# THE DAVID HUME INSTITUTE

# Financial Fitness programme for Young Scots

*A report on the need to strengthen the provision of financial education in Scottish Schools*

Peter Jones

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Commissioned by The David Hume Institute
and
The Stewart Ivory Foundation

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## Preface

This publication marks the culmination of an innovative collaboration between the Institute and our good friends at the Stewart Ivory Foundation. About a year ago we first suggested to Hamish Buchan and colleagues that a seminar on financial education should be a part of our spring programme. They readily agreed to support such an event, especially as there is a limit to the amount of time over which the Foundation can continue to support financial education in schools. Further, there was a view that, whereas Scotland had been ahead of the game in starting out on the path to enhanced financial education – and had indeed provided a model for other nations within and outwith the UK – there was now a risk that Scotland was falling behind.

However, when we started discussing the details, it became clear to us that not only did we need to find the right speaker, always a challenge, but also we needed to set up the event in such a way that the impact would be enduring, with scope to influence the policy of the Scottish government.

So far as a speaker was concerned, we readily agreed that Dame Deirdre Hutton would be ideal. Dame Deirdre is, of course, vice chair of the Financial Services Authority, a body now extremely active in supporting financial education in Scotland and elsewhere in the UK. But Dame Deirdre also has a wealth of experience of the Scottish scene, and given her past experience with consumer matters is superbly based to consider financial education from a range of perspectives. We were delighted when she accepted our invitation; but that still left us the challenge of maximising the impact.

To this end we decided that the following made sense: -

1. We had to get together the right audience for the seminar, from financial institutions, from schools and education, from the consumer side and from those active in the specific field of our interest.
2. In addition to a presentation by Dame Deirdre we needed a strong panel session, with a panel representative of the interests set out above, to encourage further discussion and debate.
3. Then we required further discussion of the implications, including policy implications, of that debate over a post seminar dinner – again with all key parties well represented.
4. Finally we needed a report, produced in an accessible manner by an informed but non-partisan author. Peter Jones was our agreed target and we were delighted when he accepted our request.

Achieving these ends involved a significant amount of effort and I am extremely grateful to Catriona Laing at the Institute, Hamish Buchan of the Stewart Ivory Foundation, Jim Lally at the Centre for Financial Education and a host of others for their assistance in drawing together an excellent and informed audience for the seminar, a first rate panel and a splendid group for the highly stimulating dinner debate.

The evening of the seminar proved a great success. Our audience was first rate in terms of quality, diversity and quantity. The presentation by Dame Deirdre was exactly as required – despite her ‘just in time’ arrival thanks to British Airways. The panel session worked very well and had to be wound up with many questions still outstanding – resulting in a continuation of heated discussion over drinks at the Royal Society of Edinburgh.
Then the dinner debate at the New Club really helped identify both the key objectives and the key policy issues for advancing financial education.

Now we have Peter Jones's publication, drawing a line under the David Hume Institute's direct role. As described further in Hamish Buchan's foreword, this is a well articulated discussion of objectives and policy implications, with strong and sound conclusions. His report will now be used by the Stewart Ivory Foundation and other interested parties in pressing the case to those who can ensure that financial education in Scotland continues to lead rather than lag, recognising the importance of financial understanding across those entering the working population to both the business sector and individuals.

The David Hume Institute is convinced that the issues covered in this paper, following on from the seminar and related discussions, merit analysis and discussion. However, as a charity the Institute holds no collective view on the subject matter, or the policy conclusions or implications.

Jeremy A Peat
Director
October 2007

## Foreword

The Stewart Ivory Foundation (SIF) was set up in March 2001 funded with donations made by some of the employee shareholders of Stewart Ivory at the time of its acquisition by

Colonial First State of Australia. The objective of the donors was to make a contribution to the wider community in Scotland through sponsoring a number of projects connected with financial education. Since its launch, SIF has, in pursuing that objective, made significant grants to sixteen projects, totalling around £1.5 million.

The trustees set a limited life of seven years to create momentum and maintain a fresh approach in relation to considering and making grants. We hope to secure continued support for one project in particular beyond the life of the SIF, namely the Schools' Financial Awareness Programme.

We strongly believe that this initiative is highly worthwhile, especially given the growing concern about the level of student and personal debt in the country. The project raises financial awareness and provides useful tools to deal with future financial challenges, thereby offering significant benefits to thousands of school leavers, and thus deserves to receive continued support from both the private and the public sectors.

The Schools' Financial Awareness Programme delivers in-school lectures by external experts, principally focusing on sixth form students, covering the issues of debt, personal budgeting, pensions, savings and investment. In 2007/08, SIF's funding of £100,000 will enable it to reach over 12,000 pupils in around 185 schools. SIF's cumulative funding since 2003 has amounted to £400,000; and the project will have helped around 45,000 students in total.

What has made the SIF project so special can be summed up by the following features.

- The project is an independent charitable organisation with no objective other than to promote financial education in Scotland, nor name association with any existing commercial organisation. It therefore has no axe to grind – a very important consideration in public education.

- The project has grown on the back of demand from schools and teachers, not because it has been imposed on them. Based on extensive feedback, schools welcome the input and perspective provided by SIF's external experts.

- There has been very substantial repeat business, with very few cases of schools not asking for more sessions in subsequent years. As a result, many schools now look to SIF as "partners" in helping to prepare sixth formers to face new challenges outside school.

- The project's own team of financial education officers (FEOs), who are self-employed, visit schools. The project is not placing further work on teachers' shoulders.

- There is no standard qualification or any single type of background for the FEOs. Most come from either a teaching or financial background.

- There is a high degree of delegation and trust. As a result, it means that each FEO is given considerable discretion.

- The focus is on the "coal-face", rather than on the back-office.

- The programme is delivered on a highly cost-effective basis. It represents a cost of around £9.00 per pupil for the overall course, or £3.00 per session.

- The FEOs share three attributes – a common belief in the project's values, a great enthusiasm and a highly practical approach.

In addition to wishing to maintain the SIF project in its current and even expanded state, (to reach up to 250 schools) the charity, along with the David Hume Institute, commissioned Peter Jones, a well known and respected journalist to write this report on the current state of Financial Education in Scottish Schools.

The Trustees endorse the overall conclusions, but would specifically highlight the recommendation that financial education should be part of a core secondary curriculum subject called Everyday Mathematics, combining all the subject matter of the now abolished subject of arithmetic with relevant and practical training in financial matters.

The SIF has set aside funding for the project to continue for only the next academic year. For this reason the trustees of SIF are looking for suitable co-partners both in the private and public sectors, who are prepared to take on the responsibilities for funding all or part of the project beyond 2008/09. A substantial endowment is available to suitable partners willing to make a long term commitment to the project.

Hamish Buchan
Vice Chairman of The Stewart Ivory Foundation

**FINANCIAL FITNESS PROGRAMME FOR YOUNG SCOTS**

A report on the need to strengthen the provision of financial education in Scottish schools.

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1. Scots are woefully ignorant about financial matters, despite the presence of a successful financial services industry. Four out of five Scots say they have not considered making provision for retirement. Dealing with debt has become the single biggest problem dealt with by Citizens Advice Bureaux (Section 1).

2. Compared to a generation ago, the advent of credit and store cards has made getting into serious debt easy while the complexity of mortgage, insurance and pension products on offer has made long-term financial planning difficult, increasing the degree of social exclusion faced by poorer Scots (Section 2).

