

Financial Capability Strategy for the UK

Two years on...



November 2017

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Introduction

We all know that levels of financial capability in the UK are far too low.

- **Four out of ten of us in the UK can't manage our money.**
- **Around three in five of us, around 16 million working age people, have less than £300 in savings, and so are highly exposed to a drop in income or unexpected bills such as a boiler repair or a new fridge.**
- **And around 8m people in the UK are in serious debt.**

These are complex problems which can lead to widespread impacts on individual wellbeing, health and the UK economy. They cannot be solved by any one organisation working alone.

The Financial Capability Strategy for the UK was launched in October 2015 to bring many different people and organisations together to collaborate and take action to permanently address these issues. Employers, charities, government and businesses all want to give people the life-long control and confidence to make the most of their money – from pocket money to pensions.

So the Financial Capability Strategy is equipping people with the evidence and expertise to change money behaviours. It provides an independent and impartial space that actively brings organisations together and invites them to focus their efforts on what truly works.

This short report looks at what progress has been made since the Strategy was launched two years ago.

As we said at the outset, we began by creating the tools and analysis to allow us to take a collective approach to addressing the problem:

- understanding the key drivers,
- sharing and hosting facts and evidence on a central hub, and
- measuring impact in the same way, wherever a service is delivered and whoever delivers it.

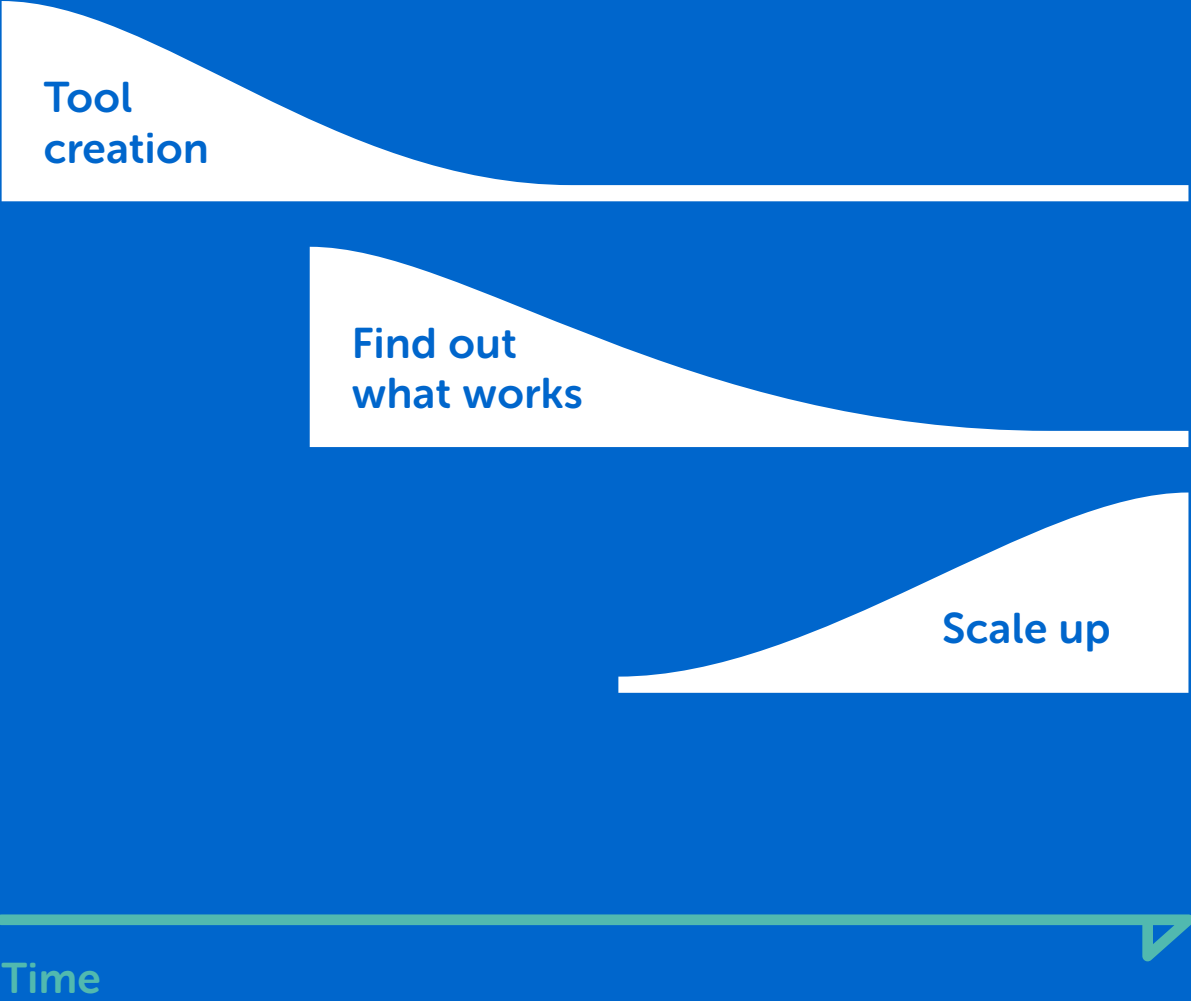
We are now focused on seeking to understand what really works in improving financial capability, and helping people make the most of their money. So we are evaluating the impact of a wide range of interventions and offering specialised evaluation support to organisations currently delivering interventions.

