



Northern Ireland
Assembly

Committee for Enterprise, Trade and
Investment

OFFICIAL REPORT (Hansard)

Draft Financial Capability Strategy for
Northern Ireland: DETI/NISRA Briefing

7 March 2013

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Phil Flanagan (Deputy Chairperson)
Mr Steven Agnew
Mr Gordon Dunne
Mr Alban Maginness
Ms Maeve McLaughlin
Mr Stephen Moutray

Witnesses:

Mrs Jackie Kerr	Department of Enterprise, Trade and Investment
Mr John Rubery	Department of Enterprise, Trade and Investment
Mr Alan McClelland	Northern Ireland Statistics and Research Agency

The Deputy Chairperson: Briefing the Committee today are Jackie Kerr and John Rubery from the business regulation division and Alan McClelland, who is a principal statistician in NISRA. You are very welcome to the meeting. Would you like to make an opening statement, and then we will have an opportunity for some questions?

Mrs Jackie Kerr (Department of Enterprise, Trade and Investment): Thank you, Mr Chairman, for the opportunity to brief the Committee this morning. The development of the financial capability strategy is a Programme for Government commitment, and the target is to develop it by the end of the current financial year. Our timeline is that we are working on getting the draft consultation paper to the Executive by a target date of the end of March.

The Department of Enterprise, Trade and Investment (DETI) has the lead on this, but it is clearly a cross-cutting issue. Financial capability is not a new concept. There has already been a lot of work done in Northern Ireland over the past four or five years on the issue, and there has been a huge amount of work and achievement by the financial capability partnership led by the Consumer Council. A UK strategy developed in 2006 by the Financial Services Authority is going through a refresh, which is being led by the Money Advice Service in GB.

In working on the draft strategy, we have tried to come up with a clear definition of what is meant and understood by financial capability. It is relevant to all in our society — all age groups, genders, standards of living and income levels — but has a different relevance and significance at different points in life. The impact and importance of financial capability can vary across the lifestyle of an individual, influenced by the impact of key life events, such as marriage, bereavement, marital breakup, loss of a job or becoming a parent. Those key points in an individual's life bring an added significance to financial capability. Essentially, financial capability is about providing individuals and consumers with the information that they require, at the time that they require it, to enable them to

have the skills and the confidence — confidence is a very important aspect — to manage, plan and take responsibility for their financial affairs. In doing so, financial capability makes a major contribution to the well-being of the individual, as well as having a wider economic significance for the Northern Ireland economy.

The cross-sectoral approach that we took in developing the strategy reflects the cross-cutting nature of the issue. The steering group leading this work involves a wide range of Departments but also has players from the wider stakeholder groups, the voluntary and community sector and the banks. We have gone through a process of engagement over the past six to nine months with a wide range of groups, both bilaterally through the Consumer Council's financial capability partnership and through some stakeholder events, including one for MLAs in December and one with wider stakeholder groups in January. There are very close links between what is coming through in our strategy, and what we are trying to achieve through it, and a wide range of other Programme for Government commitments. Financial capability is very deeply embedded in a wide range of issues, such as the work of the Executive on, for example, poverty and improving skills and in a lot of social issues that the Office of the First Minister and deputy First Minister (OFMDFM) is taking forward in its Delivering Social Change agenda.

We have developed an evidence base because that is critical to taking forward any work in this area. A lot of the research undertaken to date, such as for the UK strategy in 2006, was pulled together in around 2006 or 2007, and, as you will be aware, the major changes in economic circumstances since then have had an impact on individuals' lifestyles. That is the case with jobs, pensions and the level of disposable income that individuals have now compared with then. Individuals' attitudes to risk have also changed, and a much more risk-averse culture is emerging as a consequence of the changes. The evidence base that we have pulled together links into much of the research that took place in the past by creating a common thread between the issues looked at then and the questions that we incorporated into the Northern Ireland Statistics and Research Agency (NISRA) omnibus survey in the early autumn. It also ties in with a number of other ongoing surveys such as the continuous household survey. We are trying to link with that previous research and develop a research base that can be kept fresh as we move forward with the strategy.

