

Putting clients first

Annual Report and Accounts 2021



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Overview





Chair's statement



It almost feels clichéd to reflect now on the surprise and difficulty many people faced as, last year, we entered the second year of a global pandemic. The country had entered its third punitive lockdown that closed the economy in many areas to protect our health.

Since then we've emerged to whatever it is we all consider to be a new normal. Some sectors have bounced back rapidly, others face a longer-term challenge. Many in the middle ground, StepChange included, are embracing changed patterns of client need, different ways of working, and more flexible arrangements for colleagues as they seek to move forward.

What also became clear last year was that as the pandemic began to subside (in terms of restrictions, if not cases), we would start to face a new threat to livelihoods. Inflation – a challenge many believed had been confined to bygone decades – began to re-emerge as the price of everything from food to energy began to creep up.

Among our clients who already struggle to make ends meet, any increase in prices can be the difference between balancing the budget or falling further behind. Towards the end of 2021 we started to see that concern and worry materialise as more people got in touch for guidance about how to budget better or talk to a utility provider. And whilst, in 2021, that didn't result in full debt advice volumes returning to pre-pandemic levels, our advisors tell us every day that our clients' households are balancing on a financial precipice.

The year also presented us with some challenges. The widely anticipated surge in demand for debt advice as a result of the pandemic never materialised, thanks in no small part to the combined actions of government, regulators and creditors. We found ourselves needing to take some quite painful cost reduction measures to bring capacity in line with demand and to maintain a robust financial position. At the same time the Money and Pensions Service, one of our core funders, launched its process to replace their grant-based funding with a competitive procurement process, the outcome of which we still await. We are doubly grateful to our staff, our creditor funders and our other partners who have continued to support us throughout.

What this report also shows, as I am proud to say it does every year, is that there is a lot more to StepChange than its numbers. It is the individual real-life outcomes that really matter. We are proud that we make a real difference to so many people's lives, many of whom are struggling not just with financial concerns, but issues with their mental health, housing stability or just their ability to put food on the table.

And whilst we have an aspirational vision of creating a society free from problem debt, for the next few years at least we are going to have our hands full helping those people who still find themselves in difficulty.

John Griffith-Jones
Chair



CEO statement

Last year, for many of us, was a more challenging and trying year in some ways than the one that preceded it. As the pandemic dragged into its second year, the impact of distance from family and friends, and ongoing restrictions and health worries took its toll on people across the country.

And of course, as parts of the economy remained shuttered, the impact was felt on people's finances. At the end of 2021, our polling suggested that one in three people struggled to keep up with bills and credit commitments – double the pre-pandemic number.

While we have seen a significant increase in enquiries in the second quarter of 2022, these figures did not translate into a surge in demand for debt advice in 2021. Volumes of new clients helped by StepChange remained below the level that we saw before the pandemic. We know that for many, temporary measures, such as payment 'holidays' and forbearance has delayed the problem – kicking the financial can down the road. But for others, the respite given by lower expenditure and support measures may have helped them step back from a financial precipice.

However, one thing is for certain. Those who are coming to us for debt advice are increasingly presenting with more complex problems; multiple issues spanning not just their finances but also their housing, their ability to put food on the table and their mental health. In 2021, a record number of our clients disclosed an additional vulnerability of some sort, on top of their financial problems.

These different dynamics are also putting additional pressures on our advisers and our finances. In 2021 StepChange had to go through a difficult but sadly necessary reduction in colleague numbers as our funding suffered a drop due to the pandemic. Throughout this, our colleagues did not once waver in their commitment to supporting our clients and this Impact Report is a tribute to them. We are hoping for greater multi-year certainty of funding from 2023 through Money and Pensions Service commissioning.

This report is a chance to reflect with a great deal of pride on what we have achieved as an organisation. Three million clients reached in total, with some 336,947 clients guided and 157,905 clients going through full debt advice. That is no mean feat and shows our ongoing impact on a daily basis.

We've also continued to raise awareness of the issue of problem debt – with a blockbuster year of media coverage and reach. We made great progress in shaping the political response to the pandemic by advocating on behalf of our clients – particularly those reliant on Universal Credit and those in the rental sector.



And we forged some fantastic new collaborations with our partners – without whom none of this could be possible.

As we progress through 2022, we know the world will continue to change at a rapid pace. In March 2022 we launched our new organisational strategy – Stepping Up in a Changing World – which sets out how we will respond to a new landscape, whilst continuing to put our clients at the heart of everything we do. There's a lot to do and a lot to still be understood about what's changed as we emerge from the pandemic.

But as this Impact Report shows, with the level of commitment and dedication that we have among our colleagues and supporters, we're ready for the challenge.

Phil Andrew
Chief Executive Officer

Impact report



Our five-year strategy

Despite the continued pressures of the pandemic, we continued to make progress in 2021 against many of our goals and objectives in the final year of our Stepping Forward strategy.

We continued to:

Help people by...

- Investing in both our online and telephone services
- Offering a full range of recommendations and solutions to clients, based entirely on their needs
- Providing information and advice to support early intervention to prevent more people reaching problem debt
- Maximising efficiency and working with our partners to deliver value and impact

We're continuing to develop by:

- Working with partners to improve access to and delivery of services and create joint policy initiatives to reduce the harm of problem debt
- Refreshing our Leadership framework to define what we want our leaders to be before rolling out a new Leadership Programme in 2022
- Developing a new Equality, Diversity and Inclusion Strategy
- Supporting colleagues with a new wellbeing programme
- Continuously analysing and adapting our advice model so that we keep on mitigating the effects of Covid-19 and the increased cost of living on our clients throughout 2022

