

CYPE(4)-21-14 – Paper 2



Children, Young People and Education Committee - Consultation on the Financial Education and Inclusion (Wales) Bill

Wales Co-operative Centre Response

September 2014

## About the Wales Co-operative Centre

The Wales Co-operative Centre welcomes the opportunity to provide evidence to the Children, Young People and Education Committee's consultation on the Financial Education and Inclusion (Wales) Bill. The Wales Co-operative Centre is Wales's national body for co-operatives, social enterprises and employee owned businesses. The Centre champions and strengthens co-operatives, mutuals, social enterprises, and employee owned businesses. As well as supporting social businesses, we develop and implement co-operative solutions to tackle poverty and promote inclusion. We do this through:

- Facilitating access to joined-up financial advice and support services, including those offered by credit unions and the wider social enterprise sector;
- Support for social enterprise and co-operative business development and growth;
- Encouraging people to use digital technologies, and;
- Supporting the development of co-operative housing initiatives in Wales.

Our projects include:

- The Tackling Homelessness through Financial Inclusion project, which is helping to tackle homelessness by engaging people in using credit union services;
- The social enterprise support project, which provides advice and support to social enterprises and co-operatives to help them set up and grow;
- The business succession and consortia project, which supports business owners to pass on their enterprises to their employees as well as supporting businesses to work together in consortia;
- The Communities 2.0 project, which tackles digital inclusion and helps communities and social enterprises make the best use of the internet.

**1. The Bill's proposals fall into three broad categories:**

- **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).**
- **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).**
- **The Bill will give local authorities duties in respect of providing advice about financial management, both generally and specifically to looked after children aged 16 or 17, to former looked after children and to students (sections 11 to 13 in the Bill).**

**Is there a need for a Bill for these purposes? Please explain your answer.**

The Wales Co-operative Centre welcomes and encourages any opportunity for open debate around the subject of financial inclusion. There is a definite need to improve financial capability and literacy in Wales. We believe there is scope to make more effective use of existing frameworks to embed financial inclusion and education.

*i. Improving financial capability amongst school-age children and young people by making it a legal requirement that financial education is included in the school curriculum:*

Money and financial matters are entirely relevant to children at school. At the most basic level the environment that children are brought up in is fundamentally affected by their financial environment and money management behaviour of their parents or carers. This environment is also detrimental to the aspirations and achievement of young people as recognised in the current Welsh Government's Tackling Poverty Action Plan. It is an obvious corollary that educating our young people in managing money is needed to break the cycle of financial exclusion in our communities. Integrating financial education as part of the culture of learning in schools through existing frameworks could be more effective than incorporating it into the formal curriculum. For example, the new numeracy framework includes financial inclusion. The framework embeds the teaching of numeracy skills, including financial inclusion, in all subjects across the curriculum. We believe that this is an appropriate way to ensure that financial skills are embedded in the culture of learning rather than dealing financial education separately. We also believe it would be pragmatic to allow the frameworks to become established before introducing further reforms.

*ii. 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):*

Government will need to ensure that any changes do not add to the bureaucracy faced by local authorities. Existing frameworks and methodology could be further utilised to deliver long term systemic change in both service delivery and people's behaviours towards money matters allowing for a flexible approach that responds to local dynamics. For example, where it is most appropriate to embed financial inclusion into a local authority's Single Integrated Plan there would not be the need for the authoring of a separate strategy. Taking best practice from Wales and further afield and embedding this into wider strategies would have practical outcomes.

We note that the Bill's explanatory memorandum responds to these points as they were raised in the previous consultation. It states that 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. We believe that integrating financial education and inclusion into existing frameworks will be more effective at embedding it than the need for authoring separate strategies. We are also unclear on what this will mean in practice for local authorities.

We also feel that local authorities are already intensely aware of issues of financial exclusion. We have worked productively with the Welsh Local Government Association and the Money Advice Service to update local authorities' Welfare Benefit Reform Leads with developments in this field. Financial inclusion and budgeting will be included as part of the Local Support Services Framework once it is introduced.

*iii. The Bill will give local authorities duties in respect of providing advice about financial management, both generally and specifically to looked after children aged 16 or 17, to former looked after children and to students (sections 11 to 13 in the Bill):*

Looked after and former looked after children:

Bearing in mind our comments on the way young people learn about money management, we would voice our concerns for looked-after children. Often from chaotic and challenging family circumstances, young people in this situation are unlikely to have formed a positive and healthy perspective on money by the age of 7 as the research suggests. In 2011, Consumer Focus Wales recommended that local authorities support looked after children in their journey towards a financially capable adulthood. We believe that looked after children and care leavers should be dealt with separately from students due to their different needs.