We are working very closely with the Money Advice Service in the UK, which is working on the refresh of the UK strategy. It is engaged in an exercise called Money Lives, which tracks 72 individuals over a year. The exercise involves very intensive interviews and engagement with them to look at how they address money management, budgeting and financial management. It then starts to focus on any behavioural aspects that emerge and the interventions that may be required based on the evidence that comes through. That will be a very valuable link for us in moving forward with the strategy for Northern Ireland. That is one of the key aspects: this is an Executive strategy focusing on the specific needs of Northern Ireland. The UK strategy will look at the generic issues across all the devolved regions, but we have tried to focus on the gaps and issues that must be addressed locally and on which the Executive must focus.

Four main areas have emerged during our engagement and through our research. A very immediate issue is in hand and being taken forward by the Department for Social Development (DSD), namely the impact of welfare reform and the management of financial capability issues that are relevant to benefit recipients' ability to cope with the changes that universal credit and welfare reform will bring. However, we identified three further areas that we recommend at this stage as areas of focus and priority for the Executive. The first is financial inclusion, which is a major issue to have emerged over the past few months. You may be financially capable, but if you do not have access to products, services and credit, you are excluded from deploying your financial capability skills. That issue has been emerging over a number of years and is relevant to quite a number of other Programme for Government commitments that the Executive are taking forward.

The second area relates to adult education and the transition to employment. Northern Ireland is at the forefront of having financial capability embedded in the curriculum at primary and post-primary level. That is unique, and we are ahead of the game as far as the UK generally is concerned. However, it is a matter of ensuring that, in the transition to further and higher education and into the workplace, the relevant advice, support and information are available to those in employment or trying to move into employment.

The third area that emerged is rural exclusion. Our research found that consumers in rural areas do not have particularly different financial capability needs, but they do face difficulties in accessing services such as post offices and banks, as well as accessing online services.

Chapter 8 of the document that we sent to the Committee has a range of commitments that has come forward from Departments to date. What comes through clearly from those commitments is a co-operative approach. There has been very good engagement and co-operation between all Departments in coming forward with an integrated approach. It is clear that there are many links between existing programmes and programmes under development through the Executive, and those links are an important element of signposting and making information available.

What is important in this Programme for Government commitment and the strategy is that the Executive are making a clear statement of commitment to this important initiative. It is now getting a clear political and public profile. It is a question of making sure that Departments and the Executive are clearly linked into the work already under way through a number of other organisations. However, the solution will not be purely an Executive one. In taking the strategy forward, partnerships already exist with a wide range of organisations — private, public and voluntary, and financial institutions.

The next major challenge for the Executive will be to develop the action plans and articulate the commitments in chapter 8 into clear programmes for action and clear measures to take this forward.

We very much welcome the opportunity, before going to the Executive, to present the draft document to the Committee and take questions. As we go through the process of preparing the consultation document that we will submit to the Executive, we are keen to get the views of the Committee to ensure that we can reflect those in the document.

The Deputy Chairperson: Thanks, Jackie.

Mr Agnew: Thank you very much for the presentation. This is an important issue. Welfare reform and the economic downturn were mentioned. There may even be evidence that the downturn helps financial capability, in that the requirement to budget forces people to develop those skills. I am interested in hearing your views on that.

It is important that the strategy is cross-departmental and that it is an Executive strategy rather than sitting within one Department. I appreciate DETI taking the lead, but it is important that it is cross-departmental. I wonder how that works in practice because we often talk about the hard-to-reach people. Different agencies across government, including the Health Department and DSD, will be trying to reach them for various purposes. I think back to my experience of working with the homeless before entering full-time politics. Much of what we did centred on a weekly shop and what people should do with that once they had it. So instead of people living on Pot Noodles, we taught them how to cook and basic living skills.

