

Children, Young People and Education Committee

Meeting Venue:

Committee Room 3 – Senedd

Meeting date:

Wednesday, 1 October 2014

Meeting time:

09.15

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



For further information please contact:

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Committee Clerk

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Agenda

Private Pre-meeting – 09.15 – 09.30

1 Introductions, apologies and substitutions

2 Financial Education and Inclusion (Wales) Bill – Evidence session 7

(09.30 – 11.00) (Pages 1 – 40)

Welsh Government

CYPE(4)-23-14 – Paper 1

CYPE(4)-23-14– Paper 2

Lesley Griffiths AM, Minister for Communities and Tackling Poverty

Huw Lewis AM, Minister for Education and Skills

Eleanor Marks, Deputy Director of Communities Division

Katie Wilson, Lawyer

Kevin Griffiths, Head of Core Subjects – Curriculum

Ceri Planchant, Lawyer

3 Financial Education and Inclusion (Wales) Bill – Evidence session 8

(11.00 – 11.45) (Pages 41 – 56)

Citizens Advice Cymru and Money Advice Service

CYPE(4)-23-14 – paper 3

CYPE(4)-23-14 – paper 4

Lindsey Kearton – Policy Officer, Citizens Advice Cymru

Lee Phillips – Wales Manager, Money Advice Service

4 Financial Education and Inclusion (Wales) Bill – Evidence session 9

(11.45 – 12.15) (Pages 57 – 60)

Estyn

CYPE(4)-23-14 – paper 5

Ann Keane, HM Chief Inspector

Meilyr Rowlands, Strategic Director

Catherine Evans, HM Inspector

5 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:

Item 6

6 Inquiry into Child and Adolescent Mental Health Services –

Consideration of draft report (12.15 – 12.30) (Pages 61 – 90)

CYPE(4)-23-14 – private paper 6

Agenda Item 2

Document is Restricted

Huw Lewis AC / AM
Y Gweinidog Addysg a Sgiliau
Minister for Education and Skills



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref LF/LG/0917/14

Ann Jones AM
Chair
Children, Young People and
Education Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

22 September 2014

Dear Ann,

**CHILDREN, YOUNG PEOPLE AND EDUCATION COMMITTEE - STAGE 1 SCRUTINY
OF THE FINANCIAL EDUCATION AND INCLUSION (WALES) BILL**

In advance of my attendance along with the Minister for Communities and Tackling Poverty at the Children, Young People and Education Committee on 1 October 2014, I provide some initial responses to the key consultation questions regarding this Bill. For ease of reference, I have set out my response underneath each of the questions raised by the Committee (Annex 1).

Yours sincerely

Huw Lewis AC / AM
Y Gweinidog Addysg a Sgiliau
Minister for Education and Skills

1. Is there a need for a Bill?

Sections 4, 5 and 6

I do not agree this Bill is necessary or that it will achieve the policy aims it sets out to. Whilst I agree there is a need for financial education in Welsh schools, my view is that need is already being sufficiently met. It has been in the school curriculum since 2008, within mathematics and also in the framework for Personal and Social Education and Careers and the World of Work.

There are detailed skills relating to managing money and financial education within the National Literacy and Numeracy Framework (LNF) which has been statutory since September 2013. These were developed in open consultation and in partnership with the Welsh Financial Education Unit.

We have recently consulted on revisions to the mathematics programme of study, which embeds the LNF into it, and again, has a detailed set of skills statements relating to financial education within the 'Manage money' element. By way of example, this element contains statements regarding using cash, comparing costs from different retailers, discounts, budgeting, planning and tracking savings accounts, profit and loss, bank accounts, bank cards, VAT, saving, borrowing, interest rates, exchange rates and insurance. This will be published in October 2014, and made statutory from September 2015. Aside from a general recognition of the existence of the existing, and imminent, curriculum, there seems to be little appreciation within the Explanatory Memorandum of the Bill for the detail of financial education that is already in the statutory curriculum.

The Bill also proposes an annual report on the teaching of financial education by Estyn. Aside from the information and data burden that this creates, which I will reflect on later, we already have more robust processes for assessing the financial education skills of our learners. Schools report to parents on their children's progress on the LNF – which includes the 'Manage money' element. The annual numeracy tests for learners between Years 2 and 9 contain questions on financial skills. Finally, the new GCSEs in Wales for Mathematics and Mathematics–Numeracy begin teaching in September 2015, and will include items on financial literacy skills.

It is my conclusion existing arrangements for curriculum and assessment provision are more robust than those contained in this Bill. In this case, the only purpose the Bill serves in Section 4 is to write the words 'financial education' into primary legislation. However, this is unnecessary as for the reasons I have given - it is already effectively taught in the curriculum in Wales. Section 5 does not achieve its policy aim of allowing the Welsh Ministers to set out attainment targets, programmes of study and assessment arrangements for the new "financial education" subject introduced by the Bill. However, the power in section 108 only applies to core and foundation subjects. The Bill does not make "financial education" an area of learning for the foundation phase or a foundation subject for the key stages.

The effect of the Bill proposals is to make "financial education" part of the basic curriculum for which there are no powers that prescribe the content of what is taught by schools. In that respect it would be the same as Personal and Social Education (PSE) and Work-related Education in terms of delivery; that is, mandatory but schools will have flexibility in how they deliver it. Whilst the Welsh Government could produce a non-statutory

framework, as with PSE, schools would not be legally compelled to follow it. Therefore, the Bill would take us from a position where the content of financial education is prescribed in the Maths Programme of Study to being a statutory “subject” to a part of the basic curriculum for which the content cannot be prescribed. That would place “financial education” on a weaker footing that it currently is.

Section 6 is in my view unnecessary and duplicates what is effectively already provided for in legislation. Section 20 of the Education Act 2005 places a duty on Estyn to keep the Welsh Ministers informed about the quality of education provided by schools, how far that meets the needs of the pupils in those schools and the educational standards achieved by those schools. In addition, Estyn has a duty to provide Welsh Ministers with advice on such matters as they specify.

In addition, there is an ongoing independent review of the whole of curriculum and assessment arrangements in Wales being led by Professor Graham Donaldson. I am concerned this Bill seeks to pre-empt the findings of this review and force an addition to legislation regardless of its conclusions. This extra legislative change is questionable at best, and I would contend that the proposed Bill may hinder, and not further, financial education in Wales.

Moreover, I would like to clarify a concern within the Explanatory Memorandum that financial education is not part of Professor Donaldson’s remit (para 100). His remit is “... to articulate a clear, coherent vision for the national curriculum and assessment arrangements in Wales from Foundation Phase to Key Stage 4, linking directly to our new qualifications system.” I emphasise that this covers the whole curriculum – including financial skills.

Section 13

Section 13 of the Bill proposes that a duty be placed on local authorities which requires them to take reasonable steps to ensure that universities and further education corporations in their areas provide advice about financial management to students. We have serious concerns about how this provision could operate in practice given the lack of a direct relationship between local authorities and further education corporations and higher education institutions; local authorities have no powers in relation to further education corporations nor universities that would enable them to discharge such a duty. We do not believe as drafted this provision can remain in the Bill. We will expand upon this point later in this letter. Further, we are not convinced of the need for legislation in this regard and consider that resources for financial education could more effectively be focussed in other ways. It is the case that a broad range of provisions for financial education already exists in FE and HE as part of the pastoral and welfare support services that they provide, and we believe that institutions could be encouraged to do more through existing mechanisms such as the HEFCW Remit Letter and/or fee plans, and the Ministerial priority letter to Principals and Chairs of FE corporations.

2. Do you think the Bill, as drafted, delivers the stated objectives as set out in the Explanatory Memorandum?

I refer, chiefly, to my previous point which is the stated objectives are being met more effectively by what we already have in place, or will soon have in place.

Moreover the evidence is not telling us that more financial education in the curriculum is the solution – and I note that the Explanatory Memorandum is not specific in telling us what ‘more’ looks like. An OECD report published on 9 July 2014 on the PISA financial literacy assessment (*‘PISA 2012 Results, Students and Money: Financial Literacy Skills for the 21st Century’*) found ‘in general, students who perform at higher levels in mathematics and/or reading also perform well in financial literacy’. The evidence simply is not there that writing ‘financial education’ on the Education Act 2002 will change anything. The best thing that Wales can do to improve its financial literacy skills is to improve its mathematical and reading skills. These are among my priorities, and I would much rather be able to focus resources on these skills, than have to divert them towards new requirements to meet primary legislation.

From reading the Explanatory Memorandum, I remain uncertain as to what the member suggests is the optimum teaching time or method is. The Freedom of Information request to which 81 (out of 212) secondary schools responded notes variances in teaching time, but does not include the remaining 1,360 primary and middle schools. It’s quite a small sample to draw inferences from. I’m impressed so many of them were able to log specific hours of financial education teaching, particularly if it’s embedded across subjects as the LNF encourages. I’m also unclear how changing the location in law of the requirement to teach financial education will lead to delivering the objectives in the Bill.

In summary, as a supporter of financial education, generally, I have asked myself the question of whether the objectives in the Bill would be best met through primary legislation, as proposed, or through existing legislation and mechanisms, support and provision. Contrary to the conclusion in the Explanatory Memorandum, I cannot see how this Bill will deliver the objectives stated.

3. Are the sections of the Bill as drafted appropriate to bring about the purposes described above. If not, what changes need to be made to the Bill?

Sections 4, 5 and 6

I have addressed this point in the previous section. At present, my position is that this Bill is unnecessary and that existing, and imminent, provision is more than sufficient to meet the purposes described in the Explanatory Memorandum regarding Sections 4, 5 and 6 of the Bill. Subject to further discussion with colleagues, my position is that the Bill needs to be changed to reflect only those purposes which cannot be met in existing legislation. This will require additional detail and clarity from the proposing member.

As it stands, I am not convinced that Sections 4, 5 and 6 provide sufficient, if any, benefit given the additional cost and time implications.

Section 13

As drafted, Section 13 of the Bill places local authorities under a duty to "take reasonable steps to ensure that universities and further education corporations in its area provide advice about financial management to students". As stated above in this letter, I have serious concerns about this provision. The Welsh Government’s primary concern is that local authorities have no direct relationship with further education corporations and universities which would give them authority to enforce this requirement. As such, it is not a duty that would be within local authorities’ powers to discharge, nor could the duty be enforced. For this reason, I do not see how this provision can be included in the Bill as presently drafted.

