

Financial Inclusion Strategy

Introduction

1. The purpose of this paper is to provide evidence to the Communities, Equality and Local Government Committee in relation to the refresh of the Welsh Government's Financial Inclusion Strategy for 2016.

Financial Inclusion & Financial Capability in Wales

2. Recent research by the Money Advice Service (MAS)¹ suggests four in ten adults in Wales do not manage their money day-to-day as well as they might. Nearly one in five people in Wales are over-indebted and yet only one in five of those over-indebted seek money or debt advice. There has also been a shift in the nature of debt, from debt for non-essential spending towards priority debt connected with the home including rent, mortgage and council tax costs and essential household bills. Only a quarter of the working age population in Wales have a savings buffer of three or more months' income.

Draft Financial Inclusion Strategy

3. The Minister for Communities and Tackling Poverty (the Minister) committed to refreshing the 2009 Financial Inclusion Strategy to take account of changes to the economy, welfare reform, concerns around high-cost credit and the ability of service providers to support people whilst their own resources are reducing.
4. A Ministerially-agreed advisory group - the Financial Inclusion Development Group (FIDG) - was established to contribute to the collaborative development of a refreshed Financial Inclusion Strategy. Following agreement with the Minister, membership includes a nominee from Bethan Jenkins AM.
5. The draft Financial Inclusion Strategy is a universal strategy for everyone in Wales, although the main beneficiaries will be those currently, or at risk of becoming, financially excluded. There are three core themes and the cross-cutting themes of digital inclusion and maximising income / reducing outgoings. The core themes are:
 - Access to affordable credit and financial services;
 - Access to financial information, including debt advice; and
 - Building financial understanding and capability.
6. In the draft Financial Inclusion Strategy, the Welsh Government sets out a vision for a Wales where:

¹ Money Advice Service – Financial Capability in Wales 2015

- every adult and child receives the financial education he or she needs, starting in primary school and carrying on throughout their working lives and into retirement;
 - every adult has access to objective and understandable information and advice on credit, debt, savings and pensions, delivered at the time and via the channel most suited to an individual;
 - every adult has access to a transactional account of their own and the ability to make full use of it;
 - every adult has access to affordable and appropriate credit from responsible lenders;
 - every adult is encouraged to save, even in small or occasional amounts, to show the importance of a savings culture, to build up resilience against financial shocks and as an additional resource for retirement;
 - every adult has access to the right insurance cover for his or her needs, at a fair price.
7. The 2016 Financial Inclusion Strategy will be supported by a Delivery Plan, which will set out clear, measurable actions for delivering on the Strategy's commitments and consider plans for monitoring and evaluation of the Strategy's progress. It is suggested this could include an Annual Report. The membership and terms of reference for FIDG will be revised to set out their continuing role, especially in relation to the development and implementation of the Delivery Plan.
8. A nine-week public consultation on the draft Financial Inclusion Strategy (2 November 2015 to 4 January 2016) resulted in 51 responses. The formal consultation was supported with engagement opportunities covering the majority of key stakeholders, including local authorities, housing associations, advice providers, Credit Unions and credit providers. In particular, engagement opportunities included:
- Three Welsh Financial Capability Forums
 - Tackling Poverty Regional Event
 - Welsh Government Mathematics Working Group
 - Welsh Government Tackling Poverty External Advisory Group
 - End Child Poverty Network
9. A full analysis of the consultation responses was not available at the time of drafting this evidence paper. The majority of consultant responses in relation to the Strategy's vision and core themes agreed with the proposals. In general, around 80 to 90 per cent agreed with the vision or core themes, at most 4 per cent (2 responses) disagreed and the remaining respondents either did not respond to particular questions or provided comments without either formally agreeing or disagreeing.
10. Proposals for revisions to the draft Financial Inclusion Strategy as a result of consultation responses will be considered by the FIDG in February.

