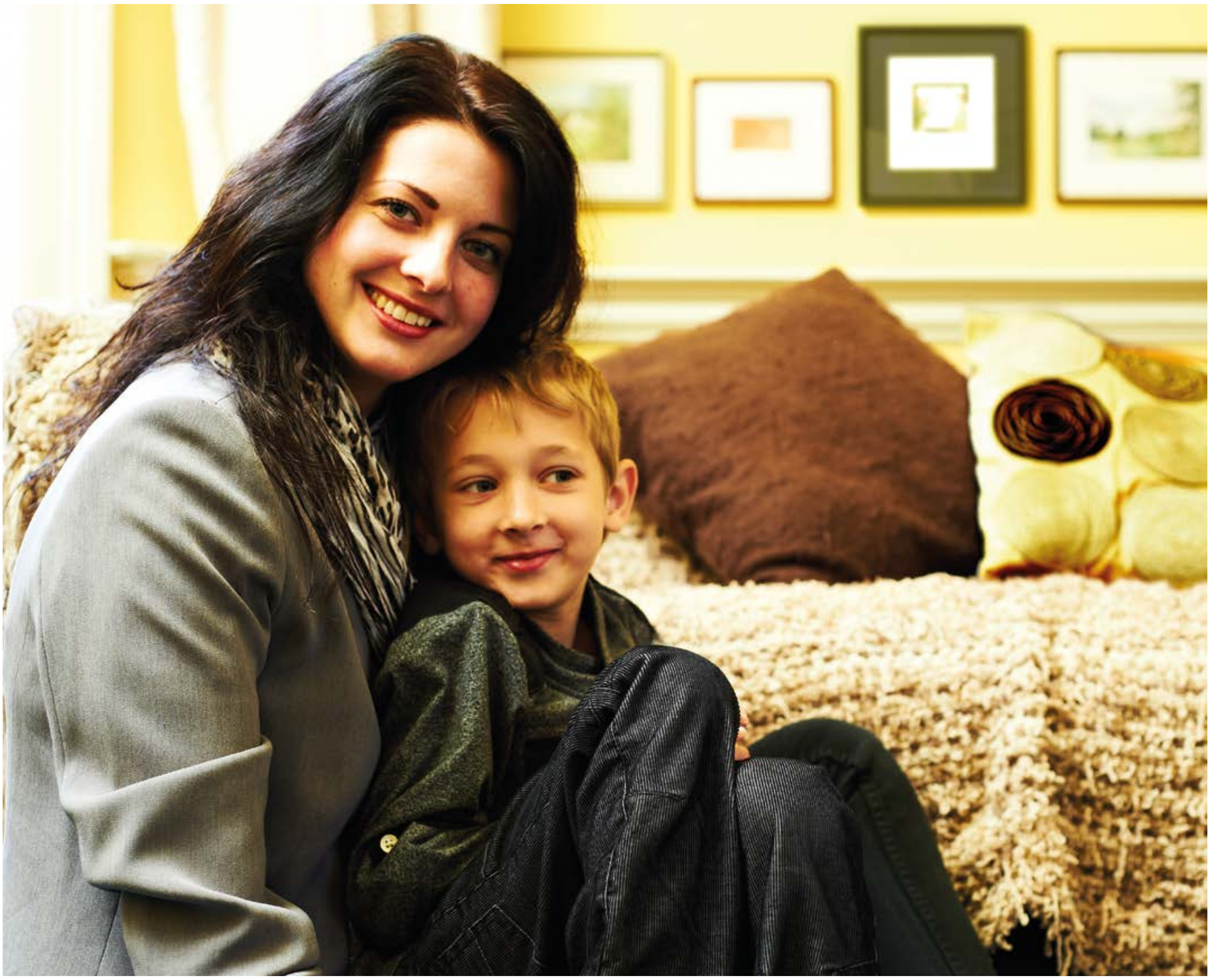

Transforming Lives

A REVIEW OF THE SOCIAL IMPACT OF DEBT ADVICE FOR UK INDIVIDUALS AND FAMILIES, EVALUATED USING SROI

BAKER TILLY

StepChange Debt Charity

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Charity and Education Group

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Clifford, J. Ward, K. Coram, R. Ross, C. (2014) StepChange Debt Charity: Social Impact Evaluation of certain projects using Social Return on Investment, [Leeds], StepChange Debt Charity

Disclaimer

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StepChange Debt Charity
Chairman's Foreword

The people who work for StepChange Debt Charity have been helping and supporting families with money worries and problem debt for over 20 years. We have dedicated ourselves to providing a safety net for people from all walks of life who struggle to make ends meet for whatever reason.

Through our broad range of highly effective and efficient services, we can deliver helpful advice and action-oriented solutions that can truly change people's lives and provide new opportunities for their future. As early as our first engagement with them, they tell us that a weight has been lifted from their shoulders, their sense of isolation has been removed, and they can finally see a light at the end of the tunnel. As they continue with us, their feelings of hope grow and they develop confidence in their actions and in their ability to manage their futures.

These messages of hope and recovery are so common and well known to the many skilled advisers in our charity, that we have come to accept them as just part of what we do. But we have come to realise that the wider impact of our services on families, communities, society and its economy has considerable value, and so we decided that we should try to gather evidence which could demonstrate the economic value this work generates. Having changed the lives of over two million people over the past 20 years, we have a considerable amount of data which bears on the broad benefit of the help we provide: the improvement and new opportunities for families; the savings in costs associated with debt and supporting services; and the prevention of cyclical and recurring problems.

It is for these reasons that we commissioned this study on social return on investment (SROI) for our charity: to highlight the impact and significant benefits to a wider audience that awareness, engagement and early intervention can bring. We believe this is the first attempt to quantify this type of benefit in the debt advice sector. The work has been challenging and rewarding. It suggests many avenues for further enquiry and study to refine the approach and sharpen the estimates.

The outcomes of this study of our work highlight that there are benefits to creditors and the state – and more importantly to indebted people and their families – which hugely outweigh the costs of doing what we do. The benefits we delivered to just the sample of clients in this research amounted to £196 million. Assuming all our clients follow a similar journey with our help, this gives a total benefit from our work of over £400 million. Compare this to our total funding of £33.6 million, and the value of what we do is beyond doubt.

Given there are some 2.9 million people in the UK suffering with serious debts, one can imagine both the potential benefits across society of a service like ours, and the costs we are bearing as a country as a result of problem debt. These issues are explored in further StepChange Debt Charity analysis.

I would like to offer my thanks to Jim Clifford and his team at Baker Tilly for their report, which validates the unique service we offer and recognises the immense dedication of our advice and solutions teams. Bolstered now with the certainty of the value we deliver to the community and the country, we will continue to focus on reaching the growing number of households struggling with problem debt.

Lord Stevenson of Balmacara
Chairman
StepChange Debt Charity

Introductory Comments from Jim Clifford, OBE

We have in Britain some of the highest levels of personal debt in the world.

Over 2.9 million people are struggling with problem debt in the UK. Other signs are there of financial struggle, the growth rate of food banks has tripled due to demand, the payday lending market has grown in value from £900 million in 2009 to over £2 billion in 2013, and StepChange Debt Charity has seen a year on year increase in demand for their services over the last three years.

These numbers are significant but they are just the tip of the iceberg.

The scale of the problem is much greater when viewed through the lens of the social impact created as a result of problem debt. Arguably problem debt cannot be understood, quantified, or responded to without first understanding and evaluating the wider story of change that happens in individual's lives when weighed down by debt.

It is striking that it is not just individuals and creditors who are impacted-upon but also their families and the public purse. In the course of our work with the charity we have seen that problem debt infiltrates every aspect of a person's life. It influences their ability to work, eat, stay healthy in mind and in body, create a home and raise families – each in turn complicating the picture of debt, and causing it to accelerate.

The value that StepChange Debt Charity brings is to help unravel these circumstances, give clients back the control they have lost, and achieve sustainable change to benefit them and their families, their creditors and the state. This evaluation, which has been developed conservatively, not over-claiming its benefits, found that the value of their work with 47 % of clients for one year was over £195.8 million. The majority of this gain, over £109 million, is enjoyed by the state (in saved benefits and health costs) and over £82 million (in saved costs of debt management and recovery), is enjoyed by creditors.

The state and creditors need not however remain passive beneficiaries in this story. By actively responding to it and instigating, encouraging or enhancing the difference the charity makes, it can bring greater value to both itself, and those facing problem debt. This report illuminates ways in which policy makers and strategists influence the likelihood of debt and an individual's ability to respond to it.

Understanding the wider social impact discussed in this report is key to ensuring individuals are less likely to fall into debt, and for those that do, ensuring that organisations such as StepChange Debt Charity are able to reach them in a timely way.

From a robust and careful evaluation of the financial impacts of changes which can be achieved in a troubled financial relationship, we have shown the human stories and the human interactions that drive them. The challenge then, is not just to continue to fund this work, beneficial as it so clearly is. What must follow is that the findings must be used to change behaviours, in the debtors, but also in the creditors, and the other agencies that work with them.

Jim Clifford, OBE, Director BWB Advisory and BWB Impact

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Jim Clifford is Director of BWB Advisory and BWB Impact and formerly Head of Non-profit Advisory Services at Baker Tilly, where this study originated. He has authored a number of high profile social impact and cost studies including the social impact protocol for Sector Skills Councils, published in 2010, the study of PACT's domestic adoption and fostering services, referenced in the Narey Report on Adoption, Alana House Women's Community Centre, the PRTC National Carer's Centre Network, and comparative study of costs of special schools for NASS. Following from the PACT study he led the development of the Sector's response: "It's All About Me", the first voluntary sector-originated Social Impact Bond, and has since been appointed its first Chair. He is also technical chair of the GECES subgroup advising the European Commission on the development of social impact measurement under emerging EU policy for social enterprise. He is a Visiting Fellow at Cass Business School's Centre for Charity Effectiveness where he is undertaking research into evaluative protocols for transactional decision making (linking Social Impact with conventional valuation and brand valuation). He is a non-executive director of the Centre for Public Scrutiny**.** He was awarded an OBE in 2013 for services to social investment.

Contents

Definitions of Terms

The following definitions apply throughout this document, unless the context requires, otherwise:

Term	Definition
CSJ	Centre for Social Justice
DCF	Discounted cash flow
DMP	Debt management plan
DRO	Debt relief order
DWP	Department for Work and Pensions
FCA	Financial Conduct Authority
GLA	Greater London Authority
IVA	Individual voluntary arrangement
JSA	Jobseekers allowance
LA	Local authority
NEET	Not in education, employment or training
NHS	National Health Service
ONS	Office for National Statistics
RSL	Registered social landlord
SROI	Social return on investment
UK	United Kingdom
GVA	Gross added value
PV	Present value

Executive Summary and Key Findings

Overview

Problem debt has an insidious effect on lives, morphing for many from a financial problem into a life problem. Research commissioned by StepChange Debt Charity estimates 2.9 million people showing multiple signs of financial difficulty, in 2013. StepChange Debt Charity has seen a significant increase in demand for its services, including online, over the last two years, with a 22% increase in helpline calls during 2013.

StepChange Debt Charity helps to lift people out of debt and back into life. A free and independent model is critical to how it achieves change with clients, this report sets out how it achieves change and the value of the resulting impact created.

This evaluation uses a social return on investment (SROI) methodology to evaluate the benefits of StepChange Debt Charity's activity with clients. Over the year evaluated for this report, September 2012-August 2013, it gave independent support and advice to over 235,000 clients, of which 109,397 were evaluated using the SROI methodology. The value of turning these lives around was considered to be £195.8 million.

This arose through benefiting individuals, families, creditors and the state. This gain far exceeds the charity's funding of the entire base of £33.6m

SROI is a respected and rigorous method used by governments, and others, to commission and invest in services and wider work of the not-for-profit sector. We believe this to be its first serious application to debt advice. The findings that benefits vastly exceed costs, even on a conservative basis, are important. So is the illumination of how those benefits might arise. But like any novel research, this report highlights several avenues for further study to refine the approach and estimates.

Background to StepChange Debt Charity

StepChange Debt Charity is the UK's leading charitable debt advice organisation. Previously known as the Consumer Credit Counselling Service (CCCS), the charity has over 20 years of experience of helping individuals to deal with chronic and unmanageable debt.

Research has demonstrated that chronic and unmanageable debt is a key causal and contributory factor of many financially and emotionally costly problems. So far StepChange Debt Charity has helped change the lives of over two million people, and at the end of 2013 it was helping more than 145,000 people to repay £329 million off their debts via debt management plans, with £3.99 billion in unsecured debts under management. During 2013 the charity advised 278,438 people to manage their debts.

StepChange Debt Charity's mission is to provide free and effective debt advice, solutions and re-establishment services to help transform the lives of those struggling with the stress and worry of problem debt.

It achieves this through service-based activities, such as support, advice, counselling and advocacy with telephone and web-based services, underpinned by the model of a free and independent service. This enables the charity to adhere to best advice principles, recommending solutions with sustainable outcomes in mind for all stakeholders.

This evaluation found that the outcomes the charity achieves for its clients are: to help them develop the financial literacy and emotional capabilities they need to deal with money and related life choices, and to give them recommendations, support and assistance in carrying out a plan that's right for them. In turn this support creates a positive impact on income, employment, mental and physical wellbeing, emotional resilience, family togetherness and children's ability to succeed in life and education.

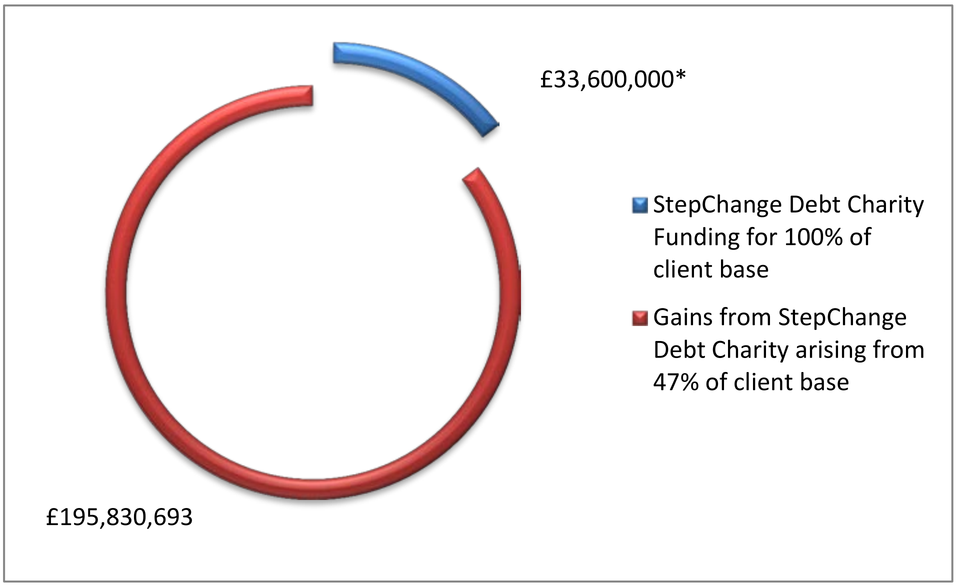
This impact ripples out to the family, communities, creditors and the state. The quantifiable benefits arising from the change instigated by the charity fall into the following categories:

1.	Improved mental health	2.	Reduced creditor recovery cost
3.	Improved physical health	4.	Reduced risk of debt recycling
5.	Reduced likelihood of being NEET	6.	Reduced risk of children being taken into care
7.	Reduced risk of losing home	8.	Reduced risk of relationship breakdown
9.	Cost of residential care	10.	Reduction of unemployment
11.	Increased employment	12.	Reduced risk of crime

Results of the evaluations

StepChange Debt Charity's work with clients was evaluated using a SROI methodology. Based on the SROI project scope and the selected segment types included in the evaluation, the chart in Figure 1.0 below, shows the benefits generated across all of the segment types and wider society to be £195.8 million.

Figure 1.0 StepChange Debt Charity Overall Gains from 109,397 Clients



* £33.6m reflects funding for 100% of base so overall gains are greater than illustrated here

This evaluation covers four segments of its client base described in Section 5, that are of particular interest to the charity. These segments make up 47% of the client base for that year, therefore the total impact of its work for that year would exceed the total gains illustrated here.

In arriving at the gains the evaluation has also taken reasonable account of the key areas of deduction required in SROI evaluations; deadweight, alternative attribution and displacement. These areas of deduction factor in changes that clients may have made anyway without StepChange Debt Charity's support, as well as acknowledging the help and support of others, such as family, friends and other organisations. Additionally increased costs are recognised such as increased welfare benefits as a result of benefits advice from the charity.

The reason for the scale of the gains is that the research revealed that, without support, money problems don't stay as solely money problems for long, and escalate into far-reaching problems such as housing, mental and physical ill-health, relationship breakdown and unemployment.

The following table presents the overall gains identified by beneficiary area:

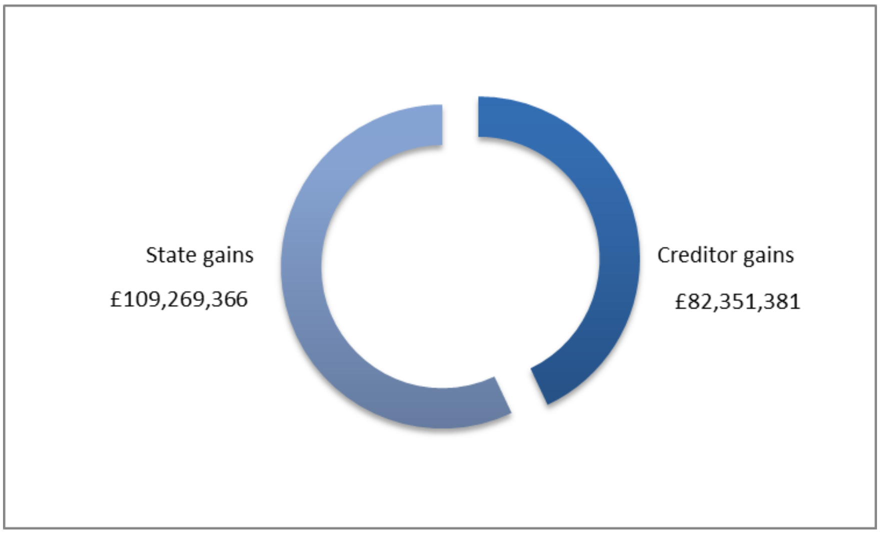
Figure 1.1 StepChange Debt Charity impact by gain area

Category	Total Evaluated Gain
Employment	£35,459,727
Mental health	£8,190,038
Creditor recovery	£80,435,546
Desperation crime	£39,268
Debt recycling	£4,200,215
Children taken into care	£1,940,953
Housing	£42,184,641
Relationships	£4,209,886
Small business	£9,682,331
Care home	£7,339,525
Disengaged children	£1,936,798
Physical health	£211,675
Total gains	**£195,830,603**
Displacement (due to additional welfare benefits claimed – included within above values)	**(£21,106,622)**

The ripples of this impact are not only felt by the indebted and their families, but also by the state and creditors too.

The diagram below shows how the state and creditors gain from the charity's work. The gain arises from key measures used in the evaluation such as housing, employment or cost of chasing payment arrears and debt recovery. Section 5 sets these out in more detail and the models used for the measures, with underlying assumptions, can be found in Appendix B.

Figure 1.2 StepChange Debt Charity State and Creditor Gains from 109,397 Clients



The remaining gain of around £4.2 million is for the costs of avoiding divorce or separation. Research has shown debt can be a contributing factor in divorce, due to the high stress that it can place on family relationships.

Problem debt creates a cost burden on the state and the taxpayer

The value of the charity's work, across all the segments evaluated, to the state is notable, at £109.3 million. Much of the value is in the form of costs saved, such as welfare benefits, housing costs, healthcare costs for mental health challenges, as well as gains in employment for clients and their children. (Detailed tables can be found in Section 5).

Working with those with problem debt results in significant creditor gains

Before intervention the relationship between clients and creditors can often be difficult. Without achievable payment plans in place, this can lead to erratic payments or even cessation of payments if debts are allowed to build up unchecked. StepChange Debt Charity plays an important role by working with clients to help put the relationship with creditors back on an even footing, with regular sustainable payments achieved.

Creditors gain by: saving on the administrative costs of chasing accounts in arrears, greater recovery of debt than would be achieved without the charity's intervention and by working with a client's circumstances and capabilities, it increases the likelihood of preventing the debt problem repeating.

Conclusions from the evaluation

An estimate of the broader social benefits of debt advice

The evaluation in this report set out to measure the difference StepChange Debt Charity makes to the lives of people experiencing problem debt. It found that the debt advice and solution services provided by StepChange Debt Charity deliver benefits that are many times greater than the investment from the charity’s funders. If the remaining 53% of clients experience similar outcomes to those evaluated here, then the total gain would stand at over £416m.

The impact the charity achieves arises from the way in which staff work within the context of clients’ needs. That is not by attending to the finances alone, but by addressing the triad of finances, circumstances and human behaviour. This approach enables behaviour change and equips people to deal with the straitened circumstances they face. A model of free and independent debt advice is a necessary component to this approach to debt management, as it enables staff to take the time they need to untangle problems and help put appropriate solutions in place without the need to consider the profitability of financial solutions.

This research has not been extended to look at the profile of the wider population of people experiencing problem debt. However we believe it is reasonable to assume that this wider population will have a broadly similar profile to the StepChange Debt Charity clients sampled in this research and the problems would produce broadly similar social costs per client in the absence of an effective intervention. We can therefore expect that problem debt, unsupported, has a multi-billion pound impact on society.

The need for a public policy response

This first attempt to estimate the potential total social cost of current problem debt in the UK stretches the SROI methodology beyond this report’s aim to evaluate the benefits delivered by StepChange Debt Charity.

However we believe that these findings are robust enough to inject urgency into the public policy response to the UK’s household debt problem. The scale of potential social costs of UK household debt is a problem for us all. It suggests a fiscal drag; a break on economic recovery and a drain on the confidence, aspirations and self-reliance of UK households. This should be a call to action for the Government to develop a clear national household debt strategy with three main aims:

- Reduce the number of UK households falling into problem debt by tackling root causes of vulnerability to debt.

- Take action to reduce the costs and consequences of debt falling on households and society more generally as set out above.

- Take action to build the resilience of households recovering from debt to minimise the risk that they will fall into financial difficulties again.

Achieving these aims will not be easy and will require policy development that is beyond the scope of this report. However a number of key points immediately stand out from this SROI evaluation:

- The high social return on investment in free debt advice strongly suggests that both creditors and government should be doing more to support access to free and independent debt advice for everyone that needs it.

- Households living on the debt cliff edge right now need a package of effective support at least until economic recovery lessens the strain by boosting real household incomes. Targeted investment in households now could mitigate much larger social costs later.

- There is a need for a long term and concerted approach to reducing the social costs of debt. Public policy needs to find better ways to help households facing financial difficulty from falling into crisis debt. Households need to be more resilient against income shocks and unexpected expenditure, less likely to use financial coping strategies (such as unsustainable credit use) that increase vulnerability to debt, and more likely to get the help they need earlier.

From this report it is evident that problem debt can have a catastrophic impact on the individual concerned. What this study shows is that when these individual experiences are multiplied across the many millions of people currently struggling with over indebtedness, the ripple effect for the whole of UK society is significant. All too often problem debt is discussed in terms of pounds and pence when the real currency which should be referenced is that of personal wellbeing.

The holistic approach StepChange Debt Charity takes to debt advice and on-going care and support means the human and societal benefit far exceeds the amount repaid through the debt solutions provided by the charity.

1. Background

Purpose of this report

1.1 StepChange Debt Charity is the UK's leading charity debt advice organisation. Its mission is to provide free and effective debt advice, solutions and re-establishment services to help transform the lives of those struggling with the stress and worry of problem debt.

1.2 Baker Tilly was engaged by the charity to support it in investigating the social impact of activities relating to its work.

1.3 The aim of this report is to evaluate the economic and social benefits generated by their activities. Where possible, it aims to provide guidance on the future application of the models used for the evaluation, to enable StepChange Debt Charity to measure the social impact of its other activities outside the scope of it.

1.4 This project has been commissioned to help the charity pursue its ambition to create a society free from problem debt. In this it is building on its work of the last 20 years, in helping to overcome the problems that debt continues to present in the 21st century.

1.5 The evaluation provides a basis for achieving these objectives by helping to focus external and internal audiences on what areas of work are delivering impact and for whom. This will allow it to;

- Have a greater understanding of the outcomes and impact achieved;
- Report the public benefit using sound quantified information;
- Demonstrate the wide and valuable impact to funders, beneficiaries, and other stakeholders;
- Focus strategically upon what is most effective in delivering impact; and
- Provide a basis from which to drive wider outreach and partnering.

Nearly half of the charity's clients were referred by creditors or other partner organisations, and partnership is a key part of the strategy in reaching more people with a wide range of needs.

Overview of StepChange Debt Charity

1.6 StepChange Debt Charity, previously known as the Consumer Credit Counselling Service (CCCS), has over 20 years' experience of helping individuals to deal with debt. The charity has over 190 advisors who help over 1,000 people a day with their debt problems, and is the UK's largest single provider of debt management plans (DMPs).

1.7 Staff provide free and impartial advice enabling them to tailor advice to a person's situation, rather than working within the constraints of directly sharing creditor gains, or earning fees from the outcomes.

1.8 Over the last 20 years StepChange Debt Charity has given free advice on problem debt to more than 2 million people.

1.9 It works together with clients through services such as emotional support, advice, and advocacy. Clients can access these services online, or via a free national telephone advice line.

1.10 Staff are able to work with clients to offer a range of solutions, the development and use of some of which the charity pioneered; debt management plans in 1993, also becoming the only not-for-profit provider of IVAs (individual voluntary arrangements) in 2007. StepChange Debt Charity set up a subsidiary company to provide IVA solutions – the profits of which are gifted back to the charity. The charity continued this innovative approach with the launch of an equity release company in 2010. In 2011 it was awarded the Advice Quality Standard (AQS) which was renewed in 2013.

1.11 The ability to receive tailored advice and solutions anonymously is important for many clients and StepChange Debt Charity's online debt management tool, Debt Remedy, enables clients to do this. The charity tracks the client outcomes online to ensure they match the outcomes achieved through its helpline, and these show that the Debt Remedy tool achieves the same debt relief outcomes as the telephone service.

1.12 Online approaches include responding to recognised indicators of depression and anxiety, which is done within the Debt Remedy tool. Over 70% of users are referred to StepChange Debt Charity's Wellbeing Service which was developed with support of leading mental health specialists. It includes referral to eCouch, an online cognitive behavioural therapy service developed by the Australian National University, which provides relief from many of the emotional aspects that often feature alongside debt.

1.13 Almost 60% of the users of this service show severe signs of depression and anxiety and are recommended to seek healthcare.

1.14 The website also provides information on types of solutions, how to manage creditors, different types of loans and offers practical services such as a benefits checker, and utility switching.

1.15 For the telephone helpline, advisors provide the initial triage support, giving their clients the reassurance to explore their debt problems and understand their options. Callers then get help to work out a budget plan – a vital first step to regaining financial control.

1.16 Once a client's situation has been established they are offered a full debt advice session to determine the best options available and recommend a solution.

1.17 Debt advice is first and foremost about getting people back in control of their finances to meet their essential needs and where possible other financial commitments. Budgeting support puts some people in a position where they can meet their obligations without further assistance.

1.18 For others a specific debt solution is recommended, such as a debt management plan, individual voluntary arrangement, or debt relief order (DRO).

1.19 StepChange Debt Charity's core debt advice is supported by specialist teams:

- The specific debt advice needs of people in Scotland are supported by StepChange Debt Charity Scotland;
- The debt advocacy team provides tailored support for clients who face additional barriers, such as explaining special circumstances to creditors when someone is terminally ill;
- Specialist help on mortgage and rent arrears for people facing court;

- Authorised intermediaries who can help clients apply for DROs, specialist advice on bankruptcy, offer IVAs and provide an equity release service; and

- Welfare benefits checks to everyone contacting the charity, to ensure their households are receiving all they are entitled to.

1.20 The charity's ethos is based on fair and affordable repayment of debt – which includes supporting clients to meet their obligations in paying back as much of their debt as possible where they can.

1.21 DMP clients are offered on-going support by client aftercare, including an annual review of their budget to ensure their DMPs stay on track

1.22 Over 880,000 calls in 2013 were for DMP aftercare. At the end of 2013 the charity was helping more than 145,000 people repay £329 million off their debts in this way with £3.99 billion in unsecured debts under management.

