

Social Justice and Regeneration Committee

SJR(2)-09-06(p.6) Annex 2

Date: Thursday 8 June 2006

Time: 1.30pm-4.30pm

Venue: National Assembly for Wales

Title: Review of Over-Indebtedness in Wales

Annex 2

Recommendation 1

1. The Welsh Assembly Government should investigate the possibility of local authorities in Wales adding to the Children's Trust Fund (CTF) of children in their care. These children are likely to have smaller accounts than others, as their parents are less likely to provide financial support. Local authorities, as the guardians of children in care, should make extra payments of at least £50 per child per year. This 'top-up' could make a big difference to the opportunities and security of children when they leave care.

Original Welsh Assembly Government Response

2. Officials are liaising with the Inland Revenue and Local Authorities on the Looked After Children aspects of the CTF. The Children and Young People Cabinet Sub-Committee is also currently considering this issue. The Committee has asked officials to undertake further work to set out possible costed arrangements for contributing to the CTF accounts of Looked After Children.

Current Position

3. The Assembly Government is presently consulting local authorities in Wales on arrangements to establish a new CTF grant scheme from autumn 2006 to encourage local authorities to make annual contributions to the CTF accounts of certain categories of children for whom they have responsibility. The consultation outlines the scheme arrangements and invites views on the operation of the prospective Fund, in particular on the eligibility criteria. Copies of the consultation document and HM Revenue and Customs-produced guidance on CTF are available on the Assembly Government's Children First website (www.childrenfirst.wales.gov.uk).

4. HM Revenue and Customs is responsible for Child Trust Fund accounts and is not able to

differentiate between the numbers of accounts established by either parents or local authorities until later this year. Therefore officials are presently unable to confirm how many children in Wales cared for by a local authority have had an account opened on their behalf. Officials are presently unable to outline the predicted cost of this initiative, but it is estimated that following the target launch date (1st September 2006) and according to the definitions used in the consultation, approximately 650 children will be immediately eligible with a further 200 children made eligible annually each year thereafter. Details of the proposed grant scheme are set out in the consultation letter available on the website specified above.

5. The Minister for Health and Social Services has declared his intention to report to Assembly Members on the outcomes of the consultation and arrangements for the implementation of the scheme by summer 2006.

Proposals

6. Future action could include:

Accurately mapping the numbers of eligible children;

Estimating the total costs of such an initiative; and

Reimbursing local authorities up to £50 for the costs incurred in contributing to each eligible child's account.

Recommendation 2

7. Our efforts at financial literacy education in schools must be boosted considerably. In Wales there is no curriculum guidance for this subject. As a first proposal, we could adopt more widely the excellent best practice example of the Managing Money course jointly developed by Flint High School, Flint Citizens Advice Bureau and the Basic Skills Agency. ACCAC (the Qualifications, Curriculum and Assessment Authority for Wales) should be approached with regard to producing course materials based on the Flint example, which would enhance the Personal and Social Education (PSE) course at Welsh secondary schools. Both the CAB and the Basic Skills Agency are prepared to act as partners with schools in course delivery and rollout.

Original Welsh Assembly Government Response

8. Ministers agree that financial literacy education in schools is very important. ACCAC will be asked to take account of the findings of the Review in its current review of the school curriculum and consider looking afresh at the place of financial literacy as part of the PSE Framework and to draw up guidance as necessary. It could also look at the possibility of bringing finance education more definitively into other areas of the curriculum – particularly Maths.

9. There is some concern about being too prescriptive in following just one set of teaching materials or a single course, such as the Flint course. The general view of members of the Financial Service Authority's Schools Working Group is that there are sufficient teaching / materials courses available but that what is needed is more training and the recognition of teachers' skills in order for them to confidently deliver the education. It is suggested that the need for training be incorporated when taking this recommendation forward. The offer by the CAB and the Basic Skills Agency to act as partners in delivering courses in schools is welcome.

