



CAN'T
AFFORD
TO LEAVE

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TO STAY

Financial Inclusion and Capability in Rural Scotland

Deirdre Elrick
Scottish Council Foundation



The Scottish Council Foundation acknowledges
the generous support of the funders of this study



SCOTTISH EXECUTIVE



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principal supporters



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1. Introduction

The Financial Services Authority (FSA) identifies a *financially-capable* population as emerging from people who are:

*'better informed, educated and more confident citizens, able to take greater responsibility for their financial affairs and play an active role in the market for financial services.'*¹

The priority themes identified by FSA in their 'Financial Capability Strategy' are a focus on financial education in schools; with young adults facing financial responsibilities; in work; within families; in planning for retirement; in borrowing; and in the role of generic advice.

The Scottish Executive defines financial *inclusion* as:

'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.'

It goes on to say that:

*'Financial exclusion is often a symptom of poverty as well as a cause. The focus of the Scottish Executive policy is to improve financial inclusion for vulnerable groups of people and communities at key transition points in people's lives.'*²

On the basis that knowledge of financial inclusion and capability in remote and rural areas is less well developed than in low-income urban communities, the Scottish Council Foundation (SCF) undertook a year-long study in Scotland. Friends Provident Foundation, the Scottish Executive Environment and Rural Affairs Department (SEERAD) and three participating local authorities (Highland Council, Argyll & Bute Council and East Ayrshire Council) funded the research. The study was based on in-depth case studies in Lochinver, North West Sutherland (Highland), Port Ellen, Isle of Islay (Argyll & Bute) and Dalmellington (East Ayrshire), spanning mainland remote, island and ex-industrial rural communities respectively.

In relation to financial inclusion and capability the research aimed to:

- Understand patterns of unmet need, under-served consumer demand, and underlying causes
- Identify residents' priorities for improvement related to financial inclusion (through appropriate products, services and conditions) and financial capability (through appropriate forms of information, education and money advice)
- Understand the opportunities and constraints facing service providers and other local stakeholders
- Identify how responsibility for action should be shared between consumers, Community Planning partners, financial service providers and government
- Inform policy and practice decisions in Scotland and the UK as a whole

1.1 Methods

Desk research was undertaken into financial inclusion and capability, focusing on current understanding of the key issues, how people make financial decisions and why, how financial inclusion and capability links to deprivation, what financial services and products are available, and what might be missing. Desk research was also used to explore the nature of rurality, how it might impact on financial inclusion and capability needs, and on what kind of products and services might serve people's needs more effectively in rural communities. A third element of the desk research was to explore research and community development methodologies that used public engagement as an integral part of the process.

The fieldwork began in Autumn 2005 and was completed in Spring 2006. It was designed to engage directly with people at structural, intermediary and community levels. This meant that there was public involvement in each of the communities, engagement with local intermediaries and with Community Planning Partnership (CPP) representatives. Initial contact was made with a representative of the CPP in each area to discuss Community Planning priorities and the issues that might be investigated.

Initial approaches to market research agencies highlighted some of the difficulties in recruiting members of the public to join Community Committee panels in rural areas. Cost proved to be one barrier and access another. Finding a recruitment agency for Islay proved impossible. Agreement in principle was reached with one agency for recruitment in Highland, but they were unable to undertake the task in practice. An approach to a local enterprise worker identified two local businesses that might be able to undertake the work. One of these agreed to recruit according to a detailed specification based on local socio-economic and demographic data. In Islay and in East Ayrshire, the local Council for Voluntary Services (CVS) were asked if they could identify potential recruiters. In this way, the task of recruitment was managed directly as part of the research process, based on criteria developed from population data of the areas involved. The recruitment was generally successful, although none of the 18-25 age group recruited in East Ayrshire was able to attend.

The Community Committees involved 39 people in all: 16 in Islay, 14 in Highland and nine in East Ayrshire. Each participant was asked to be involved in discussions over three and half days across a six-month period (a total of 20 hours). The initial meeting in each of the areas began with participants completing a short baseline questionnaire. This asked about their views and expectations of their involvement in the research; of financial service provision; levels of trust in service providers; and their views of the communities involved.

As part of this initial contact, interviews or group discussions were undertaken with a number of intermediaries thought to have an interest in financial inclusion and capability. These were drawn from the local private, public, voluntary and community sectors. A meeting with representatives from each of the Community Planning Partnerships was held after the first round of discussions. A second in depth discussion was then organised with the Community Committees. A final session was organised to bring together members of the Community Committees and representatives of the Community Planning Partnerships who had responsibility for the financial inclusion and capability agenda in each area. Table 1 gives details of the fieldwork timescale.

Table 1: Fieldwork timetable and activities

Fieldwork	Lochinver, Sutherland	Port Ellen, Islay	Dalmellington, East Ayrshire
Initial meeting with Community Committee	September 2005	October 2005	October 2005
Second meeting with Community Committee	December 2005	January 2006	March 2006
Dialogue between Community Committee and Community Planning Partners	February 2006	March 2006	April 2006
Engage stakeholders	Interviews (5)	Group (7)	Interviews (5)
Engage Community Planning Partners	Sept 2005 – March 2006	Sept 2005 – March 2006	Oct 2005 – April 2006

Each Community Committee met three times over a six-month period:

- The first meeting involved a two-hour introductory discussion about how participants viewed money matters in the community, to identify what they felt were the key issues for understanding financial inclusion and capability. A full-day session followed, which started by exploring some of the implications of their initial thoughts. Participants were then provided with information on financial need and capability issues before moving on to discuss what support they thought might be available locally for people facing various financial choices. The focus for this part of the discussion was provided through pre-designed case study examples.
- A second full-day session was designed to explore the information already collected. This involved an update on the other elements of the research and identified what might be missing from their discussions. The discussion then moved on from identifying needs and issues to discussing potential actions that might support financial inclusion and capability in the communities in which they lived.
- The final session was organised so that participants could consider the material that had already been discussed and decide what they wanted to raise with the Community Planning representatives, before meeting them as part of the development process.

1.2 Intermediaries and Community Planning participants

Intermediaries with a stake in financial inclusion and capability matters were identified from the public, private and voluntary sectors with the assistance of Community Planning and local voluntary sector partners. Interviews and focus group discussions were then undertaken with a total of 17 participants, including bank managers, chairs of the credit unions, Citizen's Advice Bureau (CAB) advisers, local business people, local CVS managers and a financial adviser. In both Sutherland and Islay, intermediaries positioned between authority-wide organisations and local delivery agencies were highlighted as particularly important.

Meetings were held with representatives of the Community Planning process to discuss the initial findings from the first meetings and agree their participation in the final session. Eleven people responsible for service delivery relating to the agenda attended the final sessions with the Community Committees (five in Sutherland, three in Islay and three in East Ayrshire).

2. Financial capability, inclusion and rural Scotland

Financial capability, financial inclusion and financial education have been identified as international, UK and Scottish policy priorities. There is a need for conceptual clarity between these terms.

- **Financial capability** is an outcome relevant to the whole population, involving the knowledge, skills and confidence to make appropriate financial decisions.
- **Financial inclusion** is an outcome most relevant to those who experience financial exclusion, or are at risk of exclusion (e.g. those who have little or no financial protection, are unbanked or face unmanageable debt). It is, thus, a more targeted concept.
- **Financial education** is an input designed to improve financial capability. It is one of a number of factors that may contribute to this outcome. Below we consider other elements of financial capability.

We now consider these concepts using examples from the policy environment.

2.1 Financial capability

The UK's Financial Services Authority (FSA) identifies a financially-capable population as emerging from people who are:

*'better informed, educated and more confident citizens, able to take greater responsibility for their financial affairs and play an active role in the market for financial services.'*³

Financial capability is, thus, a whole population concept. It emerges from a range of factors interacting over time. Research suggests that many consumers do not understand which products are linked to the stock market, what equity means and how to make the best choices in relation to mortgages or credit agreements.⁴ Money matters need a broad set of skills, such as capacity and confidence to make appropriate financial decisions at the right time. Provision of appropriate advice, at the right time and in the right format, is an essential tool for financial capability and future prosperity.⁵ The extent to which someone can be considered financially capable is not based primarily on the income or assets that people have, but on their ability to manage these effectively.⁶

Most individuals have many more financial responsibilities and choices than in the past. Within the last generation, a majority of the Scottish population lived in rented housing, most employees (or at least full-time male workers) were in jobs offering at least a modest occupational pension and lived within a cash economy, where credit was unavailable to the bulk of the population. Significant changes have come with the liberalisation of financial markets, an increase in living standards and disposable wealth for the majority of the population, the movement to electronic financial services⁷ and the shift to a home owning, or mortgaging, society. Some of the key changes in consumer behaviour can be seen in a decline in weekly budgeting, higher spending, a decline in savings, easier access to credit and much higher levels of consumer debt.⁸ There has been a major shift in the availability and acceptance of unsecured borrowing as a cultural norm⁹, based on the growth of financial markets, development of new products and services, and changes in government policy (for instance student loans).

Financial capability therefore is multi-faceted. It requires people to be able to engage in short and long-term financial planning, assessing risks as well as benefits, at a personal level. It assumes the ability for integrated thinking about income and expenditure based on forward planning as well as current financial circumstances. It is based on people being able to access information, relevant advice and products, understand the nature of what is on offer and make responsible decisions about a number of complex financial transactions. It also requires trust in market providers, which for many has been undermined by a string of financial scandals and mishaps, for instance mis-selling of personal pensions, endowments¹⁰, with-profits policies and 'precipice' bonds. Trust also appears to be undermined by the growth of cold-selling of financial products by the majority of financial service providers.¹¹

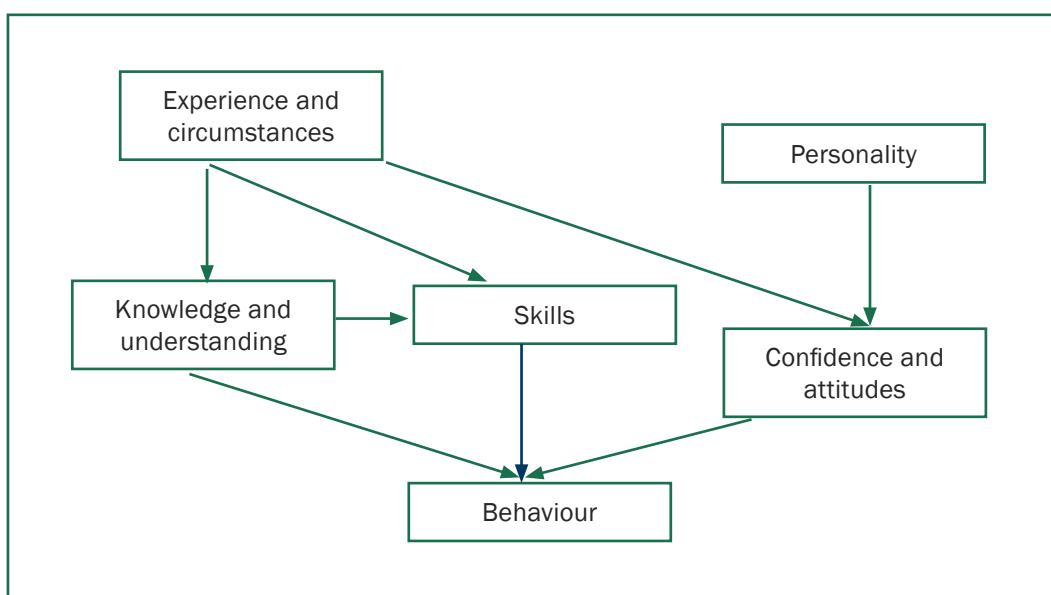
One conceptual model (Figure 1) identifies three key elements of financial capability in navigating the financial information and advice environment:

- Knowledge and understanding (influenced by experience and circumstances)
- Skills (influenced by experience and circumstances as well, but with basic financial skills shaped by knowledge and understanding)
- Confidence and attitudes (influenced by experience and circumstances and by personality)

To these we might add geographical variations in physical access to service providers and information flows, potentially affecting those who live in urban and remote rural areas in different ways.

Research on this model found that consumers focused on managing money, planning ahead, making choices and getting help, and perceived financial capability in behavioural terms. The importance of this conceptual model is that it can help in understanding external as well as internal dimensions at work in making financial choices, and indicates where more information, education or advice might be most effective in increasing capability. It provides a useful tool for exploring the implications of the research findings from this study.

Figure 1:Elements of financial capability¹³



The UK Strategy for Financial Capability, launched in 2003, identified the importance of providing information, education and generic advice to help people make appropriate financial decisions with more confidence. This broad understanding of the financial capability agenda is embedded in the Financial Services Authority's (FSA) approach, which identifies both life changes and changing financial circumstances that will impact on the kind of information and advice that people might need to make informed choices.¹⁴ The priority themes identified by FSA in the Financial Capability Strategy are a focus on financial education in schools; with young adults facing financial responsibilities; in work; within families; in planning for retirement; in borrowing; and in the role of generic advice.

2.2 Financial inclusion

The Scottish Executive defines *financial inclusion* as:

'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.'

It goes on to say that:

*'Financial exclusion is often a symptom of poverty as well as a cause. The focus of the Scottish Executive policy is to improve financial inclusion for vulnerable groups of people and communities at key transition points in people's lives.'*¹⁵

The UK Government, led by HM Treasury, has established a Financial Inclusion Taskforce and a Financial Inclusion Fund (FIF). These are intended to complement the FSA's work, with a targeted focus on reducing the number of unbanked adults and improving the quality and coverage of money advice services, for example. The FIF provides £120 million for these objectives, with the Scottish Executive taking forward a Financial Inclusion Fund in Scotland.

The Scottish Executive's 'Closing the Opportunity Gap' strategy includes the objective of reducing the vulnerability of low-income families to financial exclusion and multiple debts. The broad target by 2008 is to increase the availability of appropriate financial services and money advice to low income families¹⁶, without setting out how progress is to be measured. The Executive has identified improving financial inclusion as one of its six 'high level' objectives in its anti-poverty strategy, because of the close links between deprivation and access to, and ability to use, financial products and services.¹⁷ Its Financial Inclusion Action Plan focuses on three main elements: financial products/services; advice and support; and financial education:

- **Financial products/services** include a focus on funding for credit unions; support to urban post offices and the encouragement of diversification of services through rural post offices; encouragement for social landlords to operate home contents insurance schemes; running the mortgage-to-rent scheme; and discussing funding with national bodies for Local Exchange Trading Systems (LETS)¹⁸ and timebanks.
- **Advice and support** is based on investing in money advice services; establishing a Debt Arrangement Scheme; supporting a national loan shark task force based in Glasgow; funding Citizens' Advice Scotland and Money Advice Scotland to run MATRICS (Money Advice, Training, Resources, Information and Consultancy Services); approving specialised money advisers for the Debt Arrangement Scheme; funding money advice for people who have difficulty accessing mainstream services; providing money advice for those making the transition to employment; and, developing housing information and advice standards and defining competences for advisers.

- **Financial education** includes supporting provision in schools; preparing young people for work; targeting projects through Citizens Advice offices to deliver financial education to people with particular needs (e.g. care leavers); and through adult literacy and numeracy work.