1.23 The research found that the outcomes StepChange Debt Charity achieves for its clients are to help them develop the financial literacy and emotional capabilities to deal with money and make life choices which, in turn, have a positive impact on; income, employment, mental and physical well-being, emotional resilience, family togetherness and children's ability to succeed in life and education. This impact ripples out to secondary beneficiaries such as creditors, the state, their family, and communities.

2. Methodology and approach to evaluation

Social Return on Investment (“SROI”)

2.1 StepChange Debt Charity chose to work with Baker Tilly to understand further the impact that its work has on society, and evaluating this using SROI methodology.

2.2 The SROI methodology has been developed in order to help organisations to “… [measure and quantify] the benefits they are generating” (per Lawlor, Neizert & Nicholls writing in the SROI guide, 2008[A]). This approach was piloted in the UK through the Measuring What Matters programme during 2002 and has evolved since then as further work has been done to develop the framework around it.

2.3 It is increasingly being seen as an “incredibly useful tool”[B] by a number of organisations and key commentators within the Third and Public sectors in the push to measure and evaluate social impact.

2.4 There are three ‘bottom line’ aspects of social return that the charity wanted to understand to inform their activities:

- *Economic:* the financial and other effects on the economy, either macro or micro;
- *Social:* the effects on individuals’ or communities’ lives that affect their relationships with each other; and
- *Environmental:* the effects on the physical environment, both short and long term.

2.5 For this study the primary focus has been on economic and social benefits, rather than environmental benefits, which are considered, for the most part, to be minimal from debt advice work.

2.6 The benefits of using SROI include:

- *Accountability:* The charity will be able to give both the numbers and the story that supports them;
- *Planning:* SROI provides a change management tool to assist in the direction of resources towards developing the charity’s services, and in particular to support its strategic partnerships;
- *Cost and time effectiveness:* the measures produce an analysis of the most cost and time effective activities, such as revealing the gains of working in different ways with clients to support the development of financial capabilities; and
- *Simplicity:* impacts can be reduced to a simple comparison of the cost of funding the charity and the benefits that flow from its core activities to facilitate analysis and give a clear indicator of types and ranges of success.

2.7 SROI takes total measurable outcomes, discounted to present value where the benefits occur in the future or are recurring over a period of time, and deducts:

- **Deadweight** - gains that would have happened anyway regardless of the charity’s intervention
- **Alternative attribution** - where part of the gain is more reasonably attributable to a partner or third party; for example employment support services may also be responsible for helping clients move into employment and therefore employment gain can’t solely be attributable to the charity helping to lift debt.

[A] Lawlor, E., Neitzer, E. & Nicholls, J.. 2008. Measuring Value: a guide to social return on investment. London. New Economics Foundation
[B] Copps, J. and Heady, L. 2010. *Social Return on Investment: Position Paper, April 2010.* London. NPC. From www.philanthropycapital.org

- **Displacement** - where the gain is tempered by a lesser dis-benefit, such as StepChange Debt Charity's welfare benefits service, which help clients understand if they are eligible to claim benefits, or should be receiving a higher level of benefits. These services are likely to contribute to the lifting of debt and other forms of state dependence in the long-term, however for this evaluation we have shown these as a displacement.

2.8 A review of academic work and practical examples of SROI in use by the non-profit sector suggests that the measures fall into three patterns, which have been used in this work:

a) *Economic benefit created:* where there is an impact on earning capacity or productivity, for example one of the areas of gain identified by the research was an increased ability to maintain or gain employment as a result of controlling problem debt.

b) *Costs saved or not wasted:* where the intervention results in a saving, either in the cost of another intervention or in a consequential cost. These types of gain figure strongly in the outcomes generated from the charity's work, in particular welfare assistance, NHS support, or creditor costs saving from pursuing accounts in arrears.

c) *Alternative or cheaper sourcing:* where one intervention directly replaces another more expensive one. These types of gains feature less for the charity, although getting clients back on track with creditors saves other forms of intervention from creditors such as outsourcing recovery to debt collection agencies.

2.9 In identifying these benefits, a key underlying requirement is to consider not only the positive contribution that the charity makes, but also the economic damage that is avoided by having it in place. Much of our report involves the quantification of the damage to stakeholders that would result based on these implications. By avoiding this damage, the charity contributes to the economy just as meaningfully as where the effect is an incremental benefit.

2.10 Appendix A contains further notes on the validity and usefulness of the SROI methodology

Approach to the evaluation

2.11 A group was formed to oversee the work of the SROI evaluation under the guidance of Baker Tilly, including representatives of both organisations. The group applied an action research methodology for gathering information on the projects in scope of this evaluation and for testing the data assumptions. Action research has been used as it:

a) Enables the research to stay close to the data;

b) Enables the theory – that is the answer to the research – to emerge from the data as it is gathered;

c) Promotes a cyclical revisiting of the data through the research process which promotes internal validity and triangulation of the results: that is the data gathered and the conclusions drawn are better tested;

d) Through encouraging the organisation, and the individuals within it, to learn from the process of the research, its staff are better able to embed the results and benefit from them in developing future strategy: the work can be more useful.

2.12 An evaluation of social impact can be approached in different ways, often specific services are evaluated to understand the benefit these services bring. However in the planning of the work, and through a pre-research review of activities, it was apparent that the outcomes generated come from a blend of different services and may be different for distinct client types.

2.13 It was therefore decided that rather than seek to evaluate individual activities' effects on all clients, the blend of these effects would be considered for different client groups. Taking a user-centric view, evaluating changes in life-course, allowed the research group to understand the holistic impact on primary and secondary beneficiaries. The users were grouped into the following segments, where large cohorts appear within the client base, and where significant changes in circumstances lead to potentially different impacts;

A. Beyond Means - 18-24 years old single, with no dependants

B. Going Under - 18-59 year old sole parents

C. Juggling Life - 40-59 year couples, with and without dependants

D. Limited Means - 60 plus years old, without a partner

2.14 Having identified a representative segmentation, a common set of outcomes to evaluate was determined with common values defined for an improved/positive outcome. During the action research process, each group member was assigned one case study to consider. The participants discussed these case studies with staff within their area of work and fed back to the group on the perceived probability that the clients would suffer outcomes with or without the support of the charity. The findings were discussed, tested and challenged by the group to confirm that they were consistent with the views of others.

2.15 The view on each of these probabilities was then discussed by the participants in light of external research into each of the outcomes to ensure that their view on the likelihood of each outcome for a primary beneficiary of the service was in line with the conclusions of that research.

2.16 Further research was carried out into financial proxies that may be used for each of the outcomes used in the life course analyses. The financial proxies derived from this research were shared with the group and adjustments were made to ensure that they present a prudent reflection of the likely costs of each outcome.

2.17 Where estimates needed to be made (for assumptions that could not be under-pinned by empirical evidence) by the group, they:

- Considered the factors affecting that estimate;
- Established boundaries beyond which the assumption could not lie (from the experience of the group and other evidence);
- Made an assumption that lay towards the conservative end of the resultant range; and
- Tested the sensitivity of the results to the accuracy of these assumptions.

2.18 Finally the whole evaluation was subject to review to re-assess its fit with the originating research and the group's discussions.

2.19 Through the process of Action Research, the StepChange Debt Charity working group and Baker Tilly have produced:

- An overview of social impact and other methodologies used in this work;
- An analysis of the activities and outcomes of the above areas of work;
- An overview of how those outcomes may be measured using financial proxies;
- An overview of the results of the evaluation; and
- A detailed presentation of the models and assumptions used in the evaluation.

Reliance on work by StepChange Debt Charity

2.20 The work has relied upon information and explanations from the charity, including:

- The nature, outcomes and beneficiaries of their activities; and
- The assumptions used in evaluating the impact of their services.

2.21 Where possible, assumptions from the charity have been validated based on independent data or data extracted from their management information systems. Nevertheless, StepChange Debt Charity are responsible for making the assumptions used in this report and have confirmed that they are, to the best of their knowledge and belief, accurate and reasonable.

2.22 A detailed analysis of the evaluation models used and the assumptions and inputs to them is included as an Appendix to this report.

Avoidance of double-counting

2.23 The projects selected for analysis are felt to be sufficiently distinct as to avoid the risk of double counting of benefits.

Sensitivity analysis

2.24 Various assumptions have been made in the course of preparing this analysis, some relate to estimates made by the StepChange Debt Charity's working group in coming to the views of outcomes, and some relate to the interpretation of information arising from other research work and statistical analysis referenced in this work.

2.25 In order to assess the extent to which these assumptions are material, potentially key assumptions have been identified. Each has been subject to sensitivity analysis (variation within what appears to be a reasonable range), and the effect on the total valued outcomes under the study has been recast.

2.26 The conclusion from this analysis is that even if certain key assumptions are subjected to a material change, the overall conclusion from this study i.e. that the social return generated by the evaluated projects is significantly greater than their cost.

3. The importance of lifting the debt burden

3.1 According to research commissioned by StepChange DebtCharity 2.9 million people, were in financial difficulty during 2013.

3.2 Research, set out below, shows that chronic and unmanageable debt is a driver of many financially and emotionally costly problems, including; mental health, increased likelihood of being NEET for children within financially-distressed families, relationship breakdown, an increased risk of children being taken into care, an increased need for temporary housing, and an inability to maintain employment.

3.3 Consequently it tends to be an escalating and repeating problem, with more debt being taken on, if the underlying behavioural and circumstantial causes are not addressed.

Mental and physical health

3.4 Chronic and unmanageable debt is a key contributory factor of mental health problems. It may well be a causal factor, though causality is difficult to determine. Mental health issues cover a large spectrum, from anxiety, through depression, to breakdown and an inability to function in day-to-day in life.

3.5 The links between mental health and problem debt are supported by StepChange Debt Charity's own Wellbeing data, which showed that almost 60% of the clients using the online Wellbeing service in 2013 showed severe signs of depression and/or anxiety, on nationally recognised scales, and were recommended to seek medical help.

3.6 Indicating the effect of debt on mental health in their 2009 paper[C], Jenkins, Bhugra, et al, found that around half of people with debts in the general population have a mental disorder, compared with 14% of the general population with no debts.

3.7 As well as anxiety disorders people in debt have two to three times the rate of neurosis, three times the rate of psychosis, over twice the rate of alcohol dependence and four times the rate of drug dependence as people with no debt.

3.8 Research[D], published by the Department of Health shows stronger evidence for debt being a causal factor in poor mental health. The research reported that individuals who initially had no mental health problems but found themselves having unmanageable debts within a 12 month period had a 33% higher risk of developing depression and anxiety related problems compared to the general population who did not experience financial problems.

3.9 Jenkins, Bhugra et al conclude that, whether the association is causal, or reciprocal, these findings demonstrate the mental health aspects of the public health impact of debt in the general population; and have implications for debt policy, debt counselling agencies and for companies managing loans, repayments and pursuing debt recovery.

[C] Jenkins, R. Bhugra D., et al. (2008) 'Mental disorder in People with Debt in the General Population, Institute of Psychiatry, Psychol. Med, 2008 Oct, 38 (10): 1485-93.DOI io.1017/s0033291707002516 E.Pub, 2008, Jan 10
[D] Skapinakis, P. Weich, S. et al. (2006), 'Socioeconomic position and common mental health disorders: Longitudinal Study in the general population in the UK, British Journal of Psychiatry, 189 : 109-117

3.10 Some groups are already more vulnerable to depression due to their circumstances. The elderly are one such group: one in four have depression and inter-related physical health problems[E].

3.11 An estimated 4 million older people in the UK (34% aged 65-74, 48% aged 75+)[F] have a longstanding illness such as cardiovascular conditions, cancer, diabetes, and kidney problems – which can be exacerbated by stress.

3.12 An Associated Press-AOL health poll conducted in the United States[G] and analysed by Paul J. Lavrakas, a research psychologist, showed[H] one of the impacts of debt on health. Lavrakas et al, developed a Debt Stress Index at Ohio University to track the impact of debt on health. Self-reporting of high debt stress in the poll was associated with health conditions: 27% of those surveyed had ulcers or digestive-tract problems, compared to 8% of those with low level debt stress.

3.13 A survey by StepChange Debt Charity of their clients found that almost 50% of those questioned said the debt had had a very negative impact of their health with reports of; hair loss, palpitations, nervous breakdown, and cessation of menstruation.

Creditor recovery

3.14 When under financial stress many clients report having to default on borrowing, housing costs, and utility bills in order to make their income cover their living costs. Those with problem debt may default persistently on one type of account; others may continually rob Peter to pay Paul in order to keep up with all their outgoings.

3.15 For creditors two main costs are incurred:

- Administrative costs in chasing arrears – these can be internal collection costs or costs for external collections and recovery agencies; and
- Reduced recovery rate on the debtors account.

3.16 Creditors have markedly different approaches to chasing arrears that influence the administrative costs of each account. There is currently a lack of publicly available data on creditor costs to make it possible to develop a range of models understanding creditor costs. As a base model one report, by the Friends Provident Foundation[I] records that UK water companies spend around 5% of the debt owed on recovering the debt – excluding any write-offs.

3.17 According to the Friends Provident Foundation report, there are around 2.0 – 2.5 million households in arrears with bills or credit card payment, and an estimated 3.6 million households who may be in danger of falling into arrears. Around 1 million of those in arrears have sought independent debt advice – and many of the remainder avoid contact with their creditors.

3.18 It is not just those who are in debt that need and seek out advice, the report also found that 1 million of those who had stated they were struggling financially, but not currently in arrears, had also sought out debt advice. Highlighting the need to reach the financially stressed in addition to those in arrears.

[E] Godfrey, M. et al (2005). Literature and policy review on prevention and services. U.K Inquiry into Mental Health and Wellbeing in Later Life. London: Age Concern/Mental Health Foundation
[F] Estimate for UK based on Great Britain data from the General Lifestyle Survey 2010, Office for National Statistics, 2012
[G] AP-AOL Poll, March 24-April 3, 2008. http://surveys.ap.org
[H] Associated Press. (9th June, 2008). 'Debt Stress Causing Health Problems, Poll Finds. www.msnbc.msn.com/id/25060719/
[I] Wells, J, et al (2010),The Impact of Independent Debt Advice Services on the UK Credit Industry, Friends Provident Foundation

3.19 The authors state that most people who use debt advice and who are in arrears have been in arrears for some time and across multiple creditors. In the absence of advice and support many of those in arrears avoid contact with their creditors.

Increased risk of desperation crime

3.20 Debt pushes many people into poverty, and many already in poverty become trapped in a debt-poverty cycle. This cycle becomes very difficult to escape as those in poverty can only access high interest credit, which deepens the indebtedness and the ability to pay for basics such as food. Food banks have seen a surge in demand in recent times. The Trussell Trust charity reported that more food parcels were given out during April-September 2013 than in the entire previous year and cite hardship caused by benefit delays, welfare reform and low pay[J]. Some clients will have no alternative but to commit desperation crime. This can take the form of shop lifting, such as by mothers to provide for their children, or fraud - including benefit fraud, through to other forms of theft. Since the recession started in 2007 police have reported increasing incidences of 'stealing to eat' by the elderly, mothers in poverty, and other vulnerable groups.[K]

3.21 One commentator from the Greater Manchester Chamber of Commerce, remarking on the 8.5% rise in food and grocery shoplifting over two years said; "Whilst we have a welfare system to protect the poorest and most vulnerable, this crisis has partly been caused by excessive debt and it is likely that, in many cases, welfare payments are being used to finance lending or other commitments, leaving little for food which can be stolen as an alternative." (Manchester Evening News, 2012)

Damage arising from being NEET at age 15-18

3.22 Children exposed to the consequences of parental debt are likely to be impacted upon by this experience. For some it may just be part of life's learning, however for a significant minority parental debt will have a deeper lasting impact: a trauma, leaving a lasting effect on their ability to cope with future challenges in their lives.

3.23 Joint research between StepChange Debt Charity and The Children's Society found that families trapped in problem debt are more than twice as likely to argue about money problems leading to stress on family relationships and causing emotional stress to children. Around 6 in 10 of the children surveyed said that they often worried about whether their family had enough money.

3.24 According to one study[L] poor mental health in childhood – or the presence of factors that adversely affect mental health in childhood, such as poverty and debt – can have significant and long-term impacts on the child, increasing adolescents risk for; depression, substance abuse, early sexual activity, criminal activity.

3.25 One such factor, worklessness of parents, which can arise as a result of debt, compounds the problem and its effect. A longitudinal study[M] found that when adolescents aged 13-18 are exposed to temporary parental worklessness of between one and three years, they are more likely to be NEET when aged 15-18. The study found that 18% are likely to be NEET for 12 months or more when there is worklessness of just one year, compared to an average of 6% for the general population. This rises to a 28% chance of being NEET when parental worklessness is up to two years long.

[J] P., Butler, 'Charity calls for official inquiry as food bank use triples in a year', The Guardian, 2013, October, 16th
[K] Guardian article on Stealing to Eat, quoting Police Chiefs, http://www.theguardian.com/society/2013/jan/25/stealing-to-eat-cases-rise
[LL] Daschiff,C. et al, Poverty and adolescent mental health, Journal of Child and Adolescent Psychiatric Nursing, 22, 23-22.
[M] Department of Education, September 2012, Intergenerational Transmission of Worklessness: Evidence from the Millennium Cohort and the Longitudinal Study of Young People in England, Institute of Education and National Centre for Social Research

Increased risk of child being taken into care

3.26 For a minority of families, including sole parents, debt may lead to factors and decisions that are detrimental to children and increase the risk of them being taken into care. This is not to suggest that debt alone means that parents will change the way they care for their children, but rather for those who are already vulnerable, debt and poverty may lead a minority to make what feel like choiceless decisions – such as moving back in with an abusive partner in order to alleviate a financially desperate situation.

3.27 The majority of the financial costs to the state are those relating to foster care – which is the main form of provision for looked after children. Costs for fostering are upwards of £50,000 per child, per year.[N]

Cost of relationship breakdown

3.28 The stress of debt can lead to relationship breakdown, which has significant emotional and health costs. One study by Olsen[O] cited that 66% of problems in marriage are associated with 'major debt', with the law firm Panone stating that; more than a quarter of the 30,000 divorces per annum in Britain feature disputes over the impact of personal debt. StepChange Debt Charity's own figures show that 37% of their clients said that problem debt had led to relationships breaking down or worsening.

3.29 Recently Age UK and the International Longevity Centre conducted research[P] which showed that debt and marriage breakdown is a growing problem for the over 50's. One third of those in debt among the over 50s are in problem debt, and they are twice as likely to suffer marriage breakdown as those who are not in problem debt.

3.30 The insurers Aviva have used their client base to quantify the cost of divorce. Their figures reveal that the average cost of divorce met by individuals is £11,124. This is a conservative estimate of the cost of marriage breakdown.

Housing

3.31 Housing represents many people's single biggest outgoing. When in an unmanageable debt situation, without intervention, many will be at risk of losing their rented or mortgaged home and will have to seek support from family or the state.

3.32 Those in, or on the edge of, debt are more vulnerable as they don't have the reserves to respond to changed situations such as loss of a job. Groups such as single parents are particularly vulnerable due to reduced income and disposable income.

3.33 The current economic climate increases that vulnerability. 2011 figures[Q] show that, there were 48,510 applications for homelessness approved by councils, the biggest increase in nine years. There was a 44% increase in household homelessness after repossession and 39% increase after having a tenancy terminated.

3.34 This effect is passed on to councils in the form of; administrative costs, social housing costs, as well as emergency bed and breakfast costs – in this same period the number of families housed in bed and breakfast by councils increased by one third.

[N] Clifford, J. 'PACT Domestic Adoption and Fostering SROI Evaluation, 2011

[O] Olson, G. Olson, D. National Survey of Marital Strengths, April 2003.

[P] Age UK, International Longevity Centre, 'Tales of the Tallyman: Debt and problem debt among older people',June 2013

[Q] Government figures released 2012 featured in Guardian Article, 'Homelessness rise of 14% just the tip of the iceberg', March 2012

Cost of care homes and supported care

3.35 Over 400,000 of the over 70s are struggling to make ends meet[R] and 13% of 70 – 74 year olds have no money to repay debts after covering their living costs.

3.36 Debt can mean that those who were previously self-sufficient, but are suffering from poor health, may have to seek state support earlier, due to deterioration in their health. One University of Sheffield study[S] found that for all ages, a factor the researchers termed ‘repayment structure’ (the percentage of debt borrowed in high interest categories) has an impact on health that is independent of the actual levels of debt.

3.37 For the elderly, with poor physical health and co-morbidities, this can mean a loss of independence and an early move into residential care. The cost of this is significant to the state.

Employment and Productivity

3.38 A DWP report, ‘Repeat Jobseekers Allowance Spells’[T] describes that debt is a significant barrier to those finding or maintaining employment in the longer term.

3.39 A report by the Greater London Authority (GLA)[U] sets out key factors: debt can prevent people maintaining newly found work if repayments are too high, or if they are working an unsustainable number of hours. Factors such as the cost of; traveling to work, needing work clothes and even day time meals, can make employment unaffordable or increase levels of debt.

3.40 For those on low incomes, moving out of debt and away from welfare support is challenging. A Joseph Rowntree report[V] describes that because welfare benefits don’t take into account the debts that those on low incomes have to pay, the indebted may live in deep financial hardship below the poverty line, if they access low-paid employment. This can be exacerbated by an increased demand from creditors as the unemployed return to work.

3.41 Sole parents share these challenges and more. A report[W] by the charity Gingerbread highlights problems such as unpaid leave when having to care for sick children, making employment a financially more difficult option than welfare support. Debt adds another layer of difficulty that can make employment a less affordable, rather than a less desirable, option.

3.42 The University of Sheffield cited in 3.36 found that there was a significant relationship between high interest debt, worry, stress, and poor health outcomes which affected an individuals’ ability to work. The study found that the interaction between debt and health may keep those on low-incomes indebted, trapped in poverty and tipped into poor health. This triad then makes it difficult to hold onto steady jobs needed to ease debt problems.

Risk of debt recycling

3.43 The Sheffield study described also found that worry had a negative impact on people’s capacity to manage their debts. StepChange Debt Charity’s experience is that, unless behavioural or situational change is achieved, an individual who is returned to solvency and given back control of their

[R] Financial Inclusion Centre, Report for StepChange Debt Charity
[S] Leston, P. Mosely, P. ‘Debt and Health’, Department of Economics, University of Sheffield, April 2008
[T] Carpenter, 2006, ‘Repeat Jobseekers Allowance Spells’, Department of Work and Pensions,
[U] GLA, ‘Treading Water: A report on the work of the London Debt Strategy Group and the changing nature of debt advice in London’, May 2011
[V]Shildrick, T. et al. ‘Low Pay, No-Pay Cycle: Understanding recurrent poverty’, November 2010
[W] Gingerbread, ‘London lone parents’ choices around work and care, October 2007

finances is likely to accumulate unmanageable debt in the future and again be subject to all the issues experienced with the initial debt.

3.44 A YouGov survey found that only 58% of people with problem debt sought debt advice. Non-advice seekers took twice as long to move into manageable debt and were significantly more likely to move back into unmanageable debt than advice seekers, as well as increasing their debts ‘by a lot’ or ‘a little’[X].

Intervention

3.45 The current evidence suggests that there is potential for debt advice interventions to alleviate financial debt, and hence reduce serious problems resulting from debt. There are very few studies with control groups looking at the effectiveness of debt advice, those that exist suggest a beneficial effect and a return on investment for creditors. This previous research is well summarised in the Friends Provident Foundation report[Y]. Additionally the YouGov report cited above compares the outcomes for non-advice seekers compared to advice seekers, as described in 3.44 above.

[X] YouGov for the Money Advice Service, ‘The effectiveness of debt advice in the UK, May 2012

[Y] Wells, J. Leston, J. Gostelow, M. ‘The Impact of Independent Debt Advice Services on the UK Credit Industry’, 2010

4. Impact of evaluated activities

Consideration of quantified outcomes

4.1 This section presents the outcomes that StepChange Debt Charity understands arise from its work. It highlights the outcomes that would be expected for several groups of stakeholders based on findings of other studies and the results of evidence gathered in the course of this work. It then considers the distinguishing features of the manner in which the charity operates and the difference this is thought to make to the outcomes for each of these groups.

Outcomes

4.2 The outcomes achieved through StepChange Debt Charity's activities can be categorised as primary and secondary. For the purposes of mapping outcomes in this study we have taken the following widely used definitions of these:

- **Primary outcomes**: The outcomes that directly and immediately result from the intervention question. For example, supporting an individual to take steps to safeguard their home from repossession can result in some immediate savings for the state in the form of reduced housing need.

- **Secondary outcomes**: The long term results that flow from primary outcomes, for example the children of the family who kept their home and family together may be less likely to be NEET in the future.

4.3 Impact happens as a consequence of those primary and secondary outcomes, conferring gain on various beneficiaries in the process. The focus of this report has been on the benefits created by StepChange Debt Charity for its direct clients, clients' immediate families, clients' creditors, as well as local health and social care services, and the state in wider service provision.

4.4 This study does not include those secondary outcomes furthest removed from the activity, as to do so would be to lose proximity to the intervention that is being measured. For example an individual supported in gaining employment; it is likely that if they are in work for the long term, this may influence the behaviour of their children in seeking work, rather than perpetuating a cycle of reliance on welfare benefits.

4.5 Whilst undoubtedly valuable, such outcomes are not sufficiently proximate to the original intervention for a meaningful evaluation to be carried out. This is consistent with one of the seven principles of SROI evaluation, "do not over-claim".

4.6 The current evidence suggests that there is potential for debt advice interventions to alleviate problem debt, and hence reduce associated problems resulting from debt, in a shorter time than those who self-manage their debt. Advice seekers are more likely than non-advice seekers to have 'reduced their debt a lot', less likely to have increased their debt 'a little' or 'a lot', and are less likely to go back into unmanageable debt.[z]

[z] YouGov for the Money Advice Service, 'The effectiveness of debt advice in the UK, May 2012

4.7 Based on discussions with the StepChange Debt Charity working group, key areas were identified for evaluation. The quantifiable benefits arising from the change instigated by the charity fall predominately into the following categories:

Table 1.2 Areas of gain identified by evaluation for StepChange Debt Charity's activities

Improved mental health	Reduced creditor recovery cost
Improved physical health	Reduced risk of debt recycling
Reduced likelihood of being NEET	Reduced risk of children being taken into care
Reduced risk of losing home	Reduced risk of relationship breakdown
Cost of residential care	Reduction of unemployment
Increased employment	Reduced risk of crime

4.8 As empirical evidence to support the connection between the activities of StepChange Debt Charity and the outcomes achieved, this reports draws on publicly available research to highlight the outcomes that might typically be expected for the beneficiary groups included in this study.

4.9 The study focused on four major segments of the charity's telephone and internet clients, during the period September 2012 to August 2013. Clients numbered 235,790 during this period. The study evaluated 109,397 of these clients by selecting representative groups for evaluation. Each of these clients were recommended a solution, such as a debt management plan (DMP) or individual voluntary arrangement (IVA), or given advice – such as income maximisation in order to help clients get into a position to undertake a solution such as a DMP or IVA.

4.10 For these segments the group evaluated the outcomes gained after a relationship with the charity during the client's period of support.

4.11 Success here is defined as a client's ability to: co-produce and implement sustainable approaches to their finances with StepChange Debt Charity, commit and adhere to regular payments and change any behaviour that may previously have been a barrier to change.

4.12 A successful intervention will result in measurable impact, for example 5% of the clients in Segment A will have either gained or maintained employment as a result of resolving their debt situation.

