National Assembly for Wales
Children, Young People and Education Committee
FEI 10
Financial Education and Inclusion (Wales) Bill
Evidence 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 budget[1] 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 statement[3]. 48% of adults across the UK admit to falling into debt as a direct result of their social lives[4]. 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-indebted[5]. 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.

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	

[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

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 that it has ever been before. Financial education is embedded in the primary and secondary curriculums in Northern Ireland, Scotland, and Wales[6]; more recently, it was included in the secondary curriculum in England[7]. 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.

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.

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[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.

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 change[8]. 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]

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

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[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)
[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)

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 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 2011[14] 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.

Lee Phillips
Wales Manager, Money Advice Service

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