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Dear Ann,

**Financial Education & Inclusion (Wales) Bill**

I am writing ahead of my second appearance before the Committee on October 9, 2014 when I will be giving further evidence on my *Financial Education and Inclusion (Wales) Bill*.

I thought it would be useful to address some of the arguments the Committee has heard from other witnesses, including Welsh Government Ministers. Many of these points are of course dealt with in the Explanatory Memorandum or will otherwise have been discussed in my evidence sessions of 17 September and 9 October by the time the Committee makes its Stage 1 deliberations. However, the Committee may find it useful if I put on record my response to such arguments.

I have also written to the Constitutional and Legislative Affairs Committee following my evidence session on 22 September, to address several points raised by Members. Whilst these relate primarily to constitutional matters, I have also enclosed a copy of that letter should it be of interest to this Committee's scrutiny of the Bill.

I note that some of those who have given written or oral evidence have questioned the overall need for the Bill. As I have said previously, I believe the difficult economic outlook that persists in Wales and the rest of the UK, coupled with the need to improve people's financial literacy and capability to take the best decisions for their circumstances, provides an overall context why intervention by this Assembly is necessary.

I believe that adding financial education to the basic curriculum requirements, whilst allowing flexibility in how this is met – whether through existing or forthcoming provision such as the Literacy and Numeracy Framework (LNF), Personal and Social Education (PSE), Mathematics or GCSE Numeracy – would complement and strengthen rather than undermine or conflict with the Welsh Government's action in this area. It will give financial education a firmer, more secure place in the school curriculum and ensure it is locked in for future generations.

With regard to requiring local authorities to produce financial inclusion strategies and to make arrangements relating to advice about financial management, strengthening the legislative base in this respect will ensure that financial inclusion issues are addressed in a much more strategic and focused way than they are at present. I do not believe the status quo is leading to the outcomes that we want to see in terms of the financial literacy of the people of Wales, and the Bill is a first step in an attempt to address this.

Before I move onto dealing with the various sections of my Bill, I should point out that what changes the Welsh Government has introduced, much of which is being presented as working, and working effectively, is in fact new or yet to be introduced and – so far as I can see – yet to be scrutinised or tested for effectiveness and delivery. My Bill places a great deal of emphasis on checks and balances to ensure financial education and competency is delivered effectively precisely because I struggled to find those checks within Welsh Government models. If I may give some examples:

- The Ministers offer no evidence that the subordinate legislation will deliver financially competent school leavers more effectively than primary legislation;
- The Ministers do not outline what checks and balances are in place – or are yet to be put in place - to ensure financial competency is improving;

- The Minister for Education and Skills says that the need for financial education is being “sufficiently met”, but does not evidence this statement, which flies in the face of the Freedom of Information research I conducted among secondary schools, which found widely variable provision.
- The Minister for Education and Skills Welsh Government draws on “people with relevant expertise to develop the LNF and the programme of study for mathematics”. I would have liked further detail on this.
- Ministers say Estyn will be reporting on financial education “to some extent” under the existing arrangements. “To some extent” is not defined. They should explain what they mean by “to some extent”.
- Ministers have raised concerns that taking this approach to financial education (as a subject, although I maintain it is a core life skill) will effectively open the floodgates to other subject areas. What they haven’t considered is whether the approach I am advocating improves upon existing arrangements and may well transfer to other learning areas, particularly if the Welsh Government is anxious to demonstrate to parents and the wider world that it is delivering visible improvement in educating children in Wales.

To my mind these distinctions appear crucial if members of the committee are to discern which approach – that of the Welsh Government’s and what I am proposing – will be deliver improvement. If Ministers are to claim that my approach will not be effective then they must measurably demonstrate how theirs will.

Below, I address points the Committee has heard in other evidence by each substantial section of the Bill.

#### **Section 4 (the basic curriculum requirement for financial education)**

##### *Need for financial education in primary legislation*

It has been argued by the Minister for Education and Skills that the need for financial education is already being sufficiently met. In doing so, he points to provision in the curriculum since 2008, yet Estyn’s thematic report *Money Matters* in 2011 highlighted variation in provision. The responses I received from schools under the *Freedom of Information Act 2000*, based on academic year 2012/13, cast serious doubt on whether the changes in 2008 have had adequate effect.

I recognise that the introduction of the LNF from September 2013 and the inclusion of aspects of financial education under the 'Manage Money' element, as well as the new Numeracy GCSE, should improve things to some extent. However, I want to provide a stronger legislative foundation for the inclusion of these aspects of financial education in the national curriculum.

I propose to do this by putting 'financial education' on the face of the *Education Act 2002* (which sets out the requirements of the Basic Curriculum). At present, Ministers can change the content of the curriculum by making orders under section 108 of the *Education Act 2002*. Those orders are made by 'negative procedure' and so they are subject to very little Assembly (or public) scrutiny.