3. Work patterns have changed: part-time work, short-term contract work, and self-employment are on the increase. Managing this new environment requires much greater financial knowledge and self-discipline. There is increasing pressure on young people to undertake higher or further education, which adds to the debt pressure on young people (Section 2).

### The Opportunity

4. More numerate and financially literate Scots would lighten social burdens of excessive indebtedness and poverty. Scots who are more individually self-reliant and financially secure are more likely to create a self-confident nation (Section 2).

5. Scots with a good level of understanding about household and financial family planning, who believe in using today's earnings to invest in a secure future for their family, are more likely to understand and be confident with the financial steps needed to run a business (Section 2).

6. If Scotland can raise the level of financial education in schools above that provided in the rest of Britain, Scotland could

become a more confident and enterprising society and gain a competitive advantage over the rest of Britain (Section 2).

**The Available Resources**

7. Scotland was one of the first countries to recognise the importance of financial education. A report produced in 1998 has laid the foundations for financial education, not just in Scotland, but in the rest of Britain and in other parts of the world (Section 3).

8. A strong partnership between the financial services sector and schools has been built up with companies and charitable organizations helping to produce educational material and providing staff to assist with teaching work. Many teachers have shown great enthusiasm for teaching financial education (Section 4).

9. The Scottish Centre for Financial Education, part of Learning and Teaching Scotland, produces teaching and learning resources for schools, assists with the provision of professional finance expertise to schools, and ensures that schools material produced by outside organizations complements the curriculum. However financial education is not yet available to all pupils (Section 5).

10. The introduction of *A Curriculum for Excellence*, due in 2008, means that financial education should become part of all primary and secondary education, featuring in the core elements of the curriculum. Attainment levels for financial understanding will be contained within numeracy targets. But the principal means of delivery in secondary education is not yet defined (Section 6).

**The Solution**

11. Financial education should be part of a core secondary curriculum subject called Everyday Mathematics, combining all the subject matter of the now abolished subject of Arithmetic and being unashamedly vocational in nature (Section 7).

12. Everyday Mathematics should be examinable within the system that emerges from the Curriculum for Excellence. Within the present system, it should be examinable at Standard Grade, and be a foundation for, at Higher Grade, a qualification in Financial Services which is now being piloted. The certificate, already recognised as an entry qualification at two universities, should become more widely recognised (Section 7).

13. The Scottish government should instruct HM Inspectorate of Education to produce a baseline report on the provision of financial education in all schools. HMIe should thereafter include inspection of the quality of financial education in its schools inspection programme and produce a report on the condition of financial education provision every two years (Section 8).

14. The work of the Scottish Centre for Financial Education will need to expand. The involvement of financial firms and charitable organizations in the delivery of financial education is a strength of the Scottish system and should be regarded as a continuing feature (Section 9).

15. Funding for the Centre needs to increase, albeit modestly. The Scottish government and other public sector organisations, principally the Financial Services Authority, should be the Centre's main funders. A new funder to replace the Stewart Ivory Foundation's support for the schools financial awareness programme needs to be identified.

16. Financial services firms and charities should be encouraged to help the development of teaching materials and to continue to

provide their staff for financial education work in schools (Section 10).

## PART ONE: FIGHTING FINANCIAL FLABBINESS

### 1. Context and introduction

> *"Money is indeed the most important thing in the world; and all sound and successful personal and national morality should have this fact for its basis."* George Bernard Shaw (in The Irrational Knot).

Scots cannot claim to have invented banking – the foundation stone of modern financial structures. The 16th and 17th century goldsmiths and coffee houses of London, Amsterdam and Hamburg have a greater claim. But Scotland can claim to have played a significant role in the modernisation of financial services, through the Scots who founded the Bank of England, the Bank of Scotland (Europe's first joint stock private enterprise bank) and who established the principles enabling the widespread use of banknotes. So the list of innovations goes on – life insurance, investment trusts – right up to the present day – direct telephone sales and management of insurance, new types of pension products.

With such a history, and with financial services being such a booming part of the contemporary economy, it might be reasonable to assume that Scots must be among the peoples of the world most educated about money matters. Sadly, it is not true. Surveys reveal a woeful tale of public ignorance. The Financial Services Authority reported in 2006 that 82 per cent of Scots had not actively considered making financial provision for retirement and yet that 63 per cent claimed to be confident that their retirement income would give them their expected standard of living.

Only 29 per cent said they had made sure that they had money saved for a rainy day and 65 per cent admitted that they would rather have a good standard of living today than plan for retirement.[1]

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[1] Financial Services Authority. 2006. *Financial Capability in the UK: Establishing a Baseline.*

This suggests a disturbing picture of Scotland having islands of immense financial acumen and innovation surrounded by a sea of general public ignorance about financial services and individual profligacy. At a time when the elderly and inactive are forecast to be an ever-rising percentage of the population, and active working people to be a shrinking part of the population, it means that today's problems of poverty amongst the old and the costs of looking after them can only get worse. Remedying and reversing this trend has to be an urgent priority.

Indeed, there is a need to think about going further than just fixing an obvious problem. There is also a big opportunity here. The only slightly comforting feature of this dismal picture is that Scotland is not alone. The Financial Services Authority survey revealed the same troubling picture of lack of financial planning and prudence in the rest of Britain. This implies that if Scotland could raise public standards in knowledge of, and use of, financial instruments above that prevailing in the rest of Britain, a competitive advantage could be gained.

If Scots were to become much more literate and numerate in managing their financial affairs, a good many social burdens such as indebtedness and poverty could become lighter. Scotland could hope to create a nation which is more individually self-reliant and less dependent on the state. A people who feel themselves to be more financially secure is likely to be a more confident nation. A country which believes in using today's earnings to invest in a better future for themselves and their family is more likely to understand that investment in skills and knowledge will also pay off. A population which has a high level of understanding about household and family financial planning is more likely to be confident in taking the financial steps needed to run a business.

If Scotland can raise the levels of financial education above those in the rest of the country, not only should Scotland become a more confident, stable and enterprising society, it could become more so than the rest of the country.

This may look as though an improbable argument is being put forward that quality financial education can cure all economic and social ills. No, it isn't. This paper does not share the absolute certainty of George Bernard Shaw. Neither is it going to examine the whole gamut of prescriptions – financial education in the workplace and at home, and for young adults through to elderly people - for making all of society more financially capable.

It does argue, however, that quality financial education, especially in primary and secondary schools, is a necessity if future generations of Scots are to be properly equipped to be responsible and contributing citizens. That alone is a sufficient justification for action to be taken. But the contention that there could be wider benefits to Scottish society and the economy is worth considering. There is no evidence that the desired effects set out above will necessarily follow. Nevertheless, they seem intuitively reasonable propositions to make. If they do indeed turn out to be correct, then investment now in financial education will reap a doubly handsome return.

The Scottish government elected in 2007 has recognised the importance of the issue. In its manifesto, the Scottish National Party said: "Financial … education will ensure that young people are equipped with skills for life."[2] Other parties' manifestos outlined similar, though not quite as explicit, sentiments so there should be cross-party support for implementation. This paper will outline a plan of action to put financial education at the heart of the Scottish curriculum. But first, the case for financial education still needs to be made.

## 2. From friendly bank manager to fearsome jungle

> *"Annual income twenty pounds, annual expenditure nineteen six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds nought and six, result misery."*
> Charles Dickens (Mr Micawber in David Copperfield)

[2] Scottish National Party. April 2007. *Manifesto 2007.* Page 53.

