Working together for clients

Annual Report and Accounts 2022

Contents

Overview

Chair's statement

In January this year StepChange celebrated its 30th birthday. At a very special event to mark the occasion, I noted that, despite its best endeavours, StepChange had not yet fulfilled its mission of eliminating problem debt.

Not for lack of trying I hastened to add, and speculated that we may have to be around for at least another thirty years to keep helping people whose lives are in danger of being wrecked by excessive debts.

Last year started with a degree of optimism as lock downs were lifted, swiftly to be replaced by concerns over the war in Ukraine, the consequential spike in energy prices and the emergence of the cost of living crisis. Crisis is perhaps a word overused these days to attract media attention, and it is true that for many people a modest cut in their standard of living is more a cause for worrying and some belt tightening rather than anything more dramatic.

But not so for the people that StepChange helps, for them the crisis is very real. Both existing clients on a repayment plan that is no longer affordable and new clients who have been tipped over the edge by the inflationary spike need our help as much if not more so than ever before. We are a major "A & E" hub of the nation's problem debt support system, and proud to be so.

The rest of this report, and its sister publication our Impact Report, sets out in more detail what we achieved last year. We reached a total of 2.8 million people in one way or another, provided 167,351 with full debt advice and a proposed solution. We had 177,539 clients on active solutions at the end of 2022. I am enormously grateful to our people for making it all possible and especially admire the skills it takes to be a good adviser.

The Money and Pension Service have decided not to support us financially going forward, which inevitably will present us with some capacity challenges as demand for our service rises in response to the economic environment. So I am doubly indebted to our private sector funders for their stalwart support last year and, I very much hope, in the future. We have bold plans to further improve our processes, which together with our previous investment in our online capability should make possible our ambition of looking after more people in 2023 and beyond.

Finally, a special word of thanks to Phil Andrew, our Chief Executive for the last five years who is due to leave us shortly. He has done a terrific job, not least steering us through the coronavirus pandemic and we wish him well for the future. I am also delighted to welcome Vikki Brownridge as his successor.

John Griffith-Jones
Chair

CEO's statement

I can't remember the last time a StepChange Annual Report was not prefaced in some way by noting what an unusual, unsettling and unexpected year we've had.

And 2022 was no different. It was quite the rollercoaster, and in many ways, a momentous year.

As we emerged from the restrictions of the pandemic many people were looking forward to a return to some sort of normality. However, we were soon hit with a cost of living crisis, putting additional pressure on recovering household finances.

The price of food and other every day essentials increased at alarming rates, and the price of our energy bills soared to unprecedented levels. From a price cap of some £900 in March of 2021, many households began facing bills of thousands and thousands of pounds – even after costly government interventions.

It is against this backdrop that StepChange worked tirelessly to support those struggling with their finances and trying to balance problem debt.

While demand didn't return to pre-pandemic levels, we were able to provide 167,351 clients with full debt advice, an increase in comparison to 2021. In addition, we were able to help 44,716 clients access a debt solution, a 16% increase on 2021, and we saw 25,516 clients become free from problem debt, also an increase in comparison to the previous year.

Many told us how they had been just about managing – struggling by every month – but that price rises had made their situation unsustainable.

Perhaps unsurprisingly, the cost of living crisis was cited as the number one reason – rising to 22% of our clients completing first time debt advice – for falling into problem debt. For the first time in the charity's history the top referrers – those organisations who signpost their clients to us – were utility providers.

We know that the complexity and difficulty of our clients' financial problems has only increased, making our amazing advisors' jobs all the more challenging. And of course, we know that they are not immune themselves from the financial pressures being felt by millions of people across the UK.

This makes the achievements set out in this Annual Report all the more impressive. Every single day, the dedication and commitment of our colleagues never fails to astound me. They constantly go the extra mile to support our clients and to provide that little bit of extra help.

I've no doubt that 2023 will be equally, if not more challenging, as we evolve our processes and controls to suit changing client needs and consumer duty obligations. Changes to the way the sector is funded will bring their own demands, requiring us to shift our funding model by pivoting our strategy and services to support the clients we are funded for.

In addition, the ongoing cost of living crisis will also continue to have a significant impact on a broader range of people across the UK. We will need to step up to ensure that we can support as many people as possible.

We'll need to be more creative and efficient than ever to ensure we can help those who need us. But I know every single one of our colleagues is up to the challenge.

So thank you to them. And thank you to every partner, funder and supporter who worked with us to make 2022 possible.

I will be leaving StepChange and my role of Chief Executive in Spring 2023. It has been the privilege of my life to lead this remarkable organisation and such a group of talented and dedicated colleagues. I am delighted that Vikki Brownridge has been appointed as my replacement and I have no doubt she will do a fantastic job at a time when StepChange is needed more than ever. I will be wishing her well and cheering you all on in your vital mission.

Phil Andrew
Chief Executive Officer

Impact Report

£144
cost per client helped

New measure for 2022.

-4.8%
2.8 million
clients reached in total

The number of people who have used our website to obtain help with their debts or called our helpline for information or support with their money or problem debt.

-7.4%
311,870
clients guided

The number of people who've used a StepChange money guidance or advice tool to support them with budgeting, income or to identify what support they'll need with problem debt.

+6%
167,351
clients advised

The number of people who have completed full debt advice or received emergency advice or support.

+15.7%
44,716
clients supported

The number of clients starting a solution managed by StepChange.

-7.6%
£371m
of debt was repaid by clients

+4.3%
25,516
clients became problem debt free with our support

Our strategic objectives

We took some good steps forward in 2022 to achieve the strategic objectives set out in our strategy Stepping Forward In A Changing World.

Against our objectives, we:

Objective 1: Our clients and their needs at the heart of everything we do

- Provided full debt advice to an increased number of clients and saw a significant uplift in the number of clients free from problem debt
- Developed deeper insight into the experiences of consumers and clients to shape our services

Objective 2: Empowering our people and developing their skills

- Developed bespoke leadership training rolled out across all levels of management within the charity
- Launched our new Equality, Diversity and Inclusion strategy

Objective 3: Adapting to a new funding world

- Responded to the outcome of the Money and Pensions Service commissioning process by working closely with our partners and securing donations
- Delivered ongoing and increasing efficiencies in our client facing operations

Objective 4: Working with our partners

- Continued to expand our partnerships across a range of sectors
- Launched three new service pilots with our partners

Objective 5: Campaigning to stop people falling into problem debt

- Continued to campaign for targeted support for lower income households during the cost of living crisis, and to address challenges in the IVA and credit markets
- Launched 15 major reports and consultation responses

For a full account of our achievements in 2022 read our full Impact Report

Trustees' report

Our priorities for 2023-24

The last few years has been tumultuous for us all. The global pandemic led to widespread disruptions and severe impacts on public health, as well as family finances. As we emerged from lockdowns and restrictions, what many hoped would be a return to normal instead became a once in a generation cost of living crisis, exacerbated by war in Europe.

StepChange is not immune from these unique pressures. Those factors, combined with the loss of funding for general debt advice and the provision of Debt Relief Orders from the Money and Pension Service, has had a material impact on our future plans and ways of working.

Thankfully, StepChange remains in a strong position to help, and to support more people who need our help and to weather any storms in a period of economic uncertainty.

In this section we outline some of the key activities we'll be undertaking in the next 12 months and beyond. This is with the aim to maintain our financial health and stability.

Helping clients

We'll retain our focus on delivering excellent debt advice and outcomes for our clients at a time of increasing demand. Through increasing efficiency we aim to be able to help more people through full debt advice – with a target to help 173,000 through full debt advice in 2023. We will also continue our focus on better understanding client need and expectations throughout the advice journey. In addition, through greater use of client panels and insights, we will continue improving the debt advice journey.

Consumer Duty

2023 will see the implementation of the new Financial Conduct Authority ("FCA") Consumer Duty. The new regulations put a strong responsibility on all financial services to ensure they are effectively considering client outcomes across all products and services they offer. StepChange warmly welcomes the introduction of the Consumer Duty as a significant step towards effectively protecting vulnerable customers. We are working hard to ensure that new Consumer Duty expectations are incorporated in all of our work. This includes undertaking significant work to review our processes and communications to ensure they effectively support all clients.

Back Office Optimisation

A vital part of our investment and drive to be more efficient in 2023 will be overhauling our 'back office' legacy systems. These systems, which enable us to set up debt solutions and maintain clients on plans, will be replaced with new technology and tools, meaning we can work far more seamlessly and efficiently. This will help the charity, our clients and our partners. We aim to be delivering benefits from this investment within 2023 and to an even greater extent in 2024.

Financial stability

A key focus for StepChange in 2023 will be ensuring we maintain strong finances and as well as drive for further efficiencies. We are committed to maintaining our financial strength throughout 2023 whilst also investing in new technology to help clients more efficiently. This will allow us to maintain sufficient funds to provide stability and security during a period of acute economic uncertainty.

Efficiencies

As part of our ongoing drive to be the most efficient and effective provider of debt advice in the country, we need to be clearer about which clients we are best placed to help. In addition, we need to be clear about how we work with other partner in the sector to ensure those in financial difficulties can access holistic support. In 2023 we will be making changes to our client journey which will make it clear that we will focus help on clients with one or more unsecured debt to go through full debt advice. Wider support and guidance will still remain available to all, but we recognise where our expertise can best support client needs. We will work with key partners across the sector, like Citizens Advice and the Money Advice Trust, to ensure seamless referral routes for some of our clients who need support with issues like energy arrears.

A future funding model fit for purpose

For many years the debt advice sector has talked about the need for a comprehensive review of its funding model. Starting with the Wyman Review in 2018 and even further back, we and others across the industry have recognised that how the sector is funded does not enable us to invest in new technology to support clients. In addition, it does not fund support for some clients in financial difficulty. This includes those with negative budgets or those who need more holistic support and advocacy. In 2023 we want to lead the sector conversation on what an effective, efficient and deliverable funding model can look like that supports all of those struggling with their finances to access the help they need.

Support our colleagues

Providing debt advice is a rewarding but challenging role. All of our colleagues, from those working on the frontline to those supporting in enabling functions, work tirelessly every single day to do their best for our clients. As an employer we will continue to support colleagues to develop and have successful careers at StepChange. We recognise the additional pressures that all colleagues are feeling not just from supporting our clients, but from worrying about the impact of cost of living crisis on their own family finances. We will continue to invest in our colleagues pay and reward package, as well as ensuring access to training and development opportunities to colleagues at all levels.

Embed a new risk and compliance framework across the organisation

A key part of ensuring we are effectively delivering for clients is being able to properly manage any risks that the charity faces. This year we will finalise the embedding of a new Risk Framework that will enable colleagues to better understand - and manage - the challenges we face, and to more effectively put in place mitigations to ensure we are always delivering our best for clients.

Structure, governance and management

Structure and management

Foundation for Credit Counselling ("the charity"), which trades under the name StepChange Debt Charity, is a company limited by guarantee and is registered as a charity (no. 1016630 in England and Wales, and SC046263 in Scotland and 20104887 in Ireland).

The charity is authorised and regulated by the Financial Conduct Authority (FCA no 729047) to provide debt adjusting and debt counselling services. It is permitted to hold client money as a not-for-profit firm and holds limited permission under the FCA Handbook within its flexible firm portfolio.