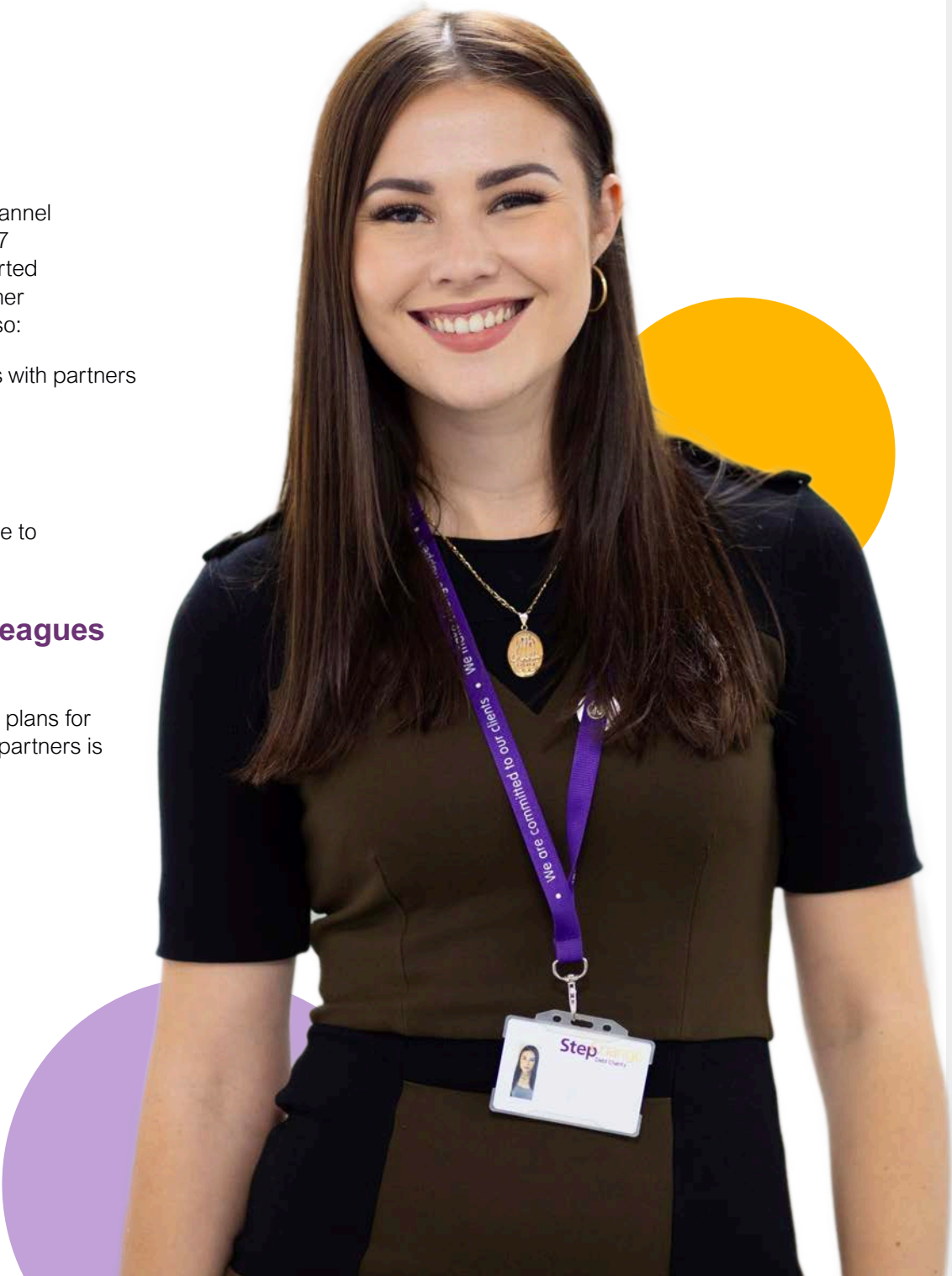
Respond to our clients' changing needs...

We've continued to optimise our multi-channel debt advice services, helping clients 24/7 through our online advice service supported when needed by our expert advisors either over the phone or by web chat. We've also:

- Established new collaborative services with partners
- Secured new funding streams across England, Scotland and Wales
- Campaigned to reduce the stigma of problem debt, so more people feel able to access support without fear or shame

Work together with our colleagues and partners...

Our colleagues are the foundation of our plans for the future and working together with our partners is central to everything we do.



Our purpose

As the UK's leading debt charity, we are contacted by hundreds of thousands of people a year online and by phone, across all nations and regions. Our purpose is to provide holistic support for all people experiencing problem debt.

We work in partnership with a broad network of organisations – from mental health charities to income support services to achieve that purpose. For those we can't help directly, we offer triage and information to ensure they receive the support they need.



Our vision

Our vision is to create a society free from problem debt.

Problem debt is not just an issue for individuals but goes much further - it damages families and communities.

By helping those in debt get back on their feet, and by campaigning for policies that aim to prevent problem debt, we can help to overcome the difficulties that debt creates for our society in the 21st century.



Our mission

We provide free debt advice and solutions for people at risk of or struggling with problem debt and we seek to influence public policy and private sector practice to prevent people falling into problem debt in the first place.

Key achievements

Launching our Client Activation Portal helped clients quickly apply for a debt solution and manage their plan online



We almost doubled the number of organisations using our digital referral and call back service, making it easier for partners to refer clients to debt advice



Our pilot with The Trussell Trust helped our advisors offer free food parcels for clients in need of emergency support



Becoming the first provider to offer multi-channel debt advice through StepChange Your Way, allowing clients to switch between online, phone and webchat



More than 80% of our colleagues gave our new flexible home working policy a positive rating



Winning five industry awards: three senior leaders recognised in the Credit 500 Index, a Financial Services Forum Innovation Award for our Covid Payment Plan as the 'Most Innovative New Product', a Smart Money People Consumer Credit Award for 'Best Financial Support Provider' and we were awarded the Credit Strategy TRI Awards 'Personal Debt Solution Provider of the Year'



We were among the first to provide access to statutory Breathing Space



Our Covid Debt Rescue campaign contributed to the government releasing £65m in funds to support those in problem debt



Our partnership with IncomeMax helped hundreds of clients to increase their income



We made good progress against our objectives in 2021, which was the final year of our five-year strategy *Stepping Forward*.

Objective 1: High quality debt advice and solutions meeting client need

Our first objective is to provide the highest quality debt advice and solutions for people struggling with problem debt and its associated challenges

Key achievements

1 StepChange Your Way: seamless, multi-channel debt advice

Last year we established ourselves as the only provider to offer a multi-channel debt advice service, from advice all the way through to solution set up. We give clients the opportunity to switch between online and phone advice whenever they need to and access debt advisor webchat. Our research shows that our clients value this flexibility, and we believe it's vital to help clients access advice at a time that suits them, through the channel of their choice. We're also the only provider to allow clients to access online debt advice anonymously, offering the confidentiality that many require.

I used the online tool to understand which debt solutions might be right for me and then called up to put everything in place. Going through debt advice was a huge relief.

Dean, StepChange client

2 Leading access to statutory Breathing Space

After years of campaigning, we gave clients access to statutory Breathing Space in May 2021, rapidly embedding it within our client journey and connecting up with the Insolvency Service portal ahead of the rest of the sector. We worked closely with the Insolvency Service and listened to and acted on creditor feedback, refreshing the client journey to both improve the data entered by clients, and make locating clients on creditor systems easier.

From 4 May, when Breathing Space launched, to 31 December 2021, we saw 27,543 clients apply to the scheme, representing between 7% and 9% of those seeking advice from us. Around 90% of those clients have gone on to complete full debt advice compared to around 25% of clients that did not apply. Breathing Space clients are also around two to three times more likely to go on to take up a debt solution than clients that did not access it. This suggests that these protections give people more encouragement to stay engaged with debt advice and get the debt solution they need.



79% of clients said they would recommend Breathing Space



80% highly rated the application process with StepChange

3 Enhancing our focus on vulnerable clients

In 2019 we saw 44% of our clients disclosing at least one additional vulnerability on top of their financial vulnerability, and this increased by more than 10% by June 2021 – making the vulnerability agenda even more critical.