A generation ago, in order to navigate the financial ups and downs of life, all you needed was an income, an understanding of Mr Micawber's principle, the advice of dad, and a friendly bank or building society manager. Not many things were required to have a satisfactory state of financial affairs – a current bank account, perhaps a savings account too, a mortgage, some property and personal insurance, and (for the fortunate) a company pension. Most things could be arranged through an obliging fellow, perhaps even a friend of the family, with a desk in the local high street. It was also possible to live reasonably satisfactorily without these things – on a weekly wage packet and in rented accommodation.

Not so nowadays. Apart from the necessity of an income, everything has changed. Banks and building societies have proliferated as have the variety of accounts and mortgages on offer, while the local branch manager as a fixture has vanished. Where once there were dozens of financial products to choose from, there are now tens of thousands. Making an informed choice of, say, a mortgage, involves understanding the meaning of terms like repayment, endowment, interest-only, tracker, variable rates, fixed rates, capped rates, discounted rates, plus the implications of all manner of fees, loans that can now be up to five times annual income, and the need for insurance to cover not just damage to property and contents, but also dips in income.

There has also been an explosion in the use of credit cards: 181 million plastic cards were in use in Britain in 2006, or just under four cards per adult.

Worryingly, research by the Personal Financial Education Group, a charity supported by the Financial Services Authority, has found that many young people regard credit cards as a form of cash, rather than, if the card balance is not paid off quickly, an expensive loan.[3] Its survey found that despite not being legally able to borrow money until the age of 18, half of 17-year olds in England had been, or were in,

[3] Personal Financial Education Group. Press Release. February 2007. *Teens in Debt.*

debt. There is no reason to suppose that Scottish teenagers are less indebted.

For many people, the way that the financial rewards of work are paid has changed. The decline in traditional mining, agriculture and manufacturing industry, plus the growth in the service sector mean that more people work part-time, on fixed-term contracts, or are self-employed. Job and career changes, once rare, are now commonplace. This means that people have to cope with incomes that are no longer steady, but may rise and fall or come in infrequent lumps. They also have to deal with periods of unemployment or breaks for training. Managing this more uncertain income requires considerable financial sophistication.

Family and personal lives have changed. Home ownership has increased and more homes are occupied by single parent families. Participation in higher and further education has risen. All of these trends bring new financial challenges. Young people are expected to fund themselves entirely or in part through university. Once graduated, difficult decisions have to be taken about taking out a mortgage and/or a pension when they may be struggling to pay off a debt. The average student debt on graduation in Scotland in 2004-05 was £7,561 and a third of all graduates have debts of more than £10,000.[4] Although the administration elected in 2007 intends to take measures to reduce student debt, it is unlikely to disappear entirely.

The income and wealth gap between the richest and poorest in society has grown. At one end of the scale, ownership of homes, equity shares, and cars has increased; at the other end, while the proportion of low income Scots with no bank account has fallen to about 5 per cent, many more have no, or inadequate, pension provision.[5] This lack of access to, and inadequate understanding of, financial services creates a new form of social exclusion in which people are unable to use a growing range of goods and services. It also creates new

[4] Scottish Government. 2007. *Higher Education Students' Income, Expenditure and Debt: A Comparative Study of Students in Scotland and England 2004-05.*
[5] http://www.poverty.org.uk/S44/index.shtml

problems. Research by Citizens Advice Bureaux, for example, has found that not only do financially illiterate people have difficulty choosing the right financial products and services, they are more likely to fall victim to abusive practices and fraud. Worse, they often try to solve their problems by engaging in financial practices that cause them even more problems. Estimates of the cost to consumers of poor financial literacy run into billions of pounds.[6]

Citizens' Advice Bureaux also report a rising tide of debt problems. The number of debt problems brought to them has doubled in the last ten years and increased by 20 per cent in the last year. A quarter of debt inquiries related to credit and store cards, but gas and electricity bills, council tax arrears, and telephone bill debts also featured strongly.[7] These figures relate to England and Wales, but the pattern in Scotland is similar: in 2005-06, Scottish Citizens' Advice Bureaux dealt with client debt problems totalling £211 million.[8]

The costs of individuals failing to cope with this range of financial problems fall on society as a whole through increased levels of taxation, higher interest rates and charges, lower levels of investment, and social exclusion through inequality. Reducing these costs by helping people avoid them in the first place is a prime purpose of financial education.

## 3. Getting financial education off the ground

> *"Money is like manure; it's not worth a thing unless it's spread around encouraging young things to grow."* Thornton Wilder (in The Matchmaker)

Mention has already been made of Scotland's highly successful financial services industry. This industry has not stayed aloof from the challenge of meeting the need for our schools to deliver financial

[6] National Association of Citizens' Advice Bureaux. November 2001. *Summing Up: Bridging the Financial Literacy Divide.*
[7] National Association of Citizens' Advice Bureaux. Press Release, September 2007. *Debt problems hit all-time high.* Available at: http://www.citizensadvice.org.uk/press_office-20070910
[8] Citizens' Advice Scotland. Press Release, November 2006. *Debt still top concern for CAB clients, annual figures reveal.* Available at: http://www.cas.org.uk/pressrelease9112006.aspx

education. Indeed, over the past decade a remarkable partnership between the industry and educational services has developed which has ensured that financial education already has a firm foothold in schools.

Present thinking and practice is based upon a report produced in 1998 by an advisory group chaired by Dr John Laydon, then head of the Community Investment Programme at the Royal Bank of Scotland. The group aimed to produce a framework for how financial education might be delivered in primary and secondary schools, and to develop guidance and support materials for teachers. After consultation, the group's report was endorsed and published in 1999 as guidance for schools by the Scottish Consultative Council on the Curriculum (now Learning and Teaching Scotland)[9].

This was a path-breaking report, introducing and cementing the term 'financial capability' into the educational lexicon. It was the first report on financial education in Britain. So, not only has it become a firm foundation for financial education in Scotland, it has also informed the development of personal finance education in the rest of Britain, particularly on the work in this field undertaken by the Financial Services Authority.[10] It has had a world-wide impact.
For example, the report has also been used by the Australian government to create its schools financial education programme.[11]

Four skills areas that schools should aim to develop in pupils to make them financially capable individuals were defined by the report:

- **Financial understanding** – knowing about sources of income, saving and spending, taxation, rights and responsibilities.

- **Financial competence** – day-to-day money matters such as being able to budget or assess value for money.

[9] Scottish Consultative Council of the Curriculum (now Learning and Teaching Scotland). December 1999. *Financial Education in Scottish Schools; a Statement of Position*
[10] See for example: Financial Services Authority. June 2006. *Personal Finance Education in Schools: a UK Benchmark Study*. Pages 6-8.
[11] Government of Australia. Ministerial Council on Education Employment and Youth Affairs. 2005. *National Consumer and Financial Literacy Framework.*

- **Financial responsibility** – thinking about the impact of financial decisions on themselves, on relatives and friends, on wider society and on the environment.

- **Financial enterprise** – using money and resources to create a business, and evaluating risks and returns.

No single school subject or curriculum area can provide the range of experiences needed to develop these qualities. So schools which are successful at financial education make use of opportunities across the curriculum. In secondary schools, this can be through subjects and courses that all students follow such as Mathematics, English, and Personal and Social Development, with further learning available through optional subjects such as Business Education, Economics, Home Economics, and Accounting & Finance.