With that evidence in place, we can all begin to use, advocate and scale up interventions that have proven impact – making available funding so much more effective. We can embed the approaches that work into our existing structures, institutions and relationships: in schools, in workplaces and across communities.

In this way, we believe we will be able to positively impact the levels of financial capability of millions of people across the UK.

We have highlighted here just a small number of the projects helping to transform the lives of millions of people across the UK. We hope they inspire you to join us.

Financial Capability Strategy high level road map



Supporting the Strategy through evidence, insight and evaluation

The Strategy must be based on what works, so that resources can be used most effectively and make the most difference to people's lives.

The Money Advice Service has published a number of key pieces of insight, and developed a range of resources to help organisations understand and evaluate their activity, learn from what they find, and share those findings with others. Taken together, these core resources facilitate a collective approach to building a shared understanding of what works in improving financial capability.

Understanding consumer needs

The **Financial Capability Survey** sets out a 'state of the nation' view on existing levels of financial capability across the UK. This creates a common understanding of the problem we are seeking to address, and highlights where the major issues are.

To deepen our understanding, the Money Advice Service then published a ground breaking piece of work called 'Building blocks of Financial Capability' which set out the behaviours which are most important in improving people's financial wellbeing and long-term financial security. The analysis highlighted the importance of **managing credit effectively, actively saving, keeping track of money, building resilience and working towards goals**. To influence these behaviours, the analysis finds that **improving financial confidence, financial engagement and the application of financial numeracy** are critical.

A focus on Children and Young People

To gain a better understanding of the role of financial education for children and young people, the Money Advice Service carried out research into the **financial capability of those aged 4 to 17**, and of their parents and carers. This research showed that just four in 10 young people in the UK say they've received financial education, though 90% of those who did found it useful. It also highlighted the critical role for parents in talking to children about money and that direct experience of money management is critical.

Finally, a unique piece of analysis looked at the British Cohort Study to see whether childhood skills and behaviours can predict financial outcomes of those same people when they are adults. The analysis showed that they can, highlighting the importance of focussing our efforts on people from a young age.





Assessing our impact

The **Financial Capability Evaluation Toolkit** is an online resource to help organisations easily evaluate their interventions to understand their impact.

At the heart of the Toolkit are a suite of **Outcomes Frameworks** and **Question Banks** as well as the concept of a **Theory of Change**.

The **Outcomes Frameworks** set out the key components of financial capability, how they affect financial behaviour, and ultimately influence financial wellbeing.

Attached to each Outcomes Framework is a Question Bank that helps organisations identify indicators and survey questions they can use to measure changes in financial capability among the people who engage with their services.

A key part of the Evaluation Toolkit is to understand how a programme or project works, using a Theory of Change. This is a way of showing how a set of resources and activities are expected to result in the achievement of defined outcomes and impacts. It can help in the development of a new programme or project – and as the basis of any subsequent evaluation – as it helps to clarify what the activity is trying to achieve and how to measure any changes that may happen as a result.

