

Speaking Out Briefing No.20

Financial capability

Financial capability is a crucial life skill for everyone, especially families and young people. Financial capability means having the skills, confidence and motivation to plan ahead financially and knowledge of how and when to access financial information, advice and products. This briefing paper sets out the policy context surrounding financial capability, highlights a range of initiatives that support children and young people to be financially capable and considers possible implications for the children and young people's voluntary and community sector.

This briefing is part of the Speaking Out series.

Speaking Out

Speaking Out is a strategic partnership project funded by the Office of the Third Sector in the Cabinet Office, run by the National Council for Voluntary Youth Services (NCVYS) and Children England (formerly the National Council of Voluntary Child Care Organisations) which seeks to build a voice for the children and young people's voluntary and community sector across government.

The project aims to develop closer links between a range of government departments and the voluntary and community sector in delivering cross departmental policies in areas affecting children and young people such as health and well-being; education, employment and training; youth justice; community empowerment and citizenship; and housing and homelessness.

Speaking Out aims to support children, young people and family voluntary and community organisations to better understand the impact on their users of a wider range of government policies and provide routes to influence them.

Who are these briefings for?

This series of briefings intends to provide members of both NCVYS and Children England and other interested parties with background and analysis on specific policy items affecting the sector.

Other activities

In addition to these briefings the Speaking Out project is developing work streams around the policy themes which include:

- organising a series of seminars and events;
- establishing communities of interest amongst members and other organisations on specific policy themes; and
- making representations to government; and linking with wider NCVYS and Children England campaigns.

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1. Introduction

In the current economic climate, ensuring children and young people have a clear understanding and awareness of financial matters is more important than ever before. The ability of young people to learn to make sound financial decisions is an essential life skill, which will enable them to successfully manage their day-to-day expenditure and save money for the future. Many young people currently lack basic financial skills, which in the long term will be at great cost to their own financial well-being and potentially the wider financial health of the nation. These skills are even more important during a recession when children, young people and families can face increased problems in their financial circumstances, for example through unemployment. Around one in five young people in the UK are not in work, education or training¹ and in October 2008, the UK rate of youth unemployment (16 to 24 year olds) rose to more than 800,000 or 16.1 per cent of the total youth population².

During a recession, voluntary and community sector organisations that work with children and young people might see an increase in demand for their services. Government has recognised this and in February 2009 it launched *Real Help for Communities: Volunteers, Charities and Social Enterprises*³; an action plan outlining £42.5 million support for the voluntary sector in the current, difficult economic climate. The 2009 budget also aimed to support the sector and children and young people. Measures included the Hardship Fund for voluntary organisations delivering frontline services which is an attempt to help third sector organisations on the whole⁴.

What is financial capability?

Financial capability is a relatively new term used to describe the skills, confidence and motivation that are needed for individuals to plan ahead financially and knowledge of how and when to access financial information, advice and products and apply them to personal financial circumstances. A financially capable person is able to manage their personal finances, make informed decisions about financial products and stay up-to-date with financial matters.

Financial capability is becoming an increasingly important issue, especially due to the current recession and in light of the fact that over recent years the range of financial products on offer to individuals has multiplied and become ever more complex, especially with regard to the confusing terminology frequently used to describe financial products. Today's bewildering breadth of financial products

1 Figures taken from The Prince's Trust website: http://www.princes-trust.org.uk/about_the_trust.aspx

2 CIPD (2009) *Further signs of difficulty facing young job seekers as UK youth unemployment rate rises above Euro area average*: http://www.cipd.co.uk/pressoffice/_articles/300109Responsetoeurostat.htm

3 HM Government (2009) *Real Help for Communities: Volunteers, Charities and Social Enterprises*. http://www.cabinetoffice.gov.uk/third_sector/real_help_for_communities.aspx

4 Briefings on *Real Help for Communities: Volunteers, Charities and Social Enterprises* and Budget 2009 are available from NCVYS at: <http://www.ncvys.org.uk/index.php?page=361>

and services has led to an increased need for financial education to be provided throughout people's lives and for this education to start as young as possible. Young people who are not financially capable are more likely to make uninformed decisions relating to their finances and even fall prey to money scams such as financial products wielding extremely high interest rates.