I also consider there is a risk in its present form the provision could be seen to be an attempt to interfere with the fundamental principles of independence and autonomy of higher education institutions and the philosophy that they stand at arms' length from government. Whilst I understand from the Explanatory Memorandum that this may not be the original intention behind the provision, as presently drafted it would nonetheless be the effect.

A similar argument can be applied to further education corporations which were created under the Further and Higher Education Act 1992 as independent and autonomous bodies to deliver post-16 learning. These corporations have governing bodies which have exempt charity status and who are responsible for the mission of the institution. The recently introduced Further and Higher Education (Governance and Information) (Wales) Act 2014 reinforces this independence by, amongst other things, allowing institutions greater control over their governance.

I am also concerned with the ambiguous drafting of this section. There are no definitions of the terms used, and I am not clear why only further education corporations are included within the ambit of the provision – rather than other types of further education institution such as designated institutions. Equally no definition of universities and the institutions that should properly fall within this term is provided.

It is my view there are other, more effective ways of focussing resources on financial education for FE and HE. There already exists a broad range of provisions of financial education in FE and HE. HE institutions already provide a significant level of financial support and guidance to their students as part of a package of welfare and pastoral support'. There is also potential to encourage FE and HE institutions to do more through existing mechanisms such as the HEFCW Remit letter and/or fee plans without recourse to an attempt to create a statutory duty on local authorities. The Ministerial priority letter to Principals and Chairs of FE corporations can also be used as a vehicle for FE. I therefore strongly recommend that the provision is removed from the Bill.

4. How will the Bill change what organisations do currently and what impact will such changes have, if any?

The impact of the Bill very much depends on the specific changes that will result from this Bill – which are unclear at this point. I will expand upon this below:

Sections 4 & 5

The Welsh Government already delivers that which is intended from Section 4 and, therefore, the impacts are that Section 4 is a needless legislative change, which may place constraints on Welsh Government plans for the future curriculum for Wales. Section 5 is a similar proposition. We already have drawn on people with relevant expertise to develop the LNF and the programme of study for mathematics.

Regional education consortia and schools will not see any change, including any benefit, from the change in legislation.

If it transpires there is structural or content change to the curriculum associated with the design, development and delivery of separate and distinct financial education framework

which has not yet been identified or noted, the additional impact of Sections 4 and 5 on the Welsh Government would be:

- Recruitment and retention of suitable subject expert(s) to prepare the framework and support for the non-statutory provision
- Development of the provision and support for schools
- Preparation and publication of guidance and teaching materials

There would be workload implications for teachers and financial implications to changing, that is *adding to*, Initial Teacher Training (ITT), CPD and INSET days (para 107). There is not spare capacity within ITT as far as I am aware and changes would be significant – both in terms of content and cost.

These would be a combination of one-off and continuing costs, which would likely need to come from the existing funding envelope for my department.

Schools will be the recipients of an extra teaching requirement, with associated additional resources, materials and training. They clearly are expected to use some of their INSET days for this purpose, which may displace other planned training – such as on literacy and numeracy. As a result, schools will draw mainly on regional education consortia for professional advice and guidance. If the capacity does not currently exist to deal with that demand, they will have to source it externally. The National Support Programme (NSP) will not be resourced to support additional requirements resulting from this Bill unless extra resources are provided, or existing NSP funding is reallocated to allow for the extra demand for financial education support.

Section 6 – Annual Report

Section 6 would place a requirement on the Welsh Government to commission an annual report on the teaching of financial education, which would potentially require us to create additional data collection requirements and other information. Since there will be an annual report cycle, they will likely be asked to provide further information or data which is yet to be determined. Finally, if, as noted in the Explanatory Memorandum, the role of writing this report falls to Estyn, they would be required to spend a portion of their resources meeting this inspection and reporting burden.

Estyn already produces an annual report on education and training in Wales (section 19 of the Education Act 2005). Estyn's report is based on inspections of around one-sixth of schools and training providers undertaken in the previous academic year. The report is laid before the National Assembly and debated by members in the Spring each year. To have a second annual report on one specific issue based on information from a different timeframe (financial rather than academic year) is unnecessary, potentially confusing and would incur significant costs at a time when budgets are already under increasing pressures to meet existing commitments. It is questionable whether an annual report would show significant progress over the previous year to justify such increased expenditure. As noted already, there is already a power for the Welsh Ministers to require Estyn to advise on such matters as the Welsh Ministers specify.

Furthermore, they will also be reporting on this to some extent within their reports for the numeracy remit items and when reporting on mathematics. The proposed duplication this would cause would need resolving.

5. What are the potential barriers to implementing the provisions of the Bill (if any) and how does the Bill take account of them?

I have outlined several areas of concern which present as barriers to implementing the provisions of the Bill. However, there is an additional specific concern I would like to raise in respect of Section 6(3).

It should be noted that if the minimum notice under the Bill were given, three months would not be a very long time to give a direction for this work. By way of example, the annual remit to Estyn is issued in early January each year for work to begin in April and completed the following March. We also understand that their annual report takes around six months to produce. If Estyn was directed to do this work the first year would require a longer notice period. After that the work could become part of their annual timetable. However as previously stated this would either require additional resources or it would necessitate resources being diverted from other competing priorities. If a different provider was asked to undertake this work it would require a longer period of notice each year.

6. Do you have any views on the way in which the Bill falls within the legislative competence of the National Assembly for Wales?

The provisions in sections 4, 5 and 6 and 13 of the Bill are within the legislative competence of the National Assembly for Wales as set out in the “Education and Training” subject in paragraph 5 of Part 1 of Schedule 7 to the Government of Wales Act 2006. That paragraph provides as follows:

“Education, vocational, social and physical training and the careers service. Promotion of advancement and application of knowledge.

Exception—
Research Councils.”

7. What are your views on powers in the Bill for Welsh Ministers to make subordinate legislation?

The Bill does not confer any new subordinate legislation making powers in sections 4 to 6 or section 13 of the Bill. However, the Bill in section 5 does seek to make an amendment to an existing subordinate legislation making powers in section 108 of the Education Act 2002. I believe that amendment does not achieve the policy aim of allowing the Welsh Ministers to set out attainment targets, programmes of study and assessment arrangements for the new “financial education” subject introduced by the Bill. However, the power in section 108 of the 2002 Act only applies to core and foundation subjects. The Bill does not make “financial education” a foundation or core subject. The amendment will therefore have no legal effect and Welsh Ministers will not be able to set out attainment targets, programmes of study and assessment arrangements for the new “financial education” subject introduced by the Bill.

8. What are your views on the financial implications of the Bill?

Table 1 of the Explanatory Memorandum set out that the estimated one-off costs to implement the Bill of £1.45 million, with a further £4.534 million annually. Table 2 of the

Explanatory Memorandum projects costs over the first 5 years at an estimated £17.871 million.

Costs – Sections 4 and 5

With regards to Sections 4 and 5 of the proposed Bill, in producing a framework, assuming that the existing LNF and programme of study framework is not sufficient – which is yet to be proven – we will need to adopt a similar approach to developing and supporting the delivery of a new non-statutory framework. We also assume that we will need to replicate, in some way, the process of producing materials as we did when the Welsh Financial Education Unit was up and running for those new skills.

We estimate this to be broken down as follows:

£400k – One off cost - subject expert time, consultation, training and exemplification materials

£800k – over a four year period to produce teaching materials for new content

We support literacy and numeracy in schools annually through our School Effectiveness Grant which provides significant funding to schools and regional education consortia. Consortia also receive funding from other sources to support literacy and numeracy. A subset of these sources will need to be set aside to support financial education above that which is in the LNF and mathematics programme of study.

We also fund a £16 million National Support Programme (NSP) over four years to provide additional capability and capacity to schools and consortia in delivering the LNF. Existing support for financial education is subsumed within this and it would be difficult to itemise. However, if there were additional education requirements, it may require a new programme of support since the NSP is a fixed term programme. Either that or it would take away from existing planned provision. If it is not expected that there are any additional requirements, I ask the question of what the benefit of this proposed Bill is.

Costs – Section 6

Regarding the proposal within Section 6, to commit to producing an annual report on one subject area would put additional pressure on resources at a time when they are already under significant pressure and could set a precedent for annual reports on other subjects or cross cutting issues. Without an increase in resources, neither the Welsh Government nor Estyn would be able to meet such a demand.

Estyn has confirmed that it is possible that financial education could be integrated into the Common Inspection Framework. However this would incur significant ongoing costs of around £140,000 per annum which would equate to around 1.2% expenditure of their overall budget of £11,664,000 to provide information on fewer than 20% of schools each year. This is a substantial amount for one aspect of the curriculum when the Curriculum is the subject of much wider review. There would also be one-off costs estimated at around £50,300 as noted in the Explanatory Memorandum (para 336).

Further work and analysis is needed to make a more accurate assessment of whether the costs in the Regulatory Impact Assessment (RIA) are of the correct order of magnitude, let alone accurate. If it is accurate, spending £3.5 million per year is a very expensive use of Welsh Government money under any circumstance. I would also question what is proposed to make way to fund this.

I note from the Explanatory Memorandum that only Option 3 (the preferred option) is fully costed. To make a full analysis of the costs and benefits of the Bill, I would expect to see cost breakdowns of all options. I would suggest that, if possible, each section should be itemised in the RIA as different courses of action may be appropriate for each section.

The RIA does not fully reflect on the opportunity cost of each option. For instance, teaching time spent on financial skills above what is already expected in schools would be time taken away from existing curriculum commitments. It is not clear what might make way. Moreover, it does not take into account the opportunity or cash cost of INSET days being reprioritised, new requirements in Initial Teacher Training, additional Continuing Professional Development requirements. These are mentioned briefly in paragraphs 106 and 107 without further reflection or detail. I would be wary of placing in legislation something which expects additional demands on the workforce without having properly considered that demand or consulted with the workforce specifically. I do not think a Bill would be fit for purpose if it passed on those terms.

Benefits

With regards to the report from Centre for Economics and Business Research (CEBR) report noted in paragraph 362, there are three points I would like to raise.

Firstly, one of the sources it draws on is an academic paper by Barry, Lee and Miller (2003), 'Schooling, Literacy, Numeracy and Labour Market Success'. Looking more closely, this report emphasises the benefits come from having the numeracy and literacy skills that are applied in financial education, not financial education itself. This would appear to support the PISA and Welsh Government position of emphasising numeracy and literacy and embedding financial education within that.

