

# **Welsh Government's response to the National Assembly for Wales' Economy, Infrastructure and Skills Committee Report on Access to Banking**

## **Recommendation 1**

The Welsh Government must prioritise its engagement with the Joint Authorities Cash Strategy Group (JACS) and ensuring that the specific needs of Wales are represented and reflected in the actions taken to protect and improve access to cash.

### **Accept in part - as drafted response and noting UK Government holds responsibility**

#### **Response:**

Welsh Government will require JACS to establish clear channels of communication, including regular and suitably frequent opportunities for effective engagement. In doing so we will ensure that the particular needs of Welsh citizens are heard and met with regard to continued access to convenient and free sources of cash.

Our vision for financial inclusion is for everyone living in Wales to have access to appropriate and affordable financial services, which includes free and convenient access to cash; to be supported by quality assured information and advice services; and have the financial capability and motivation to benefit from the financial services available to them. Welsh Government remains fully committed to this.

**Financial Implications** – None. This is a UK Government responsibility.

## **Recommendation 2**

The Welsh Government must continue to work with LINK and the regulators on efforts to strengthen and support the existing free-to-use ATM network, and ensure that coverage is where it is needed most.

### **Accept**

#### **Response:**

In delivering the actions in the Financial Inclusion Delivery Plan, which is in place until 2021, it's recognised that some activities relate to issues outside the control of the Welsh Government and our Welsh partners. As a result, we will actively seek opportunities to engage and influence at a UK level in order to achieve positive outcomes for Welsh citizens. This includes liaising with LINK, which is committed to maintaining free access to cash across the UK for as long as consumers need it. Their commitment includes maintaining the coverage of free-to-use ATMs in the most remote and rural locations as well as improving free access in the most deprived areas of the UK. Welsh Government will continue to work with LINK and other interested parties, including the regulators, to progress this agenda. This will include monitoring the numbers of Welsh communities that will benefit from a new ATM following the introduction of LINK's Access to Cash Delivery Fund.

The Financial Inclusion Strategy, published in March 2016, sets out how Welsh Government aspires to join with partner organisations, both within Wales and at the UK level, in working towards a more financially inclusive society in Wales. The Financial Inclusion Delivery Plan, focusses on the practical actions necessary to achieve this. It identifies the importance of everyone being able to readily access a range of affordable financial services and products to suit their individual needs, as well as being able to readily access their own money, whether by automated or over-the-counter means. The Delivery Plan reflects how tackling financial inclusion is a cross-Government issue and is one to which all departments contribute. This cross-Government approach is necessary in helping to mitigate the effects of bank closures across Wales.

**Financial Implications – None.**

### **Recommendation 3**

The Welsh Government should explore how regional hubs, and cooperation and collaboration between different agencies can improve the access to cash in Welsh communities (recognising that cash-handling is an expensive business).

#### **Accept in principle**

**Response:** The Welsh Government recognises the importance of stakeholders' cooperation and collective impact that is required in order to succeed with this recommendation. It also recognises this requires elements of top down and bottom up approach to engagement and as a result, the Welsh Government would be willing to consider proposals brought forward by sector bodies or through other channels. This would be with the aim of coming alongside business organisations to identify how we can support them in addressing their problems.

**Financial Implications – None**

#### **Recommendation 4**

The Welsh Government must work with local government to ensure that local development plans address any barriers to maintaining the cash infrastructure, for example by balancing heritage conservation measures with the need to maintain ATM access in rural areas.

#### **Reject**

#### **Response:**

Local Planning Authorities already prepare Local Development Plans which can provide support for the cash infrastructure within its area. With regards to operational closures for business reasons, the planning system cannot prevent a business closing.

Local Planning Authorities can include a detailed development management policy in their LDPs setting out criteria on how banking technology can be accommodated, or not, into the building of an historic nature. This is a matter for a Local Planning Authorities, not the Welsh Government.

**Financial Implications – None**

## **Recommendation 5**

The Welsh Government should update the Committee on how its plans to amend the Consolidated Use Classes Order and permitted development rights will take account of the need to protect and maintain banking infrastructure in Welsh communities.

