

Developing financially capable young people

A survey of good practice in personal finance education for 11–18-year-olds in schools and colleges

The Government, headteachers, students and financial institutions all think personal finance education is important. However, enthusiasm has not always translated into effective practice and provision in schools and colleges varies in quality.

This report draws on a small survey of secondary schools and colleges carried out during 2006/07 to identify features of good practice in personal finance education. The report examines the case for personal finance education being part of the curriculum for all 11–18-year-olds and considers current weaknesses in provision and the barriers to future development. The report makes a number of recommendations to improve personal finance education.

Age group: 11–19

Published: March 2008

Reference no: 070029

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Alexandra House
33 Kingsway
London WC2B 6SE
T 08456 404040

www.ofsted.gov.uk

Reference no. 070029

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Executive summary

‘Education has to prepare children and young people for the real world beyond the school gates, and financial literacy is a skill that every citizen needs to function effectively in society.’

Jim Knight MP, Minister of State for Schools.¹

This report examines the development of personal finance education in schools and colleges. It presents the case for personal finance education and considers the knowledge, skills and understanding that young people should develop through personal finance education. Key factors underpinning good practice are highlighted and the barriers to development are identified. Recommendations are made about how provision might be improved further.

The report draws mainly on evidence gathered by Her Majesty’s Inspectors during visits to 18 secondary schools, two pupil referral units and two sixth form colleges during 2006/07. They were selected because our inspection evidence and information from other sources indicated that inspectors might find examples of good practice in personal finance education. Evidence was also gathered from our institutional inspections and programme of subject visits in business education in schools and colleges.

Concerns about growing levels of personal debt and insolvency, the lack of provision for pensions and the substantial proportion of the population that does not have access to financial services have resulted in the Government’s strong support for personal finance education for all young people. In July 2007 it announced the introduction of a new non-statutory curriculum area, called economic well-being and financial capability, for all secondary school students from September 2008. Additional funding of £11.5 million is to be made available to support personal finance education in primary and secondary schools for three years from September 2008.

Headteachers, students and financial institutions also see personal finance education as important. However, enthusiasm has not always translated into effective provision. Our evidence, as well as surveys by organisations such as the Financial Services Authority (FSA), indicates that provision in schools and colleges varies in quality. Consequently, too many young people leave school with a low level of financial capability. These findings indicate a need to identify and share good practice in personal finance education and provide the background to this report.

Inspectors found examples of good and excellent practice in the schools and colleges visited. Students had a sound grasp of financial terms, they were able to talk

¹ Parliamentary debate – adjournment and general, 17 April 2007; available from www.publications.parliament.uk/pa/cm200607/cmhansrd/cm070417/debtext/70417-0023.htm.

knowledgeably about financial issues and they demonstrated that they could make well informed financial decisions. This report identifies and illustrates the key factors underpinning this good practice, the most important of which were senior managers' commitment to personal finance education, the provision of adequate time in the curriculum and teachers with good subject knowledge and the skills to engage students' interest.

The Government made a commitment in 2005 to include aspects of personal finance education in GCSE mathematics from 2010. This report explores examples of good practice in developing personal finance education through mathematics, as well as identifying the difficulties involved. The best practice occurred when mathematics teachers were confident in their knowledge of personal finance and had the skills to handle discussions in areas where there were often no obvious right answers.

Inspectors identified shortcomings, even in schools with otherwise good provision. Only about a third of the schools had identified the learning outcomes they expected students to achieve by the end of compulsory education. Assessment of their progress was often weak, apart from where they were taking a specific qualification in personal finance. Less than a quarter of the schools in the survey monitored or evaluated the impact of their provision.

The report considers the main barriers to developing personal finance education further. Although the schools visited saw personal finance education as important, they did not always see it as a priority in an already overcrowded curriculum. There is no statutory requirement to teach personal finance education and, unless students are taking an accredited course, it will not improve schools' standing in published performance tables. Other barriers included weaknesses in teachers' knowledge and expertise and a lack of awareness of available resources and support. Evidence from further education colleges, gathered from inspections and survey visits, suggests that the diverse nature of the provision was a difficulty in ensuring a comprehensive programme of personal finance education for all students. This report makes a number of recommendations to help achieve the Government's intention of providing all young people with a coherent programme of personal finance education.

Key findings

- Students in the schools and colleges visited that were successfully developing personal finance education showed a good understanding of personal finance, were able to use financial terms correctly and were able to apply their knowledge to making financial decisions.
- In these successful schools and colleges, personal finance education was strongly supported by senior managers. They saw it as an important part of the curriculum for all students and it was given dedicated curriculum time, which was often supplemented by 'off timetable' days and work through a range of subjects. A member of staff was responsible for coordinating and developing provision.

