Community Wealth Building Strategy

2020-2025

FOREWARD:

I am delighted to launch our Community Wealth Building Strategy. This is a key document for us that sets out our ambitions to support communities to become more independent, financially self-sufficient and take ownership of public assets to run them in ways that are beneficial to them.

The strategy is the result of several months of research and engagement with communities and partners and is supported by the Centre for Local Economic Strategies (CLES) who we commissioned as the UK leading body to work with us on developing the Strategy and subsequent action plan.

Wirral is clearly becoming a leader in Community Wealth Building evidenced by the number of number of invitations to speak at events and requests for support and guidance about how Wirral as approached the Strategy.

Community Wealth Building is intrinsic to everything the Council does and will be embedded into all our activity going forward. Following an initial discussion with our partners, I am pleased to see that we are now working closely with our partners and anchors to support them to embed the principles into their own organisations. This will enable a borough wide approach, supported by the Council rather than a Council run initiative. In time, we intend to also work with our private sector anchors to ensure that the strategy can be implemented across all sectors of the borough. This will become more prevalent once the North West Mutual Community Bank is live.

This Strategy is vital to demonstrate our mission to support communities in Wirral to support themselves by providing opportunities for: growing the number of small businesses, residents to be able to access employment and communities to come together to promote positive mental wellbeing. Therefore I am proud to launch this Strategy to support this mission.

Councillor Janette Williamson

Introduction

A prosperous, inclusive economy where local people can get good jobs and achieve their aspirations is a key priority of the Wirral Council Plan 2020. It is one of the ways in which to secure the best future for our residents. Community wealth building is a key part of how we will achieve this and makes a major contribution to the economic, social and health outcomes of the borough.

We want an economy that benefits all of our residents and one which keeps money within Wirral. This Strategy outlines our vision for doing this and why it is an important part of realising our shared ambitions for the borough.

What is Community Wealth Building?

Community Wealth Building is a people centred approach to local economic development. Community Wealth Building seeks to restructure the composition of the economy itself so that wealth is widely held, shared and democratised. It reorganises local economies to be fairer and stops wealth flowing out of our communities, towns and cities, and instead places control of this wealth into the hands of local people, communities, businesses and organisations.

A number of places across the UK, including are now developing strategies to implement community wealth building in their local economies.

The Centre for Local Economic Strategies (CLES)[1] has five principles that underpin community wealth building:

1. Plural Ownership of the Economy;
2. Progressive Procurement of Goods and Services;
3. Socially Just Use of Land and Property;
4. Fair Employment and Just Labour Markets; and
5. Making Financial Power work for Local Places.

Harnessing the Power of Anchor Institutions

A central element to community wealth building is harnessing the power of anchor institutions in a local economy.

Anchor Institutions are organisations which have an important presence in a place. They are typically:

- Large scale employers, purchasers of goods and services in the locality;
- Overseeing large areas of land and having relatively fixed assets;
- Tied to a place by their mission, histories, physical assets and local relationships.
- Organisations that do not have profit as their main motivation.

Examples include local authorities, NHS trusts, universities, trade unions, large local businesses, housing associations and the combined activities of the community and voluntary sector. With large budgets

[1] CLES are a think and do tank that have been at the forefront of pioneering work relating to Local Government, local economic development and community wealth building. CLES have been working with Wirral Council to help develop this strategy.

and often thousands of employees, anchor institutions play a defining role in community wealth building.

Arguably, commercial businesses can be considered anchor institutions, if they are rooted to place. Examples of businesses which play a role as community anchors might include major football clubs, or legacy industrial employers.

A Democratic, Inclusive, Generative Economy

Community wealth building seeks to change the economy by making it more democratic. Encouraging the setup of community businesses and cooperatives means that more people in our local communities can have a say in what happens to the wealth generated by them. This involves both democracy in the workplace (e.g. through encouraging cooperatives, and strong trade unions), but also in ensuring that residents have more power over how Wirral's wealth is shared and spent.

Why is Community Wealth Building important for Wirral?

The UK is the fifth richest country in the world, yet 14.3 million people live in poverty, 8 million of whom are from working families. Poverty is a huge issue in the UK, and Wirral is no exception. The east of our borough has some of the most deprived wards in the country; there are high concentrations of child poverty (more than 35% in some wards) and household income is well below the national average.

High levels of income inequality increase instability and debt, and there are well established links between economic inequality and crime. Overall health is worse in more economically unequal countries, notably mental health and obesity. Recent evidence also suggests that rising income inequality may be associated with lower economic growth (OECD, 2015).

Wirral has significant health inequalities compared to the rest of England, with higher levels of alcohol specific hospital admissions, cancer deaths, respiratory deaths and residents with long term disabilities (Wirral Council, 2019). There are also health inequalities within the borough: residents in the more affluent areas of Wirral can expect to live up to ten years more than those in our most deprived areas.

The Local Plan, Strategic Regeneration Framework, The Growth Plan and the Wirral Council Plan 2025 emphasise the importance of economic growth. To ensure that our aspiration for growth is realised, we need to address the inequalities in Wirral. By focussing on generating wealth and keeping it in our local communities, The Community Wealth Building Strategy will work to address inequality and ensure that all residents in the borough feel the benefits of economic growth.

Community Wealth Building in Strategic Context

This strategy plays a vital role in the Medium-Term Financial Plan [2]and the

[2] The Medium Term Financial Plan is a five year plan that describes how the council will generate and allocate resources to meet its corporate priorities.

Wirral Plan 2025. It will help to reengineer our local economy and harness the power of our people and anchor institutions, to provide resilience where there is risk and local economic security where there is precarity. This will drive everything Wirral Council does, specifically our approach to regeneration and investment, commissioning, procurement and management of our assets to build the wealth of our local communities.

The Strategy has three objectives:

Strategic Objective 1:

Democratic Economy

An economy where decision making power is shifted from corporate managers and shareholders to a larger group of public stakeholders including, workers, customers and the community.