In 2021 we enhanced our focus on vulnerability by delivering training modules for 100% of debt advisors focused on supporting clients at risk of harm. This included clients experiencing domestic abuse and those in contact with illegal money lenders.

Last year we also began refreshing our Vulnerability Strategy, working closely with creditors to understand their approach to vulnerability to ensure we can take a joined-up, holistic approach to supporting clients. Our new strategy will help us focus on building more partnerships with specialist organisations to ensure clients achieve the best outcomes from our service.

It's really common for people with neurodisabilities to find financial management difficult... even though some of us can look as if we are coping. I think StepChange saves lives. We all mess up. But they are there to help and they won't judge you.

Sarah, StepChange client

4 Our impact across Scotland, Wales and Northern Ireland.

In 2021 we helped more than 15,000 clients to access debt advice and solutions across Scotland and Wales. In addition, to enable us to support a growing client base, we won over £1 million to deliver the Scottish Government's multi-channel debt advice service, alongside £116k from the Welsh Government. We are deeply grateful for the support both the Scottish and Welsh Governments in helping us to deliver our mission, and we are strengthening our partnerships with organisations across Scotland and Wales to make sure we can support as many clients in the regions as possible.

StepChange provided full debt advice to 1,437 clients in Northern Ireland, which represents around 10 in 10,000 of the population in Northern Ireland. This is lower than other areas of the UK, which is due to the charity's lower presence as part of the wider debt advice provision in Northern Ireland.

Key facts and figures



3 million clients reached in total (-9%)*



Over 500,000 clients guided, advised or supported in total



336,947 clients guided (+53%)**



157,905 clients advised (-20%***)



39,130 clients supported (-4%****)



£402 million of debt was repaid by clients (-1.3%)



24,463 clients became debt free from problem debt with our support (+2%)

*The number of people who have visited our website or called our phoneline for information or support with their money or problem debt

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

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

****The number of people who've started or remain on a StepChange supported or recommended debt solution

Sarah's story

“

I had quite a difficult upbringing, and after my parents divorced, I ran away from home. I ended up living off benefits whilst doing my A Levels as I was living away from my family. Other than the benefits, I didn't have much support, which meant that I didn't develop good financial habits, and it didn't pave the way for my future very well.

For as long as I can remember, I would go round in circles, working out a budget, but then suddenly blowing it all, and having to start again. It didn't matter how many times I re-worked my finances - I would just keep overspending.

I just kept telling myself that I had it all under control, but my debts were creeping up dramatically over time.

I'd heard of StepChange through word of mouth and hearing people mention it on the TV, so my husband encouraged me to get in touch.

I picked up the phone and spoke to a debt advisor and explained my situation. They were really kind, non-judgemental and supportive, and patiently told me about all of the different options available

It's not easy facing up to the mess you've made with your finances. But StepChange made it a lot less painful and have been there for me every step of the way.

It's made such a difference to my life and I feel much more in control of my finances. I'm now halfway there with paying back my debt and I wouldn't have been able to do it without StepChange.

I think StepChange saves lives. We're all human, we all mess up. But they are there to help and they won't judge you.

”



Objective 2: Meaningful collaboration and efficiency

Our second objective is to build even stronger partnerships with organisations across the sector and be the most efficient provider of free debt advice and solutions

Key achievements

1 Strengthening our partner network

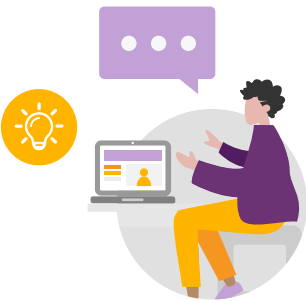
As the difficulties faced by clients have expanded, we have grown our network of partners to provide holistic support to our clients with problem debt and wider challenges.

In 2021 we initiated pilots with the Trussell Trust and IncomeMax to provide specialist support for our most vulnerable clients. So far, we've started helping our clients access food vouchers through the Trussell Trust partnership, and we've begun referring vulnerable clients for detailed income maximisation sessions with IncomeMax.

As we continue to diversify our funding across the UK, we seek to provide maximum quality and value for money to our funders, with an ambitious change roadmap which will drive further efficiencies, service enhancements and improved management information and reporting.

“Thank you very much – they approved my PIP. I'm so glad we spoke.”

● Client who had his Personal Independence Payments (PIP) reinstated after speaking to IncomeMax



2 Expanding the organisations digitally referring to debt advice

Last year we had more than 90 organisations using our digital referral and call back service which allows frontline staff to refer customers to debt advice quickly and easily. Feedback from creditors has been excellent, with referrers commenting that the Easy Referral Form saves their advisors time and has helped to improve the transition to and take up of debt advice.

We have now expanded this service to help us look at both a client's secured lending alongside their unsecured debt, helping creditors' mortgage teams to refer their customers to mortgage advice and improving the client journey. We provide our partners with detailed performance related data so that they have a clear understanding of the number of people they refer to us and also, most importantly, the outcomes for their customer base.

“Due to the digital referral form being easily accessible and user friendly, our agents have embraced the change and we are now seeing three- or four-times higher referral volumes into StepChange than this time last year.”

● Customer service agent, national building society

3 Rapid, digital access to debt solutions

In 2021 we launched our Client Activation Portal, helping clients quickly and easily apply for a debt solution online. Now accessible to 100% of clients applying for a Debt Management Plan, Token Payment Plan and Debt Payment Programme, the portal enables clients to upload their documents and quickly and easily check in on progress.

We also launched the Fast Dox Client Portal last year, helping clients complete their Individual Voluntary Arrangement (IVA) journey via their mobile phones. More than 87% of clients on an IVA used the portal, and as a result, we have seen the average time it takes for clients to complete their IVA journey reduced from 84 to 40 days.

“The (Fast Dox) portal is great. I have been able to book my appointment so quickly, at a date and time that suits me. It's been good to read all of the information before my appointment, so I understand more about an IVA and my options.”

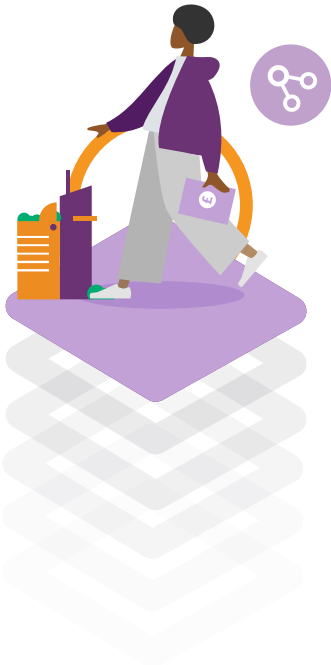
● Client using the Fast Dox Portal

4 Support from major funders

We would like to extend our thanks to the Money and Pensions Service (MaPS), one of our key funders. MaPS enable us to continue delivering debt advice services through telephony, online and multi-channel routes, and providing clients with help to apply for Debt Relief Orders. As well as our funding relationship, we are part of the Money Advisers Network (MAN) which delivers advice as part of the MaPS PACE pilot. We are currently engaging with MaPS on their work to design and implement a new quality framework for debt advice organisations.

