Financial Education and Inclusion (Wales) Bill

Explanatory Memorandum

This Explanatory Memorandum has been prepared by Bethan Jenkins AM and is laid before the National Assembly for Wales.

Declaration on Legislative Competence

In my view, the provisions of the Financial Education and Inclusion (Wales) Bill, introduced by me on 15 July 2014, would be within the legislative competence of the National Assembly for Wales.

Bethan Jenkins AM

Member in charge of the Bill

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Part 1: Background and purpose of the Bill

1. Introduction

1. On 17 July 2013, Bethan Jenkins AM was successful in the ballot held under Standing Order 26.87 for the right to seek leave to introduce a Member Bill. Her proposal was for a Bill that would promote financial literacy amongst people in Wales. On 16 October 2013, the National Assembly for Wales agreed that Bethan Jenkins could introduce a Bill to give effect to the pre-ballot information she provided.

2. This Explanatory Memorandum has been prepared and laid in accordance with Standing Order 26.6. It sets out the background to the provisions and scope of the *Financial Education and Inclusion (Wales) Bill* as well as explaining how the Bill will work in practice.

3. The Bill aims to address the position where many people in Wales are falling into financial difficulty due to a lack of knowledge and skills in managing money. This issue is compounded by a tendency, in this adverse economic climate, for people to turn to high interest, unsustainable borrowing as a route to address their financial problems.

4. Therefore, firstly, the Bill provides a legislative footing for financial education in Wales by making it a statutory part of the school curriculum.

5. Secondly, the Bill will require local authorities to adopt a financial inclusion strategy outlining what steps they intend to take to promote the financial inclusion of residents in their area.

6. Thirdly, the Bill places requirements on local authorities in respect of providing advice to citizens about financial services and financial management.

7. For the purposes of this Bill, this is what is meant by the following terms:

   - ‘Financial education’ means education about financial services and management;

   - ‘Financial inclusion’ means access to financial services and financial education at a reasonable cost;

   - ‘Financial management’ includes using financial services and managing debt;

   - ‘Financial services’ includes, in particular, savings, credit, mortgages, insurance and money-transfer services.

- ‘Local authorities’ means county and county borough councils in Wales.

8. Where provisions in the Bill relate to schools, this is in respect of maintained schools only.

2. Legislative background

9. The National Assembly for Wales' Standing Orders provide for Bills to be introduced by individual Assembly Members, as well as the Welsh Government, where the National Assembly has legislative competence in a policy area.

10. The legislative competence enabling the National Assembly for Wales to make an Act in relation to financial education and inclusion is contained in Part 1 of Schedule 7 to the *Government of Wales Act 2006*.

11. In particular, subject 5 (education and training) is directly relevant as is subject 12 (local government) which governs the 'powers and duties of local authorities'. Heading 15 (social welfare) governs the 'protection and well-being of children' as well as the 'care of children' and 'vulnerable persons'.

12. All of these subjects relate to the subject-matter of the Bill. The wording of each relevant heading is set out below:

> 5: Education and Training
>
> Education, vocational, social and physical training and the careers service. Promotion of advancement and application of knowledge.
>
> *Exception—*
> Research Councils.
>
> 12: Local government
>
> Constitution, structure and areas of local authorities. Electoral arrangements for local authorities. Powers and duties of local authorities and their members and officers. Local government finance. "Local authorities" does not include police and crime commissioners.
>
> *Exceptions—*
> Local government franchise.
> Electoral registration and administration.
> Registration of births, marriages, civil partnerships and deaths.
> Licensing of sale and supply of alcohol, provision of entertainment and late night refreshment.
> Anti-social behaviour orders.
> Local land charges, apart from fees.
> Sunday trading.
> Provision of advice and assistance overseas by local authorities in connection with carrying on there of local government activities.
>
> 15: Social welfare
>
> Social welfare including social services. Protection and well-being of children (including adoption and fostering) and of young adults. Care of children, young adults, vulnerable persons and older persons, including care standards. Badges for display on motor vehicles used by disabled persons.
>
> *Exceptions—*
> Child support.
> Child trust funds, apart from subscriptions to such funds by—

(a) a county council or county borough council in Wales, or
(b) the Welsh Ministers.

Tax credits.

Child benefit and guardian's allowance.

Social security.

Independent Living Funds.

Motability.

Intercountry adoption, apart from adoption agencies and their functions, and functions of "the Central Authority" under the Hague Convention on Protection of Children and Co-operation in respect of Intercountry Adoption.

The Children's Commissioner (established under the Children Act 2004).

Family law and proceedings, apart from—

(a) welfare advice to courts, representation and provision of information, advice and other support to children ordinarily resident in Wales and their families, and
(b) Welsh family proceedings officers.

3. Purpose and intended effect of the legislation

13. The Bill seeks to address the very timely and important issue of equipping people in Wales with the financial competency they need to manage their financial circumstances effectively. In doing so, the proposals will help to increase prosperity in Wales by improving the financial education and capability of its citizens.

14. Legislation is needed as there is a considerable risk that, despite existing moves towards inclusion in the curriculum, financial education will be overlooked and not prioritised amidst other competing priorities if it is not backed by a statutory requirement. This Explanatory Memorandum explains how, internationally, this is the clear direction of travel, with the Organisation for Economic Co-operation and Development (OECD) advocating formal inclusion of financial education in the school curriculum and recognising its importance through legislation.

15. In respect of placing duties on local authorities, the Welsh Government's own Financial Inclusion Strategy highlights the important role local authorities have in tackling financial inclusion issues in their areas. However, it is unclear how much progress has been made with regard to the implementation of the Welsh Government's strategy generally. It is also difficult to judge the extent to which different local authorities are taking forward work in this area. The tangible outcomes of this work are equally hard to discern. As such, legislation is needed to ensure more robust arrangements are in place so that local authorities are obliged to plan strategically to promote the financial inclusion of their residents.

16. The Bill's proposals fall into three broad categories.

17. **The Bill will improve financial capability amongst school-age children and young people by making it a legal requirement that financial education is included in the school curriculum (sections 4 to 7 in the Bill).**

18. Financial education will be different to a national curriculum subject, in which the coverage of certain content is prescribed to schools, and will be more similar to Personal and Social Education (PSE) and Work-related Education in terms of delivery; i.e. mandatory but schools will have flexibility in how they deliver it. It is expected that the Welsh Government would produce a non-statutory framework, as with PSE, which schools should, but are not compelled, to follow.

19. **The Bill will strengthen the role of local authorities in helping people avoid falling into financial difficulty, by requiring local authorities to adopt a financial inclusion strategy (sections 8 to 10 in the Bill).**

20. The strategy should outline how a local authority intends to encourage residents to gain skills in financial literacy and financial management, as well as outlining how the local authority will facilitate free access to online financial education

and management services. The strategy should also set out how local authorities intend to work with other organisations who work to promote financial inclusion in their area.

21. **The Bill will give local authorities duties in respect of providing advice about financial management, both generally and specifically to former looked after children and to students (sections 11 to 13 in the Bill).**

22. This includes providing general information about sources of advice to residents, information to former looked after children as part of local authorities' continuing responsibilities to befriend, advise and assist, and to further and higher education students studying in their area.

The overall need for the Bill

23. This Bill is necessary given the difficult economic outlook that persists in Wales and the rest of the UK. Many people in Wales lack the knowledge and skills to manage money effectively and they need additional help to be financially literate and to make the best decisions for their circumstances. The Bill's main aim, therefore, is to help people in Wales avoid falling further into financial difficulty.

24. However, the relevance of this legislation is not limited to adverse financial times and fluctuations in the economic cycle. There is a need for financial education and inclusion in Wales on a permanent and on-going basis.

25. There is increasing evidence that people need support in improving their financial competency. For instance, back in 2011, the All-Party Parliamentary Group on Financial Education for Young People reported[1] that:

- Young people were generally ill-equipped to deal with the challenges they faced when living independently, with 70 per cent of 18-24 year olds in debt;

- 43 per cent of parents did not know what basic financial terms like APR or PPI meant;

- Research by the Financial Service Authority had found low levels of financial capability throughout the UK population;

- Almost three quarters of people in Britain blamed a lack of basic personal financial understanding for debt;

- Due to a lack of financial education, 24 per cent of the population had been hit by charges because they did not understand the terms and conditions of financial products.

26. More recently, the National Survey for Wales 2012-13 on Financial Inclusion[2] showed that:

- Only 42 per cent of people under 65 years old were able to keep up with their bills without difficulty;

- Levels of wellbeing were at their lowest where people were having difficulty keeping up with their bills or credit commitments;

- 16 per cent of people were either having real financial problems and had fallen behind with bills or credit commitments, were falling behind with some bills or credit commitments, or were facing a constant struggle to keep up with bills and credit commitments;

- A further 33 per cent said that keeping up with bills or credit commitments was a struggle from time to time;

- Despite this, only 4 per cent of people said that they had used the services of a debt advice organisation in the past year.

27. A report by the Money Advice Service in November 2013[3] further highlighted the pressing need to help people with financial management skills. The report showed:

- The proportion of people in the UK struggling to keep up with bills and credit commitment had risen from 35 per cent in 2006 to 51 per cent in 2013;

- 35 per cent of people had experienced a shock to their finances in the last three years;

- 23 per cent had experienced a large drop in income in the last three years;

- 40 per cent would have to think about how to cover an unexpected £300 bill;

- Compared with 2006, 5 million fewer people in the UK in 2013 made sure that they had money saved for a ‘rainy day’ (around 238,000 people in Wales, according to the population proportion);

- In the past six months, 12 per cent (or around 398,000 people in Wales, according to the population proportion) had missed more than one payment on a loan, credit agreement, mortgage or had an unauthorised overdraft charge;

- In the past year, 40 per cent of people (or 1.2 million people in Wales, according to the population proportion) had used a credit or store card to pay because they did not have the money at the time.

28. Alongside the above study, the Money Advice Service also published a report on the impact of indebtedness on people's lives.[4] This report showed:

- Of the 8.8 million people in the UK who were over-indebted, 74 per cent were unhappy; 70 per cent often felt anxious because of their debt; and 56 per cent reported a negative impact on their family life;

- Despite this, only 17 per cent of over-indebted people were currently accessing advice;

- Furthermore, 41 per cent of the over-indebted population lacked the skills and confidence to deal with creditors and 44 per cent did not know about the debt solutions available to them.

29. Financial difficulties can therefore have a deeply negative impact on people's lives and well-being. Figures released by the Samaritans for 2013-14 showed that demand for their services was increasing, with the service contacted 161,170 times for help in 2013.[5] The Samaritans' report refers in this context to a 'backdrop of difficult economic times and where a disproportionate number of those who take their lives are struggling with social and economic deprivation'.

30. Most recently in June 2014, the Public Policy Institute for Wales published a report on indebtedness, low income and financial exclusion.[6] This report stated that 16 per cent of the population in Wales – 400,000 people – were over-indebted. It also stated clearly that indebtedness was 'strongly associated with low income and financial exclusion'. As the report stated:

> Financial exclusion is an additional factor in low income individuals and households becoming indebted. It does not cause indebtedness (or poverty), but it increases the difficulty of managing on a low income. Financial exclusion typically exacerbates individual and household financial difficulties [...]
>
> Most people agree that financial inclusion is:
>
>> A state in which people have access to appropriate, desired financial products and services in order to manage their money effectively (www.transact.org)
>
> Achieving that state is generally to be through financial literacy and financial capability on the part of the consumer, and by the provision of access to products and services on the part of financial product, services and advice providers.
>
> Some (such as the Money Advice Service) regard this definition as too narrow, and suggest that financial inclusion encompasses attitudes to and understanding of money and the ability to manage it, as well as access to products and services.

31.It is this issue that the *Financial Education and Inclusion (Wales) Bill* directly attempts to address. It is not claimed that the Bill will be a panacea for all such matters, but this Explanatory Memorandum seeks to outline some clear gaps in education provision and policy planning that, through addressing them in legislation, could contribute significantly towards improving the financial inclusion of the people of Wales.

32.There is a clear direction of travel towards promoting financial inclusion and deepening financial education at a Wales, UK and an international level. The Bill's purpose is aligned to this policy drive, but aims to strengthen how this is done in Wales.

33.For instance, two main conclusions reached by the Organisation for Economic Co-operation and Development (OECD) as far back as July 2005 were that consumers lacked adequate financial background or understanding; and that financial education does affect consumer behaviour.[7]

34.On 18 December 2007, the European Commission adopted a Communication on Financial Education (COM 2007(808)[8], which included the following principles:

- Financial education should be available and actively promoted at all stages of life on a continuous basis;

- Consumers should be educated in economic and financial matters as early as possible, beginning at school;

- National authorities should give consideration to making financial education a compulsory part of the school education curriculum.

35.The significance of changing patterns in financial decision-making and the importance of financial education and inclusion was recognised by the Expert Group on Financial Education set up by the European Commission, which reported in 2008:

> …OECD researchers have observed that there is a trend of increasing the transfer of responsibility for personal finances to individual households. As a consequence, households have to take on more risks for which they are not always well prepared. There is a need for greater financial education of consumers who should be aware of the various types of risks and equipped with the means to make responsible decisions on their personal finance.[9]

36.As a European Union Member State, the UK has broadly subscribed to the financial education and inclusion agenda promoted by the European Commission. In 2008, along with Ireland, it was singled out by the Commission as being 'among global leaders taking into account the advancement of their national programmes for enhancing consumers' financial capability'.[10]

37. The UK Government established the Consumer Financial Education Body in April 2010, which was renamed the Money Advice Service in April 2011. This is a free, impartial service, aiming to enhance the understanding and knowledge of members of the public of financial matters and to enhance their ability to manage their own affairs.

38. The Welsh Government has also recognised the need to take action in this field. It published its Financial Inclusion Strategy in 2009[11], a subsequent Financial Inclusion Action Plan in 2010[12], and Financial Inclusion Strategy Priorities for 2011-2013[13] in 2011.

39. The Financial Inclusion Strategy aimed to identify the work that needed to be undertaken by the Welsh Government, in collaboration with all relevant stakeholders, to address the problems associated with financial exclusion. Improving access to advice and financial capability were key aims within that strategy. The Welsh Government has facilitated joint-agency work in this area through the Financial Inclusion Delivery Group, which meets quarterly. The Welsh Government also funds the Financial Inclusion Champions project through the Wales Co-operative Centre.

40. According to the March 2011 minutes of the Financial Inclusion Delivery Group, it was set up 'to change the focus to help engender increased ownership of the delivery function with the aim of making the dynamic stronger and more robust'.[14] As shown in paragraphs 42 to 45 below, whether the Welsh Government has made any tangible progress in delivering the financial inclusion agenda is a matter of debate.

41. The Bill's aims are particularly relevant to the Tackling Poverty strand within the Welsh Government's current Programme for Government.[15] Under the commitment related to 'tackling worklessness and raising household income', implementing the Welsh Government's Financial Inclusion Strategy is a key action. Furthermore, there is a direct commitment in the Programme for Government related to 'improving the skills of young people and families' in order to tackle poverty. In terms of financial literacy, this is something that the Bill directly attempts to facilitate.

42. Despite the above actions, it is unclear how much real drive there is to progress this work across Wales. For instance, the last strategic document the Welsh Government published on this issue set out priorities for the 2011-2013 period, and no update has been published since.

43. Similarly, the Welsh Government published an Annual Report on its Financial Inclusion Strategy in December 2010[16], but no further Annual Reports have followed. The June 2013 Progress Report on the Welsh Government's Programme for Government stated that an 'update on the progress in implementing our Financial Inclusion Strategy is expected to be published

before summer recess'.[17] More than a year later, no such update had been published as this Explanatory Memorandum went to print.

44. The June 2014 Progress Report on the Welsh Government's Programme for Government[18] is equally vague about the outcomes that have been delivered through the Welsh Government's Financial Inclusion Strategy. The Progress Report merely states that 'work has been implemented' under the Financial Inclusion Strategy's five themes, and lists support to credit unions and the *Better Advice, Better Lives* scheme as the only examples of this work.

45. There has also been external criticism of the impact of the Welsh Government's Financial Inclusion Strategy, with the Community Housing Cymru Group telling an Assembly Committee in October 2012 that the strategy had 'failed and lacks ambition'.[19]

46. It can further be argued that the UK Government's welfare reforms make the case for this Bill even more compelling. In particular, the roll-out of Universal Credit will have a significant impact on the way people manage and control their own finances, and will mean that individuals will face budgeting issues that they have not had to deal with previously.

47. For example, housing costs will form part of Universal Credit, rather than a stand-alone benefit as at present. In the majority of cases, this will be paid directly to the claimant (rather than directly to the landlord) so the inability to budget effectively could literally cost people their home. Changes to Housing Benefit that have already been implemented have meant that over 30,000 households in Wales are having to find extra money to pay their rent and compensate for cuts resulting from the 'bedroom tax'.[20]

48. Indeed, the need for people to understand these reforms and the changes that they bring was a theme emphasised in the responses to the consultation that was undertaken in preparing this Bill. In particular, respondents stated that people were overwhelmingly uninformed about the changes to welfare benefits and about the tools that are available to help them manage their money.

49. It was reiterated in the consultation responses that money management was likely to become an increasing issue as the impact of welfare reform accumulates and Universal Credit is rolled-out. It can be argued, therefore, that there is a more pressing need than ever to be more proactive in addressing financial exclusion and financial capability issues in Wales. This Bill seeks to respond to that need.

50. Elements of financial education are already included in parts of the curriculum including mathematics, personal and social education, and the Literacy and Numeracy Framework.[21] This Bill provides a legislative footing for financial education, strengthening its role and influence throughout the education

system. The proposals are designed to support the Welsh Government's financial education agenda and build on what has already been done to introduce this to the curriculum. Crucially, the Bill will ensure that children and young people in Wales actually do receive financial education and that is not squeezed out by other competing priorities.

51. The Bill will also contribute to furthering the Welsh Government's anti-poverty objectives. It is particularly noteworthy that the Minister for Education and Skills, in post since June 2013, has made one of the Welsh Government's previously stated three priorities – tackling the link between deprivation and attainment – his top priority.[22]

52. Many local authorities can and do contribute significantly to the financial inclusion agenda. However, their role in this respect could be strengthened and consolidated. Numerous local authorities are powerless to act against the growth of hazardous financial products such as payday loan shops and cold-calling exercises. These can proliferate in deprived areas, where financial competency is often poor. A more financially literate population is a healthier population in all senses. Because of their central role in coordinating and delivering local services, providing a leading role to local authorities in promoting financial inclusion and financial literacy would be a positive, preventative step that would benefit the well-being of society as a whole.