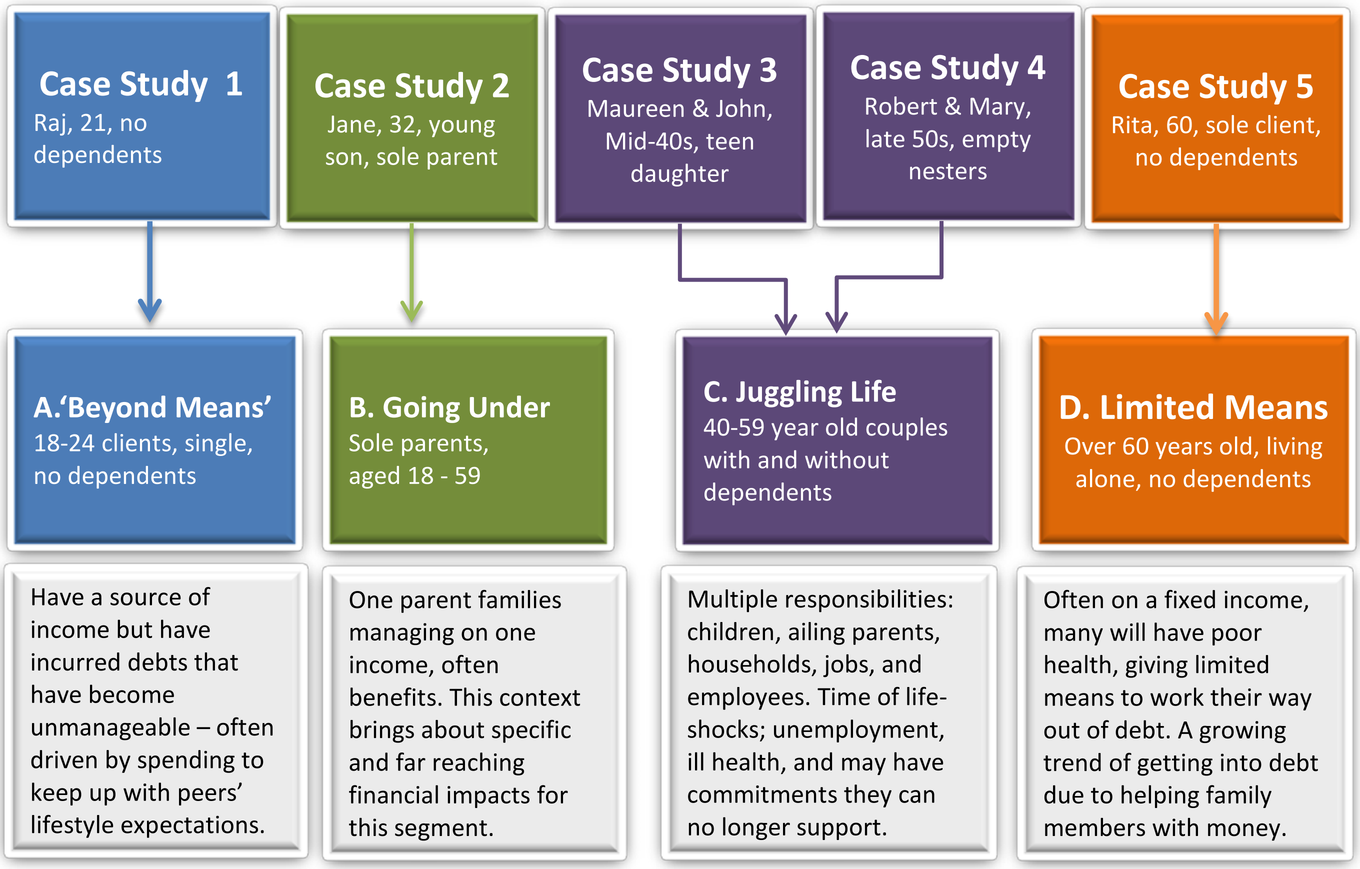
4.13 The gains calculated may take place over a number of years. For example, it is assumed that without intervention productivity at work would be negatively impacted for a period of two years while the debt problem escalated

Outcomes by distinct segments

4.14 The approach to identifying and evaluating the impact of StepChange Debt Charity's work has been by focusing on five representative live case studies falling into each of the main client groups that the charity identified as of significant interest. The case studies were used as focus points in the action research group as a basis to understand the impact areas and beneficiaries created when working with different groups of people. This work was then further tested by available research.

4.15 The diagram below shows the relationship between the case studies and the segmentation applied to StepChange Debt Charity's Database – shown as Segments A-D:

Figure 1.3 – Case Studies and segmentation approach used to evaluate activities



How StepChange Debt Charity's work creates outcomes

4.16 Theory of change is the accepted description for the link between the activity undertaken by StepChange Debt Charity and the outcomes for beneficiaries that arise from it.

4.17 The evaluation revealed the charity's theory of change - that is how it works with clients to achieve change, which gives an important perspective on how this model is distinct from fee-based models, which perhaps deal with the money rather than the people.

4.18 **Distinguishing features** - The action research group's work revealed that although the process steps to achieving outcomes may be similar across the segment types, how their advisors go about the process, the solutions they recommend, and the time they take, are distinct for different client types and are important in achieving sustainable impact for all stakeholders. Both the telephone and online services approach are tailored to the client.

4.19 **Critical factors in approaching debt** – the charity's advisors often bring both a financial and emotional literacy to their work with clients. The review revealed that how people deal with money is rooted in some critical factors that relate to capabilities such as financial and emotional literacy, as well as circumstance. These include;

- Financial literacy;
- Self-image;
- Changed circumstances; and
- Personal coping strategies.

4.20 These factors influence a client's personal debt journey, and so too the eventual outcomes and the impact that those outcomes have. StepChange Debt Charity works with each of these factors to achieve change.

Financial literacy

4.21 Financial literacy can vary markedly with clients. Part of the charity's work is to help clients recognise what and how they spend and the impact it has and when facing changed circumstances what financial support is available.

4.22 Although not explicitly defined by StepChange Debt Charity, the way in which they work with clients is to illuminate habits and spending patterns, and how this leads to debt. For clients falling into debt due to changed personal circumstances, such as poor health, financial knowledge is used to help them understand what can be done with this unfamiliar situation. It became clear during the course of the research that emotions tied up in a debt situation can prevent people from seeking out timely advice, they help people to navigate these emotions and use available knowledge to build financial capacity.

Self-image

4.23 People's self-image and values concerning money, as well as their perceived place in society, all influence how they manage money, as well as how they then deal with a problem debt situation. The charity's experience revealed that older clients are often part of a generation where debt can be seen as shameful. They may be less likely to approach for help and the type of help they will accept needs to fit with their values of paying their way in society. Some in the younger generation may feel a pressure to keep up with constantly changing fashion and the need to fit in with a peer group – creating a mismatch between aspirations and financial reality. They may also be happier to accept debt forgiveness than the older generation. For other client types, as the case studies show, notions such as what it means to be a good mother may be creating a financially dangerous situation. These notions, and the emotions that go with them, need to be unpicked in order to change behaviour. One of the lessons of the action research group was recognition of the value of creating behavioural change in order to achieve positive outcomes.

Changed circumstance

4.24 Changed circumstances, such as illness or divorce, can quickly take clients from a financially manageable situation to an unmanageable one. This is one for which they lack the capabilities to manage the situation, or where all the emotional and physical energy may be going into simply dealing with the changed circumstances.

4.25 The already financially vulnerable are particularly susceptible to negatively changed circumstance and problems can quickly escalate and start to lead to some of the twelve outcomes referenced earlier – stress, including a decline in mental health, illness and family break-up.

4.26 Some are perpetually trapped in difficult circumstances, such as poverty, in this situation debt only serves to keep those trapped in it, often in a no-pay, low-pay cycle.

Personal coping strategies

4.27 When problems build, action is needed. Prior to contacting the charity, clients have often developed unsustainable coping strategies in response to problems and the associated debt. These 'flawed' strategies can lead to a rapid escalation of problems and debt. Some common ones are:

4.28 **Continuing as before** – Clients may bury their heads and continue with the same habits - such as continuing to borrow to fund an aspirational lifestyle or often simply to maintain basic living standards. Traditional lines of credit may have closed and people often turn to readily accessible solutions such as payday loans or loan sharks, which escalate debt rapidly and may lead to losing a home and having to seek support from local government.

4.29 **Degraded lifestyle** - Some may work 60 hours a week to try and bring in more money, or exist on rations of inadequate food, despite declining health, in order to reduce their outgoings. Or they may make decisions such as moving back in with an abusive partner to alleviate the financial problem. Teen children may decide to leave the education system prematurely to seek out work. This escalation, and the flawed coping strategies, can lead to some of the outcomes that have a significant impact on clients but also on other stakeholders, such as their families, creditors, local government, and state services, such as loss of housing, poor health, NEET children and unemployment.

4.30 StepChange Debt Charity's work helps to minimise this costly impact on society by helping clients to build sustainable approaches to debt and the circumstances which they are tied to. This may include advocacy to help achieve reduced, but reliable, payments to debtors, directing clients to financial support for those in poor health, negotiating financial forgiveness to start afresh with a sustainable approach to living, or shining a torch on habits – such as aspirational spending - to break a payday loan cycle.

4.31 It frequently also includes a sense of giving them permission to act differently in tackling their situation. This may come at a time when the client is so entrenched in their situation that it is hard for those closest to them to persuade them to change.

4.32 The earlier they can reach clients in the debt journey the better for clients and wider society it proves to be.

Common outcomes

4.33 StepChange Debt Charity's approach to achieving change can be seen across the four segment types.

4.34 This section paints a picture of the debt-context for each of the four segments, by presenting research and a live illustrative case study for each segment, illustrating:

- The segments' distinguishing features;

- How StepChange Debt Charity worked with these clients;
- The primary and secondary outcomes that those activities achieved – such as agreements, plans, and an increase in a client's capabilities – such as financial or emotional literacy. These are also illustrated in an outcomes map for each segment; and
- The typical impact achieved for the clients within each segment which is then shown as financial gains for the key stakeholders by segment.

4.35 Many of the outcome areas are common across the segments, with the degree of impact varying according to the features of each segment. The common outcomes are described below.

Maintenance or gain of employment

4.36 Where StepChange Debt Charity is able to lift the debt burden some clients will be more able to gain or maintain employment. For some, such as sole parents with children under eleven, this may be due to having the income to support childcare payments, or other costs associated with being in work such as travel. For others the relief of stress, and associated ill health, means that they are able to be productive and retained in the workplace with a reduced incidence of absenteeism and presenteeism, where employees are under performing due to stress.

4.37 Being able to stay in, or gain, employment is fundamental to moving out of debt. Due to maintained employment, productivity is not harmed and the cost of government benefits is avoided, usually housing and Jobseekers' allowance. The state receives income tax on salary, revenue that would have stopped if it had not been for the intervention.

Improved creditor relations

4.38 The charity enables clients to approach creditors, or may negotiate with creditors on their behalf. Newly agreed and regular payments for successful cases will heal the link between clients and creditors. Creditors save costs that result from pursuing arrears or by placing debt with external agencies, as well as recovering a proportion or all the debt.

Reduced risk of debt recycling

4.39 For some clients debt is part of a complex picture of poverty and lack of income, or crisis. For others a new approach to management of money and life is needed. The charity helps clients to manage changed circumstances as well as to achieve better financial literacy.

4.40 Behavioural change has long-term positive implications, including avoiding falling into repeated debt cycles. For this evaluation we have included the gain of avoiding a second debt cycle, but not further debt cycles, which may also occur, but are perhaps too far away from the original intervention to claim benefit.

Avoidance of costs associated with poor mental health

4.41 This perhaps is one of the key outcomes of the charity's work with clients. Lifting the burden of debt may reduce the number of hours clients work, bringing them back to a manageable level. Clients can then meet priority payments – ensuring they keep their homes, and can meet living costs such as food. When clients regain control of their own situations, the stress, worry and mental consequences of lack of control can be much reduced.

4.42 Reducing mental ill health avoids costs that would result from medical interventions, both for the client and family members who are supporting the client. Local Health and Social Services avoid or reduce their treatment and support costs where the charity's support is successful.

Improved physical health

4.43 The prolonged state of stress, due to the debt, will over time, cause deteriorating health conditions for some. Raised levels of cortisol and adrenaline over time increase the risk for cardiovascular conditions, and diabetes and can lower immune system functioning which can result in serious illness. As the state of stress is reduced, the conditions for better health are created.

4.44 Additionally, those who have been going without sufficient food - in order to manage their debt and pay other bills such as housing costs – will have posed risks to their health. They will have worked with the charity to put in place workable budgets that allow them to meet critical everyday living costs. The elderly, in particular, are beneficial recipients, due to the greater incidence of poor health amongst this group.

4.45 Evaluated costs here look at increased use of GP time, which is prudent as there will also be other costs attributable to the consumption of other NHS resources.

The risk of desperation crime is reduced

4.46 When working with clients they ensure budgets and negotiated payments with creditors put priority costs first. This includes the ability for clients to feed themselves and their families first, as well as pay the mortgage or rent and utility bills. Until then some clients will be in such constrained circumstances that a small minority will have to resort to theft in order to meet their needs.

Children less likely to be negatively impacted upon

4.47 Creating a manageable debt situation for households can result in; families being able to remain in their homes, and so too children in their schools, employment being sustainable or found, accessing benefits to provide additional financial support for carers, reduction of household stress and relieving tension.

4.48 This creates a better environment for sound mental health and general development of children, in turn influencing their life decisions and outcomes. For extremely vulnerable families, where there are other factors intertwined with a debt situation, it can mean that children remain with their parents rather than going into care.

Reduced risk of losing a home

4.49 Housing costs, for many, represent the single biggest outgoing, in the form of rent or mortgages. The charity work with clients to ensure that housing costs are paid as a priority, which means that many clients don't lose their home. Loss of homes from those in debt attracts a number of considerable costs for the state, such as long-term local authority housing.

4.50 Reducing debt, and improving habits such as self-care, can mean for some segments – such as the elderly - that they are able to remain independent for longer and won't face a premature move into a care home.

Relationship breakdown

4.51 By helping individuals and joint clients to bring debts under control StepChange Debt Charity helps to relieve pressure and stress on personal relationships, and this will, for some, avoid a separation or divorce. A controlled trial by the Legal Research Services Centre[AA] found that clients receiving debt advice reported improvements in their personal relationships, 34% reporting improved relationships with family and friends, 28% with partners, and 26% with children. The service users attributed 70% of improvements to the advice they received.

Changes in service user behaviour

4.52 YouGov surveyed those in unmanageable debt to look at the outcomes for non-advice users compared to advice users. The data also highlights differences in behaviour according to the different services used by advice seekers, for example 74% of StepChange Debt Charity clients cut back on spending.

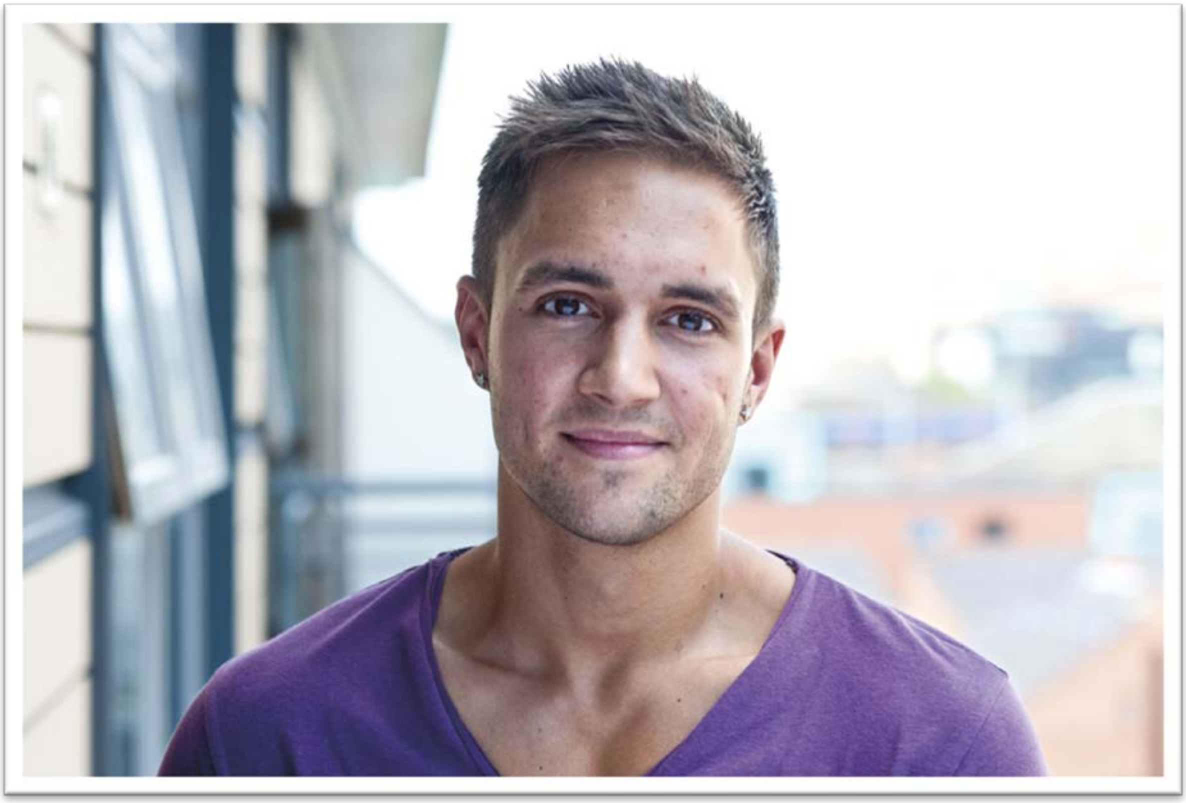
4.53 StepChange Debt Charity was also rated, by service users, the most helpful of all organisations cited in the research at 66%. By the time a client is in problem debt the ability to reach a solution with creditors is much lower with 33% of service users rating their creditor as helpful.

4.54 The survey also highlighted an important difference between advice users and non-advice users. Non-advice users are more likely to feel anxious about their financial situation and more likely to lack confidence, feel less capable, and suffer from frequent health problems. This illustrates the value of the pastoral approach taken by the charity in working with these types of clients.

[AA] Pleasence, P. Buck, et al. 'A Helping Hand : The Impact of Debt Advice on People's Lives', Legal Services Research Centre, 2004

Segment A: 'Beyond Means'

Age 18-24 years old – Segment Size 16,848, Average Unsecured Debt Level £4,574



4.55 This segment, typically, will be living with their parents in the family home and frequently enjoy a low level of maintenance costs, contributing an amount to the household budget towards their costs.

4.56 Over 4.4 million over 21s rely on parents for financial help[BB].

4.57 Debt amongst this segment is an increasing trend; a report[CC] by the GLA (Greater London Authority) shows that there has been a 75% increase in debt levels of 17-26 year olds since 2008, and a 140% increase in the number of young people using debt advice services. It also shows that 90% of young people worry about money, but view credit differently to the older generation. They tend to view borrowing such as overdrafts, as an extension of their earnings, rather than a facility to use in an emergency.

4.58 This age group have also had unprecedented access to unsecured debt, being offered credit in the form of loans or credit and store cards with credit limits in excess of their ability to pay. Access to StepChange Debt Charity by this group is frequently when they can no longer obtain any further credit.

4.59 The GLA report demonstrates a high level of need for debt advice for young people – with 73% of those facing debt problems going without advice.

4.60 The charity's research among its client base shows that young people under 25 are struggling with priority debts. For those living independently this age group is more frequently in arrears with council

[BB] Omnium Research for LV=, 'Cost of Raising a Child', May 2012
[CC] Greater London Authority, 'Treading Water, A report of the work of the London Debt Strategy Group and the Changing Nature of Debt Advice in London, May 2011.

tax, gas, electricity and water bills than any other age group. The charity's analysis also shows that unemployment is a bigger cause of problem debt for the under 25s than for any other age group, typically in the form of pay day loans. The clients are less likely to have personal loans.

4.61 While the average debt is lower for this segment than other segments, it is high in terms of their ability to pay as income levels are also lower – with an average income of £742 per month.

4.62 Due to their age and living arrangements clients in this segment are often still living in the family home, this means that their unmanageable debt also has an impact on parents who are drawn into helping resolve the debt situation.

4.63 The action research group's experience is that 20% of these parents would provide financial support, through borrowing, to help to bail their children out of debt, of these 33% then get into financial difficulties themselves. Consequently there are also negative impacts for a significant proportion of this segment's parents which include; mental health, ill health, increased risk of debt recycling and consequently an impact on creditor recovery and costs.

Case Study One
Raj, 21 years old, single with no dependants, living at home

Raj is 21 years old and living with his parents, for which he pays a small amount of rent. He's employed part-time in clothing retail. While Raj's day-to-day living costs are low, pressure to keep up with a lifestyle favoured by his friends has resulted in unsecured debt of £10,000, including payday loans and his income is insufficient to support debt repayment.

Financial literacy
Raj's knowledge of how to budget was limited and he had unrealistic ideas of how he might continue to fund an aspirational lifestyle. The advisor's initial approach was not to recommend him for a DRO, but rather to seek to change his attitude towards money. By the end of the appointment Raj demonstrated a much more realistic understanding of what he had to change in order to help himself. The advisor helped Raj to understand and prepare a realistic budget, and educated Raj on which expenses constituted priorities. As well as helping Raj out immediately this approach also reduces the risk of debt recycling further down the line.

Self-image
While preparing a budget the advisor helped Raj to reprioritise and eliminate unnecessary spending. Raj had been spending his monthly wages on clothes and leisure time before clearing the borrowing he had secured in the previous months.

Changed circumstance
Other than being refused for further credit, Raj had not experienced any changed circumstances, such as a loss of employment that might have deepened the debt.

Coping strategies
Raj's debt journey was to start by using up his overdraft, then moving on to payday loans. Rather than seek to address the problem, Raj's coping strategy was to buy more time by taking out another payday loan as each one became due, in order to pay the interest. Raj soon accumulated over £10,000 in payday loan debt.

Luckily for Raj, he was refused further borrowing and wisely referred by a lender to StepChange Debt Charity. In the absence of this, the charity's experience is that this segment will often turn to their parents for support – who may well put their own strategies in place, such as securing borrowing on their property, and in doing so over-commit, leading to loss of the home, and problems with mental health and debt recycling.

Activities and outcomes

4.64 Work with Raj is typical of the charity's work with many in this segment.

4.65 From the charity's activities with Raj the outcomes were financial and behavioural.

4.66 The charity worked within Raj's means to see what he could afford to pay. The outcome of this was that Raj demonstrated a shift in attitude towards sound financial management, so that the problem was unlikely to reoccur.

4.67 Staff helped prepare a realistic budget. The outcome was that finances were organised, and Raj gained an understanding of budgeting, priority payments, and of his spending patterns. Structured payments were made to creditors, which would mean that Raj would be debt-free within one year.

4.68 Raj ensured that priority payments were made first – the outcome was that spending was managed. If Raj can maintain his behavioural change he's unlikely to recycle the debt at the end of the year – that is borrowing more money to pay off the first debt, and failing to reduce the size of his original borrowing.

4.69 The relationship between the activities of the charity and the impact on the beneficiaries in this segment can be seen on the impact map in the appendices.

Quantified impact arising from outcomes

The table below shows these impact areas and the financial value of the charity's work with this segment including primary benefits and secondary benefits to the parents. The calculations assume that without support the debt cycle would have lasted for an average of five years. A more detailed evaluation model for this group can be found in the Appendices (C), which outline the detailed assumptions and deductions from deadweight and alternative attribution.

Figure 1.4 The value of StepChange Debt Charity's impact with Segment A

Segment A: Beyond Means 18-24 YO, single, no dependents			
No. of clients	***16,848***		
Average unsecured debt per client at point of access to service	***£4,574***		
	Beneficiaries		
Areas of Gain	**Clients**	**Parents**	**Totals**
Mental health	£657,374	£43,387	£700,761
Creditor recovery cost	£2,678,640	£-	£2,678,640
Increased risk of desperation crime	£10,826	£-	£10,826
Risk of debt recycling*	£286,135	£1,206	£287,341
Employment & Productivity	£6,293,979	£ -	£6,293,979
Total	**£9,926,954**	**£44,593**	**£9,971,547**
Total Gain			**£9,971,547**
Average Gain			**£592**

**Present Value gain from one debt cycle includes; employment and productivity gain, improvements in mental health, reduction in desperation crime, risk of losing a home and impact on creditor recovery.*

4.70 The overall gain for this segment after deductions is £9,971,547 and beneficiaries include clients, their family, the state and creditors.

4.71 The average gain per client here is £592. This includes parents as beneficiaries as they're likely to bail their young adult children out, but may, as a consequence over-extend themselves, resulting in a debt they can't manage and stress and depression. The cost of parental poor mental health for this segment is estimated to be £43,387.

4.72 From the table we can see that employment and productivity at £6,293,979 is one of the biggest costs or gains attributable to this segment. Helping this young segment to deal with debt in a timely way and put in place payment plans that are adhered to, can help to improve their career outlook for them at this impressionable age and reduce the cost of unemployment to the state.

4.73 Debt recycling is a common risk across all the segments; however it's a particular risk for this generation, as they tend to hold a different attitude to credit, debt and loans compared to older generations. Working with this segment to encourage behaviour change and sensibly manage debt helps to reduce the risk of debt recycling a second time, to the value of £286,135.

Segment B: 'Going Under'

Sole Parents, 18-60 years old- Segment Size 38,673, Average Unsecured Debt Level £11,898

4.74 A significant number of StepChange Debt Charity's clients are sole parents. While these are not a homogenous group there are common features, such as the challenge of caring for a family on a single income, that give this group particular financial difficulties and needs.

4.75 There are two million sole parents in Britain, less than 2% of which are teenagers. The median age of single parents is 38 years old.[DD]

4.76 The breakdown into age bands of the charity's sole parent clients also reflects these numbers, with 89% being 24-60 years old.

4.77 One in four families is headed by just one parent[EE], and they're more likely to be on the poverty line than two parent families. 41% of children in single parent families are poor compared to just over 20% in two parent families[FF]

4.78 Sole parents have specific, financial, cultural, and emotional challenges in trying to thrive to the best of their abilities. Sole parents in paid employment, or supported by benefits, have a higher chance of getting into debt than families headed by two parents. 52% of sole parent families are below the poverty line compared to 25% of two–parent families[GG].

[DD] ONS data, January 2012, Lone parents with dependent children
[EE] ONS data, January 2012, Lone parents with dependent children
[FF] Department for Work and Pensions (2011), 'Households Below Average Income; An Analysis of Income Distribution 1994/95 – 2009/10', Table 4. 14
[GG] Department for Work and Pensions (2011), 'Households Below Average Income; An Analysis of Income Distribution 1994/95 – 2009/10'

4.79 Family poverty damages children's experience of childhood and is strongly related to educational achievement, exclusion, health and life chances as adults.

4.80 The accumulation of debt by this segment is often through borrowing to pay everyday living costs, such as food and utility bills. Research shows[HH] that single parent households are the most likely to be in arrears on household bills and mortgage or rental costs. With 38% of single parents reporting that their money always runs out before the end of the month, compared to 19% of couples[II]. The charity's experience is that borrowing is typically on credit cards, or from door-step lenders.

4.81 Their financially precarious situations make them especially vulnerable to changes in government policy. For those in receipt of benefits, the introduction of the Universal Credit in October 2013 is thought to make single parents under 25, £15 a week worse off than the current benefits system.

4.82 Sole parents experience higher rates of depression than dual parents. 29% compared to 24% of the general population[JJ] and debt is thought to be a contributory factor to this.

4.83 They also experience higher rates of worklessness than two parent households. 40% of sole parents aren't in paid employment compared to 6% of two parent households. The inability to afford childcare can keep parents, who are otherwise able to work, unemployed. Debt then exacerbates this picture making it much harder for sole parents to seek out work.

4.84 Once children are aged twelve and over, the employment rate of sole (female) parents is similar to that of mothers in two parent families.[KK]

4.85 A key factor for this group is not just lifting them out of debt but taking a wider perspective of being able to lift this group out of the hardship that causes the debt.

4.86 Despite now having a home and family of their own, due to their circumstances the charity's experience is that the parents of clients in this segment are often drawn into helping to resolve the debt situation, to help their children and grandchildren get by.

[HH] ONS Wealth and Assets Survey 2006/08, 'Wealth in Great Britain', p108
[II] Department for Work and Pensions, (2010), Family and Children Survey 2008, Table 8.8
[JJ] Cairney, J. et al, (2003), 'Stress, Social Support, and Depression in Single and Married Mothers', Social Psychiatry Epidemiology, volume 38, Issue 8.
[KK] Department of Work and Pensions (2010), 'Families with Children in Britain: Findings from the 2008 Families and Children Study (FACS), Table 3.2

Case Study Two
Jane, 32 years old, with one child, living on her own

Jane is 32 years old, and lives on her own in rented accommodation with her two year old son. She works full time in IT, and has recently separated from her partner due to violence in the relationship. Jane has £3,658 worth of unsecured debt, one county court judgement for £1,355 as well as owing £3500 to a family member, and the same amount to a friend. She has started to use credit and payday loans for everyday living costs.

Financial literacy
While Jane was together with her partner she had never had to budget, and the only way she is keeping up to date with her household bills is to use credit. Although money is tight as a single parent, Jane is also spending more money than she needs to on treats for her son.