Key facts and figures

-  We launched **two new** digital pilots with partner organisations
-  We onboarded **97 partners** to the digital referral and call back service
-  **14,916 clients** used the Client Activation Portal
-  **87% of clients** on an IVA used the Fast Dox Portal



Objective 3: Campaigning to reduce the harm of problem debt



Our third objective is to champion the cause of people in, and at risk of, problem debt by campaigning for change in public policy and private sector practice

Key achievements

1 Campaign win: Covid Debt Rescue

Our research on the financial impact of the pandemic estimated that 460,000 private tenants would accrue arrears and be vulnerable to eviction in 2021. In response we joined forces with housing and advice charities to launch Covid Debt Rescue, a campaign calling for a package of emergency financial support. This saw the Government release an additional £65 million of funds.



The additional £65 million of support for low-income earners is welcomed. While more will be needed, it should reduce the immediacy of the mounting eviction pressure facing the most vulnerable households.



● Peter Tutton, Head of Policy, Research and Public Affairs at StepChange

2 Campaign win: New bailiff oversight body

In 2021, together with our Taking Control campaign partners, we began talks with representatives of the enforcement sector to develop a framework for a new independent bailiff oversight body to ensure those in problem debt are treated fairly. We look forward to seeing it launch in 2022.



In the absence of statutory regulation, this collaboration between the debt advice and enforcement sectors should help to address the poor practice that has characterised too many people's experiences with bailiffs.



● Peter Tutton, Head of Policy, Research and Public Affairs at StepChange

3 Campaign win: Progress on credit and financial services regulation

StepChange has long campaigned for action against misleading online advertisements from debt solution lead generators and the referral fees that drive bad practice. So, in 2021, we welcomed action by the Financial Conduct Authority (FCA) to stop debt packager firms from taking referral fees.

We argued for a duty of care to be introduced by the Financial Services Act, and that legislation resulted in the FCA consulting on a new Consumer Duty that should help address key drivers of problem debt.

Key reports in 2021: Insight and data to drive change



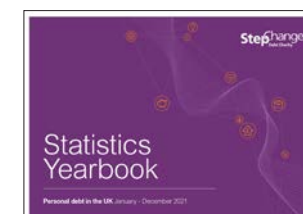
Stormy Weather

Our report highlighted deepening hardship experienced by people financially affected by the pandemic.



The True Cost of Tax Credit Overpayments

Our report linked unaffordable benefit deductions to the need for improvements in public sector debt management practice.



Consultation responses and client data reports

Our Statistics Yearbook, monthly client data reports, and consultation responses gave regular updates on the scale and nature of problem debt.



Scotland in the Red

Scotland in the Red demonstrated the extent of problem debt particularly on vulnerable clients in Scotland through the pandemic.

Key facts and figures



Three major campaign wins



14+ consultation responses



Provided Secretariat services for the APPG on debt and personal finance



Joint research published with organisations such as Money Advice Trust and Shelter

Objective 4: Testing out prevention alongside cure

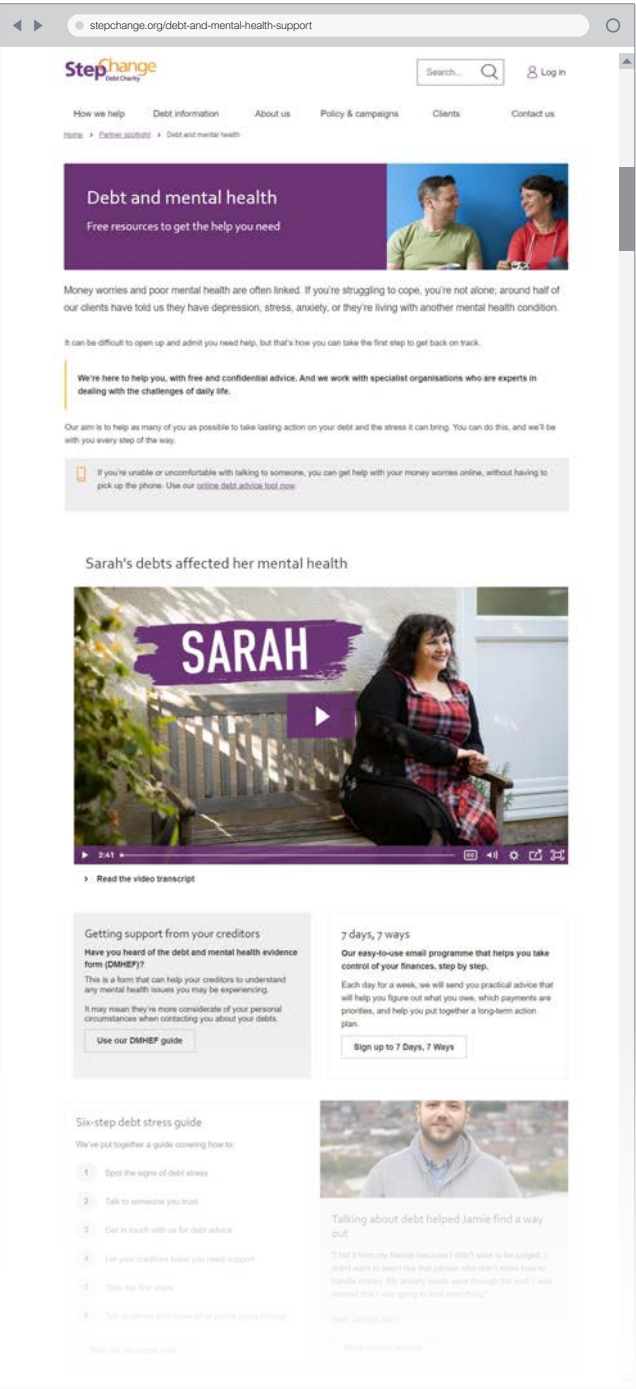
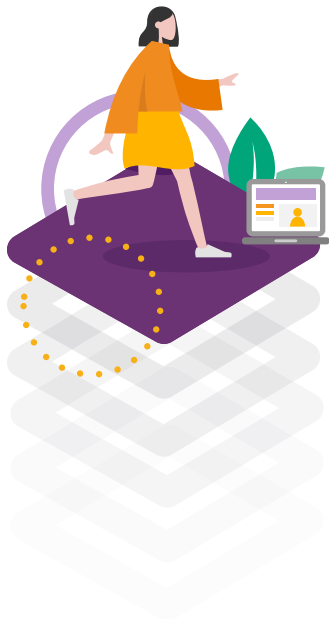
Our fourth objective is to educate and inform people through our services to enable them to manage their money better and recover from problem debt

Key achievements

1 Rapid, real-time information and support

As the pandemic continued to impact people's finances, we updated our website in immediate response to changes to the support measures from the government and creditors. We also expanded our guidance on dealing with specific issues such as council tax arrears, County Court judgments and government debts.