Secondly, this report was written about the UK, and not Wales. Given the clearly different education approaches in England and Wales, particularly around literacy, numeracy and financial education, I would feel much more secure in reviewing evidence from a more relevant and focused report. I believe it would be reasonable to request that analysis before proposing to change primary legislation.

And finally, the CEBR analysis uses a fairly simplistic methodology to assess the potential cost-savings from greater financial education. For example, the main benefit relates to encouraging people to save for retirement thus reducing Government expenditure where savings are found to be inadequate. However, this calculation does not recognise the potential wider economic impacts associated with increasing saving such as reduced consumer expenditure.

A separate report from the Welsh Government's Advice Services Review, cited in paragraph 367 of the Explanatory Memorandum notes the following comment on the Citizen Advice Bureau's work:

'The MoJ however have questioned the findings of the Citizens Advice work, highlighting concerns with the methodology employed and significance attached to the source figures that underpin the assumptions on which the findings are based upon. MoJ do recognise that early advice can be helpful in a range of contexts, however stress the practical help as opposed to legal advice.'

I would suggest that the benefits of the proposed legislation need further supporting and detail before they can be accepted with confidence.

9. Are there any other comments you wish to make about specific sections of the Bill?

Sections 4, 5 and 6

I would summarise my position regarding Sections 4, 5 and 6 as not being convinced of the benefits of legislating in this manner for the following reasons:

- a. As far as I can discern, we are already carrying out the activity for which the Bill is proposing to legislate under our existing legislative powers. Even if we were not carrying some specific aspects of financial education, it would be more effective to use existing means than create a new legislative requirement.
- b. The changes appear to add an additional administrative burden, particularly around a non-statutory framework for financial education and annual reporting requirement, but with no discernable extra benefit from these requirements specifically.
- c. On the face of it, the change appears to be a superficial one, placing 'financial education' in primary legislation when it is secured in secondary. It is not the best use of Welsh Government powers or time.
- d. I do not believe that the case is made in terms of the actions satisfying the need that she has identified, and certainly not proven in terms of the costs and benefits of all options and all sections.
- e. Finally, and crucially, the proposed Bill is rather premature, given the current wide-ranging, independent review of curriculum and assessment arrangements being led by Professor Graham Donaldson. There is a much more effective outlet for meeting these needs in the curriculum, and that is to influence and inform his report.

Section 13

Paragraph 199 of the Explanatory Memorandum relates to Section 13 of the Bill. It suggests that local authorities:

"use opportunities such as those provided by their role in assessing eligibility for student support of higher education applicants, to offer information, guidance and signposting on advice on financial issues".

That paragraph fails to appreciate the changes to the assessment of eligibility for student support brought about by the modernisation of Student Finance Wales in 2014. As such we consider the proposed approach to be flawed.

The current role of local authorities in assessing students' eligibility for statutory student support is already limited to continuing students. The Student Loans Company is responsible for assessing the eligibility of new students for student support. From the end of the 2014/15 academic year, all local authority involvement in the assessment of statutory student support entitlement will cease. From the beginning of the 2015/16

academic year, the Students Loans Company will be responsible for assessing the eligibility to receive statutory student support for all new and continuing students.

Lesley Griffiths AC / AM
Y Gweinidog Cymunedau a Threchu Tlodi
Minister for Communities and Tackling Poverty



Llywodraeth Cymru
Welsh Government

Ann Jones
Chair of the Children, Young People and
Education Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

22 September 2014

Dear Ann,

Financial Education and Inclusion (Wales) Bill

Thank you for your letter inviting me to give oral evidence to the Children, Young People and Education Committee on 1 October. In advance of my appearance before the Committee I am grateful for the opportunity to provide you with my written evidence on the Bill (Annex 1).

I have copied this letter to the Chair of the Constitutional and Legislative Affairs Committee.

Yours sincerely,

A handwritten signature in black ink that reads "Lesley Griffiths". The signature is written in a cursive style with a large, sweeping flourish at the end.

Lesley Griffiths AC / AM
Y Gweinidog Cymunedau a Threchu Tlodi
Minister for Communities and Tackling Poverty

Children, Young People and Education Committee: Stage 1 scrutiny of the Financial Education and Inclusion (Wales) Bill – Bethan Jenkins AM (Member in charge)

Written evidence from the Minister for Communities and Tackling Poverty

I thank the Committee for the opportunity to comment on Bethan Jenkins' Bill as the lead Government Minister on the Bill.

Introduction

I understand the main intention of the Bill is preventative, namely to address the position where many people in Wales are falling into financial difficulty due to a lack of knowledge and skills in managing money. Whilst I fully support the aim of strengthening financial education and financial literacy, I do not consider the proposals in the Bill will result in anything additional to what is currently delivered. Indeed I am concerned the Bill may deflect from frontline delivery as it introduces new processes and, potentially, additional bureaucracy without a clear explanation of the measurable outcomes being sought.

Requiring each local authority to have a separate financial inclusion strategy will not lead to more integrated services, but rather runs the risk of placing financial inclusion in its own silo. A more co-ordinated way of working is for Public Services Boards to consider Financial inclusion as part of their assessments of local well-being. These assessments will inform the setting of the objectives set in Local Well-being Plans. The Welsh Government already provides funding to the Wales Co-operative Centre for the "Financial Inclusion Champions" initiative. Part of this initiative is to support local authorities in thinking about tackling financial inclusion issues in a strategic way. The work of the Champions focuses on all local authorities being encouraged to include financial inclusion as part of their normal strategic planning process, as opposed to the development of a separate strategy.

The Welsh Government set out its Financial Inclusion Strategy in 2009 and, rather than developing individual strategies for each local authority, practical work is being taken forward under the themes of this national strategy. One of the focuses in recent times has been to look at where the greatest need is (for advice to help promote financial inclusion) and to encourage better planning and join up of services to meet any gaps in provision. For example, this is being done in taking forward the recommendations of the Welsh Government's Advice Services Review, published in 2013. This review took account of the views of the sector on what should be put in place to help ensure the best provision of debt and money advice in Wales. In response to the review, the Welsh Government will shortly be establishing a National Advice Services Network to drive a more strategic and focused approach to the way advice services, including advice on money management and debt issues are planned and delivered across Wales. This network will look at enabling effective cross referral, better use of specialist resources and the ability to develop flexible responses to local need.

The Network will have a practical focus and aim to forge links with local financial inclusion networks where they exist and, where such structures do not exist provide guidance and support, to enable networks to be established at a more local level. The underlying focus of all of this is a better service for the citizen. We know some parts of Wales are already well-served by Local Advice Networks which bring together different advice providers so there is a common understanding of the needs of local residents; how services are geared to meet this need and to identify ways in which services can be improved. Through the National Advice Network, the Welsh Government (working with other key funders of advice services in Wales, advice providers and client representatives) is keen to encourage more of this type of practical and direct action to address need.

I recognise we need to look to ensure people have access to the right quality of advice as this will impact on financial inclusion and, again, work is progressing on this. The Advice Services Review recommended the development of a Framework of Standards for Advice and Information through the National Advice Network, based on existing quality marks and standards. It also recommended the development of a national register of advice providers who meet the Framework of Standards. There is consensus amongst the sector and funders further work needs to be done to develop a more consistent understanding and approach in relation to the quality of information and advice provided and the approach taken by providers to measure and report on outcomes. Research will be undertaken to understand the current picture in terms of the difference quality standards relating to information and advice provision. Informed by the findings of this work, the Welsh Government will be looking to introduce a new standard or framework of standards. This will not only mean we can be clear about the fact quality matters, but we can also be clearer about what we mean by quality and people will know where they can go for quality advice.

I will now turn to the committee's specific questions:

1. Is there a need for the Bill?

The proposals in the Bill could be delivered using existing legislation. For example a Local Authority could use its general well-being powers in section 2(1) of the Local Government Act 2000 ("the 2000 Act") to produce a strategy to promote financial inclusion. This provides every Local Authority in Wales with the power to do anything they consider likely to achieve the promotion or improvement of the economic, social or environmental well-being of their area. Arguably the promotion of financial inclusion would fall into promoting the economic and social well-being of their area. In addition, section 3(5) of the 2000 Act requires a Local Authority to have regard to any guidance issued by the Welsh Ministers before exercising their power. Guidance could potentially deal with the promotion of financial inclusion.

Local Authorities also currently have a duty under the Local Government (Wales) Measure 2009 ("the Measure") to create a community strategy relating to long term objectives for improving the social, economic and environmental well-being of the area.

The Well-being of Future Generations (Wales) Bill (“the Future Generations Bill”) which has been recently introduced seeks to repeal provisions relating to community strategies and proposes to make provision in relation to new local well-being plans prepared by public service boards. Whilst the Future Generations Bill may be subject to amendment as part of the Assembly’s consideration, a number of the provisions in the Bill as introduced could be used by Local Authorities to promote financial inclusion.

The law on the curriculum in Wales is set out in Part 7 of the Education Act 2002 (“the 2002 Act”); section 101 of the 2002 Act sets out the requirements of the Basic Curriculum in Wales. That Basic Curriculum comprises of a number of different elements including the National Curriculum for Wales. The National Curriculum includes the foundation phase, the second, third and fourth key stages and the local curriculum. The specific subjects that form part of the National Curriculum for Wales are set out in sections 105 and 106 of the 2002 Act. Those subjects are called the foundation and core subjects.

There is a power in section 108 of the 2002 Act for the Welsh Ministers to set out by way of subordinate legislation areas of learning, desirable outcomes, educational programmes assessment arrangements for the foundation phase. That section also provides a power for the Welsh Ministers to set out in subordinate legislation programmes of learning, attainment targets and assessment arrangements for the foundation and core subjects in the key stages. In essence, this allows the Welsh Ministers to specify what must be taught and how it must be assessed. It is a means of being able to set out a complete National Curriculum for Wales. It is worth noting the power in section 108 of the 2002 Act was used to make the literacy and numeracy framework a statutory part of the National Curriculum.

Therefore, the Welsh Ministers already have extensive powers in existing education legislation to set out curriculum and assessment arrangements for the foundation phase and the key stages for the subjects required to be taught in those phases of education. The Welsh Ministers also have powers in existing education legislation to add new areas of learning to the foundation phase and new foundation subjects to the national curriculum for the key stages by way of subordinate legislation. Therefore I consider sections 4 and 5 of the Bill to be an unnecessary duplication.