Strategic Objective 2:

Generative Economy

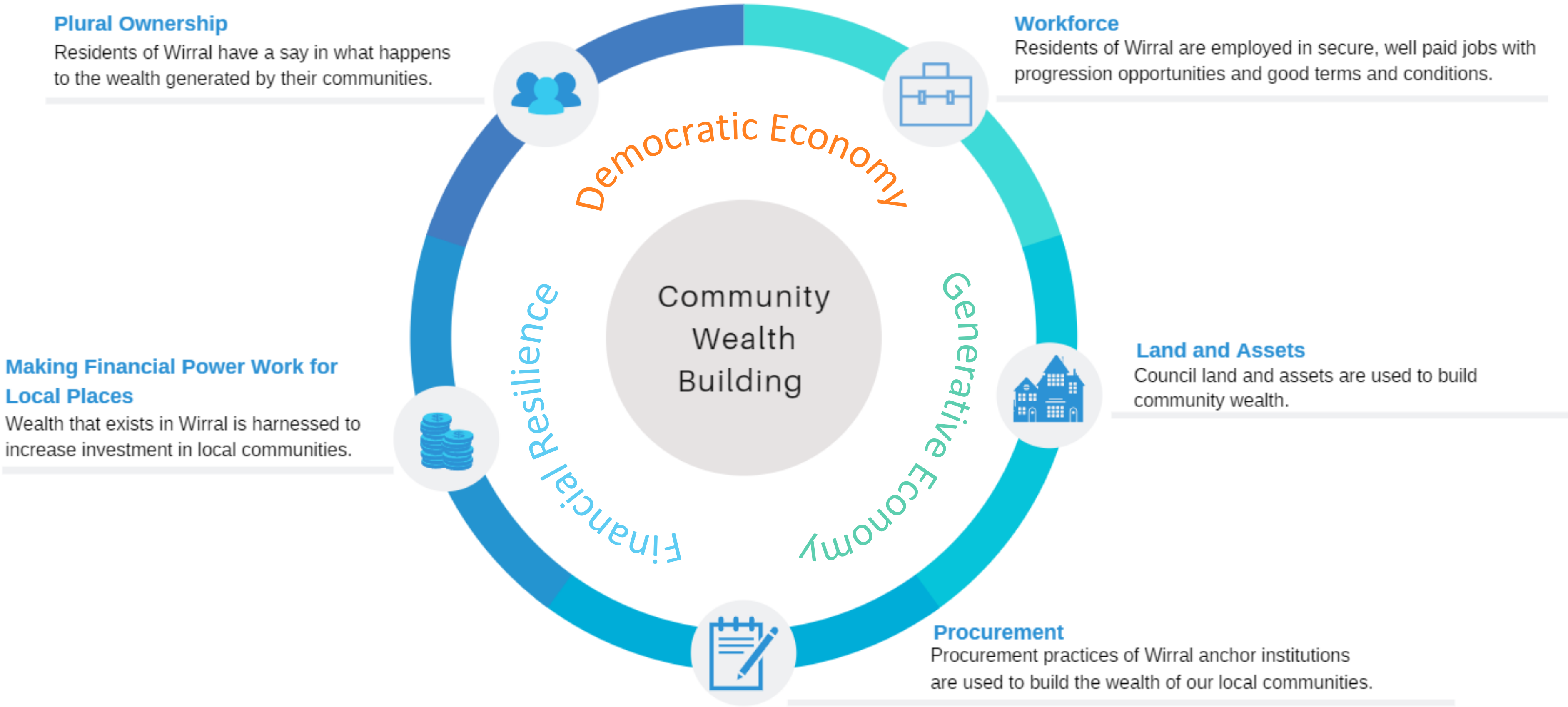
An economy with a built-in tendency to be to be socially fair and ecologically stable. A generative economy is built on a foundation of stakeholder ownership designed to generate and preserve real wealth that is shared by communities.

Strategic Objective 3:

Financial Resilience

A resilient economy is one where families and communities that hold assets (such as social networks, a home, some savings, an ownership stake in a business, a secure job) are more able to withstand knocks such as job losses or illness. It also means local public services and the community sector are less vulnerable to the shocks of austerity, budget cuts and economic recession.

The three strategic objectives will be delivered across the five pillars of the community wealth building as visualised in the diagram below.

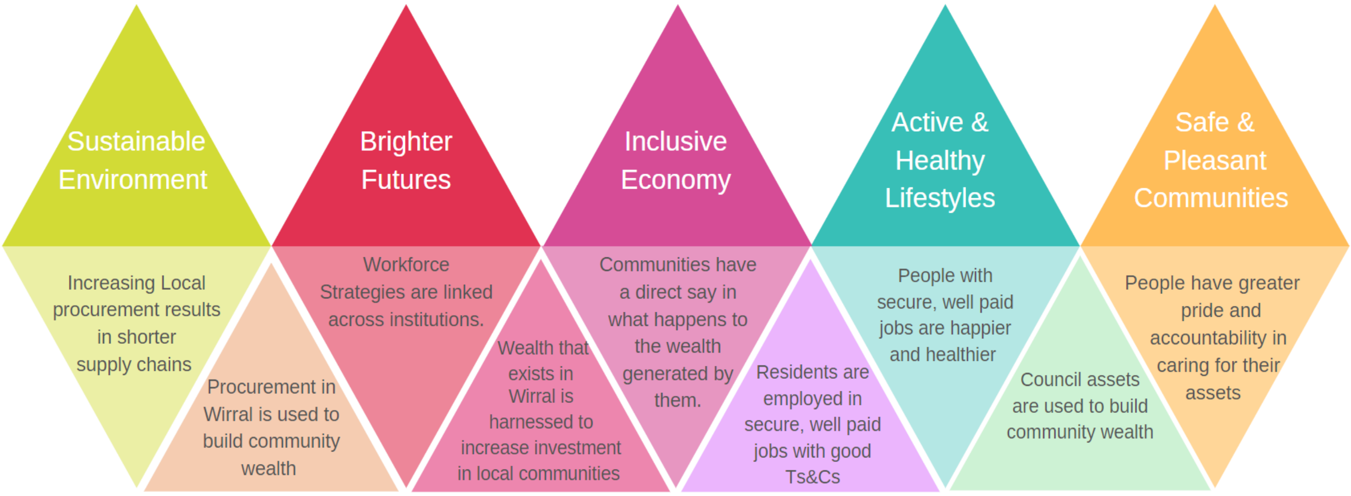


How does Community Wealth Building link into our overall ambition for Wirral?