In my view, financial education is too important for the future of our young people to leave to a ministerial order-making power. The Minister for Communities and Tackling Poverty highlighted in her written evidence that the Welsh Ministers already have powers to change the curriculum without the need for additional primary legislation. The Welsh Ministers may have the power to make such changes but I do not want simply to rely on this. So far, Ministers have not exercised those powers to provide for financial education in primary legislation and there is no suggestion that they plan to do so any time soon.

The Minister for Education and Skills argued in written evidence to the Committee that the Bill 'would place financial education on a weaker footing than it currently is' as it 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'.

I wish to make it clear that the Bill does not seek in any way to undo what is happening already in terms of financial education and 'cut across' what is currently statutory, as the Minister told Committee. I do not want to tear up the existing progress and 'start again' as the Minister seems to suggest. I am very surprised, therefore, that the Minister seems to think that my Bill is in conflict with what the Welsh Government is already doing; on the contrary I am seeking to build on the existing work in this area.

In terms of additional outcomes, the Bill will bring about a focus on 'financial education', strengthening and elevating its status in the curriculum, rather than, as at

present, just having several aspects which relate to financial education included in the LNF; content which, as I say above, could at any time be changed and removed through subordinate legislation. I wish to make it clear to avoid any confusion that I am not proposing financial education is taught as a separate subject. It is envisaged delivery will still be through mechanisms already (or soon to be) used by the Welsh Government such as the LNF and Mathematical numeracy, although, as I keep on stressing, it will have a stronger foundation in primary legislation; in other words it will have a legislative “backbone”. I particularly noted the way ASCL, on September 25, described the reaction of many in the sector to new initiatives, which I believe sums up the need for primary legislation:

*“I’m going to wait for a minute here, because I think their interest will go elsewhere. I’m going to wait to see how long-term this commitment is and how long I will be expected to give time in my very fixed, very limited timetable to this. People wait when the initiative is a political one. They wait to see how consensual it is, whether it is a game for the long-term, what are the pressures upon me to deliver some activity on it.”*

I do not want the teaching of this key life skill to depend on the political leaning, or the particular priorities, of the Minister at the time. It is not surprising that Ministers do not see the need for primary legislation – they are presumably content in the knowledge they can use subordinate legislation to make changes as they see fit. The Assembly and the people of Wales, however, may see it differently and may want financial education to have a much more secure standing in the curriculum. I certainly do.

I recognise the Welsh Government’s good intentions as regards financial education, but I do not want the teaching of this subject in our schools to be left to the whims of Ministers in this or future governments. I want to future-proof the teaching of financial education. By putting it in primary legislation it will be much more difficult to dilute it or remove it from the curriculum in future. Any government wanting to do so will need to justify its thinking through a Bill which will be subject to full Assembly scrutiny.

#### *Timing of the Bill and the Donaldson review*

I know that the Committee has heard a lot about the curriculum and assessment review being undertaken by Professor Graham Donaldson and whether this means it is not the right time for my Bill. I agree it is important to link any changes with the wider agenda of the Donaldson Review and as I told the Committee on September

17 I have met with Professor Donaldson and discussed my proposals with him. I note the Minister for Education and Skills highlighted that the remit of the review covers the whole of the curriculum, with an inference that this includes financial skills, but my argument is, given there is no specific mention of financial education, the Donaldson review cannot necessarily be relied upon to progress financial education. I do not understand the Minister's argument that the Bill and the Explanatory Memorandum misunderstands the Donaldson Review. I would never have expected content to be detailed in this review but there is absolutely no guarantee the review will deliver my objectives as it has not been asked to specifically look at financial education, unlike other areas of the curriculum on which there have been reports and recommendations in recent years.

Furthermore, the Minister misses my point which is that the recommendation of the Communities and Culture Committee in 2010 that financial education be made compulsory through PSE and that the emphasis placed on financial education be reviewed on a regular basis was notably absent from the list of previous reviews and recommendations Professor Donaldson was specifically asked to consider. The Minister says my criticism is 'unfair', but I do not believe he has satisfactorily addressed this question. In terms of the Minister's point about my Bill seeking to 'pre-empt the findings of this review and force an addition to legislation regardless of its conclusions', I draw the Committee's attention to what the Minister said in answer to an oral question about ICT on September 17, 2014:

*"We are not standing still while Professor Donaldson's report is being prepared, but we are progressing and taking forward work in this area."*

The Minister made similar comments to me when I questioned him on this issue on September 30.