53. The Welsh Government provides financial support for front-line advice services in Wales, including advice and support about money management. In addition to its *Better Advice: Better Lives* scheme in partnership with the Citizens Advice Bureau, the Welsh Government announced in April 2014 an annual £1 million grants scheme for independent, not-for profit organisations that provide advice to people across Wales.[23] However, the Welsh Government's Advice Services Review[24] in March 2013 identified a likely increase in those requiring specialist welfare benefit, debt and housing advice, as well as money advice, as a result of welfare reform. In this context, the Bill seeks to ensure that local authorities build the necessary links with those advice services and are able to signpost citizens in the most appropriate direction.

54. Existing provision, in terms of financial education, financial inclusion and financial advice would arguably be insufficient in an advantageous economic climate, let alone in current conditions. People in Wales face tough financial choices on a daily basis and the proposals in this Bill are designed to improve their capability to make these.

55. In summary, therefore, financial education needs to be placed on a firmer, statutory footing to ensure it is provided in a consistent and coordinated way, so that every young person in Wales has the opportunity to acquire necessary skills. More detailed information about the case for making financial education a statutory requirement is set out at paragraphs 58 to 121.

56. There is a need to ensure that local authorities have plans in place so that issues around financial inclusion are at the forefront of their strategic planning. Some authorities already are exemplars in this respect, but it cannot be said of all authorities. As such, there needs to be a statutory duty upon them to produce a financial inclusion strategy. More detailed information about the case for introducing this requirement is set out at paragraphs 122 to 180.

57. There is also a need to ensure that citizens are able to access good quality, timely advice about financial management. This can be said to be particularly true of children looked after by local authorities and students. Local authorities need to make the necessary arrangements to ensure that this advice is always available. More detailed information about this element of the Bill is set out at paragraphs 181 to 199..

The Bill's proposals in relation to financial education (sections 4 to 7 in the Bill)

58. The Bill makes it a statutory requirement for financial education to be delivered as part of the school curriculum. Guidance on how schools should provide financial education would not be the same as for a national curriculum subject but similar to other statutory elements of the school curriculum such as personal and social education (PSE). It is envisaged that the Welsh Government would publish a non-statutory framework, as with PSE, giving clear guidance on what is expected to be covered. This could include a distinction between core competencies that are needed to be financially literate and other more flexible opportunities that could be offered to pupils.

59. The statutory requirement for maintained schools to deliver financial education would not be completely new or contrary to developments that have already taken place and recent moves by the Welsh Government in this area. It is therefore very much intended that establishing financial education within the statutory curriculum will formalise a lot of what is happening already and build upon this so that provision to young people is enhanced and more consistent.

Current position

60. Maintained schools are required by statute to follow the basic (or school) curriculum although there is no prescription of how they must fulfil this. Section 101 of the *Education Act 2002*, as amended, lists the requirements of the basic school curriculum in Wales.

61. There is an important distinction between the basic curriculum and the national curriculum. The national curriculum consists of subject orders and programmes of study for core and foundation subjects, which schools are required to follow in the way they teach those subjects. Under the Bill, financial education would be added to the requirements of the basic curriculum in Wales from Key Stage 2 onwards (age 7+).

62. Both PSE and work-related education are statutory parts of the curriculum under section 101, although, unlike with national curriculum subjects, schools can decide how and what they cover. The Welsh Government has published frameworks for both PSE and work-related education (known as Careers and the World of Work) and these are important sources of guidance for schools. However, they are non-statutory frameworks, which means that their content is not binding on schools. The Bill will give financial education a similar legal status to PSE and work-related education; it would be mandatory for schools to deliver but they would have flexibility in how they do this.

63. The Bill will complement and build on those elements of financial education that are already part of the curriculum requirements on schools. At present, financial education and use of money are included within the mathematics national curriculum, the statutory Literacy and Numeracy Framework (LNF), and the non-statutory PSE framework. The non-statutory Careers and the world of work framework for 11 to 19 year olds includes provision for entrepreneurialism but not financial capability.

64. The mathematics curriculum includes understanding and using money at each Key Stage, for example at Key Stage 4, pupils are given opportunities to:

> Calculate with money and solve problems related to budgeting, saving and spending, including currency exchange rates, profit and loss, discount, hire purchase, best buys, household bills and compound interest.[25]

65. The mathematics curriculum also states that at Key Stage 4, 'learners consolidate their knowledge and understanding … enabling them to solve problems in a variety of contexts … particularly the management of personal finances'.[26] However, how this is delivered is not specified.

66. The delivery of the LNF is a statutory requirement on schools in Wales and was introduced in September 2013. A number of expectations of learner abilities are set at each year from Reception to Year 9. From September 2014, teachers will be required to assess pupils against these expectations on an annual basis.

67. One of the strands of the numeracy components within the LNF is 'Using number skills' and within this strand there is an element called 'Manage money'. By the end of Year 9, pupils are expected to understand the risks involved in different ways of saving and investing as well as the importance of insurance.[27]

68. The Welsh Government plans to introduce a new, second, mathematics GCSE in 'numeracy' in Wales from September 2015. This is part of work, following Huw Evans' Review of Qualifications for 14 to 19 year olds in Wales[28], to also reform the existing mathematics GCSE into one covering 'mathematical techniques'. Similar changes are being made to English and Welsh first language GCSEs to introduce a greater focus on literacy. The numeracy GCSE will be designed to

build on the levels of numeracy expected under the LNF and the Welsh Government has also said that it will include financial literacy.

69. The non-statutory PSE Framework for seven to 19 year olds sets out specific opportunities which pupils should be given are set out at each Key Stage and at post-16. In general, it states that, in preparing for lifelong learning:

> Learners also need to develop an understanding of the role and importance of money. They need help to understand their role and responsibilities as consumers and to cultivate a financial capability which enables them to make effective economic judgements and decisions.[29]

70. The Welsh Government is currently undertaking a curriculum and assessment review in two phases. The proposals in phase 1, which were consulted on in late 2013, relate to how curriculum and assessment arrangements should be updated to align with the new LNF, including revising the programmes of study for mathematics at each of the Key Stages. It is anticipated these changes will be introduced on a non-statutory basis from September 2014 and then become statutory from academic year 2015/16. Phase 2 will concentrate more on curriculum design and the development of a distinctly Welsh curriculum. It is also proposed that a statutory 'wider skills' framework be established, replacing the non-statutory skills framework, although it is unclear how, if at all, financial literacy might feature within this.

71. The Welsh Government has said in correspondence to Bethan Jenkins that the place of financial literacy within the curriculum will be considered as part of the on-going curriculum and assessment review, although no details have yet emerged of how this may be included. Bethan Jenkins has made further representations to the Minister for Education and Skills, requesting a meeting to discuss her proposals, and it is hoped that this will be possible in the near future.

72. It is intended that the introduction of the statutory requirement for financial education should inform the work and outcome of the curriculum and assessment review, so that overall changes are made in a holistic manner. Professor Graham Donaldson, who has been commissioned by the Welsh Government to undertake phase 2, is due to report by the end of 2014. Bethan Jenkins has responded to the call for evidence[30] under Professor Donaldson's review, stressing the importance of including financial literacy in this work and any subsequent new curricula arrangements in Wales. She has also met with Professor Donaldson as part of her consultation and engagement to inform preparations of the Bill.

73. Information on opportunities for teaching financial education within the curriculum are brought together in the Welsh Government's guidance document for schools and colleges, *Financial education for 7 to 19 year olds in Wales*. Published in 2011, the guidance is aimed at governing bodies, senior

management teams and practitioners / teachers to help them plan and deliver financial education.

74. Until relatively recently, there has been dedicated support for the delivery of financial education from the Welsh Financial Education Unit (WFEU), which was established in 2008 within the Welsh Government. The WFEU worked with practitioners in schools and local authorities and in partnership with further education and the financial services and third sector.

75. The WFEU was brought to an end in August 2013 with the Welsh Government saying it was always intended to be a time-limited programme. However, the resources and materials used by the unit staff are available to schools in Wales and, through the inclusion of financial education in the LNF, the Welsh Government believes there is an 'extremely strong' mechanism to embed such skills into the core curriculum.[31]

76. The WFEU had an important role in providing schools and teachers with the necessary support to deliver financial education. The minutes of 9 March 2012 of the Welsh Government's Financial Inclusion Delivery Group quote a representative of WFEU informing the Group that 'the focus of the Financial Education Unit was very much on schools and teaching trainers'.[32]

77. The Welsh Government has published on its Learning Wales website[33] training materials for teachers and education practitioners on how financial education can be delivered within current provision. It is envisaged that these could form the basis for any additional training that is required by this Bill.

78. The provisions in this Bill are needed to consolidate these recent developments and initiatives. It is also apparent that these arrangements alone are not sufficient to ensure the universal delivery of financial education to all pupils in all schools across Wales. Information obtained under the *Freedom of Information (FOI) Act 2000* demonstrates the extent to which current provision of financial education varies in Wales.

79. A total of 81 secondary schools replied to an FOI request regarding the number of hours of teaching of financial education within both the mathematics and PSE curricula in schools in academic year 2012/13.[34] Whilst some schools spent a considerable amount of time teaching financial education, others did not, which in one case meant no provision at all.

80. The highest number of hours of financial education taught in mathematics at Key Stage 3 was 180 hours and, at another school, 130 at Key Stage 4. For PSE, it was 30 hours at Key Stage 3, and 20 at Key Stage 4; both at the same school. The lowest for mathematics was zero hours at one school (both Key Stage 3 and Key Stage 4), while the lowest for PSE was one hour at two schools (at both key stages).

81. The highest placed school overall taught 180 hours in mathematics and 15 hours in PSE at Key Stage 3, and 60 hours in mathematics and 15 hours in PSE at KS4. This meant its pupils would have received a total of 270 hours of financial education from the age of 11 to 16. However, the lowest placed school overall did not teach any financial education in mathematics at Key Stages 3 and 4, and only three hours in PSE at each of Key Stage 3 and Key Stage 4. This constitutes a total of six hours provision from the age of 11 to 16.

82. The lack of consistency and random chances of being taught financial education in Wales depending on which school a child attends chimes with the findings of Estyn. The inspectorate published a thematic report in 2011 on the provision of financial education for 7 to 19-year-olds in primary and secondary schools in Wales, *Money Matters*. The outcome of the FOI requests indicate a 'postcode lottery', most vividly in a case where two schools less than ten miles apart had a variance of as much as 18 hours at one Key Stage.

83. The provision of financial education may have increased and become more consistent through the introduction of the LNF from September 2013. However, this evidence of stark variation in the level of financial education children and young people are receiving in schools in Wales supports the need for legislation to make financial education a compulsory part of the basic curriculum in Wales.

84. In its 2010 report into Financial Inclusion and the impact of Financial Education, the National Assembly's Communities and Culture Committee recommended:

> that the Welsh Government ensures that the provision of financial education is a compulsory element of the PSE framework, and reviews the emphasis placed on financial education on a regular basis.[35]

85. Accepting the recommendation in principle, the Welsh Government pointed to the existing statutory responsibility to deliver PSE and the coverage of financial education within the PSE framework, although this guidance is not a legal requirement for schools to follow and is therefore at their discretion. The Welsh Government added that PSE, as with all aspects of the school curriculum was subject to regular review.

86. The Bill takes forward this recommendation in a way that does not compromise the flexibility inherent in the delivery of PSE by providing a statutory obligation for financial education in a proportionate and flexible way, integrating it into the existing legislative framework.

The case for formalising financial education's place in the statutory curriculum

87. Despite the momentum towards enhancing financial education's role in the curriculum, which has undoubtedly increased in recent years, the current arrangements fall short and need to be strengthened.

88. This issue was highlighted by Estyn in *Money Matters* which found:

> most schools have made adjustments to their programmes of work to include financial education but in many secondary schools financial education is delivered through PSE … [and] these lessons are not enough on their own to make sure that learners have a good knowledge and understanding of financial matters or the skills to make sound financial decisions when they are older.[36]

89. In its response to *Money Matters* in June 2011[37], the Welsh Government accepted 'there [was] still more to be done to embed financial education across the curriculum. The view that greater action was needed was also evidenced by the minutes of 31 October 2011 of the Welsh Government's Financial Inclusion Delivery Group.[38]

90. Estyn also highlighted the problem of variation in existing provision in its response to the consultation on this Bill's proposals (see following section on consultation). Setting a clear statutory requirement will provide far greater weight and security to the place of financial education in the curriculum.

91. The need to improve financial skills also arises from Wales' disappointing Programme for International Student Assessment (PISA) results for 2012. PISA tests 15 year old pupils in many countries on their ability to apply their knowledge and skills to address real life challenges, as set out in tests. Financial literacy is an obvious example of a skill required to deal with the real life challenge of making difficult financial choices. Given that the next PISA survey (2015) will include a financial education test, the Bill will also complement the Welsh Government's agenda to improve Wales' PISA scores and ranking.

92. Whilst current arrangements for financial education have been introduced through existing Ministerial powers and secondary legislation, it needs to be given a strong foundation in Wales within primary legislation. The Bill will put beyond doubt the status of financial education within the curriculum and ensure that it is delivered to young people in Wales. The OECD's High-level principles on national strategies for financial education, published in 2012, stipulated legislation as one of the possible means of recognising the importance of financial education.[39] Subsequently, in September 2013, one of the priority areas suggested by a joint publication from Russia's G20 presidency and the OECD was 'securing the quality of financial education through the development of core competencies and high-quality standards for the provision of education'.[40]

93. Targeting efforts to improve the financial literacy of populations as a whole through education in schools is also recognised as particularly effective. The OECD has noted that one of the major components of almost all national strategies was the introduction of financial education in schools, commenting:

> This is attributable to the advantages of this type of provision: outreach to an entire generation before adulthood in a context conducive to learning and changing habits, the potential spill-over effects on parents as well as the community, and cost-effectiveness.[41]

94. Furthermore, in its recent publication, *Financial Education for Youth: the role of schools*, the OECD has also expanded its argument on how including financial education in the school curriculum boosts financial inclusion:

> …effective practices and results of existing programmes' evaluation show that including financial education in the formal school curriculum is one of the most efficient and fair ways to reach a whole generation on a broad scale. In addition, since the curriculum spans several years and can start as early as kindergarten, it is a unique means to inculcate and nurture a sound financial culture and behaviours amongst future adults. This is especially important since parents are unequally equipped to transmit to their children sound financial habits. Besides, as demonstrated in other related education fields (such as health), young people are potentially good disseminators of new habits in the rest of the population.[42]

95. Without a statutory requirement for financial education, the risk remains that it will be overlooked and not prioritised amidst other competing priorities.

What the Bill does and why

96. Section 4 of the Bill adds financial education (education about financial services and financial management) to the list of statutory requirements of the basic curriculum for maintained schools in Wales. Existing requirements of a similar status are personal and social education (PSE), work-related education, and sex education. The obligation to deliver financial education will cover Key Stages 2, 3 and 4.

97. This means that from the start of Year 3 (age 7 at start of school year) until the end of Year 11 (age 16 at end of school year), pupils in maintained schools in Wales must, by statute, be taught about matters such as money management and financial decision-making.

98. This would address the current shortcomings that exist where aspects of financial education may be provided in schools, but is reliant on inclusion in various curriculum streams. Giving financial education a statutory status in its own right would help to overcome problems of patchy delivery and it not being guaranteed to pupils, as Estyn found in its *Money Matters* thematic report in 2011.

99. Full consideration needs to be given to the on-going curriculum and assessment review, phase 2 of which the Welsh Government has commissioned Professor Graham Donaldson to undertake and report on by the end of 2014. The implementation of the Bill and the development of any guidance or framework to support the statutory requirement for financial education should be closely linked to the outcomes of Professor Donaldson's review.

100. However, the list of previous reviews and recommendations which the Welsh Government has asked Professor Donaldson to consider in his review[43]did not include the Communities and Culture Committee's previous recommendation or any other reference to financial education. Whilst it is important that this Bill

joins up with the curriculum and assessment review, it is far from clear that the review alone can be relied upon to deliver this Bill's objectives regarding financial education.

101. Adding financial education to the list of requirements in section 101 of the *Education Act 2002* would ensure that children and young people in Wales actually get the opportunities they need to learn how to be financially literate in the outside world. This does not mean that it would have to be delivered in isolation or even as a separate subject. In fact, this Bill envisages it being delivered through existing areas of the school curriculum such as mathematics and the LNF, and forthcoming changes such as the mathematics numeracy GCSE. The Welsh Government may also consider the extent to which financial education is most effectively delivered on a cross-curricular basis.

102. There is no need to 're-invent the wheel' on what is meant by financial education. The Welsh Government's guidance document, *Financial education for 7 to 19 year olds,* published in 2011, which sets out existing opportunities within the curriculum, states that financial education aims to ensure that learners are financially capable, which can be divided into three overlapping and interrelated themes:

- Financial knowledge and understanding – This means having knowledge and understanding of the nature of money and insight into its functions and uses.

- Financial skills and competence – This means being able to apply knowledge and understanding of financial matters across a range of contexts in order to deal with day-to-day money management issues and to begin thinking about planning for the future.

- Financial responsibility – This means being aware that money and financial decisions are closely linked to value judgements and that they can impact, not only on the decision-maker, but also on their family and community.

103. This Bill envisages that the existing guidance on financial education be updated to include recent developments such as the LNF and enhanced to support schools in complying with the new formal statutory requirement. This guidance, which could be in the form of a non-statutory framework similar to those in place for PSE and Careers and the world of work, could set out some core competencies or skills that are central to financial literacy, which would be the most crucial parts of what schools should teach their pupils.

104. These core competencies or skills might include topics such as interest rates, borrowing and debt, budgeting, household expenditure, although the Bill does not seek to prescribe in primary legislation what these should be. Whilst schools

would retain ultimate flexibility in methods and means of delivery, the non-statutory guidance could distinguish between such core competencies and skills, and other opportunities that schools could offer pupils.

105. As with any curriculum, it will be important to ensure the way financial concepts are taught is appropriate to the age of the learner. A broad and flexible understanding of financial education is therefore needed. Introducing more advanced topics such as compound interest, VAT and taxation, or payment protection insurance would not be appropriate at too early an age, although simple example methods of saving money in a 'piggy bank', basic use of coins, or spreading a week's lunch money over five days may indeed be suitable.