Financial capability is closely linked with the term financial inclusion. According to Transact⁵, financial inclusion is when people have access to appropriate and affordable financial products and services, and have the skills and confidence to use them. Financial exclusion is often used generally as the opposite to financial inclusion; it also refers to a state where individuals can not access the financial products and services that they need. It is worth clarifying that someone may be financially capable, but not necessarily financially included and vice versa.

This briefing paper sets out the policy and legal context surrounding financial capability, highlights key initiatives that support children and young people to become financially capable and considers possible implications for the children and young people's voluntary and community sector in ensuring children and young people are made aware of financial issues.

5 <http://www.transact.org.uk/page.asp?section=000100010004>

2. Policy context

Several central government departments are responsible for improving the financial capability of adults and young people in the UK. These include HM Treasury, the Cabinet Office, the Department for Work and Pensions (DWP), the Department for Business, Enterprise and Regulatory Reform (BERR), the Department for Children, Schools and Families (DCSF) and the Department for Innovation, Universities and Skills (DIUS). HM Treasury has overall responsibility for co-ordinating policy relating to financial capability and financial inclusion. The remit of two taskforces, the Financial Inclusion Taskforce and the Social Exclusion Taskforce, also includes monitoring the progress of the Government's objectives in relation to financial capability.

Financial Services Authority

A key organisation in the promotion of financial capability is the Financial Services Authority (FSA), which was established as a non-governmental body in 2000 and functions as the UK's financial watchdog. It has a statutory objective to promote understanding of the financial system.

The FSA has published a number of reports on financial capability, such as the *National Strategy for Financial Capability*⁶ in 2003 which aimed to bring together the financial services industry, the Government, the voluntary sector, consumer and education groups and the media to find ways to improve the UK's financial capability and help people manage their money and feel confident about money matters. The national strategy was outlined in a consultation document published in November 2003 and in May 2004, a number of working groups were established to take forward the key themes, which include schools, young adults and families.

The *National Strategy for Financial Capability* consists of a seven point programme to 2010/11. Its aims are as follows and progress against these are discussed under 'Financial capability initiatives' later in this paper:

- promote financial education through the National Curriculum, with a target of reaching 1.8 million children in 4,000 schools;
- work with partner organisations to promote financial education among young people, with the aim of reaching 1.5 million young people not in education, employment or training;
- roll out a programme of work-based seminars which aim to provide financial education to over 4 million adults;
- improve the FSA's range of information materials and launching a new *Moneymadeclear* website to provide basic financial information to as many people as possible; and
- provide a *Parent's guide to money*, with the aim of reaching over 1.5 million new parents.⁷

6 Financial Services Authority (2003) *Towards a National Strategy for Financial Capability*, http://www.fsa.gov.uk/pubs/other/financial_capability.pdf

7 Financial Services Authority, *Financial Capability targets for 2008/09*, http://www.fsa.gov.uk/pubs/plan/pb2008_09_appendix4.pdf

As part of the national strategy the FSA believes that improving people's financial capability will enable them to exert a stronger influence in the retail markets, creating more effective and efficient markets and reducing the need for regulatory intervention.⁸

In March 2006, the FSA published the results of a national survey⁹ of over 5,000 people carried out by the Personal Finance Research Centre at the University of Bristol. This baseline survey was the largest of its kind to be conducted on the issue of financial capability and its findings included:

- younger age groups (those aged 18-30 in particular) are far less financially capable than those from older age groups;
- 94 per cent of 16 year olds believe it is important to learn how to manage money;
- many people are failing to save enough for their retirement and are not making provision for an unexpected expense or drop in their income;
- many people struggle to keep up with their financial commitments and, although it affects a relatively small proportion of the population, the impact of debt is often severe; and
- people do not take adequate steps in choosing financial products, for example often failing to shop around or to assess their insurance needs.

The findings from this survey led the FSA to voice strong concerns about current levels of financial capability in the UK and identify 'a clear need for the FSA and others to take action, particularly to help people plan ahead more effectively and make better product choices'¹⁰. The baseline survey is intended to be repeated every four or five years.

In March 2006, alongside the baseline survey, the FSA published *Delivering change*¹¹ which updated the National Strategy. This report set out the FSA's plans to further focus on several key groups including school-age children, young adults and new parents. Several initiatives were announced as part of this report to promote financial capability among these groups, for example training youth workers to educate young people in financial literacy and providing a range of educational websites and information resources for new parents and young people. The range of resources produced are discussed under 'Financial capability initiatives' later in this paper.