We know that reassurance is vital to people seeking help with their debt problems, so we put our clients' stories front and centre on the website, adding a range of videos communicating first-person real-life experiences to help clients feel less alone.



2 Launch of new debt guide for Scotland

With support from the Scottish Government, we launched a new print and digital guide to debt advice in Scotland, which offers an insight into the advice process and how StepChange and a range of other organisations can help. The guide, produced in English, Urdu, Punjabi and Polish, has the potential to be used by creditors, charities and community organisations across Scotland to encourage people to seek debt advice and support referrals.

“As more Scots find themselves in need of support from a free debt advice charity, the Scotland Debt Guide will provide them with a clear starting point on the road to recovery.”
● Sharon Bell, Head of StepChange Scotland



Key facts and figures

6m visited our website

1.43m users of our website and MoneyAware debt advice blog*

49,000 users of our welfare benefits calculator

13.1m page views of our website advice content and MoneyAware, our debt advice blog**

*We now only count a user when a person has engaged with our site for at least 30 seconds.
**Page views of 30 seconds or more of our website advice content. Repeated views of a single page are counted.

Matt's story

“

Before switching to my current job, I worked at a coffee shop chain as a barista for around eight years. Due to the nature of my job, my hours were variable, meaning that it was very hard to budget or plan ahead for big purchases. At one point, I took out a personal loan to help with a rent deposit, and other large expenses followed.

After a while, things started to get tight and I was struggling to keep on top of my credit commitments. I also slid into rent arrears.

My initial reaction was panic, and I didn't want to tell anyone about the situation I was in. I became reliant on payday loans and credit cards to get by, and had to research options for customers with a bad credit score.

After some time passed, I let my partner and my dad know about my circumstances, and they paid off some of the loans to try and improve my credit score, but despite agreeing to pay them back £50 per month I was soon falling short after covering my household bills.

I went back to taking out payday loans and things started to spiral again.

My parents were getting increasingly worried about bailiff action and what the repercussions could be if my finances didn't improve, and the situation was also taking a toll on my relationship with my partner. When I incurred a County Court Judgement, suddenly everything felt a bit scarier.

I was panicked about how to feed myself, couldn't focus at work, and was worried about bailiffs turning up at my front door. I decided to get help, and that's when I contacted StepChange.

StepChange has been a massive lifesaver for me. Without it my debts would have been far more detrimental to me, and the debt management plan has given me peace of mind and helped with my mental health.

I can't speak more highly of the help I received and I want to pass it on to others.

I'm looking forward to finishing my debt solution and eventually buying a house in the not too distant future.

”



Objective 5: Getting the message out

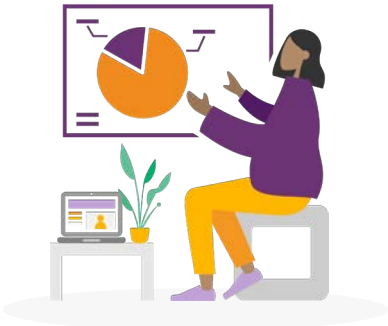
Our fifth objective is to create greater awareness of free debt advice and specifically among vulnerable groups

Key achievements

1 Building our partner proposition

In 2021, we explored new ways to engage with our partners, including a series of webinars on our Breathing Space approach and our response to the Covid-19 pandemic. We also built significant support for our campaigns and we delivered over 70 engagement and awareness sessions to our partners. We've continued to work with our partners to better understand their needs, and we'll use this insight to continue to develop our partner-facing proposition.

Last year we reached over
2,000 colleagues
at partner organisations with awareness
and engagement sessions



2 Launching new marketing campaigns

In March, we launched our annual Debt Awareness Week (DAW) campaign, which turned into our most successful DAW to date. We achieved a significant reach to prospective clients, and we also achieved record-breaking engagement with our partners with over 170 organisations supporting the campaign.

In November, we then launched an integrated marketing campaign with the theme of starting conversations on debt. Our campaign directly increased brand consideration by +4% and maintained brand awareness on an upwards trajectory.

Our campaign reached more than
4 million people
experiencing problem debt



3 Understanding our audiences

In 2021 we introduced a new insights strategy for the charity to deepen our understanding of our audiences – consumers, clients, creditors and colleagues - so that we can continue to build better products, services and experiences and also improve our marketing effectiveness.

Our ambition is to continue to build an insight portfolio combining research data, client behaviour analytics and market data to enable decisions to be made with a 360-degree view, and to provide insight and expertise to our partners.

“We're delighted to have a comprehensive new Insights Strategy to provide us with a really clear view of our clients, creditors and colleagues, understand the things that are important to them and their situation, so that we can directly serve those needs.”

● Caroline Darnbrook, Head of Marketing and Brand, StepChange.

4 Our online reach and media coverage

Last year, our media coverage increased substantially in comparison to previous years. We achieved more than 3,800 pieces of coverage and saw StepChange mentioned 364 times on the radio and on TV.

We continue to be very prominent online, ranking highly in search engines for a wide range of debt terms. We've also successfully tackled 50 instances of trademark infringement in advertisements by firms attempting to masquerade as StepChange.

We secured **3,875**
pieces of press coverage in 2021



Key facts and figures

Over **13 million** views of our debt advice webpages

364 mentions on TV and radio

50 press releases

Objective 6: Empowering our people

Our final objective is to engage and develop our colleagues.

As mentioned at the beginning of this report, at the end of April we began a consultation on a number of proposals to secure the long-term future of the charity following a reduction in demand for full debt advice throughout the pandemic meaning our ongoing funding was also reduced. These proposals included a compulsory redundancy programme which resulted in 61 compulsory redundancies (the initial proposed number of 170 redundancies was significantly reduced as a result of collective consultation). This was a very challenging time for colleagues at the charity, and we would like to thank colleagues again for their unwavering commitment to serve clients.

Key achievements

1 Flexible home working

Our flexible home working policy has proved extremely successful and saw an 83% positive rating in our staff engagement survey. Aside from the fact that once the new ways of working were embedded there was no detrimental impact on performance and quality of output, the vast majority of our colleagues commented on how the hybrid working arrangement has positively impacted on their work life balance and also saves them money on commuting costs.

2 Our Equality, Diversity and Inclusion Strategy

We have successfully recruited a new Equality, Diversity and Inclusion Manager to implement our strategy and drive it forward. In 2021, we made significant progress in examining the experiences that take place for colleagues during employment, focusing on recruitment, internal communication, development, promotion and policies and reviewing how we can make improvements in these areas.

“Having a diverse workforce will bring about new ideas, helping us to better support colleagues, clients and partners. As a leadership team we are committed to listening to feedback and creating a workplace that we can all be proud of.”