#### *Crowded curriculum / timetable*

I would like to address the issue of finding space in a crowded curriculum and timetable, which I understand was raised by the NAHT and ASCL. I could understand this point if the Bill was seeking to add financial education as an additional national curriculum subject to be taught in isolation. However, the Bill does not do this and, by not prescribing how exactly the curriculum entitlement should be delivered, regional consortia, local authorities and schools will be able to implement this flexibly, based on guidance from the Welsh Government. This may even turn out to be, almost

entirely, through existing curriculum streams. I was also surprised to hear ADEW comment that legislating in this way poses a barrier to flexibility as one of the reasons the Bill places the requirement in the basic curriculum rather than stipulating content through the national curriculum is to provide schools with that flexibility.

*In summary*

The Minister for Education and Skills contends that the change appears to be 'superficial' whereas I believe that an entitlement to financial education set in primary rather than subordinate legislation would be a meaningful change. If, as the Minister says, financial education is already provided and the Bill's change will only be superficial, then I do not understand the Minister's statement that 'schools will be the recipients of an extra teaching requirement'. I accept that it will be important to ensure the right CPD and training arrangements are available to schools but this is arguably limited if it is accepted that financial education is to an extent already provided.

Returning to the contentions put forward by the Minister for Education and Skills, the Bill would not disrupt the Welsh Government's preferred way forward in terms of providing financial education, through either/both the national and basic curriculum. It would ensure that it was not something that could be scaled down or withdrawn completely, simply at the whim of Ministers or become victim to other competing pressures. In summary therefore, it is my contention that financial education is not only relevant in times of recession or economic downturn; it must be permanent and on-going and I believe providing children with a curriculum entitlement in primary legislation through my Bill is the best way of achieving this.

**Section 5 (the requirement to consult on curriculum content relevant to financial education)**

I believe the Ministers' comments in their written papers to the Committee misunderstand the intention of how section 5 of the Bill would work in practice. The Bill does not make financial education a core subject or a foundation subject; in fact, it will not be a national curriculum subject. Section 5 does not, therefore, seek to set attainment targets, programmes of study and assessment arrangements for a 'financial education' subject as the Ministers suggest. In all likelihood, the basic curriculum requirement for financial education will be primarily taught through national curriculum subjects, as to some extent it is now. By way of example, sex education, which is also an item of the Basic Curriculum, is currently taught, at least

partly, through Science. Financial education will work in a similar way if my Bill is passed.

It was a conscious policy decision to locate the curriculum requirement for financial education within the basic curriculum so as to allow flexibility in how it is delivered. Financial literacy is not a topic confined merely to mathematics or numeracy and I envisage that there will be a need to identify relevant opportunities to teach this core life skill across the curriculum. It would clearly be beneficial to schools for the Welsh Government to issue non-statutory guidance (as it does with other parts of the basic curriculum such as PSE and work-related education). However, it could be seen as odd for the Bill to require that consultation is carried out on the content of this non-statutory guidance as it is guidance the Welsh Government is not actually required to produce.

In summary, the effect of section 5 is that, where a foundation subject (under the national curriculum) relates to financial education, the Welsh Ministers will be required to consult those with relevant expertise when deciding on the attainment targets, programmes of study and assessment arrangements for that foundation subject. If the Committee would find it helpful I would be happy to consider an amendment to section five to make it clear that the intention is to limit the effect to orders under the *Education Act 2002* (section 108) in respect of foundation subjects. I would also be willing to amend the Explanatory Memorandum at the appropriate stage to make this entirely clear.

### **Section 6 (the requirement to report on financial education)**

I met with Estyn during the preparation of the Bill to discuss the reporting requirement provided by section 6. I am sympathetic to the argument that annual reporting is quite onerous and that less frequent reporting would be more practical in terms of data collection and more beneficial in analysing trends. I am therefore prepared to reconsider the annual requirement for such a report and will be bringing forward an amendment to that effect at Stage 2. Having listened to the evidence put forward by Estyn and indeed by the Minister for Education and Skills, I am persuaded that this can be effectively undertaken every three years.

However, I remain of the view that it will be very important to monitor and report on the impact that financial education is having, particularly in the early years following the legislative change. This was a view expressed by many respondents to my

consultation and I gather that Citizens Advice Cymru actually wanted more detail regarding this aspect to be placed on the face of the Bill.

I understand that the Committee has received some views questioning why there should be a separate report specifically on financial education. For example, I understand ADEW felt this was already covered in other Estyn requirements and the Minister for Education and Skills pointed to the overall annual report published by Estyn each year. The Minister referred to existing 'more robust' processes for assessing financial education skills of learners but I consider these to be very vague and not specific enough to financial education. I do not believe this is sufficient and, despite the best intentions of Estyn and attention to detail through the existing general reporting mechanisms, I regard a specific reporting requirement on financial requirement as necessary. I am aware of the requirements of section 20 of the *Education Act 2005*. However, my Bill will provide for Estyn (or the Welsh Ministers) to report specifically on financial education. I do not see this as duplication; it is an additional safeguard.