Consumer Credit Counselling Service (Equity Release) Ltd is separately authorised and regulated by the Financial Conduct Authority (FCA no 517674) to advise and arrange home reversion plans and mortgage contracts.

Both the charity and Consumer Credit Counselling Service (Equity Release) Ltd fall under the FCA's Senior Managers & Certification Regime for solo-regulated consumer credit firms, as 'limited' and 'core' firms respectively. Appropriate arrangements are in place to ensure both entities comply with the requirements of the regime.

Consumer Credit Counselling Service (Voluntary Arrangements) Ltd employ Insolvency Practitioners that are licensed and authorised by the Insolvency Practitioners Association ("IPA").

Board of Trustees

The charity is governed by a Board of Trustees ("the Board") and currently consists of eight trustees. In 2022, there were three resignations, and as part of the Board's succession planning, recruitment of up to four new trustees is scheduled for 2023.

For the purposes of company law, all trustees are treated as directors of the charity. Trustees have a duty to act in the best interest of the charity, and must not place themselves in a position where they have, or may have, direct or indirect interests that conflicts with their duties as a trustee. As such, the charity has a Trustee Conflict of Interest Policy in place, which sets out guidelines and procedures for identifying, monitoring and managing actual and potential conflicts of interest. A register of trustees' external interests is maintained, and reviewed annually by the Board, with interim updates presented at Board meetings whenever amendments or additions are made. There is a standing agenda item at each trustee meeting requiring those present to declare any conflicts of interests relating to matters to be discussed at the meeting. Trustees and members of the Executive team sign an annual declaration to review the accuracy of their register of interests.

The Board has a Schedule of Matters Reserved and is responsible for setting the group's strategic direction, overseeing governance and risk, setting budgets and ensuring that the charity achieves its objectives and complies with its legal and regulatory obligations. Some specific duties of the Board are delegated to the Audit and Risk Committee, and the Nomination and Remuneration Committee, with the day to day running of the charity managed by the Executive team.

The Board held five full meetings during 2022, as well as strategic planning days and a number of additional shorter meetings held on specific subject areas throughout the year.

On behalf of the Board, the Nomination and Remuneration Committee oversees arrangements for a Board Effectiveness review process, to periodically review the collective performance of the Board and its Committees. In 2022, an externally facilitated review exercise took place, with positive outcomes overall and with a number of helpful recommendations to further strengthen Board effectiveness. In addition, the Chair has annual discussions with individual trustees to review their performance and contribution to the Board; the performance of the Chair is reviewed annually by the Senior Independent Director.

Trustee induction

The induction of new trustees is facilitated by the Company Secretariat function. Trustees receive a comprehensive induction pack providing reference information covering the background of the charity, its structure and status, its method of operation, its finances and the environment in which it operates. Trustees have access to the charity's Board Portal which contains past Board and committee meeting packs, policies, and strategy documents. Governance information is provided via the Charity Governance Code and key Charity Commission guidance including "The Essential Trustee", and the NCVO's online training session on trustee roles and responsibilities. The trustee induction programme also involves meetings with managers across the different functions of the charity, as well as client call listening and other observation sessions with front line operations colleagues. Additional tailored induction sessions are arranged for individual trustees as required. For 2023, a new trustee mentoring system will be put in place for those joining the Board in their first trustee role.

Trustee term of duty

New trustees are initially elected for a term of three years, which may be extended for a further three years upon approval by the Board. A trustee may in exceptional circumstances be appointed for a third three-year term where the Board determines that it is in the best interest of the charity, and in line with agreed criteria for such an extended term.

Trustees, with the exception of the Chair of the Board, receive no remuneration for their services, but are entitled to receive reasonable expenses when costs are incurred as a result of carrying out their normal duties and responsibilities. Third-party indemnity provision is in place for the benefit of all trustees.

Committee structure

The Board has two specialist committees to assist it with its work – Audit and Risk, and Nomination and Remuneration – which have specific responsibilities as outlined below. The Board made changes to its committee structure with effect from November 2022, when the previously separate Nomination Committee and Remuneration Committee were merged in view of a number of areas of overlap in their roles and responsibilities.

Trustees may be invited to serve on one or more Board committees. Executive team members attend Board and committee meetings by invitation. Committee membership details are shown in the table on page 18. The Chair of each committee reports back to the Board at its next formal meeting and minutes of committee meetings are circulated to all trustees.

Audit and Risk Committee

The Audit and Risk Committee's purpose is to provide assurance to the Board that the group as a whole has an effective system of internal controls, risk management, and financial reporting, including oversight of internal and external audit processes. The areas covered within the Committee's terms of reference include: financial reporting; internal controls and risk management systems; financial crime, whistle blowing and anti-bribery; internal audit; and external audit. The Committee met six times in 2022.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee's purpose is to provide oversight of trustee and executive appointments, remuneration, and organisational culture arrangements. The areas covered within the Committee's terms of reference include: Board and Committee composition; selection processes for trustees and the executive; succession planning; Board, trustee and executive performance; the overall rewards and recognition framework; equality, diversity and inclusion; contractual arrangements for the executive team; and the review of remuneration trends and market analyses. During the year and prior to merger, the previously separate Nomination Committee met once and the Remuneration Committee met three times, with one further meeting of the merged Committee held in 2022.

Executive

The Executive team manages the charity's daily activities. Responsibilities are governed through formally minuted monthly meetings of the Executive Board and Change Board, and quarterly meetings of the Executive Risk and Conduct Committee.

The Executive Board provides focus on strategy and planning, day-to-day oversight and management of the operations of the charity, including financial and colleague performance management, service delivery and operational volumes. It develops business plans, policies, procedures and budgets for presentation to the Board of Trustees and has responsibility for implementation when Trustee Board approval is received and ensuring the effective delivery of the Charity's purpose, strategy and objectives.

The Change Board is responsible for establishing, maintaining and reviewing the charity's Strategic Change Roadmap. This includes considering and approving new projects / programme requests; directing the progress of the overall Change Portfolio; and leading and supporting the development of the Change Management Framework.

The Executive Risk and Conduct Committee provides oversight of the risk, compliance, audit and control framework for the Charity, and informs the Executive of material risks, breaches or operational failures to enable timely escalation to the Board and the Audit and Risk Committee. The areas covered within its terms of reference include risk management; compliance; information security and data protection; client money; financial crime; health and safety; and internal audit.

Charity Governance Code

The charity's governance framework aims to be in alignment with the principles of the 'Charity Governance Code for Larger Charities'. The Code's seven principles cover organisational purpose; leadership; integrity; decision making, risk and control; board effectiveness; equality, diversity and inclusion; and openness and transparency. The charity is committed to maintaining the highest standards of governance and uses the Code as a practical point of reference to drive a process of continual improvement built upon the Code's principles, key outcomes, and recommended practice.

The Board effectiveness review undertaken by an external third-party in 2022 included a positive assessment of the charity's performance against the Code principles, with an action plan in place to implement the recommendations of the review to further strengthen governance systems and Board practices.

Equality, Diversity and Inclusion

The Board of Trustees recognises that becoming a diverse and inclusive organisation will enable the charity to attract, retain and develop the best talent, better support innovation, enhance our brand and reputation, and meet an increasing regulatory focus, as well as being critically important for both our clients and our colleagues as well as wider stakeholder relationships. StepChange takes full and fair consideration of applications for employment made by disabled persons, having regard to their particular aptitudes and abilities whilst also investing in the relevant training, career development and promotion of disabled persons, whether the employee or applicant has become disabled whilst being employed at StepChange or not.

The Board therefore welcomed the publication in July 2022 of the Stepping Up to Equality, Diversity & Inclusion (EDI) Strategy, the charity's first ever formal EDI strategy, which lays foundations for future development and underpins the overarching organisational strategy. Key principles to form the foundation of the strategy were agreed and, in conjunction with the outcomes of an EDI colleague survey and a series of listening sessions with volunteers from across the organisation, have informed the strategy's contents. The strategy was also developed in line with the EDI principle of the Charity Governance Code.

Alongside the development of the strategy, a clear roadmap for implementation was put in place, significant progress against which was made in 2022, and focussing initially on improving our organisational culture to provide an even better service for our clients. EDI education has been embedded into our recruitment and leadership training programmes, work commenced on the design and implementation of a new inclusive recruitment process, and a completely rewritten EDI Policy was approved. As a result, the Board were pleased to see that the 2022 engagement survey outcome in relation to colleagues' experience as positive for belonging increased by 10 percentage points since 2021.

Within its own practice, the Board recognises the value of a diverse group of trustees, with a broad range of experience, skills, background, and perspectives, in its aim to improve its own effectiveness and ensure balanced decision-making. The Nomination and Remuneration Committee regularly carries out an audit of skills, experience and diversity of trustees to identify gaps, and to inform trustee recruitment and training. When recruiting new trustees, the Committee considers how best to attract a diverse pool of candidates, and where and how trustee vacancies are publicised.

The Board's diversity audit undertaken in 2022, as well as recommendations from the 2022 externally facilitated Board effectiveness review, highlighted a need to focus on appointing trustees who could bring greater diversity of backgrounds, perspectives and experience. As a result, the 2023 trustee recruitment exercise will aim to attract candidates with lived experience in relation to problem debt.

Remuneration of Senior Employees

The charity has a Pay Policy which applies to all employees, and is regularly reviewed by the Nomination and Remuneration Committee and approved by the Board. A Total Reward Strategy is also in place, the overriding principle of which is for the charity's total reward offering to be competitive, fair and sustainable. The principles guiding the charity's pay management approach include basic pay reflecting a colleague's skills, competence and capability to perform their role, and with all roles aligned to a pay range built around market median pay levels. The Pay Policy reflects the current approach to pay and rewards introduced by the strategy, and clarifies how pay will be benchmarked and managed, and includes annual pay review, development reviews and the use of in-role development frameworks to reflect the development of skills and knowledge.

The Nomination and Remuneration Committee determines the remuneration of the Chief Executive and the Executive team, in line with the Pay Policy. Executive appointments are subject to fair and open competition, with salary levels determined by benchmarking and set at advertising stage. The remuneration of the Chief Executive and the range of salaries for other members of the Executive team are published in the financial section of the annual report.

Trustees' report

Board as at 25 April 2023		Delegated Board Committees		Operating Subsidiaries Boards
Trustees	Year of appointment	Audit and Risk	Nomination and Remuneration	
John Griffith-Jones (Chair of the Board)	2019		Member	
Nick Caplan	2019	Member		
Helen Dean CBE	2019		Chair	
Tim Frost	2017	Chair		
Yvonne MacDermid OBE	2021			Director
Chris Stern (Senior Independent Director)	2016	Member	Member	
Lesley Titcomb CBE	2019	Member		
Chris Wood	2021		Member	

Andy Hill resigned at the end of his second term of office with effect from 1 July 2022
Josh Bell resigned from with effect from 31 May 2022
Monica Kalia resigned with effect from 22 July 2022

The trustees at 25 April 2023 are listed below:

John Griffith-Jones

John was appointed Chair of StepChange Debt Charity in 2019. He is also a member of the Nomination and Remuneration Committee. He served as the inaugural Chair of the Financial Conduct Authority from 2013 to 2018, during which time the FCA took on responsibility for regulating consumer credit.

Previously, John had a career at KPMG, culminating in him becoming their UK Chairman and Senior Partner, and also Chairman of their European, Middle East and Africa region.