8 http://www.fsa.gov.uk/financial_capability/about_us/publications/index.shtml

9 Financial Services Authority (2006) *Financial Capability: Establishing a Baseline*, http://www.fsa.gov.uk/pubs/other/fincap_baseline.pdf

10 Ibid

11 Financial Services Authority (2006) *Financial capability in the UK: delivering change*, http://www.fsa.gov.uk/pubs/other/fincap_delivering.pdf

The FSA also launched a Financial Capability Innovation Fund¹² in June 2005 to provide grants to voluntary sector organisations that demonstrate ways to improve and increase financial capability in communities. This work currently focuses on adults in the following five sectors: mental health, learning disability, autism, social housing and offenders.¹³

HM Treasury

The Treasury set out the Government's long-term strategic approach to financial capability in a report¹⁴ published in January 2007. The report outlines the Government's aspirations to ensure that:

- all adults in the UK have access to high-quality generic financial advice to help them engage with their financial affairs and make effective decisions about their money;
- all children and young people have access to a planned and coherent programme of personal finance education, so that they leave school with the skills and confidence to manage their money well; and
- Government programmes are focused on improving financial capability, particularly to help those who are most vulnerable to the consequences of poor financial decisions.

To achieve these aspirations, the report sets the Government's intentions to review the policies and programmes which have the potential to raise financial capability. This includes:

- improving information and advice for young people, promoting opportunities for children to learn about money, and sign-posting to information and advice for parents through extended schools and Sure Start Children's Centres;
- giving financial education a secure place on the educational agenda and issuing revised curriculum guidance;
- funding the 'My Money' programme in schools, being taken forward by the Personal Finance Education Group, which will develop new materials, raise the profile and status of personal finance and hold annual 'My Money Weeks' in school; and
- ensuring that personal finance resources prepared for parents are effectively distributed through trusted intermediaries.

12 Financial Services Authority (2005) *Financial Capability Innovation Fund*, http://www.fsa.gov.uk/pubs/other/innovation_fund.pdf

13 http://www.fsa.gov.uk/financial_capability/our-work/partnership_development

14 HM Treasury (2007) *Financial capability: the Government's long term approach*, http://www.hm-treasury.gov.uk/fin_cap_longtermapproach.htm

The report was taken forward in three key ways:

- an independent feasibility study, led by Otto Thoresen, Chief Executive of AEGON UK, was published in March 2008 which researched and designed a national approach to generic financial advice¹⁵;
- a Ministerial Group, chaired by the Economic Secretary to the Treasury, was established to develop, oversee and co-ordinate a cross-cutting approach to financial capability across Government; and
- a joint action plan¹⁶ was published by HM Treasury and the FSA in July 2008 setting out how financial capability could be integrated into existing services, particularly for those most vulnerable to the consequences of poor financial skills. Initiatives included development of an expanded one-stop shop for information and support based around the FSA's *Money madeclear* website and a free national money guidance service that will be piloted in the North East and North West of England. The 2009 Budget announced that roll-out of a national Money Guidance Service will be in 2010, subject to preliminary findings from the pathfinder demonstrating that the service can be effective.

Every Child Matters

One of the five outcomes of the Government's Every Child Matters programme is for all children to achieve economic well-being. However, it is clear that children and young people being financially capable also cuts across the other four outcomes. For example:

- be healthy - this requires children and young people to make informed financial decisions about what type of food they consume and what sport and leisure activities they take part in;
- stay safe – are young people walking through unsafe areas at night if they are unable to afford a taxi?
- enjoy and achieve - education, work and entertainment all require a young person to manage their finances effectively. This may include budgeting for transport and accommodation costs and managing loans; and
- make a positive contribution - poor financial capability could lead to a child or young person may feeling socially excluded if they are unable to play a full part in society.