- Good teaching was characterised by teachers' confident subject knowledge, skilfully managed discussions, relevant contexts, and tasks that engaged students. External agencies and other resources were used very effectively to support teaching and learning.
- Accredited courses stimulated a more coherent curriculum and a sharper focus on learning outcomes, although in most of the institutions visited only a minority of students followed such courses.
- When personal finance education was taught across several areas of the curriculum, the result was often a lack of coherence in provision. Further, the schools and colleges often failed to identify what they expected students to achieve at particular ages. The monitoring and evaluating of students' progress in developing financial capability frequently contained weaknesses. Issues relating to families on low incomes and different cultural beliefs concerning the borrowing and lending of money were often neglected or dealt with ineffectively.
- There were shortcomings in developing personal finance education through mathematics lessons. The focus was mainly on using personal finance education as a context for applying mathematical skills, rather than on developing students' financial skills and understanding. The mathematics required rarely extended beyond basic skills, and teachers missed opportunities for students to develop and apply more sophisticated mathematics. Teachers often lacked the skills needed to hold class discussions about aspects of personal finance education where there were no right answers.
- The main barriers to developing personal finance education were pressures on curriculum time, teachers' lack of subject knowledge and expertise in this area, a lack of awareness of resources and other forms of support for the subject, and the very wide variation in the nature of post-16 provision, particularly in colleges of further education. Training and development for non-specialist teachers involved in teaching personal finance education was rare.

Recommendations

The Department for Children, Schools and Families (DCSF) and the Department for Innovation, Universities and Skills (DIUS) should:

- provide clear guidance to schools on how adequate curriculum time can be found at Key Stage 3 and Key Stage 4 to teach economic well-being and financial capability
- support the professional development and training of teachers in schools and colleges to improve personal finance education, including the sharing of good practice and increasing awareness of available resources.

The Qualifications and Curriculum Authority (QCA) should:

- build accreditation for aspects of personal finance education into subjects and learning programmes where appropriate

- identify the detailed learning outcomes expected at the ages of 14, 16 and 19
- provide guidance on how to assess financial capability.

Schools and colleges should:

- ensure sufficient priority is given to developing a coherent programme of personal finance education in the curriculum
- ensure teachers involved in personal finance education are confident in their knowledge and have the appropriate classroom skills to teach it
- develop systems to monitor and evaluate the progress students are making towards achieving learning outcomes for personal finance education
- improve the teaching of personal finance education so that young people from all backgrounds can access financial services and manage their money effectively.

Developing personal finance education for all young people

1. The survey sought to answer the following questions:

- What is the case for developing personal finance education for all young people?
- What knowledge, skills and attitudes should young people develop?
- What are the key factors underpinning good practice?
- What are the barriers to developing personal finance education and how might provision be improved further?

The case for personal finance education

2. There has been a huge increase in the provision of financial services in recent years. The Government estimates that, in the United Kingdom, there are approximately 8,500 different mortgages, 300 major credit cards and 4,000 different saving accounts.² In order to derive maximum benefit from this vast choice, current consumers need to have a much greater level of financial understanding than previous generations. Access to consumer credit has also become a great deal easier. This has brought benefits for many, but has also resulted in rapidly growing levels of personal debt, including debts incurred by many young adults. Now that many employers do not provide pensions, there are concerns too about the lack of provision young adults are making for retirement.

² *Financial capability: the Government's long-term approach* (ISBN 978-1-84532-247-2), HM Treasury, 2007; available from www.hm-treasury.gov.uk/documents/financial_services/financial_capability/fin_cap_longtermapproach.cfm.

3. Young people do not legally have access to credit until they are 18, but they are involved in making financial decisions and develop attitudes to managing money much earlier than this. They are significant consumers of goods and services and are seen as an important target for advertising and marketing. From the age of 16, the majority will have experience of full-time or part-time employment and a substantial number of those staying in further education will receive Education Maintenance Allowance. Older students have to weigh up financial implications when deciding whether or not to go on to higher education. In September 2009 the children who first received Child Trust Funds will reach the age of seven.³ In 2018 they will take control of their accounts, managing the investments within them. In 2020 these first accounts will mature and allow holders access to their funds.
4. Surveys of young adults carried out by the FSA and other organisations have found that basic understanding of personal finance is often weak, particularly among those with few formal qualifications and those not in education, employment or training.⁴ Poor financial capability is a prime cause of adults not accessing and benefiting from financial services, leading to 'financial exclusion'. It is estimated, for example, that two million adults in the UK do not have a bank account. The Government sees financial capability as a key feature underpinning the development of enterprise skills and the promotion of economic well-being, as one of the Every Child Matters outcomes.⁵ A recent study in the United States supports this view, indicating that financial education in schools can have an important and lasting impact on individuals' future prosperity.⁶

Support for personal finance education

5. Personal finance education in schools is not new. Many schools, including primary schools, have included elements of personal finance education in their curriculum for a long time. In 2000 the Department for Education and Employment (DfEE) published non-statutory guidance for all key stages as part of its personal, social and health education framework.⁷ The White Paper *14–19*

³ Child Trust Fund is a savings and investment account for children. Children born on or after 1 September 2002 receive a £250 voucher to start their account. The account belongs to the child and cannot be accessed until they reach 18. Details are available at www.childtrustfund.gov.uk.

⁴ *Personal finance education in schools: a UK benchmark study* (Consumer research 50), FSA, June 2006.

⁵ *Every child matters* (Cm 5860), DfES, 2003; available from <http://publications.everychildmatters.gov.uk/default.aspx?PageFunction=productdetails&PageMode=publications&ProductId=CM5860&>.

⁶ *Rethinking financial capability*, Institute of Public Policy Research, 2006; available from www.ippr.org.uk/publicationsandreports/publication.asp?id=471.

⁷ *Financial capability through personal financial education: guidance for schools at Key Stages 3 and 4* (DfEE 0131/200), DfEE, 2000; available from www.dcsf.gov.uk/publications/guidanceonthelaw/fcg/. A revised version of this guidance is expected in 2008.