Local authorities are central to the agenda, expected to work at local level with a number of partners. These include private sector financial services through banks, post offices and other financial institutions and voluntary sector providers like credit unions. Other partners identified are registered social landlords and money advice services, community initiatives like family learning projects and organisations that focus on particular client groups. In this it is possible to see a mixture of investment in developing alternative, voluntary and community-led provision, as well as market provision, and educational work aimed at increasing the capacity of those who are vulnerable to financial exclusion to improve their money management skills. The commitment is therefore to improve access, protect vulnerable consumers, enable people on low incomes to meet their borrowing and savings needs, and raise awareness of some of the issues faced by vulnerable consumers.

The Scottish Executive established a Financial Inclusion Forum in June 2005, bringing together key organisations to generate and share ideas that can help people manage their finances.¹⁹ They also announced the distribution of £10 million through the Financial Inclusion Fund (FIF) to support financial inclusion in 2006/7 and 2007/8, concentrating on 11 local authorities with the greatest concentration of financial exclusion. Although urban areas were targeted most, some rural and island communities were supported with the inclusion of East Ayrshire and Western Isles (Eilean Siar). Guidance on the use of the FIF²⁰ stresses how it relates to the Regeneration Outcome Agreement²¹ (ROA) where the highest concentration of deprivation is found. The Community Planning Partnerships in these areas have the scope to focus on remote rural or vulnerable groups. This reflects a recognition that some people living in rural areas face particular forms of financial exclusion.

It is worth noting here that money advice services can, in principle, span both financial inclusion and capability objectives. Money advice is usually located in a financial inclusion context, targeted to people with difficulties accessing 'mainstream' services, people on low incomes and those having difficulty paying bills or repaying debts. However, many within the Money Advice and Citizens Advice field believe there is a clear unmet need to move 'upstream' and develop pro-active services and educational approaches to build financial capability more widely.

2.3 Financial education

The OECD recommends member countries promote financial education to individuals in part because of the increased sophistication of the financial markets, and the shifting of risk and responsibility for financial decisions towards individuals.²² The OECD has identified three of the main reasons for the importance of financial education as:

- An increasing number of workers who have to rely on defined contribution pension plans and personal savings for retirement
- Consumer debt, which is at record levels, and the deregulation of the financial markets which has brought increased competition for customers
- A growth in the number of financial transactions that people make but with a group of consumers not participating in financial systems

The short-term consequences of inappropriate and restricted financial choices can increase people's vulnerability to serious financial difficulty. The consequences of some financial choices, such as those related to pension provision or mortgage borrowing, can undermine people's ability to meet their financial needs in the longer term, putting them at risk of financial exclusion. A recent Scottish Widows Pensions Index identifies less than half of people saving adequately for retirement, the first time they have reported a majority of people in the UK falling short on what they should be saving into a pension.²⁴ The priority for investing in effective forms of financial education in the UK is clear and growing.

2.4 Rural Scotland

Of the five million people in Scotland on Census Day 2001, 81.3% lived in Urban Areas (on 2% of the land mass), with 13% living in Accessible Rural Areas (on 29% of the land), and 6% of the population living in Remote Rural Areas, covering 69% of the land mass. Over a quarter of a million people lived in Remote Rural Areas (281,539).²⁵ Of these 54,221 were children under the age of 15 and 60,861 were adults of pensionable age.

The rural/urban classification used in this report is taken from the Scottish Executive typology of eight categories based on drive times and settlement size²⁶ (Table 2).

Table 2: Urban/rural typology in Scotland

Large Urban Areas	Settlements of over 125,000 people.
Other Urban Areas	Settlements of 10,000 to 125,000 people.
Accessible Small Towns	Settlements of between 3,000 and 10,000 people and within 30 minutes drive of a settlement of 10,000 or more.
Remote Small Towns	Settlements of between 3,000 and 10,000 people and with a drive time of 30 to 60 minutes to a settlement of 10,000 or more.
Very Remote Small Towns	Settlements of between 3,000 and 10,000 people and with a drive time of over 60 minutes to a settlement of 10,000 or more.
Accessible Rural	Settlements of fewer than 3,000 people and within 30 minutes drive of a settlement of 10,000 or more.
Remote Rural	Settlements of fewer than 3,000 people and with a drive time of between 30 and 60 minutes to a settlement of 10,000 or more.
Very Remote Rural	Settlements of fewer than 3,000 people and with a drive time of over 60 minutes to a settlement of 10,000 or more.

The Scottish Executive made an explicit commitment to tackle barriers to economic development in rural areas. These have been identified as low pay, seasonality of jobs, distance from markets, a narrow economic base and the cost of transport.²⁷ Encouraging business development, especially in areas with fragile economies, was seen as a key priority in this approach. Economic activity is therefore one priority, although other issues that can impact on the financial cost of living in rural Scotland were identified as well. These include housing quality, with one in eight households experiencing dampness, one in four dealing with condensation, and one in four with poor energy efficiency ratings.²⁸

Vulnerability to rural financial exclusion is experienced by some on a long-term basis. People working in rural Scotland are generally less well paid than the Scottish average, with full-time average earnings around 10% lower.²⁹ Self-employed people make up a significant component of rural low-income households (23%). Over half of the women employed in remote rural areas work part time (51.6%). Low income in retirement is also linked to low pay during working life.³⁰ However, those most at risk of being on a low income are those disconnected from the labour market, the greatest number of whom are older people (41%), long-term sick, disabled or family carers. Single parent households are also at risk, with limited local availability of jobs, childcare costs and transport identified as barriers to finding work, although there is also evidence that some mothers wish to remain at home with their children especially when they are very young.

While the rural cost of living has been identified as lower than those in urban areas (being 1.5% lower in rural Highlands and Islands Enterprise areas and 3.3% in rural Scottish Enterprise areas), this appears to be related mostly to the housing index, which was almost 14% lower in rural Scotland. In contrast, food prices were 11% and 4.8% higher in the same areas, with the implication that those who are less likely to benefit from lower house prices having to pay higher costs for essentials.

Recognising that lower population numbers can threaten the viability of services in rural areas, a key objective in rural policy has been to identify how access to services can be improved.³¹ Recent research³² highlights priority areas for improvement as including: affordable housing, sports/leisure and recreation for young people in particular, local job opportunities, support for local businesses, services to address drug and alcohol abuse and improved access to health services.

Barriers to financial inclusion have been identified as including pricing of products and services, inappropriate product conditions, lower knowledge of financial products and services caused by uneven marketing, lack of free debt advice, lack of generic financial advice and persistent low incomes. With the transition to Direct Payments for benefits, there is a challenge in ensuring that everyone understands how their account works and in supporting good financial management and planning. Expanding Broadband, now available in virtually every area of Scotland including most of the islands, in theory puts financial services at everyone's fingertips. But does this give people the ability to make informed choices about the best financial products for them? Does it embed financial awareness and understanding for financial consumers? While improved technology may have an impact on both, how can that impact be maximised and is it enough in support of financial capability?

2.5 Overview

Common to the financial inclusion and capability agendas is a focus on providing both access and support to people who are financially excluded or vulnerable. The financial capability agenda goes further, by focusing on the information, advice and support people might need when making financial choices at various stages of their lives.

The shift from a cash economy to a financial system based on electronic transactions and an increase in the number of financial products available mean that access to banking facilities and understanding of financial products are central to current and future financial stability. There has been a diminishing role of the state in the direct provision of some services, for instance housing and pensions, with individuals having to take more responsibility as well as exercise more choice in managing their finances. It is clear that a cultural shift from saving to borrowing has short and long-term financial implications. Rising levels of unsecured debt, failing to save or not investing in a pension leaves many people vulnerable to financial exclusion in the short and the long term.

In light of the Scottish Executive's focus on supporting individuals to improve their ability to make financial decisions and investing in voluntary and community-led developments it is also important to investigate any distinctive barriers in relation to financial inclusion and capability in rural and remote communities.

3. The case studies in context

The expectations of local government in relation to the Scottish Executive's Financial Inclusion agenda are diverse. They include support for deprived communities and other vulnerable groups; reviewing financial service needs and finding ways to meet them; provision of money advice; and the development of financial education within both schools and community learning/development settings. These touch on a number of other policy priorities and directly link the financial inclusion agenda to Community Planning.³³ The evidence that links deprivation to other public service priorities means that integrated planning around financial inclusion issues is essential.

The Local Government in Scotland Act 2003 provided a statutory basis for Community Planning and placed a duty on all local authorities to bring together key partners to engage in the process. Guidance identified the two main aims as:

- Making sure people and communities are genuinely engaged in the decisions made on public services which affect them [allied to]
- A commitment from organisations to work together, not apart, in providing better public services³⁴

The guidance identified the national priorities that should provide the focus for development, including social justice, sustainable development, equalities, education and community regeneration. The Community Plan to be agreed in each area was also required to include the development of a Regeneration Outcome Agreement (ROA) as one of the main steps in integrating the former Social Inclusion Partnerships (SIPs) into the process. The ROA is intended to provide a strategic framework linking local priorities for tackling disadvantage with activities and spending aimed at improving outcomes for disadvantaged areas and groups. By integrating approaches to social inclusion through authority-wide strategic planning contained within the Community Plan, it was envisaged that it would be possible to link physical, social and economic regeneration more effectively.³⁵ Local Strategic Partnerships in England offer a similar local planning framework.³⁶

3.1 Community Planning in the case study areas

The context in which financial inclusion and capability sits locally is defined, in large part, by the Community Planning Partnerships (CPPs) in each case study area. Key partners are: the council, the local enterprise company, Scottish Natural Heritage, the health service, the police, Communities Scotland, the fire service, with representatives from the private and voluntary sectors. The strategic priorities in each of the case study areas differ (Table 3).

Table 3: Community Planning Strategic Priorities: case study areas

	Argyll & Bute Community Plan 2003-2007	East Ayrshire Community Plan 2003-2007	The Community Plan for Highland 2004-2007
Strategic issues	Three priority themes: sustaining and developing communities, culture and environment; promoting health and well-being; improving opportunities for learning, employment and skills development.	Six priority themes: promoting community learning; improving opportunities; improving community safety; improving health; eliminating poverty; and, improving the environment.	Three strategic issues: counter the worst effects of demographic change; tackle disadvantage; and, up-grade the infrastructure.
Community Involvement	Citizens' Panel established (1300 residents with one-third replaced on an annual basis). Two surveys a year, with panel members also invited to workshops/discussions. Argyll and Bute CPP has an expectation that there will be a larger proportion of community representatives as structures get to the local level. This reflects the greater interest of communities in issues affecting their area.	Direct involvement by six community representatives on the CP Board.	Enhance staff skills and support communities to engage with public bodies in the CP context. This will be supported by activities in the Community Learning and Development strategy.
Financial Inclusion connection	Relevant activities include: improving information, education and access to facilities for elderly people living in poverty; addressing education and training needs; creating employment opportunities and local business support; addressing transport and accessibility; promoting energy efficiency; improving housing stock.	The overall aim of the Eliminating Poverty ³⁷ plan is ' <i>to reduce substantially and demonstrably the level of poverty for children, older people and people with disabilities</i> '. Action includes supporting: employment developments; credit union and self-help; address links between poor housing, poverty and health; access to services; debt counselling and money advice.	Relevant priorities include: reduce financial exclusion and fuel poverty; focus community development activities in areas of need; prioritise affordable and sustainable housing; improve transport; build community capacity; and, promote learning as a major sector of the economy.

Money advice and support services were supported in each of the local authority areas. Direct services were provided by Money Advice workers. Indirect investment was also a priority through the support provided to voluntary and community sector activities, such as Citizens Advice Bureaux and development of credit unions. The Scottish Executive has committed additional resources of £350,000 per annum to East Ayrshire Council as part of its Financial Inclusion Fund, providing scope for further investment in the agenda.

3.2 The case study communities

The case study communities were chosen on the basis of geographical factors, socio-economic and demographic data and in discussion with local authority partners. The case study areas were:

Lochinver, North West Sutherland (Highland): Lochinver was established as a fishing village in the early 19th century as a result of the clearances on the Sutherland estate. Lochinver is the largest settlement in the Assynt area and offers the main points of contact to public sector services. It is in the Highland Council area. It was the most remote of the case study areas and the least deprived, being close to the median for Scotland. It is located 86 miles from Inverness and 30 miles from Ullapool (the nearest large population centre). The travel times are around one and a half hours to Ullapool and three hours to Inverness. It is located around 120 miles from Thurso, where the nearest CAB is based, and from Wick where Job Centre Plus is located (a journey time of around 4 hours for both). An Advice and Information Service is available at Kinlochbervie (42 miles away, a round trip of 4 hours).

Port Ellen, Islay (Argyll & Bute): Port Ellen on the island of Islay was founded in 1821 by the Laird of Islay and named after his wife. It became home to many of those cleared from the Oa peninsula. The population of Islay in the 1830s was 18,000 people. It is now less than 4,000, with about a quarter of these living in Port Ellen.³⁸ It is in Argyll & Bute Council area. It is located 11 miles from the main population centre on the island (Bowmore), with a travel time of about 30 minutes, and 54 miles (by ferry and road) from Lochgilphead, its administrative centre. It is in the third lowest quartile of the Scottish Index of Multiple Deprivation (SIMD) indicators, with an employment rate in the bottom quartile of data zones.

Dalmellington (East Ayrshire): Dalmellington has been identified as an ancient settlement, first occupied 6,000 years ago.³⁹ Coal has been part of its identity for around 300 years, with the first pits sunk north of Dalmellington in the early 1700s, and major growth in the mid 19th century. The last pit closed in 1978. This had a major impact, with the large estate of miners' houses having the highest male unemployment rate in Scotland (37%) in the early 1990s.⁴⁰ It is in the East Ayrshire Council area. It is located in a former Social Inclusion Partnership area (The Coal-fields SIP) and has been identified as income deprived. It is 14 miles from Ayr its nearest large town, with a travel time of about 20 minutes. However, its administrative centre of Kilmarnock is 28 miles away with a travel time of about 50 minutes. The SIMD statistics show that Dalmellington ranks in the most deprived 3% of data zones in Scotland. In terms of geographical access, however, it ranks within the less excluded half of data zones.

Table 4: SIMD data for case study areas

	Highland	Argyll & Bute	East Ayrshire
Data zone name and SIMD code	Sutherland North West (including Lochinver) S01003967	Islay South (including Port Ellen) S0100072	Dalmellington S01001271
Population	513	819	802
Working-age population	342 (67% of the population)	470 (57% of the population)	483 (60% of the population)
Deprivation rank	2763	1902	196
Employment rank	3547	1592.5	171
Health rank	3553	1924	166
Education, skills and training rank	3789	3402	542
Housing rank	1541	1392	1993
Geographic access and telecommunications rank	204	4698	3952

Table 4 shows selected indicators from the Scottish Index of Multiple Deprivation (SIMD) available at the time of the fieldwork. The table contains six indicators by rank, showing the position of each data zone relative to all of Scotland's 6,000 + data zones. The smaller the rank number, the more disadvantaged the area on that indicator.