● Phil Andrew, CEO, StepChange

3 Gender Pay Gap results

Our Gender Pay Gap continues to be significantly lower than most organisations in the UK, and overwhelmingly lower than organisations operating in the same sector. In addition, last year we made progress on narrowing – or eliminating – the pay gap on some measures. Our median pay is at parity for the first time, the mean pay gap has continued to fall and median bonus remains at parity. We continue to monitor our gender pay gap, taking action to meet our ultimate commitment of a zero gap.

4 Developing our leaders

Last year we initiated the refresh of our Leadership Strategy and defining what we want our leaders to be. Working alongside a leadership consultancy, we have begun to develop a leadership behavioural framework and next year we'll be rolling out a leadership programme to all levels of leader across the organisation.

Key facts and figures

- Each colleague received **41 hours** of training
- We awarded **20 colleagues** with an Iain Kendall Award for excellence
- Our CEO and Executive team hosted two townhall sessions reaching over **900** colleagues



Trustees' report



Structure, Governance and management

Structure and management

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

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

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

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

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

Both Consumer Credit Counselling Service (Voluntary Arrangements) Ltd and Consumer Credit Counselling Service (Equity Release) Ltd are wholly owned subsidiaries of the charity.

Board of Trustees

The charity is governed by a Board of Trustees (the Board) and currently consists of 9 Trustees. In 2021, there was one resignation.

For the purposes of company law, all Trustees are treated as Directors of the charity. Trustees have a duty to act in the best interest of the charity, and must not place themselves in a position where they have, or may have, direct or indirect interests that conflicts with their duties as a trustee. As such, the charity has a Trustee Conflict of Interest Policy in place, which sets out guidelines and procedures for identifying, monitoring and managing actual and potential conflicts of interest. A register of trustees' external interests is maintained,

and reviewed annually by the Board, with interim updates presented at Board meetings whenever amendments or additions are made. There is a standing agenda item at each trustee meeting requiring those present to declare any conflicts of interests relating to matters to be discussed at the meeting. Trustees and members of the Executive team sign an annual declaration to review the accuracy of their register of interests.

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

On behalf of the Board, the Nomination Committee oversees arrangements for a Board Effectiveness review process, to periodically review the collective performance of the Board and its Committees. In late 2021, the Board put in place arrangements for an externally facilitated effectiveness review exercise to be implemented in early 2022; an action plan with any recommendations arising from the review will be monitored as required by the Nomination Committee. In addition, the Chair has regular discussions with individual trustees to review their performance and contribution to the Board; the performance of the Chair is reviewed by the Senior Independent Director.

The Board held five full meetings during 2021, with a number of additional shorter Board meetings held on specific subject areas throughout the year. Due to Covid-19 and lockdown restrictions, a number of Board and Committee meetings were held via video conference

Trustee induction

The induction of new Trustees is facilitated by the Company Secretariat function. Trustees receive a comprehensive induction pack providing reference information covering the background of the charity, its structure and status, its method of operation, its finances and the environment in which it operates. Trustees have access to the charity's Board Portal which contains past Board and committee meeting packs, policies, and strategy documents. Governance information is provided via the Charity Governance Code

and key Charity Commission guidance including “The Essential Trustee”, and an NVCO training session on trustee roles and responsibilities. The Trustee induction programme also involves meetings with managers across the different functions of the charity, as well as debt advice call listening and other observation sessions with front line operations colleagues.

Trustee term of duty

New Trustees are initially elected for a term of three years, which may be extended for a further three years upon approval by the Board. A Trustee may in exceptional circumstances be appointed for a third three-year term where the Board determines that it is in the best interest of the charity. The Trustees, with the exception of the Chair of the Board, receive no remuneration for their services, but do receive travel expenses where incurred.

Indemnity

Third-party indemnity provision is in place for the benefit of all Trustees of the charity.

Committee structure

Trustees may be invited to serve on one or more Board Committees. The Committees are delegated specific responsibilities by the Board as outlined below. Executive team members attend Board and Committee meetings by invitation. Committee membership details are shown in the table on page 35.

Audit and Risk Committee

The Audit and Risk Committee's purpose is to provide assurance to the Board that the group as a whole has an effective system of internal controls, risk management, and financial reporting, including oversight of internal and external audit processes. The areas covered within the Committee's terms of reference include: financial reporting; internal controls and risk management systems; financial crime, whistle blowing and anti-bribery; internal audit; and external audit. The Committee met five times in 2021.

Nomination Committee

The Nomination Committee's purpose is to provide oversight on behalf of the Board of the selection and appointment process for trustees and key senior management appointments. The areas covered within the Committee's terms of reference include: Board and Committee composition and diversity; selection and appointment of trustees, the Chief Executive, and other executive directors; succession planning; and effectiveness and performance off the Board, its committees, trustees and the executive team. The Committee met five times in 2021.

Remuneration Committee

The Remuneration Committee's purpose is to provide oversight on behalf of the Board of remuneration and organisational culture arrangements which support the strategic aims, purpose and values of the charity and promote its long-term sustainable success, while complying with good practice and regulatory requirements and maintaining the expectations of stakeholders. The areas covered within the Committee's terms of reference include the overall rewards and recognition framework, and associated board level policies; the culture of the charity, including equality, diversity and inclusion; the remuneration, pension and contractual arrangements for the executive team; and the review of remuneration trends and market analyses. The Committee met four times in 2021.

Executive

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

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

The Change Board is responsible for establishing,

maintaining and reviewing the charity's Strategic Change Roadmap. This includes: considering and approving new projects / programme requests; directing the progress of the overall Change Portfolio; and leading and supporting the development of the Change Management Framework.

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

Charity Governance Code

The charity's governance framework is in alignment with the principles of the 'Charity Governance Code for Larger Charities', originally published in 2017 and refreshed in 2020. The Code's seven principles cover organisational purpose; leadership; integrity; decision making, risk and control; board effectiveness; equality, diversity and inclusion; and openness and transparency. The charity is committed to maintaining the highest standards of governance and uses the Code as a practical point of reference to drive a process of continual improvement built upon the code's principles, key outcomes, and recommended practice.

Equality, Diversity & Inclusion

The Board of Trustees recognises that a systemic approach to equality, diversity and inclusion (EDI) is an organisational imperative - they understand the many benefits of EDI such as to enable the charity to attract, retain and develop the best talent, to better support innovation, enable the development of better relationships with stakeholders, enhance our brand and reputation, and meet an increasing regulatory focus.

The Board therefore has welcomed the progress made in 2021 towards the development of the charity-wide EDI strategy, and they look forward to this work being rolled out in 2022 led by the newly appointed Diversity & Inclusion Manager. Trustees reconfirmed their commitment to this key area of work at a dedicated EDI awareness session held during the year, at which they also nominated Helen Dean, Chair of the Remuneration Committee, as the trustee EDI sponsor; the Remuneration Committee

oversees the detail of the EDI strategy development, with regular updates and feedback provided to the Board.