### **Accept**

**Response:** The Welsh Government is considering the consultation responses to its proposals to amend the Town and Country Planning (Use Classes) Order 1987, working towards a consolidated order coming into force in 2021. The order does not and will not be able to prevent banks closing. The town and country planning system would be able to consider whether the building should be retained for a financial or professional services use. As part of our consideration of the order and the associated Town and Country Planning (General Permitted Development) Order 1995 we will consider whether the benefits of retaining such buildings for possible future bank use are outweighed by the possible long term existence of an empty property within a town centre. The Welsh Government will update the Committee when it decides on a preferred way forward.

**Financial Implications** – A regulatory impact assessment will be prepared to accompany any regulatory changes setting out the financial implications. The drafting of the legislation can be accommodated within the existing budget for the Planning Directorate. Preparation of a planning application would be an additional financial burden particularly for small and medium business. A change of use application is £380 in most cases. There is no cost to the Welsh Government.

## **Recommendation 6**

The UK Government and the JACS group should review whether the Access to Banking Standard is sufficiently robust to address the impact of bank closures on vulnerable people, SMEs and local communities, or whether regulatory or other mitigating action is needed.

### **Reject**

### **Response:**

While supporting the principle set out in the recommendation, the Welsh Government cannot accept, as this is a matter for the UK Government.

**Financial Implications** – None.

## **Recommendation 7**

The Welsh Government should review its support for the Post Office Network and explore with the UK Government and Post Office Ltd how to support efforts to expand the cash-in-out and other services it can offer, and to raise public awareness of its banking services across Wales.

### **Accept in part**

The Welsh Government has a good relationship with Post Office Limited and agrees to explore with them what it can do to raise public awareness of its banking services across Wales.

### **Response:**

There are no plans to reintroduce support for the Post Office Network in Wales.

- Post Office matters are not devolved to the Welsh Government.
- The UK Government provides a subsidy to support the Network to deliver its core services.
- The UK Government also provides improvement grants to individual post offices as part of its modernisation programme.
- The agreement between Post Office Limited and the high street banks allowing limited access to banking services is on a commercial basis.

**Financial Implications** – Funding for Post Offices is a matter for the UK Government. There is no Welsh Government budget to consider a new scheme to support Post Offices.

## **Recommendation 8**

The Welsh Government should properly map the gaps in banking services overall - access to banks, Post Offices, free-to-use ATMs and connectivity for digital banking. Based on an increased understanding of the gaps, Welsh Government should explore what more it can do to address the wellbeing impacts associated with reduced access in rural communities, e.g. investing in transport options, partnership approaches, planning interventions and connectivity projects to improve access in the worst affected areas.

### **Accept in principle**

#### **Response:**

In order to deliver this recommendation (as recommendation 3) full delivery will require a multi stakeholder approach to deliver in full the principle of the recommendation. The feasibility work for the Community Bank in part begins to address this action but as a Government, we recognise this is a broader set of actions. The Development Bank of Wales' Economic Intelligence Wales research group is doing early work in this space related to the Community Bank, based on outcome of this work we will continue to review and update appropriate actions for example in the consideration of transport options.

#### **Post Offices**

Post Office Limited holds data which maps post office location, type and services offered. Information on individual post offices is available on the Post Office website. <https://www.postoffice.co.uk/>

Post Office Limited is required by the Postal Services Act 2011 to publish an annual report on the Post Office Network. This contains information on the size and shape of the UK Network.

It also contains information about its performance against the national access criteria. The 2019 Post Office Network Report can be found here:

<http://corporate.postoffice.co.uk/modernising-post-office>

#### **LINK**

**LINK** is the UK's largest cash machine network which is committed to maintaining free access to cash across the UK for as long as consumers need it. The LINK website [has an ATM locator that identifies all cash machines including those free to use](https://www.link.co.uk/consumers/locator/). The link can be found here: <https://www.link.co.uk/consumers/locator/>. LINK has recently released an app that provides the same mapping functionality for people on the move.