The Bill prescribes financial inclusion strategy should include facilitating free access to online financial education and management services (whether through libraries or otherwise). However, Section 7 of the Public Libraries and Museums Act 1964 (“the 1964 Act”) imposes a duty on each library authority (which in practice is each Local Authority by virtue of section 4 of that Act) to provide a comprehensive and efficient library service; section 8 of the 1964 Act provides no charge shall be made by a library authority for library facilities made available by the authority, unless specified in regulations made by the Welsh Ministers¹ - currently the Library Charges (England and Wales) Regulations 1991 (“Library Charges Regulations”) make such provision.

¹ Functions of the Secretary of State have been transferred to the National Assembly for Wales by the National Assembly for Wales (Transfer of Functions) Order 1999, and subsequently transferred to the Welsh Ministers by virtue of paragraph 30 of Schedule 11 to Government of Wales Act 2006

1964 Act and the Library Charges Regulations provide that libraries currently are able to charge for internet access however, that position could change, given the Welsh Ministers have the executive powers to amend these Regulations which could be exercised so as to prevent libraries from charging for internet access.

The Fifth Framework of the Welsh Library Public Standards, issued by the Welsh Ministers, outlines the core entitlements public library services should provide. This includes “*free use of computers and the internet, including Wi-Fi.*”

Finally, there are existing legislative functions which have a similar effect as sections 7 and 11 of the Bill, namely provisions under the Children Act 1989 and the Children (Leaving Care) (Wales) Regulations 2001. There are also powers that will be able to be utilised under the Social Services and Well-Being (Wales) Act 2014 once that Act comes into force in respect of looked after children.

2. Do you think the Bill as Drafted, delivers the Stated objectives as set out in the Explanatory Memorandum and

3. Are the sections of the Bill as drafted appropriate to bring about the purposes described above, if not what changes need to be made to the Bill?

Notwithstanding my position that this Bill is unnecessary, I remain to be convinced the Bill as drafted conveys the policy intentions set out in the accompanying Explanatory Memorandum. For example, a Local Authority's financial inclusion strategy must set out how the authority will use its powers to promote the financial inclusion of individuals who live in its area. 'Financial inclusion' is defined as meaning access to financial services and financial education at a reasonable cost. The intended relationship between commercial entities and local authorities in the exercise of this provision is not clear; who decides that a financial service is at a reasonable cost, and will this have the effect of the local authority '*promoting*' commercial products? Will an Authority come under pressure from, for example, a bank for not promoting its latest loan products which the bank considers is available at a reasonable cost?

Turning to section 5 of the Bill, I believe the Member in Charge considers the Welsh Ministers could make an order under section 108(3) of the Education Act 2002 setting out a programme of study, attainment targets and assessment arrangements for financial education. However, whilst section 4 of the Bill proposes financial education be made a new requirement of the Basic Curriculum (by means of adding it to section 101 of the 2002 Act), it is not made an area of learning for the foundation phase or a foundation subject for any of the key stages by the Bill. The power to set out curriculum and assessment arrangements by way of an order made under section 108(3) only applies to areas of learning and foundation subjects.

Further, the Bill seeks to impose a duty to consult upon financial education orders, but to do so creates some unnecessary duplication as it does not take account of section 117 of the 2002 Act. This places a duty upon the Welsh Ministers to consult such persons as they think appropriate when making an order under section 108 setting out desirable outcomes or educational programmes for the foundation phase or attainment targets or programmes of study for the key stages.

I am concerned some of the provisions in section 9 relating to the content of a Local Authority's financial inclusion strategy are ambiguous. For example, I am not clear as to what the 'implications and effects of street-trading and cold-calling' are, and how they relate to financial literacy (which is not defined), and it is not clear whether free access to the internet as a whole is to be facilitated, or access only to financial education and management services. Nor is it clear what financial education is to be provided on-line and by whom.

A further example of the Bill as introduced not necessarily meeting the policy intention can be seen in section 12 of the Bill. Under section 12(1) an Authority must signpost where to find advice about financial management, and under section 12 (2) the Local Authority may provide advice about financial management where it thinks the advice is not reasonably available otherwise. Therefore, there could be a situation where the Local Authority thinks there is not advice reasonably available in its area, but decides not to provide any such advice itself. As drafted, the Bill does not make provision which ensures reasonable advice is provided within an authority's area.

Under section 13, a Local Authority must take reasonable steps to ensure universities and further education corporations in its area provide advice about financial management to students. I am concerned about this provision. Local Authorities have no direct relationship with either universities or further education corporations which would, in turn, give them authority to enforce this requirement. It is not a duty which would be within an Authority's power to discharge, nor could the duty be enforced. I am also concerned with the ambiguity of the drafting of this section: there are no definitions of the terms used; further education corporations are just one type of further education institution, and it is not clear why other ones are not included; it touches on the fundamental principle of the independence and autonomy of higher education and its position at arms length from government. The Welsh Government believes there are other, more effective ways of focussing resources on financial education, for both higher and further education. There already exists a broad range of provisions of financial education at both higher and further educational institutions in Wales, as part of pastoral and welfare services.

4. How will the Bill change what organisations do currently and what impact will such changes have, if any.

I do have concerns about placing a duty on local authorities to include information on its web-site directing people where they may obtain advice on financial management. This could be seen as the authority effectively endorsing local advice providers it lists on the web-site, so there would need to be a monitoring role for local authorities that could have resource implications and, possibly, divert a focus from supporting front line work. A duty like this would also result in duplication of work with what is being undertaken already across Wales through the MoneyMadeClear Web-site, which is hosted by the Wales Co-operative Centre. The Web-site provides information on a range of advice providers and there are also links to other sites, for example the Money Advice Service, which provides free independent advice on money management and debt.

5. What are the potential barriers to implementing the provisions of the Bill and how does the Bill take account of them?

As I indicate above there are several areas of concern about the drafting of the bill and to believe that certain sections of the Bill are not implementable in their current form. It is for the Member in charge to explain how these can be overcome.

1. Do you have any views on the way in which the Bill falls within the legislative competence of the National Assembly For Wales?

The provisions of the Bill, particularly as drafted, do need careful consideration to determine whether they might potentially fall with the following express exception in Schedule 7 to the Government of Wales Act 2006, namely “Financial services, including investment business, banking and deposit-taking, collective insurance schemes and insurance”. I note simply at this point the Explanatory Memorandum contains no such analysis.

7. What are your views on Powers in the Bill for the Welsh Ministers to make subordinate legislation?

As outlined above, financial education and inclusion can already be addressed in existing legislation. For example, there are detailed skills relating to managing money and financial education within the literacy and numeracy framework which has been in force since September 2013. These were developed in partnership with the Welsh Financial Education Unit, and through open consultation.

Also we have recently consulted on revisions to be made to the existing programmes of study which are given legal effect by way of subordinate legislation. In particular the mathematics programme of study, which embeds the literacy and numeracy framework into it, and again, has a detailed set of skills statements relating to financial education within the ‘Manage money’ element. By way of example, this element contains statements regarding using cash, comparing costs from different retailers, discounts, budgeting, planning and tracking savings accounts, profit and loss, bank accounts, bank cards, VAT, saving, borrowing, interest rates, exchange rates and insurance. This will be published in October 2014, and made statutory from September 2015.

In the interest of thoroughness, I would like to comment on the provisions for subordinate legislation within the Bill:

- a. *Section 6(2) and (3)*: Section 6 appears to duplicate what is effectively already provided for in legislation. Section 20 of the Education Act 2005 places a duty on Estyn to keep the Welsh Ministers informed about the quality of education provided by schools, how far the education provided meets the needs of the pupils in those schools and the educational standards achieved by those schools. In addition, Estyn has a duty to provide the Welsh Ministers with advice on such matters as they specify.

Additionally, the power in the Bill to 'direct' the Inspector to prepare the report is very limited in nature, and there is no discretion for the Welsh Ministers to specify how the Inspector should conduct the report, or what should be included.

It is also unusual to prepare a progress report by way of direction. The Welsh Ministers have several direction-making powers in education legislation but they apply where the person directed (a school governing body or Local Authority) has acted unreasonably or unlawfully. In those cases the legislation provides such direction can be enforced by way of a court order. The Bill does not do this, and therefore it is unclear how it could be legally enforced or indeed if the policy intention behind the provision is that it should be enforced by way of court order. It is also not clear whether the policy intention is that the direction-making power to be exercisable by subordinate legislation or to be exercised more in the nature of executive instruction enforceable by the courts.

Finally, the approach does not seem to take proper account of the existing statutory scheme of powers and duties of Estyn set out in the Education Act 2005.

- b. *Section 9(2) and (3)*: under these provisions the Welsh Ministers may by way of regulations, made following consultation with Local Authorities, amend the prescribed content of a financial inclusion strategy made under section 9(1) of the Bill.

Notwithstanding my view such a strategy is unnecessary, to the extent that provision is made I consider the proposal which allows the Welsh Ministers some flexibility in deciding what should be included in the strategy is acceptable. This is because it will allow account to be taken of the changing landscape; I do however have some concerns with the way the power has been drafted, given: the power in section 9(2) is very wide. The Assembly in passing the Bill should be satisfied it can contemplate what a power is likely to be used for. I would be interested in understanding how the Member in Charge of the Bill envisages this power should be used and in what circumstances, so the Government can consider whether the way this provision is drafted is suitable for its purpose.

- c. *Section 10*: this enables the Welsh Ministers to issue guidance about financial inclusion strategies and requires a Local Authority to have regard to any guidance issued. The Welsh Ministers already have the powers to promote financial inclusion and to require a local authority to have regard to any guidance issued by the Welsh Ministers before exercising their power, and therefore I consider the power provided for in the Bill to be unnecessary.