John is currently a Governor of Brentwood School, and is a trustee of the Rifles Volunteer Trust. He is also a Deputy Lieutenant in Essex. John was formerly Vice Chairman of the National Numeracy Trust.

John studied Economics at Trinity Hall, Cambridge. He is a chartered accountant and he was an officer in the Territorial Army for 14 years.

Nick Caplan

Nick joined the Board in 2019. He is a member of the Audit and Risk Committee. Nick brings technology, strategy and operational experience from a broad range of sectors. Most recently he co-founded Ordo which provides an open banking payments platform to help people gain better control of their payments.

Nick is a director of Vitality Life and Health and Chair of AND Digital and Pay Later Group. Significant prior roles included Chair of Faster Payments, a key part of the UK's payments infrastructure; Chair of MyCSP a public sector pensions administrator and an executive director of Logica, a major IT services company.

Helen Dean CBE

Helen joined the StepChange Board in 2019 and is Chair of the Nomination and Remuneration Committee, and the Board Champion for Equality, Diversity & Inclusion.

She has a strong background and long-standing interest in addressing financial inequalities and promoting financial resilience. Working in the Department for Work & Pensions, she was one of the architects of the UK's automatic enrolment programme and a leading figure in establishing the National Employment Savings Trust ("NEST"). Since 2015 Helen has been the CEO of NEST, with over 10 million members, now the largest pension scheme by membership, in the UK.

Helen is also a member of the Council of Scholar Advisors, Centre for Recruitment Initiatives, Georgetown University in Washington, a Governor of the Pensions Policy Institute UK and a member of the Advisory Board to the Money and Pensions Service.

Helen was awarded a CBE in the 2021 New Year Honours list for her services to pension saving.

Tim Frost

Tim joined the StepChange Board in 2017 and is Chair of the Audit and Risk Committee.

He is the Chair of Polus Capital, Chair of the risk committee of UK Export Finance and an Emeritus Governor of the London School of Economics. Before Polus Tim worked in a series of trading and management positions at JP Morgan, and was a director of the Bank of England. He started work as an officer in the British Army serving in Germany and in the Falkland Islands.

Yvonne MacDermid OBE

Yvonne joined the StepChange Board in 2021. She is also a Non-Executive Director of the charity's two trading subsidiaries, CCCS Equity Release Ltd and CCCS Voluntary Arrangements Ltd.

She has been involved in credit and debt matters for 35 years, and stood down in 2021 after almost 24 years as Chief Executive of Money Advice Scotland. Yvonne is passionate about the provision of debt advice and financial education, and treating customers fairly. Given the current economic and cost of living crisis, she is particularly concerned about how we ensure vulnerable consumers are not left out in the cold.

Yvonne is a Non-Executive Board member and director sitting on four Boards from across the public, private and voluntary sectors, including the Credit Services Association and its subsidiary, and The Scottish Rail Preservation Society. She is also trustee of Pollok Credit Union.

In 2002 Yvonne received the OBE for services to disadvantaged communities, and in 2018 she was awarded the inaugural "Women in Credit" Lifetime Achievement Award.

Chris Stern

Chris Stern, FCCA FCMI, was appointed to the Board in 2016. He is Senior Independent Director at StepChange and is a member of the Audit and Risk Committee. He has significant Financial Services and Customer Service experience gained across a range of roles and sectors in both senior Executive and Non-Executive roles. In addition to his role at StepChange, he is also a Senior Pension Trustee on the Centrica Engineers Pension Scheme. He also holds a number of trustee positions with the youth charity YMCA, and is on the boards of National YMCA E&W, and St Paul's Group.

Chris previously held a number of senior Executive and Non Executive positions within the Centrica Group. These include Chairman of British Gas Insurance and British Gas Finance Ltd (A regulated Consumer Credit provider) and NED of British Gas Services (a regulated Financial Service intermediary) and Finance Director roles within the Financial Services, Customer and Retail Services, and Automotive sectors.

Chris is a qualified accountant and a Lay Minister within the Church of England.

Lesley Titcomb CBE

Lesley joined the StepChange Board in 2019. She is the Board Champion for Consumer Duty and is a member of the Audit and Risk Committee.

She is an independent non-executive director of National Bank of Kuwait International and of Pay. UK. She is also a Governor of the University of Hertfordshire. She was previously Chief Executive of The Pensions Regulator.

Lesley has worked in many different roles in financial services regulation since 1992 and before joining TPR was Chief Operating Officer of the FCA from 2010 to 2015. She is also a qualified Chartered Accountant.

Chris Wood

Chris joined the Board in 2021. He is a member of the Nomination and Remuneration Committee. He has significant Financial Services, Lending and Payments experience, and is a qualified chartered accountant.

For the last two years Chris has led the Worldpay from FIS SMB business in the UK, Ireland and for the direct channels in the US.

Prior to WorldPay he ran scale businesses and functions for Barclays and Barclaycard in the UK, Europe and North America, and he had extensive experience in both Executive and Non-Executive roles. Chris' career started as a consultant for Accenture with clients in Europe, North America and Australasia where he specialised in Financial Services and Comms / Hi-tech.

Executive team

Phil Andrew – Chief Executive

Phil has over 30 years' varied experience as Chair, CEO, CFO, NED and Treasurer in government owned organisations, blue-chip companies and charities in the UK, Ireland, Russia, France and the Far East.

Phil is a Chartered Accountant, qualified treasurer and Chartered Marketer.

Prior to joining StepChange in 2017, Phil was CEO of Working Links and prior to this CFO, Sodexo UK & Ireland and CEO, Sodexo Justice Services.

Over the last 15 years he has specialised in environments where social good is the primary objective but in environments requiring very high levels of commercial efficiency.

Phil is Vice-Chair of Raven Housing Association and Chair of the Marketors Trust.

Gail Arkle – Director of Client Experience

Gail leads the charity's Client Experience directorate, which covers the marketing, strategic relationships, business development and client journey functions.

With over 23 years' experience working across both B-2-C and B-2-B audiences, she has successfully led Marketing and Business Development teams across a number of sectors, in the delivery of corporate and commercial strategies. Most notably, in leadership roles bidding for and delivering services to the public and charitable sectors.

She is a Fellow of the Chartered Institute of Marketing.

Richard Britten – Director of Finance

Richard provides strategic and financial leadership to ensure that the charity's financial objectives are met. He's a Chartered Accountant having qualified at EY in London.

Richard brings a wealth of commercial financial management experience gained in regulated financial services at Mitchell Farrar Group and Provident Financial plc as well as previously at Enterprise Oil plc.

Vikki Brownridge – Director of Operations

Vikki leads the charity's operational teams who provide debt advice and ongoing solution service provision for our clients across a number of sites and all jurisdictions in the UK.

She has worked at the charity for over 17 years and has held a number of senior leadership positions including Head of Debt Advice and Director of Client Experience where she was responsible for the charity's strategic relationships and funding.

Vikki is also a trustee of Frank Parkinson Yorkshire Trust, a local Leeds based charity that provides Almhouses for residents over the age of 65.

Earlier in her career Vikki held leadership positions within outsourced providers and financial services organisations.

Sian Evans – Director of People and Culture

Sian started her career in Human Resources at Morrison's Supermarkets in 1990. Her experience spans a wide range of industries including roles at Ciba Specialty Chemicals, Redcats UK, Callcredit Information Group where she was Group HR Director from 2008 to 2011.

From 2011 until 2013, Sian ran an HR business providing consultancy services to the professional services and logistics sectors. Sian joined us from Severfield Plc where she was Group HR Director.

She is a fellow of the Chartered Institute of Personnel and Development.

In addition, Sian volunteers her time as a trustee for Northpoint Wellbeing, a mental health charity that provides talking therapies to adults and young people living in Yorkshire.

Richard Lane – Director of External Affairs and Operating Subsidiaries

Richard leads the charity's External Affairs department, which covers our policy, campaigning, internal communications and media functions.

He also oversees StepChange's two operating subsidiaries – StepChange Financial Solutions and StepChange Voluntary Arrangements.

Richard has worked across the charity sector in a number of roles, notably leading the communications and campaigns teams at the national disability charity, Scope, and working on campaigns and public affairs at the LGBT charity Stonewall.

Ian Phillips – Director of Risk and Compliance

Ian joined StepChange in 2021, having worked in the regulated Financial Services Industry for over 25 years, across a range of regional, national, and international firms of various sizes, including 13 years in various parts of Lloyds Banking Group.

Since 2020, Ian has also successfully co-led the UK Finance Vulnerability Academy, driving thought leadership, and supporting over 150 strategic leaders to date, from across the financial services, utilities, communications, and other sectors, in understanding the requirements of embedding consumer vulnerability, and good consumer outcomes in general, throughout the culture, policies, and relevant customer journeys of their organisations.

Ian is also an adviser to the Board of Surviving Economic Abuse, the UK's only charity dedicated to raising awareness of and transforming responses to economic abuse, is a Parish Councillor and is Chair of Trustees of a small charity which supports provision of educational and cultural initiatives in the local community.

Charlotte Chambers – Chief Technology and Information Officer*

Charlotte Chambers is an accomplished technology professional, with 20+ years of service and operational experience across multiple sectors.

Charlotte has experience working in several different sectors, including 12 years in retail. Charlotte has a proven track record in building high performing teams, is passionate about colleague development, and leads the women in leadership programme across Asda Technology.

Charlotte has successfully led service and programme delivery across multiple application and infrastructure platforms, including multiple transformation programmes, delivering service improvement, quality, and efficiencies. Charlotte has led on one of the largest eCommerce technology transformation programmes in Europe, following Asda's divesture from Walmart, with her remit spanning all of eCommerce Technology for Asda. Charlotte is also a mum of 3, and lives in the North East with her family.

*Charlotte joined StepChange in March 2023

Charitable purposes and the public benefit

Trustees confirm that they have had regard to the Charity Commission's guidance on public benefit in reporting on the charity's objectives and achievements (on pages 8 to 9), in its planning activities, and when setting policies and priorities for the year ahead.

The Board reviews the charity's strategic aims and objectives each year to ensure they remain focused on its charitable purposes. The charitable purposes are also reviewed periodically alongside the external environment in which the charity works, to make sure that StepChange and its purposes stay relevant and valid.

These charitable purposes, according to definitions within the Charities Act 2011 and set out in the charity's Articles of Association are (i) the prevention or relief of poverty amongst persons who are in debt, and (ii) to advance the education of the public in general (and particularly amongst persons in debt or at risk of falling into debt) on the subject of financial budgeting, financial products and financial services.

Section 172(1) Statement

The Trustees, as company directors of StepChange, must act in accordance with a set of general duties as detailed in Section 172 of the Companies Act 2006, which includes a duty to promote the success of the company, and in doing so have regard to;

a. Consequences of any decision in the long term

Trustees developed StepChange's priorities (page 12 of this report) as part of a long-term strategy to eradicate problem debt in the UK. The needs of our clients and those of our other key stakeholders form the bedrock of our strategic plans. Trustees routinely review the external landscape, including the political environment, and seek and evaluate feedback from our various stakeholders, to ensure that our plans are adapted, as necessary, to meet changing circumstances. Trustees keep under review the charity's principal risks and opportunities, consider emerging risks and ensure that our plans are adapted in response as appropriate. More information on our risks can be found on pages 33 to 37 of this report.

b. Charity's colleague's interests

Our people are crucial to our success. Trustees consider and protect the interests of our colleagues to support StepChange's on-going success. Trustees and Executive Management ensure, through regular colleague engagement, that we maintain an understanding of their needs to inform our strategy and aims. Our decision-making processes consider the impact of potential decisions on our colleagues. For example, all colleagues whose roles can be performed from home were consulted to inform our hybrid working policy.