106. There would be a need for sufficient training and continuing professional development (CPD) arrangements to be in place for education practitioners and teachers to deliver on the statutory requirement. The introduction of the LNF was accompanied by a National Support Programme to assist schools with implementation, which should have included an element of financial issues due to their inclusion in the numeracy components. The Bill envisages that the Welsh Government would ensure that the right support is available to accompany the guidance to schools on delivery of financial education. Training in this area could build on the training materials that have already been provided by the Welsh Government on its Learning Wales website.

107. It is envisaged that financial issues could be included in Initial Teacher Training so that teachers are sufficiently skilled and trained by the time they are responsible for delivering it. Other CPD arrangements would need to be in place for teachers already practising and for schools more generally. INSET days could be used for such purposes, although as part of a shift towards less piecemeal and more strategic CPD arrangements for teachers, it is envisaged that the Welsh Government's planned reforms will provide opportunities for such support to be provided for schools in delivering financial education.

108. On 10 June 2014, the Minister for Education and Skills made a Cabinet statement on a national model of professional learning for the school workforce in Wales.[44] The Minister said this represented a 'New Deal' for the school workforce:

> The New Deal I am proposing and the National Model of Professional Learning that will support it is designed to improve the quality of professional practice and build respect for the workforce. It will be shaped by professionals for professionals, and will be aimed squarely at delivering on our national priorities of improving literacy and numeracy and breaking the link between poverty and educational attainment.

109. Under the new arrangements announced by the Minister, teachers will have a new online Professional Learning Profile, which they can draw on to support their career progression and record their professional development journey. The Minister said this new profile will be readily accessible and 'owned' by the

practitioner to act as the passport by which they can evidence and account for their professional learning.

110. The Minister also described in his statement the 'clear' offer to teachers as follows:

> A commitment to high quality professional learning that should be part of the professional experience of every practitioner and which will support career long progression whatever their aspirations. An offer of support grounded on the fundamental principles that now guide every high status profession across Wales - collaborative learning, sharing good practice and engagement with data and research - promoted within schools, facilitated by regional consortia and with effective support from our universities.

111. Responding to questions about the resources that will be in place to support the new model for professional learning, the Minister highlighted how funding will be used more strategically:

> We do have the schools effectiveness grant—£28 million; we have the pupil deprivation grant—£70 million-odd; and we now have Schools Challenge Cymru, which is another £20 million-odd. However, what we do know is that if we are honest with ourselves and take on board the lessons from the OECD, too often, the funding as regards continuing professional development that is tied up in those grants and those streams of funding is distributed through a scattergun approach. It is not focused, it is not planned for, it is not strategic and it is not built into a development programme for the teacher or for the school, hence the new system.[45]

112. Inclusion in the statutory curriculum and a non-statutory framework for implementation would provide for a more coherent and consistent mechanism for financial education to be delivered. This would lead to a stronger and deeper level of coverage of financial skills in the education children and young people receive at school.

113. Section 5 of the Bill requires the Welsh Government to consult with relevant experts when developing curriculum content on financial education. This would ensure the curriculum content, in the envisaged form of a non-statutory framework, is as relevant as possible to real life financial experiences at the same time as updating content to take account of new developments in the financial industry. Recent examples would be mis-selling of payment protection insurance and pay day loans. It would be vital that the framework or guidance available to schools incorporated such changes in what is a rapidly changing sector.

114. The importance of consultation was a common theme that emerged from the consultation exercise, with responses generally stating that stakeholder involvement would be essential in ensuring the appropriate breadth and focus of curriculum content. Use of external resources would add to the expertise and financial education on offer.

115. It is envisaged that the types of organisations and individuals consulted would include those such as young people themselves, schools, further and higher institutions, the financial services industry, housing organisations and the third sector. However, the Bill does not prescribe such consultees and it would be for the Welsh Government to decide who to consult based on the expertise of those consultees.

116. Section 6 of the Bill imposes requirements for the progress of financial education to be reviewed. The Welsh Government will be required to lay an annual report before the Assembly during each financial year which will report on the progress of financial education in maintained schools in Wales in the previous financial year.

117. It will be important to monitor the impact that financial education is having following this legislative change, coupled with the developments in terms of its inclusion within numeracy, and the requirement to review progress is an important way of achieving this.

118. It will be for the Welsh Government to determine how it meets the annual reporting requirement but this could be undertaken by Estyn, in its role as the inspectorate of education and training in Wales. Estyn carried out a thematic report, *Money Matters* in 2011, having being specifically remitted to do so by the Welsh Government and this might be a precedent to follow.

119. In its response to the consultation, Estyn highlighted that the way it carries out inspections has changed under the current inspection cycle and it no longer looks at subjects individually and places more emphasis on skills. A separate thematic report, rather than incorporation into all inspections might emerge as the best way forward for complying with the reporting requirement in the Bill.

120. Section 7 of the Bill places specific obligations on local authorities to ensure that looked after children receive financial education. This reflects local authorities' role as corporate parents to children they care for and looked after children's status as a particularly vulnerable group who are arguably in even greater need of a strong financial education than other children and young people.

121. Whilst the statutory curriculum requirement should ensure all children in school receive financial education, including looked after children, section 7 of the Bill provides an additional safeguard to this vulnerable group. It also recognises that looked after children may be more likely than their counterparts to be educated outside of the school setting and are therefore at greater risk of missing out on curriculum provision in school.

The Bill's proposals in relation to financial inclusion strategies (sections 8 to 10 in the Bill)

122. The Bill makes it a statutory requirement for local authorities to produce a financial inclusion strategy. This strategy must outline how the authority intends to promote the financial inclusion of individuals who live in its area; how it will encourage individuals who live in its area to gain skills in financial literacy and financial management; how the authority will facilitate free access to online financial education and management services; and how it intends to work with other organisations who can promote financial inclusion in its area. Each local authority must consult before producing its strategy; must revise it every five years; and must publish an annual report outlining how it has given effect to that strategy.

123. The Bill aims to strike a balance between ensuring that each local authority in Wales has a strategic plan to address financial inclusion, while allowing flexibility so that each strategy can respond to local circumstances. The requirement to produce an annual report on implementation will ensure that the action that each authority has taken in this respect can be monitored, benchmarked and scrutinised by any interested party.

124. The degree of flexibility also allows local authorities that already have plans or activity in place to address financial inclusion to base their strategies on the work they already undertake in this area. Conversely, the requirement to produce a strategy will ensure that those authorities who do not currently have any such plans will need to revisit issues around financial inclusion with a new strategic focus.

125. The ability of the Welsh Ministers to issue guidance on the making, contents and revising of financial inclusion strategies would enable these matters to be dealt with as part of a local authority's wider strategic planning (e.g. through an area's single integrated plan) if that is deemed appropriate. It will also ensure that action undertaken by local authorities in this field can be aligned with any future Welsh Government action to tackle financial inclusion more widely.

126. It is clearly recognised that local authorities cannot deliver on the financial inclusion agenda on their own, and the requirement in the Bill for them to adopt a strategy is not intended as a panacea that will tackle all issues around financial exclusion in a certain locality. What the Bill does, however, is to recognise the central role that local authorities have in coordinating and delivering various local services in their area. As such, the Bill makes it necessary for them to have a leading and strategic role in ensuring that certain matters relating to financial inclusion and literacy are addressed as local authorities carry out that work.

Current position

127. Under the *Local Government Act 2000*, local authorities have a general power to do anything that may promote or improve the economic and social well-being of their area. Under their duties in the *Local Government (Wales) Measure 2009,* they are also required to identify, along with partners, long-term objectives for improving the economic and social well-being of their area. These objectives in turn form a local authority area's community strategy. Since April 2013, as a result of guidance issued by the Welsh Government[46], these community strategies can be embedded as part of a local authority area's single integrated plan. As introduced, the *Well-being of Future Generations (Wales) Bill* makes further provision that will put the formation of local well-being plans by public services boards on a statutory footing.

128. Despite the above, beyond the existing curriculum provision in schools, there is no statutory duty upon a local authority to do anything that is specifically intended to promote financial inclusion and financial literacy amongst its residents.

129. It is clear that the Welsh Government sees local authorities as a key partner to deliver on its financial inclusion agenda. Its Financial Inclusion Strategy (see paragraph 38 above) stated in 2009:

> Local authorities can make an important contribution to the financial inclusion agenda through their day-to-day contact with excluded individuals and as funders and providers of services. They can also provide a focus that draws together all existing financial inclusion initiatives in their region and shares examples of best practice with other local authorities and partnership organisations. They provide the momentum to drive forward the financial inclusion agenda in their region by encouraging the development of new and existing financial inclusion initiatives and engaging with other key stakeholders through local forums.[47]

130. The Welsh Government's Financial Inclusion Strategy then goes on to highlight some of the practical steps local authorities can take to better promote financial inclusion amongst their citizens. These include the development of 'their own Financial Inclusion Strategy reflecting the needs of their areas and their local population'.

131. However, the Welsh Government's strategy cites a Department of Work and Pensions survey that showed that 52 per cent of respondent UK local authorities did not carry out any financial inclusion activities for their social sector tenants, be it directly or through another organisation. From the Welsh local authorities that responded, only a half said that they provided any kind of financial inclusion support to tenants – with that most often being advice on benefits eligibility.

132. To support the Welsh Government's Financial Inclusion Strategy, a Financial Inclusion Champions project was set up. This is delivered by the Wales Co-operative Centre and aims to influence how organisations, including local

authorities, promote financial inclusion. Originally dependent on funding from outside of Wales, the Welsh Government announced in December 2012 that it would continue to fund the Financial Inclusion Champions project until March 2015.[48]

133. It must be acknowledged that some local authorities already take considerable action to address financial inclusion matters in their areas. For instance, from the consultation exercise undertaken in preparation for this Bill, it was clear that several local authorities have plans, partnerships or projects in place that contribute substantially to this agenda.

134. Notable examples in this respect included the City and County of Swansea, which established a Financial Inclusion Steering Group in 2009. This is a network of public, third and private sector organisations delivering on an action plan based on the Welsh Government's Financial Inclusion Strategy. Denbighshire and Conwy's 'Financial Inclusion Together' project similarly aims to develop, coordinate and promote financial inclusion services within local services board organisations in the area, again under the five themes of the Welsh Government's Financial Inclusion Strategy.

135. In its Financial Inclusion Action Plan in July 2010[49], the Welsh Government stated that it intended to work through its Financial Inclusion Champions to aid 'the development of local financial inclusion strategies'. It said that 12 such strategies had been prepared up to March 2010 but no detail was provided as to which organisations had developed these, or from which sectors they came.

136. Evidence provided to the National Assembly's Communities and Culture Committee in 2010 pointed to some positive work being undertaken by local authorities to promote financial inclusion. However, as can be seen below, there is also a strong case to be made that strategic planning to address this agenda needs to be set down as a requirement in law.

The case for requiring local authorities to prepare a financial inclusion strategy

137. When it produced its Financial Inclusion Strategy, it is clear that the Welsh Government had concerns about the different ways in which different local authorities were taking forward work in this area. The strategy stated:

> Local authorities have the potential to play a huge role in promoting financial inclusion in Wales. Most will already have some policies addressing the various aspects of financial exclusion, such as supporting the development of local credit unions, anti-loan shark activity and providing debt and welfare benefits advice. However, the provision of these services varies throughout Wales and is inconsistent, meaning that some areas benefit more than others.

138. In the 2010 Annual Report on its Financial Inclusion Strategy, the Welsh Government reiterated that local authorities were key to the delivery of its financial inclusion agenda. However, it conceded that the Financial Inclusion Champions had found local authorities 'more time consuming' to engage with

than other organisations, due to their 'multi-dimensional remit and difficulty in relating benefits to departmental objectives'.[50] This is something that the Bill attempts to address.

139. An annex to the 2010 Annual Report referred to the work undertaken by the Financial Inclusion Champions in various local authority areas, with evidence of financial inclusion steering groups, action plans, networks, forums, task and finish groups and partnerships being set up across many authorities. However, it is clear that the degree of local authority intervention varied from area to area, and there are many local authority areas that are not referred to at all in the Annual Report.

140. As already noted in paragraph 45 above, there has been criticism of the Welsh Government's Financial Inclusion Strategy itself, with the Community Housing Cymru Group's Chief Operating Officer telling the Assembly's Communities, Equality and Local Government Committee in October 2012:

> I think it has failed and lacks ambition, and I think this committee, if it is to hold the Government to account, has to be clear about the difference between what is sufficient and what is necessary for genuine change. You are likely to face a tsunami of poverty over the next year or two, with further welfare reforms. Things were bad enough in Wales before the credit crunch. We know about the massive amount of financial exclusion that exists in Wales, with over 200,000 people borrowing from illegal lenders or doorstep lenders before the credit crunch. There is a lot of talk from a lot of areas, but not enough action.[51]

141. With the Welsh Government's Financial Inclusion Strategy placing such explicit emphasis on the importance of local authorities in this agenda, it must be questioned whether there is sufficient direction for all local authorities to take strategic action on this issue.

142. In 2010, the National Assembly's Communities and Culture Committee's report on Financial Inclusion and the Impact of Financial Education[52] highlighted the fact that witnesses to its inquiry had suggested that local authorities should have the lead responsibility for coordinating the provision of financial education in their areas. It was pointed out by witnesses that the need to cater for the needs of different communities meant that it made sense for local government rather than central government to coordinate financial inclusion activity.

143. The Welsh Local Government Association's submission to the Committee inquiry likewise emphasised the 'clear benefits to supporting financial inclusion work for a local authority',[53] as financially excluded individuals were more likely to be become homeless or to need support services or care.

144. Despite this, witnesses to the inquiry referred to a lack of coordination of local financial inclusion services; to the fact that the action that local authorities should take on this agenda was unclear under the Welsh Government's Financial Inclusion Strategy; to the subsequent need for more strategic guidance and

direction; to the dependence on goodwill and persuasion for local authorities to progress this work; and to the tendency to 'piggyback' financial inclusion matters onto other areas of activity.

145. While welcoming the efforts made by a 'significant number of local authorities to address financial inclusion', the Communities and Culture Committee's eventual report stated that it was 'concerned by other evidence… which suggests that other local authorities have not been engaged in this work'.[54]

146. Although it did not recommend that local authorities should be required under statute to produce financial inclusion strategies, the report did state that the Welsh Government should do more to engage with local authorities to highlight the crosscutting value of addressing financial inclusion as part of their work. In its response to the report, the Welsh Government conceded:

> We would though like to see a greater strategic commitment from local authorities and will work with the Champions to pursue this.[55]

147. It is questionable whether that strategic commitment has materialised in all Welsh local authorities. For instance, only nine of the 22 local authorities responded to the consultation that was undertaken in preparation for this Bill, and there was no response from the Welsh Local Government Association. This suggests that directly addressing financial inclusion matters is not high on all local authorities' lists of strategic priorities.

148. Furthermore, in preparing for the Bill, all 22 local authorities were contacted asking for information as to whether they had a financial inclusion strategy and what its costs were. Only 11 local authorities responded, and only one of those said that it was developing a financial inclusion strategy. Four of the authorities said that they were undertaking financial inclusion activity through alternative strategies, while six provided no information on this.

149. It should also be noted that circumstances have changed considerably since the Communities and Culture Committee produced its report in 2010. Welfare reform, the proposals for Universal Credit and the growth of payday lenders have all contributed to changing the financial landscape in which people live. This has accentuated the need for people to be more financially literate. As Shelter Cymru told the Assembly's Communities, Equality and Local Government Committee in October 2012:

> Issues of financial inclusion and financial education have always been important but … the current economic environment and changes to welfare benefits have made those issues even more important … They have created new layers of complexity and change that will challenge many people in terms of understanding the implications of those changes and somehow trying to deal with the consequent reductions in income they will face. Therefore, it is now even more important that people get a grasp of what is out there, what is available and how they can navigate these very difficult times.[56]

150. In the above context, Shelter Cymru talked about the need to 'embed not just financial education and information, but a range of other things, into the culture of service delivery in Wales'.[57]

151. In its own evidence to the Communities, Equality and Local Government Committee in 2012, the Wales Co-operative Centre referred to past and future changes in the financial landscape that means that organisations 'cannot take a light-touch approach' on the financial inclusion agenda.[58]

152. It can be argued that the role of local authorities in helping citizens with financial inclusion issues – a role so prominently highlighted by the Welsh Government in its own Financial Inclusion Strategy – is now more crucial than ever. It is for that reason that this Bill seeks to make it a requirement in law for each local authority to produce a strategy outlining how it will support its citizens in this regard.

What the Bill does and why

153. Section 8(1) of the Bill requires each local authority to produce a financial inclusion strategy. The overall purpose of this is to ensure that every local authority in Wales has a strategic plan outlining what steps it intends to take to promote the financial inclusion and literacy of its residents.

154. In the consultation exercise undertaken in preparation for this Bill, there was considerable support for this proposal. For instance, the Wales Co-operative Centre pointed out that local authorities needed help to tackle financial inclusion in a strategic way and to integrate financial inclusion into service delivery. The Community Housing Group Cymru also pointed out that housing associations in the past were delivering on their financial inclusion agenda, but developed formal strategies to review internal mechanisms and formalise arrangements with the voluntary sector and other partners. It was suggested that this helped to provide greater clarity in delivering an effective financial inclusion programme – something that could also become true of the work of local authorities in this area if that work is based on a formal strategy.

155. Section 8(3) of the Bill states that a local authority's strategy must be revised every five years. The purpose of this requirement is to ensure that all such strategies can take account of changed circumstances and developments in the financial landscape in which people live.

156. Taking into account responses to the consultation exercise that highlighted the importance of the links between local authorities and other organisations and agencies involved in financial inclusion work, section 8(2) requires local authorities to consult with appropriate persons, including the third sector, before producing their strategies. This will ensure that local organisations working in this field will be able to have an input as to what the strategy should contain.

157. Section 9 of the Bill then outlines what each local authority's financial inclusion strategy must contain. The approach taken in section 9 attempts to strike a balance between ensuring that all local authorities have a strategic plan in place to address specific matters relating to financial inclusion and literacy, while enabling a degree of flexibility so that each strategy can respond adequately to local circumstances.

158. This approach has been based on some of the comments received during the consultation exercise undertaken in preparation for this Bill. For instance, the Wales Co-operative Centre in its response said that, when working with local authorities through its Financial Inclusion Champions project, it had not imposed a single approach as it preferred to work with the local dynamics to ensure sustainability. The Money Charity similarly said that local authorities should have the flexibility to tailor their strategies to specific circumstances.