I just wonder how service delivery will be linked up. Is that part of the consideration? When these hard-to-reach people are reached, each service should not have to do that over and over again. When we reach them, the services should be integrated, and the individual or individuals concerned should get used to working with one person or one organisation, whoever or whatever it might be. Is that kind of delivery being considered at this stage? I appreciate that that is at the higher level of the strategy, but is it under consideration? Are Departments asking themselves what services they are trying to deliver and then pulling those together? That would ensure that their delivery was efficient and that they were making it easier for these people by having to deal with only one rather than multiple services.

Mrs Kerr: That is very much an aspect of our current work. Lessons have been learned. We looked at what happened in recent years and how we could build on that. The lesson has been to adopt a partnership approach so that organisations and agencies work together and we use resources efficiently, not just in the hard financial sense but so that they benefit the recipient of the services provided.

We are working with OFMDFM, and one area that we discuss, which can be found in chapter 8, is the potential to take forward an initiative under the Delivering Social Change programme. We could build this into a number of other programmes and interventions by, for instance, the Department for Employment and Learning (DEL). There are quite a few programmes moving forward for families and individuals into which we can factor this. The same applies to DSD, and we are talking to the Department of Agriculture and Rural Development about its programme that involves officials going out to local communities and working with families. They already provide them with advice on health issues, and so on. Integrating the strategy into that creates a more holistic, whole-person approach. We recognise that, if we are successful, financial capability can make a major contribution to the well-

being of an individual — their standard of living, mental health and family. There are links between financial capability and many of the programmes that the Executive are taking forward. Think, for instance, of child poverty. If we can successfully address ineffective money management within families, surely that can make a very positive contribution to the work that the Executive are trying to take forward on child poverty.

So my response to the point that you made is that the integration of services is very much a consideration. We see our ability to embed the strategy within existing programmes as one of the factors on which its success depends. We can try to bring a seamlessness to this. We are focusing on the individual. Where interventions are already happening through different agencies, they can either factor this into their approach or bring with them advice, information and signposting to make sure that an individual knows where to go. That is one of the issues that came through, particularly on the adult education side. Much of the anecdotal evidence that we hear is that people know that they need help but not who to go to. So an important aspect of the strategy is ensuring that people have clarity on that.

Mr Agnew: At the top end, so to speak, how is this to be funded? Will there be a pooling of Departments' budgets or a separate Executive fund? DSD may be the best Department to deliver one part of the strategy but reluctant to take on, for example, the administrative cost. How will this be funded so that Departments are not disincentivised from delivering the service, which is always a problem?

Mrs Kerr: It is important to say that we are taking this initiative forward during the current Budget period, so there are no new resources for financial capability. We are using existing resources. At this point, we have no plans to have a central fund or pot of funding. In dealing with Departments so far, no concerns have been raised about the affordability perspective, but we will be mindful of that as we go forward. We hope that we can deploy existing resources more effectively. It is very much about that and about using things more effectively, rather than trying to reinvent the wheel. There will not be a central fund as such, but it is obviously something that we will need to consider as we develop the action plans further.

Mr Agnew: Thank you very much. I apologise, Chair, for having to leave.

Ms Maeve McLaughlin: Thank you for your presentation. It was presented in such a way that the impact can vary, and it is very much about providing the individual with the skills to enable him or her to determine their own financial situation, access and all those issues. It is also very much about the well-being of the individual, but you said that it would have a positive impact generally on the wider economy in the North. I am not sure whether any analysis has been done on that. I am not negating the importance of the individual getting access to the well-being and all the processes that spring from that, but I would be interested to see an economic analysis of how it would directly impact in the North. I do not know whether that work has been done.

Mrs Kerr: We have not done any particular research on the wider economic analysis. If an individual is getting into unmanageable levels of debt and is not managing their money particularly effectively, there are wider economic impacts. Finding themselves in financial difficulty means that the converse would be their ability to spend and make a contribution to the economy, but we have not done any specific analysis on that.