Community Wealth building is a new approach economic development that proposes a more common-sense approach to how we create a good local economy. It is common sense because it suggests that, rather than relying on inward investment as the sole source of wealth, Wirral harnesses its existing wealth in a more democratic and resilient manner.

Community Wealth building fits strategically with our new Wirral Plan 2025. It will directly support the Wirral Plan 2025 priority inclusive economy as well supporting a wide range of our strategic goals to improve outcomes in relation to health and social care, families, environment and housing. All major regeneration projects such as The Wirral Growth Company, as well as our commissioning intentions and procurement approach should be directed and informed by the principles of Community Wealth Building to ensure that there is a coordinated approach across the Council.

Community wealth building will help to deliver on the Wirral 2025 plan by directly supporting the 2025 priorities:



Outcome 1: Residents of Wirral have ownership of the economy and have a say in what happens to the wealth generated by their communities.

This outcome is linked to the principle of plural ownership of the economy. Plural ownership is defined as a diverse blend of ownership models including small enterprises, community organisations, cooperatives, insourcing and forms of municipal ownership. These models allow the wealth created by users, workers and local communities to be held by them rather than flowing out as profits to shareholders.

Plural Ownership can take a variety of forms:

1. Businesses with explicitly democratic forms of ownership e.g. community owned businesses, community interest companies, worker owned cooperatives, public-commons partnerships etc (for the purpose of this report we will call these social businesses).
2. Advancing the role of SMEs in a local economy, especially when compared to big businesses.
3. Municipal forms of ownership e.g. local authority insourcing.

What is Wirral already doing?

- As regards insourcing, Wirral has a number of businesses that it wholly or jointly owns:
    - Edsential;
    - Wirral Evolutions; and
    - The Wirral Growth Company.
- Wirral is working with Capacity Lab and Lloyds Bank, a partnership to help community groups strengthen their organisation and access more funding and support to ensure they are not disadvantaged in the tendering and commissioning services.
- We commission Community Action Wirral to provide support to the community, Voluntary and Faith Sector. This includes advice and guidance on set up, funding applications and development as well as connecting the social sector in Wirral.
- Our partners, Wirral Chamber of Commerce have set up a specific department responsible for the start-up and support of community and voluntary sector organisations.

What else will Wirral do?

1. **Encourage the development of the social business sector.**
   Businesses with different models of democratic ownership are less developed in the Wirral (compared to e.g. Liverpool). An underdeveloped sector will limit our other outcomes, as well as our overall objectives. We will explore how a social business network could support new and existing democratic businesses and increases awareness of other types of ownership. We will look to other examples of development networks

in places such as Preston, Barcelona, Cleveland and Mondragon to design a network that works for Wirral. This will be supported by CLES and Capacity lab and supported by organisations such as the Wirral Chamber of Commerce, Involve Northwest and Community Action Wirral. We will need to understand what the sector needs to grow, and we will explore ways to do this. An example of how this has been achieved elsewhere involves lending to social businesses using funds from a Public Works Loan Board. There are already a number of successful examples throughout the UK, including Hull City Council lending to the Goodwin Development Trust and Plymouth City Council's investment in Plymouth Community Energy.

2. **Explore additional routes for municipal ownership**

Wirral Council is also committed to ensuring that municipal ownership is considered across appropriate sectors. In doing so, there will also be a focus on collaboration with local residents, for example through public-commons partnerships (PCPs). A Public Commons Partnership (PCP) is an arrangement between a public institution and a commons association such as a cooperative or community interest company. PCPs will be explored to assess what role they can play in community wealth building in the Wirral.

How will we measure success?

- Net new social businesses created.
- Increase in value of the sector.
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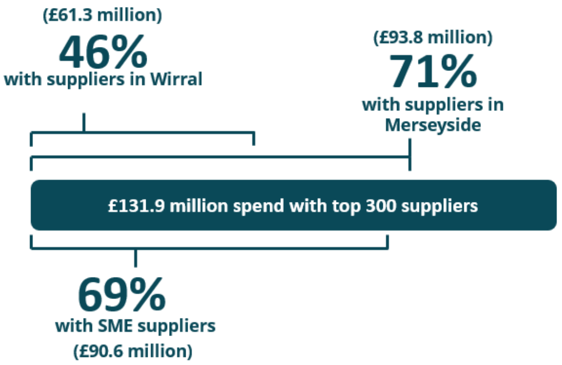
Outcome 2: Procurement practices of Wirral anchor institutions are used to build the wealth of our local communities.

To achieve this outcome, we will need dense local supply chains, comprising SMEs, employee owned businesses, social enterprises, cooperatives and other forms of community businesses.

The purpose of this work is **not** to get 100% of local anchor spent to be within Wirral but is instead to ensure that as much social value is extracted from this spend as possible.

What is Wirral already doing?

- In 2017/18, Wirral Council spent £131.9 million on contracts for goods, works and and services. A analysis of this spend found that the council spends 46% (£61.3million) with suppliers in the Wirral and 71% (93.8million) with suppliers in Merseyside. 69% (£90.6million) was spent with SMEs.