On the overall deprivation indicator, Lochinver is least disadvantaged, ranked just inside the top half of data zones. Port Ellen has an intermediate position, within the top third of data zones and Dalmellington has by far the worst ranking, within the top 3% of data zones. Lochinver is least disadvantaged on three of the other five indicators, faring significantly better than the others on employment and health. Both Lochinver and Port Ellen fare much better than Dalmellington on education, skills and training (the latter ranked in the worst 10% of data zones). In contrast, both Lochinver and Port Ellen lie in the bottom quartile for the housing indicator, with Dalmellington just above.

On geographic service access and telecommunications, Lochinver is in the most disadvantaged 3% of data zones. Port Ellen appears to lie in the best quarter of data zones on this measure, raising questions about the range and quality of services that can be accessed. Quality has been defined by the Scottish Executive as: acceptable costs, quality of staff, time allocated to people, services tailored to community needs, cleanliness of premises, access and the range of a service (i.e. the extent of the service offered).⁴¹ There appeared to be some basis for exploring the costs of living in a remote island community, as well as physical access to a range of basic services.

While Dalmellington is clearly identified as facing a number of deprivation factors in a rural setting that mirror urban deprivation statistics, Port Ellen and Lochinver offered an opportunity to explore the financial inclusion and capability issues faced by more remote rural and island communities.

3.3 Baseline survey data

The initial Community Committee meeting in each area began with participants completing a short questionnaire. This section looks at the different views expressed in each of the communities. Although the number of participants is small, some comparisons may be drawn. The baseline survey covered participants' expectations of their involvement in the research; their views on financial services provision and levels of trust in other service providers; how they viewed the area they lived in; and their future expectations.

3.3.1 Financial services

When asked to describe how access to financial services in their communities had changed in recent years, nearly half of the participants felt they had improved significantly or slightly, while one-third felt that access had not changed much. Three people, all in Lochinver, thought that access had declined significantly. Similar numbers considered changes in provision of financial services across Scotland in recent years as better or getting better rather than worse, with around one-fifth feeling that it had not changed much. Two participants in Dalmellington felt that it was getting worse rather than better, and two in Lochinver that provision had worsened.

When asked whom they would be most likely to seek financial advice from, more participants in Port Ellen chose family members than in the other areas (Table 5). This was also true of seeking advice from friends. Roughly half of the participants in each group said that they would seek advice from a bank. Nobody in Dalmellington said that they would seek advice on the internet, compared with almost half of the group in Port Ellen. Similar numbers in all three groups identified Citizens Advice as a source they would use.

Table 5: Sources of financial advice

Sources of advice	Lochinver	Port Ellen	Dalmellington
Family	5	8	2
Friends	5	7	4
Bank	8	8	5
Internet	4	7	0
CAB	4	5	4
Total	14	16	9

3.3.2 Trust

When asked to think about whether they would trust a number of agencies and individuals to act in their best interests, participants across the groups generally gave similar ratings, although some differences can also be observed (Table 6). Scores reflect the net sum of ratings on a scale from 'a great deal of trust' to 'none at all.'

Table 6: Net levels of trust in agencies and individuals

Net Trust scores	Lochinver	Port Ellen	Dalmellington
Citizens Advice office	+ 9	+ 14	+ 13
Local councillor	- 3	+ 13	+ 8
The police	+5	+9	+1
Churches	-6	+14	+5
Local bank	+ 3	+ 3	+ 6
Local employers	0	+ 8	+ 1
The local NHS	+ 5	+ 3	- 2
The Scottish Parliament	+ 1	- 1	- 1
Local council	- 4	- 5	- 1
UK Government	- 17	- 10	- 10

Participants across the groups gave Citizens Advice the highest trust scores. The police and local bank had net positive scores in each location, while the local councillor, churches, employers and the NHS received positive scores in two of the areas. In contrast, the groups trusted UK government least, with the local council in each case attracting a more modest negative rating. We also asked participants to respond to the statement '*most people these days can be trusted*'. Around half of those who participated in Lochinver and Port Ellen said that they agreed or strongly agreed with the statement, while only two in Dalmellington agreed.

3.3.3 Describing the communities

When asked if they agreed with a number of descriptions of their community, some clear differences appeared across the groups (Table 7). The highest agreement was found for '*a good place to bring up children*' and '*a clean environment*' in both Lochinver and Port Ellen, but only three Dalmellington participants agreed with the former and none with the latter. Only two of the Dalmellington group thought that the area was a '*safe and secure place*' and none felt it to be confident about the future. Just over half of participants in the Lochinver and Dalmellington groups thought that the community was not as healthy as it could be, while only a quarter of those in Port Ellen thought this.

Table 7: Describing the case study communities

Statement	Lochinver (14)	Port Ellen (16)	Dalmellington (9)	Total (39)
A good place to bring up children	13	14	3	30
A clean environment	14	13	0	27
A good place to grow old in	8	12	5	25
A safe and secure place	12	10	2	24
Not as healthy as it could be	9	4	5	18
Stuck in the past	4	5	4	13
Hard-working	5	4	2	11
Becoming more unequal	6	2	2	10
Confident about the future	3	4	0	7
High standards in public services	4	1	0	5
Enough jobs for all who want to work	2	2	1	5
Prosperous	0	2	0	2

4. Understanding money matters in the community

Discussions on local money matters highlighted similarly broad concerns for Community Committee participants and stakeholders from different sectors. Participants believed that the wider context of living in the community – spanning access to public services, employment, housing, financial services and transport for example - had to be taken into account if financial inclusion and capability were to be developed in a sustainable way. The range of initial concerns about financial viability factors is shown in Annex 1. In this section we discuss four broad themes which help to contextualise the subsequent discussion of financial inclusion and capability matters.

4.1 Services infrastructure

A number of service infrastructure issues were marked by limited choice and quality:

'People in towns go to the supermarket to decide what they want for dinner. Here you go to the supermarket to see what's there for your dinner!' (Port Ellen participant)

However, using a more expensive option, such as travelling to a supermarket outside the area, had an impact on local service viability for those who might not be able to make such a choice. In both Lochinver and Dalmellington there was concern that when people did this, it further reduced availability and quality in the local stores.

'Some of us can't afford to go to shop and are left with the rubbish ... they won't sell decent food because hardly anybody shops there. I've often wondered if everybody made a concentrated effort [whether] things would start to get better'. (Lochinver participant)

The local infrastructure was thought to have an impact on both current economic opportunities and on potential developments, such as tourism. Thus the lack of an ATM (cash machine) and restaurant in Port Ellen was highlighted as hindering potential economic and thus employment developments. An effective public transport infrastructure was also highlighted in all three groups as important for accessing services, supporting employment for those without access to cars and encouraging economic development opportunities.

Access to banking services was more consistent, with a Royal Bank of Scotland branch available and valued in each of the communities. However, participants in Port Ellen had to travel 11 miles to Bowmore if they wished to use an ATM. Local shops and post offices were also identified as places to access cash. All participants stressed the importance of having banking facilities to make cash deposits and withdrawals. Online banking and telephone banking were thought to offer additional choices. Both Dalmellington and Port Ellen had credit unions, which were popular with those who knew of them. There was interest in Lochinver in exploring the potential for credit union development. There were also some concerns, however, about a perceived lack of understanding of credit union development needs in rural communities.

'The finance is geared towards getting credit unions started but not keeping them running, so you get a kick start fund but after that all we can get from the government is that every year they say they'll print new leaflets. You can say no, because this is a waste of money but if you say yes I think you can get 6000 leaflets, which is enough to cover every sheep on Islay. That seems to be stupid'. (Port Ellen participant)

Concern about the impact of changing priorities in non rural areas was also highlighted by the call to ‘*save our telephone boxes (red)!*’ in Lochinver. This appeared to reflect more than a sentimental attachment to them, since as new services are developed and taken up across the UK it was thought to be all too easy to forget that the existing services can provide a lifeline in rural areas. With mobile coverage patchy, at best, some participants felt that it was necessary to highlight the importance of a public telephone network in rural areas as an integral part of basic service provision. This was related to strong feelings about the role of the postal service and post office in rural communities, and the desire to ensure that at least some services were equally available in rural and urban areas.

Centralised decision-making coupled with relative ignorance of rural issues was thought to create unnecessary difficulty. This was highlighted as an issue in some banking services where increased centralisation of decisions was regarded as a risk, because it meant decisions being made with little or no reference to individuals or their context. The assumption of accessibility and flat-rate cost built into the UK benefits system was the most frequently cited public service failure. Ultimately participants felt that the viability of services in rural areas had to be viewed from different standpoints. Firstly, it was important to consider *equality of access* for people living in these areas. Secondly, it was essential to think about the *quality of local services*, to both enhance tourist developments and to stimulate markets for goods that could benefit from the context of place as well as the quality of the products. Thirdly, participants believed that there was a need to increase the awareness of decision-makers of the importance of adapting to local circumstances.

‘Here the local bank makes business decisions [in relation to business clients] locally eight out of ten times lending to the person not the business plan, because for a new start in an area like this it’s the person that makes it work’. (Stakeholder participant, Lochinver)

Affordable housing was identified as an important factor in financial inclusion in Port Ellen and Lochinver. House prices were regarded as putting pressure on people’s finances because: developments in island and remote rural areas involved additional costs for new build; the number of second and holiday homes; and a lack of available land, or land that could be linked into the existing infrastructure, particularly in relation to water services. Stakeholders highlighted increased building costs of between 10% and 20% in bringing materials (and potentially labour) to the site. These were thought to combine in pushing up existing house prices and the cost of land.

‘Even five years ago you could buy a plot for between £10,000 and £15,000. Now it would cost you at least £50,000’. (Stakeholder interview, Lochinver)

These were considered to have a direct impact on the viability of rural communities. Incoming workers might find difficulty in finding accommodation: ‘*get a job can’t get a house, get a house can’t get a job!*’ (Stakeholder interview, Port Ellen). Settlements where a third of homes might be empty much of the year because of the prevalence of non-residents were of particular concern to public service providers. The needs of the remaining population were thought to increase as a result of out-migration from small settlements. Those left were often elderly and in need of both social and health care support, and were dependent on diminishing social networks.

There were also concerns expressed that the changes allowing people to add property assets to their pension portfolios would increase the pressures on housing availability. This was considered to make it even more difficult for those trying to get onto the property ladder. Urban house prices were also thought to block the option of moving to find more secure and better paid employment elsewhere. According to one Lochinver resident:

‘I can’t afford to leave, can’t afford to stay’.

Without affordable housing for local residents, it was felt that shops, schools, public and private services in general came under threat. This left a key question about how local people, who might not want or be able to move, could access the services they needed for day-to-day living. Some referred to the out-migration of young people, due to limited prospects of becoming independent within the community. Access to good jobs and housing were seen as essential to retaining young people or enabling them to return after they had moved away for education or work.

4.2 Income insecurity

There was general agreement that it was important to acknowledge that geography has an impact on the availability of basic services and that living in rural communities had many benefits nonetheless. Yet, participants were particularly concerned about the higher costs facing people on insecure or low fixed incomes when buying day to day necessities. Older people living on the state pension or with small occupational pensions that reduced their ability to claim additional benefits were thought to face increased costs that were not taken into account when calculating benefit levels.

In-work benefits were highlighted as causing major difficulties for some. Tax credits were felt to be complicated. Some participants said that they found it difficult to understand the system, particularly with decisions based on the previous year's earnings. They felt that the way the labour market worked in rural communities - with seasonal work and the use of various part-time jobs - meant that year-on-year earnings were not consistent. Delayed benefits or over-payments in tax credits being clawed back were seen as having an immediate impact on people's financial status and ability to plan ahead. There was a strong concern that the systems in place fail to deal with people as individuals and that this needed to change. People whose income fluctuated most were considered to be in a particularly difficult position.

The bulk of employment available in the case study areas was described as seasonal, low paid and/or insecure. Participants in Dalmellington identified problems with agency work, based on short-term contracts, leaving people with no statutory rights (e.g. holidays, pensions, sickness cover) and insecure incomes. There were thought to be a lot of employers who paid only the minimum wage. Some participants felt that employers had a general attitude that people would have to take whatever was offered because they needed to work. Issues across the communities were highlighted as the duration of jobs, levels of pay, limited holidays, no access to pensions and lack of affordable child-care. It was felt that even those with better jobs often had fixed term contracts and little opportunity to plan for the future, for instance being unable to take on a mortgage.

'Even the better jobs still tend to have fixed term contracts ... often by some agency and you know that they're not going on for more than 2 or 3 years.' (Lochinver participant)

4.3 Cost of living

A number of factors were identified in the relationship between cost of living in rural areas and financial inclusion and capability. These included the cost of fuel, for both heating and travel. Neither Lochinver nor Port Ellen had access to gas for central heating leaving people dependent on electricity, which was seen as expensive, or oil, which brought problems in fluctuating prices, distribution and storage. Participants felt that this was compounded by the quality of some of the housing available, which was older, poorly insulated and more expensive to heat. Participants in Dalmellington were concerned about recent fuel price increases and the impact that these might have on people

with fixed incomes. Petrol prices were identified because of high costs and distance adding to household expenditure. One participant in Lochinver noted that when she received her Tesco points it emphasised the relative cost of travel: £360 spent on food and £280 on petrol in the same period.

In all three communities there was limited availability of goods such as food and clothing from local suppliers. This meant that people either travelled to urban centres, ordered through catalogues or bought online, which incurred a delivery charge. One example in Port Ellen was a laundry box priced at £22, with postage adding a further £12. The actual cost of basic goods in the communities was also higher than in urban settings. Distance therefore meant higher prices for day-to-day essentials. The cost of finding out about available jobs, travelling to interviews and journeys to work from rural areas was highlighted as a concern for people on low incomes:

'I'm only £10 to £15 a week worse off than when I was working. I'm worse off but I wasn't rich when I was working.' (Dalmellington participant)

Stakeholder participants pointed out that geography added costs to delivery and in person-hours because of distance, on top of transport costs. This was equally the case with services and businesses based in the areas and providing services to a broader customer base. One participant pointed out that although he was keen to remain on Islay, the cost of transport added to production had an impact on his profit, and sometimes on his ability to deliver to a required timetable, because of transport timings. For those involved in voluntary sector activities, additional costs in delivery were also important considerations for both paid staff and in relation to volunteers. For instance, credit union activities were dependent on volunteer involvement and generally covered a number of communities. This meant that distance was a factor in increasing the number of members and in the cost of delivering a service to volunteers, often paid from their own pockets.

All of these factors had an impact on the cost of living, and was considered to result in restricted choice and higher expenditure for people in rural communities.

4.4 Community

Unsurprisingly 'community' was central to the discussions in each of the areas. This was in part determined by the approach to the study, with participants recruited on the basis of the areas involved. The result of the first part of their discussions was a focus on community as the whole context for any future developments that might make a difference:

'It has an acute sense of community and I think it makes Port Ellen unique – it's a very, very self-supporting community. I think it's true of Islay as a whole, but is particularly true of Port Ellen.' (Port Ellen participant)

In part the importance of community was based on the reciprocity it was thought to provide, so that people facing difficulties might turn to friendship networks for help. Shared identity and a strong, networked sense of place were highlighted in Port Ellen. Participants in Lochinver felt that in small communities it was important to make sure that people had the opportunity to become involved in discussions about developing action. Understanding the different 'communities within communities' was also identified as necessary to develop effective actions. This meant understanding different people's needs: for instance, crofters were identified by participants in Lochinver as a key group to be involved for both understanding some of their priorities in relation to financial inclusion and capability and for taking action. It also meant acknowledging that there would always be competing views about what issues

were most important and recognising that many people were already very active in community and voluntary groups, while others might need extra support to develop the confidence to participate.

