The Money Charity response to APPG Inquiry into Children in Care and Financial Education (Jan 2019)

The Money Charity is the UK's leading financial capability charity.

We believe that being on top of your money means you are more in control of your life, your finances and your debts, reducing stress and hardship. And that being on top of your money increases your wellbeing, helps you achieve your goals and live a happier more positive life as a result.

Our vision is for everyone to be on top of their money as a part of everyday life. So, we empower people across the UK to build the skills, knowledge, attitudes and behaviours, to make the most of their money throughout their lives.

We believe financially capable people are on top of and make the most of their money in five key areas:

- Planning (including budgeting)
- Saving
- Debt
- Financial services products
- Everyday money (including wages, cash, bank accounts)

The Money Charity (TMC) welcomes the opportunity to comment on the inquiry into Children in Care and Financial Education by the All-Party Parliamentary Group on Financial Education for Young People. In the response that follows we give some background on our work relevant to answering the inquiry questions then answer the seven questions posed by the APPG.

Background

The Money Charity delivers financial education to young people and adults. We have a young people programme at Key Stages 3 and 4 and Post 16, which reaches around 20,000 school students per year in England, Wales and Northern Ireland, a university student programme[1] and an adult programme that reaches people recruited through workplaces, prisons and community-based groups such as travellers' and refugees' associations. We deliver to people in vulnerable situations as well as to those not experiencing a heightened vulnerability.

Our young people programme is predominantly delivered in schools, but is also delivered in other settings such as refugee groups, Pupil Referral Units and youth groups. We have not yet delivered courses specifically for children in care, but will have had children in care in our young people workshops.

Our experience of delivering workshops to people in vulnerable situations has made us aware of a range of issues that are likely to affect children in care, for example the impact of the absence of family and community support networks, being targeted for money muling and other illegal activities, facing the temptations of – or need for – short term credit and the need for simplified advice where there is a language barrier. All these special risks require extra thought, good educational design and appropriate language.

1. What are the current challenges that young people in care face in accessing financial education?

Young people in care are affected by the general under-provision of financial education in schools. As is known to the APPG, though financial education has been made part of the school curriculum, it has not been supported by resourcing and prioritisation, meaning that it is patchy and in many cases missing from schools. The Government's recent decision to make health education, but not financial education, a compulsory part of PSHE has reinforced this second class status.

[1] See our *Student Money Manual*, available at: https://themoneycharity.org.uk/resources/

Were financial education in schools to be provided universally and with the necessary intensity, it would be possible to say that children in care had a good chance of getting the basic financial education they need despite the extra challenges in their care environment. However this is not the case at current levels of provision.

There is also too little financial education in primary schools, which have lower rates of non-attendance and the opportunity to provide all children with a basic grounding in money. Many schools teach financial skills once a year or less, so it is easy for children and young people who change schools frequently (as tends to happen with children in care) to miss out altogether.

To counter these deficits, there needs to be specific provision of financial education for children in care, supported by a duty on Local Authorities to ensure this happens.

2. Are there specific stages/aspects of the transition to adult life during which young people in care are particularly vulnerable to financial harm?

Based on our work with young people in vulnerable situations, we anticipate several challenges and vulnerabilities for children in care:

- Generally speaking, young people without strong parental support can be targets for all sorts of potentially damaging involvements, both legal and illegal. It is important that their financial skills are built quickly to deal with the threats in their financial environment and lay an even keel for their successful financial independence.
- Missing out on the extended period of living at home that applies to many young people today. Children in care become independent at age 18 and the transition may begin from age 16, without the necessary advice and support and without access to emergency funds.
- The impact of the much higher level of outgoings when one is independent compared to when living in a care facility or with with a parent or guardian.
- The speed and size of the transition from dependence to independence.
- The need for adult help to open a bank account, provide the right ID and gain elementary access to the financial system.
- Low rates of employment and the need to access the benefit system.
- Being targeted for recruitment as money mules.
- Being tempted by short term credit, or propelled toward short term credit by a gap in income.
- Not understanding certain bills, eg Council Tax.

3. How can we improve the access of young people in care to financial education - what role can central and local government, schools and other organisations play?

The biggest single reform that would make a difference to financial education for children in care would be to make financial education a statutory part of PSHE and upgrade teacher training and the resourcing of financial education throughout the UK, ie to introduce a genuinely universal financial education for all school students, with a weight in the teaching programme sufficient to impart the necessary basic skills before young people leave school. In this way, children in care would receive the financial education they need as part of a universal programme.

We have commented in other submissions[2] on the paradox that the UK has a highly financialised economy built around the principle of individual responsibility, yet fails to educate children and young people with the skills necessary to navigate this economy. There is much evidence that many young people find themselves floundering when they face adult financial realities for the first time. For example, a 2018 report by the Money Advice Service on undergraduate students found that 15% were 'deeply in debt and fatalistic' while another 17% were 'inexperienced and at risk.'[3]

We have been approached at workshops by young people in care asking questions about student finance and university education. They have told us that they have not been given the necessary information by their carer or Local Authority personal adviser, even though they have asked for it. This may be because the relevant person didn't know the necessary information. We have given young people copies of our *Student Money Manual* and been told afterwards, 'this is great. Nobody told us this stuff.'

The challenge of providing the right information in a timely way may be exacerbated by children in care having a high turnover of schools and social workers, losing continuity and consistency.

As well as introducing universal financial education in schools, it is important that Local Authority personal advisers, foster parents and others giving care are trained in the financial skills needed by children leaving care, and that this becomes part of each care leaver's pathway plan.