Education and Skills recognises explicitly the importance of financial education.⁸ Financial capability is supported through the National Strategy for Enterprise Education, which has made approximately £60 million of additional funding available to schools each year since 2005.

6. In 2006 the FSA, which has a statutory responsibility for promoting financial understanding, published its action plan for improving financial capability, including the provision in schools. This is in the context of the National Strategy for Financial Capability, which is led and coordinated by the FSA.⁹ In January 2007, the Treasury published its long-term approach to developing financial capability in which it states:

All children and young people should have access to a planned and coherent programme of personal finance education, so that they leave school able to manage their money well.¹⁰

7. The new secondary curriculum, announced by the QCA in July 2007, includes non-statutory programmes of study for economic well-being and financial capability for 11 to 16-year-olds. In September 2007 the Government announced additional funding of £11.5 million to support personal finance education in primary and secondary schools for three years from September 2008. The initiative has a particular focus on using the Child Trust Fund to promote financial understanding as part of mathematics.
8. The Personal Finance Education Group is an educational charity, funded mainly by the financial services industry and the FSA. It provides free advice and resources to schools and colleges and quality assures commercially produced materials for personal finance education.¹¹ Its Excellence and Access project (2001–04) involved 30 consultants working with 365 secondary schools to integrate personal finance education into the curriculum. This has been followed by its Learning Money Matters initiative. This is funded by the FSA as part of the National Strategy for Financial Capability and aims to support the development of personal finance education in 4,000 secondary schools by 2011. Individual initiatives, such as the NatWest/Royal Bank of Scotland's MoneySense programme, established in 1994, have also provided free support to many schools.^{12,13}

⁸ *14–19 Education and Skills* (White Paper) (Cm 6476), HMSO, 2005; available from www.dcsf.gov.uk/publications/14-19educationandskills/.

⁹ The Strategy's website is www.fsa.gov.uk/financial_capability/.

¹⁰ *Financial capability: the Government's long-term approach* (ISBN 978-1-84532-247-2), HM Treasury, 2007; available from www.hm-treasury.gov.uk/documents/financial_services/financial_capability/fin_cap_longtermapproach.cfm.

¹¹ Personal finance education group www.pfeg.org.

¹² MoneySense www.natwestf2f.com.

The quality of provision in schools and colleges

9. Ofsted does not inspect personal finance education in-depth in institutional inspections, but we do encourage schools to refer to it in their self-evaluations. Evidence from institutional inspections and subject inspections of business education in schools and colleges suggests that provision is patchy, and results in very mixed experiences and variable levels of understanding. These findings in schools are confirmed by a recent large-scale survey carried out by the FSA.¹⁴ The FSA survey found that, while the great majority of secondary schools regarded personal finance education as being important and claimed to teach some aspects, provision was often sporadic. The main reason schools gave was an already overstretched curriculum. Only a quarter of schools in the FSA survey monitored the impact of their provision on learners. That survey also found that less than a quarter of teachers involved in teaching personal finance education in secondary schools had high levels of confidence to do so. The survey carried out for this report provides further evidence of these findings.

What makes a financially capable young person?

10. Financial capability requires an understanding of the key terms and ideas associated with personal finance, the skills to make sensible financial decisions and the development of appropriate attitudes to managing money. Young people must acquire not only factual knowledge but also an appreciation that there are often no 'right' answers because decisions depend on individual circumstances and preferences. For example, the decision whether to take out fully comprehensive car insurance requires an understanding of different types of insurance and their comparative risks and benefits. However, the decision taken will vary between individuals according to the value they place on the car, their financial circumstances and how they assess risk.
11. The non-statutory guidance for personal, social and health education suggested the content that should be covered in personal finance education in each key stage. The programme of study for the new curriculum area of economic well-being and financial capability sets out the key concepts, skills and processes that students should acquire.

¹³ A summary of initiatives supporting personal finance education is provided in *Financial education: a review of existing provision in the UK* (ISBN 1 84123 870 8), Department for Work and Pensions, 2005; available from www.dwp.gov.uk/asd/asd5/report_abstracts/rr_abstracts/rra_275.asp.

¹⁴ *Personal finance education in schools: a UK benchmark study* (Consumer research 50), FSA, June 2006.

12. Based on evidence gathered during this survey, as well as guidance from the DCSF, the QCA and the Personal Finance Education Group, inspectors developed a list of the knowledge, skills and attitudes that young people, if they are to be regarded as financially capable, might be expected to achieve by the age of 16. The list is provided in Annex 2 of this report.

Standards and achievement

13. In the schools in the survey where personal finance education was being developed most effectively, students had a good grasp of key terms and concepts and could demonstrate the ability to make sound financial decisions. For example, students knew the difference between credit and debit cards and the advantages and disadvantages of using them in different circumstances. Students were able to advise inspectors on which mobile phone tariff would be their 'best buy' through asking pertinent questions about the likely level of use, timing of calls and amount of text messaging. Students were also able to identify the factors they would take into account if they had a sum of money to invest, balancing the level of risk against possible returns. Some older students were able to demonstrate how they had applied the knowledge and skills they had gained to real situations, as the following examples illustrate.

A student in a sixth form college helped her father claim back £5,000 in bank charges for his business. Another helped members of her family manage their finances better by helping them to set up standing orders and direct debits. Several older students were able to reduce interest payments by re-scheduling their loans. Many felt more confident about going on to higher education, knowing that student loans could be manageable. The course in personal finance encouraged a number of students to seek employment in the financial services industry and they felt well prepared in making applications and for interviews.