**Financial Implications** – Full cost to carry out the recommendation is dependent on completion of the work identified in the response, which will support final requirements and ensure value for money. Dependant on requirement this could be a significant research contract of £25-50k+.

## **Recommendation 9**

The Welsh Government should continue to pursue urgently with the UK Government and Ofcom, the implementation of measures to provide adequate connectivity for digital banking across all of Wales.

### **Accept**

#### **Response:**

The Superfast Cymru project has already provided more than 733,000 premises across Wales with access to fast fibre broadband. Around 94 per cent of premises in Wales now have access to superfast broadband.

There is a window in the next couple of years where the Welsh Government will continue to deliver very fast broadband to those premises without superfast broadband. The current fibre roll-out project aims to provide access to full fibre connectivity to 26,000 further premises.

The focus, however, is changing with an emphasis on providing faster gigabit capable broadband. The Chancellor of the Exchequer recently announced a £5bn commitment to fund gigabit capable deployment in the hardest to reach 20 per cent of the UK. These are the premises not expected to be served commercially with gigabit capable broadband. The location of premises and the delivery mechanism are still being developed by the UK Government. DCMS has engaged with officials from across the devolved nations in the early stages of that development. The Welsh Government is also working with the UK Government on the Local Full Fibre Network (LFFN) and Rural Gigabit Connectivity programmes. Both programmes are working with PSBA, and in the case of LFFN local authorities, to identify public sector buildings across Wales where current copper connections could be upgraded to full fibre.

On mobile connectivity the mobile industry have issued proposals to tackle both partial and total notspots and to reach 95 per cent geographic coverage by at least one operator across the UK and 92 per cent by all four operators, 86 per cent in Wales. They have been discussing their proposals with the UK Government who have agreed to the proposals in principle. Further discussions are underway. Officials are engaged with their counterparts in DCMS on the proposals.

**Financial Implications – None**

## **Recommendation 10**

The Welsh Government's support for digital inclusion should prioritise a) maintaining support for existing digital skills training, b) consulting stakeholders on how to further address barriers to older and vulnerable people safely accessing online banking, and c) providing additional support to teachers to deliver financial education within the school curriculum.

### **Accept**

#### **Response:**

- a. Welsh Government's Digital Inclusion Framework and Delivery Plan (March 2016) recognise that becoming fully digitally included is a continuous process requiring ongoing support. It is an issue that Welsh Government cannot tackle alone, requiring the buy-in of all partners and wider society.

Welsh Government's £2m per annum Digital Communities Wales: Digital Confidence, Health and Well-being (DCW) programme (1 July 2019 to 30 June 2022) works with a wide range of organisations who are best placed to reach digitally excluded people with a focus on improving the digital capabilities of citizens and health and care staff, allowing more people to become more active participants in their own health and well-being. In addition, the programme provides training to front line staff and volunteers to enable them to help people with little or no digital skills benefit from being online e.g. ; managing finances through online banking and online budgeting tools; searching for and staying in employment for longer; reduced isolation and greater support for independent living.

- b. DCW are working with Lloyds, Barclays, Principality and Natwest to better co-ordinate digital inclusion activities across communities. However, banks must help ensure their customers, including older and vulnerable people have the opportunities to gain the confidence and digital skills to access the full range of banking services they need, and provide alternative measures for those who cannot or will not use online services.

To further support the digital skills agenda Welsh Government funded the translation of Learn My Way (LMW), an online basic digital skills platform, to make the content bilingual. LMW includes courses relating to managing money online, online basics and online safety. The platform enables individuals to develop basic digital skills at a pace and location convenient to them, for free.

- c. The new curriculum framework will include numeracy and digital competence as mandatory cross-cutting skills. A revised Digital Competence Framework is being developed to reflect the new curriculum and to support practitioners in embedding digital skills in all teaching and learning. The Mathematics and Numeracy Area of Learning and Experience will enable learners to develop proficiency in maths and numeracy, applying those skills in authentic contexts like learning how to manage money. This will develop financial literacy and numeracy in a mutually reinforcing way. A revised Literacy and Numeracy Framework will be available to support practitioners embed these skills. We will be working with practitioners and experts to ensure there are appropriate resources for teachers and learners to support the new curriculum.