15 HM Treasury (2008) *Thoresen Review of generic financial advice: final report*
http://www.hm-treasury.gov.uk/thoresen_review_index.htm

16 Financial Services Authority and HM Treasury (2008) *Helping you make the most of your money: a joint action plan for financial capability*,
http://www.fsa.gov.uk/financial_capability/pdfs/mostofyourmoney.pdf

Public Service Agreements

The Government has published a series of cross-departmental targets for local authorities, which are known as Public Service Agreements (PSAs) for the period April 2008 – April 2011¹⁷. The following PSAs mention financial capability in their delivery agreements:

- PSA 2: Improve the skills of the population, on the way to ensuring a world-class skills base by 2020 (linking basic skills to financial capability);
- PSA 8: Maximise employment opportunity for all (stating the role of JobCentre Plus);
- PSA 14: Increase the number of children and young people on the path to success (stating the role of schools in helping develop children and young people's financial capability);
- PSA 16: Increase the proportion of socially excluded adults in settled accommodation and employment, education or training (managing money helps increase stability and reduce exclusion); and
- PSA 17: Tackle poverty and promote greater independence and well-being in later life (financial capability will help independence in later life).

The following PSAs are also linked in to managing money:

- PSA 9: Halve the number of children in poverty by 2010-11, on the way to eradicating child poverty by 2020 (maximising income and managing money can help households in poverty);
- PSA 15: Address the disadvantage that individuals experience because of their gender, race, disability, age, sexual orientation, religion or belief (refers to individual budgets, which are likely to benefit from financial capability); and
- PSA 23: Make communities safer (includes skills for offenders – financial capability can help lead a more stable life).

Child Trust Fund

The Child Trust Fund¹⁸ (CTF) is a further example of government policy aimed at encouraging low income families to save money for their children. Every child born in the UK is given a £250 voucher to invest in a CTF shortly after Child Benefit has been claimed, with children from low income families receiving an additional payment. Since September 2008, children aged seven have also received an additional payment of £250. The Budget 2009 included an increase in the CTF for disabled children by £100 a year, and by £200 a year for severely disabled children.

As well as a saving tool, the CTF was seen as a way of helping to make children and their families aware of wider money issues and the importance of saving for

¹⁷ The Speaking Out project has published a briefing paper on the Government's Comprehensive Spending Review which includes further information about public service agreements. The briefing is available to download from the Speaking Out pages at www.childrenengland.org.uk or www.ncvys.org.uk

¹⁸ <http://www.childtrustfund.gov.uk>

the long term. The CTF is also intended to provide a context for personal finance lessons in school and a range of materials designed to help teachers explain the CTF to young children have been developed¹⁹.

Financial support for families also exists through Child Benefit payments and Child Tax Credits. Child Benefit is a tax-free payment that parents can claim per child. It is usually paid every four weeks but in some cases can be paid weekly, with separate rates available for each child²⁰. Child Tax Credit is for families who are responsible for at least one child or qualifying young person and is assessed depending on household annual income²¹.

19 See the Personal Finance Education Group website: <http://www.pfeg.org>

20 <http://www.hmrc.gov.uk/childbenefit/index.htm>

21 <http://www.taxcredits.inlandrevenue.gov.uk/Qualify/WhatAreTaxCredits.aspx>

3. Legal context

The Childcare Act 2006²² placed a duty on all local authorities to provide information advice and assistance to parents through family information services, which may include providing information about financial capability. Furthermore, statutory guidance for local authorities has been developed on financial capability, particularly for 13-19 year olds.

In October 2008 the Department for Children, Schools and Families announced it intended to make Personal, Social, Health and Economic Education (PSHE) a statutory part of the national curriculum of schools in England. This means that learning about money will be a statutory part of the national curriculum in secondary schools, giving explicit reference and guidance to teachers on how to teach effective personal finance to pupils.

Financial capability skills will also be embedded into the new functional maths component of the GCSE mathematics curriculum. From September 2010, to achieve grade C or above in the new mathematics GCSE, children will first have to pass Level 2 functional skills, which equates to GCSE grade A-C²³.

The Dormant Bank and Building Society Accounts Act²⁴ received Royal Assent in November 2008. The Act means that money from dormant accounts, where there has been no customer activity for 15 years, will be reinvested back into society. The Government announced that in England the money will be passed to the Big Lottery Fund for onward distribution to deliver practical projects for young people and initiatives relating to financial capability and financial inclusion. Resources permitting, the Government would also like to see a proportion of assets used to boost social investment and develop the long-term sustainability of the third sector²⁵.