14. It was rare for all students interviewed in the schools visited to have the full range of understanding, skills and attitudes we were looking for. They often had a good grasp of particular aspects of personal finance but had gaps in their understanding elsewhere. In some cases this was because there were still aspects of the course to be covered. More often, these deficiencies were because schools had not established comprehensive programmes of personal finance education that clearly identified the full range of learning outcomes students were expected to achieve by the age of 16. Students taking accredited courses often had the most comprehensive understanding of personal finance. This reflected the coherent nature of the provision and the substantial amount of lesson time devoted to it.

Factors contributing to good practice in personal finance education

15. The survey identified six key factors that underpinned the successful development of personal finance education.
 - Senior managers demonstrated a strong commitment to personal finance education for all students.
 - A member of staff, often at a senior level, had responsibility for the development of personal finance education across the school or college.
 - Dedicated curriculum time was provided, often supplemented by work through other subjects and 'off timetable' days.
 - Teachers were confident in their knowledge of personal finance and used contexts that were relevant to students.
 - Lessons engaged students in relevant and meaningful tasks and involved them in discussion and debate.
 - Effective use was made of resources, including the expertise of external agencies.

Leadership and management

16. There was a strong commitment to personal finance education by senior managers in all the schools and colleges surveyed where it was being developed successfully. Financial education was seen as a key component of students' personal development, contributing to their future economic well-being. This commitment was reflected in the priority given to personal finance education in the curriculum and the level of resources attached to it. These schools and colleges nearly always had a member of staff, often at a senior level, with overall responsibility for the development of personal finance education across the institution. In three of the schools, responsibility was given to a non-teaching member of staff with a coordinating role for business and enterprise education. This worked well because they had time to liaise with teachers across the curriculum and to establish effective links with external agencies to support work in the subject.
17. Effective coordination was achieved in two of the schools, where more than one person had responsibility for personal finance education through working groups or other mechanisms that ensured there was a common understanding of what was being taught. However, this was very much the exception and the lack of an overall coordinator frequently led to fragmentation or duplication and a lack of progression in provision.
18. Only a third of the institutions visited had identified the learning objectives they expected students to achieve by the end of Key Stage 4. Three quarters of the schools did not have robust systems in place to monitor students' progress in developing financial capability so they were often unaware of where the gaps

were in their understanding. About half of the schools had carried out audits to identify what aspects of personal finance education were being taught across the curriculum. These provided useful information but there was often a lack of evidence for the quality and effectiveness of the provision. One school had particularly effective systems to monitor and evaluate its programme:

A senior manager had responsibility for coordinating and developing personal finance education across the school. A coherent plan identified the provision and learning outcomes expected in each year from Year 7 to Year 13. The personal finance education curriculum was carefully planned with other subjects so that students were able to draw on the skills they had developed, for example in mathematics and information and communication technology, in their personal finance lessons. Continuous assessment of what students had learnt in personal finance education took place through the marking of written work. A major strength in monitoring the quality of the provision was the regular observation of lessons by senior managers. The lesson observations, discussions with teachers and results from student questionnaires were all drawn on to provide a thorough evaluation of the impact of the programme.

19. Only a third of the institutions visited had comprehensive training programmes to develop the effectiveness of teachers involved in personal finance education. The best programmes involved a combination of in-house training and support from external agencies. Non-specialist teachers in these schools received good support through resources and exemplar lessons. External support was most effective when it was tailored to meet the specific needs of the institutions, as in the case of this pupil referral unit:

A teacher without any previous training in financial education worked with a Personal Finance Education Group consultant to devise a programme of personal finance education to meet the very diverse needs of the students. The changing nature of the student population meant that the programme had to be very flexible and it was broken into a number of self-contained units. The teacher was also keen to use personal finance education to develop students' basic numeracy and communication skills and this work was disseminated to other teachers. The small number of staff in the unit made it easy to share ideas and good practice. The programme proved effective and was enjoyed by students. The influence of the original training continued even though the teacher initially involved had left the unit.

The curriculum for personal finance education

20. Schools that were successfully developing personal finance education ensured it was given adequate and dedicated curriculum time. The better schools managed this through units of work within the personal, social and health

education or life skills programmes. Aspects were also covered through mathematics, citizenship, information and communication technology and in optional subjects, such as business studies. They often supplemented the provision through whole-day events. In the sixth form colleges visited, personal finance education was normally part of enrichment or tutorial programmes. Three of the schools visited and both the colleges offered accredited courses in personal finance education as options. Extra-curricular provision contributed to personal finance education in about half of the schools.

