

**Huw Lewis AC / AM**  
**Y Gweinidog Addysg a Sgiliau**  
**Minister for Education and Skills**



**Llywodraeth Cymru**  
**Welsh Government**

Ein cyf/Our ref LF/LG/0917/14

Ann Jones AM  
Chair  
Children, Young People and  
Education Committee  
National Assembly for Wales  
Cardiff Bay  
CF99 1NA

22 September 2014

Dear Ann,

**CHILDREN, YOUNG PEOPLE AND EDUCATION COMMITTEE - STAGE 1 SCRUTINY  
OF THE FINANCIAL EDUCATION AND INCLUSION (WALES) BILL**

In advance of my attendance along with the Minister for Communities and Tackling Poverty at the Children, Young People and Education Committee on 1 October 2014, I provide some initial responses to the key consultation questions regarding this Bill. For ease of reference, I have set out my response underneath each of the questions raised by the Committee (Annex 1).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Huw Lewis', written in a cursive style.

**Huw Lewis AC / AM**  
**Y Gweinidog Addysg a Sgiliau**  
**Minister for Education and Skills**

## **1. Is there a need for a Bill?**

### Sections 4, 5 and 6

I do not agree this Bill is necessary or that it will achieve the policy aims it sets out to. Whilst I agree there is a need for financial education in Welsh schools, my view is that need is already being sufficiently met. It has been in the school curriculum since 2008, within mathematics and also in the framework for Personal and Social Education and Careers and the World of Work.

There are detailed skills relating to managing money and financial education within the National Literacy and Numeracy Framework (LNF) which has been statutory since September 2013. These were developed in open consultation and in partnership with the Welsh Financial Education Unit.

We have recently consulted on revisions to the mathematics programme of study, which embeds the LNF into it, and again, has a detailed set of skills statements relating to financial education within the 'Manage money' element. By way of example, this element contains statements regarding using cash, comparing costs from different retailers, discounts, budgeting, planning and tracking savings accounts, profit and loss, bank accounts, bank cards, VAT, saving, borrowing, interest rates, exchange rates and insurance. This will be published in October 2014, and made statutory from September 2015. Aside from a general recognition of the existence of the existing, and imminent, curriculum, there seems to be little appreciation within the Explanatory Memorandum of the Bill for the detail of financial education that is already in the statutory curriculum.

The Bill also proposes an annual report on the teaching of financial education by Estyn. Aside from the information and data burden that this creates, which I will reflect on later, we already have more robust processes for assessing the financial education skills of our learners. Schools report to parents on their children's progress on the LNF – which includes the 'Manage money' element. The annual numeracy tests for learners between Years 2 and 9 contain questions on financial skills. Finally, the new GCSEs in Wales for Mathematics and Mathematics–Numeracy begin teaching in September 2015, and will include items on financial literacy skills.

It is my conclusion existing arrangements for curriculum and assessment provision are more robust than those contained in this Bill. In this case, the only purpose the Bill serves in Section 4 is to write the words 'financial education' into primary legislation. However, this is unnecessary as for the reasons I have given - it is already effectively taught in the curriculum in Wales. Section 5 does not achieve its policy aim of allowing the Welsh Ministers to set out attainment targets, programmes of study and assessment arrangements for the new "financial education" subject introduced by the Bill. However, the power in section 108 only applies to core and foundation subjects. The Bill does not make "financial education" an area of learning for the foundation phase or a foundation subject for the key stages.

The effect of the Bill proposals is to make "financial education" part of the basic curriculum for which there are no powers that prescribe the content of what is taught by schools. In that respect it would be the same as Personal and Social Education (PSE) and Work-related Education in terms of delivery; that is, mandatory but schools will have flexibility in how they deliver it. Whilst the Welsh Government could produce a non-statutory

framework, as with PSE, schools would not be legally compelled to follow it. Therefore, the Bill would take us from a position where the content of financial education is prescribed in the Maths Programme of Study to being a statutory “subject” to a part of the basic curriculum for which the content cannot be prescribed. That would place “financial education” on a weaker footing than it currently is.

Section 6 is in my view unnecessary and duplicates what is effectively already provided for in legislation. Section 20 of the Education Act 2005 places a duty on Estyn to keep the Welsh Ministers informed about the quality of education provided by schools, how far that meets the needs of the pupils in those schools and the educational standards achieved by those schools. In addition, Estyn has a duty to provide Welsh Ministers with advice on such matters as they specify.