Current Position

10. ACCAC is presently revising the curriculum and is hoping to incorporate new elements as well as strengthen the existing elements on financial education within the Personal and Social Education Framework. In addition, consideration is being given to the possibility of adapting the mathematics curriculum. The revised curriculum is to be issued for formal consultation during academic year 2006-07 and it is hoped that it will be implemented in September 2008. Welsh Assembly Government officials continue to represent Welsh interests on the Financial Services Authority (FSA)'s School Working Group, one of the seven established by the FSA to implement its Financial Capability Strategy. The group has made significant strides, particularly in developing teaching materials and training opportunities for teachers that will be critical in improving the capacity of schools to deliver financial literacy components of a revised curriculum. These suggestions have received the support of bodies such as Citizens Advice Cymru and individual Citizens Advice Bureaux.

Proposals

11. Future action could include:

Exploiting the potential synergy between the activity of credit unions and financial literacy initiatives in school;

Exploring with credit unions the possibility of establishing savings schemes through schools (certain credit unions have stated their willingness to offer a service similar to the HSBC initiative which maintains collection points at schools and encourages those children participating to involve themselves in both collection services and rudimentary accounting);

Developing financial literacy initiatives in the classroom – to be sensitively and delicately delivered – that would avoid increasing the stigma experienced by the children of low income families (an issue highlighted in a consultation exercise undertaken by the Child Poverty Task Group);

Investigating with Citizens Advice Cymru and individual Citizens Advice Bureaux the development of holistic bureaux located in new and accessible community-focused schools providing financial capability workshops for young parents and expectant mothers (as recommended in the Welsh Assembly Government's Child Poverty Strategy 'A Fair Future for Our Children');

Supporting the ongoing dissemination of resources such as the numeric skills packages recently distributed by the Assembly Government to children and adults (50,000 and 21,000 of the Help Your Children and Help Yourself packs have been delivered to children and adults respectively);

Utilising research such as that commissioned by the Financial Services Authority and taken forward by Brunel University with teachers - including those based in Wales - to identify the professional development required to competently address financial issues in the classroom ('Measuring Financial Capability: An Exploratory Study', Personal Finance Research Centre, June 2005); and

Ensuring that language issues are addressed – the Personal Finance Education Group (pfeg) resource Dealing with Debt (CD Rom and handbook) is rare in that it is available in the Welsh language.

Recommendation 3

12. The Welsh Assembly Government should consider emulating the Scottish Executive's Scottish Centre for Financial Education which would look at the wider delivery of financial education and the training of money advisors, drawing together partner organisations and rolling out best practice examples as well as innovation in this field.

Original Welsh Assembly Government Response

13. Officials in the Education Department and the Communities Directorate have begun discussions on the benefits of considering the Scottish Centre for Financial Education as a model, which will include a fact-finding visit to the Centre to learn more about their approach. The Scottish model would be particularly attractive if the Assembly Government could emulate the way it has attracted a private sponsor to fund half the costs. This may be more difficult in Wales as we are not in the fortunate position of having a large multinational Welsh bank equivalent to the Royal Bank of Scotland, but there may be scope for working with one of the main banks.

14. In taking this recommendation forward it will also be important to continue working with the FSA and the UK administrations on an overall UK-wide strategy to pool resources to produce any required materials or training more cost effectively. There is also a need to continue to explore whether more resources can be accessed from UK-wide charities such as pfeg, which currently works mainly in England.

Current Position

15. Officials in the Social Justice and Regeneration Department and the Department for Training and Education have visited the Scottish Centre to discuss with key personnel its operation, structure and funding. Officials have liaised with prospective partners. Given resource implications the Ministers for Social Justice and Regeneration and Education and Lifelong Learning have recently agreed that the FSA

may act as an agent of the Assembly Government in liaising with prospective private sector investors to examine options for the establishment and funding of the Centre.

Proposals

16. Future action could include:

Building links between service providers such as credit unions, the Basic Skills Agency and individual Citizens Advice Bureaux that play an important role and it is possible that links could be built between these and the Centre, once established; and

Establishing a formal relationship with the Legal Services Commission (LSC) to examine wider issues such as the delivery of financial education and the training of money advisors (the capacity of the LSC to participate in such a way might be affected by the decision to stop the funding of the Wales Specialist Support Service).