21. The schools in the survey typically provided 6–10 hours of personal finance education during Key Stage 4 within personal, social and health education or life skills programmes. The most successful schools had programmes that started in Key Stage 3, sometimes with elements included in each year. Provision was less effective when there was a reliance on delivering personal finance education entirely through other subjects or generalised topics in personal, social and health education. This often resulted in a lack of coherence in the provision and fragmented experiences for students. Even in the more effective schools, there was sometimes a lack of joined-up thinking between what was being taught in personal, social and health education and what was happening in other subjects. There was a tendency to focus on financial topics associated with more affluent lifestyles, such as foreign holidays and mortgages, and to neglect aspects such as welfare benefits, the use of money lenders and the difficulties of living on low incomes. Cultural influences on personal finances, such as Islamic attitudes towards borrowing and lending money, were also often under-represented in the curriculum.
22. Students generally enjoyed whole 'off timetable' days devoted to personal finance education; these often involved all students in a particular year group. The majority of these days involved the expertise of outside agencies and they were most successful when they were tailored to students' specific needs, rather than using off the shelf programmes. For example, Year 10 students in one school had to manage a budget for a family over a period of time and to cope with a series of unexpected expenditures. In another, Year 11 students were given the task of buying and running a car, taking account of different individual circumstances, to come up with a best buy. Students often enjoyed these events most when they were actively engaged in a wide range of different and interesting tasks. For example, in one school students moved around a carousel of personal finance challenges, competitions and quizzes, receiving rapid feedback on how well they did.
23. A common weakness of one-day events was that they gave insufficient attention to evaluating what students had learnt. Students were often asked to complete evaluation questionnaires, but these focused mainly on the extent to which they had enjoyed the day and the skills they had used. More sophisticated evaluations required students to identify evidence of gains in their understanding and skills and shifts in their attitudes. Two schools attempted to

deliver all their personal finance education by suspending the timetable. While this approach had the benefit of making it easier to use external agencies and provided opportunities for more sustained activities, students saw these days as 'one off' events and the learning that took place was not consolidated.

24. The most successful schools and colleges ensured that the curriculum content was relevant to the age and ability of students. Aspects of personal finance education such as pensions and mortgages, while important, were seen by teachers and managers as being less relevant to the youngest students. The calculation of take home pay and budgeting for independent living was considered to be of more interest to older students. Colleges included content on financing higher education, with one of them providing some well received evening sessions for parents and students to attend together. The best schools also found interesting ways of developing the financial capability of students with learning difficulties, as in the following example.

A group of students was given responsibility for refurbishing a room intended to be used for the new school bank. They learned more about banking in order to inform their design and help them to draw up a set of specifications. They then investigated the cost of the materials from different suppliers to find the best value for money and adjusted their design to stay within budget. They placed orders, visited local stores to buy materials and learned how to monitor their spending.

25. Using personal finance contexts in different subjects helped to give relevance to personal finance education and to the subjects themselves, increasing students' motivation, as in these two examples.

A childcare assignment required students to research, price and select the items needed in preparation for the arrival of a new baby. The teacher took the opportunity to develop students' financial awareness further by introducing case studies involving a young single mother on benefits and a professional couple in their late twenties. During the course of a lively discussion, the students' views changed as they became acutely aware of the financial restrictions on the young mother and the difficult choices facing her.

Students on a GCSE physical education course were given responsibility for organising and planning the budget for their forthcoming field trip. With guidance from the teacher, the students made decisions about accommodation, menus and transport. They researched the costs and learned valuable lessons about keeping the price of the trip within budget and the need for a contingency fund.

26. Students valued accredited courses, such as those provided by the *ifs* School of Finance or the Award Scheme Development and Accreditation Network, which had the benefit of leading to nationally recognised qualifications.^{15,16} They were well supported by course materials and included continuous assessment of progress. The *ifs* School of Finance courses provided a coherent and progressive curriculum from foundation level through to level 3. However, in most cases they were taken only by a minority of students. Schools in particular found the recommended study time for *ifs* School of Finance courses – 60 hours for foundation and 90 hours for level 2 – very difficult to accommodate as part of the curriculum for all students.
27. All maintained secondary schools have been provided with *Adding up to a lifetime*, a free interactive CD-ROM produced by the Specialist Schools and Academies Trust.¹⁷ *Adding up...* includes over 25 hours of activities, based around the lives of four individuals as they progress from being a school student through to retirement, and covers most aspects of personal finance education. One of the schools visited used this resource very effectively to give its personal finance course structure and coherence. Students enjoyed working individually on the activities and quizzes to test their understanding, which were supplemented by whole class discussions and input from teachers. Other schools selected the activities they felt most suited the needs of their students and used them to enhance lessons or on days when the timetable was suspended.
28. The successful schools offered extra-curricular activities, such as running school banks, 'mini' enterprise activities, school productions and participating in investment competitions, providing students with practical experience of personal finance. For example, Year 10 students in one school organised a disco for younger students to raise money for charity. This involved working out the costs of putting on the disco, deciding on the price of tickets and keeping basic accounts. In a pupil referral unit, a group of students had to work within a fixed budget to shop and cater for a Christmas lunch for staff and their fellow students. Many students in the schools and colleges already had their own bank accounts. Older students often had part-time jobs and were familiar with the nature of wage slips, although they did not always fully understand the reasons for deductions and what they were used for.

Teaching and learning

29. The best teaching occurred when teachers were confident in their subject knowledge, often drawing on their own experiences, including working in business and finance. They also made skilful use of students' experiences of

¹⁵ Details of *ifs* School of Finance qualifications can be found at www.financialcapability.co.uk.

¹⁶ Award Scheme Development and Accreditation Network www.asdan.org.uk.

¹⁷ *Adding up to a lifetime* (ISBN 1-905150-50-4), Specialist Schools and Academies Trust, 2006.

personal finance. Lessons had clear learning objectives and were lively and interesting. They involved students in activities, so that they learnt by doing. The tasks set were as realistic as possible, as in the following example.