The other main decision to be made regarding how the reporting requirement is met is whether to incorporate this into all inspections of settings carried out by Estyn or whether to undertake a thematic report, as with *Money Matters* in 2011. The Bill, of course, does not prescribe this and it will be for the Welsh Government, potentially together with Estyn, to determine how it is most effectively fulfilled. I am open to the argument of undertaking this through a thematic report rather than through inspections, although my Bill does not specify which option is to be followed. Both options are, however, considered and costed in the Explanatory Memorandum.

I note the concern of the Minister for Education and Skills that section 6(3) stipulates a direction must be given at least three months before the report is required. It is notable that Estyn have not raised this with me as a concern, but I am willing to consider amending the reference to "three months" to a longer period.

### **Section 7 (additional duty on local authorities to provide financial education to looked after children)**

I understand that the Committee heard from ADEW that the additional duty on local authorities to ensure children they look after receive the curriculum entitlement to financial education is unnecessary. I wish to reiterate what I have said in the Explanatory Memorandum which is that looked after children will receive financial

education, in any case, from Key Stage 2 onwards, like all children in maintained schools, through the curriculum requirement in section 4. However, section 7 acts as an extra safeguard by giving local authorities, as corporate parents, a particular duty in respect of children they look after. Essentially, it is a double protection for a group of children who are arguably in greater need of financial education and complements local authorities' roles as corporate parents to those children.

**Section 8 (local authorities to publish financial inclusion strategy) and section 10 (guidance on financial inclusion strategies)**

*Delivering under existing legislation*

I note that the Minister for Communities and Tackling Poverty states in her letter to the Committee that she does not believe the Bill “will result in anything additional to what is currently delivered”.

She further asserts that the proposals relating to financial inclusion strategies could be delivered using existing legislation. For instance, the Minister suggests that a local authority could use general well-being powers under the *Local Government Act 2000* to produce such a strategy.

I would agree with the Minister that, technically, the powers do exist for local authorities to adopt their own financial inclusion strategies. I also recognise that some local authorities do take considerable action to promote financial inclusion in their areas. However, action is clearly patchy across various local authorities in this regard, as highlighted in the Explanatory Memorandum, and that is why I believe the legal framework needs strengthening.

In its response to the Assembly's Communities and Culture Committee report on financial inclusion in 2010, I would point out that the Welsh Government itself conceded that it would “like to see a greater strategic commitment from local authorities” in terms of promoting financial inclusion. The economic climate and changes to welfare benefit have only accentuated the need to do more in this area. The statistics in paragraphs 25-30 of the Explanatory Memorandum further highlight the severity of the issue.

The Minister may say that the legal basis already exists to enable local authorities to promote financial inclusion, but the reality is that it is not happening to a sufficient degree across Wales. As such, I am eager to put down a duty in law that will oblige

local authorities to focus on financial inclusion in a more strategic way. That is why my Bill will add to what is currently delivered and lead to improved outcomes in this respect.

In her letter, I also note that the Minister states that guidance under the *Local Government Act 2000* “could potentially deal with the promotion of financial inclusion”. I again do not dispute that the power exists for Welsh Ministers to issue guidance to local authorities in this regard. However, the reality is that they have not done so and have shown no indication that they intend to do so in the future. Indeed, in the Committee meeting on 1 October 2014, the Minister categorically confirmed to you that she had no intention to issue guidance in this context, because she believed the issue was being addressed sufficiently already. I would merely point out that we have not had an Annual Report from the Welsh Government on its own Financial Inclusion Strategy since December 2010. This Strategy highlights the importance of local authorities in driving forward the financial inclusion agenda, but it is still unclear what the Welsh Government has done to encourage local authorities to address these issues more effectively on a strategic level.

Finally on this point, I would refer to the Welsh Government’s own *Gender-based Violence, Domestic Abuse and Sexual Violence (Wales) Bill* (a Bill that the Minister herself introduced before the Assembly). This Bill places a duty on local authorities to publish strategies aimed at ending gender-based violence, domestic abuse and sexual violence. There is nothing to prevent local authorities from already adopting strategies to this effect under current legislation. Indeed, they could seemingly adopt such a strategy under the same wellbeing powers in the *Local Government Act 2000* as quoted by the Minister in respect of my Bill.

The Explanatory Memorandum to the *Gender-based Violence, Domestic Abuse and Sexual Violence (Wales) Bill* states that the Government will introduce a statutory duty for local authorities to adopt their own strategies in order to “ensure a strategic focus and improved response to address the issues”. I see my Bill aiming to achieve something very similar in the field of financial inclusion. As the Minister who introduced the *Gender-based Violence, Domestic Abuse and Sexual Violence (Wales) Bill* before the Assembly, I am finding it difficult to understand her comments on the need for my Bill considering the parallels between both Bills in this context.