We regularly consult with our joint consultative committee that is formed from elected colleague representatives on key aspects of business planning. For example, we discussed our annual wage review proposals at an early stage with them before confirming our approach Our employee strategy reflects concerns raised by employees as well as feedback from all colleague meetings. In response to concerns raised by colleagues we added courses to support wellbeing, stress management and financial management to our e-learning platform, and our Employee Assistance Programme is available to all staff including access to free counselling sessions.

c. Fostering the charity's business relationships with clients, suppliers and others

Engagement with our clients is essential to ensure we understand and meet their needs. Executive Management regularly seeks and evaluates feedback from market research and client surveys. We are thus able to build a detailed picture of how StepChange's output is received by different client groups, including those traditionally under-represented, and to understand drivers for people getting into problem debt. We communicate, on a personalised and regular basis, with our clients in accordance with their communication preferences. We have developed strong relationships with certain key suppliers who support our stages technical infrastructure, to develop mutually beneficial relationships that support the technical advancement of our services. We ensure that our day-to-day business interactions with all suppliers are conducted in a professional, fair and respectful manner.

d. Impact of the charity's operations on the community and the environment

We recognise our responsibility to care for the environment and aim to minimise the environmental impact of all our activities. More information on how we care for the environment can be found on page 26 of this report. We are respectful of our local community and its needs. Our ESG Strategy is currently being developed and includes representatives from across the charity at every level.

e. Maintaining a reputation for high standards of business conduct

Our reputation is fundamental to our future success. We have in place a range of policies that promote corporate responsibility and ethical behaviour. Areas covered include conflicts of interest, safeguarding, bullying and harassment, and whistleblowing. We use our organisational values in our recruitment and training for colleagues and our induction of new suppliers to ensure these are understood and maintained. Our procurement and ethical policies and procedures ensure that our values are also part of our selection of partners and suppliers.

f. Acting fairly between members of the charity

We believe that a successful Charity is a Charity for everyone, where inclusivity and accessibility are paramount: we aim to be a fully inclusive organisation that fosters a culture of equity and belonging, where colleagues feel safe to challenge and perform at their best. Our ED&I strategy has been developed with input from colleagues at all levels of the organisation, the Board, Senior Leadership Team and the Executive Committee. The strategy includes 4 key areas of focus over the next 3 years: Leadership, Recruitment, Retention and Engagement, and Development. We have ensured accountability at all levels and have set ourselves ambitious targets to address areas of underrepresentation and we have put a governance structure in place to ensure its successful delivery. Helen Dean, the chair of our Nomination and Remuneration Committee is the sponsor for our EDI agenda at Board level.

Streamlined Energy and Carbon Reporting ('SECR')

We report our carbon emissions following the Greenhouse Gas Protocol which incorporates the Scope 2 market-based emissions methodology. We report carbon dioxide emissions resulting from energy use in our buildings and colleague business travel.

For 2022, we collected the energy usage data for all our sites in the UK and the business travel data for the colleagues claiming business mileage using personal or charity leased vehicles to estimate the emissions driven by our operations. We have then uplifted these estimates by 5% to cover uncertainty in line with Intergovernmental Panel on Climate Change's *Good Practice Guidance and Uncertainty Management in National Greenhouse Gas inventories* and our own internal assessment of data coverage and quality.

There was an increase in travel by the colleagues compared to 2021.

2022 was the first full year with only one building occupied in Leeds generating less energy consumption however due to lower FTE compared to 2021, the average per FTE was similar to 2021.

UK Greenhouse gas emissions and energy use data for the period 1 January 2022 to 31 December 2022	2022	2021
Energy consumption used to calculate emissions (kWh)	1,739,423	2,075,534
Scope 1 emissions in metric tonnes CO2e		
Vehicles on company lease	7.50	2.35
Scope 2 emissions in metric tonnes CO2e		
Purchased electricity	185.97	237.28
Gas consumption	162.37	190.75
Total Scope 2	348.34	428.03
Scope 3 emissions in metric tonnes CO2e		
Business travel in colleague owned vehicles	8.97	3.35
Total gross emissions in metric tonnes CO2e	364.81	433.73
Intensity ratio Tonnes CO2e per FTE	0.31	0.31

Reference and administrative details

Company name

Foundation for Credit Counselling is a company limited by guarantee. It trades under the brand name of StepChange Debt Charity.

Registered and Principal Office

123 Albion Street, Leeds, LS2 8ER.

Important numbers

Company number: 02757055 in England and Wales.
Charity numbers: 1016630 in England and Wales, SC046263 in Scotland and 20104887 in Ireland.
FCA number 729047.

Constitution

The governing document of the charity is its Memorandum and Articles of Association. The charitable objects for which the charity was established are:

1. The prevention or relief of poverty amongst persons who are in debt;
2. To advance the education of the public in general (and particularly amongst persons in debt or at risk of falling into debt) on the subject of financial budgeting, financial products and financial services.

Professional Advisors

Chartered accountants and statutory auditors

PKF Littlejohn LLP
15 Westferry Circus
London E14 4HD

Internal auditors

Grant Thornton UK LLP
No 1 Whitehall Riverside
Leeds LS1 4BN

Legal advisors

Wrigley's Solicitors LLP
3 Wellington Place
Leeds LS1 4AP

External auditors

A resolution for the reappointment of PKF Littlejohn LLP as auditors for the charity was proposed at the 25 April 2023 Board meeting.

Statement of trustees' responsibilities

The trustees (who are also directors of Foundation of Credit Counselling for the purposes of company law) are responsible for preparing the trustees' Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice). Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Statement of Recommended Practice: Accounting and Reporting by Charities (2019);
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Provision of Information to Auditors

So far as each of the trustees is aware at the time this report is approved:

(a) so far as the trustee is aware, there is no relevant audit information of which the company's auditors are unaware; and

(b) they have taken all the steps that they ought to have taken as a trustee in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The Trustees' Report and Strategic Report were signed on behalf of the trustees by:

John Griffith-Jones
Chair
5 May 2023

Financials

Strategic Report

Our Group accounts for the year to 31 December 2022 show a net surplus of £2.1m compared with a deficit of £0.6m in the previous financial year.

Income

In 2022, our total income was slightly increased to £62.0m compared with £61.0m in 2021, with 2021 figures also including £1.9m of furlough support (2022: £nil). Excluding that support, total income increased by £2.9m, made up of an increase in restricted income of £2.5m and a small increase in our unrestricted income of £0.4m.

Regarding restricted income, the largest element of this is grant funding received from the Money and Pensions Service ("MaPS"). These grants ceased at the end of January 2023. The other elements of our restricted income are Scottish Government grants and donations received for a specific purpose, which includes funding for our self-employed debt advice service which started in 2022.

The majority of our income is unrestricted including donations, Fair Share Contributions ("FSC") and income within our operating subsidiaries. Following impacts in previous years of the pandemic, the Group's largest source of income, FSC, has experienced some further reduction due to the cost of living crisis and the impact on our clients' ability to maintain payments on repayment solutions (see also "Principal Risks and Uncertainties"). This has resulted in an overall decrease in our unrestricted income from charitable activities of £3.4m to £38.4m (2021: £41.8m).

This decrease in FSC has been offset in 2022 by increased donations received from both FSC funders and from other organisations who refer clients to the charity for debt advice. These donations are unrestricted and helped increase the Group's free reserves at the end of 2022 and will be applied to help fund its core activities in 2023, especially the provision of debt advice services as demand increases in the challenging economic climate.

Given the economic climate and the cessation of the MaPS grants, these additional donations are particularly welcome.

Operating Expenditure

Total operating expenditure for the Group was £59.9m (2021: £61.6m). People costs remain the Group's largest area of expenditure, being approximately 70% of total operating costs, with savings having been made following the cost reduction programme undertaken during 2021. Delivering further reductions in unit costs in debt advice and, more so, in debt management operations is a key focus for 2023 and 2024. This will increase the Group's resilience to any further erosion of Fair Share income.

Operating Surplus

The operating surplus of £2.1m (2021: £0.6m deficit) is comprised of a restricted surplus of £1.8m and an unrestricted surplus of £0.3m. The restricted surplus is primarily due to funding received in advance for our pilot programme to provide debt advice to self-employed individuals and for which the majority of expenditure will be incurred in 2023 and 2024.

The unrestricted surplus is stated after an amortisation charge of £2.1m (2021: £2.1m) which relates to the Pulse debt advice development costs that were capitalised as an intangible asset. The underlying surplus of £2.4m benefits from unrestricted donations received in the last few months of 2022 which will help fund our core debt advice activities in 2023.

Capital Expenditure

Total additions to tangible fixed assets were £0.2m in the year (2021: £2.3m) with additions being primarily small amounts of IT and office equipment.

The figures in 2021 included the fit-out and furnishing of our new headquarters in Leeds which were substantially funded by a capital contribution from the landlord and which also results in corresponding balances recorded within creditors (including within amounts falling due after one year).

Subsidiaries

The charity has two subsidiaries, one for the provision of insolvency solutions, and one for equity release and mortgage solutions. Any net proceeds generated by these subsidiaries are distributed via Gift Aid back to the charity. Both operations have been developed to help people become free of problem debt. Within the charity's Statement of Financial Activities, the proceeds from the subsidiaries are not classified as charitable activities but included within donations received.

Cashflow, investments and liquidity

Our investment policy agreed by the trustees remains to invest in fixed-term bank deposits only.

Within the year, there was a net increase in cash and cash equivalents of £4.5m (2021: £0.3m decrease). This increase was due largely to both restricted and unrestricted donations received during the latter part of the year. At 31 December 2022 total cash and cash equivalents were £11.6m (2021: £7.1m) with no funds held on deposit for a period of greater than three months (2021: £NIL).

The Group has a liquidity backstop cash requirement agreed with the FCA being a minimum cash balance of £5.25m. Such cash reserves would allow the Group to effect an orderly winddown without detriment to clients should the situation ever arise.

Reserves policy and management

Reserves are maintained at a level to manage the short-term financial risk, the potential costs of unplanned closure and ensure the long-term viability of the charity given the risks detailed in the "Principal Risks and Uncertainties" section of this report. Our reserves policy is reviewed by the Board of trustees at least annually. In assessing the policy the Board considers the scale of the charity's planned cost base, the risk environment, security of funding as well as the investment needs of the group.

In line with best practice, our policy includes a lower and upper limit on our free reserves. This ensures that whilst, on one hand, we are ensuring the charity's ongoing financial viability, that the charity is also applying as much funding to its charitable objectives as it reasonably can.

The charity also has a requirement under FCA regulation to maintain a minimum level of liquidity.

In December 2022 the Board approved our reserves policy unchanged, being that the Group's free reserves (i.e. reserves after removing net tangible and intangible fixed assets and restricted funds) will not be allowed to fall below £10m nor to exceed £18m.

At 31 December 2022 the Group's free reserves stood at £15.6m being unrestricted funds of £17.7m less fixed assets of £3.5m plus unamortised landlord fit-out contribution of £1.4m. This is an increase of £3.0m since the start of the year, benefitting from donations received in the last few months of the year.