In addition, there is an ongoing independent review of the whole of curriculum and assessment arrangements in Wales being led by Professor Graham Donaldson. I am concerned this Bill seeks to pre-empt the findings of this review and force an addition to legislation regardless of its conclusions. This extra legislative change is questionable at best, and I would contend that the proposed Bill may hinder, and not further, financial education in Wales.

Moreover, I would like to clarify a concern within the Explanatory Memorandum that financial education is not part of Professor Donaldson’s remit (para 100). His remit is “... to articulate a clear, coherent vision for the national curriculum and assessment arrangements in Wales from Foundation Phase to Key Stage 4, linking directly to our new qualifications system.” I emphasise that this covers the whole curriculum – including financial skills.

### Section 13

Section 13 of the Bill proposes that a duty be placed on local authorities which requires them to take reasonable steps to ensure that universities and further education corporations in their areas provide advice about financial management to students. We have serious concerns about how this provision could operate in practice given the lack of a direct relationship between local authorities and further education corporations and higher education institutions; local authorities have no powers in relation to further education corporations nor universities that would enable them to discharge such a duty. We do not believe as drafted this provision can remain in the Bill. We will expand upon this point later in this letter. Further, we are not convinced of the need for legislation in this regard and consider that resources for financial education could more effectively be focussed in other ways. It is the case that a broad range of provisions for financial education already exists in FE and HE as part of the pastoral and welfare support services that they provide, and we believe that institutions could be encouraged to do more through existing mechanisms such as the HEFCW Remit Letter and/or fee plans, and the Ministerial priority letter to Principals and Chairs of FE corporations.

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

I refer, chiefly, to my previous point which is the stated objectives are being met more effectively by what we already have in place, or will soon have in place.

Moreover the evidence is not telling us that more financial education in the curriculum is the solution – and I note that the Explanatory Memorandum is not specific in telling us what ‘more’ looks like. An OECD report published on 9 July 2014 on the PISA financial literacy assessment (*‘PISA 2012 Results, Students and Money: Financial Literacy Skills for the 21st Century’*) found ‘in general, students who perform at higher levels in mathematics and/or reading also perform well in financial literacy’. The evidence simply is not there that writing ‘financial education’ on the Education Act 2002 will change anything. The best thing that Wales can do to improve its financial literacy skills is to improve its mathematical and reading skills. These are among my priorities, and I would much rather be able to focus resources on these skills, than have to divert them towards new requirements to meet primary legislation.

From reading the Explanatory Memorandum, I remain uncertain as to what the member suggests is the optimum teaching time or method is. The Freedom of Information request to which 81 (out of 212) secondary schools responded notes variances in teaching time, but does not include the remaining 1,360 primary and middle schools. It’s quite a small sample to draw inferences from. I’m impressed so many of them were able to log specific hours of financial education teaching, particularly if it’s embedded across subjects as the LNF encourages. I’m also unclear how changing the location in law of the requirement to teach financial education will lead to delivering the objectives in the Bill.

In summary, as a supporter of financial education, generally, I have asked myself the question of whether the objectives in the Bill would be best met through primary legislation, as proposed, or through existing legislation and mechanisms, support and provision. Contrary to the conclusion in the Explanatory Memorandum, I cannot see how this Bill will deliver the objectives stated.

***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?***

Sections 4, 5 and 6

I have addressed this point in the previous section. At present, my position is that this Bill is unnecessary and that existing, and imminent, provision is more than sufficient to meet the purposes described in the Explanatory Memorandum regarding Sections 4, 5 and 6 of the Bill. Subject to further discussion with colleagues, my position is that the Bill needs to be changed to reflect only those purposes which cannot be met in existing legislation. This will require additional detail and clarity from the proposing member.

As it stands, I am not convinced that Sections 4, 5 and 6 provide sufficient, if any, benefit given the additional cost and time implications.

Section 13

As drafted, Section 13 of the Bill places local authorities under a duty to "take reasonable steps to ensure that universities and further education corporations in its area provide advice about financial management to students". As stated above in this letter, I have serious concerns about this provision. The Welsh Government’s primary concern is that local authorities have no direct relationship with further education corporations and universities which would give them authority to enforce this requirement. As such, it is not a duty that would be within local authorities’ powers to discharge, nor could the duty be enforced. For this reason, I do not see how this provision can be included in the Bill as presently drafted.