[2] See for example our submission to DfE on its November 2018 call for evidence on PSHE. Available at: https://themoneycharity.org.uk/media/The-Money-Charity-Response-DfE-Call-for-Evidence-on-PSHE-Nov-2018.pdf

[3] *Student Diagnostic Tool*, Money Advice Service and YouthSight, June 2018.

Support should be available throughout the person's time in care, so that financial skills are built gradually in age-appropriate ways, as ideally happens in parent-child families.

Agencies providing financial information and advice should make sure they have specific entry points for children in care, addressing their special concerns and transition needs.

We suggest that there be a specific duty on Local Authorities to ensure that children in care receive the necessary financial education to enable their transition to independent adult life.

4. What challenges are there specifically amongst foster children? What support is given to foster parents in providing the right financial advice to the children in their care?

To date, we have not had occasion to explore the question of support for foster parents, but we have not had this type of support brought to our attention either, which may mean it is rather limited. There are some resources available, for example the Young Money/Share Foundation booklet *Financial Capability and Looked After Children – Guidance for carers and residential care workers*,[4] but from what we can see online, it does not appear to us that this need has been comprehensively addressed within the fostering framework. For example, there is no mention of it in the 2018 DfE document, *Promoting the education of looked-after children and previously looked-after children – statutory guidance for local authorities*.[5] There is plenty of official and NGO information about financial support *for* foster parents, but not about the financial education needs of foster children.

When a young person is in foster care, the foster parent pays their accommodation and maintenance costs, assisted by the weekly fostering allowance. When the person leaves foster care and becomes independent, they are faced with the full range of living costs, often including the cost of further education, which they will not be prepared for unless the foster parent has introduced them to money, banking and budgeting and educated them about the costs they are going to face. Cared for young people may need assistance in opening bank accounts and accessing specific advice such as on student finance.

[4] Available at: https://www.young-money.org.uk/system/files/files/resources/pfeg%20JISA%20Guidance%20for%20Carers.pdf?nid=252892

[5] Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/683556/Promoting_the_education_of_looked-after_children_and_previously_looked-after_children.pdf

Public authorities ultimately have responsibility for foster children, so Government and Local Authorities should make sure that *all* foster parents are supported and guided in giving financial education to the children and young people in their care, and that training is provided for those foster parents who feel they need extra skills to do this well.

5. What more can schools do to improve financial education among children in care? Specifically, can the role of the Designated Safeguarding Person in schools be expanded to ensure children in care receive access to financial education?

We do not believe that children in care should be separated out from the children in school in general, but the school should be aware of their special needs and make sure those needs are met.

For example, when The Money Charity has run workshops in schools, we will have taught children in care on many occasions without knowing it. Knowing about the presence of children in care would help with the preparation of relevant material (eg on student finance), the choice of appropriate language (eg 'parent or guardian' and avoiding the assumption of natural parents) and with tailoring exercises and presentations to be as inclusive as possible.

We are not experts on the role of the Designated Safeguarding Person, but clearly someone needs to take responsibility for checking that the child in care receives the appropriate financial education, liaising with those in the school who lead the financial education programme.

The more comprehensive the approach to financial education in general, the easier it will be to make sure that the needs of children in care are covered. The best thing schools can do is to expand financial education for all children and young people, while making sure items relevant to children in care arise naturally in the course of the programme.

6. Are you aware of interventions, either in the UK or elsewhere, that have improved the access of children in care to financial education, and have evidenced improved outcomes?

We are aware of the success of MyBnk's 'Money House', described at:

https://www.mybnk.org/our-work/financial-education/the-money-house/

We do not have any particular knowledge of successful international examples, though we would expect the APPG to find that some exist.

7. What measures are in place to ensure that children have the financial education necessary to appropriately manage their Child Trust Fund savings after leaving care?

Neither we nor our delivery consultants recall ever being asked in any workshop about Child Trust Funds. This includes when we have asked questions about participants' savings accounts. On a couple of occasions a participant has suggested they might have a locked savings account somewhere, but this is as far as it goes. We have not been asked to prepare any information or course elements about Child Trust Funds. One of our staff members remembers being asked once about CTFs after a class, but this was a teacher asking in relation to her own child, rather than coming from the class participants.

Overall, we have the impression that Child Trust Funds are below the radar for most children and no doubt for children in care as well. It has been estimated that out of six million CTFs, one million are 'lost',[6] ie parents/guardians have moved or not invested the vouchers, losing touch with their child's CTF. Some children in care may have lost accounts, so will need additional support to find them.

CTFs existed from 2002 to 2011, which means, from the age breakdown given by ONS,[7] that around 35,000 of the children currently in care would have qualified for a Child Trust Fund. If they all have a CTF and have £500-£750 in their accounts, the total CTF funds for children in care would be between £17.5 million and £26.3 million. This is a significant sum of money, warranting additional support. The sums per child are significant in relation to the resources of these children, and would be important to them at a critical transition point in life.

We therefore propose that HMRC, DfE and MHCLG review the current arrangements[8] for looking after the CTFs of children in care, and:

- Ensure that all children in care know about, or are made aware of, their CTFs.

[6] https://www.moneysavingexpert.com/savings/child-trust-fund-vouchers/

[7] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/757922/Children_looked_after_in_England_2018_Text_revised.pdf

[8] We are aware of the role of the Share Foundation (https://sharefound.org) in looking after the CTFs and Junior ISAs of children in care, but from the information publicly available it appears that the Share Foundation is not resourced to the level required to meet the needs we have identified above.

- For each child in care in the age range that qualified for a CTF, make sure their CTF is identified and that there are no ‘lost accounts’.
- Make sure that financial education is delivered to enable children in care to make decisions about their CTFs, in their best long term interests, when they arrive at the age of 18.

(end)