We have supported **over 100 organisations to use the toolkit since launch**, which means better quality and more consistent evaluation of the impact interventions have on how people manage their money.

A central hub for evidence

The **Financial Capability Evidence Hub** provides a focal point for sharing evidence and insight, helping organisations to access useful evidence to inform the design and development of their financial capability projects.

A revamped Evidence Hub was launched in November 2016, and now includes:

- a wider range of evidence, covering insight and analysis as well as evaluation studies, and
- a new 'Thematic Review' section pulling together key insights and learning on particular topics.

The Hub is a unique resource which already contains over 200 individual studies from the UK and beyond, covering topics such as credit use and debt; budgeting; saving; pensions; and financial education.

Since revamping the Hub, the number of people using it has **doubled**. This reflects a wide range of funders, delivery organisations and others using the Hub to enhance the impact of what they do.



The What Works Fund

To drive more rigorous evaluation and build a robust evidence base, the Money Advice Service has launched the **What Works Fund** to improve understanding of what is really effective in enhancing levels of financial capability, and support organisations that want to test the effectiveness of financial capability projects and interventions.

Directly supporting learning and evaluation

We are supporting **65** projects, who have collectively been awarded funding of around £10million. The funding agreements include a package of support to help the funded organisations with evaluation methods and sharing their findings with others. In addition, we are also providing expert evaluation support to help organisations evaluate what they do.

Building the capability of practitioners

Across the UK, there are many thousands of practitioners delivering financial capability support and money guidance. They are at the heart of efforts to improve levels of financial capability. Through them we will be able to make significant changes to the way people manage their money.

We want to help increase the confidence and competence of practitioners and raise the quality of delivery.

To achieve this, the Money Advice Service brought together a consortium chaired by Yvonne MacDermid of Money Advice Scotland. This consortium analysed the needs and aspirations of frontline practitioners and produced key learnings and recommendations about next steps.

Moving forward, we will continue to work closely with diverse organisations in this 'community' to further develop and test a framework that contains the shared competencies needed by practitioners.

We will also map the current training and resources to identify gaps and to help develop and disseminate the very best material and content available. This may include developing a resource portal so that organisations and practitioners can easily access and share good practice.

The Financial Capability Lab

Improving financial capability is a complex challenge which will require a range of different approaches. To complement the work above, and help identify new approaches, the Money Advice Service has partnered with the Behavioural Insights Team to set up a Financial Capability Lab. The Lab aims to generate new ideas that might tackle some of the most complex financial capability challenges facing people across the UK.

There have been some really promising ideas coming out the lab already, including how to help people to easily bank the savings they make as part of their weekly shop. **We are currently seeking a range of partners to work with to develop these ideas further.**



Bringing people together

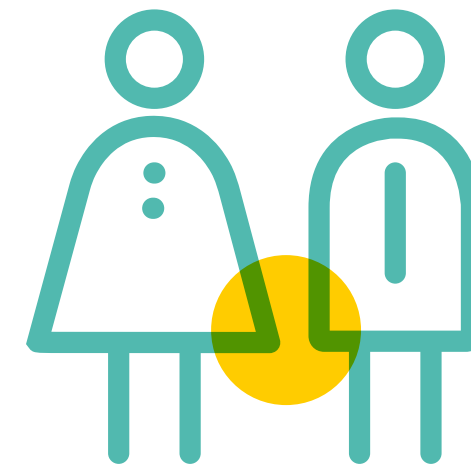
Central to the success of the Strategy is collective impact – working together to address the stubbornly low levels of financial capability in the UK. So it is critical that many different people and organisations collaborate to share experience and learning.

In the two years since the launch of the Strategy, discussions, events and activities up and down the country have helped raise awareness of the importance of financial capability, and enabled organisations from all walks of life to share experiences, insights and best practice.

Building shared objectives

Steering Groups are now up and running, focussing on different issues, life stages and nations. These groups are made up of a range of highly motivated and passionate individuals, who are focussing on where their collaborative efforts can have real impact. **Over 100 organisations are represented**, which is testament to the belief people have that together we can make a difference.

