Developing systems to collect data & use it for FC/IE Programmes: The UK experience

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Aim of UK Financial Capability Strategy

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**People:**
- Empower people to make the most of their money
- & navigate financial consequences of significant changes & events through life – both planned & unplanned

**The Financial Capability Sector:**
- Direct funding & resources to activities & methods that evaluation evidence shows work well in improving peoples’ financial capability
  - A highly effective & coordinated financial capability sector
  - Maximising COLLECTIVE IMPACT & return on investment across the nation
How we define financial capability

Managing money well day to day
Preparing for and managing life events
Dealing with financial difficulties

Children & Young People
Young Adults
Working Age People
Older People in Retirement

Financial Capability
Skills & Knowledge
Attitudes & Motivation
Ease & Accessibility
8.2 million are over-indebted.

10 million can’t read their bank balance from a bank statement.

20 million adults could not pay an unexpected bill of £300 from spare cash or savings.

20 million adults don’t have an approach to keeping track of their finances that they feel works.

16 million adults can’t work out a calculation to add interest earned to a savings balance.

25 million adults have no financial goals.

35 million adults don’t have a savings buffer equal to three months’ salary.

35 million adults have no plan for achieving their financial goals.

35 million adults don’t have a savings buffer equal to three months’ salary.

Engagement is the biggest challenge.
Building Financial Capability requires common goals, tools & measures to drive COLLECTIVE IMPACT
ISOLATED IMPACT

COLLECTIVE IMPACT
Why does an “isolated impact” approach to financial capability not work?

- UK financial capability is not improving, despite *uncoordinated* efforts by over 250 organisations

- Without shared strategic goals, coordination & leadership: little incentive for organisations (often competing) to share information & work together

- Factors influencing financial capability are complex & interconnected – Isolated uncoordinated activities ignore this

- Resources wasted on ineffective activities & duplication

- Gaps not identified & filled
  - One organisation – or many isolated & uncoordinated – not able to achieve scale of social change needed
  - Uncoordinated resources achieve poor impact & return on investment
5 elements of collective impact

- Common Agenda / Goals
- Shared Measurement
- Mutually Reinforcing Activities
- Continuous Communication
- Backbone organisation

COLLECTIVE IMPACT
Working together

thousands

100+

Message & Channels

15+

Policy makers

90+

Policy influencers

60+

Researchers & Evaluators

50+

Funders

100+

Providers
LEADERSHIP is needed to drive coordination, achieve collective impact & return on investment

• Take **long term & holistic** perspective
• Build widespread commitment to **shared strategic goals**
• Set out **roadmap** for strategy delivery, identify **priorities**
• Build **expertise** on **fincap landscape**
• Identify **linkages, duplications & gaps**
• Collect data, measure & communicate **progress**
• Build & share **evidence** on which activities achieve greatest impact & return on investment
• Encourage **targeting of resources** by all at activities with proven impact, filling gaps, minimising duplication
• **Maintain focus** on strategic goals & roadmap, in the face of competing demands for attention & resources
KEY MESSAGE 1:

COLLECTIVE IMPACT is more effective in overcoming the challenges & achieving change than isolated, uncoordinated impact.

But COLLECTIVE IMPACT requires **leadership** on strategy & practical approaches to delivery.
DATA & EVIDENCE: The UK Framework

- Outcome Frameworks
- Evaluation Toolkit
- IMPACT Principles
- Theories of Change
- Composite Measures of FinCap
- National FinCap Surveys
- Research
- Evidence Hub

Data & Evidence Framework
National Survey of financial capability

• 2015 Survey = baseline measure of UK financial capability

• Large dataset
  • Nationally representative sample of 5,600 adults 18+
  • 130 questions to measure self-reported feelings, beliefs, attitudes, behaviours

• Survey to be run every other year

• Also plan a survey of children, young people, parents & teachers

• Considering a survey of older people in retirement
Key findings from 2015 survey

- 8.2m are over-indebted
- 10 million can’t read their bank balance from a bank statement
- 20 million adults could not pay an unexpected bill of £300 from spare cash or savings
- 20 million adults don’t have an approach to keeping track of their finances that they feel works
- 16 million adults can’t work out a calculation to add interest earned to a savings balance
- 25 million adults have no financial goals
- 35 million adults don’t have a savings buffer equal to three months’ salary
- 35 million adults have no plan for achieving their financial goals
Insights from 2015 Survey

• Most people managing relatively well day to day
• But far fewer preparing well for future life events
• Helping people keep track of money day-to-day is a building block for saving & preparing for the future
• Focusing people on goals for the future motivates saving
• Having a future focus is important – we need to understand how to encourage this
• Skills & knowledge are less of a barrier than motivation for most, but pockets of low skill
Further analysis of survey responses

• To understand the relative importance of different factors in influencing financially capable behaviours, & how they inter-relate.