As one example of this, we are working in partnership with the Money and Pensions Service and the regional education consortia to facilitate a new project to develop professional learning opportunities for teachers. Analysis and stakeholder consultation undertaken by the MAPS identified a lack of financial education training for teachers, and teachers reporting a lack of confidence, knowledge and skills

We recognise that the new curriculum and teacher education reforms in Wales provide a unique opportunity to engage schools, teachers and teacher educators in a programme of financial education training. The project aims to test approaches to increasing the effectiveness of school-based financial education through the inclusion of financial education professional learning for practitioners. We are looking to develop and deliver financial education training (for both primary and secondary phases) both through e-learning and face-to-face delivery. This will be supported by the development of teaching resource to use in the classroom by teachers following the training.

**Financial Implications – None**

## **Recommendation 11**

Welsh Government to set out in detail how it intends to consider the impact on communities, town centres and high streets of bank closures and the loss of free-to-use ATMs in its regeneration and community wealth building activities.

### **Accept in principle**

#### **Response:**

Supporting town centres is the cornerstone of Welsh Government regeneration activities. Taking into account levered-in funding, by the time our current regeneration programmes are complete, we will have invested £800 million into town centres and nearby areas across Wales since 2014.

Currently, we are making significant investment through our £100m Targeted Regeneration Investment programme, alongside this there is £54m Building for the Future, the £31.5m Town Centre Loans scheme and we continue to support both existing and developing Business Improvement Districts across Wales.

These programmes promote the economic regeneration and vibrancy of town centres and communities and often act as a catalyst in bringing vacant and underutilised buildings back into use in town centres, which could be empty bank buildings.

We are not able to support regeneration activities in every community, so prioritisation is necessary and this is best done at a local or regional level. It is for Local Authorities to decide which key towns to focus on in terms of securing capital funding support from Welsh Government. For example, with the Targeted Regeneration Investment programme, Local Authorities work together to identify and prioritise towns and projects within an agreed regional funding allocation. Local Authorities take many factors into account in deciding their priority towns and projects. Welsh Government officials then work with Local Authorities in the development of those projects before a decision on financial support is taken.

We also provide funding to the Coalfields Regeneration Trust, who are assisting the recovery of former coalfield areas in Wales and are involved in helping those communities to identify buildings where ATMs could be located and 'brokering' deals to have free-to-use ATMs installed.

**Financial Implications – None**

## **Recommendation 12**

Welsh Government should ensure that any community banking proposal in Wales takes full account of the need to deliver bilingual banking services.

### **Accept**

#### **Response:**

*[Note: While response to 12, 13 and 14 is to accept the recommendations, we would ask the Committee to note that full delivery of each is not in sole dependence of the Welsh Government. It will also require stakeholders to play their part in delivery and other parties to meet timelines – for example in the application for a banking license]*

The Welsh Government is making provision to provide, subject to further due diligence, up to £600,000 seed finance (Recommendation 13 refers) to Banc Cambria (Cambria Cydfuddiannol Ltd) to support its early stage development and subsequent application for a banking licence. As part of the development work Welsh Government officials have engaged with Banc Cambria and introduced them to the Welsh Language Commissioner and will continue to ensure that this dialogue is maintained.

**Financial Implications** – The costs for delivering a bilingual banking service will not be the responsibility of the Welsh Government but the Community Bank who will need to take into account such requirements as it develops a fully costed business plan.

### **Recommendation 13**

The Welsh Government should:

- Provide assurances that the due diligence process for supporting the Banc Cambria community bank included a rigorous assessment of the impact this could have on the credit union sector, and set out how it will mitigate potentially negative impacts in consultation with that sector;
- Detail its strategy for managing the ongoing risks associated with putting public money into the un-tested Community Savings Bank Association banking model, and clarify the level of future support it anticipates offering the community bank;
- Confirm the timescales for delivering a community bank for Wales; and
- Confirm whether it is confident the Banc Cambria proposal will meet the evidenced desire for physical face-to-face banking services for elderly, disabled and vulnerable customers.