Changed circumstance
As a result of her changed circumstances, the separation and being a single parent, Jane is struggling with depression, and receives regular visits from a support worker. She is also finding it difficult to budget and cover all her priority needs and spending patterns that have their root in her changed circumstances.

Self-image
As a result of her changed circumstances Jane was feeling depressed, angry and wanting to compensate her son for the separation and their consequently difficult circumstances. Her over-spending was connected to buying her son items to try and make the situation better for him.

Coping strategies
Jane had already turned to family and friends for help but felt she'd exhausted this support and as a result was starting to feel isolated. Some of her strategies were sound, for example, she had sought advice from a Citizens Advice bureau however Jane maintained the spending on her son, turned to payday loans to pay for her everyday expenses and was accumulating more debt.

Luckily Jane had a support worker who referred her to StepChange Debt Charity and made the first call with her. Without this intervention, Jane may have developed more risky coping strategies – such as turning to loan sharks to cope, these factors may have deepened her depression, leading to loss of employment and a decision to move back in with her former abusive partner. Any of these outcomes could have led to neglect of her son and him being taken into care, leading to worse prospects for her son and an increased risk of being NEET.

Activities and outcomes

4.87 From the charity's activities with Jane the outcomes were financial, behavioural and emotional.

4.88 StepChange Debt Charity worked within Jane's means to see what she could afford to pay. They helped Jane to recognise her emotional spending patterns and prepare a realistic budget for her means – the outcome was that finances were organised and she gained an understanding of her spending patterns. Giving her back the control reduced her trauma-like panicking in the face of the need to plan and get organised.

4.89 Everyday payments were made with income rather than credit so Jane could remain debt-free and may allow her to create other beneficiaries by paying friends and family back. It's common for this segment to be using credit in order to pay utility bills and basic costs.

4.90 If Jane can maintain her behavioural change and continue to be supported for depression she is unlikely to recycle the debt, be tempted to move back with her abusive partner and have the threat of her son taken into care. It was important to Jane that the charity was always at the end of the telephone for support.

4.91 The structured payment system ensures that clients are not forced to make detrimental compromises to get out of crises, such as re-entering previous abusive relationships in the hope for better financial stability. Although decisions of this sort may provide short term relief, in the long term they are likely to produce a considerable cost (amplified health hazards due to household tension or violence, with lasting negative effects on children: parental neglect can lead to disengagement in later life or the child could be placed into care). The charity's actions put clients in an empowered position, where they feel comfortable with addressing issues and finding best solutions whilst considering both the immediate future and the long-term implications of their actions.

4.92 The relationship between the activities of the charity and the impact on the beneficiaries in this group can be seen on the impact map in the appendices.

Quantified impact arising from outcomes

4.93 The table below shows the financial value of the charity's work with this segment including primary benefits and secondary benefits to the clients, their children and their parents. The calculations assume that without support the debt cycle would have lasted for an average of five years. A more detailed evaluation model for this group can be found in the Appendices, which outline the detailed assumptions and deductions from deadweight and alternative attribution.

Figure 1.5 The value of StepChange Debt Charity's impact with Segment B

Segment B: Going Under - Sole Parents, with dependents			
No. of clients	***38,673***		
Average unsecured debt per client at point of access to service	***£11,898***		
	Beneficiaries		
Areas of Gain	**Clients**	**Parents**	**Totals**
Employment & Productivity	£9,520,931	£-	£47,382,581
Mental health	£1,647,879	£47,798	£3,771,929
Creditor recovery and cost	£21,317,882	£-	£34,457,680
Increased risk of desperation crime	£25,071	£-	£798,136
Increased risk of child being taken into care	£1,940,953	£-	£1,508,098
Risk of debt recycling*	£1,711,690	£1,328	£2,644,717
Increased risk of losing a home	£27,766,128	£-	£7,835,902
Totals	**£63,930,534**	**£49,126**	**£63,979,660**
Total Gain			**£63,979,660**
Average Gain			**£1,654**

**Present Value gain from one debt cycle includes; employment and productivity gain, improvements in mental health, reduction in desperation crime, risk of losing a home and impact on creditor recovery.*

4.94 The overall gain for this sub-segment after deductions is sizeable at £63,979,660. This is largely due to both the size of this segment and the way in which the impact here ripples out to beneficiaries such as their children and parents as well as a significant benefit to the state and creditors.

4.95 The average unsecured debt per client, on first contact with the charity, is £11,898 The figures show a picture of accumulating secured and unsecured debt through the age bands. With an average unsecured debt of £6,214 in the 18-24 segment to £17,221 of unsecured debt in the 40-60 year old category.

4.96 As a segment that is likely to have very little disposable income, paying off debts with higher commitments and creditor demands is likely to be difficult and recycling the debt a second time is likely. Working with this segment to help them maintain their priority costs and other outgoings helps to reduce the risk of debt recycling.

4.97 It's notable that for this group the emotional support needed due to the difficult circumstances, means that these activities are as likely to be as valuable as the practical and educational approaches in StepChange Debt Charity's work.

Segment C: 'Juggling Life'

Couples, 40-59 years old Segment Size 40,316, Average Unsecured Debt Level £ 26,860

4.98 Clients in this group have frequently lost a source of income, due to either unemployment or ill health and have financial commitments which they are no longer able to support as a result.

4.99 The charity's statistics show that this is an age at which clients are more likely to be in debt as a result of illness or injury, creating an income shock. Over half of clients aged 40-59 cite this as a cause of debt.

4.100 They are particularly vulnerable to payday loans and owe more to payday lenders than other age groups, on average £1,048 compared to £643 on average in the over 60s.

4.101 During 2011 StepChange Debt Charity found that this group were on average £70 short each month of what was needed to cover everyday living expenses.

4.102 They are a life-squeezed segment with the pressures of work and mortgages. Some will have dependants still, and some will have ailing parents for whom they are caring.

4.103 Of the four segments, Segment C has the second highest level of mortgage arrears (after the over 60s at £4,139) at an average of £3,068 for those without dependents and £3,780 for those with dependents, as well as the highest amount of secured and unsecured debt.

4.104 Forty to sixty years old is an age where more serious illness develops and is diagnosed compared to the younger segments, affecting the couples and those who depend upon them. For example the prevalence of cardiovascular disease jumps from 5.6% in 35-44 year olds, to 10.9% and 18.5% in 45-54 year olds and 55-64 year olds respectively.[LL]

4.105 As this segment has dependants, the debt also has an impact on children due to their being exposed to the debt situation. Impact could include teens making choices that are detrimental to their education in order to help resolve the family's debt crisis, creating an employment penalty later in life.

4.106 This segment are also the most likely to run small businesses – and this age group are, collectively, significant employers in the UK. According to research 64% of small businesses are owned by 35-64 year olds (33% by 45-64 year olds)[MM], which make up a significant part of the UK economy.

4.107 Running a small business demands time, health, focus and money. Problem debt can reduce of all these and risk the loss of the business and some or all of the employees within the business.

4.108 The two case studies below highlight the impact of debt in the segment for those without and with dependent children.

Case Study Three
Robert and Mary in their 50s, no dependent children

Robert and Mary are a married couple in their 50s . They are living in their own mortgaged home, and have three adult children who have all left home. Robert is self-employed running a garage, and Mary is employed but currently unable to work due to illness. They are currently trying to repay £80,000 of unsecured debt through a previously arranged DMP.

Changed Circumstance

Mary's illness has meant that she is receiving half pay, soon to become statutory sick pay, and Robert's business is also on a reduced income due to his taking on this caring role for his wife. If left unattended the business runs the risk of failure and leaving the couple without an income. The couple were already in a financially precarious situation, having £80,000 of unsecured debt on which StepChange Debt Charity had previously worked with them and organised a DMP for. The DMP was maintained but had become untenable after Mary's decline in health and diagnosis, and the resulting drop in income from both of their salaries. To add to this as the children have now left home their previous contribution to the family purse of £307 per month has also gone.

For Robert, the pressure of his wife's health, acting as a carer and trying to maintain the garage business to safeguard their remaining income has also resulted in poor health due to stress, for which he is receiving GP care for.

Coping Strategies

Robert was burying his head in the sand, and focussing his attentions on his wife. His business was struggling as a result. Family and friends had helped out with payments, before a family friend referred them to StepChange Debt Charity.

Financial literacy

Due to the family's circumstances the couple were in need of immediate expert help beyond the limits of most people's everyday knowledge. The charity's advocacy team in Eastbourne worked closely with the couple over a period of time to help them understand and put in place solutions and support available to them as a result of their drastically changed circumstances.

This involved offering an initial a three month break from their payment plan, as well as writing to their creditors to ask for a moratorium period for their debts, and helping to deal with associated creditor paperwork.

The charity also directed the couple to other services and support, including their own welfare benefit service, to make sure that the couple can access all the benefit income they are entitled to as soon as possible.

[LL] CHD Statistics compendium, British Heart Foundation, 2012
[MM] Research conducted by Simply Business, December 2010, http://www.simplybusiness.co.uk/about-us/press-releases/press-release-uk-entrepreneurs-are-getting-younger/

Case Study Four
Maureen and John in their 40s, married with one child

Maureen and John are in their 40s and have a 16 year old daughter who lives with them in a mortgaged property. John acts as a carer for his mother who is ill, which is difficult for John to cope with and Maureen works at a care home and also takes on an extra role as a cleaner to try and increase the household income. The long hours and stress have affected her health, and their daughter is feeling the strain too. The mortgage has been in arrears for some time with failed previous arrangements to clear the arrears, as a result there was a court hearing date set for repossession of the family home.

Changed Circumstance

The circumstances of John's mother's poor health and his unpaid role as a carer had led to a significant financial and emotional burden, which impacted on the whole family. During the process John was granted a carers allowance which helped contribute to their income.

Financial Literacy

Maureen and John were trying to pay the minimum arrangement the lender would accept for the mortgage of £350 per month – however this was only achievable with an unsustainable approach to long hours and extremely tight budgeting, cutting back on other areas with the attendant stress and anxiety that this brings with it.

Understandably the couple weren't familiar with court procedure, how to proceed and what might happen. StepChange Debt Charity fulfilled an important role in setting a workable monthly payment of £60pm, but also giving practical knowledge and emotional reassurance about how to proceed at court to reduce the likelihood of their home being repossessed.

Coping Strategies

Each member of the family developed various coping strategies that may have helped with the problem in the short term but were creating deeper problems in the long term. To meet the minimum monthly payments Maureen was working up to 60 hours per week across two jobs, as well as compromising other financial needs. She was stressed, ill and unable to cope. The couple were not communicating and sharing problems. The stress felt by the couple had led to constant arguments and strife.

Their daughter felt she should bring some money into the house to help her parents out and had decided that she was going to leave education. This meant that she was settling for lower-grade employment than that to which she might otherwise have aspired.

Eventually these problems could be expected to deepen into losing the family home, separation of the family, ill health due to stress, and poor educational attainment for their daughter.

Activities and outcomes

4.109 For Maureen and John, StepChange Debt Charity worked within the couples means to see what they could realistically afford to pay for the monthly mortgage and helped them create a budget to put before a court hearing. The outcome of this was a suspended possession order based on their new budget which would enable a reduction in stress for the family and working hours for Maureen.

4.110 If the family can maintain their income, they should keep their home. Repossessions attract a number of considerable costs, such as long-term LA housing expenses and are a compounding factor that contributes to the mental health deterioration for the families.

4.111 For Robert and Mary, the charity worked within the couple's new financial means to see how they could provide immediate relief. They used specialist departments within the organisation to help achieve a moratorium on all repayments including the DMP which gave the couple breathing space and reduced stress for them both.

4.112 They helped the couple to understand what financial help and benefits were available to them as a result of Mary's illness – the outcome was that finances were organised in the short term and long term with a realistic plan.

4.113 An averted financial crisis may well allow Robert to reduce his levels of stress and keep the business ticking over, preventing the loss of his business and the unemployment of any employees at the garage. The sustainable approach to their finances also ensured that the couple's home was not repossessed.

4.114 With stress and mental health problems relieved both families can also pay attention to physical health conditions which would result in total or partial relief from the condition. For Maureen and John, this would also provide a better environment to parent in and spend time together as a family and mean that their daughter will feel able to continue her education.

4.115 The increased parental input and a more stable household environment is normally reflected by an increased potential for reengagement at ages 16-19.

Quantified impact arising from outcomes

4.116 The table below shows the financial value of the charity's work with this segment including the primary and secondary benefits to the children. The calculations assume that without support, the debt cycle would have lasted for an average of five years. A more detailed evaluation model for this group can be found in the Appendices (C), which outline the detailed assumptions and deductions from deadweight and alternative attribution.

Figure 1.6 The value of StepChange Debt Charity's impact with Segment C

Segment C: Juggling Life, 40-59 Y/O Couples					
No. of clients	***45,960***				
Average unsecured debt per client at point of access to service	***£25,680***				
Areas of Gain	**Client**	**Children**	**Partner**	**Employees**	**Totals**
Employment & Productivity	£18,493,780	£-	£-	£-	£18,493,780
Mental health	£ 1,854,428	£2,007,855	£1,854,428	£-	£5,716,711
Creditor recovery and cost	£51,058,575	£-	£-	£-	£51,058,575
Risk of debt recycling*	£1,956,160	£-	£-	£-	£1,956,160
Risk of losing a home	£10,979,883	£-	£-	£-	£10,979,883
Cost of relationship breakdown	£4,209,886	£-	£-	£-	£4,209,886
Employment (employees)	£-	£-	£-	£9,682,331	£9,682,331
Disengagement (dependents)	£-	£1,936,798	£-	£-	£1,936,798
Total	**£88,552,712**	**£3,944,653**	**£1,854,428**	**£9,682,331**	**£104,034,124**
Total Gain					**£104,034,124**
Average Gain					**£2,264**

**Present Value gain from one debt cycle includes; employment and productivity gain, improvements in mental health, reduction in desperation crime, risk of losing a home and impact on creditor recovery.*

4.117 Of all the age bands 40-59 year olds represent the largest client group for StepChange Debt Charity during the evaluated period. For the 45,960 evaluated the overall and the average gain is high at £2,264.

4.118 This is due to their multiple responsibilities and high borrowing. As a result unmanageable debt has far reaching consequences for this segment, affecting mental health, physical health, relationships, and their children's ability to reach their potential in education and work, as well as the health of small businesses.

4.119 Research has demonstrated a link between divorce and unmanageable debt and with other pressures such as teenage children and high rent or mortgage commitments, the stress of debt can be a major factor in separation. Working with mortgage creditors to revise monthly payments can reduce stress and ensure the family unit stays together, as well as reducing the chance that teens leave education early in order to contribute to household income.

4.120 Developing plans that reflect the couples' means to achieve regular payments represents a debt recovery rate of £1,111 for this segment. Over the evaluated period this represented a recovery of £51,058,575 – including saving on administration costs of pursuing the debt of 5% of the total debt owed.

4.121 In this aging segment mature couples have greater potential for poor health and for a debt situation to quickly escalate the crisis this creates. This can include spouses having to act as carers, creating an impact on their own health. Circumstances, such as debt, that remove the ability of families to be resilient in such situations can lead to high costs for the state – such as the need to enter care homes prematurely.

4.122 The social, emotional and financial benefits of helping these types of families hold their lives together in the face of crisis are high.

Segment D: 'Limited Means'

Living alone, age 60 and over, Segment Size 7,916, Average Unsecured Debt Level £ 16,662

4.123 Poverty and debt problems among the elderly can have deep and damaging effects. Typically those in this segment have more limited means than the other segments, they generally have fixed pension-based incomes and the majority will be without paid employment.

4.124 Although the majority of those in this segment are retired there are still high financial commitments. 98% of this segment has unsecured debt, at an average £16,662, with 15% still having an outstanding balance on their property.

4.125 Those who are in arrears on their mortgage payments are low at 8% compared to segment C. However the average mortgage arrears for this group are higher than any other segment at £4,139.

4.126 The charity has observed that this client group has been growing quickly, and two trends make these levels of borrowing and debt noteworthy.

1. The first is that they are borrowing in order to help out other family members, such as children and grandchildren. Figures published by the Equity Release Council in 2012 showed that during the period of January 2012 – June 2012, 32% of those who released equity through an equity release product were over 50 (with the majority 65+) releasing equity from their homes in order to be able to support their family financially. This is a growth of 9% on the previous year.

2. The second is that a significant number in this age group hold interest-only mortgages and as these mature, there are likely to be many who aren't eligible for repayment mortgages and have no means to repay the debt.

4.127 Once in debt it can be particularly difficult for this group to become debt-free, with a limited ability to increase their income they often decrease their outgoings down to unsustainable levels – such as existing on diets that are insufficient to support sound health. With over 40%[NN] of over 65s having a long-standing illness, a meagre diet will have a marked effect on a client's ability to manage medical conditions without the need for further medical intervention.

Case Study Five
Rita, aged 60, no dependant children

Rita is a 60 year old single woman, who was originally living on her own independently, but whose debt situation had meant moving from her rented home and in with her sister instead. She leads a very active life, and as well as working part time as a cleaner at the local school, Rita also volunteers in a reading programme with school children and is very active in her local church and community. Rita's income is low and she receives a benefits top-up. Over the last few years she had accumulated unsecured debts of over £9000 which had become unmanageable.

Financial literacy

Rita's keenness to pay the creditors meant that she wasn't paying her priority bills, forcing homelessness. StepChange Debt Charity educated Rita about which bills constituted priority payments, and helped work out a budget that allowed her to pay her fair share of household bills at her sister's house.

Self-image

Rita's position in the community and how she was perceived by others was very important to her. She lived in fear that her friends and peers would discover her situation, undermining her standing within the local community and church. As a result she'd been unable to speak to anyone about her situation and had struggled trying to manage it herself.

In the charity's experience this can be a common feeling with older generations whose values about money and debt can bring a sense of shame about their situation and an inability to seek out help sooner. It also means that they may be more reluctant to accept debt forgiveness and it may take a number of sessions before solutions such as DROs can be accepted, if they are the most workable approach.

Approaching StepChange Debt Charity and developing a solution together meant that her debt situation could remain private.

Changed circumstance

Rita's debt situation had built up over a number of years due to a low income, rather than being the result of changed circumstances such as illness. However, the debt itself had forced a change in circumstances – moving in with her sister, which was leading to strained relations.

Coping strategies

Due to her sense of shame about the debt Rita tried to come up with her own agreement plan with the creditors. However they had pressurised her every few months to increase payments to an unsustainable level. As a result she was unable to pay rent and other priority costs, leading to the decision to give up her independence and move into her sister's home, with the intention of dividing the bills fairly.

The pressure from the creditors continued, increasing her monthly payments and as a result reducing the amount she was able to contribute to the household. The outcome was that Rita's sister had to subsidise her costs, which led to friction and a relationship breakdown with her sister. Had the situation continued it is possible that the relationship with her sister may have further deteriorated leaving her homeless and in greater poverty. Helping Rita to manage her debts was important in restoring her relationships, place in the community and from a financial perspective the realistic payments reduced the risk of entering a second cycle of debt.

[NN] General Lifestyle Survey 2010, Office for National Statistics, 2012

Activities and outcomes

4.128 From StepChange Debt Charity's activities with Rita the outcomes were financial and emotional.

4.129 The charity worked within Rita's means to see what she could realistically afford to pay off the debts. This included helping Rita understand her priority payments – the outcome was that finances were organised, she was able to pay her fair share of bills and prevent further deterioration in relations with her sister and any further negative impacts on the health of her sister or the prospects of homelessness.

4.130 With her debt confidentially resolved Rita was able to maintain her standing and role within the community which was so vital to sound mental health, reducing the impact of stress and its impact on her wellbeing.

Quantified impact arising from outcomes

4.131 The charity's experience is that without intervention family members, often siblings, will rally and help some clients out – around 10% will take on borrowing to cover the debt, of these around 33% will end up with unmanageable debt as a result .

4.132 The table below shows the impact for the clients and those family members**.**

Figure 1.7 The value of StepChange Debt Charity's impact with Segment D

Segment D: Limited Means, Clients aged 60+, living on their own			
No. of clients	***7,916***		
Average unsecured debt per client at point of access to service	***£16,662***		
Areas of Gain	**Clients**	**Family**	**Totals**
Employment & Productivity	£1,151,037	£-	£1,151,037
Mental health	£74,433	£2,456	£76,889
Creditor recovery and cost	£5,380,449	£-	£5,380,449
Risk of losing a home	£3,438,630	£-	£3,438,630
Risk of debt recycling*	£243,440	£256	£243,696
Increased risk of desperation crime	£3,371	£-	£3,371
Early access to care home	£7,339,525	£-	£7,339,525
Physical Health	£204,913	£6,762	£211,675
Total	**£17,835,798**	**£9,474**	**£17,845,272**
Total Gain			**£17,845,272**
Average Gain			**£2,254**

**Present Value gain from one debt cycle includes; employment and productivity gain, improvements in mental health, reduction in desperation crime, risk of losing a home and impact on creditor recovery.*

4.133 During the evaluated period StepChange Debt Charity supported over 16,000 clients aged 60 plus. For this report we have evaluated a sub-segment of this group – that is those aged 60 and over who live on their own, rather than with a partner who represent 51% of this group.

4.134 Declining health is also a key reason for older people moving. Being able to remain independent and in their own homes is valued by many older people, and the process of moving can be physically and emotionally draining. Helping this segment to re-organise debt and prioritise their health and priority outgoings can help them remain independent for longer and presents savings to the state in the form of local authority housing or care home provision.

5. Outcomes overview & conclusion

This section brings together each of the four segments to look at the overall impact of StepChange Debt Charity's work during the evaluated period, this includes:

- Key features of each segment and critical factors to support the journey out of debt;
- Beneficiaries from the charity's work – the state and creditors and the nature of the gains.

Conclusions are drawn from this evaluation as to how StepChange Debt Charity might continue to meet its mission of transforming the lives of those struggling with problem debt, and how key stakeholders can support that mission.

Overview of evaluated outcomes

5.1 Based on the SROI project scope and the specific activities included in the evaluation, the table in Figure 1.8, below, shows the benefits generated across all of the segment types and wider society to be £195million.

5.2 It should be noted that this report only includes the benefits evaluated from the segments described in this study which represent 47% of all the clients advised during the period evaluated and therefore if all the areas of StepChange Debt Charity's work were evaluated the total impact would increase.

Figure 1.8 Gains attributed to StepChange Debt Charity September 2012-August 2013.

Segment Type	No of Clients	Beneficiaries	Totals	Total Gain	Average Gain
Beyond Means Segment A: 18-24 no dependants	16,848	**Clients**	£9,926,954	£9,971,547	£592
		Parents	£44,593		
Going Under Segment B: Sole Parents	38,673	**Clients**	£63,930,534	£63,979,660	£1,654
		Parents	£49,126		
Juggling Life Segment C: 40-59 Couples	45,960	**Clients**	£88,552,712	£104,034,124	£2,264
		Partner	£1,854,428		
		Children	£3,944,653		
		Employees	£9,682,331		
Limited Means Segment D: Over 60s	7,916	**Clients**	£17,835,798	£17,845,272	£2,254
		Family	£9,474		
Segment Totals	109,397	**All**	£195,830,603	£195,830,603	£1,790

5.3 Each of the segments has its own distinguishing features, and circumstances that influence the degree of impact and the way in which support needs to be delivered.

5.4 **Segment A, Beyond Means** - This young group is getting into debt early and quickly, often due to payday loans quickly escalating the size of the debt problem. A sub-section of this group go on to create debt problems for their parents. Getting to this group early, educating them on budgeting, priority payments and avoiding reliance on payday loans is critical for them in reducing the impact on them and wider society.

5.5 **Segment B, Going Under** – Sole parents are vulnerable due to their reduced income and relatively higher outgoings. Their situations often mean they have poor financial resilience to debt. Support is vital for this group in order to reduce the impact of debt on this segment's young children and also their parents who are likely to bail them out. While financial education is valuable, they are not profligate spenders, but rather struggle to make money go far enough to meet their basic needs.

5.6 **Segment C, Juggling Life** – This group showed the highest financial gain. Debt support work with this segment is critical to help keep the family unit together, successful interventions, can help to prevent family breakdown, create a sustainable way to remain in the family home without needing state housing and reduce the future impact on children such as becoming NEET.

5.7 As the segments increase with age, it becomes more likely that a change in circumstance, such as ill health, will affect the already financially vulnerable, or that the changed circumstances will push people into vulnerability.

5.8 Mortgage support can play a role in this. In particular as interest only mortgages come to an end, consideration needs to be given to how to keep an already high impact segment out of debt.

5.9 **Segment D, Limited Means** – This segment may be reluctant to seek support early. Finding ways to encourage this group to be open to help could reduce the size of the debt problem as well prevent the escalation of health and housing needs.

5.10 In the UK, as we face an aging society, addressing debt can help lift what will be an increasing demand on the state for support across health, housing and care. Early intervention to relieve debt, stress and its impact on mental and physical health would enable this segment to prioritise money for taking care of their health and independence needs.

5.11 Supporting this segment to remain in their homes, minimising the impact on health due to financial stress can have a positive impact in reducing costs to the state such as cost of LA funded care homes or housing.

Beneficiaries

5.12 The financial benefits are largely as a result of costs saved by the state and creditors – such as benefits, housing, debt pursuing costs and treatment of poor mental health. Others include financial gains for those finding employment and ensuring children in families struggling in debt are able to reach a fuller employment potential than might otherwise have happened.

5.13 In financial terms, as well as individuals, the gains shown largely benefit two stakeholders, the state and creditors. The table below looks at the gains for the state by segment type.

Figure 1.9 State gains attributed to StepChange Debt Charity September 2012 – August 2013

Gain for the state					
Segment Type	No of Clients	Beneficiaries	Totals	Total Gain	Average Gain
Segment A: 18-24 no dependents	**16,848**	**Clients**	£7,224,565	£7,269,158	£431
		Parents	£44,593		
Segment B: Sole Parents	**38,673**	**Clients**	£41,991,993	£42,041,119	£1,087
		Parents	£49,126		
Segment C: 40-59 Couples	**45,960**	**Clients**	£32,233,989	£47,715,401	£1,038
		Partner	£1,854,428		
		Children	£3,944,653		
		Employees	£9,682,331		
Segment D: Over 60's	**7,916**	**Clients**	£12,234,184	£12,243,658	£1,547
		Family	£9,474		
Segment Totals	**109,397**	**Clients**	£93,684,731	£109,269,336	£999
		Parents	£1,948,147		
		Children	£3,944,653		
		Employees	£9,682,331		
		Family	£9,474		

5.14 Over 50% of the gains made by StepChange Debt Charity benefit the state. Much of the value is in the form of costs saved, such as welfare benefits, housing costs, healthcare costs for mental health challenges, as well as gains in employment for clients and their children.

5.15 These figures take into account important deductions such as the number of clients who will claim benefits they are entitled to as a result of the charity's work. We believe these benefits contribute towards stopping the escalation of the debt problem and so too other costs to the state (such as homelessness) but have accounted for these as a deduction on the overall gain.

5.16 For the young Segment A £6,293,979 of the gain reflects employment and productivity gain. Helping this segment to reduce debt can help to minimise the associated impact with losing, or failing to gain employment due to debt.

5.17 For the sole parents in Segment B, while debt impacts employment and housing, there are also other important factors that influence their ability to work and live independently, which is why the average gain is lower for this segment. For clients who are sole parents lifting debt is critical to being able to meet every day needs, but it is one factor among others preventing this group from living independently of the state. Other factors include access to affordable childcare, being a sole carer to a child with special needs, and the need to access work with flexible working hours.

5.18 Sole parents who receive government support may fall deeper into debt if proposed welfare cuts continue to come into effect in the coming few years.

5.19 This deepening of debt creates further burden on the state, such as an ability to work due to unaffordable childcare and housing.

5.20 All the segments benefited from the people-centric approach to StepChange Debt Charity's support, but couples in Segment C in particular often have a more complex situation to balance that is benefited by a personal and independent approach. This approach may be unprofitable for fee-based debt advice organisations. However the research illuminates that working with mature couples with multiple responsibilities in society can bring some of the biggest financial gains to the state across housing, health, young people – as a result of the impact of debt on children, and employment.

5.21 For Segment D, the stress and financial impact of debt can worsen pre-existing health conditions, such as diabetes, and bring forward the point at which people need support such as social housing or residential accommodation.