There are three aspects to this. The first is the educational dimension where you can start to establish financial capability as an essential life skill, along with good habits, good concepts and a good understanding of effective money management. We are doing that already in Northern Ireland through primary schools and post-primary schools, as that is embedded as an essential part of the school curriculum.

The second is the preventative aspect where you can make advice available to individuals so that they can make informed choices. A major news item yesterday was the intervention by the Office of Fair Trading in relation to payday loans. That is a good example of making sure that an individual has full awareness of what a payday loan actually means, what they are getting themselves into, what the terms are and understanding the risks so that they can make an informed decision on whether that form of credit, or any form of credit, is appropriate and manageable for them.

The third aspect is direct interventions at a particular point in time, for example, life issues or life stages factors. A relevant area could be where a major redundancy is about to happen or there is a

major difficulty for a particular employer. The Department for Employment and Learning, DSD, the Department of Enterprise, Trade and Investment, and advice groups such as Citizens Advice and Advice NI have come together to provide advice and support to employees in the workplace setting and to discuss options around their financial capability-type issues. DEL has recognised that, if you have just been told that you are about to be made redundant, your ability to focus on finding alternative employment or the skills needed to get into alternative employment can be clouded by the fact that you have major problems in front of you, such as how you are going to pay your mortgage or how you are going to deal with the bills. It can be equally important to step in at that stage and give people the skills, the information, the signposting, the support and the advice that they need to sort out those very important issues so that they have that peace of mind to start focusing on finding alternative employment and what they might need to do to get another job. That is a fairly extreme example.

It is also about providing advice to individuals so that they think about pensions and making provision for later life so that they are planning ahead to make sure that their income can be protected.

We have not done any specific research on the economic impact. Alan, do you want to say anything about any of the research that we have done to date in the area?

Mr Alan McClelland (Northern Ireland Statistics and Research Agency): The impacts could play out as well because our population is ageing. There will be an onus on people, as they get older, to prepare more fully for retirement, unexpected life events, and so on. There are impacts that will happen because of the economy and potential additional drains on state-provided income. It would be very difficult to put that together into some kind of formal economic appraisal. You could run out the potentials of what might happen, but coming up with a firm figure would be difficult.

Ms Maeve McLaughlin: I noted that you talked about the financial capability partnership that is being led by the Consumer Council. I am conscious that we had a recent presentation from it as well. A consumer rights directive is being worked through Westminster. How does this process enhance that, or what is different? A lot of the consumer rights directive is around protections and looking at empowering consumers through access to information and limitations and all those issues, which seem very similar for the individual. What is different in the strategy from the directive or can they enhance each other?

Mr McClelland: On the one hand, you have the rights issues and the rights of the consumer. Financial capability focuses a lot more on the behaviour of the consumer and their knowledge and ability to be assertive, knowledgeable, and so on. We found that older people are more likely to stay with their financial providers. They are also more likely to know exactly what they get from their provider. Younger people, on the other hand, are more likely to shop around to get what they feel is the better deal, but they tend not to go into the terms and conditions, and so do not know what they are buying into in the long term. It is complementary; it is trying to focus on the individual's financial behaviour and implementing the knowledge that they have to get the kind of services that best meet their needs.

Ms Maeve McLaughlin: I noted that there is no monitoring or evaluation framework. Is there a reason for that or will it be worked up as part of the strategy? It is critical to the outcomes. Maybe you could elaborate on when that is likely to happen or why it has not happened to date.

Mrs Kerr: We have not built into the strategy a monitoring and evaluation framework at this stage, but we very much recognise that it has to be developed. We will work on that as we develop the action plans. It is an important aspect; we identified it as an important feature. It will also be one of the success factors. It is very important that we have some way of evaluating the success and effectiveness of the interventions. In addition, it is about a feedback loop, so that things are not just assessed but addressed and corrected. It is something that we will definitely build and develop. We will take that forward as we work on the action plans over the next year.

