

The Improvement Service

ELECTED MEMBER BRIEFING NOTE

The Importance of Financial Capability in Scotland



What is the purpose of this briefing?

The purpose of this briefing is to give elected members better insight into financial capability and encourage greater understanding of its importance. It is our hope that elected members will use this information to influence local government policies, provide leadership, and facilitate and negotiate solutions to the current low level of financial capability in the UK.

What is the issue?

Financial capability refers to the ability of individuals to manage their money well on a day-to-day basis, as well as through significant life events and periods of financial difficulty.¹ Levels of financial capability across the UK remain stubbornly low. The 2015 Financial Capability Survey showed that almost half (48%) of people in Scotland struggle every day to keep up with their bills and 66% would be unable to pay an unexpected bill of £300. One in five cannot read a bank statement and four in ten have less than £500 in savings. Young working age adults struggle the most, with 53% finding it difficult to keep up with payments.²

These figures indicate a ‘spend today, rather than save for tomorrow’ culture across the UK population. Low levels of financial capability mean that millions of people across the nation lack the financial resilience to deal with unexpected financial shocks and life events. Therefore, they are at risk of falling into uncontrollable levels of debt or suffering from other financial difficulties.

Increasing financial capability gives people the power to make the most of their money and improve their lives.

Why does it matter that we strengthen financial capability in Scotland?

It is widely acknowledged that levels of financial capability in Scotland remain frustratingly low. Therefore, a significant number of people are constantly affected by stress, and worried about their ability to pay bills. This has wider implications for society and the economy, which the [Financial Capability Strategy for Scotland](#) intends to address by increasing people’s knowledge of how to manage money, developing their financial skills and changing their attitude.

Welfare reforms make it more important than ever to focus on the financial wellbeing of people in

1 *The Financial Capability Strategy for Scotland*, The Money Advice Service, 2016

2 Ibid

Scotland. The DWP is currently rolling out Universal Credit, which will change how and when claimants receive their money. A significant number of people will require support to deal with these changes.

Recent developments supporting financial capability

A number of positive steps are being taken towards increasing financial capability across Scotland, including recommendations for future action. As outlined in the [Fairer Scotland Action Plan](#), a financial health check service will be developed to help people on low incomes make the most of their money. And, in 2017, a new socio-economic duty will also be imposed on public bodies, placing considerations of poverty and disadvantage at the heart of key decision-making.

Through the What Works Funding Programme, the Money Advice Service will award £7 million in grants in 2016/17 to other organisations, in order to fund interventions, evaluation projects and pilot activities. The core aim of the programme is to build an evidence base around the types of interventions that make a measurable impact on people's financial capability, and to share this evidence with stakeholders across the government, the third sector, financial services and beyond. The Money Advice Service wants organisations to learn from the findings, so that they can tailor their financial capability activities in order to make the most impact, as well as share their learning with others. The programme will also invest in projects targeted at enhancing the capacity and expertise of the wider financial capability sector, ensuring there is a firm foundation on which to share insight, and offer consistent and high quality guidance to people. All evidence identified and developed through the What Works Funding Programme will be shared with the wider sector through the **Financial Capability Evidence Hub**.

Organisations will also work with the Scottish Government to develop and implement the '[Gateway to Affordable Credit Report](#)' recommendations, which highlight the importance of local leadership on affordable credit. The report recommends that community planning partnerships play a central role in determining their area's affordable credit needs, and should bring together a wide range of partners to help support delivery.

Additionally, the Scottish Government report on [Scotland's Credit Unions: Investing in Our Future](#) outlines a number of recommendations for credit unions, the government, local authorities, schools and employers. These recommendations centre on the aim of promoting the credit union sector, in light of their positive contribution to the development of financial capability and their fair lending practices.

Evidencing the success achieved by interventions, and building further on those proven most effective, is extremely important in tackling the low level of financial capability in Scotland. To encourage organisations to publicly commit to building a robust evidence base and promote its use, the Money Advice Service has launched the [IMPACT principles](#) in line with the Financial Capability Strategy. For those who sign up to the principles, the Money Advice Service offers evaluation support to help 'IMPACT champions' embed them in their work.

Various efforts are currently underway to develop better financial education materials and improve access to advice. The Scottish Government has been working with Money Advice Scotland and the Money Advice Service to develop a short [interactive learning pack](#), allowing individuals to consider how big changes in their lives may affect their money. The learning pack incorporates eight topics, from budgeting through to understanding tax. [Scotland's Financial Health Service](#) has also teamed up with Money Advice Scotland to provide Scotland's Financial Health Service Helpline.

As encouraged by the Curriculum for Excellence, a number of initiatives are specifically targeted at developing the financial capability of young people. For example, the National Numeracy and Maths Hub is a virtual-learning environment for practitioners, with champions in each local authority. Additionally, the Scottish Government's 'Read, Write, Count' literacy and numeracy campaign aimed at P1-3 was launched in August 2015. Support materials for learning and teaching financial education are also available on the Education Scotland online service and further support will be provided on 'Glow' (the schools' intranet), including the financial capability module developed by Money Advice Scotland.³

What can you do as an elected member?

Local authorities in Scotland are in a period where the resources available for services will reduce in the short to medium term yet demand for services will continue to grow. There needs to be better coordination and collaboration through effective partnership working for successful delivery of the Financial Capability Strategy. This will ensure duplication is avoided, and allow for potential gaps to be easily identified.

Another key concern is evidence indicating an increase in short-term borrowing. Public and private sector partners should work together to ensure that people are aware of all available sources of credit and are able to determine which ones are the most suitable for their needs.

It is important to know which interventions exist in your area to support people to do the following:

- access appropriate financial products and services
- ability to manage money
- keep track of the finances
- make financial plans for the future
- choose appropriate financial products
- keep informed about financial matters

Elected members are asked to consider how the resources outlined in the section above can be used in councils and for helping constituents. They are reminded that they:

3 *The Financial Capability Strategy for Scotland*, The Money Advice Service, 2016, p. 33

- Can influence local government policies to make sure they are reflective of the needs of communities
- Are in a strong position to facilitate and negotiate solutions to financial capability across all council services
- Understand their ward in terms of people's financial needs, attitudes and behaviours to allow them to manage their money better
- Can identify and engage with people in financial difficulty and ensure that they are referred to appropriate money advice and support services

The Improvement Service recommends for elected members to refer to and embed the key principles of the [Framework for Public Funding of Advice Services in Scotland](#) when funding services. The Framework sets out a series of key principles which are designed to improve the quality of services, and the positive outcomes experienced by service users, while ensuring the best use of resources across the public sector.

Elected members may wish to encourage their council to become an IMPACT signatory in line with the [IMPACT Principles for Financial Capability funders and providers](#).

Further support and contacts

Improvement Service

Improving Outcomes in Money Advice Project

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Key links

The Financial Capability Strategy for Scotland

<http://ow.ly/KA65302UGS4>

Financial Capability Interventions in Scotland

<http://ow.ly/1ATm302UIPM>

A Summary of the Impact of 2016-17 Local Authority Budget Cuts on Money Advice Services

www.improvementservice.org.uk/documents/money_advice/mapmf-impact-of-la-budget-cuts.pdf

Framework for Public Funding of Advice

www.improvementservice.org.uk/documents/money_advice/Framework-for-Public-Funding-of-Advice.pdf

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The Improvement Service is devoted to improving the efficiency, quality and accountability of public services in Scotland through learning and sharing information and experiences.