As part of an exercise on working out the cost of a foreign holiday, Year 11 students were set the task of finding out what might be the best buy in travel insurance. They used the Internet to investigate different deals by filling out real applications and compared the results with the travel company's price. Students came up with different answers depending on the type of insurance cover they had requested. This gave rise to interesting and informative discussions about what was included in the insurance, the level of compensation and balancing risk against cost. Students became very engaged in the tasks and by the end of the exercise there was clear evidence that they had increased their understanding of insurance.

30. Some excellent free resources are available to support personal finance education and the schools and colleges in the survey often used these effectively, adapting them where necessary to meet their students' specific needs.¹⁸ The better schools also used material produced for commercial purposes, such as advertisements for credit cards or different types of investment, to provide additional stimuli in lessons. Schools and colleges often drew effectively on the expertise of personnel from banks and other financial institutions, as well as organisations such as the Citizens Advice Bureau (CAB) and local authority trading standards departments. The most effective use of such personnel occurred when they set students real problems and used their expertise to comment on solutions, as in the example below.

Part of an enterprise day for Year 10 students involved working with an adviser from the local CAB. She briefly explained the role of the CAB and the type of financial issues it is frequently asked to advise on. Students then worked in small groups on case studies which were based on real problems the CAB had dealt with. Students took on the role of CAB advisers, drawing on knowledge gained from personal finance education lessons and guidance leaflets provided by the CAB. Some of the groups were asked to present their ideas before the adviser explained the advice she had actually given. Students assessed their own responses against the 'official' advice and some asked for clarification about why their suggestions might not be appropriate.

31. Where teaching was less effective, teachers often lacked subject knowledge and expertise in handling discussions around more contentious issues. This sometimes resulted in incorrect teaching, for example suggesting that credit

¹⁸ Free and priced resources that have been quality assured are available from Personal Finance Education Group at www.pfeg.org.

cards are legally available to those under 18. More commonly, it resulted in teachers conveying biased views, for example by maintaining that debt is always to be avoided. Similarly, less confident teachers sometimes led students to believe there was only one right answer to a financial problem, rather than getting them to explore several different and possibly equally valid alternatives. In the weaker lessons, teachers often lacked awareness of the many good resources already available and depended too much on using worksheets. Students in these lessons quickly became bored or simply went through the motions of completing the worksheets without much real understanding or enthusiasm. Some of these shortcomings are discussed below in the section on teaching personal finance education through mathematics.

32. A general weakness, even in the more effective schools, was the lack of assessment of students' learning. The exceptions to this were in institutions using accredited courses in personal finance that had continuing assessment built into the programmes of study. Although aspects of personal finance education were covered in subjects such as mathematics and information and communication technology in the curriculum, they were rarely assessed or accredited.

Developing financial capability through mathematics

33. There is a continuing debate about the role of mathematics in developing personal finance education. In 2005 the Government committed itself to include financial capability in the new functional mathematics component of GCSE mathematics, to be introduced in 2010.¹⁹ In April 2007 this was reiterated by the Minister for Schools at the time in a parliamentary debate on personal finance education.

Financial literacy is an important element of functional skills and students will need to demonstrate that they have a solid grasp of those issues as they study the fundamental subject of GCSE mathematics.²⁰

34. The numerical skills of addition, subtraction, multiplication, division and calculating percentages are often practised and applied in a financial context. Financial capability, however, is about more than numerical competence. It is also about developing an understanding of financial services and key ideas, the skills to apply this understanding to managing money, and acquiring particular attitudes towards personal finance.
35. Most mathematics teachers interviewed as part of the survey felt that personal finance was a relevant context for students to apply their basic numerical skills

¹⁹ HM Treasury, pre-Budget report, November 2005.

²⁰ Parliamentary debate – adjournment and general, 17 April 2007; available from www.publications.parliament.uk/pa/cm200607/cmhansrd/cm070417/debtext/70417-0023.htm.

but they expressed concern about incorporating the full range of personal finance education into GCSE mathematics. They were unhappy about squeezing additional topics into what they saw as an already crowded curriculum and pointed out that personal finance education was not accredited in GCSE mathematics. Understandably, they viewed their priority to be developing mathematical understanding and skills rather than financial capability. For this reason, nearly all of the schools in the survey attempted to cover only a limited range of personal finance topics through mathematics. The following example is an exception:

The head of mathematics willingly took on responsibility for delivering the personal finance education curriculum and worked with a financial adviser from the local Rotary Club to devise a programme for Year 10 students. The programme was built around four units: earning and getting money; borrowing money; managing money; and spending wisely. The units were mapped against the mathematical skills required for GCSE. Six mathematics lessons, lasting one hour, were allocated to the programme, which was taught by the financial adviser with support from the head of mathematics. The programme was well received by students, who saw it as helping to make mathematics relevant. They also appreciated being taught by someone from outside the school who was able to draw on his professional knowledge and expertise.

36. The most successful teaching used realistic examples and promoted students' financial capability alongside the development and application of their mathematical skills, as in the two following examples.

High-attaining Year 7 students were set the task of estimating how long it would take an inheritance to double if they invested it in a savings account. Although the students were focused on finding a mathematical solution, the teacher engaged them in lively discussions about why some banks offer university students favourable terms and whether it might be sensible to withdraw the legacy before it doubles in value but at a time when their financial needs might be greater.