These higher reserve levels help the charity guard against financial uncertainties as well as providing the funding to initiate a significant investment to replace back office debt management systems. This investment will provide benefits to our clients and to our funders from late 2023 and increasingly in 2024.

The total balance sheet reserves at 31 December 2022 were £19.5m (2021: £17.5m), of which £1.8m (2021: £0.1m) are restricted in nature.

Investment policy

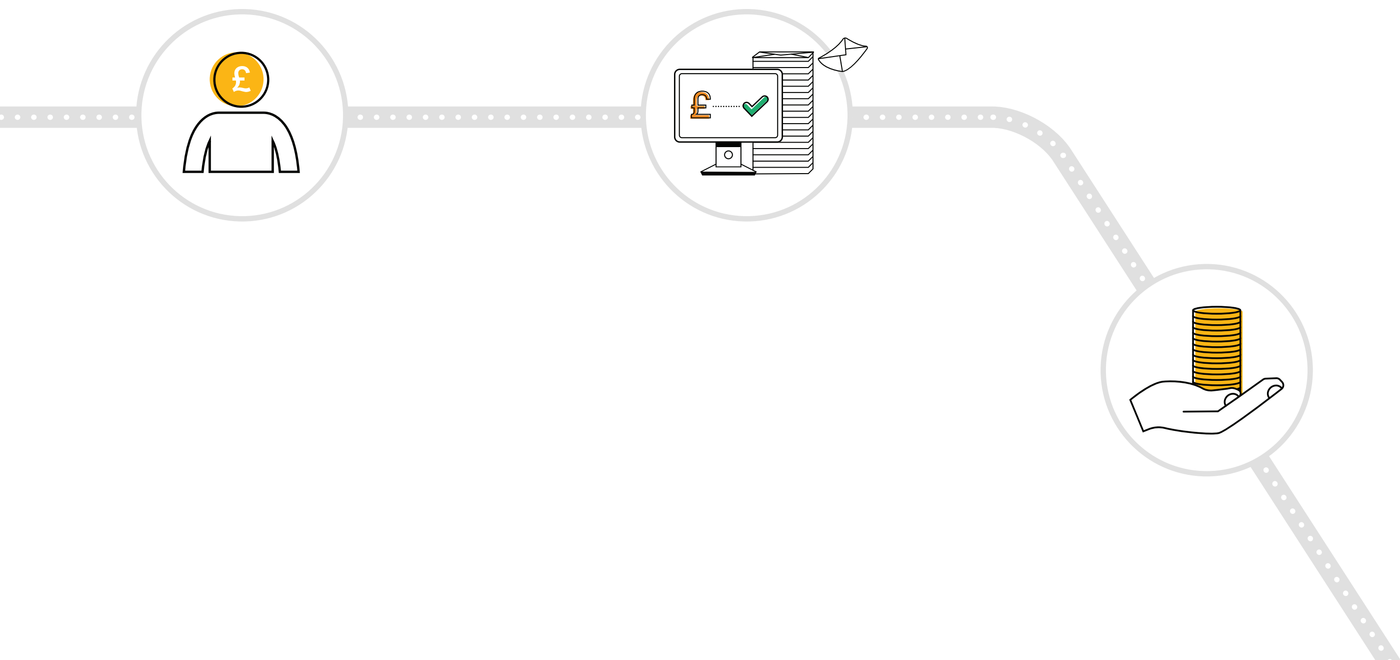
The charity's investment policy is reviewed annually by the Audit and Risk Committee. In 2022, the policy has been maintained to continue to invest the surplus liquid funds in fixed-term deposits with maturities of no more than 12 months. This continued to allow the Board the appropriate flexibility and liquidity whilst reserves were close to our agreed minimum level.

During 2021, due to the lower cash balances and our liquidity obligations, we did not place funds on deposit. In 2022 we were able to generate some returns on our balances but at minimal risk with deposits made with maturities of one month only.

Basis of preparation of the Accounts

In line with the Charities Accounts (Scotland) Regulations 2006 (as amended), the charity has prepared a charity-only Statement of Financial Affairs on page 43, with additional charity-only disclosures made in the notes to the financial statements.

The financial statements have been prepared on the going concern basis. The company has strong financial resources invested with minimal risk and no borrowings.



Principal risks and uncertainties

Our approach to risk management

The Board of Trustees is responsible for approving the charity's approach to risk management and for setting the level of risk that the charity is willing to accept in pursuit of its objectives through Risk Appetite Statements.

The Board reviews its risk appetite at least annually to ensure the charity is continuously managing its risks and exposures effectively, considering changes that may impact the amount of risk it is willing to take.

Through the charity's delegated authority framework, the Audit and Risk Committee (AARC) is accountable for the effective operation of the Risk Management Framework (RMF) and gaining assurance over its effectiveness.

AARC, in turn, delegates responsibility for the day-to-day operational management of the risk management framework to the Executive Risk and Conduct Committee (ERCC). entrusts the Executive team with responsibility for the charity's day-to-day operation and management, including the management of risk.

The Director of Risk and Compliance has overall accountability for the effective operation of the Risk Management Framework.

2022 saw the Charity commence a programme of enhancements to the design and execution of its RMF, including the implementation of a revised Risk Management Policy and Risk Taxonomy and work to design new or updated approaches to Policy Management and Risk & Control Self-Assessment (RCSA).

As 2022 progressed, Regulators, including the Financial Conduct Authority, underlined the importance of sound risk management practices for the debt advice sector, particularly in the face of the cost of living crisis.

The charity's proactive decision to review and enhance its RMF, ahead of that Regulatory emphasis, puts it on the front foot in this area. Work to embed the enhancements continues into 2023.

It is our policy to adopt a proactive approach to the management of risk and maintain an adequate and effective risk management framework in accordance with industry good practice and the requirements set out by its regulators.

The Charity aims to operate effective processes which enable colleagues to identify, assess, manage, monitor and report on the risks to which StepChange is exposed.

Informed business decisions will be based on managed risk-taking in pursuit of our strategic plan, and in doing so, we will seek to protect and ensure the longevity of the charity.

Assurance

The Board ensures the charity has in place an appropriate 'Three lines of defence' governance model.

The first line comprises the operational functions that own and manage the risks that they introduce to the organisation. The first line is formed of colleagues responsible for identifying and managing risk as part of their day-to-day activities.

The second line provides the policies, frameworks, tools, methodology and support to enable risk and compliance to be managed by the first line.

The third line is Internal Audit. It provides independent assurance of the risk management processes of the first two lines of defence. Its key role is to ensure that the first two lines of defence are operating effectively and advise how they could improve through systematic evaluation of the effectiveness of risk management, control, and governance processes.

Responding to Emerging Risks

Cessation of grant funding in England & Wales

For a several years the charity has received grant funding from the Money and Pensions Service ("MaPS") to help fund its debt advice activities, as well as for the provision of Debt Relief Orders ("DRO's"). The most significant of these was the funding for debt advice.

In 2021 MaPS announced that annual grant funding would cease with future funding to be provided via three-year service contracts and, in October 2022, the procurement process for these contracts was concluded. The charity was not awarded a contract for either debt advice or for DRO's and the previous grants for these services ceased on 31 January 2023.

In response to this we are rationalising our services, undertaking a reduction in our overall operating costs and working closely with our funders for additional donations to help preserve the charity's funding during 2022 and 2023 to maintain capacity to help clients.

We are very grateful to funders who have made such additional donations and helped the charity to a strong financial position as shown in these accounts. We will also review together how longer-term funding models can be improved. In the meantime, however, the charity will have a greater reliance on short-term donations and reduced certainty over part of its funding.

Impact of increased cost of living

In last year's Annual Report, we highlighted the initial impacts of what has since become known as the 'cost of living crisis' as inflation in the UK reached its highest levels for many years. This has negatively impacted household budgets with those in, or nearly in, financial difficulty being impacted the worst.

Whilst, as for all organisations, the charity is facing increases in its operating costs, it is also impacted through the pressure on those household budgets. This leads to more people needing debt advice, more of those people not being able to take up a repayment solution and reductions in the amounts existing clients can afford to pay on their repayment solutions. This means an increase in demand for our services but a reduction in the income we receive.

The charity's largest source of income is the Fair Share Contribution ("FSC") income received via the operation of debt repayment solutions, whereby our clients' creditors donate back to the charity a percentage of the clients' payments that are received under those solutions. This income is therefore directly affected by the number of clients making payments and the amounts that clients can afford to pay.

Whilst our clients have shown resilience in maintaining their repayment plans, we have seen FSC income fall over the last twelve months and we have therefore set our financial plans anticipating that this may continue during the first half of 2023.

The risks identified below represent the relevant key risks associated with the charity and are not set out in any specific priority order.

Risk Area	Key Risks	Description
Strategic	• Business Environment and Competition (including funding model)	The MaPS commissioning outcome is likely to increase competitive pressures in the sector and challenge organisations to ensure that a full range of services is maintained to meet client need. Changes to fairshare arrangements are likely to required both by the funders and the recipients of fairshare. Discussions with funders indicate a high degree of consensus and alignment with the charity's position.
Business Risk	• Governance	The charity has been embedding its new risk management framework and the updated design of its internal controls, policies and standards. This will improve governance and overall assurance around control effectiveness and reporting.
Operational	• People	The increased need for debt advice resulting from the cost-of-living crisis creates strain on the charity's operating capacity and our client-facing colleagues. Sickness levels have increased although attrition has reduced as the labour market cools. Colleague engagement surveys have been positive and action plans are in place. Leadership development across the charity has been very well received.
	• Change Management	The ongoing volume and scale of change is challenging for the organisation both for our change and technology colleagues and for subject matter experts in other functions. Improved ways of working having been implemented in change delivery, as well as in portfolio management, reporting and governance, and these will be fully embedded during 2023.
Technology	• Data and Information Security (including Cyber) • IT and Systems	The charity handles financial and personal data of a large number of clients. Data loss or breach is a perpetual risk. Ongoing and continual upgrades to our defences, testing, security operations and to our colleague training and awareness are designed to manage and mitigate this risk.
Legal, Conduct & Compliance	• Conduct & Regulatory Compliance	The charity provides regulated products and services to clients who are financially vulnerable. Whilst those services are provided free of charge, it is paramount that client outcomes are central to the service design and execution, with appropriate policies, processes and monitoring to deliver the necessary assurance over the charity's products and operations. As described above the charity operates a "three lines of defence model", which includes a third-party internal audit function to provide independent, expert assurance.
	• Client Money	The group receives money from its clients for distribution to their creditors both in the charity (regulated under FCA CASS rules) and in the CCCS VA subsidiary (under Insolvency Practitioner rules). All such money must be correctly segregated from the group's own funds, allocated to the correct client's plan and distributed to creditors on a timely basis. The group maintains clear and specific policies and procedures and undergo an annual CASS audit as part of the assurance against the risk of misallocating or mismanaging clients' money.
Financial Risk	• Capital and Liquidity	As explained in the "Financial Review" section of this report, the charity ensures appropriate financial strength via its reserves policy and compliance with a minimum level of liquidity held in cash.