*Delivering through current frameworks*

I am aware that some witnesses who have provided evidence to the Committee have suggested that, rather than adopting a financial inclusion strategy, local authorities could address the financial inclusion agenda as part of existing frameworks and methodologies. Many have referenced single integrated plans as a delivery mechanism in this respect.

I am also aware of concerns that, by adopting a separate financial inclusion strategy, there could be danger that this issue would be confined to a silo when what it needs is a commitment at a strategic and corporate level within councils.

I am totally aware of the cross-cutting nature of financial inclusion and the need to address this issue holistically. However, my response to the above concerns would be three-fold.

First, I do not see how imposing a duty on local authorities to produce a financial inclusion strategy would prevent the issue from being addressed holistically across a local authority, or as part of wider work such as tackling poverty initiatives. The policy aim of this part of the Bill is to try and ensure that there is a duty in law to address issues around financial inclusion so that they are not ignored as a local authority undertakes its work. It is up to a local authority how it puts its strategy into effect, and the Bill is not prescriptive in this regard. Indeed, I would sincerely hope that a local authority would address these issues in a cross-cutting manner and would expect this to be emphasised in any guidance. Furthermore, I would hope that the requirement in section 8(4) for a local authority to report annually on the progress it has made in implementing its financial inclusion strategy will ensure that the full council takes ownership of the strategy and its delivery.

Secondly, on guidance, I would refer the Committee to paragraphs 176 and 177 of the Explanatory Memorandum. In the same way as statutory guidance issued by Welsh Ministers in 2012 (*Shared Purpose, Shared Delivery*) enables local authorities to combine various strategies and plans within single integrated plans, I can see no reason why Welsh Ministers could not issue similar guidance (under section 10 of my Bill) in respect of the duty to produce a financial inclusion strategy.

As an example, this could be very similar to the way in which the duty on a local authority to produce a community strategy under the *Local Government (Wales)*

*Measure 2009* can currently be discharged through the single integrated planning process, under the *Shared Purpose, Shared Delivery* guidance. Under my Bill, similar guidance could theoretically be issued so that the duty to produce a financial inclusion strategy could be discharged by way of the wider, strategic planning processes of a local authority (be it through the single integrated plan or its possible replacement under the *Wellbeing of Future Generations (Wales) Bill*, or, indeed, otherwise). That option is potentially there in respect of guidance issued by Welsh Ministers under section 10 of my Bill.

Thirdly, to impose a legal duty on authorities to consider financial inclusion issues as part of wider strategic planning would have been problematic due to the fact that single integrated plans are not currently underpinned by any specific legislation. Furthermore, there is the more fundamental argument that imposing a general, overarching duty linking financial inclusion to wider strategic planning processes would be too indefinite and ambiguous to achieve the policy aims of the Bill. I believe that something more concrete and specific is needed down in law, something that will oblige local authorities to focus on this issue. That is why I have taken the approach that I have taken in the Bill.

#### *Delivering through the Wellbeing of Future Generations (Wales) Bill*

In the third paragraph of Annex A to her letter to the Committee, I'm aware that the Minister for Communities and Tackling Poverty has suggested that local authorities could address issues around financial inclusion through Public Services Boards and through "assessments of local well-being" and "objectives set in Local Well-being Plans". Although this has not been explained in her letter, I realise that the Minister is referring to the *Wellbeing of Future Generations (Wales) Bill* here.

I also realise that other witnesses such as the Money Advice Service have similarly advocated addressing financial inclusion through the *Wellbeing of Future Generations (Wales) Bill*, rather than through the introduction of strategies.

However, as currently drafted, there is nothing in the *Wellbeing of Future Generations (Wales) Bill* that specifically refers to financial inclusion or financial education. As such, without the provisions in my Bill, I am concerned that the status quo would remain and nothing would change in respect of how local authorities address issues around financial inclusion.

The previous Minister for Communities and Tackling Poverty did indicate in a letter to me that he would 'expect' public services boards to consider financial inclusion under the *Wellbeing of Future Generations (Wales) Bill* and that this was something that could be put in guidance. However, without something specific in law, nothing is guaranteed to change and my aim is to ensure that the duty to promote financial inclusion is enshrined in legislation for the future.

*Benefits of having a financial inclusion strategy*

While I am aware of the reservations of some witnesses as to the appropriateness of requiring local authorities to produce financial inclusion strategies, I would like to take this opportunity to point the Committee towards several submissions to my original consultation that influenced the approach taken in the Bill.

There was considerable support from many respondents for local authorities to be obliged to take better strategic action on financial inclusion, and many agreed that the production of a strategy would be a simple, logical way of ensuring that it is embedded into service delivery.

The Community Housing Group Cymru in particular pointed out that housing associations were already successful in delivering on their financial inclusion agenda, but the adoption of formal strategies led to them reviewing internal mechanisms and formalising arrangements with the third sector and other partners. The Group says that this helped to build on previous work and provide greater clarity in delivering an effective financial inclusion programme.