Overall changes in communities over time were thought to be important if effective community-based action was to be achieved. Participants believed that there had been some major changes for some rural communities because of outward and inward migration, resulting in some of the historical sense community becoming less well understood. This was emphasised by a belief that the Assynt area had 'splintered' into individual settlements where it used to have social connections across the communities. This fragmentation of settlements was thought to leave some people isolated, especially if they were poor:

'There's only about 600 households in Assynt and it seems strange that people don't know everybody. Maybe it's that people have moved in more quickly - maybe 12 people have moved in a year, when it used to be one a year.' (Lochinver participant)

Commonly agreed across the groups, to varying degrees, was the need to accept the 'gold-fish bowl' that was the other side of small rural communities. Privacy was not thought possible and acceptance that 'everyone knows your business' was felt to be the way things were in rural communities. For the majority of participants this was a price they were prepared to pay for the benefits they felt they gained.

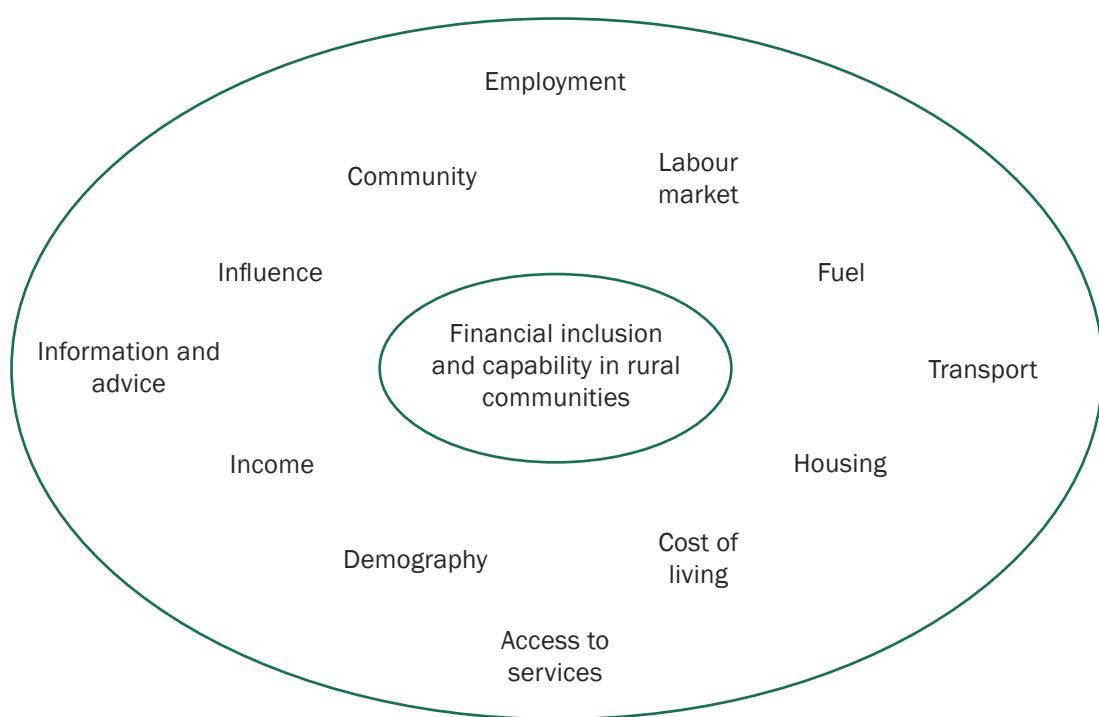
4.5 Overview

The key factors highlighted in these discussions in relation to financial inclusion and capability were based on assumptions that integrated solutions for rural communities would be much more effective in the long term:

'It's obvious you're going to get more poverty in a big city, it's easier to deal with poverty in a big city. Your DSS offices, you can get to them with one bus journey.' (Dalmellington participant)

The financial viability of the communities was seen as central to personal financial inclusion. This involved a number of inter-related issues with economic consequences for individuals and their communities (Figure 2).

Figure 2: Financial viability of the community



None of these issues was thought to be particular to rural areas. However, participants believed that they had a disproportionate impact on financial inclusion in rural communities. Rural employment factors, such having to travel further to access work, interacting with a lack of transport and the higher cost of fuel, increased the cost of getting to work for some people. If coupled with low pay, this was thought to seriously undermine the financial inclusion of some people. While more limited access to services was accepted as a part of rural life, it was thought to have serious consequences for people vulnerable to exclusion. In part this was based on the resources required to access centralised services, such as time, money and the transport options. There was also concern that it created a lack of awareness in many rural communities of what services might be available to help people. This made the perceived lack of influence more important, indicating a sense of disconnection from the process of helping to identify local priorities and a lack of information about possible responses.

Participants defined the strength of community linked to the formal and informal support provided. Community organisations covered a range of activities, such as economic development, youth work activities, social support for different groups and cultural and leisure pursuits. Informal support identified included awareness that people would come together to help in an emergency, neighbourliness and shared sense of place. Community provided direct support to financial inclusion for some through credit union activities. It was also highlighted as important to providing information and advice to people, and raising awareness of what support might be available and where from. Ways of maintaining information flows into and out of the community were central to supporting financial inclusion and capability. Migration and any erosion of social networks could impact on the community dynamic and its ability to provide informal support. The ability to come together as a community and influence decision makers was highlighted as an important aspect of accountability, for groups active in the community and for agencies responsible to it.

The strengths of the communities, notably people's ability to come together to provide support and advice, were highlighted as both a potential support to action around financial inclusion and capability and as a difficulty. Participants believed that people were already involved in a large number of activities and might not be able to become involved in new activities. There was also concern that information that would support people's financial choices needed to find an appropriate way into the community, where it could be spread through a number of different networks. Private sector provision was thought to be limited. Cost of living had an impact on the amount of money required for day-to-day expenses and this, coupled with a perceived inability to influence centralised business making processes, was thought to undermine market provision to consumers in rural areas.

'Until the economic indicators, the way you account for these things, take energy cost and mileage, you're never going to get an accurate picture. Not just the Scottish Executive, neither will we all as individuals. People don't shop at the local shop because they say – oh that's £2 here, I can get it for £1.80 in Tesco's. So they'll drive to Dingwall. Now you don't drive for just one thing, but the cumulative effect ... just think how much money goes out of Assynt every month to Dingwall, to Inverness.' (Lochinver participant)

Public sector provision was thought to be inadequate in three ways. Firstly, it appeared to lack sufficient understanding of some of the issues faced by people in rural communities and therefore was unresponsive to rural needs. This was highlighted as of particular concern for those living on benefits and for those in receipt of in-work benefits. Secondly, some participants felt that they were unable to influence public sector decision-makers. This was felt to be important because the services provided to many rural communities were key to their viability. Participants believed there was a need to ensure that decision-makers both engage with people in rural areas and understand the rural implications of their decisions.

There was also a strong sense of disconnection from the political process in Port Ellen in particular, with a belief that political parties responded only to voters they believed were undecided. The majority of participants thought that it was essential for public sector decision makers and service providers to think longer-term. The most prominent example was cited in both Lochinver and Port Ellen, where the prevalence of second homes was seen as squeezing an already tight housing market:

'The fact is that the ripple effect is well known ... the critical thing is that we're on the edge of the pond. There is a policy decision already taken that will make things worse. The fact is that people down south will be able to buy a rundown croft for £50,000 and stick it in their pension portfolio.' (Lochinver participant)

Participants also believed that it was essential for Scottish Water to plan future developments and invest in a water infrastructure that could respond to local need. Planning departments and planning laws should become much more responsive to environmentally sustainable and cost effective new build housing.

Community transport was highlighted as a positive investment in all three communities. The shape of the community transport system differed, but participants saw it as an important local service. Reliable and affordable public transport was highlighted as essential in all communities, with the need for *integrated transport* identified as an issue in Lochinver and Port Ellen, where distance and time created particular barriers.

5. Financial choices, services and products

The main focus of the second session of the Community Committee meetings was financial inclusion and capability in their area. Key trends and policy developments were shared with the groups. Case study scenarios were introduced to allow an in-depth focus on various personal finance issues, spanning both inclusion and capability challenges.

5.1 Financial management in rural communities

As part of the research process, some data on financial inclusion and capability were presented to participants so that they could discuss these in the context of their own experiences and how they might link to financial inclusion and capability within the communities in which they lived in all three groups, participants focused almost wholly on data relating to the credit market. Some felt that the marketing of loans was particularly difficult for young people because they had neither the life experience nor the understanding of the difficulties they might get into as adults: '*when you're 18 you are bombarded by loan possibilities*'. In Port Ellen, it was described as a market that used illusion to manipulate people's desires.

There was some insight into how older people might be borrowing against their homes:

'My father, he keeps borrowing money and secures it against the house, but if he were to live to be over a hundred he would have nothing.' (Lochinver participant)

Another participant had an elderly relative who was spending a great deal on her credit card, with no assets or sufficient income to pay it back. There was a belief that when insurance and lending companies had collected cash at the door there had been a human relationship with the person, which could often offer additional support, and that the moves to depersonalised services undermined this. There was also some concern that the move towards '*monthly lives*' (reflecting earnings and bill payments) was still relatively recent and this meant that for some people '*life is so complex to manage over finance*'.

Some participants believed that bank managers were given unrealistic targets on the amount of credit that they should 'sell' in rural areas. Participants were concerned that 'outward bound' selling of products had become more important than responding to customer queries:

'They're relying more and more on sales and it's become more and more about selling you something instead of doing what you want.' (Lochinver participant)

This was seen as a major change in the financial services sector, leaving people looking for ways to get independent financial information to help them make the best choices.

5.2 Making financial choices across the life course: Scenarios

Participants worked in small groups and were provided with four scenarios. These presented financial issues facing people at different stages of life, and were used to draw upon participants' knowledge, experience of making financial decisions and their awareness of what kind of support might be available locally. This helped to promote a

broader understanding of some of the financial challenges people face, and to begin to shape ideas on what might best support financial inclusion and capability within each community.

The common questions in each case study were:

- What kind of information is needed to help (this person) to manage their money?
- Where would they go for information and who might they speak to?
- What products and services would help meet their needs?
- What would make these accessible to them?

5.2.1 Scenario One – Flora

Older age support and advice

Flora is 75 and has been a widow for 10 years. She lives in a remote rural community. She owns her house outright. She lives on the state pension and likes to manage her money on a cash basis. Her children live in Canada so she rarely sees them and has not been able to afford to visit them for five years. She is on a low, fixed income and preferred being able to receive her pension over the counter. She has been used to budgeting on a weekly basis to cover bills, because she felt she knew where she was. She used to have a bank account some years ago, but closed it because of charges imposed when she had inadvertently overdrawn by £10. She also felt less control over her money when paying bills by Direct Debit. The way her pension is paid has changed as a result of government policy to pay pensions and benefits into bank accounts. She felt she had no choice but to open another account. Money can be withdrawn on her bank card at the Post Office for the time being. There is one cash machine in the village charging £1.50 per transaction.

Participants in each of the areas felt that there was not enough information available to older people about their benefit entitlements and to help them plan their finances when they were on a low, fixed income. There was concern that older people would be less likely to seek advice and support and would therefore be unwilling or unable to find out what they needed to know. Family and friends were thought of as a first source of advice, although some participants felt that family might not provide impartial advice or might not be available to help. This prompted all groups to try and work out how best to provide advice and support to older people proactively, rather than waiting until they were in difficulties.

'She needs impartial financial advice from someone she can trust. If she became computer literate she could communicate much more cheaply and on a daily basis. She needs to be told about direct debits. We were trying to figure out a way to get impartial advice. I don't think that Social Services can deal with it. They are trained to be social workers, but they can direct her to someone to help her.' (Lochinver participant)

Training in the use of computers was seen to have two benefits: firstly it would let someone like Flora stay in touch with family and friends who did not live in the community, and secondly it would widen her choices for managing her money.

Participants suggested that it would be useful to have access to someone or an organisation that could provide the kind of information that would help people make the best choices in managing their money. Trusted professionals who might visit older people were highlighted as one way to try and provide additional advice or point her in the right direction to get such advice, for instance health visitors or people from the social services. Participants in Dalmellington thought it was important to have closer liaison between service providers and older people so that they could get help with shopping. The community bus that was available for groups was highlighted as a way for someone like Flora to get to the nearest large town to do her shopping and to provide her with opportunities to mix with other people at the same time.

Credit unions, the CAB and local community organisations were thought to be good sources of information and support, as well as offering social connections. Credit unions were also thought to be particularly useful because they would allow Flora to manage her money in ways that suited her best. Her pension could be paid into the Credit Union and her bills covered through it while she could remain informed about her current cash flow. Banks were identified as potential sources of advice, but there was some feeling that they would provide less locally-based information and support because decisions were made centrally. There was a feeling in all three groups, however, that banks had some responsibility in providing financial advice to people like Flora.

Raising awareness of the services on offer from the Post Office, from banks and from credit unions were all identified as ways of ensuring that people in Flora's situation could maximise their income by using services like direct debits, but also feel that they were in control of their finances. There was some discussion in each area about how best to raise awareness, with participants in Dalmellington pointing out that a lot of information was provided, for instance on notice boards, but that many people did not read them. In Lochinver, participants wanted to find ways to share information so that it became so well known it was '*part of the ether*'.

Scenario One: Summary of responses

Lochinver	Port Ellen	Dalmellington
Needs: independent financial advice; someone/organisation to provide relevant information on financial services and the best choices they could make in their circumstances; and, training in the use of IT to allow choice of online banking and staying in contact with family.	Needs: independent source to conduct an annual summary of income and expenditure with her; sympathetic advice to help her plan and manage her money, from community or voluntary sectors; banks to provide information about what would suit her; the credit union would allow her to manage her money in cash; free transport to visit the CAB.	Needs: bank to provide sympathetic hearing; transport (free or cheap) to and from shops in nearest town (can access cheaper and better food), and opportunities for increased social contact; more publicity about services available from the Post Office; and the credit union might be helpful.

5.2.2 Scenario Two – the Macraes

Working age family with fluctuating income

The Macraes are in their early thirties and have two children aged five and nine. Bill is self-employed and Marie has a part-time job in the Health Service. They live in a council house in a small island town. They have one car - a necessity but expensive to run. On top of fuel costs, repairs and maintenance on their car add up. Across the course of the year their income changes due to the amount of work they can do. When funds are low they sometimes need to borrow money for day-to-day things, like keeping the car on the road or buying the children's clothes. Tax credits help top up modest earnings, but they are worried they have been over-paid and find the system confusing. They try to save money when their income is higher, but are wary of saving too much: they are concerned it might affect their ability to claim benefits when they need to. Sometimes they are really short of the cash they need to buy essentials, like bread and milk. They have one credit card, which charges a high rate of interest. It is usually at its limit when they have less income, but try to clear it when they are earning enough. However, the amount owed has been growing and they are now more likely to pay the minimum amount each month to get by. They are increasingly using catalogues to buy essentials, like shoes and clothes, so that they can spread the cost of living with regular fixed payments.