159. Comments were received during the consultation exercise that advocated the establishment of Corporate Financial Inclusion Standards for Wales. While this option has clear merits, several respondents to the consultation reiterated the need for local authorities to have flexibility to address financial exclusion in their areas according to local need.

160. Therefore, the main purpose of the provisions in section 9(1) of the Bill are to ensure that local authorities set out how they will promote the financial inclusion of residents and encourage individuals to gain skills in financial literacy. How exactly they do this will be up to authorities themselves, but it is intended that the requirement to produce a strategy will ensure that this is done with focus and purpose, aligned to clearly set-out actions.

161. Section 9(1)(b) states that this should include helping citizens to understand the implications and effects of street-trading and cold calling, to ensure for instance that authorities take steps to help citizens from being targeted by scams, payday loan companies and illegal lenders.

162. Indeed, it was originally intended for the Bill to legislate with the aim of prohibiting the practice of cold calling within certain areas in Wales. As this could fall outside the National Assembly's legislative competence, this has not been included on the face of the Bill. However, local authorities can take steps to prevent cold calling in their areas, as demonstrated by the Office of Fair Trading's guidance on the legality of establishing No Cold Calling Zones[59] and by funding provided by the Welsh Government towards this.[60] As such, it remains that each local authority's financial inclusion strategy could outline what steps the authority intends to take with regard to preventing cold calling (particularly through the establishment of No Cold Calling Zones) and to raising awareness of the issue within their areas.

163. Similarly, it was also initially envisaged that the Bill would enable local authorities to take action to address issues such as the proliferation of betting shops on certain high-streets. Given the issues around competence, there is instead a requirement in section 9(1)(b) for local authorities to set out in their financial inclusion strategies how they will encourage people to understand the adverse impact that gambling can have on their financial circumstances.

164. The provision in section 9(1)(c) relates to local authorities setting out in their financial inclusion strategies how they intend to encourage individuals to gain appropriate skills in financial management, including an understanding of the services of credit unions. The actions that a local authority could take in this respect could include steps to promote credit unions to citizens and engage with credit unions.

165. Section 9(1)(d) sets out that a financial inclusion strategy should further outline how a local authority intends to facilitate free access to online financial education and financial management services (whether through libraries or otherwise). The purpose of this provision is to ensure that free access to the internet is available to all residents in a local authority area should they need it, especially since the introduction of Universal Credit will require claimants to have online access.

166. It was pointed out during the consultation exercise that promoting financial inclusion requires joint working between organisations, due to the cross-cutting themes it involves. The Community Housing Cymru Group suggested that by adopting a coherent financial inclusion strategy, it would help local authorities to address the current disconnect between wider anti-poverty initiatives and the financial inclusion agenda. It said that this would lead to more joined-up services and to better partnership working between local authorities and the third sector.

167. This reflected comments that emphasised that local authorities' work within the financial inclusion agenda is reliant on their engagement with external advice, support agencies and strategic partners. Links between local authorities and such external organisations were therefore said to be vital for any financial inclusion strategy to be effective.

168. Taking into account these comments, section 9(1)(e) of the Bill states that each financial inclusion strategy must set out how the local authority intends to collaborate with other organisations in its area that promote financial inclusion.

169. Finally with regard to section 9 of the Bill, there are provisions in sections 9(2) and 9(3) enabling the Welsh Ministers to amend by order what each local authority's financial inclusion strategy should contain. The purpose of these provisions is to provide flexibility should the financial landscape change in future years, and should this need to be reflected in the work that local authorities must undertake in this area.

170. In this context, when producing their financial inclusion strategies, local authorities should also be encouraged to share good practice and take guidance from sources such as the Welsh Government's current Financial Inclusion Strategy. This outlines several practical steps that local authorities can take to improve their financial inclusion work[61], and can be used as guidance when the first strategies are being drawn up.

171. Respondents to the consultation exercise pointed out that if local authorities are required to publish a financial inclusion strategy, there should be some sort of reporting and oversight mechanism so that meaningful progress could be tracked and so that those responsible for delivering the strategy could be held to account. Certain respondents cautioned against increasing bureaucratic burdens on local authorities in this respect. While the Bill's intention is not to place unnecessary duties on local authorities, without some sort of reporting mechanism there would be a risk that an authority's financial inclusion strategy could remain unimplemented, and outcomes untracked.

172. As such, in developing the Bill, consideration was given to adopting an outcome based approach. Once a local authority has adopted a financial inclusion strategy, section 8(4) includes a requirement for each local authority to publish a report in each financial year setting out how it implemented its financial inclusion strategy in the previous year.

173. This report should outline, against each of the benchmarks set out in section 9(1), what the local authority has done in the previous year to deliver on those actions and what outcomes this has led to. The report can clearly contain references to any additional work related to this agenda that an authority has undertaken as well.

174. This approach aims to make clear that the purpose of each financial inclusion strategy is to produce outcomes, rather than to merely list the problems that the strategy attempts to address. These outcomes should be set out in each annual report, and the Bill as such provides a mechanism for statutory post-legislative scrutiny of the authority's financial inclusion work every year.

175. The remaining provisions relating to financial inclusion strategies are set out in section 10 of the Bill, which enable the Welsh Ministers to issue guidance about each local authority's financial inclusion strategy. Potentially, this could include guidance on both their contents and the way in which they are produced, revised and reported on.

176. The provisions relating to guidance in section 10 are intended to take into account submissions to the consultation exercise in which respondents were supportive of the principle of local authorities being required to produce a financial inclusion strategy, but believed that having a specific, stand-alone document was not the best way of going about this. Rather, it was suggested

that work in this area needed to be incorporated as part of a local authority's wider strategic priorities, possibly under each local authority area's single integrated plan

177. As such, the power has been included in section 10 of the Bill enabling the Welsh Government to issue guidance on the way in which local authorities can meet the duty to produce their financial inclusion strategy. For instance, this could in theory enable local authorities to meet the duty in the Bill in the same way as the duty to produce similar strategies and or plans in other pieces of legislation can currently be met under the *Shared Purpose, Shared Delivery* guidance.[62] If that is deemed most appropriate, this provision would also enable guidance to be issued on the nature of the reporting arrangements as well.

178. This provision in section 10 will further enable links to be made, if appropriate, with any future action undertaken by the Welsh Government itself to promote financial inclusion.

179. As the Open University said in its response to the consultation exercise, the resourcing of the delivery of a financial inclusion strategy by local authorities should not be too onerous due to the existence of other agencies and organisations that would be able to support it. The main purpose of the strategy would be to ensure that work in this area is coordinated at a strategic level in terms of the work that a local authority undertakes.

180. Furthermore, some authorities already take considerable action in promoting financial inclusion. The approach taken in this Bill should ensure that those authorities that are already proactive in addressing financial inclusion issues (be it through a formal strategy or not) should be able to meet the statutory duty without it being an overly bureaucratic burden. Conversely, the Bill will ensure that those local authorities that do not afford sufficient strategic focus to this area of work will be required to address this.

The Bill's proposals in relation to advice about financial management (sections 11 to 13 in the Bill)

181. Similar to section 7, section 11 of the Bill reflects local authorities' role as corporate parents for looked after children. It requires local authorities to ensure that young people, to whom they previously had a responsibility to look after, receive appropriate advice about financial services and financial management.

182. Under section 103 of the *Social Services and Well-being (Wales) Act 2014*, local authorities have a duty to 'befriend, advise and assist' a person they formerly looked after, with a view to promoting their well-being. Section 11 of this Bill effectively extends this to include provision of advice about financial issues, in order to improve the person's financial capability. In time, this will build on the financial education they have already received as part of their journey through school, with the additional safeguard provided by section 7,

and assist their financial decision-making as adults. In the short-term, where formerly looked after children have not received this financial education at school, provision of advice and support to them is arguably even more important.

183. Targeting support specifically at former looked after children recognises that they can be particularly susceptible to falling into financial difficulties.[i] It is also in accordance with the specific role and duties of local authorities as corporate parents. It would clearly be desirable to reach other vulnerable groups, also at risk of experiencing debt and money problems, although the Bill should maintain a clear focus on the areas most relevant to local authorities.

184. The Bill defines those to whom local authorities would have such duties as categories 1, 2 or 3 young persons, as defined by the Social Services and Well-being (Wales) Act 2014. These are explained in the following three paragraphs.

185. A category 1 young person is a child or young person aged 16 or 17, who is being looked after by a local authority and who has been looked after by a local authority (in Wales or England) for a period specified in regulations which began after he or she reached an age specified in regulations and ended after the child had reached the age of 16.

186. A category 2 young person is a child or young person who is no longer looked after by a local authority (in Wales or England) but who used to be a category 1 child and who is aged 16 or 17.

187. A category 3 young person is a young person who is aged 18 or over and who used to be a category 2 person and would continue to be so if he or she were under the age of 18; or was being looked after by a local authority when he or she reached the age of 18, and, immediately before ceasing to be looked after, was a category 1 young person.

188. The Bill requires local authorities to arrange for 'appropriate' advice to be given and it will be for them to judge the necessary level of intervention with young people they formerly looked after. In many cases, this may involve providing information, advice and support on a one-off basis at a suitable time. However, in other cases local authorities may use the role this section of the Bill gives them to make deeper interventions.

189. Section 12 of the Bill then requires local authorities to include on its website information about where citizens can obtain advice about financial management. It must also provide that information on request, and may provide it if it thinks the advice is not reasonably available otherwise.

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[i] For more discussion of this issue, see Consumer Focus Wales, *From care to where: how young people cope financially after care*, March 2011.

190. In practice, this provision is an extension of the steps a local authority must take under its duties under sections 8 and 9 to produce a financial inclusion strategy, and to encourage individuals to gain skills in financial literacy and management. In meeting this duty, and particularly the duties in sections 8(2) and 9(1)(e) to consult and to work with other organisations, it is anticipated that local authorities will already have identified local advice and support organisations working within the financial inclusion field. Signposting individuals to those organisations should be a relatively straightforward but effective step that they can take.

191. A further justification for the provision in section 12 can be found in comments made by Shelter Cymru to the Assembly's Communities, Equality and Local Government Committee in October 2012[63]. As Shelter Cymru pointed out in relation to the quality of financial inclusion advice services:

> There is a proliferation of services, or even just people sometimes, who provide that kind of information and advice, and, as we all know, bad advice is worse than no advice at all in some circumstances. Our service often has to pick up the pieces and deal with the repercussions of other people's poor advice when we are dealing with people who have got into crisis situations.

192. Providing a specific signposting role to local authorities in respect of such advice will ensure that citizens can be confident that the advice that they are accessing is of good quality.

193. Section 13 of the Bill requires local authorities to take reasonable steps to ensure that universities and further education corporations in their area provide information about financial management to students. This is an important part of the Bill as these are often the ages when young people become responsible for their own finances for the first time and need to use their 'independent living' skills.

194. The need for this part of the Bill was highlighted by statistics in the Money Advice Service's November 2013 report on indebtedness[64]. This showed that there were one million over-indebted students in the UK, but despite this, they mostly did not recognise any need to engage with debt advice. The report showed that almost three-quarters of this group are behind with credit commitments, but 78 per cent of over indebted students were not currently getting, or thinking about getting, advice in the near future.

195. Initially, the aspiration was to introduce more far-reaching arrangements for the provision of support and advice on financial literacy within further and higher education institutions. However, the Bill has sought to remain consistent with the direction of travel of the Welsh Government and recent legislation in this area. The *Further and Higher Education (Governance and Information) (Wales) Act 2014* loosened Ministerial controls over further education institutions in order to achieve a re-classification for accounting purposes by the

Office for National Statistics (ONS) of the sector from government to non-profit making institutions serving households (NPISH). As a consequence, the Bill does not seek to intervene in the direct operations of such institutions and does not place new requirements on them.

196. However, universities and colleges clearly have care and welfare obligations to their students and, in many cases, already provide services aimed at improving students' financial literacy. Students are often financially stretched and face difficult choices about budgeting and handling money. Young people living away from home for the first time, for example, are arguably particularly susceptible and would benefit from advice and support.

197. In preparing this Bill, therefore, there is a strong motivation to include some provision and safeguards that will reach students. It would be a missed opportunity if the Bill was to secure the provision of financial education to children and young people from age 7 but subsequently make no intervention in respect of young adults of post-compulsory school age when this is the time when applying financial literacy and capability to real life becomes essential.

198. Giving local authorities the responsibility for working with their further and higher education partners complements their wider role in promoting financial inclusion, provided for in other sections of the Bill. A more financially literate population is a healthier population in all senses, and responsible and effective financial decision-making by students in their areas, and consequently the welfare of those students, will contribute towards achieving this.

199. Whilst not included on the face of the Bill, it is envisaged that local authorities will use opportunities such as those provided by their role in assessing eligibility for student support of higher education applicants, to offer information, guidance and signposting on advice on financial issues. The scale of debt, conditional on future ability to re-pay, taken on by students in funding university tuition makes this even more relevant. Advice on financial decision-making would be timely for young people who are applying for university, considering how they will finance their studies, and generally looking ahead to a new period in their lives, often away from their parental home and experiencing a significantly higher degree of financial independence. This is something local authorities may decide is appropriate under their financial inclusion strategies.

Commencement provisions (section 14 in the Bill)

200. It would not be appropriate for the Bill to come into force immediately following Royal Assent, as a lead-in time would be beneficial in order for local authorities and schools to prepare for the changes the Bill introduces. In addition, some provisions will need to come into force later than others. For instance, it would not make logical sense for the Welsh Ministers to be required to report on progress before the teaching of financial education has had some

time to bed down. Therefore, the annual reporting requirement in section 6 will need to come into force some time after the provisions in sections 4 and 5.

201. The Member in charge of the Bill is content to leave commencement to the Welsh Ministers in order to ensure flexibility and consistency with other Welsh Government policies and priorities in this area.

202. However, the Bill does include a ‘sunrise’ provision (section 14(3)). This provides that any parts of the Bill which remain uncommenced on 1 January 2018 will come into force automatically on that date. This will give the Welsh Ministers sufficient time to implement the Bill, but will act as a safeguard to ensure that the Bill does come into effect in due course.

4. Consultation

203. A considerable amount of consultation has been undertaken by Bethan Jenkins in advance of introducing this Bill. This has included both work by the National Assembly's Outreach Team and a formal consultation paper. There is therefore a strong evidence base of support and need for this Bill. The feedback received has also shaped and influenced its content and several aspects have particularly been taken on board.

Summer 2013 surveys

204. During the summer of 2013, the National Assembly's Outreach Team conducted research on the pre-ballot information proposals. This followed Bethan Jenkins' success in the ballot of July 2013 and the consultation focused on her plans for legislation, as generally set out at the pre-ballot stage. Two surveys were undertaken with the general public and pupils of secondary school age respectively.

205. Responses from the general public showed strong support for new legislation to enhance financial education and inclusion in Wales:

- Of 279 respondents, 97 per cent thought that the proposals were a good or excellent idea;
- When asked for additional ideas, most wanted all aspects of financial education incorporated into the curriculum;
- When asked how good financial practice should be promoted, the leading answer was 'promotion through schools / universities / adult education', with 131 respondents agreeing with this.

206. Feedback from the young people themselves also evidenced the need for greater coverage of financial issues in schools:

- Of 195 secondary school age respondents, 77 per cent felt they did not have enough education to manage their money effectively;
- When asked if they had enough information and understanding of the financial system to manage their money sensibly and effectively, 67 per cent said that they did not;
- 63 per cent said they understood costs they will face in the future and how they will place pressures on monthly budgeting;
- When asked about the best way of teaching effective money management and promoting responsible financial habits, the leading answer was 'having lessons in school with guest speakers from the financial industry'.

Spring 2014 surveys

207. Additional engagement work with further detail on the proposals envisaged for the Bill was undertaken by the National Assembly's Outreach Team in March and April 2014. This coincided with the publication of a consultation paper on the planned content for the Bill and survey questions closely related to the proposals for legislation. The results of this exercise also demonstrated strong support for including financial education in the statutory curriculum and more involvement for local authorities in promoting financial inclusion.

208. As in summer 2013, two surveys were undertaken. One of these was aimed at engaging with young people of secondary school age, gathering 226 responses, whilst a second was aimed at the public generally, to which there were 228 responses.

209. The main points arising from the 226 responses from young people were:

- 65 per cent agreed that the Welsh Government and local authorities should ensure financial education is taught at school;
- 67 per cent said they wanted to learn more about topics such as tax, loans and debt avoidance;
- 71 per cent felt that receiving financial education at school would better prepare them to make good financial decisions when they were older;
- 61 per cent of the young people did not agree that financial education should be taught at school from Key Stage 2 onwards[ii];
- 84 per cent believed that internet access should be free in libraries;
- 78 per cent believed that local authorities should have a greater role in helping people manage their money responsibly and promoting financial inclusion.

210. The main points arising from the 228 responses received from the general public were:

- 93 per cent agreed legislation should require financial education is delivered from Key Stage 2 onwards;

[ii] The possible contradiction between this result and the same sample's general support for financial education is discussed at paragraph 225. It may reflect a view that age 7 is too young to teach financial education rather than a general opposition to it being part of the school curriculum.

- 96 per cent believed including financial education in the curriculum would better prepare young people for the challenges and decisions they will face as adults;

- 96 per cent agreed that the Welsh Government should be required to consult relevant stakeholders and experts when developing curriculum content on financial education;

- 63 per cent thought schools should have flexibility in how they deliver the requirement for financial education, while 23 per cent disagreed and 14 per cent did not have a view;

- 89 per cent supported the idea of local authorities having a financial inclusion strategy;

- 94 per cent believed universities and further education institutions should be required to provide their students with support that encourages effective money management.