As Thornton Wilder wryly recognised with the uses of money, so it has become recognised that financial education is at its most useful in the early years. Children form attitudes early, so financial education must begin in primary school. All areas of the primary curriculum can be used to meet this need.
Especially in primary schools, but also at secondary level, some of the most influential experiences rise through topic and project work, such as setting up a business, and through extra-curricular work such as fund-raising for charity.

Experience has also shown that there is no quick fix. Doing a few exercises from worksheets, or discussing the topic with a visiting professional do little to change attitudes. Financial education needs to be planned from primary to secondary, with a clear structure that builds on each stage of the learning experience. The methods used also need to be vivid and imaginative so they are attractive and memorable to pupils. A large resource base, much of it developed by the financial services industry, has been built up to do this.

## 4. Providing the means to do the job

*"If a person gets his attitude toward money straight, it will help straighten out almost every other area in his life."* Billy Graham

A strong feature of financial education in Scotland has been the partnerships which have been built up between the financial services industry and schools. No other industry is so heavily involved in an educational programme in Scotland. There are two ways to deliver financial education:

1. Teachers learn the material and deliver it themselves;

2. Outside experts go into schools and teach the subject.

Because there are many pressures on teachers and the curriculum is crowded, it is unrealistic to expect teachers to do all the work needed to deliver a subject which is not a central part of the syllabus. Fortunately, the existence of a thriving financial industry has allowed the development of a cadre of outside experts who are willing to work with schools, augmenting the work done by teachers.
This section will show that there is now plenty of material available to enable schools to produce young people able to follow Billy Graham's dictum. Three main partnerships have developed.

**Face2Face with Finance for Schools**

This programme, financed by the Royal Bank of Scotland and National Westminster Bank, and developed in partnership with teachers, has been running since 1994. At the programme's core are four teaching and learning modules:

- **Bank on it** (for ages 11-16): Information about bank services, why and how they are useful, how to use a bank account and avoid fraud, basic budgeting, and basic saving and borrowing;
- **We're in business** (11-16): Group exploration of the steps involved in setting up and running a business, team working,

delivering on time and to budget, understanding marketing and delivering presentations;

- **The credit file** (11-18): Understanding saving and borrowing, interest, types of debt and money lenders, how people get in and out of debt, personal budgeting, the financial implications of different life choices, and the small print in loan agreements;
- **Money for life** (16-18): Preparation for financial independence in work or higher/further education including student income and spending, budgeting, understanding payslips, savings, pensions, and mortgages, and recognising the financial implications of life choices.

The modules have been accredited by the Personal Financial Education Group and the necessary resources are available free to schools from websites.[12] These include interactive activities, quizzes and video clips plus real-life examples. Teachers' notes and links in to relevant parts of the curriculum are provided.
Unless the banks are overrun by demand, local RBS/NatWest branch staff can help guide schools with planning a programme and to work with teachers to deliver the programme.

**Schools' Financial Awareness Programme**

Development of this project by the Stewart Ivory Foundation began in 2002. It is led by Drew Livingstone, formerly the Rector of St Columba's School, Kilmacolm. In 2007-08, the programme cost £100,000, or roughly £9 per pupil. The scheme is mainly focused on sixth year students and aims to give pupils knowledge of the issues of debt, budgeting, pensions, savings and investments. It is delivered in three sessions. The programme has a team of 15 financial education officers who have experience either in teaching or finance. In 2007-08, the officers expected to visit 185 schools and reach more than 12,000 pupils, about 50 per cent of the Scottish sixth year population, entailing over 550 school visits.

[12] Available at www.rbsf2f.com and www.natwest2f.com

The programme is self-monitored, with feedback from samples of pupils and detailed questionnaires filled in by teachers after each visit. This feedback is consistently positive and the demand for the programme to be repeated each year is high. It differs from the Face2Face programme in that it is only delivered by visiting staff, thus relieving pressure on school staff.

**The Financial Education Partnership**

This began in 1998 as the Banking Education Partnership which was renamed and reformed in 2002 under the present title. Its members are the four clearing banks (Bank of Scotland, Royal Bank of Scotland, Clydesdale Bank, Lloyds TSB Scotland) plus the Airdrie Savings Bank, Standard Life, Dunfermline Building Society, and HSBC bank. The programme is managed by the Chartered Institute of Bankers in Scotland.

The four clearing banks provide facilitators who run hour-long workshops in secondary schools. Topics covered are managing money, the Euro, cradle-to-grave financial planning, business and money, personal marketing (individual employability), and communication within teams.

**Other resources and initiatives**

Standard Life is supporting Money Week, a week of financial activity for each year group at primary level, providing the whole school with a focus on financial activity. It has been developed at Dunblane Primary.

Backing from the Clydesdale Bank has been given to Talk Money Talk Solutions, a series of practical tasks developed at St Ambrose Primary, Glasgow, to develop financial numeracy at primary school.

Stirling Park, a company which collects debt, has been helping with the development of Tackling Debt, a resource illustrating practical ways of dealing with debt.

The Prudential has been assisting with the production by Trinity High School, Renfrew, of Adding up to a Lifetime. It is a 25-hour financial education module for secondary schools following the financial decisions of four teenagers all the way to retirement.

The Scottish Book Trust, in association with Standard Life, has produced On the Money, a primary-level book of four stories by children's authors intended to stimulate discussion of financial issues.

The Stewart Ivory Foundation has given financial backing to the running of stock market trading competitions developed for schools by Cause Direct Events, a company which manages activities in schools. The competitions took place in Glasgow, Edinburgh and Dundee in 2004 and 2005.

Many other activities and resources have been developed by teachers without industry assistance. Examples include the illustration of the work of credit unions (Lochend Community High School, Glasgow) and a cartoon-based discussion-stimulating resource following the financial decisions of the Sterling family (Springfield Primary, Linlithgow).

These lists could go on. But the point of this section is not to provide an exhaustive list of activities and resources.[13] The aim has been to prove two things.

1. There is an enormous willingness in the teaching profession to deliver financial education. The progress that has been made since the publication of the 1999 guidance has been remarkable.

2. The drive which has come from the financial services industry to provide the teaching resources for, and to support the delivery of, financial education has also been remarkable.

[13] A listing including some of the described resources and many others is available at:
http://www.ltscotland.org.uk/financialeducation/about/index.asp and
http://www.support4learning.org.uk/money/financial_education.cfm

So prolific has been the production by the private sector of teaching resources, it might look as though there is a risk of duplication and much reinvention of wheels. To prevent that, to ensure that there is coordination of these many activities, and to provide support and guidance on financial education to schools, the Scottish Centre for Financial Education was set up in 2002.

## 5. A hub for financial education

> *“This planet has - or rather had - a problem, which was this: most of the people living on it were unhappy for pretty well much of the time. Many solutions were suggested for this problem, but most of these were largely concerned with the movements of small green pieces of paper, which is odd because on the whole it wasn't the small green pieces of paper that were unhappy.”* Douglas Adams (in The Hitchhikers Guide to the Galaxy).

Fortunately for those seeking routes to and through the small galaxy of financial education material set out in the last section, the Scottish Centre for Financial Education in Dundee is an estimable guide. It is part of Learning and Teaching Scotland, the overseer of the schools curriculum and adviser to the Scottish government and education authorities on school education.

The Centre’s director is Jim Lally, one of the writers of the seminal 1999 report on financial education. Since its inception in 2002, its remit has been to support local authorities, schools, and teachers with the provision of high quality financial education for all their young people. Thus much of its work to date has been assisting with the development of the resources mentioned in the last section. It has ensured that there is no duplication and that the developed material meets the needs of the Scottish curriculum.