Others who were supportive of the approach whereby a local authority would have to adopt a financial inclusion strategy included the NUT, the Money Charity, the Open University, the City and County of Swansea, Flintshire County Council, Carmarthenshire County Council and Shelter Cymru.

I further note that the evidence of the Association of British Credit Unions Limited (ABCUL) to the Committee is supportive of the approach taken in the Bill and refers to the "significant benefits to implementing a comprehensive, cross-cutting financial inclusion strategy in a local area". It cites in this regard the study undertaken on behalf of Leeds City Council which showed that for every £1 the council spent on its financial inclusion strategy, a benefit of £8.40 was generated for the regional economy in terms of saved interest, reduced evictions and other measures. I notice

that the Citizens Advice Bureau's evidence similarly states that "investing in financial capability programmes also brings real financial returns, not only to individual households but to the local economy".

### **Section 9 (content of financial inclusion strategy)**

#### *Clarity of the provisions*

I note in her evidence to the Committee that the Minister for Communities and Tackling Poverty suggests that some of the provisions in section 9, relating to the contents of a financial inclusion strategy, are ambiguous.

First, I note that the Minister is concerned about the requirement to set out in a strategy how the local authority will promote the financial inclusion of individuals, particularly as financial inclusion is defined as access to financial services and financial education at a reasonable cost. The Minister is concerned about the relationship between local authorities and commercial entities in this respect, and whether local authorities could be promoting commercial products.

Local authorities will not be required to promote particular financial products. What I want them to promote is an understanding of financial services so that citizens can make informed choices.

Secondly, the Minister states that she is uncertain as to the meaning of the "implications and effects of street-trading and cold-calling". I do not understand why the Minister casts doubt on the use of these terms. They are well understood by the public. I have endeavoured to draft a Bill in Plain English and in Cymraeg Clir. I do not want to make the Bill overly complicated by defining terms which are widely understood.

Finally, the Minister also asks, under section 9(1)(d), whether free access to the internet as a whole is to be facilitated, or only access to financial education and management services. The answer is the latter and in my view the Bill is clear on this point.

Furthermore, I would also point out that the Minister concedes in her letter to the Committee that libraries are allowed to charge for internet access at present. She states that this position "could change" if Ministers decided to amend the relevant regulations to prevent libraries from charging for internet access. However, she

provides no indication or assurance that the Welsh Government intends to amend the regulations in this way. Therefore, my Bill provides an additional safeguard for the future so that those who need to use local authority facilities to access on-line financial education and management services are able to do so without charge.

#### *The level of prescription*

I note that in its written evidence to the Committee, the Wales Co-operative Centre cautioned against a one-size-fits-all approach with regard to the way local authorities need to address financial inclusion. Conversely, I am aware that the Citizens Advice Bureau has suggested that the Bill lacks detail on how opportunities to develop skills in financial literacy can be strengthened in community settings.

It might be helpful to the Committee if I explain the approach taken in section 9 of the Bill. The aim is to list certain elements that I believe each financial inclusion strategy should contain, as they are major issues in terms of financial capability that I believe all local authorities should be addressing. However, authorities will have much flexibility to then tailor their strategies according to local need and to decide for themselves how best to deliver and implement those elements of their strategies. I have purposefully not set out prescriptively how a local authority should do this as I was conscious of responses to my consultation that emphasised the need to retain local flexibility in this respect.

#### *Financial inclusion standards*

I note in its evidence to the Committee that the Money Advice Service refers to the draft Financial Capability Strategy it has recently produced for the whole of the UK, and that it makes specific reference in this regard to the National Financial Inclusion Standard that it aims to develop to consistently measure the impact of financial capability interventions. The only thing I would note here is that I can see no potential conflict between a local authority needing to produce a financial inclusion strategy while also adopting the National Standard as an evaluation tool, if that is deemed beneficial or appropriate. Furthermore, I can see no reason why this type of development cannot be addressed in future guidance on the financial inclusion strategies, if that is the direction that we are travelling in.

### **Section 11 (continuing care duty on local authorities to former looked after children in respect of financial education)**

I understand that the Minister for Communities and Tackling Poverty suggested there was a potential duplication with existing legislation such as the recently passed *Social Services and Well-being (Wales) Act 2014*. The Minister is right to point out that local authorities have continuing care duties under that Act, but the crucial point is the Bill extends these duties to apply specifically in respect of financial education (which is not the case at present). The Bill therefore takes account of the *Social Services and Well-being (Wales) Act 2014* and uses definitions in that Act as a basis for delivering this additional protection for former looked after children.

### **Section 12 (sources of advice)**

I am aware of concerns relating to section 12, and specifically that placing a duty on a local authority to include information about where to obtain advice could mean it was endorsing certain advice providers. I also recall that I undertook to provide the Committee with further information about this section of the Bill.