These groups are the real driving force behind the Strategy and have developed clear action plans to take forward, all of which can be found on the www.fincap.org.uk website by clicking on the relevant theme here (<http://www.fincap.org.uk/themes>).



A focus on young adults

The Young Adults Steering Group focuses on people who are taking on full financial responsibility, with decisions being made for the first time that have serious and long-lasting consequences.

So the group has established a 100 day 'task and finish' group to look at how financial capability can be built into apprenticeship programmes. This would help apprentices manage their money during this key transition period as well as help prevent them dropping out of the scheme they are in.

The project group is led by the Royal Bank of Scotland and has representatives from the Universities of Birmingham and Edinburgh; the National Association of Student Money Advisers; the National Youth Agency; the National Skills Academy for Financial Services; and the Money Advice Service. The group is developing a roadmap for raising awareness of the importance of financial capability and is focusing on bringing together key stakeholders who can champion financial capability within their own organisations' apprenticeship schemes.

Building the movement

November 2016 saw the first **Financial Capability Week**. The week aims to raise the profile of financial capability with a wide audience of individuals and organisations, highlight evidence and good practice, celebrate success, and generate momentum.

The week featured a series of events designed to raise awareness of the importance of financial capability and highlight the contributions a range of organisations are making. The events attracted wide attention across financial services, charity and third sector with more than 300 organisations

taking part in various ways, and the social media 'Thunderclap' at the start of the week fed into 1.5 million Twitter feeds.

'FinCap Week' has now become an annual event with the 2017 programme – under the theme **#TalkMoney** – featuring events and activity by a range of organisations in all four nations of the UK. It provides a platform to discuss a wide range of financial capability topics, all aimed at encouraging people to talk about money at home, at work, and in the wider community.



Mobilising and energising partners...

In Scotland...

Scottish Financial Education Week ran from 20–24 March 2017, featuring a range of events to raise the profile of financial education in Scotland. The week started with a reception at the Scottish Parliament hosted by Ruth Maguire MSP, and contributions from speakers including Angela Constance MSP, Cabinet Secretary for Communities, Social Services and Equalities. The speakers stressed the importance of financial education in preparing young people for the journey to independent living, and presented new findings from research with children and young people.

The week also featured:

- a session at youth information and citizenship charity Young Scot with Modern Apprentices
- a seminar and webinar exploring financial capability for young adults hosted by the University of Edinburgh Business School
- a week of activity from the Lloyds 'Money for Life' team and young people
- and finally a conference in Edinburgh focused on financial education in schools.



In Northern Ireland...

On 7 September 2017, the Northern Ireland financial capability community came together in Belfast to develop a plan of action to improve money management in Northern Ireland. The session heard from local delivery projects improving and evaluating their impact through the What Works Fund.

The afternoon was spent in workshop sessions looking at different themes of the Strategy where delegates identified best practice and opportunities that needed filling, including:

- how to galvanise agencies providing family and parental support to build money management into their work in a way that complements schools based provision
- synergies between the Commissioner for Older People NI's agenda and financial challenges facing older people - particularly on challenges facing older workers around employment and pre-retirement planning.

...and in Wales

A wide range of stakeholders in Wales work together through the Financial Capability Strategy Wales Steering Group to identify and develop priorities into an action plan for Wales, co-ordinating with the work of the Welsh Government's **National Advice Network** and **Financial Inclusion Strategy**.

By collaborating on insights and plans, these can be shared and co-ordinated to achieve maximum impact.

A good example of the collaboration in practice can be found in the Talk, Learn, Do parenting intervention to help encourage parents of 3-11 year olds talk to their children about money. This intervention was piloted in Wales because of the links to the Welsh Government's financial inclusion and positive parenting strategies. Both Talk, Learn, Do and the positive parenting agenda aim to strengthen parents' understanding of child development, increase parents' confidence in their parenting and increase their skills in providing a positive home learning environment. Running the pilot within Wales enabled partnerships to be made with other services that were already offering parenting programmes across the country.

