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

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Dear Sarah

CONSULTATION ON THE FINANCIAL EDUCATION AND INCLUSION (WALES) BILL

Thank you for the opportunity to comment on the Committee's consultation on the Financial Education and Inclusion (Wales) Bill. While it is not my role to comment on the merits of policy objectives, equipping people in Wales with the necessary financial knowledge and capability they need to manage their financial circumstances effectively, and doing so from an early age, can only be a good thing.

I have not undertaken any audit work specifically to examine financial capability among school-age children and young people. However, current audit work examining the impact of welfare reform among social housing tenants in Wales is identifying some significant issues of concern around people's ability to manage their finances, the impact of increasing debt, and the apparent decline in monetary/housing advice services. For example, over half of the social housing tenants surveyed as part of this work – 51 per cent – agreed that they had seen their personal debt increase in the last 12 months. In addition, my survey of councils and housing associations found that, in the first six months of 2013-14, gross rent arrears for the 11 stock retaining councils increased by 19.7 per cent rising and for the 34 major housing associations by 25.8 per cent.

I also found that many tenants are increasingly using stopgap or 'pay-day' loans to make ends meet (these are small, short-term loans, usually less than £500 and are meant to help people until they next are paid or receive benefits, at which point the loan is supposed to be repaid in full). Whilst these loans are a convenient option for families who need money in an emergency, they also have the potential to put people further into debt as the repayment terms and annual percentage rate are often very high.

Most worryingly, I have found that many people do not have the knowledge or skills to think about and plan their finances in the longer term. This is particularly the case for a significant number of social housing tenants where the consequences of poverty, debt and housing problems can be significant and long-standing. To successfully reduce debt often requires the assistance of professional advice and counselling.

I can see merit in requiring local authorities to adopt a financial inclusion strategy that sets out how they will use their powers. However, I am concerned that there are, and are likely to remain in the current financial climate, limitations in the availability of specialist advice services which will undermine deliverability. As the Committee will be well aware, councils are under increasing pressure to reduce costs while still having a duty to deliver many statutory services as well as making arrangements to secure continuous improvement. In order to balance budgets, there is evidence of non-statutory services, including information and advice functions, taking a bigger share of budget reductions as social care and education are being afforded greater levels of protection. To take forward the new responsibilities intended by the Bill, and to ensure councils are adequately resourced to deliver the intended outcomes will, therefore, require careful consideration.

Finally, with regard to looked after children, the Committee may wish to reflect on some of the findings from my September 2012 report on the [Educational Attainment of Looked After Children and Young People](#). That report highlighted weaknesses in corporate parenting and noted that the Welsh Government and local authorities had not assessed whether there was sufficient capacity and resources to deliver the desired improvements in educational attainment. As we found that councils had struggled to deliver their existing commitments (which could be taken as including providing financial education) it is not clear just how effective new legislation in this area will be.

Yours sincerely



HUW VAUGHAN THOMAS
AUDITOR GENERAL FOR WALES