Citizens Advice, credit union, the internet and the bank were all identified as sources of information on what the Macraes' financial options might be. The initial priority for participants was for the Macraes to seek out information on borrowing. For instance, the low interest loans available from the Social Fund, or lower interest credit. They could then ease their financial difficulties and find out what might be the best kind of bank account for them, one that would help them to save when they had money but provide easy access when money was tighter. A credit union was thought to offer opportunities to find effective ways of managing their money, as well as banking facilities. For some participants one key aspect of using the credit union was the ability to balance decisions about saving and borrowing, building capital, borrowing and paying off. Saving even small amounts was important because: 'it makes you feel better'.

Exploring if some community-based organisations might have the potential to bring down the cost of living was considered in Lochinver. For instance, developing a Local Exchange Trading System (LETS) or a shared car scheme were thought to be possible ways of making a difference.

'They have a cash-flow problem. A credit union would help them to manage their cash flow. We wondered about LETS, community resourcing etc. We should make better use of local resources in a remote rural area.'
(Lochinver participant)

In cash emergencies, participants identified different local sources that could make a difference, for instance a local shop known to provide things on credit on occasion, and cheque cashing in local shops for a charge of £1. Shop a Cheque was identified as one way of getting cash when it was really necessary. It carried a high rate of interest but was available and people could make weekly payments, which helped them to manage their money. Additional sources of support were thought to include charitable organisations, some area-specific, that might offer interest free loans.

Some participants in each group identified the tax credit system as causing particular hardship. People were thought to be out of from applying because they were worried about having to repay excess amounts through no error of their own: '*it pushes them into further difficulties*', because they were too complicated and because people did not know what they would get from year to year. There was general agreement across the groups that if the Inland Revenue made a mistake the extra money paid should not be clawed back.

There was a suggestion that the Macraes could stop spending on credit and freeze the interest payments, as well as stop using catalogues, and another that they could get a lower interest loan and pay off the credit card balance. Some participants also thought that they could open up other ways of earning money, although this might affect their tax credits.

'One thing that did come across is that we don't think the government are much help to the Macraes because the tax credit system seems to be in chaos and they are probably quite worried about having to pay back excess monies. We think the whole system is wrong. If the minimum wage for the country was increased to a proper level people wouldn't be involved in this kind of situation, living on the edge so much, and that the government could save money by being able to get rid of things like tax credits.' (Port Ellen participant)

Strategies for managing money in such circumstances were varied. Some participants felt that the Macraes should try to get by on as little as possible. Others felt that managing their borrowing had to be part of the solution, for instance using catalogues that might be more expensive to pay back but if managed properly it meant that people could buy in a way that they could afford. One participant described it as: '*a Catch 22 situation if you need a car for work and don't have enough money to keep it going.*'

Finding out if they might be eligible for some additional benefits was thought to be important but difficult, with some participants feeling that the Benefits Agency would not tell people what they were entitled to claim. Across the groups there was agreement that trusted advice needed to be available locally and provided in different ways, for instance some people felt more comfortable getting advice over the phone, while others preferred face-to-face contact. The key elements identified were trust, understanding of the issues that they faced, confidentiality and that whoever provided the information was well informed and sympathetic. One participant in Lochinver said that if he needed advice he preferred to phone the CAB on the Western Isles, because he felt they understood local issues better than the 'designated' CAB 120 miles away in Caithness.

All groups thought it was important that people could get advice before financial problems occurred as well as when they were facing major difficulty. Some thought that human nature needed to be understood as part of this. It was felt that there was less stigma around debt than there had been in the past and some people were more likely to take action, but often this did not happen before the debt was too big:

'People in severe financial difficulties leave it till the last minute. Human nature being what it is, they won't even admit it to themselves let alone anybody else.' (Dalmellington participant)

In all three groups self-employment was identified as a difficult factor in managing money because people had limited control over cash flow. That meant that the financial products they needed had to be more flexible than for people with a regular income and that different financial skills were needed to manage the fluctuations. A financial counselling service was thought to best describe the kind of support that people like the Macraes might need, working in ways that would help to build up a person's knowledge so that they could make their own decisions about their finances.

Some participants felt that the Inland Revenue was not the most appropriate part of government to lead on such decisions.

'The one thing that frightens me is that a family like the Macraes should not be living in fear of the government and it strikes me that the message that comes across from a lot of people who've been there is that the government is not friendly. The government is something of which they are, and should be, afraid, because clawing back money that it has given out by mistake is their way of looking at it, and that is not a society I wish to associate myself with. It is the wrong way round. I wish that we could do something about it.' (Port Ellen participant)

Scenario Two: Summary of responses

Lochinver	Port Ellen	Dalmellington
Needs: Credit union for cash flow assistance; training in money management; less complicated tax credits system and write off over-payments; limit credit card availability; give health warnings on loans; develop sensitive and responsive counselling service.	Needs: Advice from CAB/credit union; one stop shop signpost to information and support e.g. Social Fund; school clothing grants; set up a low interest, easy access savings account; in extreme emergency cash a cheque in the Spar shop or Co-op for £1 fee; tax credit system means worry about excess payments, system should not be run by Inland Revenue.	Needs: Access to financial advice on benefits and how to minimise the cost of borrowing from bank, credit union, CAB, internet lenders; concern about tax credits being clawed back and that they are based on previous year's income; Shop-a-Cheque and catalogues would allow manageable weekly payments. Face-to face-advice preferred, but issues about confidentiality and familiarity; DWP do not tell people what they were entitled to.

5.2.3 Scenario Three – Jamie

Young person becoming self-employed

Jamie is 23 and wants to become self-employed, running a car repair business. He has the skills and a lot of the contacts that make him feel that this will be a viable business. He lives at home with his parents in their council house, so is less worried about the cost of living while he establishes his business. But he has saved only £500 towards establishing his business. None of his family has any experience of being self-employed. He is keen to get it right, but is at a loss as to where he can find out what he needs to do to make sure that his business will be successful and that he can rely on a steady income. He is keen, as well, to make sure that he not only builds up the business but also plans for the future.

Some participants felt that self-employment was not necessarily a good choice for many people:

'It's a feast and then a famine. You can be working your socks off one week and then have nothing to do for the next two. All the one-man businesses seem to be like that. If you've got a firm with five or more it seems to be better because you get more work ... the customers feel they'll get things done quicker which is not always the case.' (Port Ellen participant)

Overall, however, there was agreement that with the right support, and the ability to depend on his parents in the beginning, Jamie could be successful. His key support needs were identified as business and financial management advice. This could be accessed from the Local Enterprise Company (LEC), which would provide him with business start up information. There was concern in Lochinver and Port Ellen that the local enterprise companies were more geared up to deal with bigger business start ups. One barrier that might face Jamie was a perception that the local enterprise company would not support any new business if it would displace an existing one. This was thought to be important to sustain local businesses, but there was also concern that it could lead to complacency and a lack of competition. Other sources of support identified included the Princes' Trust, the Inland Revenue and, in Port Ellen, a local man who was thought to know the systems 'inside out' and to know everybody one would need to know when starting out. Participants in Dalmellington also identified the bank as a useful support as they were believed to offer grants and to stand back and let the business work at its own pace.

'The Royal Bank of Scotland gives money to people with their own business. They're not breathing down your neck and checking on you. If your business fails you don't have to automatically pay it back. You can even apply the next year for a different grant.' (Dalmellington participant)

It was also felt important for Jamie to find out more about financial management, so that he could manage a fluctuating financial situation. Night school was seen as an important source of training in the Dalmellington group, which also expressed concern that failure would await anyone who did not find out about basic business skills. The key steps were to find out if the business plan was viable: there was concern that Jamie's idea was not, but participants were keen to see him develop other ideas. If he accessed information and advice and took advantage of training where available, participants felt that Jamie would have a good chance of success. In Dalmellington, participants thought it would be useful to encourage awareness of the potential for self-employment, and where to get business advice, before young people leave school.

Scenario Three: Summary of responses

Lochinver	Port Ellen	Dalmellington
Needs: Business and financial management support from the Local Enterprise Company. Business won't be funded if it is considered to compete with an existing business. This limits potential for competition if an existing business does not deliver quality. Realistic planning on the viability of the business is essential. The Inland Revenue provides good business support.	Self-employment is not necessarily a good idea, as it is difficult to manage fluctuations in income and expenditure; there is more work for people with four or five employees based on the assumption they have the capacity to deliver. Two routes to support are the Prince's Trust and the Council to signpost towards the Local Enterprise Company (support forthcoming if LEC assesses business as viable). Trusted local residents may offer valuable advice and know-how. Available workshops should be taken advantage of.	Needs: information on tax and financial planning, and various forms of support available; talk to the Inland Revenue and Local Enterprise Company; support should be triggered by the Job Centre or LEC to advise people who to talk to and what options are available; awareness of how to set up a business should be raised while young people are at school.

5.2.4 Scenario Four – Anna*

Young graduate, returning home

Anna is 25 and has just returned to the area after going to university and staying on in Glasgow for a couple of years extra. She has got a job in a small firm, initially on a six-month contract but is hoping that it will be extended beyond that. She has moved back in with her parents but is keen to buy her own house and live independently in the community. She has student debts of £10,000. She is keen to ensure she can build up a pension and thinks it is important to factor this in to her financial planning.

*This scenario was not discussed in Dalmellington due to lack of time.

Anna's financial choices stimulated a different kind of discussion from the other case studies. Some participants in Lochinver felt it was most important to buy a house and plan for the future, while others believed she should have other aspirations:

'We were in dispute with each other because some of us thought that the most important thing to do when you're young is buy a house - then you'll have lots of money in the future ... Then we discussed a bit about what your aspirations should be in life, go around the world or buy a house.' (Lochinver participant)

There was general agreement in both Lochinver and Port Ellen that Anna would need to secure a long-term contract before she had any real option to invest in her future. Professional financial advice to discuss debt, mortgages and pension schemes was considered important, but this was dependent on a secure source of income. In the short term, depending on her parents offered a chance to save some money. Self-employment might also be an option. However, both the rural housing and labour markets were seen as barriers to her ambitions:

'We did think she was deluding herself a bit, a six-month temporary contract and she's got big plans. She can't really do any of that. She fits the profile of a young person who will leave again.' (Lochinver participant)

There was discussion about the prevalence of short-term contracts and their impact on the kind of financial choices that people could make. When working, it was thought that people could be better off, but without a steady income there were no mortgage options. Some felt that being unable to earn a steady income was ultimately damaging to society. There was a clear view expressed in both Lochinver and Port Ellen that Anna was being unrealistic in her ambitions. In Port Ellen, some participants thought that Jamie (Scenario Three) seemed more focused than Anna. One participant asked if this response might be based on assumptions related to gender difference:

'Would it be the same if Anna was going to run a car repair business?' (Port Ellen participant)

Scenario Four: Summary of responses

Lochinver	Port Ellen
<p>Some participants felt financial pressures lead young people to think about mortgages and unsecured borrowing too early and that more people are vulnerable to financial exclusion. They felt she should depend on her parents until she secures permanent employment and should ignore repaying her student loan. The nature of the rural housing and labour markets (e.g. short-term contracts and limited supply of affordable housing) led participants to forecast she would have to leave again.</p>	<p>Needs: a long-term job contract before having any real options for the buying a home or savings; needs financial adviser to discuss pensions and mortgages, but first needs a secure source of earnings; prevalence of short-term contracts has an impact on financial choices for many people in the area.</p>

5.3 Conclusions

A number of responses were identified in relation to these scenarios. These were generally around ways to access information and advice, and learning new skills such as IT, personal finance and business planning. Existing community-based support was identified in transport and credit union provision. Barriers were identified as a result of organisations failing to engage with individuals on the basis of personal needs, with public sector organisations identified as overly bureaucratic rather than responsive. The impact of rural labour markets, with insecure, short-term and low-paid work, was highlighted consistently as undermining financial choices. Centralised decision-making in both the private and public sectors was thought to limit choice and responsiveness of service providers.

6. A focus on finance

Each of the Community Committees discussed the financial services and products available and needed in their area. Participants explored their experiences and expectations of banking and cash withdrawal, saving and borrowing, Money Advice welfare benefits and longer-term commitments including student finance, mortgages and pensions - all of which had been identified by participants as key elements of promoting financial inclusion and capability. We have gauged the broad level of priority attached to each (i.e. the weight attached to addressing perceived gaps in provision) as high, medium or low, based on to the degree of concern expressed by participants (Table 8). Some of these relate to local service provision, while others reflect the local consequences of policy and practice determined at the UK or Scottish level. Moreover, some of these issues lead to conclusions with a specifically remote and rural bearing, while others are more generic.

Table 8: Financial inclusion and capability: degree of concern expressed

Service/product	Lochinver	Port Ellen	Dalmellington
Banking and cash withdrawal	Low to medium	Medium	Low to medium
Saving and borrowing	High	High	High
Money Advice and financial education	High	Medium	High
Welfare benefits	High	High	High
Long-term commitments: student debt, mortgages and pensions	High	High	High

Drawing on their deliberations across three meetings, the Community Committees identified a number of actions they felt were important towards supporting financial inclusion and capability in rural communities. These were based on a mixture of community, voluntary, public and private sector changes. Table 9 presents a summary of key actions from each area. We review each of these five 'building blocks' of rural financial inclusion and capability in turn.

Table 9: Financial inclusion and capability: summary of key actions

	Lochinver	<ul style="list-style-type: none"> • Generally satisfied with bank branch plus mobile banking service • Ensure continued existence of Post Office services • Protect banking service in the village
Banking and cash withdrawal	Port Ellen	<ul style="list-style-type: none"> • Introduce non-fee charging ATM • Ensure part-time banking presence remains viable • Ensure continued existence of Post Office services
	Dalmellington	<ul style="list-style-type: none"> • Advertise Post Office services to improve use, e.g. cash withdrawal facilities • Recognise the importance of weekly financial management
Saving and borrowing	Lochinver	<ul style="list-style-type: none"> • Explore the potential for credit union development in Assynt
	Port Ellen	<ul style="list-style-type: none"> • Further develop the credit union and signpost for access to local money advice through credit union
	Dalmellington	<ul style="list-style-type: none"> • Develop more appropriate products for borrowing • Government legislation on lending practices to protect consumers. • Further develop the credit union and raise awareness of its work

Money Advice and financial education	Lochinver	<ul style="list-style-type: none"> • Introduce financial counselling support to meet diverse needs over time • Develop financial counselling support (e.g. working for the credit union, starting a business) • Provide training and information on financial management • Raise awareness of the availability of money advice services • Enhance the information-providing role of other professionals who visit people and develop community-led initiative based on information sharing • Deliver financial education in community settings
	Port Ellen	<ul style="list-style-type: none"> • Ensure services promote confidentiality • Offer an element of outreach/home-visiting
	Dalmellington	<ul style="list-style-type: none"> • Establish an advice and information centre at the Area Office to provide financial advice, information and support and encourage people to use this • Pilot a multi-agency approach located at Area Centre: drop-in, face-to-face basis • Provide information, one-to-one support and training on financial management classes
Welfare benefits	Lochinver	<ul style="list-style-type: none"> • Make benefits system more aware of and responsive to local needs
	Port Ellen	<ul style="list-style-type: none"> • Make benefits system more accessible and responsive
	Dalmellington	<ul style="list-style-type: none"> • Make benefits advice accessible by using different ways to share information
Long-term financial commitments: student debt, mortgages and pensions	Lochinver	<ul style="list-style-type: none"> • Recognise the disincentive for students from rural/remote areas to return resulting from limited earning potential and debt repayment
	Port Ellen	<ul style="list-style-type: none"> • Include rural allowance in student funding
	Dalmellington	<ul style="list-style-type: none"> • Improve student funding for those on low incomes • Extra help for those with small occupational pensions • Bundle together information on pensions from various sources

6.1 Banking and cash withdrawal

All participants felt they were entitled to local banking facilities, whether this was at the local bank branch, through banking facilities at the Post Office, by telephone or internet banking. While the facilities on offer might vary, participants considered access to banking as a basic right.