Commencement provisions

I have considered carefully the commencement provision in the Bill, and make the following observations:

- d. Firstly, it is proposed a commencement order containing solely commencement and transitional, transitory or saving provisions would be subject to Assembly procedure. This is unusual. The Assembly has already approved the subject matter of the Act by passing it, such that further scrutiny would not, I believe, be appropriate. The standard approach is that commencement orders are not subject to any procedure, on the basis they are giving effect to provisions already approved by the Assembly. The same reasoning applies to, in particular, transitional, transitory or saving provisions, which are included in a commencement order to ensure the proper operation of the Act being brought into force, and ensure it is clear when the old law and new law apply. Therefore my first concern relates to the *principle* of whether a commencement order should be subject to Assembly procedure.
- e. My second concern is in relation to its practical application, it is not clear what the procedure would be if the Assembly passed a motion for annulment, by virtue of the order being subject to the negative procedure, once any commencement order had been made and had come into force. The Welsh Ministers would have to lay an order revoking the commencement order; this would not affect the validity of anything done whilst the provision was in force, and would not have the effect of 'undoing' the commencement, but would remove the effect of any transitional provisions which would leave the position of those persons affected by the law very unclear.
- f. Thirdly, section 14(3) refers to an order under section 14(2)(b), however, the power to create the order is contained in section 14(1)(a).
- g. Finally, section 14(4) of the Bill provides that provisions will come into force in January 2018 if not in force at that time. This is a restriction on the Welsh Ministers' powers to decide when the circumstances are right to commence the provisions of the Bill. I do not support this provision.

I do not consider this commencement provision as drafted is appropriate.

8. What are your views on the financial implications of the Bill?

In general the Regulatory Impact Assessment (RIA) has not explored the option that the provisions in this Bill could be delivered using existing Legislation. For example, the opportunity to develop the existing financial education elements of the curriculum (without the need for legislation) has not been fully investigated.

The RIA only considers the costs and benefits of the preferred option (Option 3). The analysis should be extended to enable a comparison of the relative costs and benefits of each of the identified options. As identified in the EM/RIA, a second mathematics GCSE in numeracy is planned and financial literacy will be included as part of the on-going curriculum review. These changes could be expected to deliver at least some of the benefits identified in the RIA. The RIA suggests that the proposals will generate some relatively large additional costs; it would be useful to

understand what the additional benefits of the proposals (over and above those that will be delivered by the existing policies) will be.

Whether there are any opportunity costs associated with the financial education provisions for example, what subject(s) or activities will be replaced/ reduced to provide time for this financial education has not been fully explored. The RIA suggests that INSET days could be used to train existing teachers to deliver the financial education but presumably there is some value to the activities currently undertaken on those INSET days.

The RIA would benefit from more detail around some of the cost calculations. In particular, how do the annual and transitional costs presented in paragraph 303 break down? Linked to this point, para 301 states the costs are based on data provided by a single local authority. The small sample raises questions about whether the data is representative of the situation across Wales and whether it is appropriate to scale up the costs based on that single observation. The RIA does acknowledge these costs are 'rough estimates' and further work is required.

The methodology used to estimate the cost of developing financial inclusion strategies appears to be reasonable (covering the number of people involved, the time commitment and the value of that time) although again, the actual figures are based on information received from single Local Authorities. Also, will Local Authorities be required to consult on and/or publishing their financial inclusion strategies? If so, what is the cost associated with this?

What input have third sector organisations had in developing the RIA, are these stakeholders content with the cost estimates presented in paragraphs 334-337?

The RIA summarises the equalities and children's rights impact assessments but have the other specific impact tests, such as rural-proofing and the competition assessment been completed.

Other issues

In terms the social care aspects of this Bill, I have some very initial thoughts about potential human rights issues – namely, inequality of treatment (between the different classes of care leavers) and a concern about whether this is compatible with the requirements of Article 14 of the European Convention on Human Rights. The current draft Bill and Explanatory memorandum doesn't rationalise the inclusion of categories 1 – 3 (omitting 4 – 6). The omission of 4 is slightly different because this class of young person will never be under the age of 18; but the omission of the relevant young people in categories 5 and 6 seems to be based on a lack of understanding of the provisions in Part 6 of the Social Services and Well-being (Wales) Act 2014. However, it is for the Member in charge to justify her decision to specify only certain categories of young people. I have not instructed my officials to consider this in depth.

Cyngor Ar Bopeth Cymru
Citizens Advice Cymru



Response to the National Assembly for Wales' Children, Young People and Education Committee's Consultation on the Financial Education and Inclusion (Wales) Bill – September 2014

About Citizens Advice Cymru

1.1 Citizens Advice is an independent charity covering England and Wales operating as Citizens Advice Cymru in Wales with offices in Cardiff and Rhyl. There are 20 member Citizen Advice Bureaux in Wales, all of whom are members of Citizens Advice Cymru, delivering services from over 375 locations.

The twin aims of the Citizens Advice service are:

- to provide the advice people need for the problems they face
- to improve the policies and practices that affect people's lives.

1.2 Financial education is becoming an increasingly substantial part of the work of the Citizens Advice service. Much of this work has been through our Financial Skills for Life Programme which was established in 2002 in partnership with Prudential. In 2013, 80 per cent of Citizens Advice Bureaux in Wales (16 bureaux) provided financial capability services in their local communities, with slightly more (17 bureaux) doing or planning financial capability work in 2014.

Bureaux deliver financial capability initiatives direct to those in need of them and also to front-line workers e.g. housing association staff who are in contact with those on low incomes and/or in vulnerable groups. Across Wales 4,900 people received direct (face-to-face) training in 2013 with an additional 11,000 people benefiting through the 'cascade' effect from frontline workers to their clients.

1.3 Citizens Advice Cymru also holds the prime-contract for the delivery of the Face-to-Face Money Advice Project in Wales and is the lead organisation for the Face-to-Face Debt Advice Project across Wales, both of which are funded by the Money Advice Service (MAS). The Money Advice contract was initially for three years and has since been extended for a further two years until the end of March 2016. During 2013/14, the service delivered nearly 6,400 sessions (representing 120 per cent of the project target) from over 175 community locations across Wales, including hospitals, supermarkets, and libraries.

- 1.4 In addition to the above Citizens Advice Cymru also manage the Welsh Government's Communities First Shared Outcomes Project which began in October 2013 and is due to run until March 2015. This project supports all 36 of the 52 Communities First Clusters in Wales that previously lacked dedicated, community-based outreach services for debt advice, welfare benefits advice (including income maximisation) or financial capability provision. Financial capability work is currently being delivered in four areas – Cardiff (15 outreach locations); Merthyr Tydfil (6 locations); Torfaen and Conwy (each from 5 locations).

Q1: Is there a need for a Bill to equip people in Wales with the financial competency they need to manage their financial circumstances effectively?

- 2.1 Citizens Advice Cymru broadly support the general principles of the Financial Education and Inclusion (Wales) Bill. The current economic climate and the raft of benefit changes being introduced now and over the coming years (particularly universal credit) is exacerbating the need for people to be better informed on money issues.
- 2.2 The financial pressures households across Wales continue to experience was highlighted in recent research commissioned by Citizens Advice Cymru and Shelter Cymru in July 2014. This research found that 70 per cent of Welsh adults remain worried about the rising cost of living and more than half (58 per cent) are struggling to keep up with bills and credit commitments, rising to two thirds (67 per cent) of those in social grade C2/DE¹.
- 2.3 Our recent report '[One day at a time](#)' also examines the cumulative impact of welfare reform on benefit claimants in Wales. It is based on evidence from across the Citizens Advice Bureau network in Wales as well as bespoke qualitative research commissioned by Citizens Advice Cymru to explore the 'lived experience' of the recent benefit changes and people's perceived capacity to manage in the future.

The findings show how the reforms are currently having a predominantly negative impact on claimant's lives, particularly those living with a disability or long term health condition. They also emphasise the importance of providing holistic support to claimants, including linking information on benefit changes with advice to address financial capability needs/budgeting support (as well as other types of advice).

¹ http://www.citizensadvice.org.uk/index/pressoffice/press_index/press_2014080702.htm

- 2.4 The value of improving people's financial capability has been proven during independent evaluations of the financial education initiatives run by Citizens Advice Bureaux. Over the last decade evaluations have shown how these programmes have consistently helped to improve people's confidence and skills in money management. A range of wider 'social benefits' were also identified such as lower levels of stress, ability to plan for employment, ability to maintain a tenancy or mortgage, increased confidence as a consumer and the ability to support friends and family. Investing in financial capability programmes also brings real financial returns, not only to individual households but also to the local economy with the multiplier effect of increased demand for goods and services².
- 2.5 **Citizens Advice Cymru believe while there are particular areas within the Bill where legislation would be beneficial, there are also areas where existing mechanisms and legislation could be used to achieve a number of the Bill's objectives.**

Financial education to be provided in maintained schools (sections 4 and 5)

- 2.6 For 7 to 16 year olds financial education has been embedded into the national curriculum in maintained schools in Wales since September 2008, principally in Mathematics, Personal and Social Education (PSE) and Careers and the World of Work (for students aged 11 to 19). This has since been strengthened further through the Literacy and Numeracy Framework.
- 2.7 We strongly support these developments and welcome the progress that has been made in recent years in delivering financial education within schools in Wales. In this respect Wales has been well ahead of England where financial education is only now being formally taught through the new National Curriculum for England i.e. from September 2014.
- 2.8 The success of current approaches will only be known by effective monitoring and evaluation. As such we were concerned about the findings of Estyn's 'Money Matters' report (from 2011) which highlighted the lack of consistency in the delivery of financial education in schools across Wales. We strongly endorse the whole school approach to financial education and were disappointed to see that at the time of the report only a minority of schools "*had carefully planned and mapped opportunities for financial education in subjects or topics across the curriculum*".

² 'From small change to lasting change: Financial Skills for Life 2002-2012', Citizens Advice & Prudential (May 2012)

- 2.9 We recognise the value of giving financial education a statutory footing within the basic curriculum in Wales (similar to PSE and Careers and the World of Work) as proposed within the Bill, as this could go some way to ensuring equality and consistency in delivery across Wales.

While we support the general principle of making it a legal requirement, recent and continuing developments and reviews to the curriculum in Wales may go some way to addressing inconsistent delivery.

We therefore believe it may be more important to focus on ensuring definitive arrangements are put in place to regularly monitor the effectiveness of existing curriculum requirements with regards to financial education. This should include measuring the impact on pupils knowledge and behaviours (also see our response to Q3).

- 2.10 We strongly agree input from and collaboration between the statutory, private and third sectors is key to the success of financial education work. While we believe this could be achieved through effective partnership working we have no objection to including within the Bill provision for Welsh Ministers to consult with persons who have relevant expertise in financial services and financial management (section 5).