Recommendation 4

17. Contact details for Money Advice Agencies should be distributed to citizens affected by divorce or job loss. Advice should be sought on how best this may be achieved, in the instance of divorce perhaps through solicitors' organisations and, in the case of job loss through the trade unions, CBI and FSB.

Original Welsh Assembly Government Response

18. Officials will explore the most effective way of disseminating contact details for money advice agencies amongst those affected by divorce or job loss.

Current Position

19. This has received the support of the Welsh Local Government Association but there is a lack of clarity as to what support local authorities could offer, other than through their individual human resources departments.

Proposals

20. Future action could include:

Establishing the level of support that local authorities might proffer;

Building links with Community Legal Service Direct Wales, Law Society and Probation Service to effectively disseminate contact details to those independent, local organisations that provide money

advice (this service provides a gateway to all Quality Marked organisations in Wales including those with specialist debt contracts and specialist welfare benefit contracts (0845 345 345 / www.clsdirect.org.uk);

Developing mechanisms so that social workers, housing officers, community workers and health professionals would be equipped to disseminate contact details - should resources allow;

Applying guidance such as the Legal Services Commission's Information Matters pack (advice and training regarding the diagnosing of advice needs by problem noticers) and Get it Sorted initiative (ensures referral mechanisms are in place for individuals who require specialist advice while a benefit check is undertaken to maximise income): and

Developing a two-phase approach: (1) identifying the partners needed to signpost those in need and (2) research into the effects of such events on the individual particularly regarding health and child poverty.

Recommendation 5

21. Communities First Partnerships should be encouraged and supported in the development of both maximising income initiatives and in activities aimed at minimising debt within their community. These could include co-working with Job Centre Plus on local initiatives; ensuring maximum take-up of benefits, tax credits and pension credits; council tax rebate etc through proactive awareness raising initiatives within the community; and active promotion of credit unions. There is no reason why Communities First Partnerships, working with partners like the CAB, should not sponsor the training of local people as debt advice workers.

Original Welsh Assembly Government Response

22. The Communities First programme is bottom-up and priorities are identified locally. In line with this, partnerships are not 'directly' encouraged to focus on any particular area. However, it is likely that communities will want to raise awareness on issues such as maximizing benefit take-up and in areas like Neath Port Talbot and Newport, for example, such activity is ongoing. Similarly, some CF Partnerships already promote co-working between themselves and credit unions but the initiative has come from the ground. In taking forward this recommendation it will be important to ensure that where good practice exists that this is shared with other CF Partnerships across Wales.

23. Ministers propose responding to this recommendation by ensuring that a copy of the Review is made available to all Communities First areas and attention drawn specifically to those issues. In line with the other key principles of the Communities First programme, however, it will be for individual partnerships to calibrate local responses to the specifics of the recommendations.

Current Position

24. We have been advised that the new generic Communities First Guidance (shortly to go out to consultation) encourages local partnerships to consider these issues and to work with local organisations to improve awareness and take-up. Furthermore officials have investigated arrangements for the dissemination of the Review.

Proposals

25. Future action could include:

Investigating the possibility of rolling-out those income maximisation measures that have already been tested on the ground (a certain Citizens Advice Bureaux has clarified and provided advice on the relationship between the new Tax Credits and Maternity Grant entitlement and the Flintshire Bureau's 'Family Matters' project advises families at risk of losing the grant given misperceptions of the new system);

Building links with the Community Legal Service partners that are co-operating to form links on the ground with Communities First partnerships e.g. in Conwy members of the CLS including the Citizens Advice Bureau, local authority, Pension Service and the local credit union amongst others recently attended Communities First events to provide access to advice and information including income maximisation and financial awareness;

Investigating the application of LSC income maximisation programmes from which Communities First partnerships might benefit (agencies in Denbighshire are operating under the banner Getting Paid Right to maximise income and together generated over £6million in unclaimed benefits in the last financial year alone); and

Supporting pilots for young people in Communities First such as the Pontypridd Young Peoples Maximising Income Project that links organisations and agencies for young people with advice providers to enable income maximisation and welfare benefit advice at an early stage. Similarly, an Outreach Service for Mental Health Clients covers welfare benefit and income maximisation advice for those clients referred by the Community Mental Health Teams and MIND in the Western Vale area.