A local bank branch was available in each of the case study areas (the Royal Bank of Scotland, RBS, in all three). It provided services that the majority of participants valued for its local availability and 'personal touch' based on knowledge of their customers. Some participants used online and/or telephone banking through choice rather than lack of access to the branch. It was suggested that banks need to think more about the implications of IT development if they are to maximise their service delivery potential, for instance with direct contact through e-mail as a way to ensure a more personalised approach when needed. This reflected the importance given to relationship-based services that participants valued highly:

'We use the mobile bank every Monday and when [husband] was late one week they waited for him. That wouldn't happen anywhere else but here.' (Lochinver participant)

Some concern was expressed in all three groups about some of the changes that the banking sector had introduced in the last few years. Increased centralisation of services was highlighted as an issue because participants felt that banks were making decisions based on 'one size fits all' customer types, increasingly without reference to the individuals involved, or the circumstances in which they lived. A second issue identified was an increase in unsolicited sales activity by telephone. This was thought to undermine trust in banks in relation to financial information and advice.

Stakeholders highlighted the importance of a continued banking presence in rural communities as central to their viability. The loss of local decision-making about banking and the growth of call centres, which were often thought to be unwilling or unable to consider variations in customer need, was felt to be doubly unfair for rural communities. Added to this were concerns about a lack of appropriate products, easily understood and accessible for people with low incomes, at the same time as aggressive marketing of products that were both inappropriate and expensive.

All three communities had Post Offices, and both Lochinver and Dalmellington had ATM facilities for cash withdrawal. However, the ATM in Port Ellen had been withdrawn, and had been fee-charging. Port Ellen residents reported that their bank branch had also been slated for closure, but local pressure was thought to have prevented this and resulted in a part-time service instead. There was some concern in Port Ellen that the lack of an ATM, combined with the early closure of the bank, had some impact upon tourist activity, particularly since yacht mooring facilities had been developed recently. If visitors came on shore they would not find ways to withdraw cash.

The Post Office in each community was believed to be an essential gateway to banking and cash withdrawal facilities. However, some expressed concern that residents were not sufficiently aware of the services on offer, and that information about these needed to be better publicised. Participants pointed out that the Co-operative Bank provides full banking facilities through the Post Office, where Alliance and Leicester accounts can also be accessed. The multi-purpose role played by Post Offices, providing a local place where people met, accessed information (informal and formal), bought basic goods and used banking facilities, was highlighted as central to the viability of rural communities: '*we would be in terrible trouble without the post office*'.

The primary concern for all participants was that local banking facilities should continue to be available to all, without charge, so that cash withdrawals could be made easily. They also felt it was important that local bank manag-

ers could make decisions based on their knowledge of customers and local circumstances. In addition, they felt that cash withdrawal services through the Post Office should be promoted to increase awareness and their use.

6.2 Money management

The financial products discussed during the study covered short and longer-term borrowing and saving, as well as choices on financial management. These included using direct debits, standing orders and buying power cards to pay bills; using catalogues, credit cards and personal loans; and, longer-term finances including student loans, mortgages and pensions. There was little discussion of short-term or liquid savings beyond how important it was to learn how to save, to be able to save modest amounts and how useful credit unions were to this end.

Direct Debits and Standing Orders were identified as particularly useful for managing day-to-day finances, providing cheaper ways to pay bills and, as long as there was money in the bank, certainty of paying bills on time. Standing Orders were seen as more problematic by some because the day of withdrawal stays the same, while the due date might change. The dangers of incurring late payment charges for exceeding an overdraft limit were highlighted.

The use of pre-paid electricity cards, as opposed to direct debits, was an important choice for some participants because it meant more control over their money, or the option of going without power for a short time, rather than incurring uncertain charges after a month or a quarter. Discussion about whether any financial products could replace these at a cheaper rate highlighted the importance of short-term control of expenditure as a persistent coping strategy. The benefit for participants who used pre-paid cards was that they would not run up unaffordable bills. If for some reason they could not afford to buy a card when needed, they knew that once they had cash they would be able to put money back into the meter:

'It's the only way I could afford my electricity. You're paying dearer but you can spread the cost easier. If you get a big bill after three months, then you're stuck. If you don't pay you won't have electricity, but at least once you've paid that's it. There's nobody going to come up to your door and turn you off.' (Dalmellington participant)

6.3 Borrowing and saving

The focus on borrowing rather than saving was, in the main, explained by the weight of concern about the easy availability of credit, and a credit market that was perceived to be irresponsible and using aggressive marketing to increase people's borrowing. Marketing targeted at young people or advertised during children's programmes was seen as particularly unfair.

While unsecured borrowing was seen as a personal responsibility, participants were concerned about how the market worked and the implications for people who might be vulnerable to overextending their commitments. Firmer guidelines on the amount of credit that people could take were suggested as one way of raising awareness of the consequences of borrowing more and of 'protecting people from themselves'. Participants identified a number of marketing practices that they felt particularly opposed to, for instance credit card information sent to young people on their 18th birthday. They believed that many young people did not have enough experience or understanding about the implications of using credit and were therefore very much at risk of spending too much. Increasing credit limits when customers had not applied for a higher level was also criticised. Advising people they had qualified for a

certain level of credit, without sufficient evidence of income and expenditure being taken into consideration, and on the basis of interest charges typically five times the base rate, was thought to be unethical.

Participants felt there had been a major shift in the credit market as lending had moved away from accurate judgements about ability to repay. They recognised this had opened the market to many more people but, along the way, was thought to have left a lot of people vulnerable to overspending. They felt that encouraging people to extend their borrowing during the life of a current loan constituted irresponsible lending.

Some participants were concerned about the difficulty of choosing a loan when they did not understand clearly what was offered but could not access independent advice to help them choose. Hidden charges and high interest rates were both identified as risks:

'I've had experience of getting a loan for my roof and ended up paying more than necessary because of paying interest first.' (Lochinver participant)

The Social Fund was thought to be a useful source of borrowing relatively small amounts when it could be accessed, although the difficulty of repaying loans when on benefits was recognised. There was some concern about its availability, for instance in refusing loans for essential goods or that it was only available to people on certain benefits, leaving others who were also in need unable to apply. Mail order catalogues were thought to provide another way of buying essentials and being able to budget for repayment on a regular and affordable basis, despite the rate of interest charged.

When faced with an immediate need for credit, participants identified friends and family as their first port of call. The credit union was another option, where they believed a decision would be made on an emergency request within 24 hours if possible, but the applicant had to be a member of the credit union and have established a consistent saving record first. Participants also identified local shops as possible options. A Shop-a-Cheque option in Ayr was mentioned by the Dalmellington group as an expensive option but, like mail order catalogues, one that allowed people to borrow the amounts they needed and manage the repayments:

'You're paying to borrow from the Provy [Provident Financial]. It's that peace of mind. You're also paying more to use power cards. Folk are actually paying more and being worse off for peace of mind.' (Dalmellington participant)

Two of the case study areas - Port Ellen and Dalmellington - had community credit unions, which were thought to be valuable by those participants who were members. The credit union on Islay was led from Port Ellen, but aimed to increase its availability across the island. In Dalmellington, awareness of the credit union was patchy. Run on an outreach basis across neighbouring towns, with a weekly presence in Dalmellington, participants felt its activities needed to be advertised better to encourage more people to join. In Lochinver, there was considerable interest in finding out more about credit unions and to explore options for establishing a credit union locally. Credit unions were thought to address three objectives by enabling people to:

- Save, regardless of how small the amount, which was widely thought to be a good way of helping people develop a savings habit and put money away in case of emergency need
- Borrow amounts that they needed and could afford to repay (often much smaller amounts than the minimum loan offered by the bank or even the Post Office loan product)
- Participate in community-focused action

Stakeholders also highlighted credit unions as making a positive contribution, but some concerns were expressed about how their development might best be supported in rural areas:

'In the credit union there's not a paid member [of staff] and it very much tackles poverty. It's for everybody. It can be seen as in competition with banks, but the banks have been totally supportive.' (Stakeholder participant)

Participants wished to see the credit union develop further, or explore the potential for developing one where none was available (to serve the wider Assynt area). The need for information and training on volunteering with a credit union was identified. In the lowest-income case study area (Dalmellington), participants stressed as well the case for wider regulatory action, e.g. legislation to tighten up lending practices in order to protect customers.

6.4 Money advice and financial education

Here we combine the themes of money advice and financial education (including training and counselling). These are distinctive elements of any strategy: the former is associated typically with *financial inclusion* activity targeted to poor and vulnerable consumers presenting with financial problems, while financial education is seen as a key input to building wider *financial capability*, and this more preventative in nature. While this distinction makes sense in terms of current policy and practice, participants in the three rural communities saw the two as services that *ought to be integrated*. The design features they described for effective money advice and financial education activities in their area pointed towards services able to deal with a range of short-term and longer-term needs, free of stigma.

Stakeholders believed that people living in poverty should be able to access information and advice to help with their finances as a priority. This included raised awareness and support to draw upon benefit entitlements especially among the elderly. Money Advice and Citizens Advice support were both highlighted as essential to this. However, residents pointed out that the additional difficulties of delivering consistently high quality services in rural areas were often invisible to decision-makers. What might seem to be 'local' from a London or even Edinburgh viewpoint, was not necessarily local enough. For instance, Citizens Advice coverage of Caithness and Sutherland was based in Thurso, which was not thought to be local at all for Lochinver residents.

Discussions based on the case study scenarios (Section 5) highlighted the value participants placed on being able to access a range of advice and support options when making financial choices. This point was reinforced in later meetings. A number of financial issues were identified as creating a need for different types of advice and support, from selling a croft, to finding out which financial products are appropriate and affordable, and budgeting for day to day necessities:

'We need financial counselling that could support people with different needs on how to manage money, whether they suddenly have lots or none.' (Lochinver participant)

Trust, independence, accessibility, responsiveness and sensitivity were considered to be the hallmarks of successful financial advice and support. Participants placed a high value on being able to trust that sources of advice were independent of vested interests. Accessibility was valued highly: for some this meant face-to-face contact, while for others an independent, *but anonymous*, person at the end of the phone was preferred. Although there was a belief that less stigma is attached to debt than in the past, it was felt that accessibility should not mean obvious visibility. This meant that advice and support had to be provided and located in ways that did not make people feel exposed. Lack of privacy was identified as a price people living in rural communities had to be willing to pay. This made confi-

dentiality an essential design element of money advice services. The idea of a pooled or networked approach, with workers covering areas they did not live in, was proposed.

Trusted intermediaries who can visit people in their homes and signpost them to financial advice and support were identified as family and friends, health visitors and people from the Social Services. Other trusted organisations included some community based groups, including credit unions, Citizens Advice and Money Advice services, where the local authority was seen as having a signposting role. Money Advice as a direct local authority service was also trusted by some (e.g. related to Council Tax, Housing Benefit and rent payments).

Private sector financial institutions were generally not trusted. The exception was services provided through the local banks especially when making major financial decisions such as buying a house. Independent financial advisers were identified as important sources of information and advice but, unless known or recommended, participants would tend to be wary of using them. Significantly, the Benefits Agency was not trusted to provide the necessary information beyond the minimum to ensure people could claim all of the benefits to which they were entitled:

'The DSS won't tell you what you're entitled to. You have to find out for yourself. It's Government policy ... there's £125 million in Scotland unclaimed.' (Dalmellington participant)

There was some concern that the wide range of financial products available made it very difficult to make informed decisions, and there was a lack of training in managing finances on offer. Participants identified a need to raise awareness of some of these issues and to increase financial education for children and adults. Other training needs were defined in a task-centred way, around taking on new financial responsibilities such as starting a business, working as a volunteer in the credit union or doing the accounts for a community organisation.

Although participants felt that people often lacked experience across a range of financial transactions, improved understanding of some of them was expected to arise from more and better information rather than training. Discussions on how to provide this kind of advice effectively included targeting parents by sending important information leaflets out through the schools, and advertising thematic information sessions, for instance for people to check that their retired parents had all the benefits they were entitled to. An additional benefit from such an approach was that it might raise awareness about their own circumstances and could also give them information they might need to help plan their own future pensions.

Providing relevant information at a central point in the community where people could 'drop in' was also identified as a useful way to develop a responsive advice, information and education service. Participants in each area emphasised the need for different elements: one-to-one support, generic financial education classes, training and information on financial management and multi-agency approaches where possible. Ideas for improving services were practical and modest – for example, money advice and citizens advice services being available one evening a week and one weekend a month to enable working people to use them more easily. We conclude from this the need to test further those options best suited to local circumstances, with local accessibility and confidentiality the essential features.

6.5 Welfare benefits

The starting point for discussion of state benefits was, unsurprisingly, the failure of the welfare system to consider the extra costs of living in rural communities. These additional costs of essential goods and services varied according to case study location, but for people living on benefits these costs had a direct impact on their fixed incomes.

For example, a Dalmellington resident signing on as unemployed incurred additional travel costs to Ayr (a round-trip of 25 miles) that were not taken into account in benefit rates. The increased financial pressures on people on low, fixed incomes meant that poverty while on benefits was a major issue. Stakeholders argued that national (UK) benefit levels failed to recognise the inequality of opportunity for jobseekers, or in the cost of living for pensioners for example.

The cost of living in rural areas was believed to stretch the state pension, increasing the risk of poverty. Where state pensions were supplemented by low occupational pensions, the familiar issue of missing out on other benefits (e.g. Council Tax Benefit and help with the rent) was identified. Awareness of the Pension Credit was common, but how the system worked and whether it could benefit participants and their families was far from clear. On top of this, the cost of living and lack of support was thought to leave rural low income households in greater poverty than those on the same benefits in urban areas.

These factors also extended to people in work, with tax credits making some difference to those with low earnings, but paid without taking into account the considerable costs of travelling to work. This had an impact on people who could not find work locally since the travel-to-work area was more extensive than for people in urban areas. In Dalmellington, the effective travel-to-work area ranged from Ayr to Glasgow, and in Lochinver from Assynt to Wick, Ullapool, Dingwall and Inverness. In Port Ellen, travel-to-work distances across the island were smaller, but it was essential to have a car if working outside the village. Basic goods and services were available in all three areas but at higher cost, with less range and poorer quality than in most urban areas.