Engagement and meetings held by the Member in charge

211. As the Member in charge of the Bill, Bethan Jenkins has also met or spoken with a number of organisations and stakeholders to discuss her proposals, which has informed and influenced the preparation of the Bill. These include the following:

- Local authorities
- Consumer Futures
- NUT Cymru
- Money Advice Service
- National Financial Inclusion Champion for Wales
- Trading standards authorities
- MoneyLine Cymru
- Credit unions
- Community Housing Cymru
- Age Cymru
- Action for Children
- Shelter Cymru
- Go Compare
- MyBnk
- Personal Finance Education Group
- Illegal Money lending Unit
- Barclays Money Skills
- Colegau Cymru
- Principality
- Citizens Advice Bureaux

- Estyn
- Scottish Qualifications Authority
- Professor Graham Donaldson
- The Money Charity
- MoneySavingExpert
- Agored Cymru
- Association of School and College Leaders (ASCL) Cymru
- Housing associations
- Teachers
- Members of the public

Formal consultation

212. A consultation paper[65] was published by Bethan Jenkins on 17 March 2014 and subject to a six week consultation period until Monday 28 April. Responses[66] were received from 27 organisations, including a range of education, local government and community stakeholders, comprising the following:

- SNAP Cymru
- NUT Cymru
- Community Housing Cymru Group
- Funky Dragon
- Llamau
- The Money Charity
- UCAC
- Age Cymru
- Action for Children
- My Bnk
- Wales Co-operative Centre
- Caerphilly CBC
- Citizens Advice Bureaux
- Wrexham CBC
- Open University
- Ceredigion CBC
- City and County of Swansea
- Neath Port Talbot Youth Council for Voluntary Services
- The Money Advice Service
- Shelter Cymru
- Conwy CBC
- Flintshire CBC
- Estyn
- Education Achievement Service for South East Wales
- Carmarthenshire CBC
- Denbighshire CC
- NIACE Dysgu Cymru

213. Responses were generally supportive of the aspirations and objectives of the proposed Bill, as set out in the proposals put out to consultation, and evidenced clear agreement that financial capability is an extremely important issue.

214. The proposals were described as potentially making a significant difference to the financial capability of people in Wales. Financial exclusion was characterised as a product of an inability to access appropriate financial products and making inadvisable choices. The potentially cumulative impact that financial capability interventions could have was highlighted, along with the argument that acquiring and developing financial capability should be seen as an on-going process. This demonstrates the importance of bringing benefits to people through financial education in school and also generally through local authorities' financial inclusion duties.

215. Many of the comments put forward by respondents to the consultation have been incorporated in the above section that sets out the purpose and intended effect of the legislation. Some of the other notable comments put forward are summarised below.

Financial education

216. Arguments in support of including financial education in the statutory curriculum included the importance of learning skills and responsibilities that are needed when getting older; general benefits on well-being that come with effective money management; its role in breaking the cycle of financial exclusion and helping avoid or reduce negative issues of debt and inadequate saving behaviour; and in order to make existent provision more consistent and address many of the barriers identified by Estyn in its 2011 report *Money Matters*.

217. Financial capability and effective money management was seen as an essential life skill by several respondents, which could be further passed on and proliferated. For example, this was framed by one respondent in the context of 'independent living skills'.

218. There was general agreement that money management and financial matters are highly relevant to what young people should be learning in school, although a number of respondents felt this is already being delivered. Most of these simply noted this and did not necessarily question the need for an additional statutory requirement.

219. Amongst those who cited existing elements of the curriculum, numeracy, mathematics and PSE were identified as the areas of current provision. The relatively recent introduction of the Literacy and Numeracy Framework (LNF) was a common observation.

220. The extent to which financial education is already incorporated into elements of the existing curriculum is an important consideration and one which has been

carefully considered in bringing this Bill forward. Introducing the formal inclusion of financial education in the statutory curriculum, as a result of the Bill's amendment to section 101 of the *Education Act 2002*, consolidates and builds upon developments such as the LNF and the forthcoming new numeracy GCSE. Importantly, it provides a safeguard for the future in terms of the position of financial education within the curriculum. It should also overcome inconsistency, variation and the unsatisfactory nature of the current position where many young people are currently not receiving adequate financial education in schools.

221. To a considerable extent, it was felt by consultation respondents, that this proposal should be considered as part of, or at least closely linked with, the on-going curriculum and assessment review that the Welsh Government has commissioned Professor Graham Donaldson to carry out. Under such logic, the decision needs to be placed in the wider context of new approaches to the curriculum in Wales and what should be statutory. This is an important point which has been fully considered and Bethan Jenkins has met with Professor Donaldson to explore how financial education could be considered as part of his review.

222. However, despite the Communities and Culture Committee's 2010 report, it is significant that financial education was omitted from the list of previous recommendations and reviews which the Welsh Government asked Professor Donaldson to consider. At present therefore, it is unclear how financial education may be advanced through this avenue.

223. Finding space in an already crowded curriculum and placing additional burdens on schools and teachers was a concern for some respondents and this view has been taken on board in preparing the Bill. There will be a need for sufficient training and continuing professional development (CPD) to be provided to schools to enable them to deliver financial education. However, to a certain extent, this should already be in place given aspects of financial education are already mandatory. Furthermore, the statutory requirement established by the Bill will reinforce and strengthen existing provision and is not about introducing a wholly new, separate subject.

224. The age at which it is proposed the statutory requirement to deliver financial education commences – start of Key Stage 2 (Year 3 / age 7) – was also raised by several respondents. Several consultees felt that attitudes towards money and financial management had already formed prior to this age and would support financial education starting earlier. This has been considered and whilst it would be beneficial for children to learn about basic financial and money management concepts as soon as possible, requiring this in legislation is arguably unnecessary for ages lower than 7. Under the 'Manage Money' element of the LNF, children have opportunities to learn about use of coins from Reception

year, and in practice, it is expected such opportunities would continue to be used.

225. Furthermore, the views in favour of starting statutory financial education below the age of 7 have been balanced against evidence from young people that age 7 was at least early enough. The result that 61 per cent of young people did not agree that financial education should be taught in school from Key Stage 2 onwards was surprising, not least because 65 per cent of the same sample said they supported the Welsh Government and local authorities ensuring that financial education is taught at school. This possibly reflects a view that age 7 is considered too young and has been weighed up against the other arguments that early interventions that are appropriate to the age level are particularly important. The conclusion reached is that the start of Key Stage 2 is the best level at which to commence the statutory requirement.

226. The consultation showed strong support for the duty imposed by the Bill on the Welsh Ministers to consult relevant stakeholders and experts when developing curriculum content on financial education. This reinforces the decision to make this requirement explicit within the legislation.

227. Responses proved extremely useful in suggesting the types of organisations who should be consulted and this has informed the development of the Bill and this Explanatory Memorandum, even if primary legislation is not the right place for this to be prescribed. The Welsh Government may find it useful to review these suggestions when undertaking consultation.

228. There were mixed views on the need for the reporting requirement that is contained in section 6 of the Bill. Section 6 requires the Welsh Ministers to lay before the Assembly, within each financial year, a report on the progress of financial education in maintained schools in Wales. Whilst support in the consultation rested on the importance of ensuring financial education remained a political and strategic priority and needed oversight and monitoring, other views were that this would be bureaucratic and constitute a quite different arrangement from other parts of the curriculum.

229. These views have been carefully considered in preparing the Bill, although the greatest weight has been given to arguments that the introduction of financial education would benefit from close monitoring, at least in the early years whilst it is still being embedded. The Bill therefore requires an annual report, as it will be particularly important to ensure progress is regularly reviewed, and in order to provide certainty on when such reports are expected.

230. Substantial consideration was given to Estyn's consultation response, which advised that the Common Inspection Framework for 2010-2016 has moved away from inspecting subjects individually with a new emphasis on skills. Estyn has increased its use of thematic reports as remitted annually by the Welsh

Government, and in 2011 published a thematic report on financial education, *Money Matters*, which has influenced the development of this Bill. It is envisaged the Welsh Government may choose to explore this option for complying with the reporting duty in section 6. However, the Bill does not prescribe how exactly this should be done and it will be for the Welsh Government, potentially together with Estyn, to determine how this is most effectively fulfilled.

Financial inclusion strategies

231. The responses to the proposals in the Bill relating to local authorities being required to produce financial inclusion strategies can be split between those who directly supported it, and those who were supportive of the principle but believed that there were more effective ways of achieving the aims. The latter included those who believed such a strategy could be better delivered as part of a local authority's wider strategic planning (i.e. through a local authority area's single integrated plan), rather than as a stand-alone document. These comments have been taken into account by including within the Bill a power for the Welsh Ministers to issue guidance about financial inclusion strategies, which can include the way in which they are produced and revised.

232. Others advocated the establishment of Corporate Financial Inclusion Standards for Wales, instead of imposing the burden on local authorities of developing more strategic documentation. However, comments were also received on the need for local authorities to retain flexibility in producing their strategies, so that local needs and circumstances could be taken into account. It can be argued that a requirement to produce a financial inclusion strategy would ensure a greater degree of local flexibility than the imposition of more prescriptive corporate standards that must be met. The way in which the requirements for the contents of each financial inclusion strategy have been framed also provide local authorities with the ability to adopt further measures to take action in this area if that is deemed appropriate, without being confined to what is set out on the face of the Bill.

233. A common theme that many respondents referred to was the need to refer to the importance of partnership and collaborative working within any financial inclusion strategy. Some respondents felt that there was a lack of recognition in the consultation document as to local authorities' reliance on engagement with external advice, support agencies and strategic partners in this respect. It was stressed that much of a local authority's work to support financial inclusion and literacy would be delivered by external partners, and therefore reference to links with the advice sector was deemed to be crucial. This has been taken into account in sections 8(2) and 9(1)(e) of the Bill.

234. A point stressed by many was the fact that those using online facilities in libraries were likely to be the most vulnerable and financially and digitally excluded. Many pointed out that the roll-out of Universal Credit will increase people's reliance on web-based services, which is particularly pertinent in this

context since the Department for Work and Pensions is promoting libraries as the first option for Universal Credit claimants who do not have access to ICT. It was also pointed out that free-to-use digital services is an important access point to enable digitally excluded people to get access to information about money and financial products. This has been taken into account in section 9(1)(d) of the Bill.

235. If local authorities are required to prepare a financial inclusion strategy, some respondents highlighted the need for a supplementary action plan. Many also believed that there should be some form of reporting and oversight so that meaningful progress could be tracked. Others cautioned about the difficulty of measuring and evaluating financial inclusion interventions, because of a lack of an absolute definition of financial inclusion which could be used to measure against and the fact that local authorities would be heavily reliant on partner organisations to deliver on any strategy. However, on reflection, the need for a reporting mechanism was considered crucial in order for implementation and outcomes to be tracked, and this is why the Bill requires each authority to publish a report on the action it has taken in respect of its financial inclusion strategy in each financial year.

236. On the ability of the Welsh Ministers to issue guidance with regard to any financial inclusion strategy, most of those who responded believed that guidance would either be helpful or essential in order to ensure compliance with the Bill.

Advice about financial management

237. Many responses to the consultation supported the proposal behind section 11, which gives local authorities an additional duty to arrange for former looked after children to receive appropriate advice about financial service and financial management. Recognising that looked after children are a particularly vulnerable group, respondents observed that they are more likely to lack basic numeracy and literacy skills and that the lack of familial support meant they do not have the same financial, emotional and practical support as others.

238. Reference was made to recommendations by Consumer Focus Wales[67] from 2011 that local authorities should support looked after children in their journey towards a financially capable adulthood.

239. It was questioned why local authorities would only have a duty from section 11 to looked after children and why other vulnerable groups were not included. This is an argument not without merit although the reason for the Bill's specific reference to former looked after children rests on local authorities' unique role as a corporate parent to such children. Furthermore, the obligations elsewhere in the Bill on local authorities to have a strategy for financial inclusion will reach their populations as a whole, along with section 12 in respect of provision of information and advice more generally.

240. Most respondents supported the proposal in the consultation document for local authorities to be required to provide advice about financial management. The Community Housing Cymru Group said that many local authorities were providing debt advice, but that signs of financial mismanagement could be identified before situations reached crisis point (such as during council tax, social care and housing enquiries). As such, officers should be trained to identify and signpost those people to the relevant support. Carmarthenshire County Council similarly supported this proposal, saying that issues such as homelessness and debt were often intrinsically linked to issues around financial literacy and inclusion. As local authorities are the initial point of contact in this context, it said that local authorities had an important opportunity to ensure citizens gained access to any additional support necessary at that stage.

241. However, a constant message from respondents in this context was the need for cooperation between local authorities and existing advice providers. The Community Housing Cymru Group said that local authorities should partner with other organisations who are able to provide this advice, rather than developing their own advice services. The Money Charity said that a duty for local authorities to signpost and support access to advice would be sufficient, and that it would not be necessary for local authorities to deliver this advice themselves. The Wales Cooperative Centre pointed out that it has a website for those who need basic guidance on money matters and that this brings together useful tools and sources, so local authorities could point customers and staff to this site for information. Carmarthenshire County Council said that it would like to see this proposal complemented by work to improve coordination and linkages with external advice and support providers. These comments were taken into account and used to inform the current provision in section 12 of the Bill.

242. It was generally felt very appropriate and necessary for further and higher education institutions to have a role in improving financial capability among their students. For the reasons given in paragraph 195 there are limits to the ways in which this Bill can direct further and higher institutions over their operations without jeopardising the ONS classification of the sector and going against the direction of travel taken by the *Further and Higher Education (Governance and Information) (Wales) Act 2014*. The preparation of the Bill has been informed and reassured by the extent to which consultees felt providing advice and information about financial management to further education (FE) and higher education (HE) students was important.

243. Arguments centred on the observation that participation in FE, and particularly HE, is often the first time young people take individual responsibility for their own financial affairs. It is also arguably therefore one of the most important periods of their lives in terms of financial decision-making.

244. The potential for local authorities to use their administrative role in processing eligibility assessments and applications for student support to provide information and signposting services on effective financial management has directly arisen from the consultation responses. Such an example demonstrates the worth of early consultation and the valuable role it has played in shaping this particular Bill.

Financial implications

245. The consultation did not yield any specific estimates of what the financial impact of the Bill would be. Feedback from local authorities in terms of the impact of delivery of financial education in schools would depend on how changes to the curriculum and guidance would differ to changes in the pipeline from the Welsh Government's current work. There was no evidence from the third sector or other organisations that may be impacted upon by the Bill to say that there would be additional costs to their organisations.

5. Power to make subordinate legislation

246. The Bill makes two provisions for subordinate legislation.

247. Section 9(2) confers power on the Welsh Ministers to amend the list of factors to be taken into account by a local authority in setting its financial inclusion strategy. This provision is included to ensure that the requirements of the strategy can be updated, from time-to-time, to meet changing needs and circumstances without the need for primary legislation. Any order made by the Welsh Ministers will be made by "affirmative procedure". This is considered appropriate as it will amend an Assembly Act.

248. Section 14 is the commencement provision. Commencement Orders are not usually subject to National Assembly scrutiny because they do not change the state of the law, they merely bring into force the law already made by the National Assembly. This is the case here. However, there is provision for commencement orders to make incidental, consequential, or transitional provisions. In that event, it is felt appropriate to give the National Assembly the opportunity of scrutinising those provisions. Therefore, any Commencement Order which includes incidental, consequential, or transitional provisions will be subject to scrutiny by way of the "negative procedure". All such instruments are scrutinised by the National Assembly's Constitutional and Legislative Affairs Committee and may be annulled by the National Assembly.

6. Territorial application

249. The Bill applies to Wales only.

7. Cross-border issues

250. There are no cross-border issues.

Part 2: Regulatory Impact Assessment

251. This Regulatory Impact Assessment (RIA) considers the options available in respect of the main provisions within the Bill and analyses how far each of these would meet Bethan Jenkins' policy objectives. In doing so, it considers the associated risks, costs and benefits of each option.

252. The RIA also explores some unintended consequences and includes equality considerations, including a Children's Rights Impact Assessment.

8. Options

Option 1: Do nothing

253. One option is to do nothing and continue with the present arrangements, in terms of financial education and the wider activities of local authorities.

254. Under such a scenario, elements of financial education would continue to be delivered under mathematics, the Literacy and Numeracy Framework (LNF) (up to Year 9), PSE and potentially through the new numeracy GCSE from September 2015. Advantages of this option would be that there would be no disruption to existing curriculum arrangements and no additional costs.

255. The main disadvantage is that the current arrangements are unsatisfactory as there is insufficient clarity over the status of financial education within the curriculum and variation and inconsistency in whether pupils receive it. Evidence cited and arguments made throughout the Explanatory Memorandum indicate there is an urgent need to improve the financial skills of young people, and the wider population, in Wales, not least due to on-going financial adversity for individuals.

256. This is also true in the context of the activities of local authorities in this area. It is unclear at present how many local authorities actually have strategic plans in place to address issues around financial inclusion. As can be seen in the Explanatory Memorandum, there is also an argument that the drive provided to this agenda by the Welsh Government is not having a tangible impact due to local authorities not being obliged to take any action in this area.

257. The result of doing nothing would be that there would be no need for local authorities to take any additional steps beyond what they currently do to help citizens with financial inclusion and financial literacy issues. Some of the statistics provided at the beginning of the Explanatory Memorandum clearly highlight many people's need for that assistance, and local authorities are ideally placed to coordinate that work on a local level.

258. Current levels of financial capability in Wales and the tendency of many people to make ill-informed and ill-advised choices mean that maintenance of the status quo is not a reasonable option. In addition, it would not achieve the Bill's policy objectives.

Option 2: Non-legislative action

259. Another option would be for the Welsh Government to take further non-legislative action to promote and encourage financial education and the promotion of financial inclusion through clear statements of policy and guidance.

260. In an education context, this could be expected to achieve some progress in improving financial education on offer to children and young people in Wales and would show a clear message of intent from the Welsh Government.

261. However, this would not go far enough and be insufficient in bringing the certainty and guarantee of financial education that is needed in Wales. Financial education needs a strong legal foundation to ensure it is securely built into the school curriculum long into the future. It must not be allowed to be lost amidst competing priorities or become occasional, depending on the government of the time and whether economic conditions are seen as necessitating it.

262. The experience of other non-statutory experiments such as the Skills Framework introduced in 2008 has shown that if areas of school provision are not backed by a legal requirement they are neglected in favour of other statutory parts of the curriculum. This was highlighted by Estyn in 2011.[68] Whilst this Bill is not proposing that the content of a financial education framework would be statutory, the requirement to provide financial education itself would be. Option 2 would not guarantee this and is therefore not sufficient to achieve the policy objectives of this Bill.

263. With regard to the wider activities of local authorities, it can be argued that the Welsh Government has already taken a step similar to the one set out under this option in producing its Financial Inclusion Strategy in 2009. This Strategy underlined a key role for local authorities in promoting financial inclusion in their areas, as well as a list of specific practical actions that they can take, but it is clear that not all local authorities are taking these steps.

264. A further policy statement and guidance for local authorities on promoting financial inclusion – without including any statutory duty to comply – would most likely lead to the same result and would not achieve the Bill's policy aims of making a difference to the way people get help to make financial choices.

