Financial Capability Strategy for the UK

Financial capability outcome frameworks

Summary

Financial capability outcome frameworks

This summary contains an overview of the two new financial capability outcomes frameworks for adults and children and young people, developed as part of the new Financial Capability Strategy for the UK. The Money Advice Service commissioned New Philanthropy Capital (NPC) to co-create these frameworks with a range of experts and practitioners from across the financial capability sphere.

The full report from this project - which synthesises the evidence underpinning these frameworks - can be accessed **here**. The full proposals for supporting the development of a greater evidence and evaluation culture as part of the Financial Capability Strategy for the UK can be accessed **here**.

We are consulting on the outcome frameworks, which are part of a wider common evaluation toolkit that will be finalised in 2015, and would appreciate your feedback. Please send your comments to the Financial Capability Strategy team on **consultation@fincap.org.uk**

Evaluation and Evidence in the new Financial Capability Strategy for the UK

The new Financial Capability Strategy for the UK aims to transform the financial capability of the UK population over the next decade and, as a result, to improve the financial wellbeing of millions of people. Improving the evidence about what approaches are most effective in increasing the financial capability of different kinds of people - and ensuring that this evidence is used to drive decisions about service funding and delivery - will be fundamental to realising this aim and ensuring the biggest difference possible is made to people's lives.

Consultation with those working in the financial capability sector has identified the need for a consistent, shared approach to evaluating the impact of different interventions. Such an approach will make it easier to build the collective evidence base about what works whilst helping individual organisations to continuously improve the services they fund or deliver. The Money Advice Service is leading the development of a common evaluation toolkit for financial capability interventions. For the first time, this toolkit will provide the UK financial capability sector with clear guidance on what to measure, and how to measure, when conducting impact evaluation. These outcome frameworks form the 'what to measure' element of this developing toolkit.

Financial capability outcome frameworks: purpose and benefit

The outcome frameworks have been developed through extensive consultation with a large number of sector experts and practitioners, along with a systematic assessment of the existing evidence. They are based on the Financial Capability Frameworks presented in the Financial Capability Strategy for the UK, and clearly articulate the outcome areas that expert opinion and evidence suggests are the core components of financial capability.

These frameworks offer a shared language in which the sector can talk about success in relation to financial capability interventions. Using them will help organisations to articulate the ways in which their activities lead to improvements in the financial capability, financial behaviour and financial wellbeing of their clients, as well as to robustly and consistently measure the scale of the impact they achieve. In this way these frameworks will help organisations to develop their strategy, review their approach and maximise their impact.

Adult financial capability outcome framework

The adult outcome framework sets out the key dimensions of a person's financial situation and relationship with money, and the way in which they interrelate. It involves three main elements:

- **Financial capability** refers to the combination of financial ability (skills and knowledge), mindset (attitudes and motivations) and connection to external services and opportunities that enable or prevent a person from effectively managing their money.
- **Financially capable behaviours** are the expression of a person's financial capability, and can be organised under four areas (see the diagrams below). The behaviours a person is able to demonstrate are also affected by the financial means they have at their disposal and the financial pressures they face.
- **Financial wellbeing** is a person's overarching financial situation, including objective elements such as the amount of savings they have and their ability to meet their financial commitments, as well as subjective elements such as how often they worry about money. As with financially capable behaviour, a person's wellbeing is affected by their financial capability, as well as by their financial means and pressures.

Figure 1 on the next page depicts the main outcome areas within financial capability that are further developed into specific indicators in the **full report.** Using the framework, organisations will be able to select indicators from the financial capability, behaviour or wellbeing elements of the framework (or a combination) to measure their impact.

Children and young people outcome framework

The children and young people outcome framework (Figure 2) differs in some key ways from the adult framework. These differences reflect the fact that developing the key building blocks of financial capability constitutes a journey that people go on throughout childhood and adolescence, and that children and young people learn about, experience and understand money in different ways to adults.

In particular:

- in the children and young people framework, the external 'pressures' from the adult framework have been replaced by 'responsibilities', reflecting the benefits to children of learning by experience. In adulthood, the term 'pressures' becomes more appropriate;
- the children and young people framework does not include 'tackle problem debt' as a domain of financially capable behaviour, since this only becomes relevant once people have access to credit after the age of 18;
- financial well-being as it is defined in the financial capability framework is not relevant to young people who are not yet financially independent, so the framework refers instead to the ultimate goal of helping young people achieve financial well-being in adulthood; and
- some of the financial capability outcomes differ to those in the adults framework, reflecting the different experiences and priorities of children and young people in relation to money.