37. In a similar lesson in another school, Year 9 students were given a starter activity of calculating how much interest would be earned if they saved £1,000 for five years at a rate of 5%. The immediate response from most of the students was £250. The teacher explored with the class, in the context of savings, why this answer was incorrect. Students then had another attempt at doing the calculation. A range of different answers emerged. The teacher skilfully questioned and challenged the responses and encouraged students to discuss how they arrived at their solutions. There was very clear evidence of students developing both their mathematical and their financial understanding as they made the leap from simple to compound interest. They became utterly engrossed in their learning and thoroughly enjoyed the lesson.

38. Weaker teaching was often characterised by teachers' lack of subject knowledge, as described earlier. Students were also led to believe that the numerically correct solution to a problem was the only 'right' answer. This was not the case in one lesson where students pointed out that, although the two litre bottle of lemonade had a lower unit price than the one litre bottle, it was not necessarily the best buy because it depended on how much might be drunk before it went flat.
39. In the most successful schools, aspects of personal financial capability were developed in mathematics as part of a well coordinated cross-curricular plan. Schemes of work were meshed together to ensure that the learning in one subject was consolidated and enhanced by that in another. Projects, activity days and visiting speakers were used effectively to enliven the curriculum. For example, in one school, simple and compound interest was covered in mathematics at the same time as spreadsheets were being taught in information technology. These two topics were then brought together in a lesson on borrowing and saving that involved discussions about both interest rates and the use of appropriate software packages. As one student said, 'It's all fitting together and making sense.'
40. Mathematics lessons which used personal finance as a context rarely extended beyond students applying anything more than basic numerical skills. Opportunities were missed to develop higher order skills, for example by looking at the chances of winning a Premium Bond prize or how insurance premiums are calculated. Many mathematics teachers recognised the need for further professional development, as they had gaps in their understanding of personal finance, as well as lacking some of the skills needed to handle whole class discussions.

Barriers to developing personal finance education

41. There is strong support for personal finance education from the Government, financial institutions and other agencies. Most teachers and students feel that personal finance education should be part of the curriculum, and there are excellent resources to support teaching, many of which are free. Yet despite the good practice identified in this report, provision remains variable. The four main factors which inhibited the development of successful provision were:
 - lack of sufficient curriculum time
 - teachers' lack of confidence
 - low awareness of available resources and support
 - the varied nature of post-16 education.
42. The lack of curriculum time, particularly at Key Stage 4, was the reason most commonly given by schools for not providing more personal finance education. This confirms the findings of the FSA survey. Although schools saw personal

finance education as important, it was not necessarily seen as a high priority for development. The non-statutory nature of personal finance education means it was often a lower priority when there was pressure to raise standards and achievement. This was particularly the case in mathematics, where there was often strong resistance to the notion of adding more to what teachers saw as an already overcrowded syllabus. The lack of recognition for personal finance education in the accreditation schemes for subjects such as mathematics and information and communications technology acted as a disincentive to teach it rigorously. This led to personal finance education being seen as 'yet another initiative', rather than an entitlement and part of a broader curriculum area, such as developing economic well-being or preparing young people for adult life.

43. Teachers' lack of confidence in teaching personal finance education was another barrier to development. This was most frequently the case when personal finance education was taught by form tutors as part of a personal, social and health education programme, rather than by subject specialists. This was also a finding in our report on personal, social and health education in 2005.²¹ This lack of confidence stemmed partly from teachers' inadequate knowledge of personal finance and partly from their lack of expertise to make the subject matter interesting, handle discussions and deal with sensitive and sometimes controversial issues. Teachers' awareness of the social and cultural factors that influence attitudes to personal finance was often underdeveloped. Very few non-specialist teachers had received any form of professional development or training to teach personal finance education.
44. There was a lack of awareness in schools of the resources and support that were available for personal finance education. There were schools in the survey, for instance, that had not heard of the Personal Finance Education Group or were unaware that they had a copy of *Adding up to a lifetime*. In others, teachers were aware of resources but had not had sufficient time to review them or to establish links with external agencies to support work. These schools tended either to produce their own resources, often a series of uninspiring worksheets, or use commercially produced resources that were not adapted to meet students' needs.
45. The very varied nature of provision post-16 made it difficult to ensure that all students received personal finance education, particularly in colleges of general further education. Where there was provision, often as part of enrichment or tutorial programmes, it tended to focus mainly on living independently or coping with higher education. The patchy nature of provision up to the age of 16 in schools meant that colleges found it difficult to build on prior learning.

²¹ *PSHE in secondary schools* (HMI 2311), Ofsted, 2005; available from www.ofsted.gov.uk/publications/2311.

Notes

This report is based on visits made by Her Majesty's Inspectors between April 2006 and April 2007 to 18 secondary schools, two pupil referral units and two sixth form colleges. The institutions selected were ones where our own inspection evidence or suggestions from the Personal Finance Education Group, the *ifs* School of Finance or the Specialist Schools and Academies Trust, indicated that inspectors might see aspects of good practice in personal finance education.

The report also draws on evidence gathered through Ofsted's programme of inspections in business education in schools and colleges during 2006/07 and refers to findings from recent surveys carried out by other organisations. We are grateful for the advice and help received from the Personal Finance Education Group, the FSA, the Specialist Schools and Academies Trust and the *ifs* School of Finance.