Financial capability in action

To have a real impact on people's financial capability requires, above all a practical, proactive approach, harnessing the energy and enthusiasm of a wide range of partners to make a difference to people's lives.

Here are a handful of examples of how organisations across the country are playing their part in helping people manage their money. They are grouped according to whether they are helping to create a new focus on financial capability through links to other policy areas, improving the understanding of existing interventions, or testing new ideas.

Creating a new focus on financial capability

Shining a light on FinTech excellence

The Money Advice Service and Tech City UK are running a FinTech For All competition. The competition is looking for FinTech start-ups to pitch ideas to develop digital approaches to financial capability, through money management tools for the most vulnerable in the community. FinTech For All is an opportunity to showcase how innovation could contribute to help improve the financial capability of people in the UK

FinTech has an increasingly important role in helping people manage their money day-to-day, and we are excited to see how tech entrepreneurs and investors will use apps and services to help people take control of their finances.

We want to support winners with customer insight analysis, and we'll aim to evaluate the impact of their service on the financially excluded consumers they target. This will provide them with detailed consumer insight and evidence that should help get more funding and backing for their product.

Mental Health UK – money guidance service – nationwide

Mental Health UK is a consortium of four leading mental health charities operating in the four nations of the UK, and funded by Lloyds Banking Group. To support people experiencing poor mental health, they are setting up a new money guidance service.

They have worked with the Money Advice Service and the specialist consultancy NPC to develop a compelling 'theory of change'. This has helped the four charities to develop a shared understanding of what the guidance service should aim to achieve, and is underpinning the development of the project.



Understanding the impact of existing interventions

Open University – ‘Managing My Money’ – nationwide

With support from the What Works Fund, the Open University has adapted an existing, successful online money management course, testing a range of delivery methods to see which work best at engaging different, harder-to-reach groups.

Participants are engaged through six streams, each with a different delivery partner:

- Adults in less-affluent communities in Milton Keynes through Community Action: Milton Keynes (Community Connectors)
- Credit union customers in Coventry, Birmingham and Milton Keynes
- Coventry University College students, particularly those studying alongside employment (an ethnically and socially diverse range of younger working-age adults)
- Social housing tenants, nationwide, through the Social Publishing Project
- Adults saving into an auto-enrolment workplace pension scheme, nationwide, through True Potential
- Sample of working-age adults taking Managing My Money course, nationwide

Abacus – inner London

A joint project between the Tower Hamlets Education Business Partnership and Quaker Social Action, **Abacus** encourages local primary school children to learn more about money – and their parents can join in too.

The project has received support from The Social Innovation Partnership (TSIP) and the Money Advice Service to evaluate the project and have recently shared insights for the development of the programme.

They have also provided useful feedback to help improve the Evaluation Toolkit.

Young Enterprise – Financial Education Quality Mark – England

The **Financial Education Quality Mark**, run by pfege as part of Young Enterprise, is a well-established quality assurance system for financial education resources aimed at children and young people. It gives teachers confidence that the materials they are using are educational, engaging and free from branding.

The Money Advice Service took over funding of the Quality Mark in 2016 and together with YE have developed additional criteria around evaluation. The Money Advice Service now runs workshops for organisations submitting resources for the Quality Mark, helping them to express the thinking behind their resource through a ‘theory of change’ and show how they will learn more about how it works in practice.

Experian – Values, Money and Me – nationwide

The credit reference agency Experian funds the **Values, Money and Me** programme for primary school children to learn more and develop their confidence dealing with money. They have signed up to the Financial Capability IMPACT Principles as they were keen to follow good practice in evaluating the programme. Money Advice Service facilitated a workshop to develop a Theory of Change for Values, Money and Me. This workshop brought together a range of stakeholders, including local teachers, to understand more about the programme’s goals and the mechanisms through which it aims to achieve them. This Theory of Change is being used as a basis for creating an evaluation plan, which will help Experian to think about how best to collect the information they want for Values, Money and Me.