This appears to contribute to a 'rural poverty effect' for a number of people who might have a higher disposable income with the same benefit rates or earnings if they lived in an urban area on the mainland. The tax credit system was considered unable to cope with the fluctuating incomes that were more likely to result from the nature of jobs available in rural areas.

Lack of access to the Social Fund for people on low incomes but not in receipt of Income Support, on long-term sickness benefits and in low-paid work was thought to be unfair. Participants believed that the effect of income thresholds around certain benefits, like Housing Benefit, pushed people on the margins into poverty. Small increases in income had a disproportionate effect on benefit entitlement. There was also concern about moving into work, where regular benefits could not be stretched to cover the move to monthly pay. One participant in Dalmellington in this position had been advised to borrow from family or friends.

In addition, the *administration* of the benefits system, especially for jobseekers living in rural and remote areas, was an issue of concern. Participants in each area were critical of the unresponsive nature of central systems to fluctuating circumstances and the more limited nature of labour market opportunities in the case study areas.

In summary, participants wished to see a reformed benefits system that is more responsive to recipients' needs and the local context, and less bureaucratic, including a review of: availability of and access to the Social Fund (e.g. to include people on low pay, those moving into work); the cut off points for support with Council Tax; travel to work costs for low earners reflected in the tax credit system; and steps taken in relation to underpaid/overpaid Tax Credits and unclaimed benefits.

6.6 Longer-term financial commitments

6.6.1 Student debt

While there was some disagreement about whether the student loan system was fair, participants agreed that the rural dimension was not considered and that this worked to the detriment of students from rural and island areas. Students from Lochinver and Islay, in particular, had little choice but to move away from home to continue their education (although on-line access to the University of Highlands and Islands may challenge this trend in future). Some participants who had been to college or university reported that they had received a smaller bursary than other students who lived '*up the road from the college*'.

Due to the nature of the rural labour market, with relatively low pay, short-term contracts and seasonal work common, it was felt that students who stayed or returned home faced greater difficulty in repaying their debts, leaving them with debt that would take much longer to pay off. Participants believed that this added to the pressure on them to leave rural areas, or not return after studying. Participants proposed the inclusion of a rural allowance in student funding (Port Ellen) and improved funding for those on low-incomes who may face lengthy journeys to learn rather than living in student accommodation (Dalmellington).

6.6.2 Mortgages

Discussions about loans had focused mainly on unsecured borrowing (credit cards and personal loans), with secondary consideration of mortgage lending. Some older participants reported when they had taken out a mortgage their borrowing limit had been set at two and a half times their salary, whereas people nowadays were encouraged to borrow up to five times their earnings (and more if they were able to pay a cash deposit). There was relatively little concern about the availability of housing, to rent or to buy, in Dalmellington, where there was a sizeable stock of social rented housing. In Lochinver and Port Ellen, however, with limited social rented accommodation and where the cost of housing has risen considerably, participants felt that earning opportunities were increasingly disconnected from housing costs.

In these more remote areas, the cost of housing and lack of land designated for self-build, the high proportion of second homes occupied for only part of the year and the lack of social rented accommodation were thought to drive young people away, undermining the viability of the communities. A combination of increased social housing and affordable homes to buy, with flexible mortgage products, Council Tax and rent policies designed to accommodate the distinctive patterns of income fluctuation in many rural and remote communities, were identified as essential to sustainability and, in particular, younger people's ability to remain or return home.

6.6.3 Pensions

Investing in pensions was identified as an issue for people in work. Again, local labour market opportunities had an impact on people's ability to save for their retirement. One participant in Dalmellington had worked all of his adult life but was now in unprotected, insecure jobs. Although he had paid into two separate work pensions, he had little confidence that these would be worth much or that the pension funds would still be operating in 20 or 30 years when he was old enough to retire:

'I've worked all my days and one of my company pensions I'll never see ... [the company] is now defunct, the money it's disappeared. I paid into [another company] for nearly 10 years – I've got another 25 years to go, but

[the company] hasn't. The last statement I got showed 1800 people had withdrawn from it ... In 25 years there will be nothing. I can't afford to save on a minimum wage.' (Dalmellington participant)

Participants expressed a desire to be able to bundle together pension investments from different sources, so that they had better information about the amount saved, the final payments expected and greater awareness of other steps that might be needed. In addition, some supported the option of paying additional voluntary contributions into state pensions to address some of the fragmentation and risk associated with multiple private pensions. However, fluctuating earnings and short-term contracts left some feeling that investment in pensions was not a feasible option, putting them at risk of poverty in older age.

7. Financial viability of the community

In the previous section we have considered five broad dimensions of financial inclusion and capability in rural Scotland. These are by no means an exhaustive list, but together offer a 'lens' through which to view how key financial products and services appear to work. One further dimension ran consistently through our discussions in the two of the three case study areas – what we call here *the financial viability of the community*. It is clear to us that a better understanding of financial inclusion and capability issues in remote and rural Scotland can only be arrived at by complementing personal concepts of knowledge, skills, experience and behaviour with community measures of financial viability.

Participants in the more remote locations of Port Ellen and Lochinver related most issues of financial inclusion and capability back to fundamental questions of community functioning - population change, housing supply and affordability, energy supply, economic sustainability and whether young people would be able to stay, earn a living and raise a family. We can identify a distinction, therefore, between these two remote areas and the ex-industrial rural area, where issues of financial inclusion and capability were understood more in terms of overcoming economic disadvantage in a rural setting than securing the future viability of a remote community.

We introduced this contextual theme in Section 4 (see Annex 1 for a preliminary list of themes identified by participants). Table 10 presents a summary of these viability issues and proposed actions agreed towards the end of their deliberations. Of the seven broad headings identified by participants, six were discussed in Port Ellen, five in Lochinver and two in Dalmellington. An adequate supply of affordable and energy efficient housing; improving the energy and water infrastructure; and developing community facilities emerge as key viability issues for the remote areas of Lochinver and Port Ellen. Participants in both areas identified one further distinctive viability theme: greater powers of local decision-making (Port Ellen) and protecting the heritage of Assynt through place branding (Lochinver). None of these were identified as significant issues in Dalmellington.

However, two of the viability themes were shared between the remote and ex-industrial rural areas. Employment and enterprise was the one common issue prioritised in all three areas, with the emphasis on small business start-up and growth in the more remote areas contrasting with the need to improve access to training in Dalmellington. In addition, transport issues were viability concerns of both Port Ellen and Dalmellington, though again taking a different emphasis in each – a road tariff scheme proposed in the former (reflecting higher cost of petrol and restricted choice due to limited bus service) and support with travel-to-work costs in the latter (arising from the long distances some were commuting in order to secure jobs).

Table 10: Financial viability of community

	Lochinver	<ul style="list-style-type: none"> • Develop affordable, ecologically and environmentally sound housing • Develop thermal heating opportunities • Introduce/reinforce a preference for settlement in rural housing grants scheme
Affordable housing	Port Ellen	<ul style="list-style-type: none"> • Explore ways of developing new build and upgraded housing options, with heating costs in mind: explore if the new housing association might use its investment programme creatively to increase and improve housing in Port Ellen • Develop a consistent and understandable planning policy
	Lochinver	<ul style="list-style-type: none"> • Increase support for small business development and running costs
	Port Ellen	<ul style="list-style-type: none"> • Establish a Business Incubation unit for small scale start up
Employment and enterprise	Dalmellington	<ul style="list-style-type: none"> • Recognise employment constraints in rural areas, such as lack of access to training • Enhanced employment protection for insecure employees and enforcement of the minimum wage
Power of decision-making	Port Ellen	<ul style="list-style-type: none"> • Base decision-making more closely on the local context • Explore ways of bringing people in Port Ellen together to discuss things, interact with councillors and relevant partnership groups

Transport	Port Ellen	<ul style="list-style-type: none"> • 40% reduction in air fares for local people welcome, a road tariff equivalent would also be welcome • Maintain affordable ferry service
	Dalmellington	<ul style="list-style-type: none"> • Provide in work support, including travel to work costs
Infrastructure: energy and water	Lochinver	<ul style="list-style-type: none"> • Ensure water and sewage planning has long term development strategy • Look at how people could use renewable sources of energy • Develop a community industry in bio-diesel
	Port Ellen	<ul style="list-style-type: none"> • Update policy on renewable energy and organise a forum for discussion on the island • Ensure water and sewage planning has long term development strategy
Community facilities	Lochinver	<ul style="list-style-type: none"> • Establish a community social space to provide informal and formal advice and support, to increase potential for community and social activities • Develop a community shop
	Port Ellen	<ul style="list-style-type: none"> • Ensure the cyber café (Port Ellen) can continue to develop activities
Place branding/marketing/heritage facilities	Lochinver	<ul style="list-style-type: none"> • Establish and protect Assynt as a brand
	Port Ellen	<ul style="list-style-type: none"> • Build tourist attractions of Port Ellen (e.g. local craft development, redevelopment of the hotel and creation of a restaurant to maximise the potential for visitors

8. Taking action

The various actions identified in Tables 9 and 10 can be grouped under three headings:

- Investment that supports community action
- Development of products, services and approaches that are responsive to the financial inclusion and capability needs of rural and remote communities
- Dialogue with decision-makers including Community Planning Partnerships

8.1 Investment that supports community action

In their final deliberations, Community Committee participants chose two or three action points to discuss in greater detail from across the financial inclusion/capability and viability themes. Social developments in support of financial inclusion included exploring the potential for self-help activities like LETS (Local Exchange Trading Systems), supporting credit union expansion led by local volunteers and establishing a community space for informal advice and social interaction.

The focus in Lochinver on developing a community shop was based on a similar rationale to the interest in Port Ellen for ensuring the existing cyber café is sustainable: providing social space in the community, increasing availability of information and advice, a base from which credit union activities and other community-based services could be supported. Lochinver participants stressed the need to consider any such developments in relation to services already available, so that these would not be put at risk. A multi-agency information and advice service at Dalmelington Area Centre was proposed to increase public and voluntary sector provision to the community, as well as promote inter-agency work. Participants saw such a development having a primary role in providing financial information, advice and training, as well as enhancing access to Job Centre Plus and Citizens Advice services. It was also seen as having a role in providing space for community groups to work alongside agencies and to support activities like the credit union.

The importance of ongoing public involvement to influence actions in support of financial inclusion and capability was discussed from different perspectives in Lochinver and Port Ellen. In the first case, participants felt that it was necessary to broaden the process of identifying needs, priorities and actions to the wider community to ensure that the diverse needs of residents across Assynt were taken into account. In Port Ellen, participants wanted to influence decisions that had a direct impact on people living on the island, like affordable ferry services or job creation, in the interest of community viability. In all three areas, participants hoped to use the study findings to broaden discussion about action for their area.

Local economic developments included establishing Assynt as a community brand for trading purposes and stimulating the development of renewable energy and biofuel through community owned businesses.

These points were also considered to be important by stakeholder participants. Community involvement was seen as an essential element of credit union development, and wider public engagement as a priority for accountability in both public and voluntary sectors, and the ability of decision-makers to respond in ways that could build on the strengths of communities. The Community Planning process was regarded by many of the stakeholder participants as a way of raising awareness among partners of local actions that would support the viability of rural communities.

Moving from a set of priorities chosen through deliberation by a small cross-section of local residents to practical actions, however, carries a resource consequence in terms of the skills, commitment and budgets of these partners, as well as from residents.

8.2 Products and services to promote rural financial inclusion and capability

Some of the viability actions could be termed as distinctively rural - for instance making it easier for young people to return and settle if they wish to; creating a road tariff system offering discounted tax and/or petrol costs for car users; and recognising the additional cost of living, and the limited nature of local employment and housing opportunities in many rural areas. Ensuring that the planning system has a long-term developmental focus, including sufficient land available for self-build housing, for water and sewerage services and for development of the energy infrastructure, appears to be particularly important in the more remote locations in the study.

The proposed financial inclusion and capability actions do not, in themselves, strike us as distinctively rural in nature. But how they are taken forward will need to address rural circumstances. Residents' emphasis on the need to maintain a physical banking and Post Office presence; free-to-use ATMs; enhanced money advice and financial information/education services are likely to be shared with people living in inner cities and smaller towns. The value placed on accessible services provided by someone who does not know your personal business is, likewise, widely shared. However, the facts of service provision in remote and dispersed rural areas mean it is more difficult to achieve these standards. Thus, actions that might be applicable to most urban communities will need to be adapted to fit with local circumstances – such as striving to provide a money advice service over a larger geographical area, with a 'pool' of staff working in a number of areas to respect the need for anonymity.

- Providing information and advice on products for saving, bill payment and mortgages to help manage fluctuating incomes. The dynamics of financial management need to be considered explicitly, e.g. to prepare for changes in circumstances and seasonality of income.
- Continued support through Citizens Advice and Money Advice services in helping to support people in difficulty, raising awareness of the implications of financial choices and consideration of how to make voluntary sector advice and information services sustainable in rural communities. There is clear unmet demand due to patchy coverage and limited hours of opening.

Moreover, other contextual factors lead to challenges that are associated particularly with remote and some rural communities. For example, the issue of fluctuating earnings arising from seasonal and contract work has been identified. This points to the need for a more flexible systems of tax credits, bank accounts (business and personal), loans and mortgage products, and billing periods for Council Tax, for example, which allow for 'buffer zones' to be built in taking account of changing circumstances. These would not be specifically 'rural products', but ones that are flexible enough to accommodate the changing needs of rural consumers.

Stakeholders in each of the sectors recognised the cost of providing services in rural areas as central to viability issues. Rural factors were thought to stretch budgets, staffing and ability to respond to needs and emerging opportunities. Long-term planning around infrastructure development (housing, water, energy, transport) was viewed by private sector participants as key to selling products and developing business opportunities. Statutory, voluntary and community stakeholders highlighted the need for a more responsive benefits system, based on understanding the

local circumstances of its clients. Regulating the financial sector more tightly, or at least ensuring that people were not left with unmanageable debt, was also seen as a priority.

Investment in support of rural financial inclusion and capability should involve all sectors. This includes public sector investment in developing generic financial information/education/training and money advice, taken forward on a multi-agency basis, and a small business incubation unit. Private sector investment was highlighted for developing more appropriate financial products, including personal loans and mortgages, and by the Post Office advertising its services more explicitly. Participants in Port Ellen thought that voluntary sector investment, for instance by housing associations using their investment programmes to provide more affordable social housing, was also an important element of the financial inclusion agenda.

The rural dimension of providing training and support was highlighted as an issue of funding and staffing by some stakeholders. Thinking creatively about how to ensure that information was available for people in accessible formats and from trusted sources was considered a priority. Supporting Money Advice services and investing in credit union activities was focused on helping people to make effective financial decisions. Some stakeholder participants felt, however, that the resources available were often insufficient for dealing with existing casework and that this made it impossible to focus on 'upstream' or preventative approaches. New ways of working across agencies were highlighted by some participants as a potential way forward.

