

The Scottish Executive have recently launched their Financial Inclusion Action Plan. Promoting financial inclusion is part of the Scottish Executive's Closing the Opportunity Gap approach to tackling poverty and deprivation. The target is to increase the availability of appropriate financial services and money advice to low income families to reduce their vulnerability to financial exclusion and multiple debts by 2008.

The action plan is for key organisations with an active interest in financial inclusion. These include: local authorities, other community planning partners, banks and other financial institutions, credit unions, organisations giving money advice and other advice to consumers, social economy organisations as well as registered social landlords, voluntary organisations and other services that work with people and communities vulnerable to financial exclusion.

The action plan sets out what the above key players above can do. The plan aims to accelerate the pace of joint working.

The Executive's **Definition** of financial inclusion is: access for individuals to appropriate financial products and services. This includes people having the skills, knowledge and understanding to make best use of those products and services.

Financial exclusion is often a symptom of poverty as well as a cause. The focus of Scottish Executive policy is to improve financial inclusion for vulnerable groups of people and communities and at key transition points in people's lives.

In Scotland the problems of financial exclusion include:

- 11% of adults don't have a bank or building society account. 23% of lone parents don't have an account.
- Only 42% of people living in households with an income under £10,000 pa have any savings or investments
- 40% of people living in rented accommodation don't have contents insurance
- Up to a third of households with an income under £15,000 pa are in arrears with consumer credit or household bills. They are 3 times more likely to be in arrears than better off households.

The action plan outlines areas where action is needed. These include financial education in schools, accessible easily understood information, advice on managing problem debt, access to affordable credit e.g. through credit unions, access for marginalized groups to a range of mainstream banking and savings products.

The Scottish Executive are already doing a number of things to promote financial inclusion. These include an extension of money advice services, implementing the Debt Arrangement and Attachment (Scotland) Act 2002, funding credit unions to do more to address financial exclusion through the Scottish Credit Union Capacity Fund, putting £5million pa into frontline money advice services from 2005-2006 onwards, providing money advice for people who are making the transition to employment, supporting the Scottish Centre for Financial Education in schools.

From April 2006 additional funding of £5 million will be available as part of the overall Closing the Opportunity Gap approach. Resources will be allocated mainly to support financial inclusion in areas with the greatest current problems. Some resources will continue to be

available nationally, however, for more widespread initiatives and innovative approaches. **The Scottish Executive expect to see funding used locally within the community planning and regeneration context.** The Executive will announce how its £5million funding will be allocated by summer 2005.

The Executive expects Councils, through their lead role in community planning partnerships and regeneration outcome agreements, to take the lead in planning the use of all the relevant funds, and to do so jointly with their partners.

Local authorities can fund and encourage other local organisations to provide services that support financial inclusion. Local authority actions can include supporting credit unions, providing home contents insurance schemes tied to rent, providing money advice themselves, supporting financial education in schools and outwith school settings.

Banks and other financial institutions have already funded financial information for excluded groups and for financial education in schools. Key actions for the financial services sector include working with local authorities, community organisations and others in the most deprived areas to support community banking, mobile services and other local initiatives to improve accessibility of services.

Money advice services are delivered through local authorities, voluntary organisations including Citizens Advice Bureaux, and the private sector. The Executive would like to see money advice services developing expertise in meeting the needs of marginalized and vulnerable groups, referring clients to specialist services especially adult literacy provision, encouraging money advisors to seek approval under the Debt Arrangement Scheme and adapting case management systems so that they meet the scheme's requirements and working to agreed quality standards.

Credit unions are already contributing to financial inclusion. Further actions include the provision of more flexible loans, provision of additional financial services, extension of common bonds, encouraging a more diverse range of volunteers, encouraging children to develop early savings patterns and working with other local organisations such as money advice services.

The financial inclusion action plan has a number of case studies within it, which illustrate the initiatives that have been developed by a number of key organisations. These include local authority money advice services, communities working in partnership with banks to increase access to bank accounts and improve financial literacy, development of credit unions, financial education in schools, and one stop approaches to address financial exclusion.

The financial action plan will provide useful information for North Ayrshire's regeneration outcome 1.4 - reducing the proportion of working age people with low incomes and reducing financial exclusion.

For further information on the Action Plan see:
www.scotland.gov.uk/about/Dd/SI/00017413/page1953954104.aspx

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