From the outset, Lally recognised that involvement of the financial services industry was essential for a programme of financial education to work. Strong involvement of the industry has been firmly established. The Centre's work with other organisations in the field also includes Credit Unions and voluntary organisations such as Young Scot.

In developing schools financial education, the Centre has aimed to:

- Develop teachers' skills and confidence in the area of financial education;
- Help schools embed financial education in the curriculum;
- Produce examples of good practice and disseminate them to all schools in each local authority area;
- Encourage schools to develop programmes to meet the needs of all their young people.

Though there has been much progress in achieving these goals, full implementation of a programme of financial education in all Scottish schools is still some way off. In 2006, estimates of the proportion of secondary schools which were engaged in a partnership with the financial services industry ranged from zero in the Western Isles and Orkney to 100 per cent in West Lothian.[14]

A major source of information about the penetration of financial education in Scottish schools is a survey by the Financial Services

[14] Learning and Teaching Scotland. *Education Industry Linked Statistics*.

Authority in 2005.[15] This is a UK-wide survey conducted amongst a sample of schools.

Its Scottish findings were that 61 per cent of primary schools and 86 per cent of secondary schools were teaching or delivering some aspects of personal finance such as the ability to manage money, the value of money, or understanding about saving and budgeting. Amongst the primary schools who were doing this, 79 per cent said they offered occasional lessons, 57 per cent said they staged one-off events, and only 34 per cent said they delivered regular lessons.

In secondary schools doing some financial education, a higher proportion, 59 per cent, said they were holding regular lessons, while 76 per cent offered occasional lessons and 60 per cent staged one-off events.

Multiplying the proportion of schools doing some form of financial education by the proportion doing none indicates that in 2005 only a fifth of primary schools and half of all secondary schools were offering regular financial education lessons. It seems clear therefore that financial education has yet to become a standard feature of teaching in all schools and that where it does occur, it is very variable in the depth of teaching given.

There are reasons for this patchy picture. Staff available to help schools at the Scottish Centre for Financial Education consisted mainly of only Jim Lally until September 2006. Staffing for the Centre has since increased. It not been prescribed from above, but has been driven by demand for its services. As demand has been variable, the Centre, until recently, has not had the resources to do much work in central, north-eastern, and the north of Scotland. From 2004, work by the Centre, the Financial Services Authority and the Personal Finance Education Group to raise the profile and status of financial education has resulted in increased demand and therefore the additional staff.

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[15] Financial Services Authority. June 2006. *Personal finance education in schools: A UK benchmark study.*

The patchiness of demand has been because financial education has been an optional extra. Its introduction into the work of schools has depended on the enthusiasm of teachers, and the ability of the Scottish Centre for Financial Education to overcome misunderstandings of what the subject is and what the teaching of it aims to achieve. This is reflected in the Financial Services Authority survey which found that more than half of secondary schools said they taught the subject because they felt it was important, rather than because of any national guidance or instruction to do so.

This is a tribute to the professionalism and motivation of teachers. And this somewhat *ad hoc* progress towards the goal that all school-leavers should be financially capable individuals could continue.

But it would be better to review developments and ask whether there is a more systematic and faster way to achieve this goal. Indeed, a fundamental change in Scottish education – the impending introduction of a new schools curriculum – makes now the ideal time to assess the way ahead for financial education.

## PART TWO: TOWARDS FINANCIAL FITNESS

### 6. Producing an excellent curriculum

> *"A wise man should have money in his head, but not in his heart."* Jonathan Swift

The opportunity for financial education to move from the fringes to the centre of the Scottish curriculum, and to develop the kind of wisdom counselled by Jonathan Swift, has never been better. Major changes to the schools curriculum are being made. This process, under the title *A Curriculum for Excellence*, began in 2004. The Scottish government's intention, begun under the 2003-07 administration and fully supported by the new administration elected in May 2007, is that Scottish education should be transformed from September 2008 onwards.

The goal is that all young people should leave school, not just with qualifications, but with developed capacities as:

- Successful learners;
- Confident individuals;
- Responsible citizens;
- Effective contributors.

Financial education clearly can help young people develop these capacities, especially as confident individuals and responsible citizens. As development of the new curriculum has proceeded, the role that financial education can fulfil has become more defined. The need to build it into the curriculum has come to the fore.

A progress report in 2006 stated: "A *Curriculum for Excellence* offers a way of unifying the curriculum. Activities such as enterprise, citizenship, sustainable development, health and creativity, which are often seen as add-ons, can be built into the curriculum framework."[16]

This implies that financial education should not be seen as a discrete subject, taught on its own as, say, physics has traditionally been taught, but as a strong element which appears in various areas of the curriculum. This idea, of areas of teaching being regarded less as subjects but more as threads which are woven throughout the curriculum, underpins much of the thinking behind the *Curriculum for Excellence.* The 2006 report argues that the curriculum should be seen as a single framework for development and learning from the ages of 3 to 18. It goes on to explain:

"The framework needs to allow different routes for progression from one stage of learning to the next, and promote learning across a wide range of contexts and experiences. It should equip young people with high levels of literacy, numeracy, and thinking skills, and support the development of their health and well-being. It should enable every child to develop his or her potential through a broad range of

[16] Scottish Executive. 2006. *A Curriculum for Excellence: Progress and Proposals*. Page 8.

challenging well-planned experiences which help them develop qualities of citizenship, enterprise and creativity."[17]

The report also says:

"The curriculum needs to include space for learning beyond subject boundaries, so that learners can make connections between different areas of learning.
Through inter-disciplinary activities of this kind, young people can develop their organisational skills, creativity, teamwork and the ability to apply their learning in new and challenging contexts. To be successful, these activities need to be well-planned, with a clear purpose and outcomes in mind."[18]

It is clear from these statements that financial education can no longer be regarded as an add-on extra to core teaching, but has to become part of the core programme in every school, both primary and secondary. It seems likely to feature in many subject areas. A report by the Scottish Centre for Financial Education says that entitlement to financial education can be secured within the current curriculum and can be included in mathematics, language, personal and social education and environmental studies. It adds: "However, financial capability can be developed in other areas such as expressive arts, religious and moral education, information and communications technology, where other memorable experiences and powerful messages can be given."[19]

The goal that all school-leavers should be numerate will, in the new curriculum, go much further than just ensuring pupils are arithmetically competent. It is also intended that they should be financially competent. Various levels of competence are envisaged ranging from knowing what a bank account is and how to use bank cards at an early level, to, at a higher level, being able to discuss and illustrate all the factors, including credit and debt, that should be

[17] Ibid, Page 9.
[18] Ibid. Page 10.
[19] Scottish Centre for Financial Education. 2005. *Financial Education in Scottish Primary Schools: Building on existing practice*. Page 4.

considered in determining what should be an affordable and responsible lifestyle.

At the time of writing, apart from draft proposals on defined outcomes for financial literacy within numeracy outcomes at various levels of pupils' achievements, it is not clear how financial education will be delivered in the secondary curriculum.[20] A parliamentary answer suggests, however, that the subject areas of mathematics, social studies, and health and wellbeing will be the principal vehicles.[21] As this is a matter still under discussion and development, it is appropriate to ask at this point whether this is best means of delivery.