Annual report (section 6)

- 2.11 Issues regarding section 6 are discussed under question 3.

Children looked after by local authority (sections 7 and 11)

- 2.12 Research undertaken by Consumer Focus Wales³ in 2010⁴ confirms the importance of providing clear, well-structured financial education to young people living in local authority care long before they make the transition from care to independent living.

- 2.13 While the research found evidence of good practice, the findings also showed that in many cases the effectiveness of financial information provision by local authorities appeared limited and inconsistent.

³ On 1st April 2013 responsibility for consumer representation was transferred from Consumer Focus to the Citizens Advice Service (including Citizens Advice Cymru) following the UK Government's review of the consumer landscape.

⁴ 'From care to where? How young people cope financially after care', Consumer Focus Wales (March 2011)

- 2.14 We believe it is critical that the financial capability needs of a young person in local authority care are considered throughout their time in care, both as part of the development of their care and support plan and their pathway plan, in preparation for them leaving care. We also believe such needs should be reviewed at regular intervals after the age of 16 (eg ages 18 and 21) to identify any financial difficulties they may be experiencing and to direct them to appropriate support.
- 2.15 In relation to looked after children section 83 of the Social Services and Well-Being (Wales) Act 2014 specifies that regulations must make provision about what a care and support plan is to contain and that such plans must be kept under regular review. Section 107 also states that a pathway plan should set out the advice and support which the local authority intends to provide for the young person (categories 1 to 4) once they have reached the age of 16.
- 2.16 **We would welcome the amendment to the Social Services and Well-Being (Wales) Act to include such requirements on local authorities to ensure looked after children and care leavers receive appropriate financial education as part of their care plans.**

Advice about financial management (sections 12 and 13)

- 2.17 Notes 190 to 194 of the Explanatory Memorandum refer to the importance of people receiving good quality financial management advice and the importance of effective referral mechanisms to local advice and support organisations who are able to provide this. A number of bureaux in Wales have very good referral arrangements in place with their local authority eg. Caerphilly Council.
- 2.18 We welcome proposals within the Bill to help ensure local authorities signpost people in need of advice on money issues to appropriate local advice providers however we do not believe the proposals, as defined in sections 12 and 13, go far enough to make sure people are directed to free, quality advice.
- 2.19 Citizens Advice Cymru are continuing to work with the Welsh Government and other advice providers in Wales to develop national quality standards across the advice sector in line with the recommendations from the Welsh Government's Advice Services Review.
- 2.20 **If the Bill were to proceed we believe it should include a requirement for all organisations undertaking financial capability work to meet these national quality standards, once in place.**

Local authority duty to publish a financial inclusion strategy (sections 8 to 10)

- 2.21 Citizens Advice Cymru agrees commitment is needed at the highest level within local authorities to progress financial inclusion objectives but believe this work needs to be approached as part of the wider tackling poverty agenda. This should help to make sure activities to promote financial inclusion are linked with those associated with tackling housing issues/ homelessness; welfare reform; child poverty; fuel poverty; and local health, social care and well-being strategies.
- 2.22 **We believe local authorities could use existing statutory responsibilities (eg. child poverty duties) and a range of other mechanisms more effectively to improve financial inclusion amongst the local population, without the need for additional legislation.** For example, through the work being undertaken by the anti-poverty champions in each local authority; the public service reform agenda, including single integrated plans; the Families First and Flying Start Programmes, the Supporting People Programme and other fora such as Local Service Boards, and where they exist, financial inclusion partnerships and local Welfare Reform Boards.

Q2: Do you think the Bill, as drafted, delivers the stated objectives as set out in the Explanatory Memorandum?

Please see our response to Question 3.

Q3: Are the sections of the Bill as drafted appropriate to bring about the purposes described above? If not, what changes need to be made to the Bill?

Financial education in schools

- 3.1 Citizens Advice Cymru believes both strong leadership within schools and providing teachers with appropriate support to develop the necessary skills (in terms of their own training and developing relationships with external organisations) are critical to the success of further improving the delivery of financial education in schools in Wales.

It should not be assumed that all teachers are themselves financially capable. New financial products and services also mean financial capability needs are an evolving area where skills and competence levels need to be maintained. Therefore there are always going to be on-going training needs for people delivering financial education.

- 3.2 As noted within the Explanatory Memorandum the Welsh Financial Education Unit (WFEU), which operated between September 2008 and August 2013, played an important role in providing schools and teachers with the necessary support to deliver financial education. It also helped by identifying and promoting good practice and appropriate materials for teaching financial education, including bilingual resources.
- 3.3 Citizens Advice Cymru believes there remains a need for many of the functions previously undertaken by the Unit. We note that resources and materials remain available to schools via the Learning Wales website and it is envisaged that these could form the basis for any additional training that is required by the Bill. Whether or not the Bill proceeds it will be important that such materials are regularly reviewed to ensure they are still up-to-date, relevant and of good quality.
- 3.4 We also note the new National Model of Professional Learning proposed by the Education Minister in June 2014, which will need to include further opportunities to support teachers and schools in delivering financial education.
- 3.5 While these developments are welcome it is unclear at this stage whether they will be sufficient in ensuring effective delivery of financial education in schools or how quality standards will be maintained. As mentioned in paragraph 2.9 we believe it is critical that progress against existing and future curriculum requirements is regularly monitored and evaluated.
- 3.6 Evaluations of our own financial capability work have been extremely positive however across financial education provision in general there is currently no definitive idea of which interventions work best, particularly in the medium to long term. Various organisations have been exploring this issue in recent years. We understand the Money Advice Service is developing a common evaluation framework to provide financial education providers with guidance and practical tools for undertaking impact evaluations as part of their UK Financial Capability Strategy. We welcome this development.
- 3.7 **If the Bill were to proceed we would recommend including additional requirements for measuring and monitoring progress under section 6.** We agree that such monitoring should be a key element of the current inspection regime and would support Estyn having a role in leading on this.
- 3.8 We believe the content of the proposed annual progress report should be more clearly defined on the face of the Bill. This should include the level of consistency in approach throughout the school and measurable outcomes such as teacher training and support; impact on pupils awareness and behaviours, and a review of the quality and relevance

of teaching materials used, including bi-lingual resources where appropriate.

Financial education in the community

- 3.9 Citizens Advice Cymru also believes the Bill as currently drafted lacks detail on how opportunities for developing skills in financial literacy will be strengthened in community settings, particularly for parents (to support the work in schools) and adults who are more likely to face disadvantage.
- 3.10 Citizens Advice Bureaux run financial capability sessions targeted at a variety of different groups – including those on low incomes; households where no-one has paid work; those who are homeless or vulnerably housed; people with disabilities or long-term health conditions; people with mental health problems; people using domestic abuse support services and migrant workers.

As with bureaux's work with schools (see 5.1 below), programmes of this nature can be subject to uncertain funding streams or only target specific groups.

While the Face-to-Face Money Advice Project (see 1.3) has significantly improved the availability of money advice to the wider public in Wales, we remain concerned that there is currently a lack of advice, information and financial capability support available for some vulnerable groups, one particular example being offenders and their families.

Q4: How will the Bill change what organisations do currently and what impact will such changes have, if any?

- 4.1 Citizens Advice Bureaux are ideally placed to deliver financial capability work in schools however funding for this work can be sporadic and funder restrictions can also mean that such work may have to be targeted at other groups, for example workless adults or single parents. Levels of engagement will also often depend on capacity within the individual bureau. In 2013 across England and Wales just 21 per cent of bureaux delivering financial education worked with schools, compared to 89 per cent who worked with adults in community settings.
- 4.2 In Wales four bureaux (20 per cent) worked with schools during 2013, including working directly with pupils. Generally much of this work is ad-hoc and responsive to the invitation of schools, although some bureaux do proactively approach schools.
- 4.3 If financial education were to be given a statutory footing within the basic curriculum we would envisage that demand from schools for bureaux involvement in delivering financial capability sessions would

increase substantially. While this would be very welcome additional funding would be needed to support each individual bureau's capacity to manage this expected increase in demand.

- 4.4 We would also expect bureaux and other third sector advice providers to experience an increase in demand for advice on money management and potentially other forms of advice eg. debt advice, if the proposed new duties on local authorities were to be introduced, including increased signposting.

As noted in paragraph 2.17, while we welcome working in partnership with local authorities, and such arrangements are already in place in some areas, consideration needs to be given to potential capacity issues in meeting any increased demand. This is particularly critical at a time when bureaux across Wales are already experiencing increasing demand for their services due to welfare reform and a continuing difficult financial climate.

- Q5: What are the potential barriers to implementing the provisions of the Bill (if any) and does the Bill take account of them?**

Please see our response to Question 4.

- Q6: Do you have any views on the way in which the Bill falls within the legislative competence of the National Assembly for Wales?**

Citizens Advice Cymru believe the Bill falls within the legislative competence of the National Assembly for Wales.

- Q7: What are your views on powers in the Bill for Welsh Ministers to make subordinate legislation?**

No comment.

- Q8: What are your views on the financial implications of the Bill?**

Please see our response to Question 4.

- Q9: Any other comments you wish to make about specific sections of the Bill?**

No further comment.

National Assembly for Wales

Children, Young People and Education Committee

Financial Education and Inclusion (Wales) Bill

CYPE(4)–23–14 – Paper 4

Response from : The Money Advice Service

Written evidence for the Children, Young People and Education Committee on the general principles of the Financial Education and Inclusion (Wales) Bill

About us

The Money Advice Service is a UK-wide, independent service set up by government to improve people's financial well-being. Our free and impartial money advice is available online, and by phone, web-chat or face to face with one of our Money Advisers. We also work with the debt advice sector to improve the quality, consistency and availability of debt advice.

Our core statutory objectives, as set out in the Financial Services Act 2012, are to enhance the understanding and knowledge of members of the public about financial matters (including the UK financial system), and to enhance the ability of members of the public to manage their own financial affairs. We work closely with others to achieve this. The Money Advice Service is paid for by a statutory levy on the financial services industry, raised through the Financial Conduct Authority.

As the statutory body for financial capability the Money Advice Service has a particular responsibility for helping people understand and make the most of their money, both directly and through facilitating the works of others, and for enabling people to access high quality debt advice when things go wrong. The Service has also played an active role in co-ordinating and leading the development of the draft Financial Capability Strategy for the UK.

We are responding to this consultation in light of our statutory role to improve people's understanding and knowledge of financial matters and to improve people's ability to manage their own financial affairs.