Students:

Clearly the nearer a young person gets to having to manage their money for everyday purposes, the more acute the need to form good money habits. In addition the moment an individual becomes 18 they are potentially at risk of making inadvisable financial decisions that can affect their lives for years to come as they are legally contractually capable.

Colleges, higher education institutions and student bodies are in an ideal position to guide young people in forming their money habits. For example, there is some valuable work being delivered on this by Colleges Wales through the Money for Life programme. Working with young people and training those in the youth work field (train the trainer) the programme helps young people to prepare for financial independence. We do not believe that legislation is the best way of encouraging more of this type of work.

**2. Do you think the Bill, as drafted, delivers the stated objectives as set out in the Explanatory Memorandum? Please explain your answer.**

Please refer to our answer above. In addition, we would make the following points.  
*Requiring local authorities to adopt a financial inclusion strategy*

From our experience of working with local authorities, we believe that that a one-size fits all approach is not appropriate. Working with local authorities and other service providers, such as social landlords, our Financial Inclusion Champions project has supported the integration of financial inclusion into service delivery with a wide range of organisations. Our methodology has not, however, imposed a single approach as we prefer to work with the local dynamics to ensure sustainability. Where it is most appropriate to embed financial inclusion into a Single Integrated Plan, for example, we would not recommend the authoring of a separate strategy. Our aim is not to increase bureaucracy but to use existing mechanisms to promote sustainable change.

*Improving financial capability amongst school-age children and young people:*

As noted in our response to Question One, we recognise the importance of educating our young people in managing money to break the cycle of financial exclusion in our communities. However, when considering the evidence on how children learn and how knowledge manifests itself as behaviour in adulthood, it is clear that this works needs to begin with children at a very young age.

Numerous studies on attitudes to money and financial habits demonstrate that these are formed from a very young age. Recent research by the Money Advice Service shows that financial habits start to be formed from age 3 and are fully formed by age 7. As with other public campaigns such as healthy eating, environmental issues and sexual health, a complex picture emerges. Children and young people form their ideas and attitudes about money at a young age and primarily by watching adults' money management behaviour. These ideas are crystallised through their development until they start to manage personal and household money themselves. It is through multiple messages that children learn and form these behaviours. We would recommend therefore that money management learning at school is complemented by ongoing local campaigns and availability of training for adults in the community.

*The need for an all-encompassing approach*

Although there is no doubt that financial exclusion is an increasing and pressing matter, it is important to focus on the problem as a whole addressing each of its contributory parts, as opposed to tackling single issues as they arise. A co-ordinated approach is necessary. By teaching our young people about money and its role in their lives, we are equipping them with a life skill which they themselves will pass on. However seeking to deliver this in isolation would be ineffective. In order to reach our young people we must also bring their parents, families and communities along to change habits and behaviours that undermine their financial wellbeing.

**3. Are the sections of the Bill as drafted appropriate to bring about the purposes described above? If not, what changes need to be made to the Bill?**

While we welcome attempts to tackle the issues of financial education and inclusion, we believe that the sections outlined in the Bill form only a small part of the solution. As outlined above, an all-encompassing, co-ordinated approach is needed. The Bill needs to take account of wider strategies aimed at changing behaviours and the need for tailored approaches rather than one-size fits all solutions. The Bill could also consider the role of digital inclusion in supporting financial inclusion.

**4. How will the Bill change what organisations do currently and what impact will such changes have, if any?**

We are acutely aware of the pressures on class contact time and are concerned that the Bill will place additional demands on this. We recommend that work is done with teachers and experts in the field of financial education to insert further learning into the classroom in the most effective and efficient way, building on the previous work of the Welsh Financial Education Unit. Estyn, as the schools inspectorate for Wales, could be involved in overseeing this shift of focus towards money management, providing a leadership role in managing the change.

As noted above, we would not want any new legislation to detract local authorities from developing and implementing locally-appropriate solutions through their Single Integrated Plans. This could have a detrimental impact upon the provision of financial education and inclusion programmes.

**5. What are the potential barriers to implementing the Bill (if any) and does the Bill take account of them?**

As explained earlier, our key points would be:

- To avoid placing additional bureaucratic burden on local authorities
- To avoid disrupting significant new changes within education, such as the literacy and numeracy frameworks, which are not yet embedded.
- To ensure measures and evaluations are feasible and meaningful due to the difficulties in assessing progress of financial inclusion measures.

**6. Do you have any views on the way in which the Bill falls within the legislative competence of the National Assembly for Wales?**

We do not have a view on this.

**7. What are your views on powers in the Bill for Welsh Ministers to make subordinate legislation (i.e. statutory instruments, including regulations, orders and directions)?**

We do not have a view on this.

**8. What are your views on the financial implications of the Bill?**

We do not have a view on this.

**9. Are there any other comments you wish to make about specific sections of the Bill?**

No.