## 7. Preparing for financial fitness

> *"Never spend your money before you have it."* Thomas Jefferson

The key concern is that school-leavers should be numerate (able to understand and use numbers in everyday life to a reasonable standard of sophistication), financially capable (able to use bank accounts and credit cards responsibly and to understand the importance of budgeting and financial planning), and thus able to understand the importance of Jefferson's advice. A constant complaint from employers and their representative organisations such as the CBI is that far too high a proportion of school-leavers are not numerate and that employers have to spend money equipping them with skills which should have been learned at school. Something is clearly not working.

Within the present 5-14 curriculum, which covers primary education and the first two years of secondary, there are clearly defined goals for achievement in numeracy at various stages of learning. These can

[20] Available at: http://www.curriculumforexcellencescotland.gov.uk/outcomes/numeracy/levels.asp For example, the fourth level of attainment says that a pupil should be able to "research, compare and contrast a range of personal finance products and after making calculations, explain my preferred choices".
[21] The Scottish Parliament. *Parliamentary Questions and Answers*. 20 August 2007. Available at: www.scottish.parliament.uk/business/pqa/wa-07/wa0820.htm

be and are usually linked to financial education learning experiences. For example, pupils in Primary 7 might undertake a fruit-selling project in their school. This would involve pupils dealing with income and expenditure, keeping profit/loss records and cash-flow statements.

Such a project serves a number of other purposes, such as acting as an introduction to enterprise education and the importance of healthy eating. But the significant point here is that it illustrates why being able to handle numbers has real practical relevance. Pupils knowing *how* to multiply and divide is good, but it is much better if they know *why* they should have these skills and why they will be relevant to their lives after school.

This question of the relevance of education to post-school life is at the heart of much debate about the curriculum. It is pertinent here, for there is considerable debate about whether the removal of arithmetic as an examinable subject in the curriculum was a mistake. Allied to this issue is the question of whether mathematics is the right vehicle for creating numerate school-leavers.

Various reports suggest that numeracy standards amongst school-leavers have improved in recent years, and international comparisons suggest that Scottish schools perform better than average in mathematics teaching. But reports by HM Inspectorate of Education contend that more improvement is needed.

In a wide-ranging survey of Scottish education in 2006, the Inspectorate commented that over 20 per cent of adults report difficulties with literacy and numeracy. One of the report's main recommendations was: "There is a need to be much more rigorous and explicit about the development and certification of essential skills, particularly literacy and numeracy. This requirement goes beyond pupils with specific difficulties to *all* pupils, including those entering higher education."[22]

[22] HM Inspectorate of Education. 2006. *Improving Scottish Education.* Page 3.

There is no question that mathematics is an essential part of the secondary curriculum. The disciplines within it such as algebra, trigonometry, and calculus have huge virtues in stretching the intellectual capacity of young minds. But whether many pupils see the relevance of these disciplines to their working lives is open to question.

An alternative approach would be to reintroduce arithmetic, add in subjects such as financial education, and make it, rather than mathematics, part of the core curriculum that has to be studied by all pupils. Such a subject would also include many mathematical elements, such as statistics, which is highly relevant to understanding topical debate. The course would be unashamedly vocational in orientation, of use to pupils whether they wish to work in retailing or banking. But it would also serve the purpose of ensuring the pupils emerge from school as financially capable young adults.

Arithmetic is not the right name for such a course which has the dual purpose of enhancing the employability of school-leavers and their financial capability.

The course would be about essential practical mathematics that may need to be used on a daily basis. Thus it might be best termed Everyday Mathematics.

The risk that stems from spreading financial education across various parts of the new curriculum is that in a schools environment where getting pupils good examination results is extremely important, it still may be seen as an optional extra. Financial education might still be regarded as a good thing to do, but not essential in order to get good examination results when it is essential for the well-being of the population. A core curriculum course in Everyday Mathematics which is examinable at Standard Grade and Intermediate levels would go a long way to achieving that objective.

This qualification would be a foundation for, at 5th and 6th Year level, the Certificate in Financial Services which has been created by the Chartered Institute of Bankers in Scotland. This certification has been piloted at Gryffe High School in Houston, Renfrewshire. With funding from the Royal Bank of Scotland, Clydesdale Bank, and Intelligent Finance, some 220 pupils undertook the course in 2007-08. The certificate is recognised as counting towards entry for degree courses in financial services at Glasgow Caledonian and Napier universities. This certificate could be developed into a course examinable at Higher Grade and therefore as an entry qualification to other university courses such as business studies.

These proposals, even if only partially adopted, would lead to a considerable upgrading of the provision of financial education in Scotland. Provision is good, but we also need to measure whether it is having the desired effects.

## 8. How do we know if Scots are getting financially fitter?

> *"Money was never a big motivation to me, except as a way to keep score. The real excitement is playing the game."* Donald Trump (in Trump: The Art of the Deal)

The object of this exercise is to raise the financial capability of the Scottish population. We need, as Donald Trump advises, to keep score. How can we do that?

There are two ways of assessing progress. One way is to test the financial capability of individuals which, in the school context, means examinations. The other is to use sampling questionnaire techniques and surveys to produce an aggregate measure of financial capability in the population as a whole, or in the school population. Both these methods need to be used.

If the proposal in this paper of the introduction of Everyday Mathematics as an examinable core curriculum subject is accepted, then the results of these exams will give clear indications of how financially literate school leavers are. The individual school-leavers will have that knowledge, schools will know how well they are teaching the subject, employers will have a clear guide to individuals' capabilities, and policy-makers and government will gain an empirical understanding of schools' success in financial education.

This can be backed up by other surveys. The Financial Services Authority has already begun two such surveys. One is a survey of financial literacy and capability in the general population, some of the results of which were cited in Section One of this report. This survey is intended to be repeated every four to five years and will be useful in providing a broader picture of financial capability.

The other is a survey of financial education in schools, some of the results of which were mentioned in Section Five. Again it is intended to repeat the survey every four to five years. Usefully, the survey produces data for England, Wales, Scotland and Northern Ireland. Since each country is taking a different approach to financial education, the survey will provide some evidence of which approach is working best.

This survey, however, has its limitations. It provides some data on how much financial education is being provided, but says nothing about the quality of that education or the results of it. The sample of schools is also small and relies on schools voluntarily completing and returning questionnaires, so questions about its reliability can be validly raised.

Further evidence of how well schools and pupils are performing in core skills can be obtained from the Scottish Survey of Achievement. This survey, based on assessing the skills of a sample of pupils, gives snapshots of how well pupils are attaining target skills levels in Primaries Three, Five, and Seven, and Secondary Year Two. The results, however, say nothing about how individual schools are performing, giving only national aggregated figures.

Something more may be required and, since there should be a reasonable amount of quantitative material, it looks to be qualitative material that is needed. This could be provided by HM Inspectorate of Education. Since the Inspectorate aims to inspect every primary school every seven years and every secondary school every six years, there is a considerable amount of information potentially available every year about a large sample of schools.

Making the quality of financial education provided by schools an inspected subject would be a powerful incentive to schools to deliver it. Making this happen would require a government directive that financial education should be provided in all schools, and a government instruction to the Inspectorate that it should inspect it. The most practical means of delivering the required information is that the Inspectorate should provide a baseline report on the provision of financial education in all schools, and thereafter report every two years on whether it has improved or deteriorated.

Even if the proposal in Section Seven for the introduction of Everyday Mathematics into the core curriculum is not adopted, financial education should still be inspected along these lines.

For the good of Scottish society and the Scottish economy, a healthy programme of financial education in Scottish schools is too important a priority for it to be left to develop in its present *ad hoc* way.

Even if the proposals in this paper are only partly implemented, the delivery of financial education clearly has to move up several gears. What does this mean for how this task is supported?