I also consider there is a risk in its present form the provision could be seen to be an attempt to interfere with the fundamental principles of independence and autonomy of higher education institutions and the philosophy that they stand at arms' length from government. Whilst I understand from the Explanatory Memorandum that this may not be the original intention behind the provision, as presently drafted it would nonetheless be the effect.

A similar argument can be applied to further education corporations which were created under the Further and Higher Education Act 1992 as independent and autonomous bodies to deliver post-16 learning. These corporations have governing bodies which have exempt charity status and who are responsible for the mission of the institution. The recently introduced Further and Higher Education (Governance and Information) (Wales) Act 2014 reinforces this independence by, amongst other things, allowing institutions greater control over their governance.

I am also concerned with the ambiguous drafting of this section. There are no definitions of the terms used, and I am not clear why only further education corporations are included within the ambit of the provision – rather than other types of further education institution such as designated institutions. Equally no definition of universities and the institutions that should properly fall within this term is provided.

It is my view there are other, more effective ways of focussing resources on financial education for FE and HE. There already exists a broad range of provisions of financial education in FE and HE. HE institutions already provide a significant level of financial support and guidance to their students as part of a package of welfare and pastoral support'. There is also potential to encourage FE and HE institutions to do more through existing mechanisms such as the HEFCW Remit letter and/or fee plans without recourse to an attempt to create a statutory duty on local authorities. The Ministerial priority letter to Principals and Chairs of FE corporations can also be used as a vehicle for FE. I therefore strongly recommend that the provision is removed from the Bill.

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

The impact of the Bill very much depends on the specific changes that will result from this Bill – which are unclear at this point. I will expand upon this below:

##### Sections 4 & 5

The Welsh Government already delivers that which is intended from Section 4 and, therefore, the impacts are that Section 4 is a needless legislative change, which may place constraints on Welsh Government plans for the future curriculum for Wales. Section 5 is a similar proposition. We already have drawn on people with relevant expertise to develop the LNF and the programme of study for mathematics.

Regional education consortia and schools will not see any change, including any benefit, from the change in legislation.

If it transpires there is structural or content change to the curriculum associated with the design, development and delivery of separate and distinct financial education framework

which has not yet been identified or noted, the additional impact of Sections 4 and 5 on the Welsh Government would be:

- Recruitment and retention of suitable subject expert(s) to prepare the framework and support for the non-statutory provision
- Development of the provision and support for schools
- Preparation and publication of guidance and teaching materials

There would be workload implications for teachers and financial implications to changing, that is *adding to*, Initial Teacher Training (ITT), CPD and INSET days (para 107). There is not spare capacity within ITT as far as I am aware and changes would be significant – both in terms of content and cost.

These would be a combination of one-off and continuing costs, which would likely need to come from the existing funding envelope for my department.

Schools will be the recipients of an extra teaching requirement, with associated additional resources, materials and training. They clearly are expected to use some of their INSET days for this purpose, which may displace other planned training – such as on literacy and numeracy. As a result, schools will draw mainly on regional education consortia for professional advice and guidance. If the capacity does not currently exist to deal with that demand, they will have to source it externally. The National Support Programme (NSP) will not be resourced to support additional requirements resulting from this Bill unless extra resources are provided, or existing NSP funding is reallocated to allow for the extra demand for financial education support.

### Section 6 – Annual Report

Section 6 would place a requirement on the Welsh Government to commission an annual report on the teaching of financial education, which would potentially require us to create additional data collection requirements and other information. Since there will be an annual report cycle, they will likely be asked to provide further information or data which is yet to be determined. Finally, if, as noted in the Explanatory Memorandum, the role of writing this report falls to Estyn, they would be required to spend a portion of their resources meeting this inspection and reporting burden.

Estyn already produces an annual report on education and training in Wales (section 19 of the Education Act 2005). Estyn's report is based on inspections of around one-sixth of schools and training providers undertaken in the previous academic year. The report is laid before the National Assembly and debated by members in the Spring each year. To have a second annual report on one specific issue based on information from a different timeframe (financial rather than academic year) is unnecessary, potentially confusing and would incur significant costs at a time when budgets are already under increasing pressures to meet existing commitments. It is questionable whether an annual report would show significant progress over the previous year to justify such increased expenditure. As noted already, there is already a power for the Welsh Ministers to require Estyn to advise on such matters as the Welsh Ministers specify.

Furthermore, they will also be reporting on this to some extent within their reports for the numeracy remit items and when reporting on mathematics. The proposed duplication this would cause would need resolving.

