

# Support on developing financial capability through child poverty needs assessments



Consumer Financial Education Body (CFEB), working with the Child Poverty Unit and London Financial Capability Working Group, has established that many London boroughs would welcome support on understanding the location of families in their area who are likely to be vulnerable to financial difficulties.

Supporting people to manage their money better may also help prevent families from falling into poverty; by reducing the likelihood and impact of debt, and potentially removing barriers to people's access to employment.

CFEB and Experian have developed a model for establishing vulnerability to the consequences of poor financial decision making. The model profiles the UK Adult population against the likelihood of financial vulnerability.

All London boroughs now have free access to this data via the Greater London Authority's London data store, <http://data.london.gov.uk/datastore/package/financial-capability-and-child-poverty>, and may wish to use it in their child poverty needs assessments and strategies.

The profile provides a score from 0 to 11 (0 is the least vulnerable and 11 the most vulnerable) and a pen portrait for each score. The scores have been mapped for each London Borough. Details of the pen portraits and technical models can be found at <http://data.london.gov.uk/documents/financial-capability-pen-portraits.pdf> and <http://data.london.gov.uk/documents/financial-capability-technical-model.pdf>

## How local authorities can use the data

Three London boroughs (Brent, Merton and Royal Borough of Kingston) have piloted the use of the data. Their feedback has included the following points:

- “It reinforces what is already known from data such as the Indices of Deprivation, Mosaic, benefit claimants etc. The biggest advantage of the data is that it provides this information with far greater detail as it gives postcode information.”
- “It really brings out the pockets of deprivation and how they are very close to areas of affluence.”
- “The 11 different categories provide easy comparison across the borough of different areas and don’t just pick up those on benefits etc but shows the often ‘hidden’ part of the population that don’t quite qualify for benefits but have a high probability of living in poverty.”
- “The categories 6, 7 & 8 should really help with this identification of areas on which to focus and target for services.”
- “GFA categories give different focus, interest in low income/struggling households that don’t appear in IMD, etc.”
- “The groups and corresponding Pen Portraits help to contextualise what can be stark data and will make interpretation easier to understand.”
- “Used to identify areas on which to focus service delivery or target to promote services available in the local area.”

## Feedback and evaluation

The London Financial Capability Working Group intends to evaluate the use of the data by London Boroughs during 2011, but would also welcome feedback on the value of the data and how it is being used in the meantime.

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## Background: financial capability and child poverty

Financial capability complements each of the four building blocks of tackling child poverty, particularly parental employment and skills; life chances and families; and financial support (place and local delivery is the remaining building block). It consists of the following domains:

- making ends meet;
- making informed decisions about financial products;
- keeping track of finances;
- planning ahead; and
- staying up to date about financial matters.

Research published by the FSA (Research Paper 79, 2009) highlighted that key life events can have a negative impact on financial capability and financial problems.

The research showed that:

- becoming unemployed decreases financial capability and increases financial problems by 63%, financial problems are increased by 88% for those unemployed in receipt of Jobseekers Allowance; and
- divorcing or separating increases financial problems by 17% on average and causes a decrease in financial capability. This impact is stronger for women than for men.

## How can improving financial capability help?

Financial capability work can address these issues and is a key element in building financial inclusion, through helping people to develop the knowledge, skills and confidence they need to engage with financial markets and use financial products. This involves understanding and comparing the options available to them when accessing financial products. Such knowledge is crucial to the child poverty agenda given the strong link between low levels of financial inclusion and poverty.

If families are financially excluded they are forced to rely on high-cost credit, cannot access affordable contents insurance and are not able to take advantage of cost savings offered by paying via direct debit. Save the Children and Family Action have estimated this 'poverty premium' at around £1000 (or more than 9% of disposable income) a year for a low income family.

## Consumer Financial Education Body (CFEB)

CFEB is an independent body, established by the Financial Services Authority (FSA) as required by the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2010). We help consumers by providing impartial information, education and advice through a national financial advice service. And we work with trusted partners to get our help to people at the right time.

CFEB is responsible for helping consumers understand financial matters and manage their finances better.

## Child Poverty Unit

The Government's Child Poverty Unit (CPU) brings together the Department for Education, the Department for Work and Pensions (DWP) and HM Treasury. The work of the CPU focuses on taking forward the Government's strategy to eradicate child poverty by 2020, and working with sector-based partners to support local areas in their work to tackle the problem.

Further information is available from the child poverty section of the Department for Education's website:

[www.education.gov.uk/childrenandyoungpeople/families/childpoverty](http://www.education.gov.uk/childrenandyoungpeople/families/childpoverty)

Staff working to tackle child poverty can share ideas, examples and solutions online at Local Government Improvement and Development's (LGID) community of practice. Sign up at:

[www.communities.idea.gov.uk/comm/landing-home.do?id=1362979](http://www.communities.idea.gov.uk/comm/landing-home.do?id=1362979)

## London Financial Capability Working Group

CPU is also responsible for project managing the London Child Poverty Delivery Group, which brings together a number of influential organisations to drive improved action on tackling child poverty in London. The London Financial Capability Working Group - which has worked to make this data available - reports to the London Child Poverty Delivery Group and comprises the following organisations: CFEB, CPU, Citizens Advice, GLA, London Councils, Turn2Us and Kingston and Merton local authorities.

## Further support from CFEB

CFEB provides a range of free, independent and impartial information, help and guidance services for both intermediaries and the general public. For example:

- For intermediaries, including 3rd Sector, Local Authorities' education and youth services for NEET, mental health services, National Offender Management Service, etc:  
[www.cfebuk.org.uk](http://www.cfebuk.org.uk)
- For all consumers:  
[www.moneymadeclear.org.uk](http://www.moneymadeclear.org.uk),
- Specific websites for particular groups of consumers:
  - Parents guide to money:  
[www.moneymadeclear.org.uk/parents](http://www.moneymadeclear.org.uk/parents)
  - Divorce & Separation:  
<http://divorce.moneymadeclear.org.uk/>
  - Young people:  
[www.whataboutmoney.info](http://www.whataboutmoney.info)

- Money Guidance: CFEB has developed a new national free guidance service, it is available face-to-face, by phone and online. The face-to-face element of the service is currently available in 16 inner London Boroughs and will extend to all London Boroughs from April 2011.
- Financial healthcheck – CFEB is developing an on-line financial healthcheck.
- Work-based training programme (including supporting and maintaining parental employment) – Making the most of your money is a free and impartial programme of financial education delivered to employees in the workplace.

### For further details of CFEB support contact:

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