  For comparison, Preston, which has embedded a community wealth building approach, started off in 2012 spending 5% and 39% which has increased to 18.2% in Preston and 79% in Lancashire (2016/17). By having a focus on procuring locally, Preston has able to retain an extra £200million in the Lancashire area. In comparison to Preston, Wirral is relatively good at keeping spending local, however this contrasts with Manchester City Council, which spent 74% with suppliers in Manchester, and 91% in Greater Manchester in 2015/16. Although the purpose of this work is not to have 100% of anchor spend within Wirral (and it is also important to recognise the greater potential that a council such as Greater Manchester has to procure within its boundaries), this analysis is useful to identify gaps and opportunities for social business development.

- Wirral is currently in a partnership with Lloyds bank and capacity lab. This work will help ensure that more social businesses and SME’s are prepared and supported to apply for contracts from our anchor institutions.

- Social Value is now an integral part of our procurement process, with weighting 15%.

- The Children and Young People’s team have developed partnerships with companies in the council supply chain to support care leavers into sustainable employment.

What else will Wirral do?

1. **Increase the amount of goods and services procured from social businesses in Wirral.** £73million (55% of procurement spend) is spent with just 43 suppliers in the health and social care sector. The healthcare sector is our least plural spend, and as such the following actions should be focussed on, (but not limited to) the healthcare sector. We will work with other anchors to identify other opportunities to use our collective buying power.

2. **Continue to extend and develop support for social businesses to enable them to access contract opportunities.** Continue to work with Capacity and CLES to analyse our procurement spend to identify contracts that could be provided by more plural elements of the economy. The social business development network will be used to encourage more entrants to the market. We will encourage our partners to inspect their contracts to identify goods and services that could be provided by other anchors, or the social business sector (e.g. pest control).

3. **Continue to increase the amount of goods and services procured from local businesses.** This strategy aims to increase local procurement. We will, with our partners, identify gaps that could be filled by social businesses and cooperatives, and consider the development of business to fill gaps where there are none already available. Where this is not possible, the social value policy will be used to ensure that businesses that are not based in Wirral are still supporting our local communities.

4. **Monitor the effectiveness of the social value policy.** Continue to monitor effectiveness of the social value policy, framework and portal, paying particular attention to how the social value policy is affecting smaller companies and social businesses. We are aware of the risks that large companies with dedicated corporate social responsibility (CSR) teams could ‘swallow up’ Social Value-heavy contracts and will take steps to ensure that SMEs and social businesses get the support they need to meet the criteria.

5. **Link procurement across anchor institutions, so that the European Single Procurement Document (or equivalent post Brexit) also covers Council Procurement.** We will also Build on existing discussions with the Wirral Partnership to embed social value across our partners’ Procurement policies.

How will we measure success?

- Measure the increase in spend procured from local social businesses.

- Measure the increase in social businesses applying for, and successfully winning public sector contracts.
- Monitor unsuccessful contract bids to asses if the social value policy is putting social businesses at a disadvantage.
- Measure the social value obtained from contracts.

Outcome 3: Council land and assets are used as a base to build community wealth.

The function and ownership of these assets will be strengthened to ensure any gain is harnessed by citizens. Community use of assets will be developed and extended.

What is Wirral already doing?

- 20 community asset transfers in the last ten years.
- Supporting Make CIC to set up Make Hamilton Square in the treasury building.
- Supporting the New Ferry Community Land Trust. The CLT has been set up and is run by local people to develop and manage homes as well as other assets.
- Asset management strategy that lead to the One Wirral Public Estate Group, which brings together all public sector bodies in a locality to work together on land and property management.

What else will Wirral do?

1. **Ensure council assets are used for the benefit of the local community.** Council assets play a socially beneficial role in the in the local community. Community Connectors and other networks such as Wirral Community of Practice will be used to inform communities about the council's new community wealth building approach to asset management. To do this we will promote Community Right to Bid to add to the community asset register. The Council will also work with groups that have had successful and unsuccessful asset transfers to determine how the asset transfer policy needs to change align to the community wealth building strategy. The Council will continue to support the social business sector to ensure that the sector is able to take on assets that are important to local communities. The Social Business network would play a key role in linking up new and existing social businesses with potential assets for use or transfer. Current assets (e.g. Birkenhead Market) could be used to facilitate in this in the form of incubators, coworking spaces etc.

2. **Build on existing discussions with the Wirral Partnership to explore use of public sector assets.**

3. **Encourage the set-up of Community Land Trusts.** Promote the creation of community land trusts to allow residents to take the regeneration into their own hands. This could be as simple as the council taking a step back and transferring properties into the hands of CLTs.

How will we measure success?

- Increase in the number of community asset transfers.
- Increase in the number of assets on community assets register.
- Increase in the number of community land trusts.

Outcome 4: Wealth that exists in the Wirral is harnessed to increase investment in local communities.

In the past, regeneration in post-industrial towns has relied on attracting national and international inward investment. Regeneration based on this type of investment can be volatile and often comes with conditions (e.g. Community Infrastructure Levey exemptions or grants from Government to encourage companies to invest). In this scenario, capital acts as a master. Alternatively, Community Wealth building aims for stakeholder finance, where capital acts as a friend and partner working to support the finance needs of the community. We can increase investment in local economies by harnessing the wealth that exists locally, instead of attracting national or international capital.

What is Wirral already doing?

- Wirral, along with Liverpool, Preston and the Community Savings Bank Association are looking to set up a North West Community Bank. Setting up a community bank is a key way to keep wealth in the borough. It will also help to address financial exclusion, by ensuring that our residents have access to financial services. Our approach to financial exclusion is detailed in the appendix.

- Power to Change, have a nationwide £150million fund to support community businesses. Power to Change are keen to support and grow the sector in Wirral, starting with an event in Birkenhead Town Hall October 2019. We are looking to develop this further with the Wirral Chamber of Commerce.

What else will Wirral do?