22 http://www.opsi.gov.uk/acts/acts2006/ukpga_20060021_en_1

23 http://www.fsa.gov.uk/financial_capability/pdfs/mostofyourmoney.pdf

24 http://www.opsi.gov.uk/acts/acts2008/ukpga_20080031_en_1

25 http://www.hm-treasury.gov.uk/dormant_accounts.htm

4. Findings from research and practice

A number of organisations have produced a range of reports, surveys and statistics relating to financial capability and money issues for families and young people.

In 2004, the FSA commissioned research²⁶ to examine the financial information needs of young people aged 18-24. The research found that among the young people questioned there was a very low level of financial knowledge and extremely low levels of engagement with financial information. Within the younger respondents and those still living at home there was very low understanding of the basics relating to terminology and managing finances. The report also found that when it came to identifying information needs, many young people felt that financial decision-making did not yet affect them and was something to be considered when they were older. In terms of sources of financial information, a key finding of the research was the huge influence that parents have on young people – 88 per cent of young people received most of their financial advice from parents. In many cases the report found that parents are the only information source, and as such restrict these young adults to a limited scope of financial possibilities.

The FSA has also conducted research²⁷ investigating the link between financial capability and well-being. The research, carried out by Ted Melhuish from Birkbeck College in 2008, used data from the National Evaluation of Sure Start to identify if there is a link between being financially capable and personal well-being and found a strong correlation between the two. New research published by the FSA in May 2009 found that an improvement in financial capability leads to an improvement in life satisfaction that is twelve times greater than the impact of a £1,000 increase in annual income. The same improvement in financial capability also leads to a significant decrease in anxiety and depression²⁸.

In May 2008, Rainer²⁹ published a report³⁰ on debt and financial exclusion among young people aged 18-24. The report highlighted that specific groups of young people are particularly vulnerable to debt and financial difficulties, especially young care leavers and young people re-entering education. The report found that:

- credit is too readily available to young people;
- young people experience many difficulties when trying to navigate the benefits system;

26 Financial Services Authority (2004) *Young people (18-24) and their financial information needs*, <http://www.fsa.gov.uk/pubs/consumer-research/crpr44.pdf>

27 Financial Services Authority (2008) *An Investigation of the Relationship between Financial Capability and Psychological Well-being in Mothers of Young Children in Poor Areas in England* <http://www.fsa.gov.uk/pubs/occpapers/op30.pdf>

28 Financial Services Authority (2009) *Financial capability and wellbeing: Evidence from the BHPS* <http://www.fsa.gov.uk/pubs/occpapers/op34.pdf>.

29 In 2008 Rainer merged with Crime Concern to form a new charity called Catch 22: <http://www.catch-22.org.uk>

30 Rainer (May 2008) *Why do young people pay more? Young people, debt and financial exclusion*, http://www.raineronline.org/gen/m7_policy.aspx

- barriers to education and employment exist for many young people, i.e. not having a bank account and not being able to afford to go to university;
- young people are concerned about the long-term impact of debt such as stress, depression and practical problems;
- informal borrowing of money (e.g. from friends and family) can be damaging to relationships, for example in cases where borrowing of money leads to arguments;
- poverty statistics in relation to young people are high. This is exacerbated by the fact that 18-21 year olds receive a lower minimum wage than the rest of the working adult population, coupled with a limit on housing benefit for under 25s;
- there is a need for more financial inclusion strategies, such as the FSA's Young People and Money programme; and
- financial advice is better coming from someone a young person already knows and trusts.

The report recommends that financial advice for young people should be practical in nature. Examples could include helping young people with trips to the bank, help with benefit problems and help to understand different financial offers.

In November 2008, the Family and Parenting Institute published results of a survey³¹ of 5,000 parents in the UK which revealed that a third of parents who responded to the survey were having sleepless nights because they are worried about money and 29 per cent of them were rowing over their family finances. The survey also found that:

- one in four parents said their household income is not enough to pay the bills each month;
- 27 per cent of parents said they think they will not be able to pay the bills in six months time;
- one in 10 parents fear the main bread winner will be made redundant in the next six months;
- three quarters of parents have debts in the shape of credit cards, loans and overdrafts – and the average debt is £8,400; and
- the costs that are causing most concern to parents are heating, paying the rent or mortgage and food (47 per cent, 36 per cent and 31 per cent respectively).

In January 2009, Barnardo's published a briefing paper, *From Crunch to Crisis*³², which claims that children's health and well-being could hit crisis point as the recession takes hold and unemployment rises. The report also raises concerns that an increasing number of families will be turning to money lenders in desperation.