Option 3: Introduce legislation on financial education and inclusion (preferred option)

265. This option is the only one that would achieve the policy objectives of the Bill.

266. In terms of education, it would ensure all pupils in maintained schools in Wales receive financial education and therefore improve their prospects for being financially literate and able to take the best financial decisions for their own circumstances.

267. The strong foundation and certainty over its place in the school curriculum would mean that financial education is actually provided to children and young people in Wales and complement existing policy moves in this direction. It would also be completely compatible with the Welsh Government's aspirations for a more financially inclusive Wales and the direction of travel in many other countries, particularly within the OECD.

268. Intervening through the curriculum has the potential to be a particularly constructive way of furthering financial inclusion in Wales, as summarised by the OECD recently:

> ...effective practices and results of existing programmes' evaluation show that including financial education in the formal school curriculum is one of the most efficient and fair ways to reach a whole generation on a broad scale. In addition, since the curriculum spans several years and can start as early as kindergarten, it is a unique means to inculcate and nurture a sound financial culture and behaviours amongst future adults. This is especially important since parents are unequally equipped to transmit to their children sound financial habits. Besides, as demonstrated in other related education fields (such as health), young people are potentially good disseminators of new habits in the rest of the population.[69]

269. In terms of local authorities promoting financial inclusion and providing information and advice to citizens, introducing legislation is the only option that can ensure that this will take place. The Bill will ensure that local authorities have a strategic plan to promote financial inclusion and the authority must report yearly on how it has done this, ensuring as such that implementation is monitored. The Bill will also ensure local authorities have made arrangements to provide necessary advice to those requiring it. Legislating will ensure that all local authorities across Wales have a duty to take action in this area, which should in turn help achieve the Bill's general objective of enabling more people become more financially capable.

270. Option 3 is therefore the preferred option and the way forward set out by the Bill.

9. Estimate of costs and benefits – Option 3 (the preferred option)

271. The costs are summarised by organisation / sector in Table 1 on page 68.

272. The Welsh Government has been approached for costs estimates in these areas, although at the time of preparing this RIA these have not been provided. It is hoped that, as the Bill progresses, the figures detailed in this section can be informed and updated by the Welsh Government's estimate of the financial impact of this Bill.

The Bill's proposals in relation to financial education (sections 4 to 7 in the Bill)

273. The costs relating to the implementation of this Bill are minor when looking at the bigger picture in terms of the number of children at school and the costs of current education provision:

- There are around 300,000 children aged 7 to 15 currently in schools in Wales;
- Total expenditure delegated to schools in Wales is over £2 billion annually;
- The Welsh Government's Final Budget 2014-15 included an allocation of over £120 million under the Curriculum Action.

Curriculum guidance and consultation

274. The Bill makes it a statutory requirement for financial education to be delivered as part of the school curriculum. Guidance on how schools should provide financial education would not be the same as for a national curriculum subject but similar to other statutory elements of the school curriculum such as personal and social education (PSE). It is envisaged that the Welsh Government would publish a non-statutory framework, as with PSE, giving clear guidance on what is expected to be covered. This could include a distinction between core competencies that are needed to be financially literate and other more flexible opportunities that could be offered to pupils.

275. The statutory requirement for maintained schools to deliver financial education would not be completely new or contrary to developments that have already taken place and recent moves by the Welsh Government in this area. It is therefore very much intended that establishing financial education within the statutory curriculum will formalise a lot of what is happening already and build upon this so that provision to young people is enhanced and more consistent.

276. The Welsh Government plans to introduce a new, second, mathematics GCSE in numeracy in Wales from September 2015. The numeracy GCSE will be designed to build on the levels of numeracy expected under the Literacy and

Numeracy Framework (LNF) and the Welsh Government has also said that it will include financial literacy.

277. The Welsh Government is currently undertaking a curriculum and assessment review in two phases. The Welsh Government has stated in correspondence to Bethan Jenkins that the place of financial literacy within the curriculum will be considered as part of this review, although as yet there are no details of how this may be included. It is intended that the introduction of the statutory requirement for financial education should inform the work and outcome of the review, so that overall changes are made in a holistic manner.

278. Information on opportunities for teaching financial education within the curriculum are already brought together in the Welsh Government's guidance document for schools and colleges, *Financial education for 7 to 19 year olds in Wales*.[70] Published in 2011, the guidance is aimed at governing bodies, senior management teams and practitioners / teachers to help them plan and deliver financial education.

279. This Bill envisages that the existing guidance on financial education be updated to include recent developments such as the LNF and enhanced to support schools in complying with the new formal statutory requirement. This guidance, which could be in the form of a non-statutory framework similar to those in place for PSE and Careers and the world of work, could set out some core competencies or skills that are central to financial literacy, which would be the most crucial parts of what schools should teach their pupils.

280. The Welsh Government would need to consult on developing the curriculum. The Bill does not prescribe who should be consulted, although it is envisaged that such a consultation would need to include relevant experts and key stakeholders, including young people.

281. It is difficult to estimate what additional costs would be against the status quo position. The status quo position is changing and therefore any additional costs will be dependent on the outcome of the Welsh Government's on-going curriculum and assessment review and how these would differ from the policy intention of proposals within this Bill.

282. The Welsh Government has been approached directly for estimates of what the financial impact of the proposals in this Bill would be and further details are awaited. In the absence of a response from the Welsh Government, the best estimates of costs with the information currently available are outlined in paragraphs 284 to 288. The following estimates can be updated at a later stage.

283. It would be expected that changes to the curriculum could be integrated into on-going work the Welsh Government is undertaking and that any new guidance

would be able to consolidate and build on the resources that are already available. This would minimise the costs of implementation of the Bill.

284. In the absence of a response from the Welsh Government, the following four paragraphs are of note.

285. The Explanatory Memorandum for the *National Curriculum (Educational Programmes for the Foundation Phase and Programmes of Study for the Second and Third Key Stages) Wales Order 2013*, produced by the Welsh Government, gave an estimate of the one-off cost of the development and publication of the National Literacy and Numeracy Framework itself of around £400,000.[71] The scope of this work was far in excess of that envisaged by the Bill as it 'adds additional educational programmes for the language, literacy and communication skills and mathematical development areas of learning in the foundation phase. It also adds additional programmes of study for English, Welsh and mathematics in the second and third key stages'.

286. The University of Glasgow undertook a project to develop an innovative, coherentand engaging curriculum for the education of 5-15 year olds in Scotland, across science, technology, engineering and mathematics. For this it was to receive £78,000 funding.

287. In England, Innovators in Mathematics Education received £178,000 funding over two years, towards a new mathematics curriculum for GCSE which is more relevant to pupils' real experiences.

288. Therefore, as the scope of the changes envisaged in this Bill is less broad than the examples above, until more detail can be provided from the Welsh Government, the best estimate would be that costs for the Welsh Government in this context should not be above **£175,000**.

Implementing the curriculum requirement

289. At present, financial education and use of money are included within the mathematics national curriculum, the statutory Literacy and Numeracy Framework (LNF), and the non-statutory Personal and Social Education framework. The non-statutory Careers and the world of work framework for 11 to 19 year olds includes provision for entrepreneurialism but not financial capability.

290. The mathematics curriculum also states that at Key Stage 4, 'learners consolidate their knowledge and understanding … enabling them to solve problems in a variety of contexts … particularly the management of personal finances'.[72] However, how this is delivered is not specified.

291. The delivery of the LNF is a statutory requirement on schools in Wales and was introduced in September 2013. A number of expectations of learner abilities

are set at each year from Reception to Year 9. From September 2014, teachers will be required to assess pupils against these expectations on an annual basis.

292. One of the strands of the numeracy components within the LNF is 'Using number skills' and within this strand there is an element called 'Manage money'. By the end of Year 9, pupils are expected to understand the risks involved in different ways of saving and investing as well as the importance of insurance.

293. All local authorities have been directly contacted to ask them to produce estimates of the cost of implementing the requirement for financial literacy to be part of the national curriculum. However, local authorities in general were unable to estimate the impact of this requirement of the Bill, stating that the implications would depend on what was included within the curriculum and guidance around its implementation.

294. Some arrangements are already in place for assisting schools and teachers in delivering financial education. Examples of some of the resources available are set out below.

295. The Welsh Government has published on its Learning Wales website training materials for teachers and education practitioners on how financial education can be delivered within current provision. It is envisaged that these could form the basis for any additional training that is required by this Bill.

296. A number of authorities highlighted the resources already available and already in use. For example, Pembrokeshire County Council stated that 'there is a great deal of existing resource that can be developed such as the Money Advice Service and Dynamo which schools will already have be using'.

297. There would be a need for sufficient training and continuing professional development (CPD) arrangements to be in place for education practitioners and teachers to deliver on the statutory requirement. The introduction of the LNF was accompanied by a National Support Programme to assist schools with implementation, which should have included an element of financial issues due to their inclusion in the numeracy components. The Bill envisages that the Welsh Government would ensure that the right support is available to accompany the guidance to schools on delivery of financial education. Training in this area could build on the training materials that have already been provided by the Welsh Government on its Learning Wales website.

298. It is envisaged that financial issues could be included in Initial Teacher Training so that teachers are sufficiently skilled and trained by the time they are responsible for delivering it. Other CPD arrangements would need to be in place for teachers already practising and for schools more generally. INSET days could be used for such purposes, although as part of a shift towards less piecemeal and more strategic CPD arrangements for teachers, it is envisaged that the

Welsh Government's planned reforms will provide opportunities for such support to be provided for schools in delivering financial education.

299. On 10 June 2014, the Minister for Education and Skills made a Cabinet statement on a national model of professional learning for the school workforce in Wales.[73] The Minister said this represented a 'New Deal' for the school workforce. Under the new arrangements announced by the Minister, teachers will have a new online Professional Learning Profile, which they can draw on to support their career progression and record their professional development journey. Responding to questions about the resources that will be in place to support the new model for professional learning, the Minister highlighted how funding will be used more strategically.[74]

300. The availability of the resources stated above and the fact that schools are already providing financial education, although not consistently across Wales, and the reworking of the guidance and curriculum that the Welsh Government is already undertaking does mean that the financial impact of implementing this Bill will be reduced. The main costs for local authorities will be around training, planning and implementing the curriculum.

301. To get a rough idea of some of the costs that could be involved in terms of implementing the curriculum direct contact was made with one local authority, which had provided costings, with a relatively high proportion of areas of deprivation. This authority provided rough estimates in terms of the costs of delivering five hours of tuition as part of the curriculum during a single year of a child's education, made up of the annual teaching cost and cost of materials and training and also the sorts of costs that would fall in the first year following implementation.

302. To provide a broad estimate of how such costs could be applied to an all-Wales context, it has been assumed that costs per pupil are common for each of the 300,000 pupils in Wales aged 7 to 15.

303. Using the findings obtained from that one local authority, the total estimated cost for local authorities in Wales arrived at from such an exercise is **£3.4 million annually and £1.1 million one-off costs**.

304. The outcome of the Welsh Government’s on-going review of curriculum and assessment should provide a clearer picture of costs and inform subsequent guidance that would follow the implementation of this Bill.

305. More detailed work should be undertaken before the Bill were to be implemented, taking into account the emerging outcomes from the work of the Welsh Government around changing the existing curriculum and what the impact of changes to the curriculum and guidance specific to this Bill would be. The Bill envisages that the Welsh Government would ensure that the right

support is available to accompany the guidance to schools on the delivery of financial education.

Local authority monitoring of the curriculum requirement

306. It was also estimated that the local authority would require a monitoring and evaluation officer who would be responsible for advising on course content, advice and support along with monitoring, evaluation compliance, quality assurance and other duties around such a role. The cost of such a role including any travel and other costs was estimated at around £40,000 per local authority, which would not include the cost of providing direct advice, support and delivery of course content. The cost of an officer in each of the local authorities would be **£880,000** each year (22 * £40,000). However, this is an upper estimate and in reality it is expected costs would be considerably lower than this. There may be scope for such a post to be shared between local authorities on a collaborative basis from the outset, in line with the current arrangements for joint working through the four regional consortia in Wales and the role of system leaders which includes curriculum intervention and support.

Monitoring and reporting on financial education

307. It will be important to monitor the impact that financial education is having following this legislative change, coupled with the developments in terms of its inclusion within numeracy, and the requirement to review progress is an important way of achieving this.

308. Section 6 of the Bill imposes requirements for the progress of financial education to be reviewed. The Welsh Government will be required to lay an annual report before the Assembly during each financial year which will report on the progress of financial education in maintained schools in Wales in the previous financial year.

309. It will be for the Welsh Government to determine how it meets the annual reporting requirement but this might be undertaken by Estyn. Estyn were contacted for their view on what the impact of providing this would be. Two options were explored, one of which would involve annual inspection and one an annual thematic report.

Annual report and including in Estyn inspections:

310. It is difficult to pinpoint the exact cost of the inspection of financial literacy education. However, in preparation for this Estyn estimate that they would need to develop supplementary guidance for inspectors and update sector handbooks and toolkits. This would take approximately 20 days or £8,000 (estimate provided by Estyn).

311. If inspectors were required to inspect financial literacy education, training would be required for HMI and additional and peer inspectors. This would

include one hour from a five hour annual training programme for external schools inspectors and an hour for internal training to HMI (estimate provided by Estyn). There are in the region of 900 external contractors in Wales and each would need an hour of additional training about inspecting financial literacy. Estyn estimates that the cost would be around £30,000. In addition, internal training for 60 inspectors / secondees would is estimated to cost £12,300.

312. The total one-off costs for Estyn in this context are estimated to be **£50,300**.

313. During inspection, if inspectors were required to report on financial education, they would need to spend at least two hours during inspection scrutinising relevant documentation and pupils' work and an hour meeting relevant staff. This in practice would require an additional half day added to the inspection 'footprint'. Estyn would need to amend their guidance to inspectors so that they ask relevant questions to pupils during other activities such as listening to learners.

314. This additional work would cover around 140 inspector days per annum. However, if inspectors where required to travel to a school, this would add an additional one day of travel time per inspector, taking the total up to 350 inspector days. Overall, it would be around two HMIs or **£160,000** including on-costs annually (estimate provided by Estyn).

315. This is the preferred option, although discussions continue with Estyn on the merits of the provision being met through a thematic report.

Annual thematic report:

316. Another option that was considered in terms of monitoring the progress in terms of implementing the curriculum was the requirement for a thematic report to be produced every year.

317. Evidence from Estyn stated that the cost of producing the *Money Matters* report was around £40,000. This includes the time of the HMI who wrote the report, work programme time for additional team members to visit schools and time for the first editor and second editor to review the report. This figure also includes the travel and subsistence costs for HMI while visiting the schools.

318. Therefore, it is estimated that the cost of Estyn providing an annual thematic report would be **£40,000** each year.

Looked after children

319. Section 7 of the Bill places specific obligations on local authorities to ensure that looked after children receive financial education.

320. Information from local authorities suggests the requirements to provide financial education to looked after children of school age will be provided through existing service provision. Therefore, the additional costs of providing financial education to looked after children, other than as part of curriculum costs in schools, will be minimal.

The Bill's proposals in relation to financial inclusion strategies (sections 8 to 10 in the Bill)

The cost to local authorities of producing a financial inclusion strategy

321. The Bill makes it a statutory requirement for local authorities to produce a financial inclusion strategy. There is also a requirement to consult on this strategy and produce an annual report.

322. Many local authorities can and do contribute significantly to the financial inclusion agenda. However, their role in this respect could be strengthened and consolidated. Evidence provided by local authorities showed that many have some form of financial inclusion strategy. However, not many of these authorities will necessarily have a fully integrated and mainstreamed multi-service strategy.

323. Forming a multi-agency strategy would involve staff input from a number of local authority departments and external service providers. There would be a cost attached to this dependent on whether a current strategy is in place and how much this strategy would need to be adapted to satisfy the legislation.

324. The formation of a strategy would identify existing work, and ensure that there is good communication between people who are delivering services. Therefore feedback from authorities is that apart from the administration costs the impact of the Bill would be cost neutral.

325. The amount of input required to set up a strategy would depend on circumstances within local authorities. The following indicative estimates are based on discussions held with the City and County of Swansea Council, which has a fully operational strategy.

326. The setting up of a financial inclusion strategy would require a series of meetings between local authority staff and providers. This has been assumed to be on average five local authority staff (to cover areas such as social inclusion, Communities First, housing, environment and trading standards) and around ten providers, voluntary sector or other organisations (numbers would be higher in some authorities and lower in others). These meetings would need to take place on a monthly to six weekly basis over six months and would take up half a day including preparation.

327. It is assumed that 14 local authorities (approximately two-thirds) will need to set up such a strategy as a result of the Bill.

328. On-going meetings would be likely to be quarterly and take around a quarter of a day. Costs are shown for all 22 authorities.

329. Wrexham County Borough Council has stated in response to a request for costings that the cost of a community development officer is £31,630 including on costs.

330. Costs in the first year: set up over 6 months: 5 meetings ½ a day for 5 staff = 12.5 days * 14 LAs * £31,630 / 220 working days = £25,160. One week to write up and agree 5 days * 14 * 31, 630 / 220 working days = £10,064. This amounts to an estimated cost to local authorities of **£35,224** in the first year.

331. Costs in subsequent years: 4 meetings ¼ of a day for 5 staff =5 days * 22 LAs * £31,630 / 220 working days = **£15,815**.

332. The Bill does not stipulate any specific requirements in terms of implementation or enforcement of the strategy, so no such costs are included in the RIA (see paragraphs 338 to 340) for costs of local authorities' annual reporting requirement.

333. Section 9(1)(d) sets out that a financial inclusion strategy should further outline how a local authority intends to facilitate free access to online financial education and management services (whether through libraries or otherwise). No costs have been included in the Bill in terms of the requirement for free access relating to libraries, as no local authorities in Wales currently charge for the use of the internet in libraries.

Impact of a financial inclusion strategy on other organisations and the third sector:

334. In terms of the costs of setting up a financial inclusion strategy, it is assumed that on average local authorities would include ten external organisations to feed into the formation and then there would be on-going meetings around their financial inclusion strategy. If similar salary costs to local authorities are assumed, then combined costs for these organisations would be double that for local authorities where it is assumed five staff are involved.

335. These organisations will not necessarily all be in the third sector; included in the organisations stated here would be providers such as the police force.