1. **Work with Power to Change, Wirral Chamber of Commerce, Community Action Wirral and the Liverpool City Region Combined Authority to grow the community business sector.** Crucially, we will ensure that any grant-led investment is focused around increasing financial resilience, so our social businesses are able to survive beyond initial funding cycles and achieve long-term stability.

2. **Explore opportunities around increasing investment into the Wirral from the Merseyside pension fund.** Wirral Council is the administrator of the Merseyside Pension Fund. A £9billion fund that has members in 208 organisations across Merseyside. MPF has the Catalyst Fund for local investment. This fund is 1% of the Merseyside pension fund (£90million) has invested £42million over three loan facilities to projects all based in Liverpool. There needs to be more

consideration to the spread of this fund, to ensure that is fairly distributed across all the councils in the Liverpool City Region, and that investments build local wealth. We will work with other councils in the LCR and with the Merseyside Pension Fund to ensure that this occurs. We should also explore the possibility of increasing this fund. The Lancashire Pension Fund (£8billion) is slightly smaller than the Merseyside pension fund (£9billion) yet has committed to £100million of investments in Preston and a further £100million in the rest of Lancashire.

How will we measure success?

- Number of Wirral residents and businesses banking with the North West community bank.
- Amount of funds raised through crowdfunding.
- Money, time and support invested by Power to Change.
- Number of social business created through support from Power to Change.
- Money invested in the Wirral from the Merseyside Pension Fund.

Outcome 5: Residents of Wirral are in secure and quality employment with progression opportunities and good terms and conditions.

Anchor institutions often have thousands of staff and it is up to us to lead the way and increase recruitment from within areas of high unemployment and deprivation, commit to paying the real living wage and build progression routes for workers to encourage them to stay and work in the area. Anchor institutions can also use the power of procurement to ensure that businesses in their supply chains are held to the best possible standards.

What is Wirral already doing?

Many anchor institutions in Wirral already employ mostly Wirral Residents. There are a number of other programmes to support our residents to find work.

- The Wirral Ways to Work Programme supports eligible young people into education, employment and training. Wirral Ways to Work is funded in part by the European Union and has supported over 2800 residents into employment or further training.

- Wirral apprenticeship scheme looks to employ young residents of the Wirral in the Council. The scheme follows gives young people the skills they need to succeed, provides them with good quality jobs, and helps to develop the future workforce of the council.

- Discussions are taking place with the Wirral Partnership to link workforce priorities.

What else will Wirral do?

1. **Link Workforce priorities across anchor institutions.** Work with our anchor institutions to ensure that talent stays in the borough, considering sideways movements across anchor institutions to develop skills while not losing talent to surrounding boroughs. Work within the Liverpool City Region to ensure that Local Wealth Building is at the core of the Local Industrial Strategy.

2. **Investigate methods to advance social inclusion through apprenticeship funding and in work progression.** Build on our successes with the Wirral Ways to Work and apprenticeship scheme. These programmes could form a vital part of the Social Business Network by providing extra staff to cooperatives and community businesses. Advance social inclusion through employment creation e.g. Social Care as a workforce opportunity should be considered as a key priority; ideas and methods of delivery, such as training school leavers to work in care or attracting workers into the sector with the promise of a

structured ‘skills escalator’, should be investigated.

3. **Ensure that workers in the businesses we procure goods and services from treat their employees fairly.** Build on our social value policy to include employee terms and conditions in our measures e.g. are employees paid at least the real living wage and have secure employment (i.e. no zero-hour contracts). Part of this work will also involve collaboration with trade union to ensure best practice in all procurement supply chains.

How will we measure success?

- Percentage of people claiming out of work benefits in targeted areas recruitment areas.
- Percentage of young people aged 16 and 17 who are NEET or categorised as ‘not known’.
- Percentage of people earning on or above the real living wage.
- Number of new apprenticeships starts.
- Decrease in the number of employees on zero-hour contracts.

Appendix 1: Financial Inclusion

Introduction

'Financial inclusion' means that individuals, regardless of their background or income, have access to useful, affordable and appropriate financial products and services. These include products and services such as banking, credit, insurance, pensions and savings, as well as transactions and payment systems, and the use of financial technology (Department for Work and Pensions, 2019). Not having access to these products and services is known as financial exclusion.

Financial inclusion relates to access to financial products and services; *financial capability* is a person's ability to manage their money well, and also includes their capacity to use, and maximise their use of, financial products and services.

Since the introduction of basic bank accounts (accounts with no overdraft facility, designed for those with bad credit scores), the number of people in the UK without a bank account has decreased, although there are still 1.25 million 'unbanked' in the UK. This is generally taken as a guide to the amount of people who are financially excluded. It is questionable whether holding a basic bank account constitutes true financial inclusion, as this figure does not take into account the amount of people that are unable to access affordable credit, are unable to pay for bills via direct debit or have no insurance, pensions or savings. Using the DWP's definition of financial inclusion indicates that there may be as a many as 13 million people that are financially excluded (Financial Inclusion Commission , 2015).

People can fall in and out of financial exclusion at any point in their lives. Low income and unemployment are by far the biggest indicators of financial exclusion, but there are other groups at risk. Those most at risk of financial exclusion are: young people not in employment, education or training; care leavers; lone parents; people with disabilities or mental health problems; carers; people with poor or no credit history; people with County Court Judgements against them; people living in isolated or disadvantaged areas; prisoners and ex-offenders and families of prisoners; people from minority ethnic communities; migrants; refugees and asylum seekers; older people; women; housing association tenants; people who are homeless and people with a post office card account or basic bank account(Joseph Rowntree Foundation, 2008).

The Government have taken some steps to tackle financial exclusion, such as setting up the financial inclusion policy forum. The forum has led to a feasibility study for a no-interest loans scheme, a prize-linked savings scheme pilot for credit unions and a £2 million fund harnessing UK fintech innovation to help social and community lenders. Fair4all Finance has also been established to deliver £55 million from dormant assets towards financial inclusion initiatives over the next three years.