Recommendation 6

26. The Welsh Assembly Government should strenuously promote co-working and partnership between Communities First partnerships and credit unions. In the first instance, if there is no local credit union, then Communities First Partnerships should be asked to consider acting as a nucleus for the formation of one. If a credit union is operating locally, then co-working with Communities First, including on issues like workers, premises, training and publicity, should be strongly encouraged. Funding applications which would promote this sort of work should be prioritised. A joint seminar should be held at national level, hosted by the Welsh Assembly Government, to investigate the options of co-working between credit unions and Communities First Partnerships.

Original Welsh Assembly Government Response

27. The Communities First programme is bottom up and priorities are identified locally. In line with this, partnerships are not 'directly' encouraged to focus on any particular area. However, it is likely that communities will want to raise awareness on issues such as maximizing benefit take up and in areas like Neath Port Talbot and Newport, for example, such activity is ongoing. Similarly, some CF Partnerships already promote co-working between themselves and credit unions but the initiative has come from the ground. In taking forward this recommendation it will be important to ensure that where good practice exists that this is shared with other CF Partnerships across Wales.

28. Ministers propose responding to this recommendation by ensuring that a copy of the Review is made available to all Communities First areas and attention drawn specifically to those issues. In line with the other key principles of the Communities First programme, however, it will be for individual partnerships to calibrate local responses to the specifics of the recommendations.

Current Position

29. Officials have learnt that the proposed seminar between credit unions and Communities First partnerships is welcomed by both. Furthermore, the new generic Communities First Guidance encourages local partnerships to consider these issues and to work in collaboration with credit unions – locally defined bodies such as these are best prepared and sensitive to the needs of the immediate community. Officials have considered arrangements for such a seminar and updates on this will be provided in due course.

Proposals

30. Future action could include:

Credit union networking through the Community Legal Service that would provide member bodies with a wealth of support and advice including access to shared data on client needs, local issues and referral and publicity opportunities; and

Pursue the roll-out of debt redemption schemes such as the DRAMA project (Debt Redemption and Money Advice) in the Welsh coalfields (in April 2003, the Coalfields Regeneration Trust granted the sum of £115,000 to the Wales Co-operative Centre to oversee a three-year pilot for a Loan Guarantee Fund partnership between credit unions located in the Welsh coalfields and the providers of free money advice services in those areas). The scheme enables credit unions to redeem high interest loans or make emergency bill payments and offer loans at lower interest rates. Before taking out loans borrowers are encouraged to seek budgeting and money advice from specialist money advisors.

Recommendation 7

31. Our best hope of making inroads into the problem of irresponsible lending lie with the new UK Government Consumer Credit Advertising regulations, better financial education and the steady growth of the credit union movement. As regards illegal money lending, the Welsh Assembly Government should investigate, along with the Police and Trading Standards officers in Wales the result of the DTI funded pilots in Glasgow and Birmingham, as soon as these pilots are completed in 2006.

Original Welsh Assembly Government Response

32. The UK Government is undergoing a thorough reform of consumer credit issues, as set out in the Consumer Credit White Paper, published in December 2003. It set out proposals for reforming the legislative framework governing the consumer credit market and outlined the UK Government's approach to tackling over-indebtedness. Subject to the outcome of the General Election and The Queen's Speech, the Consumer Credit Bill will be re-introduced in the next parliamentary session. On the issue of illegal money lending, officials from the Wales Office and the Assembly Government are working with the DTI to consider the development of a research project into the scope and extent of illegal money lending in the UK.

