

APPENDIX 1



Report to:

- **Safer & Stronger Communities Scrutiny & Policy Development Committee, 3rd December 2015**
- **Economic & Environmental Wellbeing Scrutiny & Policy Development Committee, 16 December 2015**

Report of: Director of Policy, Performance and Communications

Subject: Sheffield Money

Author of Report: Cat Arnold, Policy and Improvement Officer, 34529

Summary:

Sheffield Fairness Commission recognised that Sheffield's residents on low incomes frequently have to pay more for products and services, including for credit, and made recommendations which sought to address this inequality. A new not-for-profit organisation, Sheffield Money, was set up with start-up funding from Sheffield City Council to improve access both to affordable credit and other appropriate financial products.

This report has been requested by the Committee following the 2nd September 2015 Full Council Meeting. It provides the background to the establishment of Sheffield Money as an organisation and provides a report about its progress during the first 6 weeks of trading.

Type of item: The report author should tick the appropriate box

Reviewing of existing policy	
Informing the development of new policy	
Statutory consultation	
Performance / budget monitoring report	
Cabinet request for scrutiny	
Full Council request for scrutiny	
Community Assembly request for scrutiny	
Call-in of Cabinet decision	
Briefing paper for the Scrutiny Committee	x
Other	

The Scrutiny Committee is being asked to:

Note for information.

Background Papers:

List any background documents (e.g. research studies, reports) used to write the report. Remember that by listing documents people could request a copy.

- Non-Key Officer decision report: Allocation of funding to Finance for Sheffield Limited (Sheffield Money), 26 November 2014
- Non-Key Officer decision report: Allocation of additional funding to Finance for Sheffield Limited (Sheffield Money), 26 August 2015
- Fairness Commission Implementation Budget Executive Leader Report, 20th September 2013
- Understanding and tackling high-cost credit problem in Sheffield. Final Report 15th May 2013. John Jeffries and Bill Truin

Category of Report: OPEN

1. Introduction/Context

- 1.1 This report has been requested by the Committee following the 2nd September 2015 Full Council Meeting. It provides the background to the establishment of Sheffield Money as an organisation and provides an initial report of progress from the first 6 weeks of trading.

2. Main body of report, matters for consideration, etc

- 2.1 The independently-chaired Sheffield Fairness Commission's recommendations, published in 2013, included the following: 'the city establish an ethical and affordable loan scheme; work is undertaken into the size and type of the market for affordable credit in Sheffield; the city continues to support the provision of advice; and preventative work to help people manage their money effectively should be supported'.
- 2.2 The Council allocated £1m in its 2013/14 budget to support the implementation of the Commission's recommendations, and a report to the Executive Leader on 20th September 2013 set out a commissioning process for allocating that money which focused on innovation, scale of impact and ability to be self-sustaining in the long term.
- 2.3 An independent report published in May 2013 presented research into the market for high-cost credit in Sheffield and concluded that there is a large and growing non-standard consumer credit market in the city. People who cannot access mainstream credit are paying a significant premium to borrow cash for emergencies or for ordinary household goods. This increases inequalities in the city and it does nothing to help the Sheffield economy, as the money paid on expensive loans goes outside the city.
- 2.4 The independent report proposed an intervention that provides a more affordable alternative that is at sufficient scale to make a difference to the problem and is sustainable over the long term without public subsidy. It proposed the establishment of a new organisation, the potential viability of which was then tested by working into a full business case that recommended the establishment of a sustainable, independent organisation with a core

financial model that does not depend on ongoing financial support from the public sector.

- 2.5 On the basis of this work a new Industrial and Provident Society, Finance for Sheffield Limited (trading as Sheffield Money) was established, with a board chaired by The Very Reverend Peter Bradley and including representatives from Sheffield First Partnership, South Yorkshire Housing and, later, Sheffield Citizens Advice Bureau.
- 2.6 The Sheffield Money model is innovative because it acts as a broker rather than as a provider in itself. This enables it to establish relationships with appropriate partner organisations, both within and outside the city, in order to provide lower-cost loans and other financial products to customers who would otherwise use high-cost credit providers. Sheffield Money focuses on providing excellent customer service and is aiming to provide the quickest service possible within an ethical framework.
- 2.7 Sheffield City Council has provided start-up funding from the Fairness Commission Implementation Fund of £252k. This includes £40k of additional working capital that is to be repaid in the event that the business has become financially self-sustaining and is in a position to repay the amount.
- 2.8 Sheffield Money started trading to the public on 10th September 2015. They business is still establishing itself, but early indications are positive. They had significant publicity both locally and nationally. The highlights included a full-page article in the Guardian Money section, live evening coverage from BBC Look North and very positive coverage locally on BBC Radio Sheffield and in The Star. They have received requests from other local authorities to visit and requests from individuals wanting to buy shares in Sheffield Money.
- 2.7 They have established partnerships so far with: Five Lamps, a well-established Community Development Finance Initiative based in the North-East, Sheffield Credit Union, Transave Credit Union, Ffrees (an ethical company that provides current-account type products) and an organisation that supplies white goods. Their customers can access their services via a city centre shop, website and phone line. They work with Money Advice Service and Advice Sheffield.
- 2.8 Sheffield Money aims to be sustainable in the long-term by collecting a levy from some or all of their partner organisations to cover their costs in referring customers. This levy is not passed on to customers.
- 2.9 Sheffield Money is also exploring other sources of income to work towards sustainability. This includes a successful application the Key Fund for a long-term loan and developing a model that can be franchised out to other areas, to capitalise on the very great interest that there has been from other parts of the country.
- 2.10 They have expanded their Board to include members with an expertise in accountancy and legal matters. They have also commissioned a bespoke Customer Relationship Management system in order to help them analyse and

understand the makeup of their customers. It will also allow them to operate some automatically generated reminders for customers for budgeting appointments and help ensure customer satisfaction.

2.11 Between 10 September and 30 October, the following statistics were available from the first 6-monthly monitoring report that is submitted by Sheffield Money to the Policy, Performance and Communications Service, Sheffield City Council:

- Loans: 575 loan quotes and 283 customers who went on to make a full loan application. The loan conversion rate is not available for this report for commercial reasons.
- Current Accounts: 18 applications completed (3 in store, 15 online) and 12 accounts issued - 66% conversion rate to date, although there is a delay between applications completed and accounts issued due to confirmation of identity.
- Advice Referrals:
 - Customers who have been officially referred to other organisations and services: Money Advice: 6 appointments; Sheffield CAB: 8 appointments; Food banks: 3 referrals; Electoral Roll: 3 signed up.
 - Sheffield Money frequently give information for relevant services such as CAB, Step Change, food banks, local assistance scheme, housing solutions, etc, and informally recommend that they contact organisations directly. Anecdotal evidence suggests that they have done this over 50 times.
 - In addition to this every declined application customer is contacted with the offer of money advice.

3 What does this mean for the people of Sheffield?

3.1 Work done by the Sheffield Fairness Commission and elsewhere has highlighted that people on lower incomes often pay more for their services than those on higher incomes. This is particularly noticeable in the case of credit. Those on low incomes are less likely to have savings, less likely to have access to mainstream banking and are therefore more likely to have to rely on commercial doorstep or payday lenders in order to borrow the money to fund unexpected expenses. These commercial lenders charge high rates of interest and frequently encourage their customers to become more and more reliant on them.

3.2 Sheffield Money provides access to credit at a lower cost than commercial lenders. It also provides support to customers to help them manage their money and move towards mainstream financial services, and keep money in the local economy.

4. Recommendation

4.1 The Committee is asked to note the contents of this report for information.