Understanding Financial Exclusion

Financial exclusion is a complex issue and people can be excluded from one or a number of financial products and services:

Banking

There are 1.25 million people in the UK without a bank account – a group of people who are clearly financially excluded. However, simply having a bank account is not a clear indication of financial inclusion, as about half of basic bank account holders prefer to withdraw all their money each week and manage it as cash. Some people prefer to do this because it gives them more control over their finances than using a bank account that does not suit their needs, or because they have a basic bank account that comes only with a cash card (National Consumer Council, 2005).

Savings

Savings are important for financial resilience, yet there are 13 million people in the UK who do not have enough savings to support them for one month if they experienced a 25% cut in income. For some people, savings products are not suitable or rewarding enough when savings small sums. For others their monthly budget simply does not stretch to allow for savings.

Credit

The financial inclusion commission estimate that at least £3 million people in the UK use high cost credit as they are unable to access any other forms of credit. High cost credit includes high cost short term credit (payday loans), home collected credit, catalogue credit and store cards, rent to own, buy now pay later offers and overdrafts.

For many households, credit is a necessity that is used to pay for everyday essentials; In 2013, 77% of people who took out a payday loan used it to pay for food (Friends Provident Foundation, 2016). The demand for low-cost credit is high, and without which many people find themselves turning to high cost credit to supplement their income. There are few options available: high cost, high pressure (but licensed) sub-prime lenders and informal and illegal borrowing. Research has found that lenders on the subprime market often have high APRs, additional costs and confusing and punitive terms and conditions. This can lead families into an endless cycle of borrowing and debt (Whyley, 2010). Fees and charges can further increase the cost of credit; in 2016, more than 50% of bank's unarranged overdraft fees came from just 1.5% of customers. People in deprived areas are more likely to incur these fees.

Access to cash

The amount of transactions carried out in cash has reduced from 6 in 10, in 2009 to 3 in 10 today. Many people still rely on cash, with 9% saying that they withdraw cash to avoid the risk of overspending. People in more deprived areas are more likely to rely on cash for day to day spending, yet deprived areas have been hardest hit by ATM closures, with 5.7% of free cash machines closed compared to 3.9% in the more affluent areas. Holding a basic bank account can further restrict access to cash, with

8% of basic bank account holders finding accessing free cash difficult compared to 4% of standard current account holders (Access to Cash , 2019).

Insurance

Half of households in the bottom half of the income distribution do not have home contents insurance. This is a concern, as households without home contents insurance are three times more likely to be burgled than households with insurance (Financial Inclusion Commission , 2015). There are a number of reasons why households do not hold insurance:

- For households on a budget, insurance premiums are often low on the list of priorities.
- Home contents insurance usually has a minimum value limit, leading households to be over insured.

Insurance products on offer are neither appropriate nor affordable for those on low incomes.

Reasons for Financial Exclusion

People can face financial exclusion in one of more of the ways outlined below:

Geographical exclusion

Financial exclusion can result from branch closures. Elderly people who may not be confident using online banking and those in deprived areas are most likely to be geographically excluded. High street banks have collectively closed 990 branches in the most deprived areas of the country since 2010, compared with 230 in the richest local authorities. Also on the increase is the number of families that are geographically excluded (Financial Inclusion Commission , 2015). It is often assumed that families can avoid this type of exclusion through use of the internet, however many families only have internet on their phone, and many financial products can only be applied for through the full website, not the mobile site.

Condition exclusion

Failure to qualify for products because of the minimum deposit required, poor credit history or identity requirements. People with insecure housing, or without a home will have trouble producing the necessary documents to verify their address. People with low income and no identity documents may not be able to afford to purchase a form of photographic identity or replace items such as birth certificates. Condition exclusion can also include exclusion from direct debits, and their associated savings. Those with poor credit history will often be forced onto prepayment energy systems that can cost significantly more than direct debits.

Price exclusion

This is related to the relative cost of financial products and services such as unauthorised overdrafts or insurance.

Marketing exclusion

Some less profitable groups of customers are not targeted by providers and so they are unaware of the financial services available. Banks tend to not advertise basic bank accounts as they operate at a loss for the bank as they cannot generate income from overdraft charges.

Self-exclusion

Cultural and psychological barriers can contribute to financial exclusion, seeing financial services as 'not for people like us'.

Financial Capability

Financial capability relates to a person's ability to use, and maximise their use of, financial products and services. Financial exclusion and financial capability are linked; however, it is important to note that financial exclusion is not caused by financial incapability. People on higher incomes can have low financial capability but will have a 'cushion' of financial assets and access to affordable credit that prevents them from becoming financially excluded.

The Financial Services Authority (2006) (replaced by the Financial Conduct Authority in 2013) identified the five areas of financial capability as:

1. Being able to manage money;
2. Keeping track of finances;
3. Planning ahead;
4. Choosing financial products; and
5. Staying informed about financial matters.

To improve financial inclusion, it is essential that individuals feel confident and capable of making the right decisions for themselves and their families.

The challenge here is how to ensure residents become more financially capable. The best empirical work finds that financial education is not likely to have major lasting effects on knowledge and especially on behaviour. It can however increase confidence and provide people with different options for accessing credit and savings products.

The Financial Conduct Authority found that 61% of payday loan borrowers and 41% of short-term instalment borrowers have a lower level of confidence managing their money than the wider adult population (24%).

Implications of financial exclusion

The Poverty Premium

It has been shown that households with low income pay more for goods and services. This is known as the poverty premium and is estimated at an average of £490 per household per year (Davies, Finney, & Hartfree, 2016). Low income and poverty are the biggest indicator of financial exclusion; the two issues are deeply linked and ensuring that residents are financially included can reduce the poverty premium paid by those who can least afford it.