As I note above in the context of section 9(1), my Bill is not about promoting particular financial products; it is about promoting understanding.

The Minister's letter also refers to work underway to establish a National Advice Services Network, including standards for advice provision, and also to the danger of duplicating work already undertaken by the Wales Cooperative Centre (through its MoneyMadeClear website) and information provided by the Money Advice Service.

I would merely point out that for many people who need financial advice, the first point of contact will often be local authority access points – be it relating to council tax, social care, housing enquiries and so on. I see no reason why a local authority could not discharge its duties under section 12(1) by signposting citizens to advice such as that advocated by the Minister. The important thing to note is that people may be unaware that such advice exists. Due to their central role in providing various other services at the first point of contact, I believe a local authority should make arrangements to signpost people to that advice, and this is the basis for the provisions in section 12.

Meanwhile, section 12(2) is a power for local authorities to provide advice to individuals about financial management. Of course, the provision of advice of this

nature is regulated and any local authority doing so would need to satisfy the regulatory requirements. No local authority will be compelled to exercise this power. I simply want to give local authorities the option to do so if they so choose. However, I accept that some Committee Members may have reservations about section 12 in this regard, and I look forward to seeing your Stage 1 Report after which I will give this issue further consideration.

**Section 13 (requirement for local authorities to take reasonable steps to ensure universities and further education corporations provide advice about financial management to students)**

I understand that the Minister for Education and Skills has concerns about this section of the Bill and recall that the Committee raised this in questions to me on 17 September 2014. The Minister has cited a lack of a direct relationship between local authorities and further and higher education to enable local authorities to discharge their duties under the Bill. Section 13 only requires local authorities to take reasonable steps and they would not be required to do anything beyond what could be reasonably expected. I am aware many further and higher institutions are already involved in promoting financial literacy among their students. I welcome this and nothing in the Bill would undermine the good work of those institutions.

The Minister also considers there is a risk that section 13 could be seen as an attempt to interfere with the fundamental principles of independence and autonomy of further and higher education institutions. I am fully aware of the implications of the *Further and Higher Education (Governance and Information) (Wales) Act 2014* in this regard and the limitations the issue of ONS classification poses in terms of reaching post-16 students. This is precisely why the Bill does not place duties on those institutions themselves.

The Minister's written evidence also highlights the fact that local authorities will no longer be responsible for the administration of student finance applications from academic year 2015/16 under the modernisation of Student Finance Wales. The Explanatory Memorandum suggested this as a possible option which local authorities may consider as part of meeting their duty under section 13. However, I recognise this option will not be available to local authorities due to the transfer of responsibilities for assessing eligibility for student support to the Student Loans Company.

I am considering options relating to the Student Loans Company disseminating information aimed at promoting financial literacy to applicants for student finance. I therefore noted with interest the question from the Committee to the Minister on October 1, although I was disappointed with the Minister's rather negative response.

Ministers have raised concerns about the lack of definitions in section 13. I do not want to over-burden the Bill with lots of unnecessary definitions. I have endeavoured to draft the Bill in Plain English and Cymraeg Clir. I do not see the need to define the terms 'university' and 'financial education corporation', but I am willing to consider amending the Bill to provide definitions if the Committee thinks that would be desirable.

### **Financial implications**

#### *Section 4 (the basic curriculum requirement for financial education)*

It is appreciated that the Welsh Government have provided costings to the Committee in terms of estimates of the one off costs and costs of providing teaching materials for new content over a four year period.

I had previously approached the Welsh Government for costings to feed into the Explanatory Memorandum and also information relating to the functions and costs of the Welsh Financial Education Unit (WFEU) from 2009 until it was disbanded in August 2013. However, as I stated in the Explanatory Memorandum, no such information was received from the Welsh Government.

It is difficult to attempt to validate the figures that the Welsh Government have provided as there is no explanation of what is involved in the calculations in terms of the breakdown of costs. The estimated one-off costs of £400,000 in the letter from the Minister for Education and Skills appear to replicate the estimates of costs in the *National Curriculum (Educational Programmes for the Foundation Phase and Programmes of Study for the Second and Third Key Stages) Wales Order 2013*, which was the subordinate legislation made by the Welsh Government to give legal effect to the LNF. As we highlighted in Paragraph 285 of the Explanatory Memorandum, this Order gave an estimate of the one-off cost of the development and publication of the LNF itself of around £400,000.

The scope of this work was far in excess of that envisaged by the Bill as it introduced new elements to the curriculum much wider than solely financial education.

Therefore, this was not considered an accurate estimate of the impact of this Bill and our best estimate was that costs for developing the new content should not be above £175,000.