Within its own practice, the Board also recognises the value of a diverse group of trustees, with a broad range of experience, skills, background, and perspectives, in its aim to improve its own effectiveness and ensure balanced decision-making. The Nomination Committee regularly carries out an audit of skills, experience and diversity of the Board of Trustees to identify gaps, and to inform trustee recruitment and training. When recruiting new trustees, the Committee considers how best to attract a diverse pool of candidates, and where and how trustee vacancies are publicised. The EDI strategy development work closely aligns with the recommended practice within the Charity Governance Code's EDI principle, and in 2022 we intend to agree an updated Code action plan to ensure continuous improvement within the Board's practice.

Remuneration of Senior Employees

The charity has a Pay Policy which applies to all employees, and is regularly reviewed by the Remuneration Committee and approved by the Board of Trustees. Following an in-depth review in 2020, further updates were made to the Pay Policy and Procedure in 2021 as part of the ongoing implementation of the charity's Total Reward Strategy. The overriding principles of the Strategy are for the charity's total reward offering to be competitive, fair and sustainable. The principles guiding the charity's pay management approach include basic pay reflecting a colleague's skills, competence and capability to perform their role, and with all roles aligned to a pay range built around market median pay levels. The Pay Policy and Procedure reflects the current approach to pay and rewards introduced by the strategy, and clarifies how pay will be benchmarked and managed, and includes annual pay review, development reviews and the use of in-role development frameworks to reflect the development of skills and knowledge.

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

Trustees' report

| Board as at 5 July 2022 | | Board Committees | | | Operating Subsidiaries Boards |
|--|---------------------|------------------|------------|--------------|-------------------------------|
| Trustees | Year of appointment | Audit & Risk | Nomination | Remuneration | |
| John Griffith-Jones (Chair of the Board) | 2019 | | ● | | |
| Nick Caplan | 2019 | ● | | | |
| Helen Dean CBE | 2019 | | ● | ● | |
| Tim Frost | 2017 | ● | | | |
| Monica Kalia | 2017 | | ● | ● | |
| Yvonne MacDermid OBE | 2021 | | | | Director |
| Chris Stern (Senior Independent Director) | 2016 | ● | ● | | |
| Lesley Titcomb CBE | 2019 | ● | | | |
| Chris Wood | 2021 | | | ● | |

Sue Lewis resigned at the end of her third term of office with effect from 1 June 2021.
Josh Bell resigned with effect from 31 May 2022.
Andy Hill resigned at the end of his second term of office with effect from 1 July 2022.

- Chair
- Member

The Trustees at 5th July 2022 are listed below:

John Griffith-Jones

John was appointed Chair of StepChange Debt Charity in January 2019. He served as the inaugural Chair of the Financial Conduct Authority from 2013 to 2018, during which time the FCA took on responsibility for regulating consumer credit. Previously, John had a career at KPMG, culminating in him becoming their UK Chairman and Senior Partner, and also Chairman of their European, Middle East and Africa region. John is currently a Governor of Brentwood School, sits on the audit committee of Eton College, and is a trustee of the Rifles Volunteer Trust. He is also a Deputy Lieutenant in Essex. John was formerly Vice Chairman of the National Numeracy Trust.

John studied Economics at Trinity Hall, Cambridge. He is a chartered accountant and he was an officer in the Territorial Army for 14 years. As well as the Board, John also chairs the Nomination Committee at StepChange.

Nick Caplan

Nick joined the StepChange Board in 2019. He brings technology, strategy and operational experience from a broad range of sectors. Most recently he co-founded Ordo which provides an open banking payments platform to help people gain better control of their payments. Nick is a Director of Vitality Life and Health and Covea Insurance, and Chair of AND Digital and Pay Later Group. Significant prior roles included Chair of Faster Payments, a key part of the UK's payments infrastructure; Chair of MyCSP a public sector pensions administrator and an executive director of Logica, a major IT services company.

Helen Dean CBE

Helen joined the StepChange Board in 2019 and is Chair of the Remuneration Committee. She has a strong background and long-standing interest in addressing financial inequalities and promoting financial resilience. Working in the Department for Work & Pensions, she was one of the architects of the UK's automatic enrolment programme and a leading figure in establishing the National Employment Savings Trust (NEST). Since 2015 Helen has been the CEO of NEST, with over 10 million members, now the largest pension scheme by membership, in the UK.

Helen is also a member of the Council of Scholar Advisors, Centre for Recruitment Initiatives, Georgetown University in Washington, a Governor of the Pensions Policy Institute UK and a member of the Advisory Board to the Money and Pensions Service. Helen was awarded a CBE in the 2021 New Year Honours list for her services to pension saving.

Tim Frost

Tim joined the StepChange Board in 2017 and is Chair of the Audit & Risk Committee. He is the Chair of Cairn Capital, an Emeritus Governor of the London School of Economics, and a former Director of the Bank of England. Before joining Cairn, Tim worked in a series of trading and management positions at JP Morgan, helping to build the credit and credit derivatives businesses. He started work as an officer in the British Army serving in Germany and in the Falkland Islands.

Monica Kalia

Monica joined the StepChange Board in 2017. She is a non-executive director, trustee and business advisor with board experience in financial services, public policy and sustainability. Monica is an Advisor to Clim8, the first fintech platform focused exclusively on investing for climate impact. She also works across the UK fintech ecosystem, advising start-ups and their founders – with a particular focus on advising and supporting female founders. She is the Co-Founder of Neyber, a multi-award-winning Fintech firm focused on financial wellbeing. Neyber is included in KPMG's 2018 list of top 50 established global Fintech companies and was awarded "Ethical Financial Services Provider of the Year" at the Money Age Awards.

Formerly, Monica was the Co-Head of the European Banks Equity Research team at Goldman Sachs. She is a regular speaker at Global Fintech conferences, sharing her perspective on financial inclusion, innovation and disruption in financial services. Monica was recognised by Forbes as one of the top female leaders in Fintech, included in Women in Fintech Power List by Innovate Finance UK and is listed as one of the Top 100 most influential BAME leaders in UK tech by the Financial Times & Inclusive Boards.

Yvonne MacDermid OBE

Yvonne joined the StepChange Board in June 2021. She has been involved in credit and debt matters for 34 years, and stood down in 2021 after almost 24 years as Chief Executive of Money Advice Scotland. She is passionate about the provision of debt advice and financial education, and treating customers fairly, and committed to working with government, regulators, and all parts of the credit, debt collection/purchase industries.

Yvonne is a non-executive Board member and Director sitting on four Boards from across the public, private and voluntary sectors, including the Credit Services Association, and its subsidiary; and Money Advice Liaison Group (MALG). She is also Trustee of Pollok Credit Union. In 2002 Yvonne received the OBE for services to disadvantaged communities, and in 2018 she was awarded the inaugural "Women in Credit" Lifetime Achievement Award.