It is significant to note that most actions pointed towards government and the voluntary sector taking action, rather than the financial services sector: future housing development and maintenance of the Post Office (Port Ellen), the tighter regulation of credit providers and expansion of both Citizens Advice and credit union services (Dalmellington), and a more flexible benefits system responsive to the experience of those seeking work (Lochinver) for example. Some actions were seen as restricting business activities through more responsible lending, while others would involve services being improved (bank open more of the week, free-to-use ATM introduced) and more flexible products (taking seasonal income fluctuations into account).

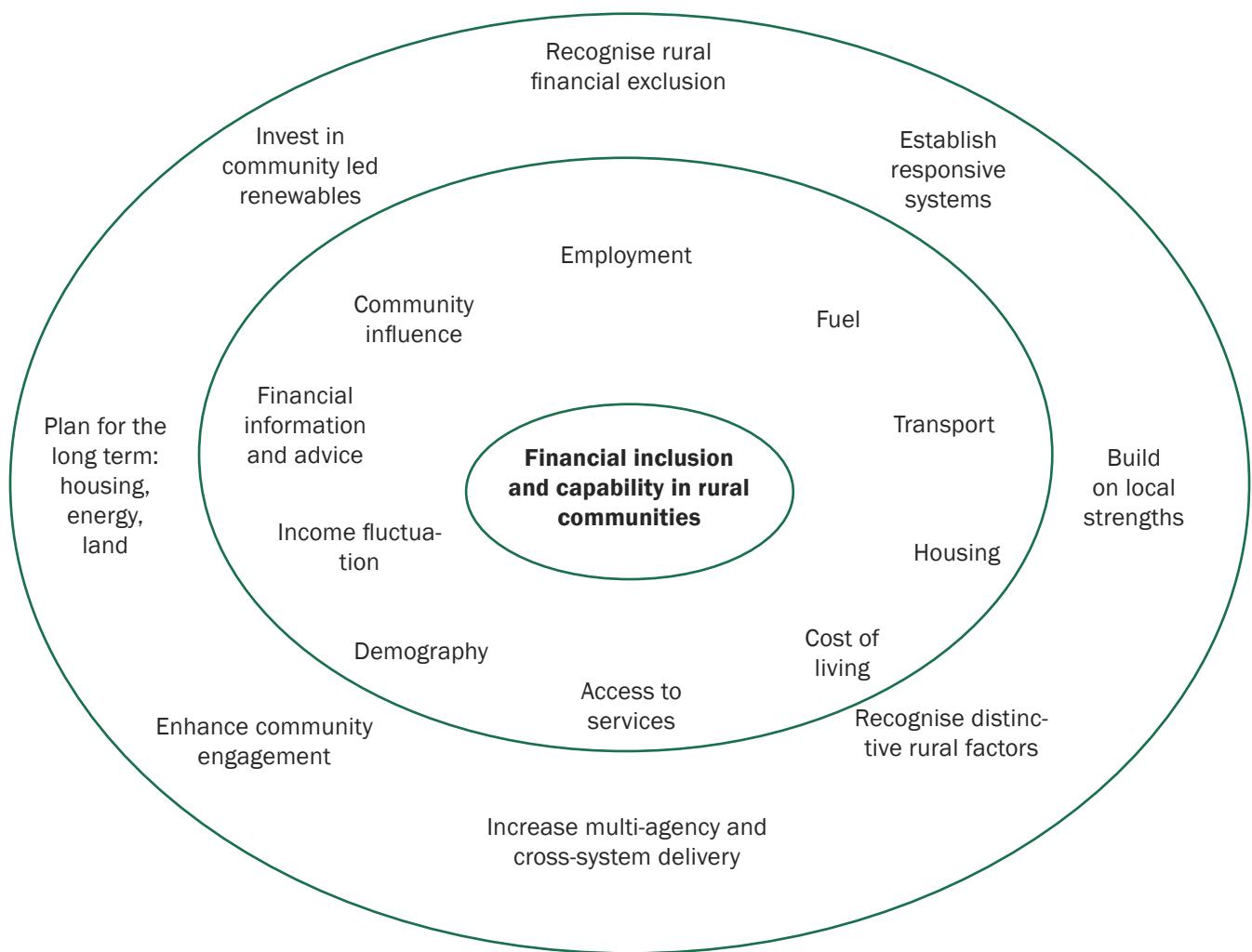
8.3 Dialogue with Community Planning partners

In the final session, participants shared their thinking and proposed actions with representatives of the Community Planning Partnership (CPP) in each area. Participants highlighted a number of changes they felt would support financial inclusion and capability, based on the tables discussed. Progress in support of financial inclusion and capability was understood by both residents and CPP representatives as requiring action at intermediate and strategic/national levels, as well as at community level (Figure 3). The Community Planning Partnership framework ought to be the focus for intermediate level action, recognising that the capacity of local government and its other partners will be greater in some areas (e.g. supporting the development of credit unions and money advice services) than in others (e.g. reserved areas of the benefits system). Based on initial feedback from CPP representatives, a starting point for action could be identified in each case study area:

- Interest in supporting the Lochinver/Assynt community to explore the case for establishing a credit union (Highland Council)
- Agreement to encourage Jobcentre Plus to establish a 'benefits surgery' hosted by another public agency in Port Ellen (Argyll & Bute Council)

- Interest in applying some of the conclusions from the study to the new Financial Inclusion Fund Plan covering Dalmellington and neighbouring areas (East Ayrshire Council)

Figure 3: Actions for rural financial inclusion, capability and viability



9. Implications

Increased understanding of the financial issues faced by people living in rural communities was central to the research design. All participants in the study emphasised the need to recognise the relationship between a range of factors if sustainable financial inclusion and capability is to be improved. A number of recommendations involving individuals and stakeholders at strategic, intermediate and community levels are presented in this final section.

9.1 Financial choice for individuals

Drawing upon the conceptual model of financial capability developed for the Financial Services Authority (Figure 1), a number of findings can be related to the financial choices that people might make in rural communities.

9.1.1 Experience and circumstances

In relation to the heading 'experience and circumstances', two factors emerged from the study. First, the existing financial services infrastructure was supported but limited. Participants believed that access to banking was a basic right and the ability to withdraw cash locally without charge was essential to consumers with limited choice. Increased opportunities through telephone/internet based services and the Post Office were identified as important, although knowledge of what was available through these routes was limited. The availability of a credit union in two of the case study areas provided the opportunity to save regularly and borrow at low cost. Issues about credit union sustainability (e.g. the cost of developing and extending services) and raising awareness of services provided are important considerations for credit unions covering large geographical areas with sparse membership.

The second factor was sources of advice in relation to both welfare benefits and financial products. Money Advice and Citizens Advice staff were highlighted as key players in promoting financial inclusion for individuals, so that they could draw upon benefit entitlements and deal with financial difficulties. However, in small rural communities there is a potential trade-off between locally accessible advice and confidentiality. Some participants expressed a clear desire to discuss money matters only with people they do not know, leading to the suggestion that advisers might work as a network to cover areas they were not as familiar with.

9.1.2 Knowledge and understanding

Knowledge and understanding of the financial choices that people might make appear to be constrained by the complexity of financial products and services on offer. Trusted sources of advice were regarded as important for making sound financial decisions. Banks were one source of advice that people were willing and able to turn to, reflecting the continued branch banking presence in the case study communities. However, a tension between local advice and unsolicited telesales of other products by financial institutions undermined people's trust. Family and friends were another source of advice, although this left people reliant on non-expert understanding of financial products which may prove risky. Independent financial advice for both short and long-term products, and financial education, information and training to develop personal capability, were considered essential.

9.1.3 Financial management strategies

Some financial management strategies appear to indicate a lack of understanding of services and products. However, these may reflect personal choice in how people manage their money. For example, participants who used pre-payment electricity cards, borrowed from high-cost lenders or used mail order catalogues were aware that they

paid a higher price for these services but chose to use them because they provided a greater element of flexibility and control that they valued. Identifying how to design products that provide this sense of money management, but at lower cost, is one challenge the Scottish Council Foundation is taking forward separately.

9.2 Financial viability of rural communities

The financial viability of the case study communities involves a number of different but inter-related themes that also have economic consequences for individuals (see Table 10 and Figure 3). The interactions highlight costs that bear upon people's ability to manage their money.

9.2.1 Rural employment

Understanding the dynamics of rural labour markets means considering the resource implications of getting to work across extensive areas. These can include the consistent lack of public transport, the higher cost of fuel and the time spent commuting to and from work. Those moving off benefits into lower-paid work face particular barriers as a result.

9.2.2. Access to services

Difficulty in accessing services was accepted as a part of rural life, but it was considered to have significant consequences for people vulnerable to exclusion. In part this was based on the resources required to use services, such as time, money and transport. There was also concern that such barriers created a lack of awareness in many rural communities of what services could be available.

9.2.3 Community support

The strength of community was based on both formal and informal support provided. Informal support included awareness that people would come together to help in an emergency, the continued value placed on neighbourliness and shared context. Voluntary community action through credit unions contributed to financial inclusion. Ways of maintaining information flows to and from the community were seen as central to supporting financial inclusion and capability. Demographic change and any breakdown of social networks could impact on the community's ability to provide informal support. Being able to come together as a community and influence decision makers was identified as an important element of accountability, both for groups active in the community and for agencies responsible for service provision.

9.2.4 Cost of living

The cost of living had an impact on the amount of money needed for day-to-day expenses. This, coupled with a perceived inability to influence centralised business decisions, was thought to limit market provision to consumers in rural areas.

9.3 Rural financial inclusion and capability

Recognising how a number of factors interact, and their impact on financial inclusion and capability in rural areas, should provide a basis for strategic and intermediate levels to work in partnership, notably through the Community Planning process. The purpose should be to support activities that can be developed at community level in response

to identified needs. Adapting systems to become more responsive is, in part, to recognise distinctive rural factors, but highlights a wider principle for service reform in all sectors. So, how best might organisations at these levels work with rural communities to build on their strengths, draw upon their knowledge, and support their development?

9.3.1 Recognise rural financial exclusion

Financial exclusion is recognised as a mainly urban problem, arising from and contributing to income poverty. The risks of financial exclusion, and the need to build financial capability more widely, apply as well in rural and remote communities, though in different form. Features distinctive to the rural context include seasonal employment (and self-employment) resulting in fluctuating earnings across the year and an inflexible system of tax credits resulting in over-payment and clawback. But income is not the only factor. The higher cost of essential goods and services is not reflected in a flat-rate welfare benefits system: higher heating costs arise from a harsher climate and limited coverage of mains gas, while significantly higher petrol prices make commuting to work on a low income an expensive option. These factors constrain the ability of many to look ahead and invest in longer-term products, including mortgages and pensions. Within devolved government powers, we believe there is a case to review the distribution of revenue support to rural local authorities. Targeted reductions in Council Tax bills to households in more remote areas might be an inexact tool, but would offer a simple way to reduce household costs in the short-term.

9.3.2 Build responsive systems

The centralisation of decision-making appears to work to the particular detriment of rural communities that are often dependent on services or products that are of less importance in urban areas (e.g. firelighters and telephone boxes). Providers in private, public and voluntary sector organisations could contribute by building a more accurate profile of distinctive consumer needs and expenditure patterns in rural areas and adapting their products and services to fit.

9.3.3 Recognise rural factors

Understanding which services are available, including financial services, is fundamental to the ability to choose appropriate products. The available infrastructure in rural communities limits the ability of many people to make informed choices. Increasing access to financial information, education/training and advice would be important steps in supporting financial capability. This would help to inform people about tax-benefit entitlements as well as increasing knowledge of market products. The role of community learning and development in supporting financial education needs to be clarified by the Scottish Executive, so that a focus on financial capability can complement money advice provision.

9.3.4 Increase cross-agency/sector delivery

The role of increased inter-agency planning and delivery, thus maximising the availability of services within rural communities, is already recognised in the public and voluntary sectors. How Community Planning develops from here is an important strategic issue. To date, the experience - rather than the model and the principles on which it is based - appears to have disappointed. In many cases, Partnerships have been slow to demonstrate tangible benefits of inter-agency working, reluctant to share resources in pursuit of strategic goals and have not noticeably engaged with communities in the process. Representatives of the Community Planning Partnerships in the three case study areas gave us more grounds for optimism. Their willingness to support the research, meet with local participants and consider their recommendations is encouraging, especially since financial inclusion and capability did not have

a prominent role in their original Community Plans. Looking ahead, it is clear to us that private service providers need to become further involved in elements of Community Planning if long-term goals are to be achieved. Continued investment in inter-agency working, including co-location between agencies as in the Dalmellington Area Centre, should make access and signposting to appropriate services easier.

9.3.5 Enhance community engagement

Community engagement is central to government policy. In principle, this ought to enable the public to have more influence over how services are shaped and delivered. The geographical remoteness of the areas studied here highlights the importance of effective ongoing processes of engagement. Decision-makers should consider who is missing, take steps to broaden the basis of public involvement, and improve the quality of feedback to citizens.

9.3.6 Plan for the long term

Supporting financially-viable communities was identified as the long-term outcome of improving rural financial inclusion and capability. For local participants, this meant opening up the planning system to think creatively about affordable housing development, energy costs and environmental sustainability. This was linked to financial inclusion because of the increased cost of heating many houses in rural areas (poorer insulation, limited access to mains gas, harsher climate). Participants in Lochinver and Port Ellen also highlighted the need for Scottish Water to invest in infrastructure so that the housing market could grow and serve residents better.

9.3.7 Invest in community-led economic action

Responsive systems that invest in rural economic development are central to sustainable employment. Maximising the benefits of location and strength of community was highlighted in discussions about the potential to develop micro-renewables and biofuels. Employment opportunities and financial returns to community-owned or led companies were regarded as some of the direct outcomes, with additional benefits through lower heating and fuel costs. Greater focus on what works in rural communities within the Local Enterprise Companies, including small scale support for individuals starting up in business and working with communities to stimulate ideas for economic development, were highlighted as important elements of rural financial inclusion and capability, and thus enhanced viability.

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Annex 1. Understanding money matters: preliminary concerns

Issue	Lochinver	Port Ellen	Dalmellington
Fuel for both heating and travel	High	High	Low to medium
Transport within the communities and to other areas	High	High	Medium to high
Benefits			
Need for	Medium	Medium	High
Access to	High	High	Medium
Not accommodating extra costs of rurality	High	High	High
Housing			
Availability of social housing	High	High	Low
Cost of buying	High	Medium	Low
Pressure from outside (e.g. second homes)	High	Medium	Low
Need for new build	High	High	Low
Access to essential services	High	High	Low to medium
Cost of living	High	High	Low to medium
Employment			
Availability	High	High	High
Quality	High	High	High
Migration	Low	High	High
Migration			
Accessing social housing	Medium	Low	High
Raising house prices	High	Medium	Low
Losing young people	Medium	Medium	Medium
Social impact	Medium	Low	High
Public services			
Accessible contact point	Low	Medium	Low
Planning requirements	Medium	High	Low
Democratic influence	Medium	High	Low to medium
Organisations like Scottish Water, Scottish Enterprise and Scottish Natural Heritage	High	High	Low
Community			
Positive support	Medium	High	Medium
Intrusive	High	High	Medium
Social isolation	High	Low	Low



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