Creditors

5.22 The table below looks at the gains to creditors by segment. The overall creditor gain figure includes varying recovery rates of the debt owed, and the elimination of creditor recovery costs associated with chasing arrears and placing accounts with external agencies for collection.

5.23 Costs of chasing arrears have been calculated at 5% of the debt owed using the model developed by Friends Provident research. This research gives a good foundation for estimating creditor costs and would add to the authors' recommendations that further research is warranted to develop this model further and open more data out to the research community.

5.24 Overall it can be seen that StepChange Debt Charity's funding of £33.5 million, which is for the entire client base, is vastly exceeded by the gains from 47% of the base in one funding year alone.

Figure 2.0 Creditor gains attributed to StepChange Debt Charity September 2012 – August 2013

Gain to creditors				
Segment Type	**No of Clients**	**Avg Debt**	**Total Gain**	**Average Gain**
Segment A: 18-24 no dependents	16,848	£6,211	£2,702,389	£160
Segment B: Sole Parents	38,673	£47,628	£21,938,541	£567
Segment C: 40-60 Couples Clients	45,960	£122,817	£52,108,837	£1,134
Segment D: Over 60's	7,916	£43,052	£5,601,614	£708
Segment Totals	109,397	£219,708	£82,351,381	£753

5.25 The average debt levels rise throughout the segments, notably increasing in line with the responsibilities and commitments that each of these segments typically has in life, then reducing in the over 60's segment

5.26 The value that the charity brings for all the segments, but perhaps for the youngest segment in particular, is to help develop financial behaviours such as appropriate spending, budgeting, and avoiding inappropriate borrowing from the payday loan sector.

5.27 Working flexibly with those in debt to produce sustainable solutions for all stakeholders, in particular those in segments B and C, results in strong gains for creditors, with an average gain of £4,868 from the couples in Segment C.

5.28 Access to affordable borrowing would also help to reduce debt for Segment B, who, in the absence of other forms of borrowing, will turn to high interest lenders in order to be able to pay utility bills.

5.29 A critical issue for the creditors is the maturing of interest only mortgages. The financially vulnerable, and in particular the over 60s with interest only mortgages, are highly likely to have significant problems with debt and housing.

5.30 The need for early support was a common theme in the research. A pattern across the segments was a tendency for people to try and cope with debt on their own – but without successful resolution, until coming to StepChange Debt Charity. The case studies showed that the most common way for people to find the charity was through referral, by creditors, but also often through family and friends trying to aid those struggling with debt.

5.31 Referral, in particular early referral, would mean that if the charity was able to reach those struggling with debt earlier in the journey, the gains to creditors and other beneficiaries would be greater still, through the reduced costs of debt recovery.

Conclusions

5.32 By drawing together wider research and evaluating the impact of StepChange Debt Charity's activities this enquiry demonstrates that unmanageable debt, without supportive intervention, can result in significant losses to creditors, the public purse and individuals. This includes the equally important non-material wellbeing of individuals and the society they help create.

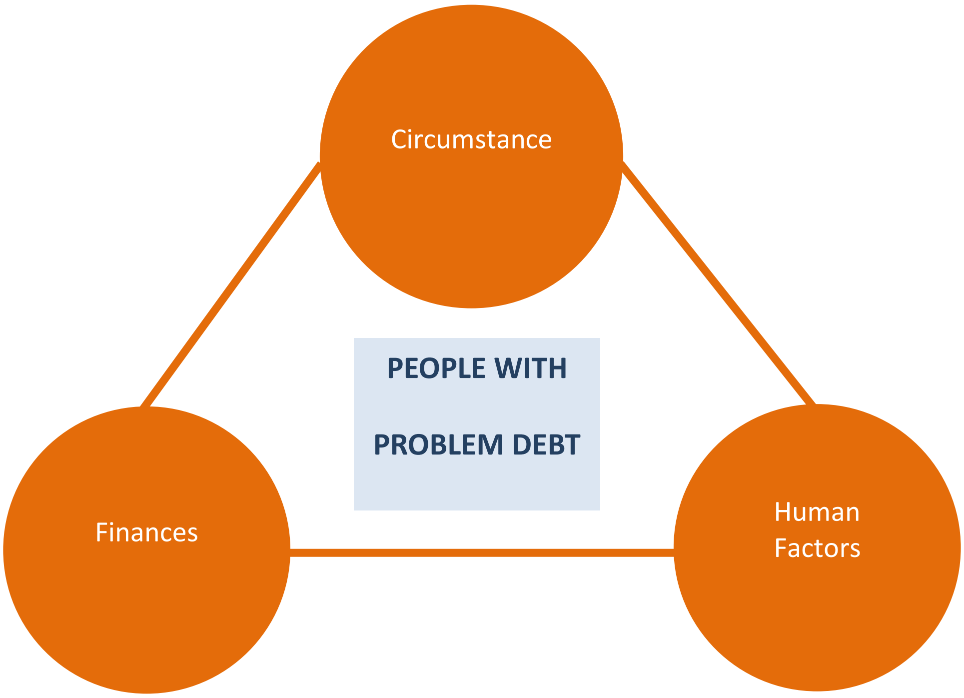
5.33 The impacts achieved hinge on the way in which clients are worked with.

5.34 The segments evaluated show that debtors are not a homogeneous group, but rather have diverse needs that need to be responded to appropriately with context specific support that is both practical and emotional in nature. Working co-productively with clients to formulate sustainable approaches to relieve debt brings about enhanced returns for creditors and cashable savings to the state.

5.35 Some of these findings on debtors' diverse needs could be taken by creditors and applied to develop differentiated recovery pathways, such as the recovery of tax arrears, which currently have singular recovery pathways.

5.36 The benefits of creating manageable debt have far-reaching impacts, reducing long-term costs associated with poor outcomes – such as educational attainment, health and wellbeing, employment and the ability to be self-supporting. Creating manageable debt also benefits creditors by being able to re-establish relationships and regular payments to creditors.

5.37 The research shows that debt is a human problem rather than just a financial problem. As such the impacts of the charity's work are not achieved by attending to the finances alone, but by addressing the triad of finances, circumstances and human factors that Section 4 describes in setting out 'How StepChange Debt Charity's work creates outcomes'.



5.38 There are two underlying effects that addressing this triad holistically achieves:

- **Enables behavioural change -** This includes financial literacy, self-awareness, education, recognition of complicating factors such as mental and physical wellbeing; and
- **Enables a response to circumstance** – This may be responding to life-shocks such as job loss, degenerative illness, or facing challenging circumstances such as poverty and low income.

5.39 From this it can be seen that a model of free and independent advice is critical for several reasons so that StepChange Debt Charity can:

- focus on working with clients to achieve behavioural change or put in place circumstantial support – this includes the time taken to work with complex cases, recommending the most appropriate solution types, benefits advisory, and creditor advocacy;

- develop a range of supporting services and products that achieve behavioural and circumstantial change – such as their Wellbeing service, and advocacy team; and

- form strategic partnerships with other organisations, and government departments, to address some of the causes of debt and reach those needing debt advice through these key organisations.

A. Further notes SROI methodology

The case for political support for SROI

5.40 Further support for SROI's adoption by the third sector has been seen in the report 'Outcome-Based Government', published by the Centre for Social Justice ("CSJ")[A]. This report considers the need to link funding of interventions with the expected outcomes (and their associated value). It suggests that funding should be focused on those interventions that are likely to achieve the highest value outcome: "Improving life outcomes should be the ultimate goal of a government's social policy: if policy makers can better identify failing initiatives, and shift spending toward programmes that effectively deliver sustainable, long-term outcomes, the social and financial returns to society and the public sector will be very great indeed."

5.41 CSJ strongly advocates a shift towards evidence-based government, in which funding decisions are based on clear, high quality evidence of impact value, with SROI cited as a "more rigorous approach to performance management while attempting to capture the social and environmental impacts of public spending."

5.42 The rationale for adopting SROI may be applied equally strongly to local communities, who may rightly expect organisations to demonstrate that their support is delivering real value to their community and society as a whole.

Addressing issues concerning the use of SROI

5.43 Overall, it is felt that SROI is a vital tool to provide non-profit sector bodies such as StepChange Debt Charity with a means to evaluate its wider contribution to society. However, there are several issues to consider when applying this, that are worthy of mention:

a) SROI, as it is typically presented, tends to ignore the risks associated with the benefits generated. In the course of our work with the charity, the project representatives were encouraged to consider the achievable benefit created, and to build in reductions to assumptions to account for risks, where necessary;

b) A robust SROI analysis must consider the proximity of the benefit created to the actions of the organisation that is seeking to claim ownership of that benefit. The project representatives were encouraged to focus only on outcomes that are directly attributable to their activities and, where necessary, obtained evidence of the link between the outcome and the charity's activities;

c) SROI is typically presented as a ratio of the value of the benefits achieved per pound spent to achieve those benefits. This may be useful internally to each organisation as a measure of performance relative to prior periods. However, the use of this ratio to compare organisations is inherently flawed due to sector and organisation-specific factors that reduce the level of comparability between organisations. Hence, the results of this report are not presented in the form of a ratio;

d) There is a danger that organisations seeking to evaluate their impact using SROI may create calculations that are extremely granular to the extent that they become open to accusations of 'spurious accuracy'. In this exercise, a smaller number of key assumptions have been identified by

[A] Brien, S., 2011, Outcome-Based Government, London, Centre for Social Justice the project representatives during discussions facilitated by Baker Tilly to develop a prudent result at a high level. It is considered important to present a more defensible, prudent analysis than one which is overly complicated and risks overstatement; and

e) SROI does not take account of the interrelationship of social impact and brand value. By creating greater social impact, the recognition and perceived quality of an organisation's brand is likely to improve, thus increasing the value of that brand. In turn an entity with a stronger brand may use that to enhance the social impact of its project work. Of note is that the charity believes it has strong, well-recognised brands in the areas they serve, which augments their ability to deliver positive outcomes.

B. Notes on action research

Action research, or action science as some, including Gummerson[A] prefer to call it, is a recognised and respected research approach originating in the social sciences arena, which involves the researcher and the researched jointly learning in and investigating the research area. Whilst primarily a qualitative methodology, it can be constructed in such a way as to gather and test data with levels of validity that would constitute scientific research (as opposed to casual enquiry) whilst retaining the proximity to that data that best comes from working with those who are involved with it.

The researcher works with the researched jointly to investigate an issue of common interest. Together they gather data, test and validate it, and draw interpretations and conclusions from it.

Action research is hence an iterative research methodology that is intended to bridge the gap between theoretical research and the practical realities of the real world. As Gustavsen puts it:

"The point is to understand the world as it is by confronting it directly; by trying to grasp the phenomena as they really are.[B]"

Reason and Bradbury (2001) define action research as *"a participatory, democratic process concerned with developing practical knowing in the pursuit of worthwhile human purposes, grounded in a participatory worldview... It seeks to bring together action and reflection, theory and practice, in participation with others, in the pursuit of practical solutions to issues of pressing concern to people, and more generally the flourishing of individual persons and their communities."* (2001, p.1).

In simplistic terms, action research is collectively learning from experience by sharing that experience with others and taking action to bring about change by building on that experience.

In our work with StepChange Debt Charity, it has been vital that an understanding was gained, not just of how their activities could *theoretically* be benefiting the local area, but of how they create benefit in practice. Theoretical research on SROI methodologies gives us a view on where the benefits may lie, but only through an iterative process of discussing, developing and refining our understanding can a true picture be obtained of where the benefits of the charity's activities actually lie.

Our approach is an iterative five stage approach to Action Research. The way in which our approach fits with this model is described as follows:

1. **Observation:** from our initial discussions with StepChange Debt Charity, it is clear that a lack of understanding of its social impact may weaken its position when negotiating with funders or demonstrating the value they return to the communities they serve, thus damaging their ability to continue some aspects of their work. However, it is also clear that by improving awareness of the extent of their impact on the communities they serve, they can further improve their brand recognition, and therefore, potentially, the breadth of their user bases;

2. **Reflection:** by using social impact measurement tools such as SROI, it is believed that it is possible to begin to increase the understanding of the benefits the charity generates among key stakeholders;

3. **Data gathering:** the services that the charity provides were discussed with a team of project representatives, and the outcomes these projects produce and key beneficiaries were identified. A range of possible methods of evaluating these services were discussed using the models described in this report to cover the concept of value from the perspective of all key stakeholders;

[A] Gummerson, E. 2000, Qualitative Methods in Management Research. 2nd Ed. Thousand Oaks, Ca. Sage Publications
[B] 'New Forms of Knowledge Production and the Role of Action Research', Bjorn Gustavsen, Action Research 2003; volume 1 at p.153

4. **Test claims and conclude:** many of the assumptions used in the evaluation models are based on data gathered by StepChange Debt Charity's management information systems. Copies of the supporting records for such data were obtained. Where an assumption was required, the project team were encouraged to be prudent in order to avoid overstating benefits. In some cases, assumptions have been informed by data from external sources combined with the use of judgement. Copies or records of any research were obtained. The charity undertook consultations including some guided interviews with internal stakeholders in order to validate and test key assumptions or to provide evidence to support the theory of change suggested by the working group; and

5. **Monitor improvements:** it is hoped that this work will result in improved awareness of the charity's activities among stakeholders (including funders) and therefore address the risks identified at stage 1 of the process.

Having reached a stage where an improvement is expected, the iterative nature of action research allows for further studies to be carried out in future building on the work presented in this report, including on-going measurement of benefits and the use of similar methodologies to assess proposed future projects.

Clearly, wherever data already exists to quantify a benefit, it is to be used. However, with the absence of observed data, action research allows us to gain an accurate perspective on the real benefits that are generated. In some cases it will be impossible to observe the impact, as to do so would require a comparison between a world in which the charity exists and one in which they do not, all other factors being equal. Clearly such comparison will never be possible, and so reliance must be placed on the common-sense and judgment of the charity, based on their real-world experience.

Where data may be, but is not currently, observed, our work allows us to refine the list of useful data that may be gathered in future as a basis for refining the measurement of the economic benefit that is generated. This project may therefore act as a platform for identifying further action research projects that will develop detailed measurement tools.

Any outline of a research methodology would be incomplete without looking at broader criticisms of it in management science circles. Criticisms of action research are several, but most emanate from proponents of statistical sampling and questionnaire-based research methodologies. In brief, these tend to surround the following areas, each of which is shown with a brief response related both to theory and to this research in particular.

How can you assert validity when all the data is of internal origin?

Bypassing the theoretical debates about the validity of different data sources and the extent to which all are, to some degree, partly objective and partly partisan, the key point here is that the data is not all of internal origin.

Many of the measurement criteria within the financial proxies are:

- from publicly available data sources, often validated government data;
- from appropriately structured pilot studies;
- from research appropriately undertaken by the subjects' own research team; or
- separately sense-checked or reviewed by the research team.

It is not true research because the researcher influences, and is involved in the outcome....?

It is true that the researcher is involved in the sense that "the action researcher... may help clients make more sense of their practical knowledge and experience..."[A].

[A] Gill, J. And Johnson, P. 2002. Research Methods for Managers. 3rd Ed. London, Sage. p.92.

This is consistent with the second of the seven principles of SROI: Measurement with people.

If the researcher facilitates the better collection and interpretation of data from the researched and leaves them with an understanding and knowledge to enable them to embed that in future action, then this active involvement must be seen as a virtue and not a weakness. It improves the understanding of data gathered and at the same time, seeks to embed the results in the organisations (the final stage of the SROI process).

Berg[A] summarises the strengths of action research in these fields as follows:

- "a highly rigorous, yet reflective or interpretative, approach to empirical research;
- the active engagement of individuals...in the research enterprise;
- the integration of some practical outcomes related to the actual lives of participants in this research project;
- a spiralling of steps...".

It has been found, in this study and other similar ones, that action research provides an ideal foundation approach for developing a social impact evaluation and embedding it in the organisation.

[A] Berg, B. 2009. Qualitative Research Methods for the Social Sciences. 7th Ed. Upper Saddle River, NJ. Pearson. .248.

C. Detailed evaluation models used

Measuring outcomes for clients

Throughout the course of the research many different outcomes that arise as a result of StepChange Debt Charity's work were identified. Of these outcomes, twelve were robust enough to be used as the basis of the models used in this evaluation. These are:

Improved mental health	Reduced creditor recovery cost
Improved physical health	Reduced risk of debt recycling
Reduced likelihood of being NEET	Reduced risk of children being taken into care
Reduced risk of losing home	Reduced risk of relationship breakdown
Cost of residential care	Reduction of unemployment
Increased employment	Reduced risk of crime

Additionally four distinct segment types were evaluated – representing 47% of the charity's client base for the evaluated period. The degree to which the outcomes were seen varied across these segment types, as well as within segment types. To illustrate the variability of outcomes across the segments, the models have been built across three tables to show the gains.

Base Model Table 1
This table shows the base model for each outcome type – and sets out the principal approach for calculating gain.

Segment Variables Table 2
This table shows the variables by segment type to the base model. For example 5% of the clients in Segment A are assumed to have either gained or maintained employment as a result of being relieved from problem debt, however 3% of the sole parents in Segment B are assumed to have gained employment, this is due to factors that prevent sole parents accessing work even once debt is relieved – such as caring for a child with special needs, or an inability to pay for child care. The tables show sub-segments identified in the data-base, to give seven segment types. These variables include whether 40-60s have dependent children, to account for impact to dependents and the age split of sole parents – as some challenges – such as access to work become easier once dependent children are aged 11 and over.

Gains due to StepChange Debt Charity Table 3
This table sets out the gains by the segment, includes discounted factors – such as alternative attribution where gains are attributable to other work, or where gain is displaced by other gains – such as an increase in benefit claims as a result of the charity's advice. The main displacement cost for this evaluation is in the form of the benefits advisory support, to reflect this activity and based on the charity's data £21,106,622 has been deducted from the overall gains to reflect the additional benefits claimed as a result of its advisory work.

Assumptions

The commentary after the tables explains the assumptions and research used to build the models.

Duration of a debt cycle

Duration of effect is an important aspect of the models. For many on low-incomes debt may be a more permanent feature in their lives and without help this may well include problem debt. Others may have a period in their lives that features a struggle with problem debt, perhaps triggered by circumstance.

StepChange Debt Charity's own research shows that most people will try and manage the debt themselves before seeking, or being referred to, help, for example 50% of clients waited for more than one year after the onset of their problems before seeking help.

In the absence of help the group felt that problem debt would continue for several more years – dependent upon circumstances. Some could suffer from low-level problem debt for a longer period of time, for others problem debt would more quickly become an untenable situation.

The length of a debt cycle was discussed in order to develop the models and consider the duration of the effect of each of the gain areas. Five years was identified as a likely average length of a debt cycle, with the duration of effect being between 1-2 years for each of the gain areas, rather than 5 years. This duration reflects how far into the debt cycle clients are before they find StepChange Debt Charity so that the models do not over-claim the gains that StepChange Debt Charity can attribute to their work, they also reflect consideration for the likely length of effect for each of the individual gain areas, for example it was felt looking at research that unemployment effects would last for less time than poor mental wellbeing effects.

Model 1: Employment and productivity

Table 1: Base model

Employment	Assumption	Calculation
Number of clients	A	
Proportion assumed to have gained/maintained employment	B	
Annual welfare benefits saved	C	
Annual productivity gain	£20,000	
Duration of unemployment	1 year	
Discount rate	3.5%	
Annuity factor		0.97
Number in full time employment	D	
Number in part time employment	E	
Number whose productivity would be affected (absenteeism)	6%	
Days lost (FT)	2.8	
Days lost (PT)	1.4	
Number whose productivity would be affected (still present)	43%	
Days lost (FT)	4.2	
Days lost (PT)	2.1	
Value per working day	£59	
Length of time productivity reduced (years)	2	
Discount rate	3.5%	
Annuity factor		1.9
Number of clients whose productivity improves due to SC	83%	

Table 2: Segment variables

Segment	Number of Clients (A)	Assumption (B)	Welfare (C)	Number in FT employment (D)	Number in PT employment (E)	Deadweigh t	Alternative Attribution
Segment A - 18-24, no sole or joint client status, no dependants	16,848	5%	£7,466	32%	17%	40%	25%
Segment B Sole Parents, 18-24	5,334	3%	£9,081	32%	17%	40%	30%
Segment B Sole Parents, 24-40	18,911	3%	£9,081	32%	17%	40%	30%
Segment B Sole Parents, 40-60	14,428	3%	£9,081	32%	17%	40%	30%
Segment C - 40-59, joint clients without dependants. The clients	25,273	5%	£8,668	32%	17%	30%	40%
Segment C - 40-59 Joint clients, with dependants. The clients	20,687	5%	£8,668	32%	17%	30%	40%
Segment D - 60 & Over, living on own	7,916	3%	£7,893	4.35%	4.35%	40%	40%

Table 3: Evaluated gains

Segment	Total Gain	Deadweight	Alternative Attribution	Total Gain due to intervention
Segment A - 18-24, no sole or joint client status, no dependants	£23,508,862	(£9,403,544)	(£5,877,216)	£8,228,102
Segment B Sole Parents, 18-24	£4,861,426	(£1,944,570)	(£1,458,428)	£1,458,428
Segment B Sole Parents, 24-40	£17,235,547	(£6,894,219)	(£5,170,664)	£5,170,664
Segment B Sole Parents, 40-60	£13,149,726	(£5,259,890)	(£3,944,918)	£3,944,918
Segment C - 40-60, joint clients without dependants.	£36,731,890	(£11,019,567)	(£14,692,756)	£11,019,567
Segment C - 40-60 Joint clients with dependants.	£30,066,577	(£9,019,973)	(£12,026,631)	£9,019,973
Segment D - 60 & Over, living on own	£6,487,387	(£2,594,955)	(£2,594,955)	£1,297,477

Model 1 - Assumptions made for employment and improved productivity

- The model here looks at the impact of debt, unchecked, on ability to maintain or gain employment as well as the ability to maintain productivity while in the workplace.

- **Employment:** Research demonstrates the impact of debt on the ability to maintain employment or gain employment:
  - A DWP report[A] describes that debt is a significant barrier to those finding or maintaining employment in the longer term. Another report[B] by the Greater London Authority also describes how debt can prevent people maintaining newly found work if repayments are too high, or if the number of hours worked to repay debt is unsustainable. A Joseph Rowntree report[C] highlights that moving back into employment while debt is present is difficult as benefits for those on low-incomes don't factor in debt repayments. A study by the University of Sheffield[D] found a significant relationship between high interest debt, stress and poor health outcomes, which impacted upon an individual's ability to work.
  - StepChange Debt Charity's client surveys show that 2% had reported losing work due to debt. These are similar findings to a joint survey[E] they produced with The Children's Society who found that 3% of those surveyed had lost a job due to having problem debt.

- **Productivity:** A significant number of StepChange Debt Charity's clients (49%) find that the stress of debt affects their ability to concentrate at work. This finding is echoed by U.K. and U.S research when looking at general working populations where it can be seen that work is affected by both absenteeism and presenteeism (at work but under-performing):

  - A Virginia Tech research study[F] found that 15% of the US workforce studied experienced stress from poor financial health to the extent that it negatively impacted productivity, and that depending on the nature of the workforce that could increase to 40-50%.
  - The CIPD reported in August 2012 that half of employees face financial struggles, with stress and anxiety related to under-performance with few employers offering support with 75%

[A] Carpenter H., 'Repeat Jobseekers Allowance Spells', DwP, 2006
[B] GLA, 'Treading Water: A report of the work of the London Debt Strategy Group and the changing nature of debt advice in London', May 2011
[C] Shildrick, T. et al. 'Low Pay, No-Pay Cycle: Understanding recurrent poverty', November 2010
[D] Leston, P. Mosely, P. 'Debt and Health', Department of Economics, University of Sheffield, April 2008
[E] Royston, S. and Surtees, J., 'The Debt Trap: Exposing the impact of problem debt on children', May 2014
[F] Garman, E.T. et al, 'The negative impact of employee poor personal financial behaviours on employers, 1996

reporting an absence of work-place advice. The CIPD's Employee Outlook Survey in July 2011 reported that workers with financial difficulties were more likely to report being under stress at work and prolonged exposure to stress was associated with absence from work, with a higher level of accidents and poor mental health.

- ***Employment:***
- ***Number of clients in this category:*** This is derived from StepChange Debt Charity's client number records, for this segment.

- ***Proportion assumed to have gained/maintained employment:*** 3-5% - based on discussions in the action research group, and supporting research which includes recent StepChange Debt Charity client polling which found that 83% of clients in work said it made it easier to sustain their current job once interest charges and enforcement stopped.

- The group assumed that those gaining or keeping a job may be in the range of 5-10%, however this was set more prudently at 3-5% to come in line with the surveys cited earlier. For some of the segments the assumption was set at 3%, for sole parents aged 18-40 there are other barriers besides debt that prevent them from accessing employment – such as access to affordable childcare, or having sole care for a child with special needs – as described and referenced in Section 4. Once children are aged 11 and over the rate of employment among sole mothers and two parent households are similar. (Families with Children in Britain: Findings from the 2008 Families and Children Study (FACS), Table 3.2, Department for work and Pensions, 2010). For the over-60s the assumption was also reduced to 3% as some in this segment will be retired and remaining in retirement, others will face other barriers in accessing work such as health and age.

- ***Welfare benefits saved:*** This is calculated based on jobseekers' allowance (JSA) plus housing benefit based on average receipts by the status of recipient as provided by DWP and government figures. These are shown in the table below. It is recognised that there would be other benefit types available for the over 60s.

	A	B	C	D	
Segment	**18 - 24 No Dep**	**Single Parents**	**40-60 Joint**	**60+**	
Avg HB/wk	£ 86.78	£ 102.93	£ 110.42	£ 80.09	as per DWP Feb 2013 Single housing benefit extract
JSA	£ 56.80	£ 71.70	£ 56.27	£ 71.70	as per https://www.gov.uk/jobseek
Total/wk	**£ 143.58**	**£ 174.63**	**£ 166.69**	**£ 151.79**	
Total/year	**£ 7,466**	**£ 9,081**	**£ 8,668**	**£ 7,893**	

- **Productivity:**
- StepChange Debt Charity's own client research showed that of the 49% of clients whose debt affects their ability to concentrate at work 6% report changes in attendance, such as arriving late or taking time off, and 43% of clients are unable to concentrate at work.

- ***Number of clients:*** This is derived from StepChange Debt Charity's client number records.

- ***Number of clients in full time employment:*** This is derived from StepChange Debt Charity's client number records.

- ***Number of clients in part time employment:*** This is derived from StepChange Debt Charity's client number records. According to the Office for National Statistics, full-time workers average around 39.1 hours per week (including overtime) and part-time workers average around 18.1 hours per week – 46% of the full-time hours.

- ***Number of clients whose productivity is impacted through absenteeism:*** 6% of StepChange Debt charity's clients report changes in attendance such as being late or taking time off work.

- ***Average number of days absent per annum:*** 2.8 days**.** There is a lack of data on how many days are lost due to absenteeism from debt stress, instead we have used a proxy for poor mental wellbeing. The Sainsbury Centre for Mental Health, published a report, Mental Health at Work[A], which reports that the average sickness absence due to poor mental health is on average 2.8 days per employee per year. We have used this for the absenteeism proxy. A deduction of 54% has been applied to those in part-time employment.

- ***Number of clients whose productivity is impacted through presenteeism:*** 43% StepChange Debt Charity's own surveys show that 43% of their clients with problem debt are unable to concentrate at work. Other research also suggests that debt contributes to poor workplace productivity:

  - AXA research[B] conducted in 2009 found that: 5% (1.4m) took time off work as a result of money worries in past 12 month, 70% spent time at work worrying about finances, 31% spend up to 15 minutes a day worrying, 4% (1.2m) spend more than 4 hours a day feeling anxious, 35% (10 million) believe that financial concerns are preventing them from performing at their best at work. The most pressing concern is repaying debt or bills.
  - The Work Foundation (TWF) conducted a study[C] for another division of AXA on AXA employees and published the findings as they were considered applicable to all employers: Sickness presence significantly related to performance. It's more prevalent than sickness absence – 45% reported one or more days of sickness presence v 18% sickness absence in same period. Debt featured in the top three factors significantly linked with high level of sickness presence; personal financial difficulties, work related stress, perceived workplace pressure. Those employees who were finding it difficult to make ends meet, who were unable to save and worried a great deal about debt had a significantly higher number of sickness presence days that those without these problems.