Further information

The Award Scheme Development and Accreditation Network provides different levels of accreditation that include aspects of personal finance education.

www.asdan.org.uk

The Department for Children, Schools and Families provides information and guidance on current Government initiatives concerning personal finance education.

www.dcsf.gov.uk

The Department for Work and Pensions produced *Financial education: a review of existing provision in the UK* (Research report 275; ISBN 1 84123 870 8), 2005.

www.dwp.gov.uk

The Financial Services Authority (FSA) leads and coordinates the National Strategy for Financial Capability. Information on the benchmark study of personal finance education in schools and the action plan for developing financial capability can be found on their website.

www.fsa.gov.uk

HM Treasury provides information on the Government's long term approach to developing financial capability and recent initiatives to support personal finance education.

www.hm-treasury.gov.uk

Ifs School of Finance provides a range of qualifications in personal finance.

www.financialcapability.co.uk

Natwest/Royal bank of Scotland provide MoneySense, a programme to support personal finance education in schools and colleges.

www.natwestf2f.com

The Personal Finance Education Group quality assures and provides resources to support personal finance education, including Learning Money Matters, a major programme of advice and professional development for teachers involved in personal finance education.

www.pfeg.org

The Qualifications and Curriculum Authority provides information for programmes of study and support for the new curriculum area of economic well-being and financial capability.

www.qca.org.uk

The Specialist Schools and Academies Trust provides *Adding up to a lifetime*, an interactive resource provided free to every maintained secondary school.

www.specialistschools.org.uk

Annex 1: schools and colleges participating in the survey

Schools

Fairfax School, Birmingham

Fearnhill School, Hertfordshire

Flegg High School, Norfolk

Fulston Manor School, Kent

The Grantham Church (VA) High School, Lincolnshire

Higham Lane School, Warwickshire

Invicta Grammar School, Kent

Linton Village College, Cambridgeshire

Raine's Foundation School, Tower Hamlets

Ringmer Community College, East Sussex

Sandon High School, Stoke-on-Trent

Sawston Village College, Cambridgeshire

Shenley Brook End School, Milton Keynes

Stantonbury Campus, Milton Keynes

The Ashcombe School, Surrey

The King's School, Grantham Lincolnshire

Wymondham High School, Norfolk.

Sixth form colleges

King George V College, Sefton

St Mary's College, Blackburn with Darwen.

Pupil referral units

The Compass Centre, Southampton

The St George's Centre, Gloucestershire (closed on 31 August 2007).

Annex 2: learning outcomes that might be expected of a financially capable 16-year-old

The following list of outcomes was developed by inspectors involved in the survey, based on inspection evidence and existing guidance from the DCSF, the QCA and the Personal Finance Education Group.

Financial capability depends on an understanding of the key terms and ideas associated with personal finance, the skills to make sensible financial decisions and the right attitudes to managing money. It involves having some factual knowledge but also an awareness that there are often no right answers to financial decisions because they depend on individual circumstances and preferences.

Basic concepts

These should permeate financial understanding and be demonstrated through students' skills and attitudes.

- Money can be used to make money through savings, investments, lending and trading.
- Financial institutions in the private sector seek to maximise profits through charging a higher rate of interest to borrowers than savers and by selling other financial services.
- The ability of individual consumers to get the best deal when buying products and services (including financial products) is strengthened through their knowledge of the market.
- There is often no one right answer in making financial decisions because they depend on individual circumstances and preferences.
- Individual interest rates vary according to the level of risk associated with them, including the length of commitment.

Underpinning financial understanding

Students should understand:

- different methods of payments (cash, cheques, standing orders, direct debits, credit/debit/store cards), how they work and their advantages/disadvantages
- the implications of credit and debt (different types of loans, overdrafts, mortgages), including different social and cultural attitudes to lending and borrowing money
- the significance of Annual Percentage Rate and Annual Equivalent Rate in comparing interest rates
- how foreign exchange rates fluctuate and the additional charges incurred when buying/selling currencies
- how wages/salaries are calculated (hourly/weekly/annually, bonuses, overtime)

- how deductions (tax/National Insurance/pension contributions) affect take-home pay and what they are used for
- the basic state benefits (including Education Maintenance Allowance) and how they are calculated (for example, whether they are means-tested)
- how insurance works and the types of insurance relevant to young people
- the main sources of financial advice and how to access them.

Personal finance skills

Students should be able to:

- work out what might represent best value in purchasing goods and services (including financial products)
- use the Internet, television and newspaper advertisements and other sources to locate best deals for financial products
- calculate foreign currency conversions between sterling and other common currencies (using both estimation and a calculator)
- estimate and calculate take-home pay for a range of occupations and personal circumstances
- calculate benefit entitlements for 16–19-year-olds
- budget their own current weekly finances as a consumer
- interpret bills and personal finance statements, extracting key information
- make basic risk/reward assessments in relation to saving and borrowing
- have a sense of financial risk (for example between different forms of investment and when to take out insurance).

Attitudes to managing personal finance

Students should:

- have a good sense of how money can be used effectively or result in wasted resources
- have a good sense of priorities, in anticipation of living independently at 16+ and 19+
- appreciate the need to balance income and expenditure in managing personal finances
- appreciate that sacrificing current expenditure can bring long-term benefits (for example, through investments, pensions, further and higher education)
- seek to make financial decisions on the basis of the best possible information
- appreciate how social, emotional and cultural factors influence and affect attitudes towards borrowing and lending money.