

Written response to the Communities & Culture Committee report on 'Financial Inclusion and the Impact of Financial Education' by Carl Sargeant, the Minister for Social Justice and Local Government

Executive Summary

The Welsh Assembly Government welcomes the Communities & Culture Committee report on 'Financial Inclusion and the Impact of Financial Education'.

This inquiry and the Committee's recently published reports are of course extremely timely. In these particularly difficult times the people of Wales, more than anywhere else, are faced with the UK Government's unprecedented cuts - cuts which already vulnerable people will have to bear the brunt of in the coming months and years.

We need to address the significant challenges that this brings. We have made a strong start with our Financial Inclusion Strategy and much has already been achieved in providing a broad range of financial products and services, supported by the provision of easily accessible and free to use financial education and advice services, for all people living in Wales, but especially those who are already financially excluded and marginalised from society.

External forces beyond our direct control, such as the economy and UK Government budgetary and policy decisions, will continue to test our resolve and our commitment to achieving financial inclusion, shared with our partners in Wales with whom we will continue to work.

The Assembly Government sets out below its response to the report's individual recommendations.

Recommendation 1. We recommend that the Welsh Government engage in dialogue with the UK Government, to emphasise that in the current financial climate, the provision of financial education has an even greater importance, and that finance should be utilised to enable the roll out of the Consumer Financial Education Body's (CFEB) Moneymadeclear service.

Response: Accept

Comment: We will continue to discuss with the UK Government and CFEB the importance of financial education and capability. We are aware of the current proposals to fund the roll out of the Moneymadeclear service via the CFEB levy on financial institutions and will seek reassurances from the Government that this is a viable proposition that will deliver the fully accessible, quality service committed to by the previous UK Government.

Financial implications: None

Recommendation 2. We recommend that the Welsh Government invites the Welsh Language Commissioner (when established by the Welsh Language Measure) to engage with providers of financial education, to encourage them to ensure money advice is provided in Welsh, as well as other language.

Response: Accept in principle

Comment: We agree that the Welsh Language Commissioner (when established, and subject to the proposed Welsh Language Measure being approved) will have an important role to play, although it is important to recognise that the Commissioner will be independent and will determine his or her own activities, timetables and priorities. It is also the Welsh Assembly Government's responsibility to promote and encourage Welsh Medium provision, for example through terms and conditions of funding arrangements with providers and we will review our role in this.

We have arranged for a number of teaching resources to be made available bilingually where practitioners have agreed that the materials would add significant value to the provision for financial education in schools. In addition, the Welsh Financial Education Unit continues to work with partners in the financial services sector. The Unit provides advice on the development of materials so that they are consistent with the curriculum in Wales and also ensures that partners are aware of the needs of schools that work primarily through the medium of Welsh.

Financial implications: None in terms of reviewing funding terms and conditions. Provision for the commissioning of Welsh language classroom materials is already provided in the Education Budget.

Recommendation 3. We recommend that the Welsh Government make a public commitment that it will seek to ensure that the strategic role of the Wales Financial Education Unit is sustained and developed to help improve the provision of financial education both in schools and within the wider community.

Response: Under consideration

Comment: It was agreed that the Welsh Financial Education Unit would be established, initially, for a period of two years. The progress made in that period and the case for further support to be provided by the Welsh Assembly Government for the delivery of financial education in schools will be considered at the end of the two years, in April 2011, and in the light of the current evaluation of the Unit's work.

Financial implications: Provision for the Welsh Financial Education Unit in 2010-11 in the Education Budget is £240,000. This includes £140,000 provided by the CFEB which will come to an end in March 2011. Costs for any further support for the delivery of financial education in schools would need to be considered alongside other pressures within the Education Budget.

Recommendation 4. We recommend that the Welsh Government provide a 'central hub' of information about financial capability projects, and giving monitoring and evaluation guidance for the design and implementation of new projects and services. We anticipate that this would also include a directory of existing resources which it considered suitable for schools to utilise in providing financial education. We anticipate that this would facilitate the sharing of good practice, and would also enable schools to quickly identify and develop links with potential partners for the delivery of financial education in their local areas.

Response: Accept in principle.

Comment: We agree that there is a need for a co-ordinated approach to financial capability and to sharing good practice. We do need to be mindful of the costs of such an initiative, particularly during this challenging time when public sector funding faces considerable pressures. The Assembly Government will discuss the potential for this work with key stakeholder partners.