## 9. Expanding the financial education hub

> *"It is better to have a permanent income than to be fascinating."*
> Oscar Wilde (in The Model Millionaire)

The expanded coverage of financial education under *A Curriculum for Excellence* must mean a sharply increased workload for the Scottish Centre for Financial Education. Regular lessons in financial education will change from being optional to being essential in all school timetables. So there will be many additional schools and teachers that the Centre will have to reach and supply with the necessary training. It also seems likely that even schools where financial education is an established feature will demand more resources and training from the Centre.

As has been shown earlier, an essential ingredient in the successes of the Centre so far has been its engagement with Scotland's financial services industry and the charitable sector through the Stewart Ivory Foundation, a financial industry charity set up to develop financial education in Scotland. The industry's willingness, not just to develop and provide resources for teaching use, but also to make their own staff available for work in schools has been highly important. And as financial education becomes more widely and deeply taught in schools, so too there will be greater demands on financial industry staff to assist.

The existing education-industry partnerships which the Centre has built up will require continuing care and maintenance.

The Centre's main industry partners currently are the Royal Bank of Scotland, the Stewart Ivory Foundation, Stirling Park (a local authority debt collecting company), Clydesdale Bank, Standard Life, and the Prudential insurance company. The work associated with these partnerships seems likely to grow.

Two other tasks will grow in importance. An important aspect of the Centre's work is to produce examples of good practice and disseminate them to all schools in each local authority. This entails a continuous evaluation of the work in schools and provision of evaluative feedback to schools. Obviously, the more schools that are involved in financial education, the more evaluation there will need to be. A second aspect of this work is to monitor the implementation of financial education in schools.

This implies that there will have to be a considerable expansion of the Centre's resources and staff. In 2006-07, the Centre worked with five local authorities.[23] The target is to expand this to 14 local authorities in 2007-08[24], and to all 32 councils in 2009-10. At the moment, the Centre's staffing resources look rather meagre. For the first few years of its life, it essentially consisted of the Director plus administrative back-up. Two development officers joined in September 2006, and a further two in September 2007. This has been organic growth to meet the demand from local authorities, schools and teachers. By September 2008, a further two officers will be required if the current targets are to be met and the increased workload implied by *A Curriculum for Excellence* are to be dealt with.

There are powerful arguments for continued private sector involvement. First, experience shows that it has helped to foster close working relationships between educational and finance professionals. This has produced first-class teaching materials and first-class teaching. Second, teachers cannot be expected to keep up to date with rapid changes in technology and product types in the financial world. Finance professionals have to keep up to the mark with new developments and are therefore better equipped to make sure that what is taught is not out-dated. Third, the introduction of an external speaker/teacher often stimulates pupils' interest in ways which are more difficult for a class or subject teacher to do. Fourth, meeting a finance professional can dispel fears that financial firms are inhuman or distant institutions.

Some may ask why financial firms want to do this. Surely their goal is to sell more of their products and increase their profits, so might this activity be nothing more than a subliminal sales pitch to young minds? It is perfectly true that companies are not being entirely altruistic. Nick Prettejohn, UK and Europe chief executive of Prudential has admitted this.
He said: "Sitting in each and every one of your classrooms are the consumers of tomorrow. Consumers that, for the sake of their families, their dependants, our industry and the economy as a whole, need to be equipped to make the right financial decisions, whether

[23] Glasgow, Renfrewshire, Dumfries and Galloway, Inverclyde, and North Ayrshire.
[24] The above plus East Ayrshire, Western Isles, Dundee, South Lanarkshire, North Lanarkshire, West Dunbartonshire, West Lothian, Stirling, and Edinburgh

that means choosing a product that meets their particular needs or prioritising their debt."[25]

Tomorrow's consumers are also tomorrow's workforce. Giving pupils a sound financial education will help to equip them with the skills required by the kind of employees that financial firms seek. Companies also benefit from their staff engaging with schools which draw their pupils from a wide range of social backgrounds. It helps to inform them about levels of public understanding and to design their products so they are more easily understood and better fit people's financial circumstances.

There are two safeguards against this turning into any inappropriate sales activity. One is that educational materials that companies produce should be discussed with and approved by the Scottish Centre for Financial Education before they are used in schools.

If it is intended to be used outside Scotland it will also have to meet the approval of the Personal Finance Education Group. The other is that work in school has to be conducted under the supervision of head teachers and their staff, who should be relied upon to make sure that only educational activity is being undertaken.

It seems clear that the Centre's workload will increase and therefore its budget will have to be increased. It needs, as Oscar Wilde recommended, a permanent income. Who is going to provide it?

## 10. Investing a little to return a lot

> *"Be you in what line of life you may, it will be amongst your misfortunes if you have not time properly to attend to pecuniary*

[25] Prettejohn, Nick. March 2007. *Speech to Scottish Financial Education Conference. Stirling.* Available at: http://www.ltscotland.org.uk/financialeducation/professionaldevelopment/finedconference2007/conference2007Keynote.asp

*matters. Want of attention to these matters has impeded the progress of science and of genius itself."* William Cobbett

Since this discussion is about delivering financial education through the public education system, it might be assumed that provision so far has been paid for by the taxpayer. In fact, much of the initial funding has come from the private and voluntary sector. The question therefore arises whether this is the right way to finance the delivery of such an important public service and, if it is, where the private resources are going to come from.

**Table 1: Funding for SCFE 2007-08**

| **Funder** | **£** |
|---|---|
| Scottish Government | 120,000 |
| Financial Services Authority | 140,000 |
| Royal Bank of Scotland | 10,000 |
| Stewart Ivory Foundation | 10,000 |
| Stirling Park | 10,000 |
| Other | 10,000 |
| **TOTAL** | **300,000** |

Funding for the Scottish Centre for Financial Education in its first four years was half public, half private: a £50,000 annual grant from the Scottish government, matched by £50,000 from the Royal Bank of Scotland. In recent years, the balance has changed, as have the contributors. The Centre's income for 2007-08 is set out in rounded terms in Table 1.

Nearly all of this money is spent on staff salaries. A small amount, about £10,000, is spent on conferences, money which in 2007-08 was contributed by the Prudential. Under the work growth projections discussed in the previous section, the Centre's income is likely to need to grow to £500,000 by 2009-10. At the moment, 86% of this income is from the public sector. On this basis, the public sector's contribution by 2009-10 would be £430,000 and £70,000 would come from the private sector.

Funding for the Centre is, however, only a small part of the total sums being spent on financial education. The financial services industry is spending quite heavily on producing materials and resources for use in schools, and in the provision of their staff to schools. A precise sum is hard to come by. The Royal Bank of Scotland, across Britain, is spending £1.2 million on the Face2Face programme for schools and about 500 bank staff are involved in delivery in schools. On a pro-rata basis, that implies expenditure of about £100,000-120,000 in Scottish schools plus the costs of about 40-50 staff.

The Stewart Ivory Foundation has been a significant player. Between 2002-06, the Foundation spent £288,000 on schools financial awareness programmes. The Foundation is noteworthy in another respect – its operation is time limited.

It was set up by the former owners of Stewart Ivory, an Edinburgh-based investment management house. It was bought in 2000 by Colonial First State, now part of the Commonwealth Bank of Australia. The beneficiaries of the sale put £1.5 million of their proceeds into the Foundation which has the sole object of encouraging, promoting and developing financial education in Scotland. The Trustees intend that everything should be spent by 2008.