- ***Average number of days presenteeism per annum:*** The Sainsbury Centre for Mental Health report referenced above reports that international studies show that the ratio of presenteeism to absenteeism is a 3:1 ratio. However it notes that a deduction needs to be applied to account for the influence of the U.S. studies – as only 50% of the U.S workforce receives sickness pay and as a result there tends to be more presenteeism. In this report the Centre has applied a 1.5 multiple giving an average of 4.2 days. A deduction of 54% has been applied to those in part-time employment.

- ***Average productivity per annum:*** Per Office for National Statistics ("ONS") data, the average per capita GVA per annum is £20,000.

[A] Sainsbury Centre for Mental Health, Policy Paper 8, 'Mental Health at work: Developing the Business Case', December 2007
[B] AXA survey, 'Money Sickness Syndrome', 2009
[C] Ashby, K. and Mahdon, M. 'Why do employees come to work when ill', The Work Foundation for AXA, April 2010

- ***Duration which work-place productivity is negatively affected:*** The group agreed that 2 years was a realistic period of time for clients to suffer workplace stress in the absence of any support – this reflects that when coming to StepChange Debt Charity clients are often part-way through a (five year) debt cycle.

- ***Discount rate:*** using government figures to recognise the impact of inflation on the future value of money, i.e. the present value of money in five years. This is a recognised rate used by The Treasury

- ***Annuity factor:*** the application of the discount factor to the five year duration of debt cycle

- ***Number of clients whose productivity is restored:*** Number of clients whose productivity is restored as a result of StepChange Debt Charity's support has been set at 83%. A recent survey by StepChange Debt Charity on their clients showed that, as a result of interest charges and enforcement procedures being stopped, 79% said their anxiety had reduced, 74% now sleep more easily and 83% of those in work said it had become easier to sustain their current job.

- ***Deadweight:*** the deadweight attribution is a high percentage, recognising that whilst there are a range of qualitative studies highlighting the link between the significant difficulty of sustaining, or gaining, employment in problem debt situations, there is little quantitative research to demonstrate the scale of the problem.

- ***Alternative attribution:*** Feedback from the action research group highlights that for this category, parental and family influence would play a significant role in helping the charity's clients to maintain or gain employment whilst suffering chronic debt. There may also be engagement in other support programmes to enable entry into work.

Model 2: Improved mental wellbeing

Table 1: Base model

Mental health	Assumption	Calculation
Number of clients	A	
Incidence of poor mental health among people with problem debt	B	
Incidence of poor mental health among people without problem debt	20.40%	
Therefore mental ill-health attributed to debt	C	
Recovery from poor mental health following debt support	47%	
Health seeking behaviour rate	D	
Impact		E
Average cost of health and social service use	£1,508	
Duration of a poor mental wellbeing	2	
Discount rate	3.50%	
Annuity factor		1.90

Table 2: Segment variables

Segment	Number of Clients (A)	Assumption (B)	Calculation (C)	Assumption (D)	Calculation (E)	Deadweight	Alternative Attribution
Segment A - 18-24, no sole or joint client status, no dependants	16,848	45.0%	24.6%	44%	5.09%	40%	25%
Segment A - Parents of above clients	1,112	45.0%	24.6%	44%	5.09%	40%	25%
Segment B – Sole Parents, 18-24	5,334	47.4%	27.0%	44%	5.58%	40%	30%
Segment B - Parents of 18-24 clients	352	45.0%	24.6%	44%	5.09%	40%	30%
Segment B - Sole Parents, 24-40	18,911	47.4%	27.0%	44%	5.58%	40%	30%
Segment B - Parents of 24-40 clients	624	45.0%	24.6%	44%	5.09%	40%	30%
Segment B – Sole Parents, 40-60	14,428	46.4%	26.0%	44%	5.38%	40%	30%
Segment B - Parents of 40-60 clients	238	45.0%	24.6%	44%	5.09%	40%	30%
Segment C - 40-59, joint clients without dependants. The clients	25,273	45.0%	24.6%	44%	5.09%	30%	40%
Segment C - Partner of clients without dependants	25,273	45.0%	24.6%	44%	5.09%	30%	40%
Segment C - 40-59 Joint clients, with dependants. The clients	20,687	45.0%	24.6%	44%	5.09%	30%	40%
Segment C - Partner of 40-59 clients with dependants	20,687	45.0%	24.6%	44%	5.09%	30%	40%
Segment C - Children of 40-59 clients	35,545	45.0%	24.6%	44%	5.09%	33%	25%
Segment D - 60 & over, living on own	7,916	45.0%	24.6%	16%	1.85%	40%	40%
Segment D - Family member of client	261	45.0%	24.6%	16%	1.85%	40%	40%

Table 3: Evaluated gains

Segment	Total Gain	Deadweight	Alternative Attribution	Gain due to intervention
Segment A - 18-24, no sole or joint client status, no dependants	£2,455,382	(£982,153)	(£613,845)	£859,384
Segment A - Parents of above clients	£162,055	(£64,822)	(£40,514)	£56,719
Segment B - Sole Parents, 18-24	£853,203	(£341,281)	(£255,961)	£255,961
Segment B - Parents of 18-24 clients	£51,306	(£20,522)	(£15,392)	£15,392
Segment B - Sole Parents, 24-40	£3,024,920	(£1,209,968)	(£907,476)	£907,476
Segment B - Parents of 24-40 clients	£90,949	(£36,379)	(£27,285)	£27,285
Segment B - Sole Parents, 40-60	£2,222,363	(£888,945)	(£666,709)	£666,709
Segment B - Parents of 40-60 clients	£34,695	(£13,879)	(£10,408)	£10,408
Segment C - 40-59, joint clients without dependants. The clients	£3,683,219	(£1,104,966)	(£1,473,287)	£1,104,966
Segment C - Partner of clients without dependants	£3,683,219	(£1,104,966)	(£1,473,287)	£1,104,966
Segment C - 40-59 Joint clients, with dependants. The clients	£3,014,867	(£904,460)	(£1,205,947)	£904,460
Segment C - Partner of 40-59 clients with dependants	£3,014,867	(£904,460)	(£1,205,947)	£904,460
Segment C - Children of 40-59 clients	£5,180,184	(£1,709,461)	(£1,295,046)	£2,175,677
Segment D - 60 & over, living on own	£419,511	(£167,805)	(£167,804)	£83,902
Segment D - Family member of client	£13,845	(£5,538)	(£5,538)	£2,769

Model 2 - Assumptions made for mental health

- The model here considers the impact of problem debt on the mental wellbeing of clients, and the close family members.

- ***Number of clients in this category:*** this is derived from StepChange Debt Charity's client number records, for this segment.

- ***Incidence of mental health problems amongst people with debt:*** based on a review[A] which examined the incidence of mental health issues across the country, comparing the incidence that arose within the population with unmanageable debt, after the debt was accumulated and mental health incidence within the population without unmanageable debt. The base figure here has been adjusted for the sole parents' category. Research shows that sole parents have a higher incidence of poor mental health than the rest of the population[B]. To reflect this we have adjusted the incidence of mental health from 45% to 47% for the first two categories of sole parents and 46.4% for older sole parents to reflect the higher employment status in those with older children, since the research shows a link between depression and financial hardship.

- ***Incidence of mental health problems amongst people without debt:*** based on the review cited above which examined the incidence of mental health issues across the country comparing the incidence within the population with unmanageable debt and mental health incidence within the population without unmanageable debt. With adjustments applied to the sole parents category as described above.

[A] Jenkins. R, et al. 'Mental disorder in people with debt in the general population, Institute of Psychiatry, Psychol. Med, October 2008
[B] Brown, G. et al. 'Single mothers poverty and depression' 1997

- ***Mental ill health attributed to debt:*** the additional incidence of mental health attributable to debt.

- ***Successful interventions*****:** The Department of Health's report 'Mental Health promotion and mental illness prevention[A]' models a scenario of debt advice targeted at a population for those at risk of developing unmanageable debt and concludes that over a two year period advice would bring gains in the areas of health, social care and legal provision. It cites two other reports[BC] for success of debt advice and uses a success rate of 47%. These reports were conducted in 2004 and 2007 and provision of telephone and online advice have developed since then, further studies into the impact of debt advice on those already in or at risk of debt and risk of poor mental health would be welcomed. In the meantime this model uses a success rate of 47%.

- ***Health seeking behaviour:*** this is an assumption based on how likely mental health problems will be diagnosed and treated in the individual. This is based on health seeking behaviour using statistics published by Mind online[D]. Evidence shows that although depression is a significant problem in the elderly population, health seeking behaviour is lower amongst this group so health seeking behaviour has been reduced from 44% to 16% for the 60 and over segment[E]. It is likely those that untreated this poor mental wellbeing will have other affects – such as on health.

- ***Impact:*** being the application of the percentage of successful interventions on the percentage of the population suffering from mental health issues related to debt. A recent survey by StepChange Debt Charity on their clients showed that, as a result of interest charges and enforcement procedures being stopped, 79% said their anxiety had reduced, 74% now sleep more easily and 83% of those in work said it had become easier to sustain their current job.

- ***Average cost of health and social service use:*** costs taken from 'Paying the Price – The Cost of Mental Healthcare in England to 2026[F].

- ***Duration of poor mental wellbeing:*** Two years reflects the mid-point at which clients would have approached StepChange Debt Charity during the debt cycle which for many would have continued without their intervention.

- ***Discount rate:*** using government figures to recognise the impact of inflation on the future value of money, i.e. the present value of money in five years.

- ***Annuity factor:*** the application of the discount factor to the five year duration of debt cycle.

- ***Deadweight:*** Reflecting those who would have been able to sort out their own debt problems in the absence of StepChange Debt Charity's support.

- ***Alternative attribution*****:** feedback from the action research group highlights that for this category, familial influence would play a significant role in helping family members to maintain or avoid mental health issues whilst suffering chronic debt.

[A] Knapp, K. et al. 'Mental health promotion and mental illness prevention: The economic case', Personal Social Services Research Unit, LSE. April 2011
[B] Pleasence P, Buck A et al. 'Causes of Action: Civil Law and Social Justice. London: Legal Services Commission, 2004 and Williams K, Sansom
[C] 'Twelve Months Later:Does Advice Help? The Impact of Debt Advice: Advice Agency Client Study.' London: Ministry of Justice. 2007
[D] www.mind.org.uk
[E] Godfrey, M et al 'Literature and policy review on prevention and services. U.K. enquiry into mental health and wellbeing in later life' Age concern/Mental Health Foundation, 2005
[F] McCrone, P. et al 'Paying the Price – The Cost of Mental Healthcare in England to 2026, London, Kings Fund, 2008

Model 3: Creditor recovery

Table 1: Base model

Creditor recovery and cost	Assumption	Calculation
Number of clients	A	
Average Unsecured Debt	B	
Number with Unsecured debt on a managed debt solution	C	
Cost per case of Pursuing debtor	5%	D
Those on DMP (29%)	E	
Those on IVA (2%)	F	
Those requiring help organising - TRHP (2%)	G	
DMP recovery with SC	33%	
DMP recovery without SC	23%	
Additional recovery due to SC	10%	
IVA recovery with SC	26%	
IVA recovery without SC	18%	
Additional recovery due to SC	8%	
TRHP recovery with SC	80%	
TRHP recovery without SC	23%	
Additional recovery due to SC	57%	
Total gains for Unsecured Creditors		H
Number with Mortgage arrears	I	
Average Mortgage arrears	J	
Cost per case of pursuing debtor	5%	K
Mortgage arrears recovery with SC	92%	
Mortgage arrears recovery without SC	90%	
Additional recovery due to SC	2%	
Total gains for Mortgage arrears		L

Table 2: Segment variables

Segment	(A)	£ (B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
Segment A - 18-24, (as before)	16,623	£4,574	5,153	£229	4,821	332	332	£4,371,932	59	£1,212	£61	£5,292
Segment B Sole Parents, 18-24	5,257	£6,214	1,630	£311	1,525	105	105	£1,878,352	22	£1,484	£74	£2,416
Segment B Sole Parents, 24-40	18,640	£12,258	5,778	£613	5,406	373	373	£13,138,124	1,089	£2,194	£110	£176,806
Segment B Sole Parents, 40-60	14,146	£17,221	4,385	£861	4,102	283	283	£14,007,475	1,929	£2,743	£137	£391,552
Segment C - 40-59, as before	24,926	£27,073	7,727	£1,354	7,229	499	499	£38,802,242	4,367	£3,780	£189	£1,221,537
Segment C - 40-59 as before.	20,323	£24,287	6,300	£1,214	5,894	406	406	£28,381,120	3,316	£3,068	£153	£752,838
Segment D - 60 & over, living on own	7,719	£16,662	2,393	£833	2,239	154	154	£7,395,304	607	£4,139	£207	£185,916

Alternative Attribution 20% for all segments

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Table 3: Evaluated gains

Segment	Total Gain	Alternative Attribution	Gain Due to intervention
Segment A - 18-24, no sole or joint client status, no dependants	£4,377,224	(£875,445)	£3,501,779
Segment B Sole Parents, 18-24	£1,880,768	(£376,153)	£1,504,615
Segment B Sole Parents, 24-40	£13,314,930	(£2,662,986)	£10,651,944
Segment B Sole Parents, 40-60	£14,399,028	(£2,879,806)	£11,519,222
Segment C - 40-59, joint clients without dependants. The clients	£40,023,779	(£8,004,756)	£32,019,023
Segment C - 40-59 Joint clients, with dependants. The clients	£29,133,958	(£5,826,791)	£23,307,167
Segment D - 60 & over, living on own	£7,581,219	(£1,516,244)	£6,064,975

Model 3 – Assumptions made for creditor recovery:

- A key area of work for StepChange Debt Charity is to help restore client and creditor relations and help clients to reorganise their finances in order to be able to repay creditors where they can in a sustainable way. Where clients' situations are too difficult to set up payment plans at that point but a change in circumstances is realistic within the next 6 months, a token payment plan (TPP) is often set up giving the client time to manoeuvre and attend to their situation. A recent pilot study showed that around a third of clients then move from this onto a regular payment plan with creditors. For this purposes of this model we have not evaluated the financial returns to creditors for those on TPPs, for the gain is really is one of moving these clients, when they are able, onto other financial plans.

Secured loans

Due to the nature of this form of lending it is anticipated that there would be a different set of recovery rates in the absence of StepChange Debt Charity – with secured lending able to achieve higher recovery rates than non-secured lending. As with mortgage arrears the charity estimates that they probably uplift the rate of recovery than would otherwise be experienced without their support, however as is there is no published data on recovery rates from secured loans to compare this too we have not modelled this area. As a result the overall gains cited here for creditor recovery would be higher.

Unsecured loans

- ***Number of clients in this category:*** this is derived from StepChange Debt Charity's client number records, for this segment.

- ***Average unsecured debt per client:*** based on StepChange Debt Charity's management information for this segment.

- ***Number of clients with unsecured debt on a managed debt solution:*** This includes those on debt management plans (DMP), individual voluntary arrangements (IVA) and token payment plans (TPP). Some clients with a DMP start out on TPP and then, often within 6 months, migrate onto a DMP, for the purposes of this model we have included those that migrate from TPP to DMPs within the DMP clients. (Some clients don't need a particular financial product but already have the financial means to pay but instead need help reorganising their finances and payment priorities to ensure that they are able to make regular payments – these clients are around 2% of those with unsecured debt – here we have called this group TRHP – Those Requiring Help Prioritising)

- ***Cost of pursing debtor:*** Taken from a Friends Provident Foundation[A] report based on cost of pursuing debt by water companies – 5% of debt owed (excludes write offs). More research or open data is needed to help develop this model in the future, as the group's opinion is that costs vary markedly by client type, debt journey and creditor.

- ***DMP expected recovery post StepChange Debt Charity intervention:*** data from Arrow Global, a leading debt purchaser, which compares the rates of recovery with and without debt advice, found that the rate of recovery without StepChange Debt Charity was 23% and with the charity 33%, a gain of 10% - the highest rate of recovery of all fair share and non-fair share debt advice providers.

- ***IVA expected recovery post StepChange Debt Charity intervention:*** data from StepChange Debt Charity's completed cases show a return rate of 26% (this is also increasing as current open cases show a return of 32%). In the absence of the charity the recovery rate for this group is estimated to be 18% - a gain of 8%.

- ***THRP expected recovery post StepChange Debt Charity intervention:*** Most of this group will go on to repay their debts in full – some of them may return however and go on to other types of plans for this model this has been estimated at 20% of this group giving 80% for those who will go on to pay their debts in full. In the absence of StepChange Debt Charity it is estimated that only 23% of clients would reorganise their finances in order to be able to pay creditors.

Mortgage arrears

- ***Number of clients in this category:*** this is derived from StepChange Debt Charity's client number records of the numbers of clients in each segment with mortgage arrears.

- ***Average mortgage arrears per client:*** based on StepChange Debt Charity's management information for this segment.

- ***Cost of pursing debtor:*** Taken from a Friends Provident Foundation[B] report based on cost of pursuing debt by water companies – 5% of debt owed (excludes write offs). More research or open data is needed to help develop this model in the future, as the group's opinion is that costs vary markedly by client type, debt journey and creditor.

- ***Mortgage arrears expected recovery post StepChange Debt Charity intervention:*** Information from the mortgage lenders that the charity works with indicates a high recovery rate for mortgage arrears due to the secured nature of the lending – somewhere in the order of 90%. It is estimated that StepChange Debt Charity's involvement would bring an uplift of 1.5% in recovery rates.

- ***Deadweight:*** Deadweight has been set at zero in this model as deadweight is already built into the calculations by looking at rates of recovery with and without StepChange Debt Charity.

- ***Alternative attribution*:** Feedback from the action research group highlights that cultural and family influences would also play a role in the desire to repay debt, however due to the expertise of the advisors and the relationships they hold with creditors we have set alternative attribution to a lower rate in this model, at 20%.

[A] Wells, J. et al. 'The impact of independent debt advice services on the UK credit industry', Friends Provident Foundation, 2010
[B] Wells, J. et al. 'The impact of independent debt advice services on the UK credit industry', Friends Provident Foundation, 2010

Model 4 Increased desperation crime

Table 1: Base model

Increased risk of crime	Assumption	Calculation
Number of clients	A	
Expected crime rate among this group	B	
Crime rate among wider population	5%	
Number of clients at increased risk of crime		C
Expected improvement due to StepChange Debt Charity intervention	50%	D
Average cost per crime	£40	
Assumed number of incidents per annum for one year	12	
Cost per affected client per annum		£480

Table 2: Segment variables

Segment	Number of Clients (A)	Assumption (B)	Calculation (C)	Calculation (D)	Deadweight	Alternative Attribution
Segment A - 18-24, no sole or joint client status, no dependants	16,848	6%	168	84	40%	25%
Segment B Sole Parents, 18-24	5,334	6%	53	27	40%	30%
Segment B Sole Parents, 24-40	18,911	6%	189	95	40%	30%
Segment B Sole Parents, 40-59	14,428	6%	144	72	40%	30%
Segment D - 60 & over, living on own	7,916	3%	79	40	40%	40%

Table 3: Evaluated gains

Segment	Total Gain	Deadweight	Alternative Attribution	Gain due to intervention
Segment A - 18-24, no sole or joint client status, no dependants	£40,435	(£16,174)	(£10,109)	£14,152
Segment B Sole Parents, 18-24	£12,802	(£5,122)	(£3,840)	£3,840
Segment B Sole Parents, 24-40	£45,386	(£18,154)	(£13,616)	£13,616
Segment B Sole Parents, 40-59	£34,627	(£13,851)	(£10,388)	£10,388
Segment D - 60 & over, living on own	£18,998	(£7,599)	(£7,599)	£3,800

Model 4 – Assumptions made for increased desperation crime

- This model considers that a tiny minority of StepChange Debt Charity's clients may have no other option but to steal to eat or clothe themselves and their families at times of desperation. Desperation crime is not an area researched by StepChange Debt Charity, however the action research group felt that if problem debt escalated a small proportion of those, with poor social support networks, may well have no other recourse but to shoplift to get by as a form of crisis management, in order to take care of basic needs within the household, such as food, or other grocery goods. Offending may take the form of shop lifting for food by those in food poverty. It was felt that this may be likely in the last year of the debt cycle, perhaps taking place once a month connected to difficulties in reaching the next payday for salary or benefits. StepChange Debt Charity's own research shows that those who are struggling frequently experience payday difficulties and making money last till the end of the month. The model includes a conservative 1% uplift of offending as compared to the wider population.

- Research into the phenomenon of desperation crime is scarce but there are indications of its existence. Regional police forces have reported a rise in cases of people stealing to eat and are referring people for food bank support (Stealing to Eat, Guardian Article, www.theguardian.com/society/2013/jan/25/stealing-to-eat-cases-rise).

- While overall crime has dropped, shoplifting and fraud have increased. Some of this is due to the rise of professional criminal gangs but there is also a rise in customer theft. http://www.theguardian.com/business/2013/jan/21/cost-retail-crime-rises and http://www.theguardian.com/uk-news/2014/apr/25/shoplifting-increase-overall-crime-figures-fall-england-wales. In the latter article the police and Crime Commissioner for the West Midlands suggested that the increase in shoplifting was in part due to benefits cuts and job losses and parents having no other option but to steal food and nappies in order to feed and clothe their families.

- 2013 ONS data also reports that shoplifting was recorded at 313,693 a 4% increase on the previous year http://www.ons.gov.uk/ons/dcp171778_349849.pdf

- Shoplifting is under-reported, a report by the British Retail Consortium showed that in 2012 only 12% of incidents were reported to the police. Their survey showed 612,819 incidents during 2011-12, with 83% being retail crime (by number of incidents) with 56% of customer theft going undetected. When extrapolating this data to the whole industry they suggest 2 million incidents per annum. According to their report the average value of shoplifting by customer is £109.19.

- ***Number of clients in this category:*** this is derived from StepChange Debt Charity's client number records, for this segment.

- ***Shoplifting rate amongst the wider population:*** 3-6% The number of reported incidents per year in 2013 was 313,693, a 4% increase on the year before. The shoplifting rate amongst the wider population is 5% (Office for National Statistics). The model sets the crime rate lower for those over 60 as offending is lower amongst this age group.

- ***Estimated shoplifting rate amongst this group:*** 1% This is an prudent estimate in the absence of research on the client base.

- ***Expected improvements due to StepChange Debt Charity's intervention:*** One of the charity's core aims is to put clients back in the position of being able to prioritise and meet their daily needs such as food and basic household bills. It was felt that almost all clients in the position of desperation crime would be able to stop any crisis behaviours. In general this is an under-researched area and more research needs to be undertaken to understand the dynamics between problem debt and stealing to eat that have been described by local police forces. Here we have set the rate of improvement at 50% to take into account other factors that may be involved in desperation crime.

- ***Average cost of crime:*** Taken from the BRC report for the average value of shoplifting at £109.00. We have discounted this in order to take out higher value theft committed at retail outlets such as department stores and set this at £40 – this does not include the cost of police time so this represents less than the actual costs incurred.

- ***Assumed number of incidents and duration:*** A pattern of shoplifting once a month in the final year of crisis of debt problems was felt more likely than stealing to eat over the whole duration of the problem-debt cycle. For this reason this model is based on a pattern of running out of money in the run-up to payday, or benefits payment dates, and stealing to get by, in the last year of the debt cycle when debt problems are at their peak for the client.

- ***Discount rate:*** using government figures to recognise the impact of inflation on the future value of money, i.e. the present value of money in five years. This is a recognised rate used by The Treasury

- ***Annuity factor:*** the application of the discount factor to the five year duration of debt cycle.

- ***Deadweight:*** kept at a high percentage on a prudent basis.

- ***Alternative attribution*:** other factors such as family support and support from food banks would also play a role in reducing crime.

Model 5: Risk of debt recycling

Table 1: Base model

Risk of debt recycling	Assumption	Calculation
Number of clients	A	
PV of employment gain from one debt cycle		B
PV of mental health gain from one debt cycle		C
PV of crime gain from one debt cycle		D
Impact on creditor recovery		E
PV of housing gain		F
Increased risk of child being taken into care		G
Successful interventions		47%
Total PV of gain from one debt cycle for state		I
Total PV of gain from one debt cycle for creditors		J
Risk that debt is recycled a second time without intervention	K	
Duration of second debt cycle	5	
Discount rate	3.50%	
Discount factor		0.84

Table 2: Segment variables

Segment	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(I)	(J)	(K)	Alt Att
Segment A - 18-24, no sole or joint client status, no dependants	16,848	£8,228,102	£859,384	£14,152	£3,501,779	-	-	£4,277,770	£1,645,836	10%	25%
Segment A - Parents of above clients	1,112	-	£56,719	-	-	-	-	$56,819	-	3.3%	-
Segment B - Single Parents, 18-24	5,334	£1,458,428	£255,961	£3,840	£1,504,615	£4,155,824	-	£2,760,805	£707,169	10%	30%
Segment B - Parents of 18-24 clients	352	-	£15,392	-	-	-	-	£15,392	-	3.3%	-
Segment B - Single Parents, 24-40	18,911	£5,170,664	£907,476	£13,616	£10,651,944	£16,034,603	£1,681,386	£11,189,640	£5,006,414	10%	30%
Segment B - Parents of 24-40 clients	624	-	£27,285	-	-	-	-	£27,285	-	3.3%	-
Segment B - Single Parents, 40-59	14,428	£3,944,918	£666,709	£10,388	£11,519,222	£10,646,819	-	£7,176,352	£5,414,034	10%	30%
Segment B - Parents of 40-59 clients	238	-	£10,408	-	-	-	-	£10,408	-	3.3%	-
Segment C - 40-59, joint clients without dependants.	25,273	£11,019,567	£1,104,966	-	£32,019,023	-	-	£5,698,530	£15,048,941	10%	40%

The clients											
Segment C - 40-59 Joint clients, with dependants. The clients	20,687	£9,019,973	£904,460	-	£23,307,167	£11,897,612	-	£10,256,361	£10,954,368	10%	40%
Segment D - 60 & over, living on own	7,916	£1,297,477	£83,902	£3,800	£6,064,975	£3,876,110	-	£2,581,368	£2,850,538	10%	40%
Segment D - Family member of client	261	-	£2,769	-	-	-	-	£10,391	-	3.3%	-

Table 3: Evaluated gains

Segment	Total Gain	Alternative Attribution	Gain due to charity
Segment A - 18-24, no sole or joint client status, no dependants	£494,785	(£123,696)	£371,089
Segment A - Parents of above clients	£1,576	-	£1,576
Segment B - Sole Parents, 18-24	£311,201	(£93,360)	£217,841
Segment B - Parents of 18-24 clients	£428	-	£428
Segment B - Sole Parents, 24-40	£1,431,760	(£429,528)	£1,002,232
Segment B - Parents of 24-40 clients	£758	-	£758
Segment B - Sole Parents, 40-59	£1,112,030	(£333,609)	£778,421
Segment B - Parents of 40-59 clients	£289	-	£289
Segment C - 40-59, joint clients without dependants	£1,741,782	(£696,713)	£1,045,069
Segment C - 40-59 Joint clients, with dependants	£1,781,712	(£712,685)	£1,069,027
Segment D - 60 & over, living on own	£457,180	(£182,872)	£274,308
Segment D - Family member of client	£289	-	£289

Model 5 – Assumptions made for debt recycling

- The action research group's view is that unless behavioural change is achieved, or clients are given support to manage within constrained circumstances, they are more likely to enter debt for a second time. YouGov research[A] suggests that non-advice seekers when compared to advice seekers are more likely to get into unmanageable debt again (19% compared to 9%), additionally non-advice seekers have higher levels of debt than advice seekers. Overall the group felt that there was a higher likelihood than the YouGov research demonstrates that clients will get into debt without intervention. More research is needed in this area to understand long term behaviours and outcomes; in the meantime for prudence we have used the YouGov figures. This has been set at a 10% likelihood of repeat debt for clients and less than 5% likelihood for parents or family members who have got into debt as a result of helping out family members at 3.3%.

- ***Number of clients in this category:*** this is derived from StepChange Debt Charity's client number records, for this segment.

[A] YouGov report for the Money Advice Service, 'The Effectiveness of debt advice in the UK', May 2012

- ***Gains B-H:*** these are the gains from the most of the models in the first cycle of debt that result from StepChange Debt Charity's intervention – these include, employment and productivity, mental wellbeing, desperation crime, creditor recovery, housing, risk of children being taken into care and poor physical health. PV is present value and is the value of these gains in today's money.