Figure 1: Adult financial capability outcome framework (age 18+)

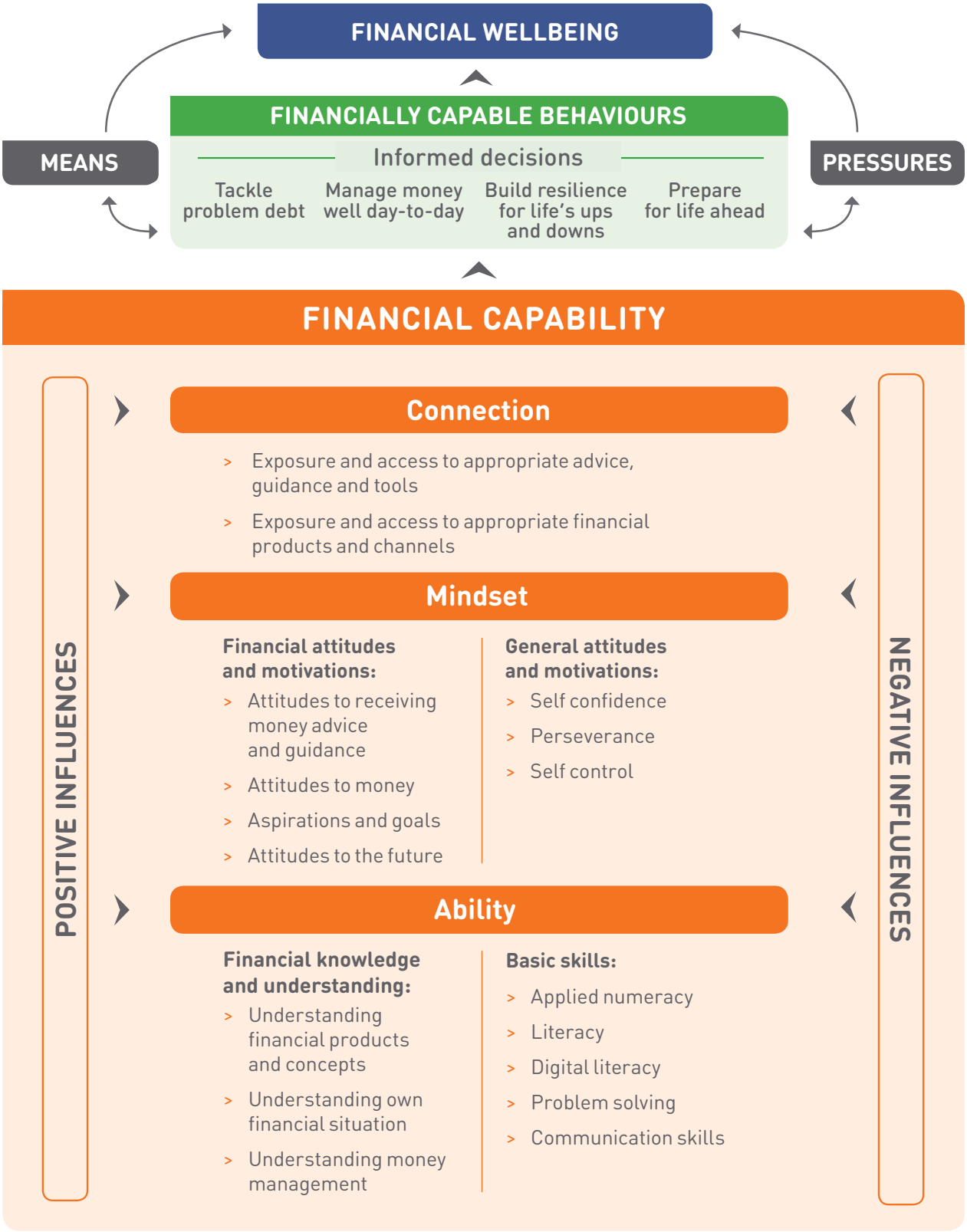
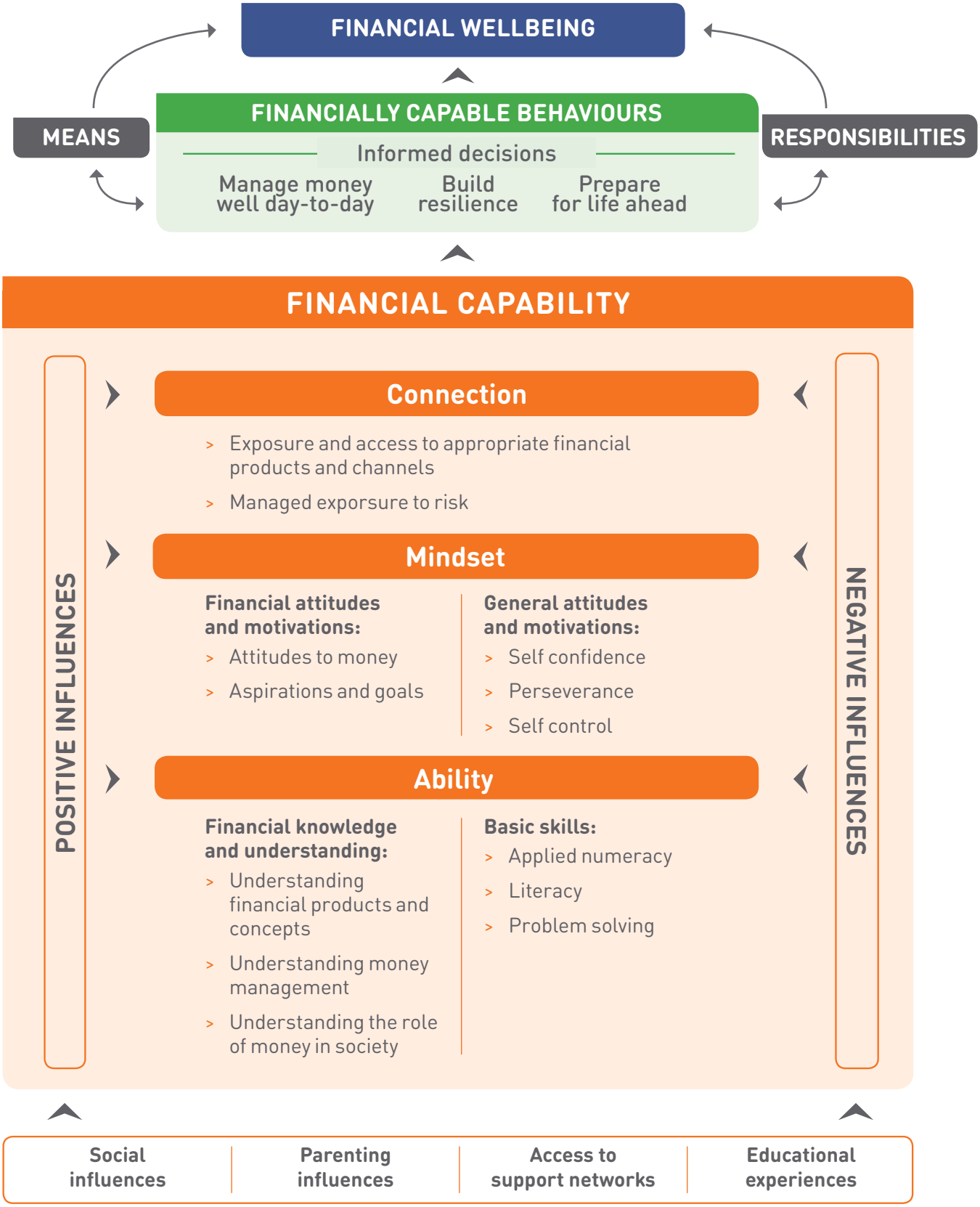