Collaborating with / Influencing Others External to Welsh Government

11. The Financial Inclusion Strategy sets out how Welsh Government aspires to work with partner organisations – both within Wales and at the UK level – to ensure a collaborative approach to tackling financial exclusion. Such a collaborative approach was welcomed during engagement events and generated a number of comments and additional suggestions during the consultation, with only two respondents to the consultation disagreeing with the proposals for a collaborative approach.
12. Following the UK Financial Inclusion Committee's 2015 report², a UK Financial Capability Board was established and a UK Financial Capability Strategy³ launched in October 2015. Wales is represented on the UK Financial Capability Board and we will use this position to influence at a UK level in relation to the commitments in the Welsh Government's Financial Inclusion Strategy.
13. In combination with the UK Financial Capability Strategy, a Financial Capability Strategy for Wales⁴ was published in November 2015. The definition of financial capability used in the strategy is wider than the one used by Welsh Government, as it includes access to financial services and products which Welsh Government considers are key contributors to financial inclusion in their own right. Following discussions with FIDG, it was agreed – where appropriate – to integrate elements of the Financial Capability Strategy into the core themes of the Welsh Government's Financial Inclusion Strategy.
14. 2016 will see the publication of strategies by external groups which will support financial inclusion in Wales. It will be important for the Delivery Plan for the Financial Inclusion Strategy to take account of such strategies, including:
 - Advice Services Strategy, prepared by the National Advice Network
 - Credit Unions Strategy, prepared by the credit unions in Wales.

Effective join up with Tackling Poverty / Child Poverty Action Plans, Strategic Equality Plan, Digital Inclusion and other Government Strategies

15. There are clear links between the draft Financial Inclusion Strategy and Welsh Government priorities, such as Tackling Poverty and the refresh of the Digital Inclusion Strategic Framework and Delivery Plan.
16. The Welsh Government is committed to the ambition of eradicating child poverty by 2020, with the Financial Inclusion Strategy contributing directly to delivering on the fifth objective of the revised Child Poverty Strategy – “to support families living in poverty to increase household income through debt and financial advice, action to address the poverty premium (where

² Financial Inclusion Commission <http://www.financialinclusioncommission.org.uk/report>

³ Financial Capability Strategy for the UK http://www.fincap.org.uk/uk_strategy

⁴ Financial Capability Strategy for Wales http://www.fincap.org.uk/wales_strategy

households pay disproportionately more for goods and services) and action to mitigate the impacts of welfare reform”.

17. Supporting parents to increase their income is a key part of tackling child poverty. Financial and digital inclusion initiatives can help mitigate the impact of poverty, by supporting and equipping families with the skills and resources to make their income go further. Action to address the poverty premium is especially important, as being excluded from mainstream services often means families living in poverty pay more for basic services such as fuel, food, housing and credit. Access to affordable financial and support for services providing information and advice on issues relating to debt, welfare reform, access to benefits, housing, money management, maximising your income and discrimination is critical. As is supporting children, young people and their families to increase their financial capability.
18. The draft Financial Inclusion Strategy also contributes directly to the first objective of the Welsh Government’s Strategic Equality Plan 2012-2016, which relates to information and advice services and may indirectly contribute to other objectives. Discussion on the potential draft objectives for the Strategic Equalities Plan 2016-2020 suggests closer links, with a continued objective around information and advice services and a new objective on reducing poverty and mitigating the impact of poverty.
19. The links between the draft Financial Inclusion Strategy and other Welsh Government priorities is examined in the “Where are we now?” section of the draft Strategy. Relevant strategies and programmes include Communities First; Flying Start; Families First; Communities for Work; Lift; Warm Homes programmes (including Nest and Arbed schemes); Supporting People; Successful Futures and the New Deal for the Education Workforce. Activities to promote financial inclusion will also be taken forward when implementing the Renting Homes (Wales) Bill, Housing (Wales) Act 2014, and Social Services and Well-being (Wales) Act 2014.

Financial Education and the Curriculum, Examinations, Inspection and Support for Teachers

20. Since 2008, financial education has been embedded in the school curriculum in Wales through the programme of study for Mathematics, and also in the non-statutory frameworks for Personal and Social Education and Careers and the World of Work.
21. “Manage Money” is a key element of the National Literacy and Numeracy Framework (LNF) which has been a statutory curriculum requirement since September 2013. The LNF strengthens the existing curriculum arrangements and supports all teachers to embed literacy and numeracy across the school curriculum.
22. In September, a new statutory programme of study for mathematics was introduced across primary and secondary settings with the literacy and

numeracy components of the LNF embedded within it. Money and money management also feature within the scope of the national numeracy tests.