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

I have outlined several areas of concern which present as barriers to implementing the provisions of the Bill. However, there is an additional specific concern I would like to raise in respect of Section 6(3).

It should be noted that if the minimum notice under the Bill were given, three months would not be a very long time to give a direction for this work. By way of example, the annual remit to Estyn is issued in early January each year for work to begin in April and completed the following March. We also understand that their annual report takes around six months to produce. If Estyn was directed to do this work the first year would require a longer notice period. After that the work could become part of their annual timetable. However as previously stated this would either require additional resources or it would necessitate resources being diverted from other competing priorities. If a different provider was asked to undertake this work it would require a longer period of notice each year.

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

The provisions in sections 4, 5 and 6 and 13 of the Bill are within the legislative competence of the National Assembly for Wales as set out in the “Education and Training” subject in paragraph 5 of Part 1 of Schedule 7 to the Government of Wales Act 2006. That paragraph provides as follows:

“Education, vocational, social and physical training and the careers service. Promotion of advancement and application of knowledge.

Exception—  
Research Councils.”

**7. What are your views on powers in the Bill for Welsh Ministers to make subordinate legislation?**

The Bill does not confer any new subordinate legislation making powers in sections 4 to 6 or section 13 of the Bill. However, the Bill in section 5 does seek to make an amendment to an existing subordinate legislation making powers in section 108 of the Education Act 2002. I believe that amendment does not achieve the policy aim of allowing the Welsh Ministers to set out attainment targets, programmes of study and assessment arrangements for the new “financial education” subject introduced by the Bill. However, the power in section 108 of the 2002 Act only applies to core and foundation subjects. The Bill does not make “financial education” a foundation or core subject. The amendment will therefore have no legal effect and Welsh Ministers will not be able to set out attainment targets, programmes of study and assessment arrangements for the new “financial education” subject introduced by the Bill.

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

Table 1 of the Explanatory Memorandum set out that the estimated one-off costs to implement the Bill of £1.45 million, with a further £4.534 million annually. Table 2 of the

Explanatory Memorandum projects costs over the first 5 years at an estimated £17.871 million.

#### Costs – Sections 4 and 5

With regards to Sections 4 and 5 of the proposed Bill, in producing a framework, assuming that the existing LNF and programme of study framework is not sufficient – which is yet to be proven – we will need to adopt a similar approach to developing and supporting the delivery of a new non-statutory framework. We also assume that we will need to replicate, in some way, the process of producing materials as we did when the Welsh Financial Education Unit was up and running for those new skills.

We estimate this to be broken down as follows:

£400k – One off cost - subject expert time, consultation, training and exemplification materials

£800k – over a four year period to produce teaching materials for new content

We support literacy and numeracy in schools annually through our School Effectiveness Grant which provides significant funding to schools and regional education consortia. Consortia also receive funding from other sources to support literacy and numeracy. A subset of these sources will need to be set aside to support financial education above that which is in the LNF and mathematics programme of study.

We also fund a £16 million National Support Programme (NSP) over four years to provide additional capability and capacity to schools and consortia in delivering the LNF. Existing support for financial education is subsumed within this and it would be difficult to itemise. However, if there were additional education requirements, it may require a new programme of support since the NSP is a fixed term programme. Either that or it would take away from existing planned provision. If it is not expected that there are any additional requirements, I ask the question of what the benefit of this proposed Bill is.

#### Costs – Section 6

Regarding the proposal within Section 6, to commit to producing an annual report on one subject area would put additional pressure on resources at a time when they are already under significant pressure and could set a precedent for annual reports on other subjects or cross cutting issues. Without an increase in resources, neither the Welsh Government nor Estyn would be able to meet such a demand.

Estyn has confirmed that it is possible that financial education could be integrated into the Common Inspection Framework. However this would incur significant ongoing costs of around £140,000 per annum which would equate to around 1.2% expenditure of their overall budget of £11,664,000 to provide information on fewer than 20% of schools each year. This is a substantial amount for one aspect of the curriculum when the Curriculum is the subject of much wider review. There would also be one-off costs estimated at around £50,300 as noted in the Explanatory Memorandum (para 336).

Further work and analysis is needed to make a more accurate assessment of whether the costs in the Regulatory Impact Assessment (RIA) are of the correct order of magnitude, let alone accurate. If it is accurate, spending £3.5 million per year is a very expensive use of Welsh Government money under any circumstance. I would also question what is proposed to make way to fund this.