The University of Bristol has found that the poverty premium is paid through the following categories:

1. Use of prepayment meters for fuel - £38
2. Use of non-standard methods of bill payment (excluding prepayment meters) - £84
3. Not switched to best fuel tariff - £233
4. Paper billing - £12
5. Area-based premiums (e.g. insurance and grocery shopping) - £84
6. Insurance of individual items - £27
7. Access to money (e.g. fee charging cash machines) - £9
8. Higher cost credit - £55

Not all low income households experience all of the categories, and the premiums households experience can range from an average of £350 among 'premium minimisers' to £750 among the 'highly exposed' (Davies, Finney, & Hartfree, 2016).

The categories through which households pay the poverty premium are directly linked to the financial exclusion definition. It is clear that those on low incomes subject to the poverty premium are not able to access financial products that are useful, affordable or appropriate.

Debt

Financial debt has increased in the UK; driven by an increase in both the levels of debt, and the number of households with debt (Office for National Statistics , 2018). After adjusting for inflation, credit, store and charge card debt increased by £1 billion (4%) from 2016 to 2018. The poorest households are more likely to have financial debt, and this debt is more likely to make up a large proportion of their total wealth. In 2018, the lowest income household's total value of debt was three times the total value of their wealth. From the years 2016 to 2018, 15% of the poorest households had problem debt.

High Cost Short Term Credit (HCSTC), also known as payday loans, have become part of many household's financial management. Changes made by the Financial Conduct Authority to payday loans (including price caps and stronger guidance around credit checks) have decreased the number of payday loans from their highest in 2013 (around 10 million loans per year) to 5.4 million in 2018. They are however, on the increase. The FCA found that those using HCSTC are likely to be overindebted.

Non-Financial Implications

While the effect of financial exclusion on health wellbeing has not been thoroughly researched, there is research that documents the negative impact of debt on an individual's physical and mental health (Sweet, 2013) (Jenkins, 2008) (Drentea, 2000). The view of debt as a personal failure is associated with significantly worse health across a range of measures, including blood pressure, adiposity, self-reported physical and emotional symptoms, depression, anxiety, and perceived stress (Sweet E. , 2018). Poor health related to debt can become a vicious cycle: time off work due to depression or other health problems caused by debt can leave the individual with less money to reduce their debt, which could cause a further deterioration in their health.

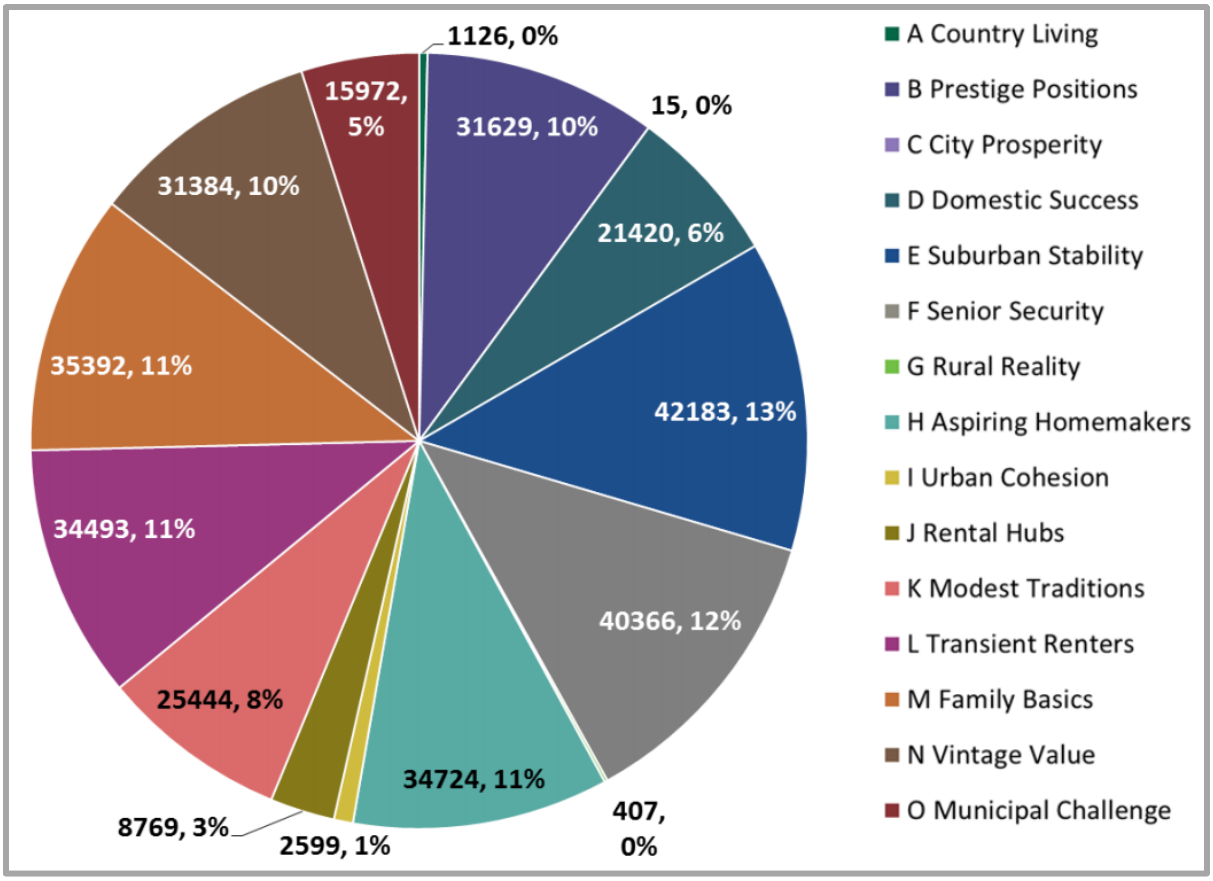
The Wirral Context

17.4% of Wirral residents experience income deprivation. This overall figure however masks the large variation between areas. For example, 58% of residents in Birkenhead East Float face income deprivation compared to 0% in Caldy South. Of the Borough's 206 Lower Super Output areas, 65 are classed as being in the 20% most income deprived in England. 64 of these are in the east of the borough. Low income is the biggest indicator of financial exclusion; using the figure of 17.4% indicates that more than 56,000 residents of the Wirral are at risk.