31 Family and Parenting Institute (November 2008) *Families and the credit crunch 2008*, <http://www.familyandparenting.org/item/document/1934/1>

32 Barnardo's (January 2009) *From Crunch to Crisis: Winter Hardship for Families in the UK* http://www.barnardos.org.uk/from_crunch_to_crisis.pdf

The briefing, which forms part of a year long study of 16 families living in poverty, is calling on the Government to ensure that:

- families on a low income have access to free help with budgeting and managing their money, as well as free, good quality, independent financial advice on savings, credit and debt;
- there are more grants and interest-free loans available for low income families to buy essential items, as well as a wide variety of low-interest loans from different providers; and
- there is equality of access to basic bank accounts, credit and saving facilities.

5. Financial capability initiatives

The Joseph Rowntree Foundation³³ has identified a range of financial capability initiatives that exist including those that take place within: Citizens Advice Bureaux, local authorities, housing associations, independent money advice projects including those run by the voluntary sector, organisations for specific groups that also offer money and debt advice alongside other services, advice given by an independent financial advisor and advice given by a private sector financial services provider. There are too many initiatives to list in this briefing; however the following examples provide a snapshot of the diversity of existing programmes.

The National Youth Agency (NYA) has developed a series of seminars for young people. *Money Mastery*³⁴ is a free money coaching seminar offered through NYA's Financial Literacy Programme. The seminars are designed for youth workers and other professionals who work with young people and are being delivered in 18 locations across the UK between January and July 2009.

Girlguiding UK has published a guide³⁵ on managing money in the credit crunch for 16 to 18 year old girls. The resource includes advice on how to avoid signing up for store cards and cutting down on unnecessary spending. The guide has been developed following a consultation with teenage girls in which 93 per cent wanted more advice on money management.

Action for Children³⁶ has developed a series of workshops in partnership with Barclays Bank aimed at improving financial literacy among parents. Workshop topics include budgeting, coping with debt and credit issues, and the advantages and disadvantages of borrowing money from different lenders.

UK Youth³⁷ has published a toolkit resource and training scheme to accredit young people who are able to demonstrate financial awareness. The scheme is an activity-based approach to peer education, designed to help young people take more responsibility in selecting and leading activities based on their own interests. The scheme enables young people to consider how financial issues affect their own lives and gives them an opportunity to develop their skills around budgeting.

As part of the *National Strategy for Financial Capability*, the FSA has developed a range of initiatives and resources to help children, young people and families become more financially capable. For young people this includes:

33 Joseph Rowntree Foundation (July 2008) *Financial inclusion in the UK: Review of policy and practice*, <http://www.jrf.org.uk/sites/files/jrf/2222-financial-exclusion-policy.pdf>

34 <http://www.nya.org.uk/moneymastery>

35 <http://www.girlguiding.org.uk/xq/asp/sID.74/aID.3747/qx/news/article.asp>

36 http://www.actionforchildren.org.uk/news_detail.aspx?ID=166

37 <http://www.ukyouth.org/whatwedo/Programmes/YAA/yaatoolkits.htm>

- a *Learning Money Matters* programme, delivered by the Personal Finance Education group, which supports teachers in delivering personal finance education for school pupils. This programme gives secondary school teachers in England access to free support in the classroom to enable them to deliver a co-ordinated programme of personal finance education to their pupils, confidently and competently;
- a *Money for LiFE* programme which helps further education colleges incorporate financial capability into or alongside courses;
- a *Money Doctors* initiative to help students manage their finances and avoid debt; and
- a *Young People and Money*³⁸ training programme for young people not in education, employment or training (NEET). The programme offers a free one-day training day with resource pack for youth work professionals to help them to deliver money management and personal finance skills to young people considered NEET or at risk of being NEET. The programme was developed in partnership with the Citizens Advice Bureau and the youth charity Fairbridge. The programme aims to train at least 20,000 youth work professionals by the end of 2010.

The FSA has also developed a programme of support for new parents. The *Parents Guide to Money*³⁹ is a one-stop shop for information on the financial aspects of having a baby. It is a folder given to all expectant parents during pregnancy by their midwife, to help them at a time when money worries can be prominent but when many people are willing to engage with their finances. The resource contains information on dealing with the financial impact of a new baby, such as budgeting, state benefits, cost of children and childcare, maternity and paternity rights, savings and work. The FSA involves a range of professionals and organisations who work with parents, such as Family Nurse Partnerships and Children's Centres, to ensure that support to use the guide is available for those who need it.