We have already agreed that the National Grid for Learning, Cymru will host an intranet site to support the provision of financial education on schools. The site will include details of teaching materials and classroom resources for financial education. It will also feature good practice including work with partners in the third sector and the financial services sector in the delivery of financial education. In addition, we are providing schools with guidance on the delivery of financial education. This will include details of teaching resources and local and national partners willing to support financial education in schools.

Financial implications: Uncosted in terms of wider financial capability, further work would be required to cost this proposal. Any financial commitment would need to be considered alongside other pressures within the SJLG Budget. In terms of the National Grid for Learning, Cymru intranet site, provision is already made in the Education Budget.

Recommendation 5. We recommend that the Welsh Government, through forums such as the financial inclusion steering group, and in association with the UK Government, encourage financial organisations to provide funds for independent organisations to provide financial education programmes.

Response: Accept.

Comment: We agree that financial organisations are duty bound to ensure that their customers are fully aware of the obligations they take on and, more generally, have a better understanding of financial issues overall. Many financial institutions address this commitment through their levy to the Financial Services Authority which supports the work of CFEB and through their own corporate social responsibility programmes. There may however be some scope in aligning this work and we will though take this recommendation forward through the Financial Inclusion Steering Group.

Financial implications: None

Recommendation 6. We recommend that the Welsh Government engage with both public and private sector employers to encourage them to facilitate the participation of their employees in workplace based financial education seminars, and in receiving financial education resources.

Response: Accept.

Comment: The Welsh Assembly Government fully supports CFEB's workplace initiative and has provided opportunities for staff to attend Make the Most of Your Money workplace seminars and recently distributed CFEB guides to all Assembly Government staff.

We have been working with CFEB (and previously the FSA) for over 3 years to promote workplace seminars to a range of employers. This has been extremely successful with CFEB having reached over 100,000 people in Wales with the Making the Most of Your Money booklets, through more than 100 different employers with over 4,700 attendees at presentations.

However we acknowledge more can be done and we will work with CFEB to redouble our efforts in this area.

Financial implications: None.

Recommendation 7. We recommend that the Welsh Government engage with local authorities across Wales to highlight the crosscutting value of addressing financial inclusion and financial education as part of their existing statutory responsibilities. We anticipate that as part of this, the Welsh Government would encourage individual local authorities and housing associations to identify senior individuals to have an overarching responsibility for financial inclusion and financial education work, across the authority/association.

Response: Accept.

Comment: We work closely with the Welsh Financial Inclusion Champions Team who work strategically and at a local level. The strategic element of this work seeks to affect the commitment, values and policy of those organisations that work with people disadvantaged by financial exclusion, and directly feeds into the local and regional delivery element of the project.

We would though like to see a greater strategic commitment from local authorities and will work with the Champions to pursue this

The Welsh Financial Education Unit is working in partnership with local authorities to support financial education in schools. It is anticipated that by the end of March 2011 the Unit will have delivered 24 training sessions in partnership with local authorities.

Financial implications: The Assembly Government currently contributes, with the Department of Work and Pensions, to the funding of the Welsh Financial Inclusion Team. This funding is due to end in March 2011 and any ongoing financial commitment would need to be considered alongside other pressures within the SJLG Budget. Provision for WFEU is made in the Education Budget.

Recommendation 8. We recommend that the Welsh Government ensures that the provision of financial education is a compulsory element of the PSE framework, and reviews the emphasis placed on financial education on a regular basis.

Response: Accept in principle.

Comment: All maintained schools in Wales already have a statutory responsibility to provide broad, balanced Personal and Social Education for all pupils of compulsory school age. The non-statutory *Personal and social education framework for 7 to 19- year-olds in Wales*, which is widely used in schools, has financial education as a key component for learners aged 7 to 16 years old. This reflects our commitment to tackling financial exclusion. For example, 14 to 16-year-olds should be given opportunities to understand the importance of planning for their financial futures and how to access financial advice. Personal and social education as with all other aspects of the school curriculum is subject to regular review.

Financial implications: No additional financial implications. Provision for the monitoring and review of the school curriculum is made in the Education Budget.

Recommendation 9. We recommend that the Welsh Government invite Estyn to consider whether the standards of financial education delivered in schools, including provision delivered through external agencies, are adequately promoted and monitored.