The Deputy Chairperson: Jackie, why has DETI taken the lead on the strategy, given that a number of factors suggest that other Departments have a greater responsibility for its success?

Mrs Kerr: It was an Executive decision to appoint DETI as the lead Department on this. We have a responsibility for consumer affairs and regulation, so there is logic in DETI having a role in this. However, it is a cross-cutting strategy, and you probably could argue that a number of Departments

could have taken the lead. Given DETI's consumer and regulatory role, it was chosen by the Executive to take the lead on this.

The Deputy Chairperson: Is it the business regulation division in DETI that is taking this forward?

Mrs Kerr: That is the name of the division, but the business regulation division also has responsibility for consumer affairs and the sponsorship of the Consumer Council.

The Deputy Chairperson: On delivering accountability on this strategy, there are only four actions in the plan that fall to DETI, and these relate to debt advice. Really, they would only come into effect if the strategy does not work. So, how can we be sure that this strategy will work and that those introducing it will be held accountable?

Mrs Kerr: The project management structures are critical to that. We have a steering group on which the vast majority of Departments are represented. All Departments that have a role in and a relevance to financial capability are members of the steering group, and the effectiveness of the project management arrangements will ensure that that accountability is in place and that the delivery happens. The action plans, when they are developed next year, will be endorsed by the Executive, so they will be Executive action plans as well, which is another important aspect of control in this to ensure that the cross-cutting approach works.

The Deputy Chairperson: So, the strategy will be developed by 31 March, but the action plans will not be developed until next year.

Mrs Kerr: Yes, the Programme for Government target is to plan, develop and commence the implementation process for action plans by March 2014. We are taking forward the two pieces of work in parallel. In developing the strategy and setting out the direction on this initiative and what the key issues and priorities are, we are working in parallel with Departments and with other organisations outside government on how we will respond to this and on what sorts of actions or interventions are required. The two pieces of work are moving forward together.

The Deputy Chairperson: Later, we will receive an update from the Department on its progress on the Programme for Government targets. An event was supposed to be held in the Stormont Hotel on 17 January. Did that go ahead?

Mrs Kerr: It did.

The Deputy Chairperson: Was it well attended?

Mrs Kerr: It was very well attended. It was a very good event, and there was really good engagement from all the attendees. A lot of useful work has come out of that. We followed up some of the issues with a number of the individuals and groups who came along that day. I talked about the steering group earlier, and we have a number of subgroups on the key themes or key priorities that have come through. Those subgroups are actively working and developing those further, which is part and parcel of starting to work up the actions and the action plans. The event on 17 January was very successful and very useful.

The Deputy Chairperson: Who attended that? Was it statutory agencies, voluntary groups, individuals or a mixture of all three?

Mrs Kerr: It was a mixture of all three. We had advice bodies, charities, banks, credit unions and Departments, so it truly was cross-sectoral.

The Deputy Chairperson: How closely are you working with the Money Advice Service to work up the strategy and to deliver on the action plans when they are finished?

Mrs Kerr: We are working very closely with the Money Advice Service for two reasons. It is to ensure that what the Executive are taking forward on the Northern Ireland financial capability strategy is taken into account in the development of the UK strategy and that they complement each other. It is also to ensure that the Money Advice Service and the design and delivery of its services locally take account

of the specific needs and requirements of Northern Ireland's consumers. It is a very close working relationship for those reasons.

The Deputy Chairperson: Do you envisage that any of the actions in the action plan will be taken forward by members of the Money Advice Service team?

Mrs Kerr: The Money Advice Service, in the provision of its services, has a role to take account of the needs of Northern Ireland. So, there probably will be actions that will flow from this on which the Money Advice Service will take the lead role in delivering services locally. Its remit is UK-wide, so it has a role in addressing specific needs and requirements locally.

The Deputy Chairperson: Thanks very much for the presentation.