The FSA's programme of work on financial capability includes several websites:

- **www.moneymadeclear.fsa.gov.uk** which provides impartial financial information and a range of tools and calculators; and
- **www.whataboutmoney.info** which provides information to help young people aged 16-24 understand and manage money.

In March 2009, HM Treasury and the FSA launched a pilot 'money guidance pathfinder'⁴⁰ based in the North-West and North-East of England, which aims to provide impartial financial guidance for up to 750,000 people in these regions. The pathfinder called *Moneymadeclear* aims to help people tackle their money worries and make informed financial decisions with confidence, whether it is avoiding debt

38 <http://www.youngpeopleandmoney.co.uk>

39 <http://www.parentsguidetomoney.fsa.gov.uk>

40 The service is accessible via <http://www.moneymadeclear.fsa.gov.uk>, via the Moneymadeclear helpline on 0300 500 5000 and face-to-face through regional partner organisations and charities.

problems, coping with a change in circumstances, or preparing for the future.

In a bid to improve the nation's financial understanding and awareness, a number of national banks have developed financial capability initiatives, such as Nationwide's education programme⁴¹ and Barclays' and Natwest's MoneySense⁴² project.

41 <http://www.nationwideeducation.co.uk>

42 <http://moneysense.natwest.com/natwest/schools.asp>

6. Possible implications for the children and young people's voluntary and community sector

Equipping children and young people with the skills to be financial capable at an early age, particularly in the current economic climate, is more efficient in the long term than dealing with possible problems at a later stage. A range of problems can arise if a young person does not know how to manage money and does not know where to go for advice. For example, young people experiencing financial difficulties can easily become estranged from family and friends, suffer mental health problems, become dependent on welfare benefits and potentially become more susceptible to homelessness, crime and substance misuse.

Service provision

The children and young people's voluntary and community sector (CYPVCS) plays a crucial role in providing services to financially excluded groups, including young people and harder to reach families. Together with statutory partners, CYPVCS organisations should be instrumental in developing preventative strategies and services to minimise the possibilities of young people and families falling into financial difficulties. The recent establishment of children's centres is an example of where financial information and advice, as well as a whole host of other services can be made easily accessible to parents.

The current recession, coupled with rising costs in utility bills and increasing levels of unemployment, is likely to create more pressure on voluntary sector services, as more young people and families will be in need of a range of services including debt and money advice. In the latest Budget⁴³, the Chancellor announced the voluntary sector would receive a £20 million hardship fund to support voluntary sector organisations suffering financial difficulties caused by increased demand for services. This will provide an opportunity for CYPVCS organisations to ensure that front-line services continue to be delivered to children, young people and families at a time when the sector is being forced to balance declining resources with increased demand.

In providing services to help young people and families be more financially aware, the CYPVCS needs to remain impartial and be wary of unintentionally providing advice to people on regulated financial products. The FSA's financial capability website⁴⁴ contains specific advice to the voluntary sector on this issue.

43 The full budget paper for April 2009 is available at: <http://budget.treasury.gov.uk/>

44 http://www.fsa.gov.uk/financial_capability

Multi-agency working

A recent Joseph Rowntree Foundation study⁴⁵ on financial capability highlighted the importance of different sectors working together to help financially excluded groups of people, whether they be young people, elderly, disabled people or ethnic minority groups. The report also suggested a co-ordinated approach is needed by the public, private and voluntary sectors.

Effective and meaningful partnership working between local authorities and the voluntary sector is often raised as a key difficulty for the CYPVCS. While there has been considerable improvement in involving the CYPVCS in policy-making at the local level, through increased representation on Local Strategic Partnership Boards and recent Children's Trust arrangements, these developments are not systemic across the country. A wider appreciation of the contribution and influence that the CYPVCS can make to effective policy-making is needed by both central and local government in order to make progress in educating young people and families about financial matters.

It is important that the CYPVCS is able to get its voice heard by both central and local government and make a meaningful contribution to the design, implementation and evaluation of the Government's activities and initiatives both locally and nationally. This is crucial as often national policy relies heavily on local implementation and effective partnership working.