Independent auditor's report to the members of the Foundation for Credit Counselling

Opinion

We have audited the financial statements of the Foundation for Credit Counselling (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the Consolidated and Parent Charitable Company Statement of Financial Activities, the Group and Parent Charitable Company Balance Sheets, the Group Cash Flow Statements and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent charitable company's affairs as at 31 December 2022, and of the group's and parent charitable company's incoming resources and application of resources, including the group's and parent charitable company's income for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or parent charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the trustees' annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the trustees' annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the trustees' report, which includes the strategic report and the directors' report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the trustees' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the group and parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report included within the trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 require us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the group and parent charitable company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group and parent charitable company financial statements, the trustees are responsible for assessing the group's and parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made under or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations.

We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the group and parent charitable company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, sector research, application of cumulative audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the group and parent charitable company in this regard to be those arising from Companies Act 2006, Charities Act 2011, Charities Accounts (Scotland) Regulations 2006, Financial Conduct Authority's ("FCA") regulations, Anti-Bribery and Corruption Legislation and UK Tax Legislation.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent charitable company with those laws and regulations. These procedures included, but were not limited to enquiries of management, review of minutes, review of legal and regulatory correspondence.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that there is potential for management bias in the timing and recognition of Fair Share income, income from grants, donations and timing of recognition of income from contracts. We addressed this through substantive sample testing of income back to source documents to ensure that income was recognised in accordance with the performance related conditions. We also independently inquired with management to confirm whether there are any disputes in relation to any income streams.
- We also identified potential for management bias in:
  - o the judgements made around recoverability of debtors, which we addressed through examination of post year end cash received, review of correspondence with debtors and discussion of recoverability with management;
  - o the depreciation rate and amortisation rate applied to tangible and intangible fixed assets respectively, which we addressed by considering the useful economic life applied for the types of asset held, and re-performing the calculation to ensure it had been performed accurately in line with the stated method;
  - o the assessment of the calculation and recoverability of the Fair Share contributions accrued income; and
  - o the allocation of support costs across activities and income streams and considering whether assumptions are reasonable and appropriate.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities.This description forms part of our auditor's report.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charitable company's trustees, as a body, in accordance with Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company, the charitable company's members as a body and the charitable company's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Alastair Duke (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

5 May 2023

15 Westferry Circus
Canary Wharf
London E14 4HD

Consolidated statement of financial activities

Year ended 31 December 2022

	Note(s)	Restricted funds 2022 £'000	Unrestricted funds 2022 £'000	Total funds 2022 £'000	Total funds 2021 £'000
Income					
Donations	2	—	5,037	5,037	810
Charitable activities	3	14,420	38,403	52,823	53,504
Other trading activities	4	—	3,983	3,983	4,381
Investments	5	—	25	25	1
Other	6	—	134	134	2,280
Total income		**14,420**	**47,582**	**62,002**	**60,976**
Expenditure					
Raising funds: other trading activities	7	—	2,869	2,869	3,073
Charitable activities	8,9	12,703	44,363	57,066	58,517
Other		—	3	3	
Total expenditure		**12,703**	**47,235**	**59,938**	**61,590**
Net income/(expenditure) and net movement of funds for the year		**1,717**	**347**	**2,064**	**(614)**
Reconciliation of funds					
Total funds at 1 January 2022		83	17,392	17,475	18,089
Total funds at 31 December 2022	21,22	**1,800**	**17,739**	**19,539**	**17,475**

Charity statement of financial activities

Year ended 31 December 2022

	Note(s)	Restricted funds 2022 £'000	Unrestricted funds 2022 £'000	Total funds 2022 £'000	Total funds 2021 £'000
Income					
Donations	2	—	6,581	6,581	2,158
Charitable activities	3	14,420	38,403	52,823	53,504
Other trading activities	4	—	—	—	—
Investments	5	—	30	30	6
Other	6	—	134	134	2,031
Total income		**14,420**	**45,148**	**59,568**	**57,699**
Expenditure					
Raising funds: other trading activities	7	—	—	—	—
Charitable activities	8,9	12,703	44,363	57,066	58,517
Other		—	3	3	
Total expenditure		**12,703**	**44,366**	**57,069**	**58,517**
Net income/(expenditure) and net movement in funds for the year		**1,717**	**782**	**2,499**	**(818)**
Reconciliation of funds					
Total funds at 1 January 2022		83	15,856	15,939	16,757
Total funds at 31 December 2022	**21,22**	**1,800**	**16,638**	**18,438**	**15,939**

Balance sheets

31 December 2022

	Note(s)	Group 2022 £'000	Group 2021 £'000	Charity 2022 £'000	Charity 2021 £'000
Fixed assets					
Intangible assets	14	1,544	3,603	1,544	3,603
Tangible assets	15	1,924	2,624	1,924	2,624
Investments	16	—	—	5	5
		3,468	**6,227**	**3,473**	**6,232**
Current assets					
Debtors	17	10,618	9,257	10,257	8,713
Cash and cash equivalents	18	11,631	7,120	10,712	5,991
		22,249	**16,377**	**20,969**	**14,704**
Current liabilities					
Creditors: amounts falling due within one year	19	(5,070)	(3,743)	(4,896)	(3,612)
Net current assets		**17,179**	**12,634**	**16,073**	**11,092**
Creditors: amounts falling due after one year	25	(1,108)	(1,386)	(1,108)	(1,386)
Net assets		**19,539**	**17,475**	**18,438**	**15,939**
Total group funds					
Unrestricted funds	21	17,739	17,392	16,638	15,856
Restricted funds	22	1,800	83	1,800	83
		19,539	**17,475**	**18,438**	**15,939**

The financial statements on pages 42 to 65 were approved and authorised for issue by the trustees on 5 May 2023 and were signed on their behalf by

John Griffith-Jones
Chair
5 May 2023

Company Registration No. 2757055 | Registered Charity No. 1016630

Cash flow statements

Year ended 31 December 2022

	Note(s)	Group 2022 £'000	Group 2021 £'000	Charity 2022 £'000	Charity 2021 £'000
Reconciliation of net income/(expenditure) to net cash flows from operating activities					
Net movement in funds		2,039	(615)	2,470	(818)
Depreciation and amortisation charge		2,883	2,689	2,883	2,689
Profit/(loss) on disposal of fixed assets		76	—	76	—
(Increase)/decrease in debtors		(1,361)	(80)	(1,545)	—
Increase/(decrease) in creditors		1,049	(398)	1,007	(362)
Net cash generated from operating activities		**4,686**	**1,596**	**4,891**	**1,509**
Investing activities					
Purchase of tangible and intangible fixed assets	15	(200)	(1,876)	(200)	(1,876)
Interest received		25	—	30	—
Net cash provided used in investing activities		**(175)**	**(1,876)**	**(170)**	**(1,876)**
Net decrease in cash and cash equivalents		**4,511**	**(280)**	**4,721**	**(367)**
Cash and cash equivalents at 1 January		7,120	7,400	5,991	6,358
Total cash and cash equivalents at 31 December	**18**	**11,631**	**7,120**	**10,712**	**5,991**

Notes to the financial statements

Year ended 31 December 2022

1. Accounting Policies

The principal accounting policies are summarised below.

a) Basis of preparation

The financial statements have been prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland, ("FRS 102"), the Charities Statement of Recommended Practice, Accounting and Reporting by Charities ("SORP") FRS 102, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention. In line with the Charities Accounts (Scotland) Regulations 2006 (as amended), both the consolidated results and the results for the parent charity have been included within the accounts.

The accounts have been prepared on the going concern basis. The company has strong financial resources invested with minimal risk and no borrowings. The charity projects increased expenditure on its Transformation Programme which will be reflected in an annual deficit but with reserves remaining above the minimum levels in the reserves policy. There are no material uncertainties about the charity's ability to continue. The accounting policies have been redrafted to improve the users' understanding of the financial statements. The substance of the accounting policies have been applied consistently throughout the accounts and the prior year.

The Foundation for Credit Counselling meets the definition of a public benefit entity under FRS 102. The charity exists for the benefit of the public through the provision of services to members of the public suffering with problem debt.

b) Group accounts

The consolidated accounts incorporate the results of the Foundation for Credit Counselling Limited ('the charity') and its subsidiary undertakings on a line by line basis. The consolidated entity is also referred to as 'the Group'. The list of all the subsidiary undertakings is shown in note 16.

c) Incoming resources

All income is included when the charity is entitled to the income, the amount can be quantified, and receipt of the funds is probable. The receipt of fair share contributions is deemed probable when an existing disbursement creditor has indicated they are prepared to pay the request for the fair share contribution. For new relationships, amounts are not recognised until such time as an adequate payment history has been established with the creditor. Recognition commences following the receipt of the first two monthly payment requests. Commission income from mortgage advisors and insolvency practitioners is recognised upon the receipt of the notification of creditor approval of arrangements. Investment income is recognised on an accruals basis, using daily rate calculations for funds on deposit and average balance calculations for funds held in current accounts.

Income from grants is recognised on a case-by case basis. For the Money and Pension Service, Scottish Legal Aid Board, Scottish Ministers and Welsh Ministers grant agreements, income is recognised on submission of a monthly or quarterly grant claim in accordance with the specific terms of each agreement. Funding is not received until the submission of grant claims.

In all cases, grant income is treated as restricted funds, as the provision of grant funding is for specific purposes as described at note 22. Donations are recognised when the charity becomes unconditionally entitled to the funds. Insolvency service income comprises nominee fee and supervisory fee income. Nominee fees are recognised on acceptance of the appointment following a meeting of creditors and typically for the first five months of the arrangement. Supervisory fees are recognised over the period of the arrangement resulting from ongoing payments by clients. Equity release service income is recognised on notification of the completion of an equity release or mortgage case from third party lenders.

d) Resources expended

All expenditure is accounted for on an accruals basis. Direct costs, including attributable salaries, are allocated on an actual basis to the key strategic areas of activity. Support costs are the costs of functions which support more than one of the charity's activities and have been allocated to those activities on the basis of employee numbers. Governance costs are the costs associated with the governance arrangements of the Group. These costs include external and internal audit, legal advice for trustees, management costs preparing for and attending trustee meetings and the costs associated with constitutional and statutory requirements. Transformation costs are incremental costs expended to develop and execute a business-wide programme of change.

e) Intangible fixed assets

The intangible asset represents the qualifying costs of developing the Pulse debt advice system. The intangible asset is stated at cost less amortisation. The amortisation is charged on a straight-line basis over the useful economic life of the system which has been estimated as being a period of 4 years. Amortisation commenced on 1 October 2019.

f) Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows: Fixtures, fittings and equipment: 14% – 33.3% on a straight line basis.

g) Investments

Money market deposits, with maturity periods of more than three months, are current asset investments that are readily convertible into cash at, or close to, their carrying amount. Fixed asset investments are stated at cost in the company balance sheet.

h) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less.

i) Financial instruments

The charity has financial assets and financial liabilities of a kind that qualify as basic financial instruments only. There are none which qualify as complex in nature. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

j) Leasing

Rentals payable under operating leases are charged to the Statement of Financial Activities on a straight-line basis over the lease term.

k) Taxation

The charitable members of the Group are exempt from income and corporation taxes on income and gains to the extent that they are applied for their charitable objects. The trading subsidiaries do not generally pay UK corporation tax because their policy is to distribute taxable profits to the charity as Gift Aid. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

l) Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the charity. The annual contributions payable are charged to the Statement of Financial Activities on an accruals basis.

m) Employee benefits

The costs of short-term employee benefits are recognised as a cost within the Statement of Financial Activities. The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received. Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

n) Funds

Unrestricted funds are donations and other incoming resources for the objects of the charity without further specified purposes and are available as general funds. Restricted funds are funds that can only be used for specific restricted purposes set out by the donor within the objects of the charity. The Landlord Contribution as per note 21 has been deducted from the unrestricted funds to report the reserves net of Landlord contribution.

o) Judgements and key sources of estimation uncertainty

In preparing the financial statements, the trustees are required to make estimates and judgements. The matters below are considered to be the most important in understanding the judgements made and the uncertainties that could impact the amounts reported in the financial statements.