- ***Successful interventions*****:** The Department of Health's report 'Mental Health promotion and mental illness prevention[A], models a scenario of debt advice targeted at a population for those at risk of developing unmanageable debt and concludes that over a two year period advice would bring gains in the areas of health, social care and legal provision. It cites two other reports[BC] for success of debt advice and uses a success rate of 47%. These reports were conducted in 2004 and 2007 and provision of telephone and online advice have developed since then, further studies into the impact of debt advice on those already in or at risk of debt and risk of poor mental health would be welcomed. In the meantime this model uses a success rate of 47% and applies the debt recycling risk to a proportion of these clients.

- ***Total PV of gain from one debt cycle:*** is the sum of the areas described above in 'Gains B-H'.

- ***Risk that debt is recycled*****:** 10% as set out in the introduction to the assumptions for this model.

- ***Duration of a debt cycle:*** As described in the introduction to this appendix the debt cycle has been estimated as an average of 5 years – with the recognition that many clients seek help halfway through the debt cycle. In this scenario as a result of continuing debt or entering a second cycle of debt the wider costs of debt would then be experienced again in 5 years.

- ***Discount rate:*** using government figures to recognise the impact of inflation on the future value of money, i.e. the present value of money in five years. This is a recognised rate used by The Treasury.

- ***Discount factor:*** applying the discount rate to the period of year 5 to year 10. This is a recognised factor used by The Treasury.

[A] Knapp, K. et al. 'Mental health promotion and mental illness prevention: The economic case', Personal Social Services Research Unit, LSE. April 2011
[B] Pleasence P, Buck A et al. 'Causes of Action: Civil Law and Social Justice. London: Legal Services Commission, 2004 and Williams K, Sansom
[C] 'Twelve Months Later: Does Advice Help? The Impact of Debt Advice: Advice Agency Client Study.' London: Ministry of Justice. 2007

Model 6: Risk of children taken into care

Table 1: Base model

Increased risk of child being taken into care	Assumption	Calculation
Number of clients	**A**	
Number of children per client	1.98	
Proportion at risk of being taken into care	0.44%	
Increased risk due to family circumstances	2.0	
Proportion of children at risk of being taken into care not placed into care due to StepChange Debt Charity’s involvement	25%	
Cost per annum of LA foster care	£36,088	
Total cost per annum		**B**
Duration spent in care	2 years	
Discount rate	3.50%	
Annuity factor		1.90

Table 2: Segment variables

Segment	Number of Clients (A)	Deadweight	Alternative Attribution
Segment B - Sole Parents, 18-24	5,334	40%	30%
Segment B - Sole Parents, 24-40	18,911	40%	30%

Table 3: Evaluated gain

Segment	Total Gain	Deadweight	Alternative Attribution	Gain due to intervention
Segment B - Sole Parents, 18-24	£1,580,829	(£632,331)	(£474,249)	£474,249
Segment B - Sole Parents, 24-40	£5,604,621	(£2,241,849)	(£1,681,386)	£1,681,386

Model 6 – Assumptions made for risk of children taken into care

- ***Number of clients in this category:*** this is derived from StepChange Debt Charity's client number records, for this segment.

- ***Number of children per client:*** this average is taken from the Office for National Statistics 2011a.

- ***Proportion at risk of being taken into care:*** this is based on the number of children in care as a percentage of the under 18 UK population.

- ***Increased risk due to family circumstances:*** this group based assumption represents a doubling in the risk as a result of current family circumstances. The link here is between childhood poverty, and debt as a contributory factor of poverty and poor family relationships. This is a complex area and difficult to clearly separate cause and effect. Research[A] however does show a correlation between family income, poverty/deprivation and children being removed from their family's care and by contrast that good family relationships buffer children from the negative effects of poverty.

- A minority of sole parents are in these complex and vulnerable circumstances. The majority of sole parents were not considered to be at risk, but those who face circumstances, including poverty and a history of domestic violence may face a return to an abusive relationship due to the need for financial security. During the research process this scenario was one of the real case studies brought to the research workshops. The group considered that this would be a problem in particular for those with children under the age of 11 based on the numbers of sole parents in this group unable to work due to caring responsibilities.

- Further supporting a link between financial hardship and poor family outcomes, Cafcass, which safeguard children involved in family court proceedings are expecting to see a 4-8% rise in cases of child neglect due to the economic climate and welfare reforms (Action for Children report, within a case study, a 'growing cycle of deprivation and extreme poverty against a background of abuse and neglect'[B]).

- ***Proportion of children at risk of being taken into care that are not taken into care as a result of StepChange Debt Charity's intervention:*** this is a prudent group based assumption that of the children at risk 1 in 4 would avoid being taken into care due to clients being able to respond to problem debt, and consequently other issues linked to problem debt.

- ***Cost per annum of foster care:*** this is the cost taken from the unit costs of Health and Social Care 2011, compiled by Lesley Curtis. The duration of care is set at two years as an average, with the view that some parents will be able to get back on their feet more quickly than other parents who may have more difficult circumstances to overcome with children spending a longer period of time in foster care. Some children may receive an adoption care plan but it is thought that the role of problem debt is much smaller here.

- ***Discount rate:*** using government figures to recognise the impact of inflation on the future value of money, i.e. the present value of money in five years. This is a recognised rate used by The Treasury

- ***Annuity factor:*** the application of the discount factor to the five year duration of debt cycle.

[A] Griggs, J. Walker, R., 'The costs of child poverty for individuals and society: A literature review', Joseph Rowntree Foundation, October 2008
[B] Sarah Cassidy 'Benefits cuts 'will see more children taken into care'', The Independent, 7th January, 2013

- ***Deadweight:*** the deadweight attribution is a high percentage, recognising that for those children at risk, not all would have required StepChange Debt Charity's intervention to avoid being taken into care.

- ***Alternative attribution:*** Feedback from the action research group highlights that for this category the support of friends and family is also an important factor in keeping families together.

Model 7: Reduced risk of losing home or needing housing support

Table 1: Base model

Cost of full housing duty	Assumption	Calculation
Number of Private Renters in arrears	A	
Number of Social Renters in arrears	B	
Number of Mortgage Holders in arrears	C	
Those able to maintain accommodation		
Private	16%	
Social	8%	
Mortgage	16%	
Those who leave by choice/without triggering formal procedures		
Private Renters, Unit cost = £2,044	30%	D
Social Renters, Unit cost = £2,044	10%	E
Mortgage Holders, Unit cost = £2,044	28%	F
Those receiving homeless prevention support and retain home as a result		
Private Renters, Unit cost = £826	10%	G
Social Renters, Unit cost = £826	24%	H
Mortgage Holders, Unit cost = £826	8%	I
Those forced to leave following a formal repossession process		
Private Renters, Unit cost = £3,672	44%	J
Social Renters, Unit cost = £5,806	58%	K
Mortgage Holders	48%	L
Sum of the above leaving accommodation		M
Can find and afford new accommodation without support	32%	
Received no/insufficient support despite needs	17%	
Rely on support and accommodation from friends and family, Unit cost = £1,000	38%	N
Those receiving homeless prevention support and assisted to find new accommodation, Unit cost = £826	8%	O
Accepted as 'statutory homeless' and owed 'the main homeless duty', Unit cost = £2,112	5%	P
Sum of above who can't access new accommodation without support		Q
Become street homeless, Unit cost = £24,000	1%	R

Table 2: Segment variables

Segment	A	B	C	D	E	F	G	H	I	J	K	L	M
Segment B - Sole Parents, 18-24	2,025	1,878	91	608	188	25	203	451	7	891	1,089	44	2,845
Segment B - Sole Parents, 24-40	7,549	6,651	3,129	2,265	665	876	755	1,596	250	3,322	3,858	1,502	12,487
Segment B - Sole Parents, 40-59	3,726	4,319	5,520	1,118	432	1,546	373	1,037	442	1,639	2,505	2,650	9,889
Segment C - 40-59 Joint clients, with dependants.	3,424	3,824	11,557	1,027	382	3,236	342	918	925	1,507	2,218	5,547	13,917
Segment D - 60 & over, living on own	1,556	2,980	1,927	467	298	540	156	715	154	685	1,728	925	4,642

Segment	N	O	P	Q	R	Deadweight	Alternative Attribution
Segment B - Sole Parents, 18-24	1,081	228	142	1,934	19	40%	30%
Segment B - Sole Parents, 24-40	4,745	999	624	8,491	85	40%	30%
Segment B - Sole Parents, 40-59	3,758	791	494	6,725	67	40%	30%
Segment C - 40-59 Joint clients, with dependants.	5,289	1,113	696	9,464	95	30%	40%
Segment D - 60 & over, living on own	1,764	371	232	3,157	32	40%	40%

Table 3: Evaluated gains

Segment	Total Gain	Deadweight	Alternative Attribution	Total Gain
Segment B - Sole Parents, 18-24	£13,852,746	(£5,541,098)	(£4,155,824)	£4,155,824
Segment B - Sole Parents, 24-40	£53,448,677	(£21,379,471)	(£16,034,603)	£16,034,603
Segment B - Sole Parents, 40-59	£35,489,396	(£14,195,758)	(£10,646,819)	£10,646,819
Segment C - 40-59 Joint client, with dependants	£39,658,706	(£11,897,612)	(£15,863,482)	£11,897,612
Segment D - 60 & over, living on own	£19,380,548	(£7,752,219)	(£7,752,219)	£3,876,110

Model 7 – Assumptions made for costs of housing debt

- This model considers those who, without the support of StepChange Debt Charity, are likely to lose their home as a result of housing arrears. This model was initially developed in the action research workshops then further developed with the assistance of internal and external housing experts. A likely life-course of those in arrears was developed based on available data around evictions for rented (private and social housing) and mortgaged properties, numbers helped by homelessness prevention schemes as well as those who move rented accommodation in order to move to more affordable accommodation.

- This lifecourse was then followed to build a picture of how clients who do lose their current accommodation would resolve their situations. This covers a range of scenarios; some will be in a position to find and afford new accommodation, those who find new accommodation but rely upon friends and families for financial and in-kind support, those who receive help from the Homelessness Prevention Scheme to find a new home, those who are accepted as ‘statutory homeless’ and finally those who fall through the gaps and don’t receive any form of support despite having unmet needs. A small percentage of those who need support for their new situations are likely to go on to become street homeless – particularly those who often don’t qualify for statutory support.

- There was a lack of available data to provide a segment by segment view, so the model here applies to all segments, though there are distinctions by housing tenure. The assumptions in the model were established by compiling a global picture of the number of households in severe arrears on their housing costs from a number of industry data sources.[ABC]

- To understand how debts affect these households' housing outcomes, and apply them to our clients, we look at wider research and statistics, first to understand the route that people experienced after falling into arrears, and then the support they received, and what outcome that led to.

Number of clients in arrears:

- ***Number of private renters in arrears:*** this is derived from StepChange Debt Charity's client number records.
- ***Number of social renters in arrears:*** this is derived from StepChange Debt Charity's client number records. Social is made up of those in social housing and local authority provided housing.
- ***Number of mortgage holders in arrears:*** this is derived from StepChange Debt Charity's client number records.

Routes from arrears

Formal process by which people are forced to leave their home:

- This is derived from the numbers of mortgagors and private and social tenants who were issued a possession claim. We assume that arrears are the principle reason for eviction in the vast majority of cases where people are forced to leave their home, although use a lower assumption in the private rented sector where there are a wider range of grounds for a landlord to seek possession. We assume 36% of all households at risk of losing their due to housing debt were forced to leave through a formal possession process.

Number of those who are forced to leave their accommodation following a formal repossession process:

- ***Number of those in private rented accommodation who are forced to leave following a formal repossession process:*** 44%. Of StepChange Debt Charity clients; 22% of clients in arrears have been issued with formal eviction notices. Without intervention early enough in the debt-arrears cycle, it is considered likely that the number of receiving eviction notices would increase to 44%.
- ***Costs of formal repossession for private rented accommodation:*** £4894. These are built up as follows: Court fees for eviction procedures £280,[D] possession claims fees are £250 (CLG, 2014)[E], re-letting costs: £1524[F] , Arrears £2840 (four months average rent – two months for it to build up, two months of eviction).
- ***Number of those in socially rented accommodation who are forced to leave following a formal repossession process:*** 58%. Nationally, a higher proportion of social renting households are issued a formal possession notice. For StepChange Debt Charity clients this represents 23% of those in arrears. Without intervention it is considered that a high proportion of these clients would have no other option but to face eviction.
- ***Costs of formal repossession for socially rented accommodation:*** £5,806 which includes arrears and re-letting costs.[G]

[A] http://www.expressandstar.com/business/uk-money/2014/01/14/rent-arrears-figures-revealed/
[B] Council of Mortgage Lenders, mortgage arrears statistics
[C] http://www.bakertilly.co.uk/media/news/Social-housing-providers-brace-themselves-for-rent-arrears-rate-rise.aspx
[D] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/300100/cm8845-court-fees-proposals-for-reform.pdf?inf_contact_key=a433eb923598fcedf658380f9970a22c3bdc34f2dbaf21948cfd91796e3c0e3d
[E] Ibid.
[F] £850 letting agent fees (10% of annual rent of £8500 – Jones Lang La Salle for Shelter, English Housing Survey), Re-decorating post tenancy: £200 (Jones Lang LaSalle for Shelter 2012), Void (3 weeks of £164 = £492): – https://england.shelter.org.uk/__data/assets/pdf_file/0004/569641/Jones_Lang_LaSalle_PRS_Shelter_report.pdf
[G] http://england.shelter.org.uk/__data/assets/pdf_file/0003/415596/Immediate_costs_to_government_of_losing_a_home.pdf - it's the sum of Eviction

- ***Number of <u>mortgage holders</u> who are forced to leave following a formal repossession process:*** 48%.Nationally 52,000 mortgaged households out of 7 million in England (33% of all households) go through the formal repossession process (and 38% of StepChange Debt Charity clients in arrears). The action research group felt that left unsupported the number of those going through the formal possession process would be greater still and have uplifted this figure by 10% .

- ***Costs of formal repossession for mortgage holders:*** No costs modelled here as they are re-covered by the lender, however they do represent a loss of equity in total for customers and so the overall gains are likely to be higher.

Informal process by which people leave their home:

- There are a number of reasons people leave their home without triggering formal possession processes. Government statistics show there are many more private tenancies ended by a landlord than ended through formal eviction processes. Many of these will be as a result of rent arrears.[A] A significant number also move home to find cheaper accommodation. Overall, we assume that 46% of households move without triggering a formal possession process.
- ***Number of <u>private renters</u> who leave their accommodation informally:*** We estimate that 30% of private tenants with rent arrears leave their accommodation without enduring a formal eviction process. This is based on the weaker rights that private renters have, meaning there is less imperative for eviction notices to be challenged in the courts and count as a formal possession.
- ***Number of <u>social renters</u> who leave their accommodation informally:*** 10%. Social tenants may be less likely to leave accommodation informally in order to resolve their situation due to the limited number of solutions open to them that could alleviate their housing costs, and their relatively stronger rights to stay in their home.
- ***Number of <u>mortgage holders</u> who leave their accommodation informally:*** 28%. Mortgage holders, particularly those with equity are more likely to have other options to them to move to more affordable accommodation.
- ***Costs of leaving accommodation informally:*** £2,044. This is made up of average costs for letting agent fees (£350),[B] one month's rent in advance (£710),[C] and six week's deposit (£984) in securing new accommodation.

Staying in home:

- We assumed that the remaining 18% of households in severe arrears would resolve their arrears problems – either with support from homelessness prevention services (we assume 7% of the original sample), through negotiation with their lender or landlord, or through their circumstances improving.

Number of those who resolve problems and maintain accommodation:

- ***Number of <u>private renters</u> who resolve problems and maintain accommodation:*** 16% based on data cited in the introduction to this model and the make-up of clients in this sample
- ***Number of <u>social renters</u> who resolve problems and maintain accommodation:*** 8% based on data cited in the introduction to this model and the make-up of clients in this sample
- ***Number of <u>mortgage holders</u> who resolve problems and maintain accommodation:*** 16% on based data cited in the introduction to this model and the make-up of clients in this sample
- ***Number of those who in <u>private rented</u> accommodation who receive help from the Homelessness Prevention Scheme and retain their home as a result:*** 10%. it was considered less likely that they would qualify for support from this scheme. However those with more needs may

[A] DCLG, English Housing Survey 2012-13
[B] Shelter's report:
http://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/policy_library_folder/report_letting_agencies_the_price_you_pay
[C] Based on English Housing Survey 2012/13 average private rent.

be more likely to qualify for help: in StepChange Debt Charity's data sample, 60% of private renters are sole parents, and 17% are two parent families, and more likely to receive help than other groups.

- ***Number of those who in <u>socially rented</u> accommodation who receive help from the Homelessness Prevention Scheme and retain their home as a result:*** 24%. As there are reduced options open to social renters, it was considered more likely that this group would seek and qualify for help from the scheme.
- ***Number of <u>mortgage holders</u> who receive help from the Homelessness Prevention Scheme and retain their home as a result:*** 8%. Despite homeowners typically having more options open to them, of StepChange Debt Charity clients with mortgage arrears, 27% are sole parents and 39% are two parent families. It is felt that these groups in particular are more likely to receive assistance from the scheme than other groups.
- ***Costs of Homelessness Prevention Scheme:*** £826 – this includes the overheads of the scheme.[A]

Support accessed:

- We assume 82% of the original sample had to move home as a result of rent arrears.

- **Homelessness statutory support** – We estimate that 5% of householders who needed to move as a result of rent arrears may access statutory homelessness support, based on the numbers in Government homelessness statistics citing rent or mortgage arrears as the main issue and assuming that a significant proportion of those citing the end of a private rented tenancy as the main reason for homelessness also had rent arrears.
- ***Costs of being accepted as 'statutory homeless' and in receipt of the 'main homeless duty' :*** £2,112. The cost of statutory homelessness is calculated as the cost of making a decision on a homelessness application (£558 including overheads), the cost of the work attributable to concluding duty (£339 including overheads) and the cost of temporary accommodation – calculated as the average difference between the cost of providing temporary accommodation and the amount covered by LHA.[B]

- **Homelessness prevention services** – We assume that 8% of all households in rent arrears that needed to move accessed homelessness prevention services to find new accommodation. While fewer national statistics are available for why people access homelessness prevention services, statistics suggest that three times people access prevention services than qualify for statutory support. Official statistics show that 47% were assisted to secure new accommodation as a result of support.[C]
- ***Costs of Homelessness Prevention Scheme:*** £826 as before.

- ***Number of those who are able to find new accommodation but reply upon support from friends and family*** – We assume that 38% needing to find new accommodation receive financial help or accommodation from friends and family. This may take a number of forms. Research from the Social Market Foundation shows that 55% in low income households received financial support from their parents.66% of borrowed <£2000, 18% borrowed >£5000.[D]
- ***Amount of support provided by friends and families:*** £1000 – taken as an average from the Family Fortunes report referenced above.

[A] http://england.shelter.org.uk/__data/assets/pdf_file/0008/297224/VFM_in_housing_options_and_homelessness_services_full_report_Oct_2010.pdf
[B] http://england.shelter.org.uk/__data/assets/pdf_file/0008/297224/VFM_in_housing_options_and_homelessness_services_full_report_Oct_2010.pdf
[C] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/336048/Homelessness_prevention_and_Relief_England_201314_updated.pdf
[D] Family Fortunes: The Bank of Mum and Dad in Low Income Families, Ryan Shorthouse 2013

- ***Number of those who are able to find and afford new accommodation:*** 32%. Those with equity in homes or sufficient mobility will be able to recover their situation and find less costly accommodation. Largely those who hold mortgages with equity, or private renters with higher incomes.

- ***Number of those don't receive any or sufficient support despite unmet needs:*** 17%. State support is oriented to groups such as one and two parent families, and the vulnerable such as the elderly or disabled. As a result it's anticipated that some of those who are forced to leave their accommodation will continue to struggle

- ***Number of those who become street homeless:*** 1%. A small percentage of the base would receive inadequate support and would become at risk of being street homeless. This is often the single homeless as they tend to fall between the gaps in service provision.
- ***Costs of being street homeless***: £24,000, include temporary accommodation, outreach services, health services and policing.[A]

- ***Discount rate:*** using government figures to recognise the impact of inflation on the future value of money.

- ***Annuity factor:*** the application of the discount factor to the five year duration of the debt cycle.

- ***Deadweight:*** some individuals at risk of eviction may manage to resolve the situation themselves.

- ***Alternative attribution:*** agreed by the group as the support individuals receive from other sources to avoid homelessness – from other charitable organisations or family and friends.

[A] http://england.shelter.org.uk/__data/assets/pdf_file/0003/415596/Immediate_costs_to_government_of_losing_a_home.pdf - it's the sum of Eviction

Model 8: Relationship breakdown

Table 1: Base model

Cost of relationship breakdown	Assumption	Calculation
Number of clients	A	
Expected divorce rate	1%	
Divorce rate among this group	11%	
Therefore additional risk of divorce among this group		10%
StepChange Debt Charity's success rate	25%	
Average cost per relationship breakdown	£13,234	
Deadweight	30%	
Alternative attribution	40%	

Table 2: Segment variables

Segment	Number of Clients (A)	Deadweight	Alternative Attribution
Segment C - 40-59, joint clients without dependents. The clients	25,273	30%	40%
Segment C - 40-59 Joint clients, with dependents. The clients	20,687	30%	40%

Table 3: Evaluated gains

Segment	Total Gain	Deadweight	Alternative Attribution	Total Gain
Segment C - 40-59, joint clients without dependants	£8,361,572	(£2,508,471)	(£3,344,629)	£2,508,472
Segment C - 40-59 Joint client, with dependants	£6,844,294	(£2,053,288)	(£2,737,718)	£2,053,288

Model 8 – Assumptions made for relationship breakdown

- This model looks at the impact of problem debt on relationships between married or co-habiting couples.
- ***Number of clients in this category:*** this is derived from StepChange Debt Charity's client number records, for this segment.
- ***Expected divorce rate:*** the model uses divorce rates as a proxy for separation. The national average divorce rate is 1%, Office for National Statistics, 2011b. Population estimates by marital status.

- ***Divorce rate for this group:*** research shows that debt contributes to relationship breakdown[A], and StepChange Debt Charity's own figures show that 37% of clients had said that problem debt had led to relationships breaking down or worsening. The model is based on an assumed divorce rate among the couples without support for problem debt of 11%. This is prudent and the actual figure may be much higher.

- ***Success rate:*** the assumed amount of divorces and separations prevented by StepChange Debt Charity's successful intervention, this is a conservative figure as StepChange Debt Charity's own polls show that 47% said that debt advice led to family relationships improving.

- ***Average cost of relationship breakdown:*** figures taken from Aviva research on the average cost of relationship breakdown[B]. These costs were taken from Aviva's 2006 study which calculated the costs per person to be £14,164. We have discounted this to £13,234 for the couple to reflect that those in debt may not incur the same degree of costs – in treats, setting up a new home, and costs of a second car. Newly published research for Aviva in 2014 (after the evaluated period) suggests these costs have risen to £44,000 – though these do include many costs which those in debt are unlikely to find affordable, such as treats, gadgets, hobbies and therapy.

Cost	**Average amount per person**	**Proportion who spent**	**National cost**
Legal fees	£1,818	51%	£283.142m
Maintenance payments	£3,456	22%	£232.187m
Setting up a new home	£5,146	41%	£644.309m
Child care costs	£196	12%	£7.183m
Buying a second car	£3,221	14%	£137.708m
Treats: ie holidays, shopping spree etc	£2,335.68	18%	£713.270m
First year's mortgage or rent	£6,000	28%	£513.038m
Personal savings	£16,660	48%	£2.442bn
Total			£4325.317m (£4.3bn)

- ***Deadweight:*** representing that some relationship breakdowns will resolve themselves without intervention.

- ***Alternative attribution:*** the action research group agreed that families are likely to receive support from other sources to prevent relationship breakdown.

[A] Olson, G. Olson, D. 'National Survey of Marital Strengths', April 2003
[B] Norwich Union, 'Cost of Divorce calculator' 2003

Model 9: Employment of employees by small business

Table 1: Base model

Employment of employees by clients with small businesses	Assumption	Calculation
Number of clients	**A**	
Proportion assumed to run a business with one employee, which would have ceased trading	2%	
Annual welfare benefits saved	**B**	
Annual productivity gain	£20,000	
Therefore total gain achieved per annum		**C**
Timespan to find alternative employment	1	
Discount rate	3.5%	
Annuity factor		0.97

Table 2: Segment variables

Segment	Number of Clients A	Welfare B	Calc C	Deadweight	Alternative Attribution
Segment C - 40-59, joint clients without dependants	25,273	£8,668	£28,668	33%	25%
Segment C - 40-59 Joint client, with dependants	20,687	£7,466	£27,466	33%	25%

Table 3: Evaluated Gains

Segment	Total Gain	Deadweight	Alternative Attribution	Total Gain
Segment C - 40-59, joint clients without dependants	£14,000,451	(£4,620,149)	(£3,500,113)	£5,880,189
Segment C - 40-59 Joint clients, with dependants	£10,979,564	(£3,623,256)	(£2,744,891)	£4,611,417

Model 9 – Assumptions made for employment of employees

- ***Number of clients in this category:*** this is derived from StepChange Debt Charity's client number records, for this segment.

- ***Proportion assumed to run a business with at least one employee that would have ceased trading without intervention:*** this is a prudent assumption agreed by the research group based on their knowledge of the client base.

- ***Annual welfare benefits saved:*** assumption based on JSA and housing benefits.

- ***Annual productivity gain:*** based on the GVA figures released by ONS.

- ***Timespan to find alternative employment:*** prudent assumption based on ONS long term unemployment rates.

- ***Discount rate:*** using government figures to recognise the impact of inflation on the future value of money.

- ***Annuity factor:*** the application of the discount factor to the five year duration of the debt cycle.

- ***Deadweight:*** representing that some businesses will resolve issues without intervention.

- ***Alternative attribution:*** agreed by the group as the percentage of support that individuals receive from other sources to avoid the breakdown of a business.

Model 10: Early entry into care home

Table 1: Evaluated gains for Segment D

Cost of entering care home	Assumption	Calculation	Evaluated gain (£)
Number of clients in this segment	7,916		
Assumed risk	10%		
Therefore number of clients at risk of early entrance to care home		792	
Average annual cost of LA care home	£27,508		
Number of years early utilisation of care home	**2**		
Discount Rate	3.5%		
Annuity Factor	1.90		
Total avoided cost			£41,366,475
Deadweight	40%		(£16,546,950)
Alternative attribution	40%		(£16,546,950)
Gain due to StepChange Debt Charity			£8,273,295

Model 10 – Assumptions made for early entry into care home

- ***Number of clients in this category:*** this is derived from StepChange Debt Charity's client number records, for this segment.

- ***Risk of admission to care home due to effects of debt:*** this is an assumption made by the research group based on the experience of the clients. This model is based on a deterioration in health – including mental wellbeing, physical health due to stress and poor self-care, such as nutrition, and the lack of finances to support independent living, which can include essential maintenance of the home and garden and affordability of utility bills. This assumption is based on those clients with assets or income of less than £23,250, in particular those in poverty or on the brink of poverty. 16% of pensioners live in poverty, with a further 1.2m on the brink of poverty (Age UK).

- An Age UK report, Living on a low income[A], shows how the over 65s take drastic action to preserve money and pay debts, reducing heating and energy use, and going without fresh healthy foods. The case studies used for the StepChange Debt Charity evaluation and those in the Age UK report, show how pre-existing health conditions worsen due to the effects of debt stress. Over 40% of those over 65 have a longstanding illness (see Model 12). Older people on the bottom fifth of income distribution have twice the chance of having a long-standing illness or disability. Financial hardship and an ability to remain independent is particularly difficult for those with poor health, poor mobility, living in rural areas and old poorly-maintained housing with no or limited transport. Those in poor health in rural areas need to spend increased amounts, such as taxis to hospital appointments, help at home, home-aids, personal and house care, and have higher needs for heat and water.

[A] Hill, K. et al. 'Living on a low income later in life', Age UK, 2011

An Oxfordshire County Council research report[A], found that an inability to manage incontinence was a significant and potentially preventable factor for early admission to a care home (45%), often (61%) after a lengthy hospital admission. Other factors included dementia, depression and social isolation. The study did not look at finance as a contributory factor, however an inability to buy self-care products would reduce the ability to self-manage conditions which contribute to early entry into a care home. Oxfordshire CC are undertaking a follow-up study into 'The characteristics of independence'. More joined up work is needed in this area to understand the impact of debt and finances on maintaining independence for the vulnerable elderly.