The Minister himself appears to suggest that the cost would be less than the £400,000 he quotes by doubting that anything more will be needed than the existing LNF and programme of study framework. The Minister also refers to a need to replicate, in some way, the process for producing materials that was undertaken by the former WFEU; this despite the Committee being told in October 2013 that resources and materials used by the unit have been made available to schools and that there was an 'extremely strong mechanism to embed those financial skills into the core curriculum'.

The Minister cites a cost of £800,000 over four years for new teaching materials to be produced but I believe this misunderstands the Bill's intention which is not to undo what is already provided by the LNF. One of the Bill's intentions is to pull together existing materials and guidance, which based on what we are told by the Welsh Government should to a large extent already exist.

Turning to the costs of implementing the curriculum requirement, which make up the lion's share of the estimated costs in the Explanatory Memorandum, the Minister says this is a 'very expensive use of Welsh Government money under any circumstance'. I wish to reiterate that the £3.4 million annual estimate given in the Explanatory Memorandum is very much an upper-end estimate following information provided by one local authority, and we believe that information was based on an assumption of wholly new curriculum provision rather than building on what is already in place. This is supported by the evidence from ADEW who told the Committee that there is an element of double counting, suggesting they believe the costs will actually be less than the estimate.

*Section 6 (the requirement to report on financial education)*

I have addressed several issues regarding this section of the Bill earlier in this letter. The Minister highlights the cost of including this in inspections, which is one of the two options suggested in the EM. This is not prescribed on the face of the Bill and will be for the Welsh Ministers to determine, although as stated above, I have no objection to a thematic study and report which is one of the options I suggested. Both options are costed in the Explanatory Memorandum but a thematic report option

would be less expensive (£40,000 as opposed to £160,000 annually) and by amending section 5 to require a report every three years rather than every year this would bring the cost down to £40,000 every third year.

*Section 8 (the duty to produce a financial inclusion strategy)*

The Minister for Communities and Tackling Poverty queried in her letter whether there would be costs involved when local authorities consult or publish their financial inclusion strategies. She similarly questioned what input third sector organisations had when the RIA was being produced.

The Bill requires local authorities to consult with such persons as it thinks appropriate before publishing a financial inclusion strategy. A best practice example from the City and County of Swansea Council was used as an example and basis for estimates. It has been assumed that a financial inclusion strategy will be developed in partnership with key stakeholders. Following discussions with this authority, time has been factored in for the input of other organisations and the third sector, along with time for the financial inclusion strategy to be drafted and agreed. Detail of methodology and calculations made are included in paragraphs 321 to 337 of the Explanatory Memorandum. Costs are based on the current position where there are 22 local authorities. If the number of local authorities were to be reduced before the Bill were to be implemented, this would lead to a reduction in costs.

Third sector organisations have had input into the consultation process, and I have had many discussions with key stakeholders. These in turn have fed into the information included in the RIA. Third party organisations have also been invited to provide evidence to the Committee scrutinising the Bill.

*Costing of alternative options*

The Explanatory Memorandum does not provide estimated costs for option 2 (non-legislative action) as this option would not meet the objectives of the Bill. It was therefore not considered in detail once an initial decision had been made not to pursue this path. It is fairly standard practice for such Bills to only provide a costed option for the preferred option at Stage 1. This has been the case for all recent Members' Bills although there are some examples where slightly different sub-options are costed, such as the choice of administrative systems as part of the *Recovery of Medical Costs for Asbestos Diseases (Wales) Bill*. Furthermore, within

my own Bill, I have costed more than one option for the financial education reporting requirement.

At the end of the day, I believe there has to be recognition that a Member's Bill has the support of a small core team as opposed to the greater resources of the Welsh Government for example.

#### *Opportunity costs*

The Minister's paper suggests that opportunity costs are not included. However, the opposite is the case. In respect of financial education, as stated above, we consider that the costs of implementing the curriculum are overstated. Rough costs have been estimated of teaching and training time. As the Minister rightly suggests, this would not need to be totally new provision, so the costs would actually be lower. Again, this backed up by ADEW's comments in oral evidence to the Committee.

#### *Benefits*

In terms of the benefits, the Explanatory Memorandum does not attempt to estimate a firm figure for the benefits of the Bill, rather to demonstrate that benefits are likely to far exceed costs in the long run. The actual impact of the Bill will be dependent on the level of change in the curriculum compared to existing and forthcoming change already underway.

However, the Minister's technical criticisms of individual studies cited in the Explanatory Memorandum do not change the overwhelming evidence that the relatively small input of resource needed to implement this Bill will produce significant benefits for the people of Wales that far outweigh the costs.

I look forward to hearing back from you. Fersiwn Cymraeg i ddilyn.

Kind Regards,

Bethan Jenkins AM South Wales West

Aelod Cynulliad Plaid Cymru - Gorllewin De Cymru  
Plaid Cymru Assembly Member - South Wales West