We welcome the opportunity to respond to this consultation.

Executive summary

The Money Advice Service supports the view that schools have an important role in the teaching of financial education to children and young people.

Research has confirmed that attitudes to money are formed early and that interventions within a broader family framework can influence the desired long-term behaviour change. We suggest that financial capability is considered as a part of the parenting programmes such as Flying Start Programme and incorporated into Family Learning and the Families First Initiative.

For Local Authorities, rather than a new strategy consider existing mechanisms such as the Single Integrated Plan, through Local Service Boards as outcomes could then be linked across the various agendas such as

welfare reform, domestic abuse, community safety, supporting people, digital inclusion, tackling poverty and the new Future Generations Bill.

By using a shared evaluation framework, any financial capability intervention reporting whether in school or by the local authority, could be monitored and evaluated in a consistent way and the journey travelled could be compared across the UK, between all agencies using the framework and the outcomes achieved.

Introduction

The change required to achieve a financially capable nation is no small task. Currently, 50% of people don't make a personal budget¹ and as many as 84% of UK adults do not read the full terms and conditions when taking out financial products.² One in six people struggle to identify the balance on a bank statement³. 48% of adults across the UK admit to falling into debt as a direct result of their social lives⁴. Without strong financial capability, even people with financial resources make uninformed decisions which put them at risk of real hardship in the event of financial shocks or changes in circumstances.

With these facts in mind, the Money Advice Service supports the aspirations of the Bill, although we believe that the solutions suggested may need further development to meet the hoped for outcomes for the people and economy of Wales.

The Money Advice Service has just launched the draft Financial Capability Strategy for the UK www.fincap.org.uk. Improving the financial capability of children and young people in Wales and across the UK is an important component of the overall Financial Capability Strategy.

Key facts and insights on children and young people.

- Children are ready to learn basic things about money from the age of three.
- Attitudes and motivations to money are at least as important as skills and knowledge. Brain development means that many attitudes and habitual behaviours are set by the age of seven.
- Parents and carers provide the main opportunity to see, talk and learn about money on a daily basis. Schools and other organisations also provide important opportunities to learn.
- New skills and knowledge need to be relevant and applied quickly to be understood and retained.
- Consumer messaging and social influences encourage young people to spend rather than save, even if they do not have the money. Young people think it is boring to be good with money.
- Talking openly and honestly about money is still a taboo within the home, friends and society.
- Many young people have financial difficulties. 31% of 18-24 year olds are over-indebted⁵. The debt charity StepChange reports an 85% increase in 18-24 year-olds seeking help from 2010-2013 with average unsecured debts of £5,000
- There is a lack of agreement across the sector about what needs to be achieved and how the impact and effectiveness of interventions should be measured.

¹ Financial Capability Tracker Survey, 2013/14, Money Advice Service

² Research conducted by One Poll for The Money Advice Service in August 2014 among 3,000 UK adults

³ The Financial Capability of the UK, November 2013, The Money Advice Service

⁴ Research conducted by One Poll for The Money Advice Service in June 2014 amongst 3,000 UK adults

⁵ Ibid

Financial Regrets Research

Included with this document is a piece of research that has just been launched. This report demonstrates the vital importance of helping young people as they transition to adulthood, with turning 18 being a pivotal moment.

This research found that independence is everything to 16-21 year-olds, but they rarely appreciate that being financially responsible is an important part of becoming independent.

The attitudes and behaviours of 16-21 year-olds

| Attitudes | Behaviours |
|--|---|
| Living in the moment, worrying tomorrow | Living beyond their means/excessive spending |
| Little thought about the consequences | Taking credit when offered |
| Saying 'no' is boring; saying 'yes' is fun | Ignoring bills/repayments |
| Reliance on the bank of mum and dad | Ignoring knock on costs of major spending (upkeep, insurance etc) |
| Credit is 'free money'; debt is normal | Taking risks with their money (e.g. credit card roulette) |
| Blind faith that 'everything will be OK' in the future | |

The Bill will improve financial capability amongst school-age children and young people by making it a legal requirement that financial education is included in the school curriculum. Questions 1 to 5

The evidence base is not yet complete, but there are some consistent messages about the best approach:

- Our relationship with money can be in place by the age of seven (and starts from three)
- Parents are the single biggest influence in creating it
- Simple messages repeated from multiple sources work best
- If skills and knowledge aren't used within a couple of years, they are lost

Current services and provision for young people

The necessity of developing financial capability in children and young people is now higher on the national and international agenda than it has ever been before. Financial education is embedded in the primary and secondary curriculums in Northern Ireland, Scotland, and Wales⁶; more recently, it was included in the secondary curriculum in England⁷. Internationally, more and more countries are participating in the Programme for International Student Assessment (PISA), which measures financial literacy levels.

National and local organisations have been working on this particular issue for a number of years, developing a range of financial education tools and interventions. The focus of these programmes has tended to be on schools based interventions, for 11-16 year olds. These interventions have primarily focused on measuring and improving children's financial skills and knowledge. Few programmes focus on building positive financial attitudes and motivations in children and young people. There are also very few parenting or family interventions, and minimal activity for children below the age of five.

Financial Education in Schools

The Money Advice Service recognises that schools have an important role in the teaching of financial education to children and young people.

Delivering financial education across the curriculum can provide relevant, challenging and engaging learning opportunities for all learners to link learning to life outside school; develop learners' problem-solving skills in a real-life context; encourage transference of skills and develop literacy and numeracy skills. Schools are in a good position to help instil positive attitudes towards finance at an early age and to reach all sections of society, including many individuals who may later become far harder to reach, such as looked after children.

⁶ Money Matters: the provision of financial education for seven to 19-year-olds in primary and secondary schools in Wales – May 2011

⁷ Developing financially capable young people, Ofsted 2008, for a set of features of good practice for personal finance education.

The Guidance accompanying the Bill points out that in Wales, financial education is embedded into Maths, PSE and Careers education in the curriculum. The Guidance also highlighted that Estyn identified lack of curriculum time and a lack of co-ordination of financial education within schools as some of the obstacles to effective financial education.

More recently, money has been included into the statutory Literacy and Numeracy Framework (LNF) with 'money' stated outcomes required against each year group. E.g. Reception learners are able to use 1p, 2p, 5p and 10p coins to pay for items and Year 8 learners are able to appreciate the basic principles of budgeting, saving (including understanding compound interest) and borrowing.

The LNF is the one statutory mechanism for teaching financial education where outcomes will be measured at the end of each school year. As it has only recently been introduced, there has been no evaluation by Welsh Government as to whether this will ensure consistent teaching of financial education in Wales. Therefore we believe that before additional duties are placed on schools, it may be appropriate to ensure evaluation of the current framework in the first instance and understand what works and what doesn't already within the curriculum as part of the wider Curriculum and Assessment review.

When evaluating any financial education in a school, hours of delivery should not be used as a measure of effectiveness. We know that more education isn't always better unless education is timed closely to points of decision making. Research suggests "just in time" financial education is needed rather than lengthy education years before the behaviours it is intended to change⁸. Evidence shows if the learning of one hour's worth of financial literacy education is not put into practice within 8 months, it is lost. Whereas if that one hour is used within the month, it is just as effective as twelve hours of education applied after 10 months' time. This research shows that financial education in schools can have a beneficial impact on young people's financial behaviour and decision-making, but only when it is delivered in a timely way, and the learning is salient and relevant to the young people receiving it.

Once evaluation has been done and if for some reason financial education is still not consistent in schools, then it may be prudent to revisit a legislative solution.

Gaps in current provision

Under the Bill, financial education would be added to the requirements of the basic curriculum in Wales from Key Stage 2 onwards (age 7+). We note this starting age was considered in the Guidance accompanying the Bill and the guidance states that whilst it would be beneficial for children to learn about basic financial and money management concepts as soon as possible, requiring this in legislation is arguably unnecessary for ages lower than 7.

We would suggest a reference in the Bill to including financial capability interventions into parenting initiatives or into family learning across Wales. Drawing on the more developed body of behavioural change and early intervention evidence provides insight on how to develop the next generation of money confident individuals.

There is strong evidence that parents and carers are the key influence on financial capability because of their ability (or otherwise) to put insights into practice:

- role-modelling financially capable behaviour;
- providing money advice and talking openly to their children about money; and
- providing the opportunity to experience money management^{9,10}

⁸ <http://www.nefe.org/Portals/0/WhatWeProvide/PrimaryResearch/PDF/CU%20Final%20Report.pdf>

⁹ *Habit Formation and Learning in Young Children* (Money Advice Service, 2013)

¹⁰ *The impact of parental involvement on children's education* (Department for children, schools and families, 2008)

Money advice works best when delivered through a trusted messenger. Below the age of 7, children are most receptive to their parents' advice.¹¹ Throughout adolescence, it is still parents to whom young people are most likely to turn (77% find their parents' advice most helpful).¹² US research shows that college students whose parents exhibit the positive parenting described above are the most financially capable. Talking about money with their parents was the most significant factor. This parental influence was found to be one-and-a-half times stronger than financial education, and twice as strong as the influence of peers.¹³

We also believe that like literacy and numeracy, financial capability is inter-generationally transferred from parents to children. This is why it is vital that supporting parents to improve their own financial capability and helping them support their children, forms part of any initiative that seeks to improve the financial capability of Wales. We suggest that financial capability is considered as a part of the parenting programmes for the Welsh Government's Education Begins at Home, Flying Start Programme and incorporated into the Families First Initiative.

Taking a whole family approach such as one like Families First will provide interventions that focus on all of the family, rather than the individuals in isolation, and are a more effective way of improving their outcomes and meeting the aspiration of the proposed Bill.

Supporting children and young people from infancy to their transition into financial independence, fostering positive financial mindsets, and using a wider range of messengers, are likely to further improve the financial capability amongst children and young people.

The Bill will strengthen the role of local authorities in helping people avoid falling into financial difficulty, by requiring local authorities to adopt a financial inclusion strategy. Questions 1 to 5

One single point of contact and responsibility is helpful for partner agencies. An Officer who is responsible for Financial Inclusion actions and outcomes wherever they sit in a local authority will help all the different agencies and prospective partners to support and engage at a local authority level. However, as with Financial Education in schools Financial Inclusion is a cross cutting issue and there is a danger of it going into a silo and increasing bureaucracy with unnecessary duplication. For example it is statutory to report on activities relating to child poverty under the Children and Families (Wales) Measure 2010 and a Financial Inclusion Strategy will also have to report the same activities and others from across different departments.