• All survey questions / measures categorised into 4 groups:
  
  ➢ **Wellbeing outcomes** – what we ideally want everyone to achieve through better financial capability
  
  ➢ **Financially capable behaviours** – the way people behave and the actions they take. These can be influenced directly, or via enablers / inhibitors.
  
  ➢ **Enablers & inhibitors** – things that make financial capability easier or more difficult to achieve – i.e. knowledge & skills; attitudes & motivations; ease & accessibility of financial services. We aim to influence these.
  
  ➢ **Mediators** – Things that make capability easier or more difficult – e.g. level of income; children. We can not influence these.
Composite Measures of Financial Capability

**FINANCIAL WELLBEING**

**Current wellbeing**
- Debt measures

**Longer term financial security**

**FINANCIALLY CAPABLE BEHAVIOURS**

**Managing money well day-to-day:**
1. Managing credit use
2. Active saving
3. Keeping track

**Managing and preparing for life events:**
4. Building resilience
5. Working towards goals

**FINANCIAL ENABLERS & INHIBITORS**

**MINDSET**
1. Attitudes to saving
2. Financial confidence
3. Controlled spending

**ABILITY**
4. Financial knowledge

**CONNECTION**
5. Internet ease & access
6. Financial engagement
How we will use these composite measures of financial capability

• We will use only the 5 behaviour measures to measure the success of the Financial Capability Strategy:
  • Managing credit use
  • Active saving
  • Keeping track
  • Building resilience
  • Works towards goals

• But we will also collect data on & monitor the wellbeing & enabler / inhibitor measures
KEY MESSAGE 2:

You need to build a data & evidence framework that will provide

• a **common measure** of financial capability

&

• evidence on the **wider impacts** of good vs poor financial capability i.e. why should anyone care or invest
TOOLS
A Theory of Change is a plan for solving a problem. Helps plan a project & decide how to measure its success.

- Start by defining the problem you want to solve & your goal (how you will know the problem is solved).
- Map out all changes (or Outcomes) that need to happen.
- Helps you decide what to do & what to measure – to prove whether you have achieved the change you expected / wanted.
Outcomes you want to achieve

Indicators of financially capable behaviours

Questions that can be used pre- & post-action to measure the impact of an activity on financial capability
Evaluation Toolkit

Guidance +
Tools (incl. outcomes frameworks) +
Templates

to help you evaluate your programme
Evidence Hub brings the evidence on what works together in one place.

Features an easy to understand ratings system:

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Quality assured by the Personal Finance Research Centre.
KEY MESSAGE 3:

You need to build evidence to **identify** what works
– i.e. activities & methods are effective in improving financial capability –
& will achieve **maximum impact** & return on investment.
£7 million fund to be awarded as grants to build evidence on what works in improving financial capability

All projects must robustly evaluate impact using approach & tools created by Money Advice Service

All funded projects must share results publicly via MAS Evidence Hub

3 types of projects to be funded:

1. Existing financial capability interventions:
   Evaluate impact on users, effectiveness in improving financial capability

2. Potential to Scale up:
   Evaluate extension of existing interventions - already proven to be effective, - to different target group or wider geographical area

3. New approaches:
   Develop, pilot & evaluate impact of new ideas

Will tell us what impact different types of activities & methods financial capability & behavior, & how big the impact on individuals

But more work needed to measure the value of the impact, relative to costs, to determine return on investment
KEY TAKEAWAYS

1. COLLECTIVE IMPACT is more effective than isolated uncoordinated impact – But requires leadership.

2. Build a data & evidence framework that provides common measures of financial capability & evidence on why should anyone care or invest.

3. Build evidence on what works & will achieve maximum impact & return on investment.