23. The new mathematics programme of study also reflects the content requirements for the revised GCSEs. Financial education and money management is contained within the subject principles for the revised GCSE in Mathematics and Mathematics-Numeracy, which commenced first teaching from September 2015. It is our expectation most learners will be entered for both of the new mathematics GCSEs at the end of Key Stage 4; our KS4 school performance measures are designed to encourage this. However, for some learners it will be appropriate to sit only the Mathematics–Numeracy GCSE.
24. The Welsh Government has developed a suite of resources on the Learning Wales website. The resources are intended for use by teachers and as a training tool for LAs/consortia to enhance their knowledge and identify opportunities to deliver financial education in their own classroom. In addition, and through Welsh Government funding to Consortia to support the introduction of the new programmes of study and mathematics GCSEs, Consortia are working with schools on the peer development of resources and sharing of approaches, including for financial education.
25. The Minister for Education and Skills has committed to remit Estyn to undertake a thematic review on the teaching and learning of financial education in Wales. This is likely to take place in during the next academic year. Financial education will be considered as part of the wider reform of the curriculum, and the intention is this Estyn remit will help inform this process.
26. The thematic review will give Welsh Government a clear steer and recommendations on areas for improvement, and indicate areas of good practice for Welsh Government, regional Consortia and wider stakeholders to act on. Estyn’s published report would also provide assurance to the National Assembly financial education remains an important part of curriculum delivery, and it is sufficiently supported within schools. Outcomes from the report may also influence the development of the new *Curriculum for Life* through the Mathematics and Numeracy Area of Learning and Experience.

Budgets

27. Funding to support financial inclusion commitments and priorities will come from budgets across a number of portfolios as existing Welsh Government programmes will assist in the implementation of actions identified through the development of the Delivery Plan in areas such as digital inclusion, fuel and food poverty, support for vulnerable groups and housing support.
28. Whilst there will be a range of budgets which support this agenda, the Welsh Government has committed major funding to key areas. For example, in March 2014, we committed £1.9million of funding, tapered until March 2017, for the Credit Union movement to help financially excluded individuals. As at September 2015 (half way through the project), the funding has enabled the

fifteen Credit Unions involved in the project to provide over 14,600 loans at a value of £11.3m. Under advice services, we have supported the Better Advice: Better Lives (BABL) Scheme run by Citizens Advice Cymru (£2.2m per annum) which provides advice on benefit take up. In the first half of 2015/16 the scheme has assisted more than 9000 people with a confirmed benefit gain in excess of £10m. In addition to BABL, we have provided funding through our Frontline Advice Services Grant (£2 million in 2015/16) which helps advice services provide support on issues relating to welfare benefits; debt and housing. In the first half of 2015/16 more than 26,500 requests have been responded to, securing almost £5 million in income gains. The demand led Discretionary Assistance Fund (DAF) has continued to support those most in need. The DAF provides emergency assistance to between 1,500 and 2,000 people each month. Awards made from the Fund in the first two years (13/14 & 14/15) totalled almost 57,500 with total spend £14.8m. In the third year of the scheme, to date more than £4.2 million has been awarded.

29. Funding to schools for the delivery of financial education through the curriculum is part of the resource made available to local authorities through the Revenue Support Grant. In support of curriculum and qualifications changes over the last 2 financial years, Welsh Government has been grant funding education Consortia at £3.74 million to support schools embed curriculum and qualification changes in English, Welsh and Mathematics (including financial education). In addition, funding of over £95 thousand was provided for the bilingual publication of a range of Teaching Assessment Materials (TAMs) to support the teaching and learning of the new GCSE mathematics and mathematics-numeracy qualifications, at a cost of £95,975.

Conclusion

30. Engagement with key stakeholders and the high-level analysis of responses to the consultation on the draft Financial Inclusion Strategy has shown the commitment of organisations across Wales to promoting financial inclusion and tackling financial exclusion – both in terms of causes and effects.
31. The refreshed Financial Inclusion Strategy which will be published in March 2016 will take account of the views expressed by those attending consultation events and submitting formal consultation responses. This information will also feed into to development of the Delivery Plan later in 2016, which will confirm how the Welsh Government and partners will work collaboratively to action the commitments and promote financial inclusion and financial capability for everyone on Wales.