Intangible Impairment

The carrying value of intangible assets requires judgement as to whether there are any indications of impairment.

Bad debt provision

The provisioning for bad debt requires judgement as to whether to provide for fair share contributions unpaid 60 days after the invoice date.

Cost allocation

Support costs are allocated to charitable activities. Judgement is required in determining and applying the cost drivers appropriate for each support activity.

2. Donations

	Group unrestricted funds 2022 £'000	Group unrestricted funds 2021 £'000	Charity unrestricted funds 2022 £'000	Charity unrestricted funds 2021 £'000
Donations from the utility sector	2,083	196	2,083	196
Other donations	2,954	614	4,498	1,962
	5,037	**810**	**6,581**	**2,158**

Included within the charity's other donations is £1,544,127 (2021: £1,347,519) received from its subsidiary undertakings through Gift Aid Donations.

3. Income from charitable activities

	Restricted funds 2022 £'000	Unrestricted funds 2022 £'000	Total 2022 £'000	Total 2021 £'000
Group				
Debt advice and solutions	14,420	38,403	52,823	53,504
Charity				
Debt advice and solutions	14,420	38,403	52,823	53,504
Total income for 2021 was:				
Restricted	11,717	—	—	—
Unrestricted	41,787	—	—	—

4. Income from other trading activities

	Group unrestricted funds 2022 £'000	Group unrestricted funds 2021 £'000	Charity unrestricted funds 2022 £'000	Charity unrestricted funds 2021 £'000
Insolvency services	2,872	3,425	—	—
Equity release services	1,111	956	—	—
	3,983	**4,381**	—	—

5. Investment income

	Group unrestricted funds 2021 £'000	Group unrestricted funds 2020 £'000	Charity unrestricted funds 2021 £'000	Charity unrestricted funds 2020 £'000
Bank interest	25	1	25	1
Intercompany interest receivable	—	—	5	5
	25	**1**	**30**	**6**

6. Other income

	Group unrestricted funds 2022 £'000	Group unrestricted funds 2021 £'000	Charity unrestricted funds 2022 £'000	Charity unrestricted funds 2021 £'000
Commission income from mortgage advisors and insolvency practitioners	47	41	47	41
Other	87	2,239	87	1,990
	134	**2,280**	**134**	**2,031**

7. Expenditure on raising funds: other trading activities

	Group unrestricted funds 2022 £'000	Group unrestricted funds 2021 £'000	Charity unrestricted funds 2022 £'000	Charity unrestricted funds 2021 £'000
Insolvency services	1,913	2,162	—	—
Equity release services	956	911	—	—
	2,869	**3,073**	—	—

8. Expenditure on charitable activities

	Direct costs 2022 £'000	Support & governance costs 2022 £'000	Total 2022 £'000	Total 2021 £'000
Group unrestricted funds				
Debt advice	6,548	11,083	17,631	19,135
Client management	11,489	9,328	20,817	21,829
Promotion of charitable purpose	4,763	1,152	5,916	5,163
Total	**22,800**	**21,563**	**44,363**	**46,127**
Group restricted funds				
Debt advice	9,772	2,868	12,640	12,339
Client management	—	7	7	27
Promotion of charitable purpose	56	—	56	23
Total	**9,828**	**2,875**	**12,703**	**12,389**
Total expenditure on charitable activities	**32,628**	**24,438**	**57,066**	**58,516**
Charity unrestricted funds				
Debt advice	6,548	11,083	17,631	19,135
Client management	11,489	9,328	20,817	21,829
Promotion of charitable purpose	4,763	1,152	5,915	5,163
Total	**22,800**	**21,563**	**44,363**	**46,127**
Charity restricted funds				
Debt advice	9,772	2,868	12,640	12,339
Client management	—	7	7	27
Promotion of charitable purpose	56	—	56	23
Total	**9,828**	**2,875**	**12,703**	**12,389**
Total expenditure on charitable activities	**32,628**	**24,438**	**57,066**	**58,516**

Debt advice costs are defined as the costs incurred in providing debt advice to new clients.

Client management costs are defined as the costs incurred in the management of clients who are provided with debt solutions with the charity.

Promotion of charitable purposes costs are defined as the costs incurred in the promotion of our services to key stakeholders including creditors, funders, clients, public sector bodies and governments.

9. Analysis of support and governance costs on charitable activities

	Debt advice 2022 £'000	Client management 2022 £'000	Promotion of charitable purpose 2022 £'000	Total 2022 £'000	Total 2021 £'000
Unrestricted funds					
IT, digital & change	5,393	4,860	601	10,854	10,797
Corporate services	3,533	2,773	342	6,648	5,833
People services	1,956	1,537	190	3,683	3,314
Governance	201	158	19	378	349
Total	**11,083**	**9,328**	**1,152**	**21,563**	**20,293**
Restricted funds					
IT, digital & change	2,867	7	—	2,874	2,725
Corporate services	—	—	—	—	20
People services	1	—	—	1	16
Total	**2,868**	**7**	—	**2,875**	**2,761**
Total support and governance costs	**13,951**	**9,335**	**1,152**	**24,438**	**23,054**

The Support costs have been allocated to the charitable activities on the basis of employee numbers except for the amortisation of the Pulse system which has been allocated fully to debt advice costs.

The functional area costs include directly attributable costs (e.g. staff costs, IT licensing costs, recruitment costs) and allocations of shared overhead costs (e.g. premises rentals) on the basis of employee numbers.

Corporate Services costs comprise the costs of the Executive team, Finance, Risk and Compliance, plus the balance of central overheads which cannot be attributed to a single area. People Services costs comprise the Human Resources and Training teams.

Governance costs comprise internal and external audit costs and the management cost of preparing for and attending trustee board meetings.

10. Auditors' remuneration

	Total 2022 £'000	Total 2021 £'000
Fees payable to the charity's auditors		
Audit of the financial statements (charity)	59	53
Audit of the financial statements (subsidiaries)	19	17
Other assurance services	34	38
Tax advisory services	13	28
	125	**136**

11. Operating Surplus

	£'000
The surplus for the year is stated after charging:	
Depreciation	826
Amortisation	2,059

12. Employees

	2022 No.	2021 No.
i) Average number of persons employed by the group		
Debt advice	499	607
Client management	389	477
Promotion of charitable purposes	55	50
Insolvency services	54	59
Equity release services	20	21
Support services	232	236
	1,249	**1,450**

The total average full time equivalent (FTE) numbers in 2022 were 1,189 (2021: 1,388).

	2022 No.	2021 No.
ii) Staff costs		
Wages and salaries	34,253	38,972
Social security costs	3,584	3,781
Pension costs	2,670	1,938
Other payroll related benefits	235	279
	40,742	**44,970**

The remuneration of key management personnel (members of the Executive team) is £1,316,390 (2021: £1,316,000). The total remuneration of the Chief Executive Officer was £213,364 in 2022 of which £194,826 comprises basic salary (2021: total remuneration £208,719 and basic salary £186,258). The Chief Executive Office is not a member of the contributory pension scheme and total remuneration includes a payment in lieu of pension contributions of £12,664 (2021: £12,276).

The remuneration of higher-paid staff, excluding pension contributions, fell within the following ranges:

	2022 No.	2021 No.
£60,001 – £70,000	15	12
£70,001 – £80,000	7	9
£80,001 – £90,000	7	6
£90,001 – £100,000	1	2
£100,001 – £110,000	2	1
£110,001 – £120,000	1	3
£120,001 – £130,000	3	2
£130,001 – £140,000	1	1
£140,001 – £150,000	—	—
£150,001 – £160,000	—	—
£160,001 – £170,000	—	—
£170,000 – £180,000	—	1
£180,000 – £190,000	—	—
£190,001 – £200,000	—	—
£200,001 – £210,000	—	1
£210,001 – £220,000	1	—
Total	**38**	**38**

Contributions were made to defined contribution schemes for a total of 36 (2021: 36) of higher-paid employees.

13. Trustees

Prior to the current Chair's appointment, a written order was approved by the Charity Commission for a "regulated alteration" to the Articles of Association to permit remuneration to the Chair of the Board and a special resolution to amend the Articles was passed in April 2019.

In line with this approval, the Chair of the Board of Trustees, John Griffith-Jones received remuneration of £12,000 in the year. No additional benefits or pension contributions were paid.

None of the remaining Trustees (or any persons connected with them) received any remuneration during the year. Two of the Trustees were reimbursed for out of pocket expenses incurred in attending Trustee meetings totalling £839 (2021: One Trustee reimbursed for expenses totalling £255)

Indemnity insurance is taken out to provide liability cover to protect any charity Trustee, employee or officer from claims arising against them as a result of an actual or alleged 'wrongful act' when performing the scope of their regular duties. The cost of providing this insurance is £19,530 (2021: £26,817).

14. Intangible assets

	Group £'000	Charity £'000
Cost		
At 1 January 2022	8,236	8,236
Additions	—	—
At 31 December 2022	**8,236**	**8,236**
Accumulated Amortisation		
At 1 January 2022	4,633	4,633
Charge for the year	2,059	2,059
At 31 December 2022	**6,692**	**6,692**
Net book value		
At 31 December 2022	**1,544**	**1,544**
At 31 December 2021	**3,603**	**3,603**

All intangible assets relate to internal software development.

15. Tangible assets

	2022		2021	
	Group £'000	Charity £'000	Group £'000	Charity £'000
Cost				
At 31 December (Previous year)	10,276	9,851	8,281	7,856
Additions	200	200	2,265	2,265
Disposals	(4,942)	(4,517)	(270)	(270)
At 31 December	**5,534**	**5,534**	**10,276**	**9,851**
Accumulated Depreciation				
At 31 December (Previous year)	7,652	7,227	6,903	6,478
Charge for the year	826	826	907	907
Disposals	(4,868)	(4,443)	(158)	(158)
At 31 December	**3,610**	**3,610**	**7,652**	**7,227**
Net book value				
At 31 December 2022	**1,924**	**1,924**	**2,624**	**2,624**
At 31 December 2021	**2,624**	**2,624**	**1,378**	**1,378**

All tangible assets are fixtures, fittings and equipment and Computers.
The assets with zero net book value were written off in 2022.

16. Investments

Charity	2022 £	2021 £
Subsidiary undertakings	**5,001**	**5,001**

	Company registration	Activities	2022 £	2021 £
Subsidiary undertakings as at 31 December				
Consumer Credit Counselling Service (Voluntary Arrangements) Ltd	05659160	Insolvency services	1	1
Consumer Credit Counselling Service (Equity Release) Ltd	06741879	Advice for Equity Release and Mortgages	5,000	5,000
Debt Remedy Ltd	07869502	Dormant	—	—
StepChange Equity Release Ltd	08056301	Dormant	—	—
StepChange Financial Solutions Ltd	08561006	Dormant	—	—
StepChange Voluntary Arrangements Ltd	08056168	Dormant	—	—
			5,001	**5,001**

The registered office for all group companies is 123 Albion Street, Leeds, LS2 8ER.