The Schools' Financial Awareness Programme has been the major recipient of the Foundation's fund. In 2007-08, the programme received £100,000.

Obviously, another funder will have to be found if the programme is to continue after 2007-08. Failure to secure funding would be a serious blow.

Drew Livingstone says that out of 1200 school visits over four years, he could count on one hand the number of negative comments he has received through the teacher and pupil appraisal forms. The demise of the Foundation will also deprive the Scottish Financial Education Centre of £10,000.

These two examples point to two things. First, the amount of money going into financial education from financial services firms easily matches and may exceed the public sector contribution. If the cost of private sector staff time was added, it is certain that the industry is contributing a considerable amount to the overall cost of financial education in Scotland. Second, the time-limited nature of the Stewart

Ivory Foundation's contribution points to the fact that there will always be a degree of churn in private sector funding. Therefore there will be periodic requirements to find new sources of funding.

The evolution of this funding pattern suggests a broad division of the sources of funding. The Scottish Centre for Financial Education, since its main task is supporting the delivery of a public education service, should be predominantly publicly-funded. On an 80/20 split, this means that the private sector should aim to raise £100,000 a year by 2009-10 with the public sector providing £400,000 a year.

The principal public finance providers will obviously be the Scottish government and the Financial Services Authority which is charged by the British government with ensuring that British consumers are financially capable. There may be scope for discussing with the Authority whether its contribution to the Scottish Centre for Financial Education should be increased over and above the planned increases. Its total British budget for improving public financial capability in 2006-07 was £17.1 million and was due to rise to £20 million a year for the following four years. On a population pro-rata basis, the Authority ought to be spending about £1.6 million a year in Scotland.

In the other area of activity – the production of materials and provision of financial professionals in schools – the funding split ought to be reversed with 80 per cent coming from private sources and 20 per cent coming from public funds. This simply reflects present practice which seems to work well. The 20 per cent public provision would mainly come in the form of professional educationalist advice on how the materials being produced by financial service firms should be shaped to meet the needs of schools.

Following William Cobbett's warning, some thought needs to be given by the financial services industry on who should be providing this funding. The Royal Bank of Scotland is clearly a major player, if not the dominant player, in this business. The bank has to be applauded for that, but at the same time, the outsider has to ask whether this is healthy. Dominance by one company in a field of public education may give rise to unhealthy suspicions that commercial considerations rather than public-spirited altruism are at work. Such dark thoughts are most certainly unwarranted, but it would be better to prevent them arising by ensuring that all the major companies are playing similar roles.

## 11. Thinking long term

> *"I have enough money to last me the rest of my life, unless I buy something."* Jackie Mason.

Financial education is a long term business. Changes made to the curriculum now, by the time they are piloted and implemented, and the first throughput of pupils emerges from school, will not show up in results for several years. Even that may be optimistic.

John Tiner, in his last annual report as chief executive of the Financial Services Authority, discussing a sharp increase in funding for work to increase the financial capability of the British population, said: "It will take a generation for this initiative to take full effect, so the FSA and our partners are in this for the long haul."[26] Scottish politicians and policy-makers must also recognise that they must be in this for the long haul.

It has already been noted, but it bears repeating, that the future cost to Scottish society will be huge if we do not start becoming a more financially capable and responsible people now. We, a generation that is making a bit of a mess of our own finances, need to give the tools to learn from (and avoid) our mistakes to the coming generation.

We have some good fortune. Thanks to some foresighted individuals, Scotland has established a lead in financial education. Scotland has in place the foundations on which to construct a model of schooling in financial education that will serve future Scottish adults well, and be a model of excellence for others in the world to learn from.

Serving Scots well must be the top priority. But it is well worth re-emphasising the importance of the financial services industry to the

[26] Financial Services Authority. 2007. *Annual Report 2006-07*. Page 8.

Scottish economy. The industry accounts for £7bn (over 7%) of Scotland's GDP (measured as gross value added). It includes both Scottish companies that are leaders in global markets and international companies that are investing in bases in Scotland. Financial services continue to be the fastest growing sector of the Scottish economy.

Between 2000-07 the financial services industry in Scotland grew by 60 per cent, while the overall Scottish economy grew by 14 per cent. Scottish financial services outpaced the UK financial services industry, which grew by 47 per cent in the same period. The financial services industry accounts for one in 10 Scottish jobs, with over 108,000 people directly employed in the industry and over 100,000 more employed in support services.[27]

Providing the future skilled workforce for that industry so that it can continue growing and contributing to a Scottish success story is also important. And from the ranks of that workforce, we can hope that people of the calibre of Sir George Mathewson or Sandy Crombie will emerge. Much is spoken about the need for competitive advantage for an industry to be successful in today's globalised economy. Such an advantage can come as much from having a highly skilled workforce as it can come from tax advantages or the availability of venture capital. The advantage that California enjoys in electronics and software engineering and its ability to produce superstar companies such as Google, owes far more to the young talent drawn into that industry than anything else. Scotland should aim to do the same with financial services.

Indeed, if nothing is done to improve the quality of financial education in Scottish schools, others will gain that competitive edge. In England, personal finance education became a non-statutory part of the curriculum in 2000. Moves to deepen the commitment to financial education in the mathematics curriculum were announced in 2005. This has been further prioritised as part of the government's *Every Child Matters* agenda which aims to promote financial well-being as one of five critical objectives for all schools.

[27] Sources: Scottish Government Economic Statistics, National Statistics, Scottish Financial Enterprise.

Wales has come a little later to this agenda with pilot studies on the teaching of personal finance in secondary schools in 2005. A review of the curriculum, where financial education is currently placed within personal and social education, is under way.

The Welsh Assembly Government is also looking at the Scottish Centre for Financial Education with a view to setting up something similar.

Northern Ireland is bringing in a revised schools curriculum. Financial education is to be taught in the later primary years as part of the maths curriculum.

In secondary education, financial education has become a statutory part of learning within maths and home economics in early secondary years, and a statutory part of a course called Learning for Life and Work in later years. A pilot GCSE in financial services is being introduced.[28]

In the United States, notwithstanding the fact that schools policy is a responsibility of the 50 state governments, the federal government has recognised the importance of financial education. The *No Child Left Behind Act 2001* set up a $385 million fund to finance the development of local innovative education programmes including those that promote consumer, economic and personal finance education.
In 2002, the federal government established an Office of Financial Education which later that year published a paper on increasing the financial education content of schools curricula.[29] The private sector is heavily involved, mainly through Jump$tart, an umbrella group which has developed resources and guidance for teachers, and monitors levels of financial literacy.[30]

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[28] Financial Services Authority. June 2006. *Personal Finance Education in schools: A UK benchmark study,* Pages 6-8.
[29] US Department of the Treasury, Office of Financial Education. October 2002. *Integrating Financial Education into School Curricula*. Available at: www.ustreas.gov/press/releases/docs.white.pdf
[30] www.jumpstart.org

Similar programmes are burgeoning elsewhere. For example, CitiGroup, the world's biggest bank, set up in 2003 a $200 million fund to finance financial education programmes over 10 years. In 2006, it spent $32 million in 72 countries.[31]

The competition is getting its act together. Scotland must therefore also act now to take the opportunity to make a step change in the provision of financial education.

If that step is taken, Scots can regain their reputation for being a thrifty people, canny with money, a reputation which, in recent years, has been a rather empty one.

[31] http://financialeducation.citigroup.com/citigroup/financialeducation/index2.htm

## THE DAVID HUME INSTITUTE


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