Wessex Water – SW England

Wessex Water wanted to understand the impact that their Money Matters programme was having on people’s financial capability. They worked with the Money Advice Service to embed evaluation into their work and to help grantees to measure outcomes. They adapted their grantee application process to make evaluation a core criteria, with assigned funding. The Money Advice Service

worked with grantees to develop theories of change and report on the outcomes of their interventions. These grantees are now beginning to deliver their final evaluation reports, providing Wessex Water with a better understanding of the impact their programme is having and what could be done differently in future.

Testing and evaluating new ideas

School of Hard Knocks – sport-based intervention for teenagers at risk of exclusion – Wales

School of Hard Knocks uses weekly rugby coaching and mentoring, to build bonds with vulnerable and hard-to-reach teenagers; and delivers financial capability interventions through group workshops on budgeting, saving and shopping around. The project is helping explore the links between improved psychological skills – such as self-efficacy, social bonds and self-control – and improved financial capability.

Auriga Services – support for people with long-term health conditions – West Midlands

Serious ill health affecting both working-age and older people is unpredictable and can derail financial plans overnight.

Auriga Services – with support from the What Works Fund – is evaluating the provision of an integrated money management, welfare and benefits support service for seriously ill patients in a location where they feel comfortable and confident. This could be either at a unit receiving treatment, in their homes or over the telephone.

The project is unusual in that it is delivered in a healthcare setting. This will provide rich data on the most effective means to support people through some of the most challenging periods in their lives.

Changing Lives – supporting people at risk of homelessness – Northumberland/Tyne & Wear

Changing Lives deliver a version of the BEAT (Benefits & Employment Action Team) project in Northumberland across local community hubs including libraries, job centres and food banks, supporting vulnerable clients to develop pre-employment skills, offering advice about benefits and aiming to get people back into employment.

Advice with money is also built into this provision to improve client financial capability – a key focus to address client's immediate needs around such issues as rent arrears, final payment demands and court proceedings.

Royal London Society for Blind Children – 'Money Matters'

The Royal London Society for Blind Children (RSBC) works with young blind and partially-sighted people to help develop social, interpersonal and emotional skills. The **Money Matters** project is embedding financial capability into their existing projects. The initiative uses training materials adapted from the Money Advice Service's toolkits for young people generally, and for young people with learning disabilities, to make them suitable for the needs of blind and partially-sighted young people.

The What Works Fund is supporting evaluation of the project to find out whether this approach is effective in helping blind and partially-sighted people understand the financial management skills they need to live independently.

Advice NI – Building resilience in retirement – Northern Ireland

In line with its mission to provide accessible advice, Advice NI has established a project to provide digital training to people living in rural areas of Northern Ireland, focusing on helping people build resilience in retirement.

With funding from the What Works Fund, Advice NI are testing the links between digital skills and money management.

Shelter Scotland – money support in health settings – Scotland

In line with its mission to provide accessible advice, Advice NI has established a project to provide Shelter Scotland is a charity that works to alleviate the distress caused by homelessness and bad housing. With support from the What Works Fund, Shelter Scotland have launched a Healthy Finances pilot programme, which uses strong links between health and homelessness to reach people in need of support with housing and financial issues who would otherwise be unserved. Through the Fund, Shelter Scotland proposes to understand the potential of financial capability provision in health settings to increase engagement of hard-to-reach groups, and assess whether a co-produced and personalised approach to Financial Capability education produces improved outcomes over a more traditional approach.



What next?

We are confident we now have most of the tools and analysis in place to allow us to take a collective approach to addressing low levels of financial capability across the UK.

We are humbled by the number of individuals and organisations who give up their time and expertise to drive the Strategy forward through Steering Groups, attendance at conferences, and funding and delivering interventions.

We are now well into the second phase of the Strategy – understanding what really works, by evaluating the impact different interventions have on the financial outcomes of people across the UK. We will make a big step forward in our understanding of what works over the next 12 months, and will continuously refine and improve that evidence throughout the life of the Strategy.

As our understanding of what really works grows, the third phase of work begins. That phase is about strengthening the network of individuals and organisations driving forward the Strategy, so that collectively we are embedding the evidence based approaches that work.

We believe that, in this way, we will be able to positively impact the levels of financial capability of millions of people across the UK.

If you want to join our efforts to improve the financial capability of millions of people across the UK, please get in touch with us.



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