Foundation for Credit Counselling held a 100% interest in all of the subsidiary undertakings. A summary of the results and balance sheet of the subsidiaries are given below:

	2022 £'000	2021 £'000
Consumer Credit Counselling Service Voluntary Arrangements Limited		
Turnover	2,872	3,557
Cost of sales	(1,278)	(1,488)
Gross profit	1,594	2,069
Administrative expenses	(635)	(673)
Profit for the financial year	**959**	**1,396**
Assets	1,243	1,661
Liabilities	(284)	(271)
Shareholders' funds	**959**	**1,390**
Consumer Credit Counselling Service (Equity Release) Limited		
Turnover	1,111	1,072
Cost of sales	(956)	(911)
Operating profit	155	161
Interest payable	(5)	(6)
Profit for the financial year	**150**	**155**
Assets	646	545
Liabilities	(500)	(394)
Shareholders' funds	**146**	**151**

17. Debtors

	Group 2022 £'000	Group 2021 £'000	Charity 2022 £'000	Charity 2021 £'000
Due within one year				
Trade debtors	5,471	5,056	4,526	4,012
Prepayments and accrued income	5,089	4,163	5,065	4,132
Other debtors	57	38	56	36
Amounts owed by group undertakings	—	—	410	334
	10,618	**9,257**	**10,057**	**8,513**
Due after more than one year				
Amounts owed by group undertaking	—	—	**200**	**200**
Total	**10,618**	**9,257**	**10,257**	**8,713**

The amount owed by a group undertaking after more than one year is a loan of £200,000 (2020: £200,000) made to Consumer Credit Counselling Service (Equity Release), a trading subsidiary of Foundation for Credit Counselling. Interest is charged at a rate of 2.50% and is subject to annual review. The loan is repayable on any date agreed in writing between the parties or within 30 days of receipt of a written request from the Lender (which the Lender agrees it will only serve on the Borrower if, in the reasonable opinion of the Lender, the Borrower has financial resources available to it to repay the Loan at that time). The trustees do not currently envisage either event to crystallise within 12 months of the balance sheet date.

18. Cash and cash equivalents

	Group 2022 £'000	Group 2021 £'000	Charity 2022 £'000	Charity 2021 £'000
Cash and cash equivalents				
Cash balances	11,631	7,120	10,712	5,991
Bank deposits	—	—	—	—
Total cash and cash equivalents	**11,631**	**7,120**	**10,712**	**5,991**

19. Creditors: amounts falling due within one year

	Group 2022 £'000	Group 2021 £'000	Charity 2022 £'000	Charity 2021 £'000
Creditors: amounts falling due within one year				
Trade creditors	1,343	743	1,307	715
Other taxes and social security costs	936	761	918	743
Accruals and other creditors	2,791	2,239	2,671	2,154
	5,070	**3,743**	**4,896**	**3,612**

20. Operating lease commitments

	Land and buildings 2022 £'000	Other 2022 £'000	Total 2022 £'000	Total 2021 £'000
The charity is committed to minimum lease payments under non-cancellable operating leases expiring:				
Within one year	1,575	40	1,615	227
Between one and five years	5,033	1	5,034	1,154
After five years	—	—	—	7,205
	6,608	**41**	**6,649**	**8,586**
Net expenditure for the year before taxation is stated after charging				
Operating lease charges	**1,645**	**135**	**1,780**	**2,203**

21. Movements in unrestricted funds

	At 1 Jan 2022 £'000	Incoming resources £'000	Outgoing resources £'000	At 31 Dec 2022 £'000
Group				
Unrestricted reserves	17,392	47,582	(47,235)	17,739
Landlord contribution	1,663	(277)	—	1,386
Reserves including landlord contribution	**19,055**	**47,305**	**(47,235)**	**19,125**
Charity				
Unrestricted reserves	15,856	45,148	(44,366)	16,638
Landlord contribution	1,663	(277)	—	1,386
Reserves including landlord contribution	**17,519**	**44,871**	**(44,366)**	**18,024**

Previous Year	At 1 Jan 2021 £'000	Incoming resources £'000	Outgoing resources £'000	At 31 Dec 2021 £'000
Group				
Unrestricted reserves	17,334	49,259	(49,201)	17,392
Landlord Contribution	—	(277)	1,940	1,663
Reserves including landlord contribution	**17,334**	**48,982**	**(47,261)**	**19,055**
Charity				
Unrestricted reserves	16,002	45,982	(46,128)	15,856
Landlord Contribution	—	(277)	1,940	1,663
Reserves including landlord contribution	**16,002**	**45,705**	**(44,188)**	**17,519**

22. Movements in restricted funds

	At 1 Jan 2022 £'000	Incoming resources £'000	Outgoing resources £'000	At 31 Dec 2022 £'000
Group and charity				
MaPS	—	11,169	(11,169)	—
Ireland - Advice	—	—	—	—
Scottish Ministers	27	1,135	(1,162)	—
Welsh Ministers	—	116	(116)	—
Natwest	—	2,000	(200)	1,800
Gambling Commission - Betway	56	—	(56)	—
	83	**14,420**	**(12,703)**	**1,800**

Previous Year	At 1 Jan 2021 £'000	Incoming resources £'000	Outgoing resources £'000	At 31 Dec 2021 £'000
Group and charity				
MaPS	14	10,574	(10,588)	—
Ireland - Advice	302	(302)	—	—
Scottish Ministers	156	1,207	(1,336)	27
Welsh Ministers	—	174	(174)	—
Barclays Execution Services Limited	283	—	(283)	—
Gambling Commission - Betway	—	64	(8)	56
	755	**11,717**	**(12,389)**	**83**

MaPS Grant

FCC continued to receive grant funding from the Money and Pension Service (MaPS) to support advice provided by both telephone and digital channels for the period up to 31st Jan 2023. Following the impact of the COVID-19 pandemic, additional grant funds were made available to mitigate core income stream reductions and protect advice capacity.

Scottish Ministers

FCC received funding under two agreements from the Scottish Ministers. Firstly, for the provision of a telephone debt advice service to indebted individuals for a 1 year period from the 1st April 2019 and subsequently the provision of a specialist debt service with a particular focus on vulnerable clients for the period from 30th May 2019 to 31st March 2020. Both of these agreements were renewed up to 31st March 2023 and an additional agreement was also entered into to increase the support for vulnerable clients as well as building on knowledge and providing training to colleagues on certain key areas.

Welsh Ministers

FCC received funding for the provision of a telephone debt advice to indebted individuals for a 1 year period from the 1st April 2019 from the Welsh ministers. This agreement was renewed up to 31st March 2023.

Natwest Grant

StepChange received a £2m grant from Natwest to provide a national debt advice service for Natwest's business customers. This is a two-year pilot, in which StepChange will provide debt advice and share customer outcomes data.

Gambling Commission - Betway

StepChange received funding from Betway and the Gambling Commission to provide a research project into the effects of gambling of peoples financial health. The project was in partnership with Bristol University and completed in 2022.

The summary of the assets and liabilities for the total restricted funds, disclosed by contract and the total unrestricted funds at 31 December 2022 is shown overleaf.

Net Assets by Funds	MaPS	Scotland £'000	Wales £'000	Natwest £'000	Betway £'000	Total restricted £'000	Total unrestricted £'000	Total funds £'000
Fixed Assets								
Intangible assets	—	—	—	—	—	—	1,544	1,544
Tangible assets	—	—	—	—	—	—	1,924	1,924
	—	—	—	—	—	—	**3,468**	**3,468**
Current Assets								
Debtors	—	—	—	—	—	—	10,618	10,618
Cash at bank and in hand	—	—	—	1,800	—	1,800	9,831	11,631
	—	—	—	**1,800**	—	**1,800**	**20,449**	**22,249**
Creditors: Amounts falling due within one year	—	—	—	—	—	—	(5,070)	(5,070)
Net Current Assets	—	—	—	**1,800**	—	**1,800**	**15,379**	**17,179**
Creditors: amounts falling due after one year	—	—	—	—	—	—	(1,108)	(1,108)
Net Assets	—	—	—	**1,800**	—	**1,800**	**17,739**	**19,539**

23. Related party disclosures

On a consolidated basis, there were no (2021: none) transactions undertaken with related parties during the year. The charity provided a loan of £200,000 (2021: £200,000) to Consumer Credit Counselling Service (Equity Release). The details are disclosed within note 17.One of StepChange's Trustees, Nick Caplan is also a Director at Vitality Health Limited. A total amount of £38,880 was paid to Vitality Health Limited by StepChange in the year 2022 for employee health services. There were no other related party transactions in either year.

24. Pension costs

The charity operates defined contribution pension schemes. The assets of the schemes are held separately from those of the company, being invested with insurance companies as per the employee's instructions. The pension cost charge represents contributions payable by the charity to the pension funds and amounted to £2,666,904 (2021: £2,750,191). At the year end the pension creditor amounted to £283,682 (2021: £265,322).

25. Creditors: amounts falling due after more than one year

	Group 2022 £'000	Group 2021 £'000	Charity 2022 £'000	Charity 2021 £'000
Creditors: amounts falling due after one year				
Accruals and other creditors	1,108	1,386	1,108	1,386
	1,108	**1,386**	**1,108**	**1,386**

Thank you to our supporters

Each of these organisations supported us financially in 2022, and many worked with us on policy to improve the debt landscape. We'd like to express our gratitude for their support, without which our work would not be possible.

118 118 Money
Aberdein Considine & Co
Acument Mortgages
Affinity Water
Amber Energy
American Express
Anglian Water
Arrow Global
Bamboo
Barclays
Bristol & Wessex Water
British Gas
Cabot Credit Management
Capital One
Capital Resolve
CARS
Clarion Housing
ClearScore
Compare the Market
Computershare
Co-operative Bank
Creation Financial Services
Credit Style
Damart
E.ON
Elderbridge
Essex & Suffolk Water
Experian
Freeman Grattan Holdings
Go Debt
Green Energy
H&T Pawnbrokers
Hoist
Home Retail Group
Hoopers Department Store
HSBC Bank
Ikano Bank
Intrum
JAJA Finance
Key Retirement Solutions
Klarna
Lantern
Leeds Building Society
Lendable
Link Financial
Lloyds Banking Group
Loop Customer Management
Lowell Financial
M&S Money
Marston Group
Mazars
McCambridge Duffy
Money and Pensions Service
Moneybarn
Moneyline
Monzo Bank
Moorcroft Debt Recovery
Morses Club
N Brown
Nationwide
NatWest
NewDay
Northumbrian Water
Novuna
OVO Energy
Paragon
Pega
PRA Group
Provide Community
Redcats
Royal Bank of Scotland
RSA Insurance Group
Sainsburys
Sainsburys Bank
Santander
Scottish Government
Scottish Power
Secure Trust Bank
Sesame Services
Shell Energy
Snap Finance
SteadyPay Limited
StepChange Financial Solutions
StepChange Voluntary Arrangements
TBI Financial Services
Tech Mahindra
Tesco Bank
Thames Valley Housing
The Blyth Watson Charitable Trust
The Very Group
Thesis
TSB
Ulster Bank
United Utilities
Utilita Energy
Vanquis
Welsh Government
Welsh Water
Wescot
West Cumbria Community Money Advice
X-Lab
Yorkshire Bank
Zenith