Figure 2: Children and young people financial capability outcome framework (ages 3- 17/18)



Indicators and measurement tools

Each financial capability outcome area in the above frameworks has a set of corresponding detailed indicators underlying it which would suggest that the outcome has been achieved (or that progress has been made towards it). In the case of the children and young people framework, multiple sets of indicators have been developed that are appropriate to different key age groups between the ages of 3 and 17/18. These have been tailored to the stage of cognitive development of each age group and the kind of capability they could be expected to demonstrate as a result. Full details of these indicators can be found in the **full report**.

Indicators will also be developed for both the adult and children and young people frameworks corresponding to the four domains of financially capable behaviour and to financial wellbeing. Measurement tools will then be identified for each indicator which will enable organisations to robustly measure progress within their client group.

Using the frameworks – choosing your outcomes

The frameworks are designed to be a flexible tool suitable for a wide variety of intervention types. Organisations wanting to use them to measure their impact will first need to decide which outcome areas are most important to and aligned with the goals of the project they are funding or delivering. As a result they might choose to concentrate on only one outcome area, or more commonly on a selection. In some cases, the nature of the client group or intervention may mean that an organisation will want to measure progress against additional outcomes that are not part of the framework.

Further development

The Money Advice Service will continue to lead on the development of the outcome frameworks, working collaboratively with the sector to incorporate their expertise and build on existing good practice to ensure the final frameworks are practical, comprehensive and easy-to-use.

The next stages of development are:

- adapt and refine the frameworks following feedback received as part of the Strategy consultation phase;
- develop measurement tools (for example, survey-style questions) corresponding to each of the framework indicators, and launch the first complete version of the frameworks as part of the wider common evaluation toolkit towards the end of 2014;
- pilot the toolkit and outcomes frameworks in partnership with a range of financial capability providers and funders in early 2015;
- further refine and launch an updated version of the frameworks and wider toolkit in late 2015.

If you would like to submit any feedback on the frameworks - or be involved in their further development - please contact the Financial Capability Strategy team on **consultation@fincap.org.uk**

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