Current Position

33. The third reading of the Consumer Credit Bill in the House of Lords recently took place and officials will continue to monitor progress. Essentially the Bill updates existing consumer credit legislation to enhance consumer rights, empower consumers and introduce more effective dispute resolution practices and improves the regulation of consumer credit businesses. Key aspects include replacing the current 'extortionate credit' test with a test based on the concept of 'unfairness', extending the jurisdiction of the Financial Ombudsman service to cover all consumer credit licence holders, strengthening the licensing regime to enable the OFT to act more effectively against rogue traders and unacceptable practices and ensuring that clear information for the consumer is available to the consumer during the life of the agreement.

34. As regards illegal money lending, counterparts in Trading Standards with whom officials have worked closely have recently visited the Illegal Money Lending pilot project based in Birmingham. We have been informed that the DTI is presently undertaking research into the prevalence of illegal money lending and it should help establish to what extent and in what areas of Wales it exists. Interim reports on the operation of the project and associated costs are expected imminently and officials await the release of this information before pursuing things further.

Proposals

35. Future action could include:

Undertaking a Welsh-specific evaluation and mapping of loan sharking if the report on the pilots fails to

account for the situation in Wales (Trading Standards also request that consideration be given by the Assembly Government to making available the resources to undertake similar pilots in Wales).

Recommendation 8

36. The Welsh Assembly Government should study closely the experience of the Scottish Executive in co-ordinating debt advice, which has included extra investment, 120 new money advisors and working towards minimum standards. A further Scottish initiative we should examine has included targeted advice work with hard-to-reach groups including lone parents and ethnic minorities. The Welsh Assembly Government should work with the Welsh Local Government Association to promote minimum levels of investment in debt advice services by local authorities.

Original Welsh Assembly Government Response

37. Officials are liaising with the Department for Trade and Industry about HM Treasury's announcement of a £120m Financial Inclusion Fund. Although details are not yet available it is understood that resources will be allocated (on an England and Wales basis) specifically for face to face debt advice in areas suffering financial exclusion. The Welsh Assembly Government has been liaising with the DTI to ensure that Wales is well represented in the arrangements set up to administer the new resources. The need to learn from debt advice initiatives emanating from the Scottish Executive and to work with the WLGA in promoting minimum levels of investment in debt advice services is accepted.

Current Position

38. Of the UK Government's £120m Financial Inclusion Fund, £45m has been made available to the DTI's Face-to-Face Debt Advice Fund and officials have liaised with counterparts in DTI to ensure that the right proportion of this sum is assigned for use in Wales. The Minister for Social Justice and Regeneration recently wrote to the Secretary of State for Trade and Industry to outline her concerns and it has since been confirmed that £3.15m has been awarded to Citizens Advice Cymru to make available an additional 37 advisers to work throughout Wales.

Proposals

39. Future action could include:

Greater co-operation with the Legal Services Commission - one of the largest funders of advice and information services in Wales, investing approximately £1.35 million per year on debt advice initiatives (LSC would welcome the opportunity to work in conjunction with the Welsh Assembly Government and Welsh Local Government Association to properly co-ordinate debt advice service investment). The organisation is well equipped to target vulnerable and inaccessible groups. Its Cynnwys Project for example aims to assist disabled people, black and minority ethnic individuals, and lesbian, gay, bisexual and transgendered people to gain better access to advice and information services in Gwynedd and

Anglesey. The project also involves qualitative analysis of the the barriers faced by such individuals and groups.

Recommendation 9

40. The Welsh Assembly Government should investigate co-working with utility companies to reduce the burden on targeted groups, whilst financing this through greater efficiencies in payment of bills. Beginning with Dwr Cymru, initial talks have shown that around £20m could be saved by the company if bill collection were administered by local authorities throughout Wales (currently only 11 local authorities do this). The Welsh Assembly Government should broker discussions between the Welsh Local Government Association and Dwr Cymru to investigate this. Savings from local authority collection could be recycled to tackle the issue of water poverty with a particular focus on helping disadvantaged groups, such as families with very young children. This mode of negotiation should then be explored with gas and electricity providers.