I note from the Explanatory Memorandum that only Option 3 (the preferred option) is fully costed. To make a full analysis of the costs and benefits of the Bill, I would expect to see cost breakdowns of all options. I would suggest that, if possible, each section should be itemised in the RIA as different courses of action may be appropriate for each section.

The RIA does not fully reflect on the opportunity cost of each option. For instance, teaching time spent on financial skills above what is already expected in schools would be time taken away from existing curriculum commitments. It is not clear what might make way. Moreover, it does not take into account the opportunity or cash cost of INSET days being reprioritised, new requirements in Initial Teacher Training, additional Continuing Professional Development requirements. These are mentioned briefly in paragraphs 106 and 107 without further reflection or detail. I would be wary of placing in legislation something which expects additional demands on the workforce without having properly considered that demand or consulted with the workforce specifically. I do not think a Bill would be fit for purpose if it passed on those terms.

### Benefits

With regards to the report from Centre for Economics and Business Research (CEBR) report noted in paragraph 362, there are three points I would like to raise.

Firstly, one of the sources it draws on is an academic paper by Barry, Lee and Miller (2003), 'Schooling, Literacy, Numeracy and Labour Market Success'. Looking more closely, this report emphasises the benefits come from having the numeracy and literacy skills that are applied in financial education, not financial education itself. This would appear to support the PISA and Welsh Government position of emphasising numeracy and literacy and embedding financial education within that.

Secondly, this report was written about the UK, and not Wales. Given the clearly different education approaches in England and Wales, particularly around literacy, numeracy and financial education, I would feel much more secure in reviewing evidence from a more relevant and focused report. I believe it would be reasonable to request that analysis before proposing to change primary legislation.

And finally, the CEBR analysis uses a fairly simplistic methodology to assess the potential cost-savings from greater financial education. For example, the main benefit relates to encouraging people to save for retirement thus reducing Government expenditure where savings are found to be inadequate. However, this calculation does not recognise the potential wider economic impacts associated with increasing saving such as reduced consumer expenditure.

A separate report from the Welsh Government's Advice Services Review, cited in paragraph 367 of the Explanatory Memorandum notes the following comment on the Citizen Advice Bureau's work:

*'The MoJ however have questioned the findings of the Citizens Advice work, highlighting concerns with the methodology employed and significance attached to the source figures that underpin the assumptions on which the findings are based upon. MoJ do recognise that early advice can be helpful in a range of contexts, however stress the practical help as opposed to legal advice.'*

I would suggest that the benefits of the proposed legislation need further supporting and detail before they can be accepted with confidence.

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

Sections 4, 5 and 6

I would summarise my position regarding Sections 4, 5 and 6 as not being convinced of the benefits of legislating in this manner for the following reasons:

- a. As far as I can discern, we are already carrying out the activity for which the Bill is proposing to legislate under our existing legislative powers. Even if we were not carrying some specific aspects of financial education, it would be more effective to use existing means than create a new legislative requirement.
- b. The changes appear to add an additional administrative burden, particularly around a non-statutory framework for financial education and annual reporting requirement, but with no discernable extra benefit from these requirements specifically.
- c. On the face of it, the change appears to be a superficial one, placing 'financial education' in primary legislation when it is secured in secondary. It is not the best use of Welsh Government powers or time.
- d. I do not believe that the case is made in terms of the actions satisfying the need that she has identified, and certainly not proven in terms of the costs and benefits of all options and all sections.
- e. Finally, and crucially, the proposed Bill is rather premature, given the current wide-ranging, independent review of curriculum and assessment arrangements being led by Professor Graham Donaldson. There is a much more effective outlet for meeting these needs in the curriculum, and that is to influence and inform his report.

Section 13

Paragraph 199 of the Explanatory Memorandum relates to Section 13 of the Bill. It suggests 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"*.

That paragraph fails to appreciate the changes to the assessment of eligibility for student support brought about by the modernisation of Student Finance Wales in 2014. As such we consider the proposed approach to be flawed.

The current role of local authorities in assessing students' eligibility for statutory student support is already limited to continuing students. The Student Loans Company is responsible for assessing the eligibility of new students for student support. From the end of the 2014/15 academic year, all local authority involvement in the assessment of statutory student support entitlement will cease. From the beginning of the 2015/16

academic year, the Students Loans Company will be responsible for assessing the eligibility to receive statutory student support for all new and continuing students.