Other groups at risk of financial exclusion are the unemployed and those with mental health problems. 3.6% of people in Wirral claim benefits principally for the reason of being unemployed. This is slightly higher than the Northwest (3.3%) and higher than England as a whole (2.6%). Again, this figure again masks the large variation in claimants between wards, with 10% of residents in Birkenhead and Tranmere claiming benefits for unemployment compared to 0.8% for Clatterbridge. Residents with mental health conditions account for more than half of the total (52%) of ESA claims. This rate is slightly higher in the more deprived wards, accounting for 60% of claims in Birkenhead and Tranmere.

Mosaic profiling can also be used to estimate the amount of people in Wirral at risk of financial exclusion. Mosaic is a geo-demographic population classification tool. It is constructed from a range of sources including the Census, consumer behaviour, financial data, hospital episode statistics (HES) and lifestyle factor data. The table below gives a short description of Mosaic groups:

Mosaic Group	Short description
A Country Living	Well-off owners in rural locations enjoying the benefits of country life
B Prestige Positions	Established families in large detached homes living upmarket lifestyles
C City Prosperity	High status city dwellers pursuing careers with high rewards
D Domestic Success	Thriving families who are busy bringing up children and following careers
E Suburban Stability	Mature suburban owners living settled lives in mid-range housing
F Senior Security	Older people with assets who are enjoying a comfortable retirement
G Rural Reality	Householders living in inexpensive homes in village communities
H Aspiring Homemakers	Younger households settling down in housing priced within their means
I Urban Cohesion	Residents of settled urban communities with a strong sense of identity
J Rental Hubs	Educated young people privately renting in urban neighbourhoods
K Modest Traditions	Mature homeowners of value homes enjoying stable lifestyles
L Transient Renters	Single people privately renting low cost homes for the short term
M Family Basics	Families with limited resources who have to budget to make ends meet
N Vintage Value	Elderly people reliant on support to meet financial or practical needs
O Municipal Challenge	Urban renters of social housing facing an array of challenges



The following profiles in Wirral are most at risk of financial exclusion, and are concentrated on the east of the borough:

L – Transient Renters: Single people privately renting low cost homes for the short term.

Although this group has an average household income of £20,000 - £29,000, they are young (18-25), private renters with a low length of residence. Having a low length of residence could leave them conditionally excluded from financial products and services by not having proof of address.

M – Family basics: Families with limited resources who have to budget to make ends meet.

Families budgeting to make ends meet are unlikely to have savings, making them vulnerable to financial knocks that could lead them into high cost credit. Low income puts this group at risk of financial exclusion.

N – Vintage Value: Elderly people reliant on support to meet financial or practical needs.

Elderly people that need to support for financial or practical needs will also need support to be financially included. This group may be particularly vulnerable to bank branch closures, as only 30% of people aged 65+ use online banking.

O – Municipal Challenge: Urban renters of social housing facing an array of challenges.

Mosaic data shows that this group is most likely to be unbanked and therefore most at risk of financial exclusion.

Using the mosaic profiles indicates that there are over 117,000 residents of Wirral likely to be at risk of financial exclusion.

Strategic Context

This strategy should be viewed in conjunction with the Community Wealth Building strategy and the Wirral 2025 plan. This strategy supports the Wirral 2025 plan priorities Inclusive Economy and Brighter Futures.

Access to savings products, insurance and affordable credit can help to support the inclusive economy and brighter futures priorities by ensuring that our poorest residents aren’t paying more for goods and services.

This strategy will support brighter futures by ensuring that families have access to financial products and services as well as the financial capability to choose the right products for them. This will contribute to their financial resilience, making sure that families are able to withstand financial knocks such as job loss or burglaries, and be able to access affordable credit if an unexpected expense arises. The Inclusive Economy priority of the Wirral 2025 plan has a focus on building an economy that works for people and place and this cannot be delivered if some of our residents are outside of the financial system.

Financial exclusion reinforces social exclusion. It is not just an individual problem; a whole community can suffer from under-investment in financial services. As such, financial inclusion initiatives can form an important part of regeneration and community wealth building.

Strategic Objectives and Outcomes

1. Support residents find employment in stable, well paid jobs.

Low income and unemployment are by far the biggest indicator of financial exclusion, and so a key strategic objective should be to ensure that residents our residents are in stable, high quality jobs. This is a key target objective of many strategies in the council, including the community wealth building strategy and the Wirral 2025 Plan.

Outcomes

- More residents helped into work.
- More residents earning the real living wage.
- More residents in education, employment or training.

2. Help overindebted residents to overcome their debt and promote responsible borrowing.

Outcomes

- More residents accessing a full range of advice and guidance.
- More residents aware of illegal and high-risk borrowing.
- More residents are aware of the physical and mental health issues related to debt.
- Fewer residents with multiple or problem debt.

3. Improve access to mainstream financial products and services and ensure that residents have the knowledge and confidence to make financial decisions that are right for them.

Outcomes

- More residents have access to basic bank accounts.
- More residents have access to affordable credit options.
- More residents will be saving regularly
- Residents will be more aware of different financial products and services
- Residents will be more confident in making financial decisions

Working in Partnership

There are a number of organisations in the Wirral already working to support residents with financial and debt advice, such as the Wirral Advisory Centre, the Citizens Advice Bureau and Wirral Credit Union. There are health implications to financial exclusion and as such we will work in partnership with Wirral CCG and other health partners to deliver on these outcomes. It is essential that we engage and work with the wider partnership to deliver this strategy to ensure that Wirral is a place where residents have access to the products, services, knowledge and confidence to manage their finances.