Original Welsh Assembly Government Response

41. The First Minister and Minister for Environment, Planning and Countryside will meet the WLGA and representatives of the water industry and debt sector on 8th June 2005 with the aim of encouraging more local authorities to collect water charges on behalf of Dwr Cymru. Ministers are committed to tackling water poverty and welcome the opportunity to recycle savings to help disadvantaged groups, such as families with very young children.

Current Position

42. Actions have continued with the aim of encouraging more local authorities to undertake the collection of water charges. The Assembly Government has also kept in close touch with Dwr Cymru with respect to proposals it is bringing forward for tariff changes linked to those customers who pay for their water via the Department for Work and Pensions Water Direct Scheme. The Minister for the Environment, Planning and the Countryside met with the Chair and Acting Chief Executive of OFWAT (Water Services Regulatory Authority) Philip Fletcher on 26th April 2006 to discuss this and other issues.

43. It is understood that OFWAT has rejected the £20 discount proposed by Dwr Cymru for customers on Water Direct, citing the requirement that the Director General not act preferentially to certain classes of customers. He believes that Dwr Cymru's proposal is discriminatory in that the savings would be loaded on one particular class of customers. DWP's scheme now allows for customers to be compulsorily placed on to the scheme and he maintains that the £20 incentive is unnecessary. Yorkshire Water has used this provision compulsorily to place customers on Water Direct and he maintains that this approach should be tested by Dwr Cymru. Mr Fletcher acknowledges the concerns of the Minister and he has agreed to ensure that full consideration would be given by OFWAT to a fresh Dwr Cymru discount proposal should it be submitted in the next charging scheme round (2007/08). The rejection by OFWAT of the discount proposal has been supported by DWP Parliamentary Under-Secretary James

Plaskitt MP and he is reluctant to interpret Water Direct as an alternative payment / collection method. Rather he feels that it should be reserved for the exclusive use of people in receipt of benefits who have fallen into arrears. The Minister for the Environment, Planning and the Countryside intended to raise this issue in a telephone conversation scheduled with Mr Plaskitt for 3rd May but which was cancelled. Arrangements are now being made to re-schedule this discussion.

Proposals

44. Future action could include:

Encouraging Dwr Cymru to propose a possible discount for local authority (housing association) tenants who pay their water charges alongside council rent (WaterVoice supported the local authority tariff proposal and indicated its support to the First Minister but further engagement with CCWater - the Consumer Council for Water for England and Wales and successor to WaterVoice since 1st October 2005 - is needed as its position is unclear;

Discussing with the Welsh Local Government Association reservations regarding the viability of a collective or all-Wales approach: it has been stated that such decisions should be made at the local level and there is concern about the predicted 20% increase in the cost of water charges; and

Supporting the view of the Legal Services Commission that bills and correspondence provide details of contacts for money advice should people have difficulties in paying their bill or have fallen into arrears (LSC has already established an agreement with Dwr Cymru so that the latter refers clients with problems meeting their bills to the Community Legal Service).

Recommendation 10

45. The Welsh Assembly Government should identify a partner higher educational institution in Wales to monitor the effect of policy on the reality of over-indebtedness in Wales. An identified expert advisor should provide us with a report 1, 3 and 5 years after the adoption of these recommendations.

Original Welsh Assembly Government Response

46. Ministers welcome the emphasis on evaluation as suggested in this recommendation. However, Ministers remain to be convinced that this would best be achieved by the identification of a single individual within a Welsh Institute of Higher Education. Both the time periods suggested and the focus of the monitoring required needs to be flexible and the subject of ongoing consideration.

47. In addition, isolating the effects of Welsh-based policy on the incidence and levels of (excessive) debt is likely to be difficult in view of the many influences contributing to the problem, most of which are not subject to any control by the Assembly Government. It is suggested that, in any Action Plan developed to take forward the recommendations of the Review, there will be a need to 'map' all

Assembly Government activity. Alongside any Action Plan appropriate monitoring arrangements should be put in place.

Current Position

48. Officials are presently monitoring all progress made as regards each of the recommendations.

Proposals:

49. Future actions could include:

A tendering exercise (a discussion of the measures to be put in place will take place between officials and the organisation selected to undertake the evaluation).