336. Costs in the first year: set up over 6 months: 5 meetings ½ a day for 10 staff = 25 days * 14 LAs * £31,630 / 220 working days = **£50,320.**

337. Costs in subsequent years: 4 meetings ¼ of a day for 10 staff =10 days * 22 LAs * £31,630 / 220 working days = **£31,630.**

The cost to a local authority of producing an annual report on a financial inclusion strategy

338. In terms of the requirement to produce an annual report, local authorities stated that they estimated that such a report would take officer time equivalent to one week to be drafted and processed through their system. Taking the estimate from Wrexham County Borough Council that the cost of a community development officer is £31,630 including on costs, an overall estimate of the annual cost for all authorities on this basis would be:

339. 5 days * 22 local authorities * £31,630 / 220 working days = **£15,815.**

340. Nothing is included in terms of costs of producing guidance or enforcement around this requirement as this is not a requirement of the Bill.

The Bill's proposals in relation to advice about financial management (sections 11 to 13 of the Bill

Former looked after children (section 11)

341. Under Section 103 of the *Social Services and Well-being (Wales) Act 2014*, local authorities have a duty to 'befriend, advise and assist' a person they formerly looked after, with a view to promoting their well-being. Section 11 of this Bill effectively extends this to include provision of advice about financial issues, in order to improve the person's financial capability. In time, this will build on the financial education they have already received as part of their journey through school, with the additional safeguard provided by section 7, and assist their financial decision-making as adults.

342. Local authorities already support and monitor the destination of care leavers aged up to 21 and whether any further costs are incurred does depend upon what information was required as part of the monitoring. Any changes to reporting requirements would impact on IT systems and any changes would need to be linked to the outcomes framework outlined within the new *Social Services and Well-being (Wales) Act 2014*. It is not envisaged that the Bill will cause additional reporting requirements or would be out of line with the outcomes framework within the 2014 Act.

343. Support is generally provided for former looked after children up to 21 through leaving social care workers, which would include financial inclusion advice. In terms of making information available on local authority websites or providing signposting the impact of this is covered in the section on signposting advice (paragraphs 348 to 350). There has been no evidence suggesting this will cause additional costs for local authorities.

344. Evidence from local authorities responding to a direct request for information relating to the impact of the Bill suggested that local authorities are likely to retain contact with care leavers over 21 years old if they are vulnerable or have continuing needs, so it is not anticipated that the Bill will add extra costs for this group.

345. It was raised by one authority that potential costs could arise if, for example, the third sector were commissioned to deliver courses or workshops. Running such courses in rural areas would also add additional costs due to transport costs. However, it is not envisaged that additional courses or one-to-one tuition would be required due to this Bill.

346. The Bill requires local authorities to arrange for 'appropriate' advice to be given and it will for them to judge the necessary level of intervention with young people they formerly looked after. In many cases, this may involve providing information, advice and support on a one-off basis at a suitable time. However, in other cases local authorities may exercise the role this section of the Bill gives them to make deeper interventions.

347. Whilst local authorities provided no evidence to suggest that there would be cost implications relating to implementing sections of the Bill relating to looked after children, the Bill provides an important additional safeguard to existing legislation to ensure a consistent service would be provided to all looked after children.

Information about sources of advice (section 12)

348. Section 12 of the Bill requires local authorities to include on their websites information about where citizens can obtain advice about financial management. The development of signposting on the web and publishing information and advice can be interlinked.

349. Pembrokeshire County Council provided an example of its current signposting service on the web. It has been assumed that the cost of providing a leaflet and simple signposting service on the web, for those authorities that do not already have these resources, would take a day per year to design and maintain. Some of the authorities would already have such resources in place and there would be opportunities for collaboration between authorities or a central template to be provided to keep costs to a minimum. It has been assumed that a common approach and shared resources would mean that local authorities would need to produce such resources from scratch and over the five years for which estimates have been provided this would average at one day input a year.

350. 1 day * 22 local authorities * £31,630 / 220 working days = **£3,163** per year.

Advice and information for students (section 13)

351. The impact of this Bill on further and higher education institutions as a result of the Bill will be minimal. It is likely that those institutions that do not have a signposting service would be encouraged to have such a resource on their website. Paragraph 349 gives a day estimate for providing a leaflet and simple signposting on the web. For a simple web signposting service on the web we have assumed 14 days input a year, spread across the 28 further and higher education institutions in Wales.

352. 1/2 day * 28 further and higher education institutions * £31,630 / 220 working days = * **£2,013** per year.

353. Section 13 of the Bill requires local authorities to take reasonable steps to ensure that universities and further education corporations in their area provide information about financial management to students.

354. Whilst not included on the face of the Bill, it is envisaged that local authorities use opportunities such as those provided by their role in assessing eligibility for student support of higher education applicants to offer information, guidance and signposting on advice on financial issues.

355. Costs of a leaflet that can be sent to all student loan applicants as part of existing correspondence have been estimated on the basis of an A3 double sided folded leaflet of 170gsm quality. The number of leaflets required has been calculated by taking the latest number of Welsh domiciled higher education undergraduate students enrolling in 2012/13, adding 10 per cent and rounding up the number per authority to 1,000, 2,000, 5,000 or 10,000 dependent on the number in each local authority that year.

356. In 2012-13 there were 39,575 first year enrolments, during the year, of Welsh domiciled students at UK higher education institutions.

357. Using these estimates for each local authority, costs have been attributed using a web search of printing costs. For example, in 2012/13 there were 1,845 Welsh domiciled undergraduate first year enrolments in Bridgend County Borough Council area. Adding in a proportion of the 121 students whose local authority is unknown and 10 per cent extra to give leeway for growth, this totals 2,036 students. The number of leaflets estimated to be needed is rounded up to 5,000 to fit in with the cost bandings in paragraph 355, so costs have been estimated at £319 + VAT for Bridgend County Borough Council area. The total cost for all authorities under these assumptions would be **£6,598** per year. It should be noted that design costs are included in the signposting to advice section.

Demand for services - impact on other organisations including the third sector

358. The Welsh Government provides financial support for front-line advice services in Wales, including advice and support about money management. In addition to its *Better Advice: Better Lives* scheme in partnership with the Citizens Advice Bureau, the Welsh Government announced in April 2014 an annual £1 million grants scheme for independent not-for profit organisations providing advice to people across Wales.[75] However, the Welsh Government's Advice Services Review[76] in March 2013 identified a likely increase in those requiring specialist welfare benefit, debt and housing advice, as well as money advice, as a result of welfare reform. In this context, the Bill seeks to ensure that local authorities build the necessary links with those advice services and are able to signpost citizens in the most appropriate direction.

359. The third sector is seeing an increase in demand to cope with the impact of welfare reform and economic conditions in recent years. This Bill is seeking to ensure that provision is more joined up. Therefore the impact of the Bill in terms of additional costs to such organisations is going to be limited. People with a better financial education are less likely to need the services of the third sector. If people are coming for advice at an earlier stage they are likely to need far less in terms of advice and assistance than somebody who comes for assistance while in severe financial difficulties.

360. Evidence provided in the consultation responses from third sector bodies did not highlight additional costs for the third sector.

Table 1 Costs relating to requirements of the Bill £

ANNUAL COSTS £	Curriculum guidance and consultation	Implementing curriculum requirement	Local authority of curriculum monitoring	Estyn annual report and part of inspections	Estyn - annual thematic report	Local authority strategy	Local authority annual report	Local authority advice signposting	Advice and information for students	TOTAL - Part of Estyn inspections	TOTAL - Estyn thematic report only
Local authorities		3,418,932	880,000			15,815	15,815	3,163	6,598	4,340,323	4,340,323
Estyn				160,000	40,000					160,000	40,000
Further and HE									2,013	2,013	2,013
Other						31,630				31,630	31,630
Welsh Government										0	0
										4,533,966	**4,413,966**
NON-RECURRING £											
Local authorities		1,139,644				35,224				1,174,868	1,174,868
Estyn				50,300						50,300	0
Further and HE										0	0
Other						50,320				50,320	50,320
Welsh Government	175,000									175,000	175,000
										1,450,488	**1,400,188**

Note – The Welsh Government has been approached for costs in relation to how the Bill would impact on it. Rough costs included in relation to the Welsh Government will need to be replaced when these estimates are available.

Table 2 Overall costs over five years following implementation £

This table shows how costs could be expected to fall over the five years following implementation of the Bill. This table assumes that when implemented there will be one year setting curriculum and surrounding guidance and then this will be implemented at the start of the following year. Therefore to reflect the fact that the school year is not in line with the financial year, in year 2 there are two-thirds of the transitional costs and one-third in year 3. The same is true for Estyn costs.

	Year 1	Year 2	Year 3	Year 4	Year 5	**Total £**
Local authorities	76,615	3,960,442	4,720,204	4,340,323	4,340,323	**17,437,907**
Estyn	0	140,200	176,767	160,000	160,000	**636,967**
Further and HE	2,013	2,013	2,013	2,013	2,013	**10,064**
Other	81,950	31,630	31,630	31,630	31,630	**208,470**
Welsh Government	175,000	0	0	0	0	**175,000**
Total	**335,578**	**4,134,285**	**4,930,614**	**4,533,966**	**4,533,966**	**18,468,409**
Estyn report only	0	26,667	40,000	40,000	40,000	**40,000**
Total - report only	**335,578**	**4,020,752**	**4,793,847**	**4,413,966**	**4,413,966**	**17,871,442**

Benefits of financial education

361. The benefits of the implementation of this Bill are likely to far exceed the costs in the long run. There is a wealth of evidence to state that improved financial education leads to both greater financial and well-being benefits.

362. The Centre for Economics and Business Research (CEBR) produced a report for Money Saving Expert suggesting that the total benefits of implementing financial education could benefit the UK by £3.4 billion per year.[77] By applying these benefits to Wales on a population share basis (4.82%), **this would provide total benefits relating to Wales by approximately £162 million per year.** These benefits would be made up of £28.9 million saved in unemployment costs, £86.8 million saved in terms of better retirement savings, £34.5 million in additional tax revenue based on lower insolvency levels and £11.8 million saved by reduced mis-selling to consumers.

363. In terms of the benefits of **enhanced** financial education to individuals, the Scottish Government reports that receiving financial education as a child can result in people being up to £32,000 better off between the ages of 35 and 49.[78] Around 35,000 children in Wales will be aged 7 when the Bill comes into force.

364. The Money Saving Expert's website provides a simple example of how benefits of financial education can be instantaneous stating that:

> That can pay real dividends – a couple of years ago, in an experiment filmed for ITV1's Tonight programme, I was parachuted into a school to see what I could teach a dozen 15-year-olds in a 'Teen Cash Class'.
>
> The results were astonishing. After just one day, the kids went home and saved their parents a combined £6,000. That leads to two obvious conclusions: first, there's a need for financial education in schools; and second, there's a need for financial education of adults too. After all, if their children can save them so much, not everything's right.
> The class worked so well, I was asked to convert the lesson plans into a free guide which I'm pleased to say has now been downloaded by teens, parents and teachers nearly half a million times.[79]

365. The Welsh Government is providing funding of £1 million per financial year for front-line advice services in 2014-15, with indicative allocations for 2015-16 and 2016-17.[80] It also provides £2.2 million annual funding to Citizens Advice Cymru to deliver the *Better Advice, Better Lives* programme.

366. The Welsh Government's Advice Services Review Report, published in March 2013, states that:

> Using Citizens Advice statistics as a representation of advice supply and trends in demand for specialist advice services is estimated that demand will increase without enhanced financial education per year until 2017 as follows:
>
> - Debt advice demand will increase between 8-10%

- The Money Advice Services forecast for demand for money advice in Wales estimates an increase of 23% in 2011 – 2013, continuing the current trend in increase for demand of around 9% per annum.[81]

367. The report also notes that for every £1 spent on debt advice, the state potentially saves £2.98.[82]

368. Research by the Institute for Social and Economic Research at Essex University for the Consumer Financial Education Body looked at adults with high and low financial capability between 1991 and 2006. It found that having high rather than low financial capability in 1991 is associated with higher household incomes in later years, by about £120 per month for men and £60 for women.[83]

369. Raising the financial literacy of the population in Wales will have considerable benefits in terms of reducing the burdens on local authorities and third sector organisations. The impact of people being more educated in managing their finances and being empowered to make more informed choices should lead to local authorities spending less on chasing unpaid council tax, arrears in social housing, re-housing people who become homeless due to unpaid debts, and also less demand on third sector organisations to assist people who are in severe financial difficulty. The Welsh Local Government Association has emphasised the ‘clear business benefits to supporting financial inclusion work for a local authority’, as financially excluded individuals were more likely to be become homeless or to need support services or care (see paragraph 143 of this Explanatory Memorandum).

10. Unintended consequences

370. The intentions and aspirations behind the provisions of this Bill are that people of all ages in Wales will be more financially literate and less likely to make detrimental financial choices. However, any proposed legislation must be mindful of any unintended consequences and risks that outcomes may not be completely as planned. It has therefore been important to consider such issues when developing the Bill.

371. It will be important to ensure that information about certain financial practice is provided appropriately and responsibly to avoid the opposite effect to what is intended; attracting children and young people to products and activities when the intention is to highlight danger and advise caution. It would be extremely regrettable if explaining how a credit card works and can be used led to young people discovering this opportunity for the first time and being more likely to register large credit card debts that were unsustainable. Similarly, if information was being provided about gambling, for example fruit machines or bookmaking, this could have the unintended consequence of stimulating interest in such activity.

372. This unintended consequence is considered to be unlikely and there is no evidence to suggest it is a substantial risk, provided the right guidance is in place about how schools and local authorities should cover such subjects and any content and materials are age-appropriate. It is suggested that financial issues could be included in Initial Teacher Training so that teachers are sufficiently skilled and trained by the time they are responsible for delivering it. Other continuing professional development arrangements would need to be in place for teachers already practising and for schools more generally.

373. It is envisaged that schools and local authorities will make use of external experts and representatives of the financial sector itself. Care will need to be taken that their input is impartial and not seen as promotion of any particular bank or building society's products. This will be particularly important in a further and higher education context when advice is given about the various banking options available to students.

374. This Bill has been produced in a period where local government in Wales is facing severe budgetary pressures and it is likely that local authorities will continue to face austerity for some years. There is a danger that requiring each authority to produce more strategic documentation could divert resources from front line services. However, as emphasised in the Explanatory Memorandum and acknowledged by the Welsh Local Government Association itself (see paragraph 143), there are also compelling financial reasons why having an effective financial inclusion strategy could actually benefit local authorities, especially in the long term. The ability of the Welsh Ministers to issue guidance on the production of financial inclusion strategies would also enable this work to

be undertaken as part of an authority's wider strategic planning if deemed appropriate.

11. Equality considerations

375. In the case of the curriculum requirement for financial education, consideration has been given to any adverse impact on particular ethnic and faith groups, for example should curriculum content be in conflict with their beliefs.

376. This has demonstrated the importance of giving schools flexibility in how they deliver on the requirement for financial education so this can be done in a way suitable to their local and demographic circumstances. For example, a school with a sizeable Muslim population may wish to deliver financial education in a way that takes account of Shariah law, particularly when discussing concepts of borrowing and mortgages. Providing guidance or a framework which is non-statutory and therefore non-binding and flexible would allow for this.

377. When exercising their functions, local authorities must meet their duties under the *Equality Act 2010* to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the *Equality Act 2010*. They must also advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it, and foster good relations between persons who share a relevant protected characteristic and persons who do not share it. These principles will apply when local authorities exercise any functions under this Bill.

378. There are also specific public sector equality duties for local authorities to achieve better performance of the general duty under the *Equality Act 2010*, as mentioned above. These require authorities to publish strategic equality plans and objectives, engage with appropriate people, and assess the impact of policies and practices. In fulfilling their responsibilities under this Bill, local authorities will also adhere to these duties.

379. In fulfilling their responsibilities under this Bill, all local authorities must do so in line with either their current Welsh Language Schemes under the *Welsh Language Act 1993* or any standards that they must conform to under the *Welsh Language (Wales) Measure 2011.*

380. Section 8(2) of the Bill sets out that all local authorities must consult with persons as it thinks appropriate (including organisations that appear to exist wholly mainly to provide benefits for society or the environment) before publishing their financial inclusion strategies. This provision should ensure that consultation and engagement takes place with all relevant groups of people before any financial inclusion strategy is published. This should ensure that each local authority considers the impact of any strategy on those groups before finalising its strategy.

381. There are no other equality considerations that have been identified as arising from the Bill's provisions.

12. Children's Rights Impact Assessment

382. A Children's Rights Impact Assessment (CRIA) is included in Annex A to this document. The CRIA considers the effect of the draft *Financial Education and Inclusion (Wales) Bill* on children in Wales and their rights under the United Nations Convention on the Rights of the Child (UNCRC).

383. The advice and input of the Children's Commissioner for Wales Office has informed the undertaking of the CRIA.

384. In summary, the Bill is considered complementary to the UNCRC and progressive in terms of children's rights. Due regard of the convention and children's rights has been taken during the development of the Bill which has included substantial consultation with children and young people themselves.

13. Post-implementation review

385. The Bill has mechanisms for review of implementation built into it. Section 6 imposes a requirement for the Welsh Ministers to report to the National Assembly about the progress of financial education, whilst section 8(4) requires local authorities to report on how they have implemented their financial inclusion strategies. Both reporting requirements are annual.

386. The Welsh Government may consider it appropriate, as a matter of good practice, to review the overall impact of the legislation in due course, for example five years after Royal Assent. However, this will be for the Welsh Ministers to determine.

387. Section 14 gives the Welsh Ministers power to bring the Act into force, once it has been given Royal Assent. Section 14(3) of the Bill is sometimes described as a "sunrise" clause. It provides that the Act will automatically come into force on 1 January 2018 (if any of it remains unimplemented by the Welsh Ministers as at that date).

Part 3: Explanatory Notes

Section 1: Overview

388. This provides an overview of the Bill's provisions.

Section 2: Interpretation: "financial education" etc

389. This sets out the key definitions which apply to the Bill.

Section 3: Interpretation: "local authority"

390. This defines 'local authority' for the purposes of the Bill.

Section 4: Financial education to be provided in maintained schools

391. This amends section 101 of the *Education Act 2002* ("the 2002 Act").

392. Section 101 of the 2002 Act governs the content of the basic curriculum for maintained schools in Wales. The basic curriculum applies to all pupils aged between 3 years and the end of compulsory education. It imposes requirements on maintained schools as to the teaching of religious education, personal and social education, work-related education and sex education.