The CYPVCS can use the Every Child Matters outcome of achieve economic well-being as a lever to link-up local services, for example to encourage local authority children's services and other departments, such as housing and benefits advice, to work together to provide children and young people with access to a holistic service. Furthermore, Local Strategic Partnerships and Children's Trusts can be used to engage all sectors to promote economic well-being for children and young people.

Representation

It is essential that the CYPVCS continues to communicate and engage consistently and effectively with Government as much as possible. Furthermore it is important that all three tiers of the voluntary and community sector - local, regional and national - are well represented in the development of future financial capability initiatives and that the specific needs of children and young people are taken into consideration in policy development.

In order to adequately understand the needs of children and young people, the CYPVCS needs to ensure that Government actively and effectively consults with children, young people and families to ensure hard to reach and vulnerable voices are heard. Involving children and young people in developing services and creating

⁴⁵ Joseph Rowntree Foundation (July 2008) *Financial inclusion in the UK: Review of policy and practice*, <http://www.jrf.org.uk/sites/files/jrf/2222-financial-exclusion-policy.pdf>

opportunities for them to voice their opinions about issues that they care about is central to the aims and values of the CYPVCS.

A major challenge for the CYPVCS will be to ensure that the current recession does not impede the Government's commitment to improving the financial capability of young people and families. The CYPVCS will also need to engage closely with the Government to make sure investment in preventative services provided by the voluntary sector are not significantly reduced or overlooked.

7. Resources

Financial Services Authority resources

- Financial capability website:
http://www.fsa.gov.uk/financial_capability
- *MoneyMadedclear* website which provides impartial information and a range of tools and calculators:
www.moneymadedclear.fsa.gov.uk
- *What about money?* website which provides financial information for young adults:
<http://www.whataboutmoney.info>
- *Young People and Money* website provides information on the financial capability training programme for young people not in employment, education or training:
<http://www.ypam.org>
- *Parents Guide to Money* website aims to help parents and their families learn about money and become more confident about managing finances:
www.parentsguidetomoney.fsa.gov.uk

Other resources

- Citizen's Advice Bureau's Money Talks Toolkit is aimed at youth workers and teachers working with young people aged 11-17:
<http://www.citizensadvice.co.uk/moneytalks>
- Creative Paths – learning resources on economic well-being for young people aged 12-16:
<http://www.creativepaths.co.uk>
- The National Institute of Adult Continuing Education (NIACE) website consisting of practical resources for family finances:
<http://www.moneymatterstome.co.uk>
- Natwest's *MoneySense* for schools website - information for young people aged 11-18 years on managing money:
<http://moneysense.natwest.com/natwest/schools.asp>

- Personal Finance Research Centre, University of Bristol:
www.pfrc.bris.ac.uk
- Personal Finance Education Group:
www.pfeg.org
- Transact – the national forum for financial inclusion:
www.transact.org.uk
- Treasury Select Committee:
www.parliament.uk/parliamentary_committees/treasury

Other briefings

- Briefing 1** Knife, gun and gang crime
- Briefing 2** The Government's Social Exclusion Agenda
- Briefing 3** Access to Services in Rural Areas
- Briefing 4** Public Service Delivery
- Briefing 5** Community Cohesion
- Briefing 6** Local Government Reform
- Briefing 7** Placeshaping
- Briefing 8** The Comprehensive Spending Review
- Briefing 9** Rural migrant children, families and young people
- Briefing 10** Gang, Gun and Knife Crime: Seeking Solutions (Part 2)
- Briefing 11** Ministry of Justice Third Sector Strategy
- Briefing 12** HM Government Youth Crime Action Plan
- Briefing 13** Communities in Control: Real people, real power
- Briefing 14** 2012 Olympic Legacy
- Briefing 15** The 2008 Drug Strategy
- Briefing 16** Environment
- Briefing 17** Children, young people and disability
- Briefing 18** Small grants programme
- Briefing 19** Healthy Lives, Brighter Futures

All the briefings are available at www.childrenengland.org.uk or www.ncvys.org.uk

Free hard copies are also available to order. Please contact Ilona Pinter, NCVYS's Information and Website Officer on 020 7278 1041 or email speakingout@ncvys.org.uk, or Sophie Griffiths, Children England's Policy and Information Officer on 020 7833 3319 or email sophie@childrenengland.org.uk.