### **Accept**

**Response:** Members will note the written statement issued on 13 November updating on progress to date - <https://gov.wales/written-statement-community-banking>

The Welsh Government will as part of its due diligence process consider the potential impact that Banc Cambria may have on both the credit union sector, Post Office network and Development Bank of Wales. It has been clear from the outset in its communications with Banc Cambria that any solution proposed in response to the withdrawal of banks from the High Street should seek to address the market failure created as a result of this withdrawal and should not duplicate or negatively impact on existing service provision. Welsh Government officials are actively working with both Banc Cambria and the credit union movement in Wales to ensure a joined up approach.

The initial investment being offered to Banc Cambria is to test the feasibility and proof of the concept at the first stage enabling the bank to engage with the Prudential Regulatory Authority (PRA) and Financial Conduct Authority (FCA) with a view to obtaining authorisation to establish a bank; it is not at this stage to provide the more significant investment that will be required to capitalise the bank should it be successful in obtaining a banking licence. The initial investment to cover the early stage development work is being provided on a staged basis and paid against clearly established milestones. Welsh Government officials will continue to monitor progress against expenditure levels and further mitigation is established through the demanding requirements laid down by the PRA and FCA.

The Welsh Government cannot confirm specifically when the community bank will be established as Banc Cambria will have to satisfy both the PRA and FCA who have the regulatory powers to provide authorisation. A final project plan will be submitted to Welsh Government by December 2019 (one of the agreed milestones) that clearly lays out the timetable for authorisation. At this time it is expected that authorisation will be granted in mid to late 2021/early 2022.

The early stage feasibility and market assessment will take into consideration the service provision for Banc Cambria across a range of stakeholder and user-groups. At this time it is not possible to determine what the final service offering will represent particularly for a business that will be classed as an early stage 'start-up'. As is normal for any start-up business it will seek to provide a customer focused service whilst at the same time developing at a pace that ensures financial viability.

**Financial Implications** – Officials are still in discussion with Banc Cambria to finalise total commitment for the feasibility/application stages. Subject to this consideration and available budget, total investment is likely to be no more than £600,000 provided on a phased and success based criteria.

## **Recommendation 14**

The Welsh Government should actively pursue other collaborative ideas for delivery of banking services, including through partnership arrangements, alongside its support for the Banc Cambria community banking model. Its criteria for supporting proposals to improve access to banking services should have a strong emphasis on guaranteeing greater financial inclusion.

### **Accept in Principle**

**Response:** The Welsh Government is now actively supporting a partnership created between Banc Cambria and the Community Savings Bank Association (CSBA) to test the feasibility of establishing a community bank for Wales. Banc Cambria is currently engaged in the first phase of work which includes a detailed project plan, stakeholder engagement, initial market assessment and feasibility study to ascertain the viability of establishing a Community Bank in Wales. This will help determine the potential scale of the Welsh market and initial feasibility to acquire a customer base of sufficient size that would support the financial viability of the bank.

A key area associated with this first phase is the production of a stakeholder engagement plan and delivery to be completed by early 2020. This includes exploring partnership arrangements with key stakeholders to find a plan that compliments and addresses market failure while minimising the risk of duplication. Work is already well underway to work in collaboration with credit unions and building societies to find the best solutions to improve access to banking services and this work is focused on ensuring financial inclusion for all. Welsh Government Officials have also met with the Welsh Credit Union Network to explore opportunities to collaborate wherever possible.

More broadly and in parallel officials continue to engage with relevant stakeholders to keep wider options open and provide opportunity for engagement. The aim is to ensure opportunities are explored as the pace of change in the sector may lead to emerging new actors and opportunities.

**Financial Implications** – Currently unfunded and dependant on outcome a full value assessment would be required against the identified costs.