Response: Accept in principle

Comment: Financial education is built into both provision for Mathematics and Personal and Social Education in the school curriculum. In line with the requirements of the Common Inspection Framework, Estyn inspections assess the provision made by schools including judging the extent to which learning experiences cover the school curriculum effectively. Inspections also consider how well schools collaborate with partners to deliver coherent programmes and choices. Welsh Ministers also commission Estyn to undertake a number of cross cutting thematic studies. Current work includes the provision of a report by May 2011 on good practice in the provision of financial education in primary and secondary schools. The case for further thematic reports on financial education will be kept under review.

Financial implications: None.

Recommendation 10. We recommend that the Welsh Government consider undertaking a sustained media campaign to help people to understand the benefits of financial inclusion and education, and how they can access support and financial services (including basic bank accounts and home contents insurance) locally, working with stakeholders at local and national levels.

Response: Reject.

Comment: Whilst it is recognised that awareness raising is an important aspect of achieving behavioural change, careful consideration needs to be given to

investing significant amounts of public money in any form of media campaign in the current climate. Instead we will continue to work with CFEB, the Financial Inclusion Champions and the Welsh Financial Education Unit, using their excellent resources to target employees, students and expectant parents, amongst others, to improve their understanding of financial issues.

Financial implications: None.

Recommendation 11. We recommend that the Welsh Government continue to engage with high street banks to take a more positive approach to the opening of basic bank accounts.

Response: Accept.

Comment: Access to mainstream financial services remains one of the major challenges to tackling financial exclusion and this view has been supported by the new Coalition Government's commitment to improving access to banking for consumers, specifically low income family consumers. Much of the work that has already been undertaken in this area has been beyond the direct control of the Assembly Government but we have worked closely with HM Treasury on the take up of basic bank accounts and with LINK on the roll-out of free to use ATMs in Wales.

We will continue to engage with high street banks and the UK Government to encourage the opening and regular use of basic bank accounts.

Further, the provision of current accounts will only make a positive difference if individuals are confident and capable of using them to their best effect. We will continue to work with CFEB on the delivery of Money Guidance to support individuals improve their basic financial capability.

Consideration should also be given to alternative financial services providers and products such as Credit Unions operating their current or budgeting accounts to provide people with manageable choices. We will continue to support the development and growth of a sustainable credit union, able to provide these services to all citizens in Wales. On 14 September I announced new funding of £3.4 million to support of credit unions in Wales up to the end of 2013. This is made up of £1.6 million from the Assembly Government and £1.8 million from WEFO.

Financial implications: None.

Recommendation 12. We recommend that the Welsh Government continue to engage with local authorities and third sector advice services to ensure a proactive approach to enabling benefit take-up. We anticipate this would include ensuring that if people are known to be in rent and/or council tax arrears that they are signposted to information on benefits that they may be entitled to, but are not claiming.

Response: Accept.

Comment: We will continue to fund a range of benefit take up initiatives working in partnership with local authorities and the third sector to ensure services are

accessible to all those who need support to claim the benefits to which they are entitled.

The Assembly Government's response to the increased demand for advice services has been to provide funding for a number of initiatives that will help support and streamline the delivery of services in Wales. For example, in November 2009, we provided £747,000 to Citizens Advice Cymru to establish a single number Adviceline which is now fully operational and providing an excellent service. We will also work with CFEB to promote the Money Guidance service which will provide direct support to people to identify appropriate benefits.

Working together in this way is helping to strengthen the advice network as it faces unprecedented pressure in the face of the current economic situation. We will work with key stakeholders to ensure that joint working and imaginative ideas such as this contribute to achieving more with less as public finances face growing pressure.

Financial implications: Approximately £2 million per annum from the Social Justice and Local Government Budget.

Recommendation 13. We recommend that the Welsh Government continues to engage with stakeholders and the UK Government to raise awareness of illegal money lending and the damaging impact it has on families and communities. As part of this, we anticipate that the Welsh Government will continue to engage with partners to ensure that the valuable role of the Illegal Money Lending Unit is sustained and developed.

Response: Accept.

Comment: The Welsh Assembly Government is fully supportive of the vital work the Illegal Money Lending Unit is taking forward across Wales.

We very much hope that the UK Government will continue to support Illegal Money Lending Unit across the UK and that the Welsh Unit is adequately resourced to carry out and extend its functions to help more people escape the fear and intimidation of loan sharks.

We pledge our ongoing support to the Unit and to working with them to carry out their functions, as well as supporting work with credit unions to promote affordable credit as an alternative to loan sharks.

Financial implications: None