The problem of maintaining independence in the vulnerable elderly is more challenging as financial support exists but is often not taken up, or offered; one third of pensioners who are eligible do not claim Pension Credit (DWP 2010) and receive the support they could. Intermediate care services that could prevent an escalation in care such as hospitalisation or entry into a care home are not always there; a Kings Fund study[B] reported that 1 in 8 pensioners were not assessed who could have benefited from social care.

Based on this research, and the experience of the action research group, 10% is felt to be a prudent figure for early entry into a care home until further research is conducted in this area.

- ***Number of years by which admission is delayed:*** this is an assumption made by the action research group. StepChange Debt Charity build budgets with clients to preserve essentials such as food and essential living costs, additionally the benefits advisory team play an important role in helping pensioners to claim benefits to which they are entitled. Enabling the over 65s facing hardship and illness to self-manage their broader care and independence could prevent an escalation of health problems and an inability to self-manage, enabling the vulnerable in this group to remain independent for a further two years. As above, further research in this area wold be useful to refine this assumption.

- ***Average annual cost of care homes:*** based on the research of average cost of care homes.

- ***Deadweight:*** representing that some individuals will avoid care home admission without intervention.

- ***Alternative attribution:*** agreed by the group as the support that individuals receive from other sources to avoid care homes admission, such as social care, family, or other charities.

[A] Taylor, R. et al. 'Oxfordshire County Council's research into preventing care home admissions and subsequent service redesign', Journal of the Social Services Research Group, Research, Policy and Planning (2010) 28(2), 91-102
[B] Humphries, R. et al. 'Securing good care for older people', Kings Fund, 2006

Model 11: Disengagement of children

Table 1: Evaluated gains for Segment C – joint clients with dependants

Employment penalty due to disengagement	Assumption	Calculation	Evaluated gain (£)
Number of clients in this category	20,687		
Proportion of children at risk of disengagement	5%		
Annual productivity gain	£20,000		
Adjustment factor for penalty due to lack of engagement	75%		
Therefore productivity losses due to disengagement		£5,000	
Period of disengagement	1		
Discount rate	3.5%		
Annuity factor		0.97	
Total gain achieved			£4,996,860
Deadweight	33%		(£1,648,964)
Alternative attribution	25%		(£1,249,215)
Gain due to StepChange Debt Charity			£2,098,681

Model 11 - Assumptions made for disengagement of children

- ***Number of clients in category:*** This is derived from the StepChange Debt Charity's client numbers.

- ***Proportion of total children at risk of being NEET:*** 5%. This is likely to be an under-estimate of the actual amount at risk of disengagement. According to one study[A] poor mental health in childhood – or the presence of factors that adversely affect mental health in childhood, such as poverty and debt – can have significant and long-term impacts on the child, increasing adolescents' risk for; depression, substance abuse, early sexual activity, and criminal activity.

- One such factor, worklessness of parents compounds the problem and its effect. Worklessness can both be a cause and result of problem debt. A longitudinal study[B] found that when adolescents aged 13-18 are exposed to temporary parental worklessness of between one and three years, they are more likely to be NEET when aged 15-18. The study found that 18% are likely to be NEET for 12 months or more when there is worklessness of just one year, compared to an average of 6% for the general population. This rises to a 28% chance of being NEET when parental worklessness is up to two years long.

- Joint research between StepChange Debt Charity and The Children's Society[C] found that families trapped in problem debt are more than twice as likely to argue about money problems leading to stress on family relationships and causing emotional stress to children. Around 6 in 10 of the children

[A] Daschiff, C. et al. 'Poverty and adolescent mental health, Journal of child and adolescent Psychiatric Nursing, 22, 23-22.
[B] Department of Education, 'Intergenerational Transmission of Worklessness: Evidence from the Millenium Cohort and the longitudinal study of young people in England', Institute of Education and National Centre for Social Research, September 2012
[C] Royston, S., Surtees, J., 'The Debt Trap: Exposing the impact of problem debt on children.', May 2014, StepChange Debt Charity and The Children's Society

surveyed said that they often worried about whether their family had enough money. The survey comparing children from households who are in arrears to children whose households are not in arrears found that;

- 51% v 26% were embarrassed as they lack things that their peers have
- 19% v 9% experienced bullying as a result
- 24% v 14% were unhappy at school
- 73% v 37% children's parents found it hard to pay for social activities

- ***Assumed annual production lost:*** this annual figure is taken from research from the Princess Royal Trust for Carers SROI, Clifford, A.J., et al., Baker Tilly, 2012.

- ***Penalty factor due to lack of engagement:*** group assumption on the wage penalty suffered as a result of youth disengagement.

- ***Duration (age 15-18):***1 year impact of being NEET has been based on being NEET for 1 year between the ages of 15-18 based on the longitudinal study cited above. This is a conservative application of duration as it's likely that the impact of being NEET compounds and lasts beyond the age of 18.

- ***Deadweight:*** kept at a high percentage on a prudent basis.

- ***Alternative attribution:*** feedback from the action research group highlights that for this category, there would be other bodies, such as social services, which play a significant role in helping the client whilst suffering chronic debt and prevent disengagement of teens from education.

Model 12: Deterioration of physical health

Table 1: Base model

Physical Health	Assumption	Calculation
Number of clients	A	
% with long standing illness	40%	
Affected individuals		B
Extra GP visits required	2	
Cost of GP visit	£ 96	
Impact		C
Premature deterioration	2 years	
Discount rate	3.50%	
Annuity factor		1.90

Table 2: Segment variables

Segment	Number of Clients (A)	B	C	Deadweight	Alternative Attribution
Segment D - 60 & Over, living on own	7,916	3,166	£607,949	40%	40%
Segment D - 60 & Over, living on own, Family member	261	104	£20,062	40%	40%

Table 3: Evaluated gains

Sector	Total Gain	Deadweight	Alternative Attribution	Total Gain
Segment D - 60 & Over, living on own	£1,154,917	(£461,967)	(£461,967)	£230,983
Segment D - 60 & Over, living on own, family member	£38,112	(£15,245)	(£15,245)	£7,622

Model 12 – Assumptions made for deterioration in physical health

- This model considers the impact of problem debt on physical health through the impact of stress on physical wellbeing, as well as the inability to take care of physical needs due to a lack of money for good food, healthy activities and other forms of healthcare. The model is based on the older segment D, however research described in Section 4 demonstrates that illness and disease start to increase significantly during the forties age range, and so the total impact of debt stress on health is likely to be higher than is counted here.
- The YouGov report cited earlier (The effectiveness of debt advice in the U.K) found that 'When debt was unmanageable' 49% of advice seekers and 42% of non-advice seekers 'suffered from frequent health problems'. When debt became manageable those strongly agreeing reduced by 14% and 8% respectively.

- ***Number of clients in category:*** This is derived from the StepChange Debt Charity's client numbers.

- ***Percentage with long standing illness:*** This considers that those who are already physically vulnerable are more likely to experience a deterioration in their condition due to problem debt. An estimated 4 million older people in the UK – 40% have a longstanding illness such as cardiovascular conditions, cancer, diabetes, and kidney problems (General Lifestyle Survey, 2010, ONS). These conditions can be exacerbated by chronic stress.

- An Associated Press-AOL health poll[A] conducted in the States and analysed by Paul J. Lavrakas, a research psychologist, showed some of the impact which debt has on health. Lavrakas et al, developed a Debt Stress Index at Ohio University to track the impact of debt on health. Self-reporting of high debt stress in the poll was associated with negative health conditions: 27% of those surveyed had ulcers or digestive-tract problems, compared to 8% of those with low level debt stress.

- A survey by StepChange Debt Charity of their clients found that almost 50% of those questioned said the debt had had a very negative impact on their health with reports of; hair loss, palpitations, nervous breakdown, and cessation of menstruation.

- ***Extra GP visits required:*** GP visits have been used as a financial proxy for increased health service use, as a result of deterioration in health. The assumption has been set at a modest 2 additional appointments per annum. The additional appointments may be due to a deterioration in a pre-existing condition such as blood sugar management for diabetes, breathlessness and heart health, or the development of additional conditions such as ulcers, and cessation of menstruation.

- ***Cost of GP visit:*** taken from the NHS unit costs.

- ***Deadweight:*** kept at a high percentage on a prudent basis to represent individuals who do not seek help.

- ***Alternative attribution:*** feedback from the action research group highlights that for this category, there would be other parties who help to monitor and prevent health issues.

[A] AP-AOL Poll, April 2008, http://surveys.ap.org

D. Sensitivity analysis

Various assumptions have been made in the course of preparing this analysis and the detailed tables of calculations in Appendix C. Some relate to estimates made by the action research group in coming to the views of outcomes, and some relate to the interpretation of information arising from other research work and statistical analysis referenced in this work.

In order to assess the extent to which these assumptions are material, potentially key assumptions have been identified. Each has been subject to variation within what appears to be a reasonable range, and the effect on the total valued outcomes under the study has been recast.

For this evaluation certain key assumptions may be subjected to material change without materially altering the conclusion of this study that the social impact of StepChange Debt Charity's work with the selected segments exceeds the cost of funding them.

E. Discounted cash flow methodology

Our analysis takes into account, where necessary, the premise that the value of money changes over time. The value of future cash flows is subject to the risk that those cash flows will not in fact occur for any number of reasons.

For the purposes of this report, assumptions provided by StepChange Debt Charity have been taken to be reflective of any risks associated with the likelihood of benefits actually flowing to the stakeholder concerned. This leaves the risk that the value of the benefit will fluctuate due to economic factors that are beyond the control of the charity or stakeholders. This can be measured using a long term average rate of inflation. Where necessary a discount rate of 3.5% has been used, which equates to the average rate of inflation in the UK measured over the past twenty years, per the Bank of England. It is also consistent with the discount rate typically used by the UK Government for project appraisal (for projects lasting for between 0 and 30 years)[A]

For benefits only during the year in which they are funded no discounting is used as both the funding and the benefit are released during the year and the timings are therefore already matched.

Where a benefit occurs in a future year, the value of the benefit is multiplied by a discount factor to allow comparison with the cost of funding. The discount factor is calculated using the formula below:

$$DF = \left(\frac{1}{1+r}\right)^t$$

Where:

- 'DF' is the discount factor by which a future benefit is multiplied to restate it in current terms;
- 'r' is the discount rate used; and
- 't' is the time, stated in years, between the date at which value is measured and the date at which the benefit is achieved.

To measure benefits that occur at a fixed value over a period of time, StepChange Debt Charity were asked to assume that any future benefits occur in the form of a constant annuity over a fixed period. The expected annual cash flow is then multiplied by an annuity factor to give the value in present day terms of the benefit. The annuity factor is calculated using a modified discount formula, as shown below:

$$AF = \left(\frac{1}{r}\right) \times \left[1 - \left(\frac{1}{1+r}\right)^t\right]$$

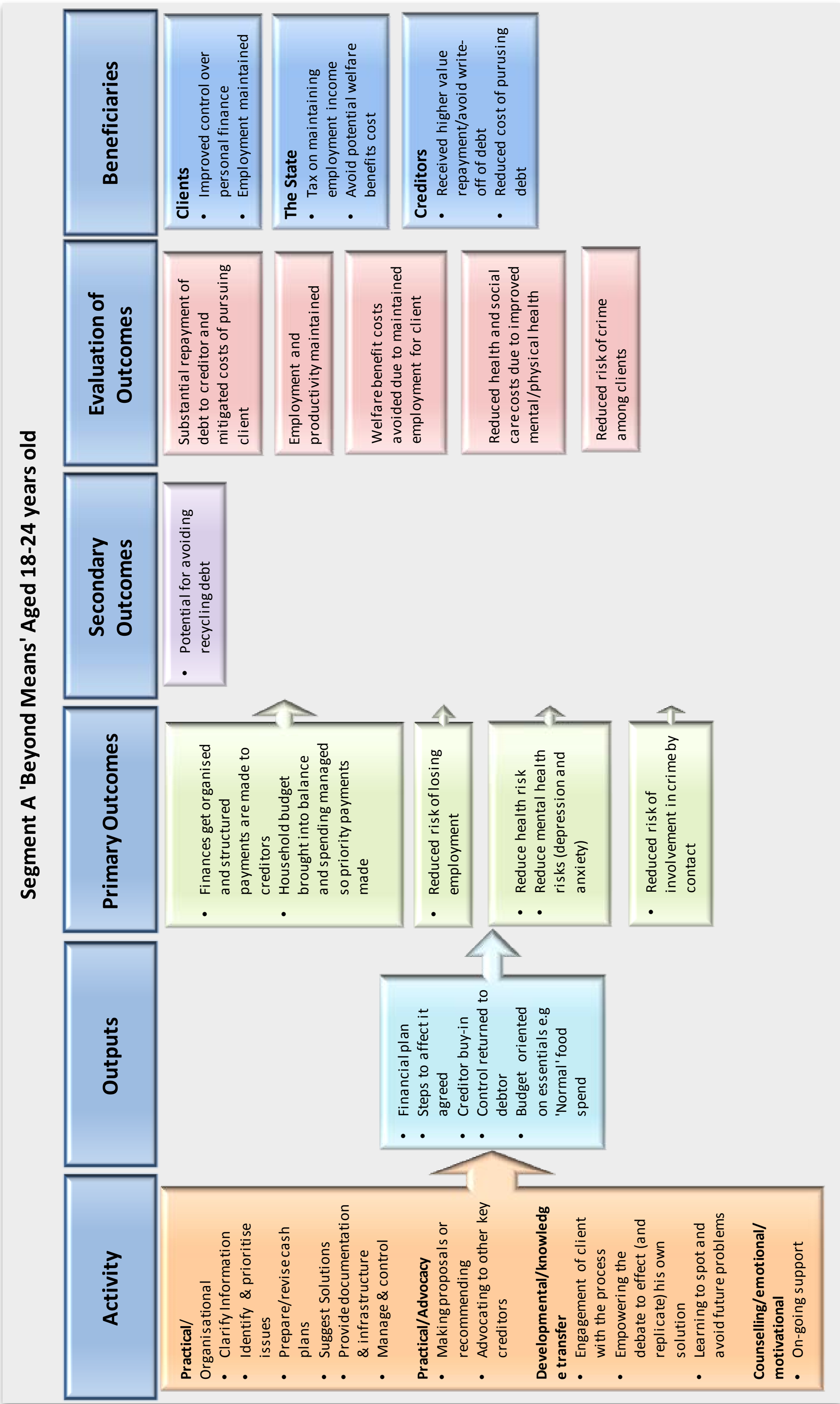
Where:

- 'AF' is the factor by which a constant annuity is multiplied in order to obtain the present value of that annuity over a given period of time;
- 'r' is the discount rate used; and
- 't' is the number of years the annuity is expected to occur over.

Where an annuity is to be deferred for a number of years (e.g. a project is being developed now but the savings will not be realised for several years), an annuity factor is used to calculate the present value of the incremental benefits in the future which is then multiplied by a discount factor to restate it in present day terms.

[A] Lowe, J., 2008, Intergenerational wealth transfers and social discounting: Supplementary Green Book guidance, London, HM Treasury

F. Outcomes maps



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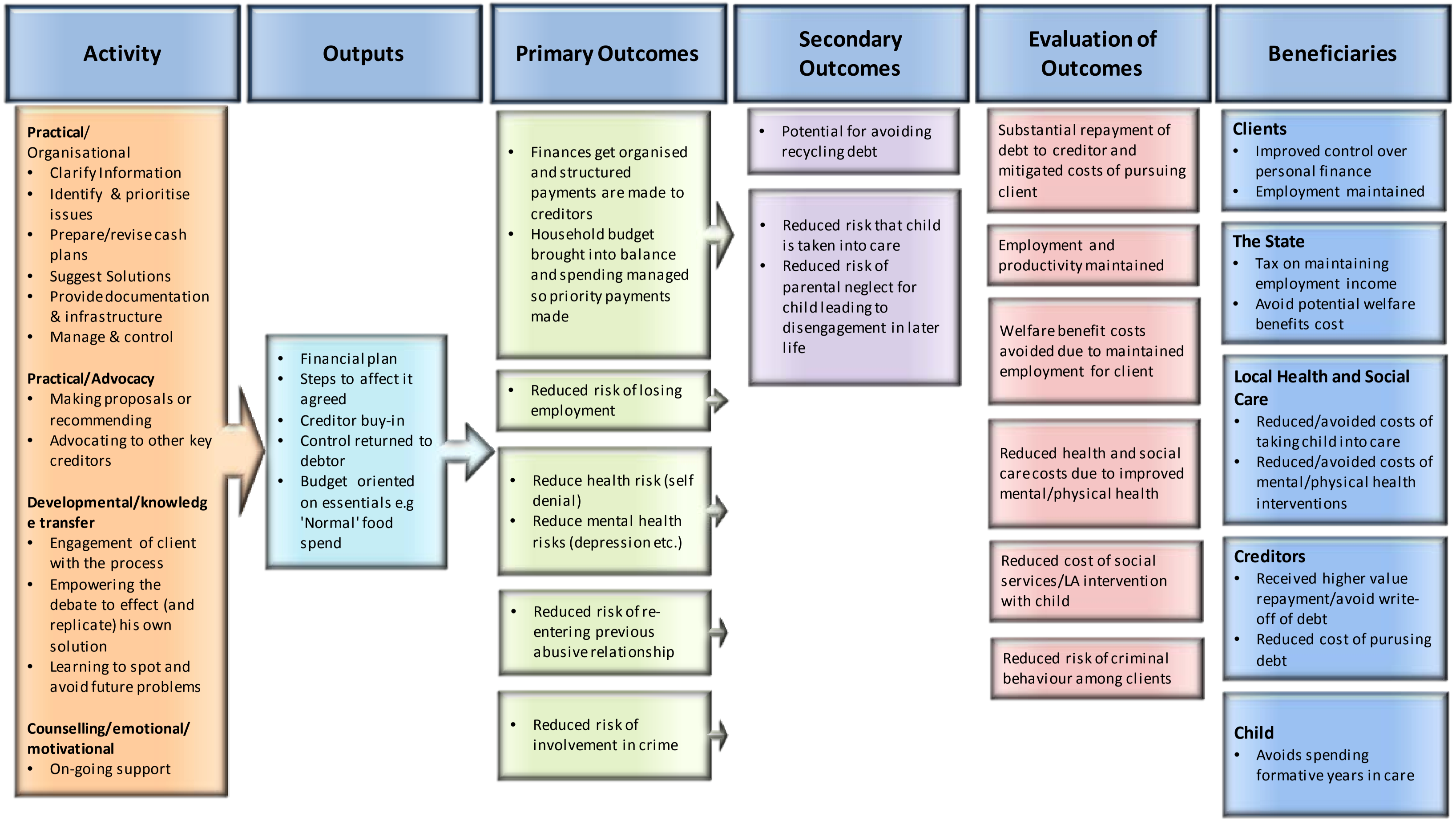
Segment B 'Going Under' Sole Parents Aged 18-60 years old



Segment C 'Juggling Life' Couples with Children, Aged 40-59 years old

Activity

Practical/ Organisational
- Clarify Information
- Identify & prioritise issues
- Prepare/revise cash plans
- Suggest Solutions
- Provide documentation & infrastructure
- Manage & control

Practical/Advocacy
- Making proposals or recommending
- Advocating to other key creditors
- Time spent with comlex and lengthy cases

Developmental/knowledge transfer
- Engagement of client with the process
- Empowering the debate to effect (and replicate) his own solution
- Learning to spot and avoid future problems

Counselling/emotional/ motivational
- On-going support

Outputs

- Financial plan (revised and realistic offer to creditors)
- Steps to affect it agreed
- Creditor buy-in
- Control returned to debtor
- Budget oriented on essentials

Primary Outcomes

- Finances get organised and structured payments are made to creditors
- Household budget brought into balance and spending managed so priority payments made

- Avoid repossession of family home

- Reduce health risk (self denial)
- Reduce mental health risks (depression etc.)

- Reduced need for wife to work excessive additional hours (compounding mental health risks)

- Increase level of input by wife into family life

- Reduced risk of relationship breakdown

Secondary Outcomes

- Potential for avoiding recycling debt

- Reduced long-term cost of housing by LA (assuming house reposessed)

- Reduced risk of mental health problems by husband's mother

- Increased potential to reengage child with education

- Reduced risk of interruption in care for husband's mother

Likely financial proxy

Substantial repayment of debt to creditor and mitigated costs of pursuing client

Reduced long-term cost of LA housing

Reduced health and social care costs due to improved mental/physical health

Reduced risk of child becoming NEET at age 20-24

Reduced risk of long-term care for husbands mother

Reduced risk of relationship breakdown

Beneficiaries

Clients
- Improved control over personal finance
- Home ownership maintained

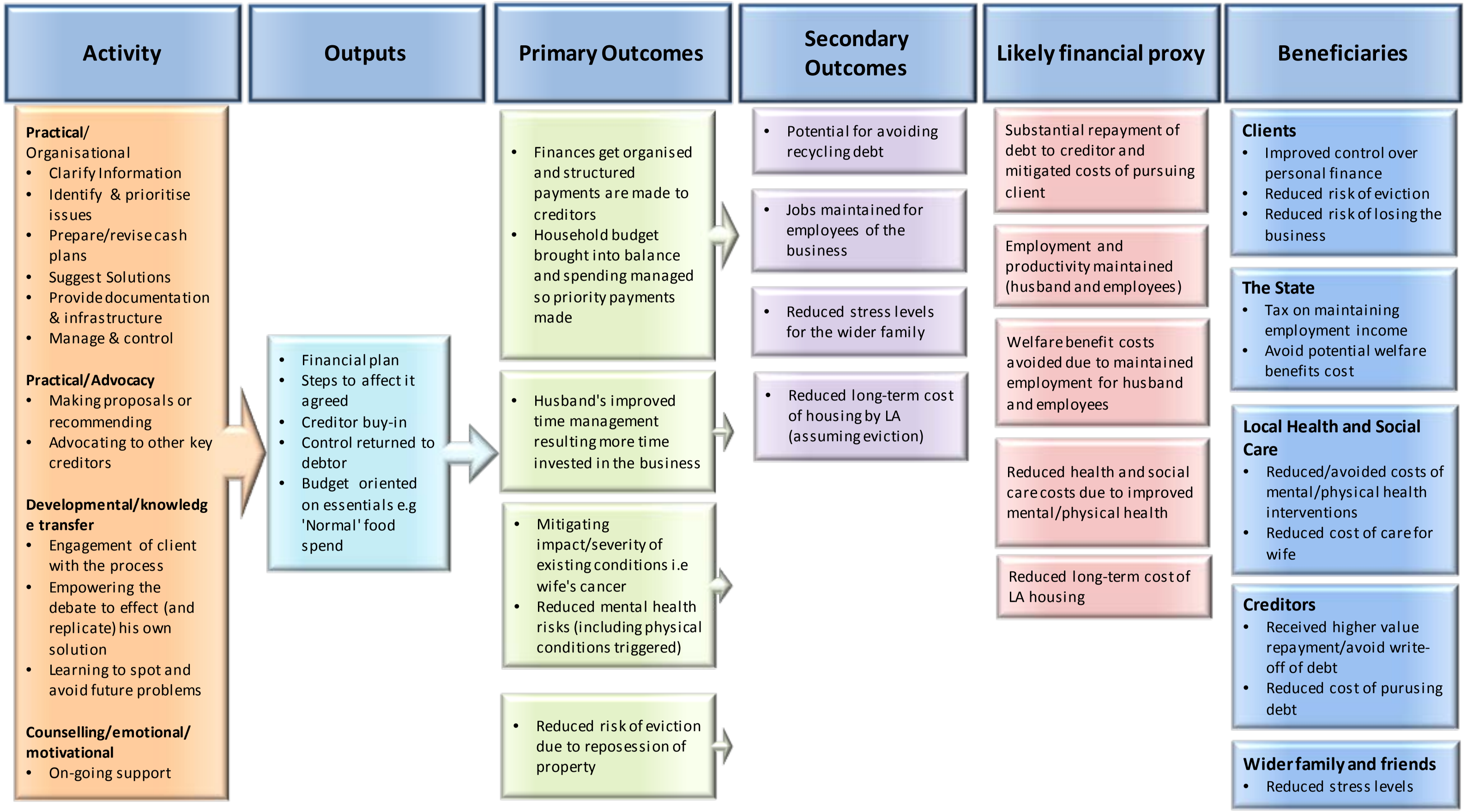
The State
- Tax on maintaining employment income
- Avoid potential welfare benefits cost

Local Health and Social Care
- Reduced/avoided costs of mental/physical health interventions
- Reduced cost of social care (husband's mother)

Creditors
- Received higher value repayment/avoid write-off of debt
- Reduced cost of pursuing debt

Child
- Potential for reengagement with education at age 16-19

Segment C 'Juggling Life' Couples without Children, Aged 40-59 years old



Segment D 'Limited Means', Aged 60 and over

Activity

Practical/
Organisational
- Clarify Information
- Identify & prioritise issues
- Prepare/revise cash plans
- Suggest Solutions
- Provide documentation & infrastructure
- Manage & control

Practical/Advocacy
- Making proposals or recommending
- Advocating to other key creditors

Developmental/knowledge transfer
- Engagement of debtor with the process
- Empowering the debate to effect (and replicate) his own solution
- Learning to spot and avoid future problems

Counselling/emotional/ motivational
- On-going support

Outputs

- Financial plan
- Steps to affect it agreed
- Creditor buy-in
- Control returned to debtor
- Budget oriented on essentials e.g 'Normal' food spend

Primary Outcomes

- Finances get organised and structured payments are made to creditors
- Household budget brought into balance and spending managed so priority payments made
- Including maintaining existing levels of care or support and appropriate budgeting for food

- Ability to maintain employment, volunteering and position in community

- Reduce health risk (self denial)
- Reduce mental health risks (depression etc.)

Secondary Outcomes

- Potential for avoiding recycling debt
- Reduced risk of mental health problems by client's sister
- Reduced long-term cost of housing by LA (assuming house repossessed)
- Reduced risk of physical deterioration due to inability to afford care/support
- Reduced long-term cost of social care/early entry into care home

Likely financial proxy

Repayment of debt to creditor and mitigated costs of pursuing client

Employment or volunteering and community engagement productivity maintained

Welfare benefit costs avoided due to maintained employment for some clients

Reduced health and social care costs due to improved mental/physical health

Reduced long-term cost of LA housing

Beneficiaries

Clients
- Improved control over personal finance
- Employment maintained

The State
- Tax on maintaining employment income
- Avoid potential welfare benefits cost

Local Health and Social Care
- Reduced/avoided costs of mental/physical health interventions

Creditors
- Received higher value repayment/avoid write-off of debt
- Reduced cost of purusing debt

Sister
- Relationship between sisters restored and problem debt from family member bailing out

G. Action research group

StepChange Debt Charity

Paula Searle - Project Lead

Sandra Amphlett-Pauls – Leeds Debt Advice Centre Manager

Ashe Russell – Debt Advisor, 7 years with the charity in an advisory role.

Darren Bass – Debt Advisor, 7 years with the charity in an advisory role, including time in the advocacy team.

Jacqueline Burns– Debt Advisor, 7 years with the charity in an advisory role, 6 of those years spent advising in the mortgage partnership team.

Jennifer Cassidy– Debt Advisor, 8 years with the charity in an advisory role.

Matthew Scott Thompson– Debt Advisor, 6 years with the charity in an advisory role.

Tracey Potter– Debt Advisor, 12 years with the charity, 8 of those in an advisory role.

Baker Tilly

Jim Clifford – Director Social Impact Services

Keith Ward – Director Social Impact Services

StepChange Debt Charity staff experience

The client's first telephone contact with the charity is through its helpline. This call takes about 30 minutes, although the time will vary depending on how long the client needs, the complexity of their situation and their state of mind. Over 40% of clients that contact the charity have been struggling with mounting debts for over a year so the first step is to assess the problem and reassure the client. The advisor will establish the circumstances of the client's situation, including details of their income, fixed outgoings and details of their debts.

Clients are then transferred to a debt advisor, who's role it is to establish the best way forward for that individual to regain control of their finances. During this call the advisor will gain an insight to the client's situation both emotionally and financially. The approach taken is based on listening, understanding but never judging. For those who feel frightened and isolated, sharing a problem with someone who genuinely cares about their situation can start to lift a huge burden. Again the length of this call will depend on the individual situation but on average would last about 40 minutes. More complex cases would require additional time and may include referral to other specialist services within the charity such as the mortgage partnership team or the advocacy team where clients receive additional support for specialist needs. Advisors carry out about 7 appointments a day.

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