393. This amendment will add financial education to the list of subjects to be taught as part of the basic curriculum. The requirement to teach financial education will apply to the second, third and fourth key stages (as defined by section 103 of the 2002 Act).

Section 5: Establishing financial education component of National Curriculum

394. Section 108(3) of the 2002 Act requires the Welsh Ministers to make orders relating to the subjects which are taught at the second, third and fourth key stages. The orders may specify attainment targets, programmes of study and assessment arrangements for those subjects.

395. This section will require the Welsh Ministers to consult, as appropriate with relevant experts, before making an order, under section 108(3), which relates to financial education.

Section 6: Annual Report

396. This requires the Welsh Ministers to lay before the National Assembly, in each financial year, a report on the progress of financial education in maintained schools in Wales in the previous financial year.

397. The Welsh Ministers may, on 3 months' notice, require Estyn to prepare the report.

Section 7: Children looked after by local authority

398. Section 78 of the *Social Services and Well-being (Wales) Act 2014* imposes duties on local authorities about the welfare of children looked after by them. This will add a further duty requiring local authorities to ensure that the children they look after receive appropriate financial education from the age of seven.

Section 8: Local authority to publish strategy

399. This requires local authorities to produce a financial inclusion strategy which must be revised at least once every five years. In every financial year, a local authority must report on how it implemented its strategy in the previous financial year. Before publishing the strategy, a local authority must consult, as appropriate, especially with the third sector.

Section 9: Content of strategy

400. This provides a list of the factors which must be set out in a financial inclusion strategy. The list may be amended, by order, by the Welsh Ministers. An order will only come into force if it has been approved by the National Assembly (affirmative procedure).

Section 10: Guidance

401. The Welsh Ministers may issue guidance about financial inclusion strategies. Local authorities must have regard to any guidance issued.

Section 11: Advice for children looked after by local authorities

402. This provides for local authorities to provide appropriate advice about financial services and financial management to young persons. The provision applies to category 1, 2 and 3 young persons as defined by section 104 of the *Social Services and Well-being (Wales) Act 2014*.

Section 12: Information about sources of advice

403. This requires local authorities to provide, on their website, details of where to find advice about financial management. If a local authority thinks that the advice is not reasonably available, it may provide that advice (but is not required to do so).

Section 13: Advice for students

404. This imposes an obligation on local authorities to take reasonable steps to ensure that universities and further education corporations provide advice to students about financial management.

Section 14: Commencement

405. This gives the Welsh Ministers power to commence the Act by order. The Welsh Ministers may commence different provisions on different days and may

also make incidental, consequential or transitional provisions. In line with standard practice, there is no Assembly procedure for an order which simply commences provisions of the Act. However, any commencement order which includes incidental, consequential or transitional provisions will be subject to annulment by the National Assembly (negative procedure).

406. Further, section 14(4) provides that any provisions of the Act, which are not already in force, will come into force on 1 January 2018.

Section 15: Short title

407. This gives the Act its short title of 'Financial Education and Inclusion (Wales) Act 2014'.

Annex A: Children's Rights Impact Assessment (CRIA)

Introduction

1. This Children's Rights Impact Assessment (CRIA) considers the effect of the draft *Financial Education and Inclusion (Wales) Bill* on children in Wales and their rights under the United Nations Convention on the Rights of the Child (UNCRC).

2. The UNCRC is an international human rights treaty that applies to all children and young people up to the age of 18. It was ratified by the UK in December 1991 and came into force in the UK in January 1992.

3. The Welsh Government adopted the Convention as the basis for policy making for children and young people in Wales in 2004. Children's rights in Wales are further protected by the *Rights of Children and Young Persons (Wales) Measure 2011* which requires Welsh Ministers to have due regard to the substantive rights and obligations within the UNCRC and its optional protocols.

4. CRIAs are a key mechanism for implementing the UNCRC. The Welsh Government has committed to undertaking them as a means of ensuring that due regard is given to children's rights when introducing legislation or exercising Ministerial functions.

5. Whilst these obligations are on Welsh Ministers when bringing forward legislation, it is also important for Private Members' Bills to fully consider the UNCRC and this CRIA has been produced to inform the proposals in the Bill.

The purpose of the Bill and its effect on children

6. The Bill aims to address the situation where many people in Wales are falling into financial difficulty due to a lack of knowledge and skills in managing money. This issue is compounded by a tendency, in this adverse economic climate, for people to turn to high interest, unsustainable borrowing as a route to address their financial problems.

7. The need for the Bill is covered in detail within the Explanatory Memorandum and not all of the arguments put forward are replicated within this CRIA. However, one of the main groups of people which the Bill seeks to benefit are children and young people themselves. The preparation of the Bill has been informed by a need to address the risk of young people in particular falling into financial difficulty due to a lack of information and education.

8. Whilst financial problems and the challenges of money management can affect all ages and sectors of society, it is felt that early adulthood is a particularly high-risk stage in life at which financial education and inclusion interventions are arguably most critical. It is therefore considered that this Bill will be

particularly beneficial for children and young people as they approach this transition point in life.

9. The Bill will provide a legislative footing for financial education in Wales by making it a statutory part of the school curriculum. It will be different to a national curriculum subject, in which the coverage of certain content is prescribed to schools, and will be more similar to Personal and Social Education (PSE) and work-related education in terms of delivery – i.e. mandatory but schools will have flexibility in how they deliver it. It is expected that the Welsh Government would produce a non-statutory framework, as with PSE, which schools should, but are not compelled, to follow.

10. The Bill also aims to strengthen the role of local authorities in helping people avoid falling into financial difficulty, by requiring local authorities to adopt a financial inclusion strategy. The strategy should outline how a local authority intends to encourage residents to gain skills in financial literacy and financial management, as well as how the local authority will facilitate free access to online financial education and management services. The strategy should also set out how local authorities intend to work with other organisations who promote financial inclusion in their area.

11. The Bill also places requirements on local authorities in respect of providing advice about financial management. This includes advice generally for their residents, but particularly to former looked after children, and to further and higher education students studying in their area.

12. Specifically, the Bill will affect children and young people through the new requirements in the curriculum which will directly impact on what they are taught in school. They will also be affected by the financial inclusion strategies which local authorities will be obliged to have in place. These are all expected to be strongly positive effects, although further analysis is provided in this CRIA including any risks or unintended consequences arising from the Bill.

13. Through receiving financial education, children and young people should be more capable in their financial decision-making and in a better position to manage their money and budgets effectively. This will be extremely important and beneficial as they make the transition to adulthood and need to take full responsibility for their financial decisions and circumstances. The role and responsibilities given to local authorities to promote financial inclusion will make it more likely children grow up in a household that is managing its finances effectively and will therefore be beneficial to their welfare. Clearly, many other issues are also highly relevant, notably poverty, and other such interventions are outside of the scope of this Bill.

14. All groups of children should benefit from the positive interventions made by this Bill and there should be no particular group experiencing an adverse effect.

However, particular groups of children may be in greater need of financial education and financial inclusion than others. An example is looked after children, which is why there are specific provisions in the Bill for local authorities to ensure that this group of children receive financial education and for them to have a continuing responsibility to provide advice and information to care leavers.

Analysing the Bill's impact on children and their rights under the UNCRC

15. The Bill is relevant to a number of Articles within the UNCRC. The most relevant Articles that have been identified are Articles 28 and 29, which assert the right to education and for this education to develop the child's personality and talents to the full. The Bill progresses both of these rights as it introduces a new, highly relevant aspect to children's statutory education in Wales which will help them be more-rounded and skilled individuals in facing challenges as young adults and throughout their lives.

16. Article 29 stresses the importance of developing children's personality and talents 'to the full'. Currently, financial literacy and capability are not sufficiently developed in school education and strengthening the provision of these vital life skills will enhance the learning opportunities on offer for children and young people. They will learn about practical issues such as interest rates, importance of saving, and the risks of debt, which will help them develop their talents and ability 'to the full'.

17. Commencing the statutory requirement at age 7 will ensure that, from a young age, children receive vital information and learning experiences that will stand them in good stead to be financially capable adults. Evidence suggests that attitudes and relationships towards money form at an early age and this was considered in preparing the Bill, hence the decision to start the statutory provision from age 7. Whilst the curriculum requirement could begin earlier, weight was also given to counter-arguments from young people that this may in fact be too young or at least young enough. Furthermore, the absence of a statutory requirement would not in any case prevent opportunities for financial education below the age of 7.

18. These views were carefully considered and the beginning of Key Stage 2 (age 7) was considered the most suitable point at which to commence the statutory entitlement to financial education.

19. *Articles 28 and 29 are given effect under the Bill.*

20. Articles 13 and 17 provide children with rights in respect of receiving information. Under Article 13, children have the right to get and to share information as long as this is not damaging to them and to others. The Bill will provide for children in Wales to receive relevant information and education on financial matters through the curriculum and also for their households to receive

greater information and advice under local authorities' financial inclusion strategies. There are also provisions aimed at ensuring they receive relevant information at the point of applying to higher education and during their time as students.

21. Similarly, Article17 gives children the right to reliable information from the mass media. The Bill will advance this right as relevant information will be channelled through the curriculum and local authorities' activities in promoting financial inclusion. In involving financial institutions such as banks and building societies, schools and local authorities will need to be mindful of the need for impartiality and prevent the promotion of financial products which may be harmful for children and young people.

22. The Bill is very much intended to *empower* children and young people and equip them with the information and skills they need to effectively manage their finances and make the best decisions for their circumstances. This will be partly achieved through enhancing the information on offer to them and improving the opportunities for them to learn necessary life skills.

23. *Articles 13 and 17 are given effect under the Bill.*

24. Under Article 12, children have the right to say what they think should happen when adults are making decisions that affect them, and to have their opinions taken into account. This right has been carefully considered and the views of children and young people have been central to the consultation that has been undertaken on the proposals for this Bill.

25. A survey was undertaken by the Assembly's Outreach and Liaison Team in the summer of 2013 on the initial general proposals. 195 young people of secondary school age participated and their views have had a considerable influence on the Bill.
    - Of the 195 secondary school age respondents, 77 per cent felt they did not have enough education to manage their money effectively.
    - When asked if they had enough information and understanding of the financial system to manage their money sensibly and effectively, 67 per cent said no.
    - 70 per cent of respondents were aware of the dangers of pay day lenders.
    - 63 per cent said they understood costs they will face in the future and how they will place pressures on monthly budgeting.
    - When asked about the best way of teaching effective money management and promoting responsible financial habits, the leading answer was 'having lessons in school with guest speakers from the financial industry'.

26. Further consultation was undertaken with young people in spring 2014 with 226 responses received.

- 65 per cent agreed that the Welsh Government and local authorities should ensure financial education is taught at school.
- 67 per cent said they wanted to learn more about topics such as tax, loans and debt avoidance.
- 71 per cent felt that receiving financial education at school would better prepare them to make good financial decisions when they were older.
- 61 per cent of the young people did not agree that financial education should be taught at school from Key Stage 2 onwards.
- 84 per cent believed that internet access should be free in libraries.
- 78 per cent believed that local authorities should have a greater role in helping people manage their money responsibly and promoting financial inclusion.

27. The results regarding starting financial education from Key Stage 2 were surprising given the strong support for financial education being included in the curriculum and possibly reflected a view that age 7 was considered too young. This has been weighed up against other arguments that early interventions that are appropriate for the age level are especially important and the conclusion made is that Key Stage 2 is the best level at which to commence the statutory requirement.

28. This finding also reinforces the importance of ensuring the way financial concepts are taught is appropriate to the age of the learner, which would in any case be a consideration inherent to the preparation of curricula. A broad and flexible understanding of financial education is therefore needed. Introducing more advanced topics such as compound interest, VAT and taxation, or payment protection insurance would not be appropriate at too early an age, although simple example methods of saving money in a ‘piggy bank’, basic use of coins or spreading a week’s lunch money over five days may be.

29. Engagement and consultation with young people has driven the preparation of the Bill and development of its proposals. Young people have clearly said they want more opportunities to learn about financial matters and develop relevant skills, and that greater coverage of this in schools would better prepare them for the financial challenges of adult life. The proposals in the Bill have been closely aligned with what young people have said and their views have been fully taken on board.

30. *Article 12 is given effect under the Bill.*

31. Article 25 sets out the right of looked after children to have their situation reviewed regularly. The particular position of looked after children in terms of access to financial education has been considered in developing the Bill. Section 7 of the Bill provides an additional duty on local authorities to make sure that children they look after receive financial education. Whilst they would be expected to receive this in school through the curriculum, in the same way as

their counterparts, this section of the Bill recognises that they are a particularly vulnerable group and may be more likely to be educated outside of school. It is therefore felt that the additional safeguard provided by section 7 is necessary. It is also appropriate given the corporate parenting role of local authorities have towards looked after children.

32. Similarly, looked after children are arguably in greater need of support in building up financial capability when they are young adults and beyond. The Bill recognises this need and places a duty on local authorities to arrange for former looked after children to receive information and advice about financial issues. Again, this is viewed as appropriate as local authorities, through their role as corporate parents, have responsibilities for the continuing welfare of young people they previously looked after. It also complements duties contained in the *Social Services and Well-being (Wales) Act 2014* on local authorities to befriend, advise, and assist such young people.

33. *Article 25 is respected and potentially given effect by the Bill.*

34. Article 26 states that governments should give extra financial support for children of families in need. This Bill does not make provision for additional money to be given to children in disadvantaged circumstances but aims to equip children and young people with the knowledge and skills they need to make the best possible financial decisions for their circumstances. This will be particularly important for young people who come from deprived backgrounds and face greater challenge and disadvantage in later life, compared to others.

35. The Bill provides flexibility in how schools deliver financial education. It will be mandatory but, unlike a national curriculum subject, any guidance or framework would be non-statutory meaning schools will be able to tailor provision in a way that suits their own demographics and local circumstances. This would allow schools to choose specific topics to be covered, for example the risks of pay-day lending or loan sharks, if income deprivation was a particular issue amongst its catchment.

36. Whilst it is anticipated that financial education and financial inclusion will make a positive contribution to addressing and tackling poverty, it is fully recognised that this is a much wider issue requiring far broader and deeper interventions. The Bill does not claim to be a panacea to such a problematic issue, although it will complement rather than hinder rights under Article 26.

37. Likewise, while the duty on local authorities to produce a financial inclusion strategy will not directly oblige local authorities to provide additional financial support for children of families in need, local authorities will need to plan strategically to equip their residents with better financial literacy and financial management skills. This in turn should make a positive contribution to those

who are in need of more assistance to make the right financial decisions for their families.

38. *Article 26 is respected and potentially given effect by the Bill.*

39. Articles 1-5 contain general principles of the Convention in relation to who is protected, an affirmation that all relevant organisations should work towards the best interests of children, and parental freedom.

40. *Articles 1 to 5 are respected by the Bill.*

Impact on particular groups of children

41. In preparing the Bill, consideration has been given to whether particular groups of children may be affected. Some of these have been addressed above in reference to specific Articles, for example looked after children, and children from deprived backgrounds.

42. There is a risk that children educated other than at school may fall outside the reach of the curriculum requirement for financial education. Similarly, consideration needs to be given to how others outside of formal education, such as young offenders, might also receive financial education. Arguably, these groups of young people are in particular need of financial education.

43. Under section 19 of the *Education Act 1996*, local authorities must arrange for suitable education to be provided other than at school for those children of compulsory school age who, by reason of illness, exclusion from school or otherwise, may not receive suitable education unless such arrangements are made for them.[3]

44. Local authorities therefore have a duty to provide suitable education for pupils outside the school setting for learners of compulsory school age who might not otherwise receive any education. This should include the full curriculum although there is a risk that elements may not be delivered including financial education. The provision of financial education for those educated outside of school is an area that will require further consideration in the implementation of the curriculum requirement.

45. The flexibility given to schools in delivering financial education will be important where the nature of the school population influences what content might be appropriate. The Bill has sought to consider how the needs of particular faith groups may be respected and met. For example, a school with a sizeable Muslim population may wish to deliver financial education in a way that takes account of Shariah law, particularly when discussing concepts of borrowing and mortgages.

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[3] The Welsh Government has published guidance on provision of education outside the school setting in Circular 47/2006, *Inclusion and Pupil Support.*

Unintended consequences and risks

46. The intentions and aspirations behind the *Financial Education and Inclusion (Wales) Bill* are that children and young people will benefit and that their rights under the UNCRC will be complemented and progressed. However, any proposed legislation must be mindful of any unintended consequences and risks that outcomes may not be completely as planned. It has therefore been important to consider such issues when developing the Bill.

47. It will be important to ensure that information about certain financial practice is provided appropriately and responsibly to avoid the opposite effect to what is intended; attracting children and young people to products and activities when the intention is to highlight danger and advise caution. It would be extremely regrettable if explaining how a credit card works and can be used led to young people discovering this opportunity for the first time and being more likely to register large credit card debts that were unsustainable. Similarly, if information was being provided about gambling, for example fruit machines or bookmaking, this could have the unintended consequence of stimulating interest in such activity.

48. This unintended consequence is considered to be unlikely and there is no evidence to suggest it is a substantial risk, provided the right guidance is in place about how schools and local authorities should cover such subject and any content and materials are age-appropriate. It is suggested that financial issues could be included in Initial Teacher Training so that teachers are sufficiently skilled and trained by the time they are responsible for delivering it. Other continuing professional development arrangements would need to be in place for teachers already practising and for schools more generally.

49. It is envisaged that schools and local authorities will make use of external experts and representatives of the financial sector itself. Care will need to be taken that their input is impartial and not seen as promotion of any particular bank or building society's products. This will be particularly important in a further and higher education context when advice is given about the various banking options available to students.

Summary of the Bill's impact on children's rights

50. In summary, the Bill is considered complementary to the United Nations Convention on the Rights of the Child. Due regard of children's rights has been taken during the development of the Bill which has included substantial consultation with children and young people themselves.

51. The impact on particular groups has been considered and, where necessary, proposals have been adapted to ensure that the Bill has as positive an impact as possible without causing detriment to any particular groups. Potential risks and

unintended consequences have been considered, which has influenced both the content of the Bill itself and its subsequent implementation.

Annex B: References

[1] All-Party Parliamentary Group on Financial Education for Young People, *Financial Education & the Curriculum*, December 2011
[2] Welsh Government, *National Survey for Wales, 2012-13 Financial Inclusion*, March 2014
[3] The Money Advice Service, *The Financial Capability of the UK*, November 2013
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