In addition, currently there is a lot happening that will bring a change to partners and services, that is and will impact on people in our communities. These changes include the Advice Services Review, Universal Credit and the Local Support Services Framework, the Future Generations Bill, the Gender-based Violence, Domestic Abuse and Sexual Violence (Wales) Bill and also many existing relevant strategies, such as the Single Integrated Plan, the National Youth Work Strategy for Wales and the Tackling Poverty Strategy. Also there are various networks and working groups around welfare reform, Children and Young People Partnerships, Family Learning, Families First, Flying Start, Supporting People, Communities First, etc. All have a significant role to play in Financial Inclusion and financial capability where accountability for local authorities is increasing but resources are static or even declining.

Rather than a new strategy, existing mechanisms such as the Single Integrated Plan, through Local Service Boards as outcomes could be linked across the various agendas such as welfare reform, domestic abuse, community safety (NOMS), digital inclusion, tackling poverty and the new Future Generations Bill. This way a shared plan will draw in partners from across the various strands, bringing shared goals and key priorities

¹¹ [*Habit Formation and Learning in Young Children*](#) (Money Advice Service, 2013)

¹² [*The financial capability of 15-17 year olds*](#) (Money Advice Service, 2013)

¹³ [*APLUS Wave 2: Changing Financial Behaviors of First Year College Student*](#) (The University of Arizona, 2011)

that can be aligned and reported upon together, to ensure the bigger picture is better understood and promotes sustainable change. Any plan should have a set of actions and outcomes to report against or the danger is it will sit on a shelf. Those outcomes will have impact on other work on-going across social services (benefit take up), housing (direct payment of rent), domestic abuse (financial abuse), environment (fuel poverty) and many others.

Reporting Financial Capability Interventions

In the guidance it states that *“Welsh Government will be required to lay an annual report before the Assembly during each financial year which will report on the progress of financial education in maintained schools in Wales in the previous financial year”*. And also that *“The requirement to produce an annual report on implementation will ensure that the action that each authority has taken in this respect can be monitored, benchmarked and scrutinised by any interested party.”*

As part of any review and reporting process we would like to encourage schools and local authorities to evaluate their financial capability interventions using the UK Strategy financial capability outcome framework for children and young people and publicly report the findings.

It is only by developing a thorough and robust understanding of what interventions are most effective in improving children and young people’s financial capability that the biggest impact can be made to people’s lives, and limited resources put to their best use. It is often difficult to compare the results from existing impact evaluations, due to the different ways in which organisations define and measure their outcomes. This limits the evidence base available for effective commissioning and practice.

In order to improve the evidence base around what kinds of programmes are most effective in increasing financial capability for children and young people, greater quality and consistency in evaluation activity is required. As part of our work co-ordinating the development of the new Strategy for financial capability for the UK, the Money Advice Service is producing a common evaluation toolkit that will give providers and funders of financial education and advice the clear guidance and practical tools they need to conduct robust and consistent impact evaluations. A key component of that toolkit is the outcome framework for children and young people, which provides clear guidance as to what financial capability-related outcomes should be aimed for and measured at different ages. These include skills and knowledge-related outcomes but also those related to attitudes and motivations (for example self-control and self-confidence), and opportunities for children and young people to manage their own money.

Many of the initial consultation responses to the proposed Bill referred to a National Financial Inclusion Standard. Using a common framework would help us towards the aims of developing such a standard and will certainly allow for local authorities to better understand their impact.

By linking any financial capability intervention reporting whether in school or the local authority, not only could interventions be monitored and evaluated in a more consistent way but the journey travelled could be compared across the UK, between all agencies using the framework and the outcomes achieved. This would give us a benchmark to evaluate and compare all interventions in Wales, thereby helping us all to get closer to the aspirations of this Bill.

The Bill will give local authorities duties in respect of providing advice about financial management, both generally and specifically to looked after children aged 16 or 17, to former looked after children and to students. Questions 1 to 5

Research by Consumer Focus Wales in March 2011¹⁴ made the following recommendations which we would support.

Local authorities should:

- fulfil their statutory duties and provide each young person in care with a pathway plan by their 16th birthday and ensure the financial capability needs of the young person are considered as part of the assessment and planning process.
- ensure all young people have received appropriate financial education and support to co-ordinate with any financial assistance they may receive including their leaving care and transition to adulthood grants.

In addition, referring back to the previous evidence that money advice works best when delivered through a trusted messenger, we would suggest that those professionals that interact with care leavers such as youth workers, social workers, after care support etc. should be trained appropriately to set and stick to money guidelines and consequences, and through the use of products with elements of adult features, could help prepare looked after children and young people for responsible adult money management.

¹⁴ Consumer Focus Wales, March 2011, From care to where? How young people cope financially after care.

Agenda Item 4

National Assembly for Wales
Children, Young People and Education Committee
Financial Education and Inclusion (Wales) Bill
CYPE(4)–23–14 – Paper 5
Response from : Estyn

Estyn welcomes the opportunity to provide additional feedback relating to the consultation on the proposed Financial Education and Inclusion (Wales) Bill. We have set out our response in line with the questions noted below.

General

1. The Explanatory Memorandum prepared by Bethan Jenkins, AM describes the Bill's primary policy objective of the Bill as being to equip people in Wales with the financial competency they need to manage their financial circumstances effectively. In doing so, the proposals will help to increase prosperity in Wales by improving the financial education and capability of its citizens.

The Bill's proposals fall into three broad categories:

- The Bill will improve financial capability amongst school-age children and young people by making it a legal requirement that financial education is included in the school curriculum (sections 4 to 7 in the Bill).
- The Bill will strengthen the role of local authorities in helping people avoid falling into financial difficulty, by requiring local authorities to adopt a financial inclusion strategy (sections 8 to 10 in the Bill).
- The Bill will give local authorities duties in respect of providing advice about financial management, both generally and specifically to looked after children aged 16 to 17, to former looked after children and to students (sections 11 to 13 in the Bill).

Is there a need for a Bill for these purposes? Please explain your answer.

Since we carried out our 'Money Matters' thematic survey in 2011, there have been a number of curriculum changes that have strengthened the provision for financial education in schools.

These include the introduction of the Literacy and Numeracy Framework (LNF) and the forthcoming introduction of GCSE mathematics – numeracy by September 2015. Financial education is identified clearly in both.

The Literacy and Numeracy Framework (LNF) is a statutory document and schools are required to amend provision to ensure suitable coverage. Financial education is not 'overlooked' as noted in paragraph 14 of the Explanatory Memorandum as there is currently a statutory requirement for schools to deliver financial education.

The changes in the LNF and GCSE mathematics-numeracy are in addition to the references made to financial education and using money in various existing examination specifications and statutory and non-statutory curriculum documents, including:

- GCSE mathematics (current syllabus);
- the mathematics National Curriculum Subject Order for seven to 16-year-olds;
- the non-statutory Personal and Social Education framework for seven to 19-year-olds; and
- the non-statutory Careers and the World of Work framework for 11 to 19-year-olds.

Given the relatively recent introduction of the Literacy and Numeracy Framework as a statutory curriculum planning document, it would be sensible to provide time for this development to embed before making further changes or undertaking another evaluation of financial education.

Schools should be given the flexibility to deliver provision in a way that best meets the needs of their learners. A prescriptive and piecemeal approach to curriculum planning should be avoided as this will not help schools to take an holistic approach to curriculum delivery.

2. Do you think the Bill, as drafted, delivers the stated objectives as set out in the Explanatory Memorandum? Please explain your answer.

The Bill delivers the stated objectives as set out in the Explanatory Memorandum. However, financial education has already been included across a wide range of statutory and non-statutory curriculum documentation as noted in our response to Question 1.

3. Are the sections of the Bill as drafted appropriate to bring about the purposes described above? If not, what changes need to be made to the Bill?

The Financial Education and Inclusion (Wales) Bill, includes a section regarding reporting on an annual basis – 6 Annual Report.

This includes a reference to Estyn and:

6 (2) The Welsh Minister may direct Her Majesty's Chief Inspector of Education and Training in Wales to prepare the report.

We feel that it would be more appropriate to report on financial education as part of a stand-alone thematic survey rather than requiring a report on it in all school inspection report. This would ensure that this issue has suitable prominence and key messages are clear.

4. How will the Bill change what organisations do currently and what impact will such changes have, if any?

The Financial Education and Inclusion (Wales) Bill could have a significant impact on Estyn's work and budget if it necessitated reporting on Financial Education in every inspection. It would require an increase to our budget. (See reply to Question 8).

5. What are the potential barriers to implementing the provisions of the Bill (if any) and does the Bill take account of them?

See Estyn's response to Question 1 and Question 4.

6. Do you have any views on the way in which the Bill falls within the legislative competence of the National Assembly for Wales?

Estyn does not hold any strong views on this.

Powers to make subordinate legislation.

7. What are your views on powers in the Bill for Welsh Ministers to make subordinate legislation (i.e. statutory instruments, including regulations, orders and directions)?

In answering this question, you may wish to consider pages 47-48 of the Explanatory Memorandum.

Estyn does not hold any strong views on this.

Financial Implications

8. What are your views on the financial implications of the Bill? In answering this question you may wish to consider Part 2 of the Explanatory Memorandum (the Regulatory Impact Assessment), which estimates the costs and benefits of implementation of the Bill.

The Financial Education and Inclusion (Wales) Bill has financial implications for Estyn. However, the extent of these implications would depend on the nature of the reporting. Estyn estimated that to produce a thematic survey evaluating Financial Education would cost approximately £40k.

If during all school inspections, inspectors were required to report on financial education, they would need to spend at least two hours during inspection scrutinising relevant documentation and pupils' work and an hour meeting relevant staff. This in practice would require an additional half day added to the inspection 'footprint'. We would need to amend our guidance to inspectors so that they ask relevant questions to pupils during other activities such as listening to learners.

This additional work would cover around 140 inspector days per annum. However, if inspectors were required to travel to a school, this would add an additional one day of travel time per inspector, taking the total up to 350 inspector days. Overall, it would be around two HMI or £160k including on-costs annually.

Other comments

9. Are there any other comments you wish to make about specific sections of the Bill?

Agenda Item 6

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