern Ireland households which is underscored by the OECD as well as the Central Bank of Ireland that highlights the need to improve financial literacy rates in Ireland, which are relatively low compared to other Northern European countries. Government should seek to enhance public education on personal finance and strengthen consumer protection laws to protect vulnerable people.

Overall conclusion

16. The banking and financial services sector plays a significant role in Northern Ireland's economy, primarily through employment, financial services provision, and support for business activities.
17. Overall, and given our analysis of current research, CIPFA understands that enhancing Northern Ireland's financial services sector involves addressing several structural, regulatory, and economic challenges. This is highlighted by the context of post-Brexit realities and regional economic disparities within the UK.