Chris Stern

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

Lesley Titcomb CBE

Lesley joined the StepChange Board in 2019. She is an independent non-executive director of National Bank of Kuwait International, of Legal and General Financial Advice and of Pay.UK. She is also a Governor of the University of Hertfordshire. She was previously Chief Executive of the Pensions Regulator. Lesley has worked in many different roles in financial services regulation since 1992 and before joining The Pensions Regulator was Chief Operating Officer of the FCA from 2010 to 2015. She is also a qualified Chartered Accountant.

Chris Wood

Chris joined the StepChange Board in February 2021. He has significant Financial Services, Lending and Payments experience, and is a qualified chartered accountant. For the last 15 years he has run scale businesses and functions for Barclays and Barclaycard in the UK, Europe and North America, and he has extensive experience in both Executive and Non-Executive roles. Prior to Barclays, Chris worked as a consultant for Accenture for ten years with clients in Europe, North America and Australasia specialising in Financial Services. Chris currently leads the SMB business segment within FIS's International Merchant Services Division including WorldPay in the UK and ROI.



Executive team

Phil Andrew
Chief Executive

Phil has over 30 years' varied experience as Chair, CEO, CFO, non-executive director and Treasurer in government owned organisations, blue-chip companies and charities in the UK, Ireland, Russia, France and the Far East. Phil is a Chartered Accountant, qualified treasurer and Chartered Marketer. Prior to joining StepChange in 2017, Phil was CEO of Working Links and prior to this CFO, Sodexo UK & Ireland and CEO, Sodexo Justice Services.

Over the last 15 years he has specialised in environments where social good is the primary objective but in environments requiring very high levels of commercial efficiency. Phil is Vice-Chair of Raven Housing Association and Chair of the Marketer's Trust.

Lorna Allan
Chief Information Officer

Lorna is the charity's first Chief Information Officer and is responsible for our overall IT and Information Security environments. With responsibilities that cover operational IT services through to the development and delivery of digital change, she brings a wealth of both IT and business experience. She joined the ranks of the CIO 100 list in 2021.

Lorna has over 25 years' experience across a diverse range of business sectors delivering IT services and technology change, from large international businesses like Siemens, through to fascinating government organisations like The British Library.

Gail Arkle
Director of Client Experience

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

With over 22 years' experience working across both B2C and B2B audiences, she has successfully led Marketing and Business Development teams across a number of sectors, in the delivery of corporate and commercial strategies. Most notably, in leadership roles bidding for and delivering services to the public and charitable sectors.

She is a Fellow of the Chartered Institute of Marketing.

Richard Britten
Director of Finance

Richard provides strategic and financial leadership to ensure that the charity's financial objectives are met. He is a Chartered Accountant having qualified at Ernst and Young in London. Richard has a wide-range of commercial financial management experience gained in regulated financial services at Mitchell Farrar Group and Provident Financial plc as well as previously at Enterprise Oil plc.

Vikki Brownridge
Director of Operations

Vikki leads the charity's operational teams who provide debt advice and ongoing solution service provision for our clients across a number of sites and all jurisdictions in the UK. She has worked at the charity for over 16 years in a number of senior leadership positions including Head of Debt Advice and Director of Client Experience. Earlier in her career Vikki held leadership positions within outsourced providers and financial services organisations.

Sian Evans
Director of People & Culture

Sian started her career in Human Resources at Morrisons Supermarkets in 1990. Her experience spans a wide range of industries including roles at Ciba Specialty Chemicals, Redcats UK, Callcredit Information Group, where she was Group HR Director from 2008 to 2011. From 2011 until 2013, Sian ran an HR business providing consultancy services to the professional services and logistics sectors. Sian joined the charity from Severfield Plc where she was Group HR Director. She is a fellow of the Chartered Institute of Personnel and Development.

Richard Lane
Director of External Affairs and Operating Subsidiaries

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

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

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

Ian Phillips
Director of Risk and Compliance

Ian is responsible for the delivery and oversight of the Charity's risk and compliance arrangements. He brings a wealth of financial services experience, recently helping Equifax build their risk management framework and supporting the development of data-driven solutions around Consumer Vulnerability.

Ian has also worked as consultant for UK Finance and the Money Advice Trust, where Ian led their award-winning Consumer Vulnerability Academy. This has now seen over 100 strategic leaders complete a six-month programme on best practice for applying FCA guidance and legal requirements to ensure vulnerable consumers receive outcomes at least as good as everyone else. He previously spent thirteen years with the Lloyds Banking Group in various leadership roles.



Streamlined Energy and Carbon Reporting (SECR)

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

For 2021, we collected the energy usage data for all our sites in the UK and the business travel data for the colleagues claiming business mileage using personal or charity leased vehicles to estimate the emissions driven by our operations. We have then uplifted these estimates by 5% to cover uncertainty in line with Intergovernmental Panel on Climate Change's *Good Practice Guidance and Uncertainty Management in National Greenhouse Gas inventories* and our own internal assessment of data coverage and quality.

The impact of COVID-19 has further significantly reduced the business travel emissions, with the vast majority of colleagues still working remotely.

In December 2020 we committed to a lease for a more energy efficient head office building in Leeds with a significant reduction in footprint to better accommodate flexible working approaches. The impact of the above move can be seen in the comparison below.

| UK Greenhouse gas emissions and energy use data for the period 1 January 2021 to 31 December 2021 | 2021 | 2020 |
|--|-----------|-----------|
| Energy consumption used to calculate emissions (kWh) | 2,075,534 | 3,242,863 |
| Scope 1 emissions in metric tonnes CO2e | ▼ | ▼ |
| Vehicles on company lease | 2.35 | 4.50 |
| Scope 2 emissions in metric tonnes CO2e | ▼ | ▼ |
| Purchased electricity | 237.28 | 482.57 |
| Gas consumption | 190.75 | 203.25 |
| Total Scope 2 | 428.03 | 685.82 |
| Scope 3 emissions in metric tonnes CO2e | ▼ | ▼ |
| Business travel in colleague owned vehicles | 3.35 | 14.46 |
| Total gross emissions in metric tonnes CO2e | 433.73 | 704.78 |
| Intensity ratio Tonnes CO2e per FTE | 0.31 | 0.48 |

Reference and administrative details

Company name

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

Registered and Principal Office

123 Albion Street, Leeds, LS2 8ER.

Important numbers

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

Constitution

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

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

Professional Advisors

Chartered accountants and statutory auditors
PricewaterhouseCoopers LLP
Central Square
29 Wellington Street
Leeds
LS1 4JP

Internal auditors

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

Legal advisors

Wrigley's Solicitors LLP
17–21 Cookridge Street
Leeds
LS2 3AG

External auditors

A resolution for the reappointment of PricewaterhouseCoopers LLP as auditors for the charity was proposed at the 5 July 2022 Board meeting. We are currently looking to reappoint alternative auditors.

Statement of Trustees' responsibilities

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

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

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

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

charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

In certain circumstances clients may choose to include an additional statement here which is required to be made within the directors' report as a result of Section 418 of the Companies Act 2006.

In accordance with Section 418, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that:

- (a) so far as the trustee is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a trustee in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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



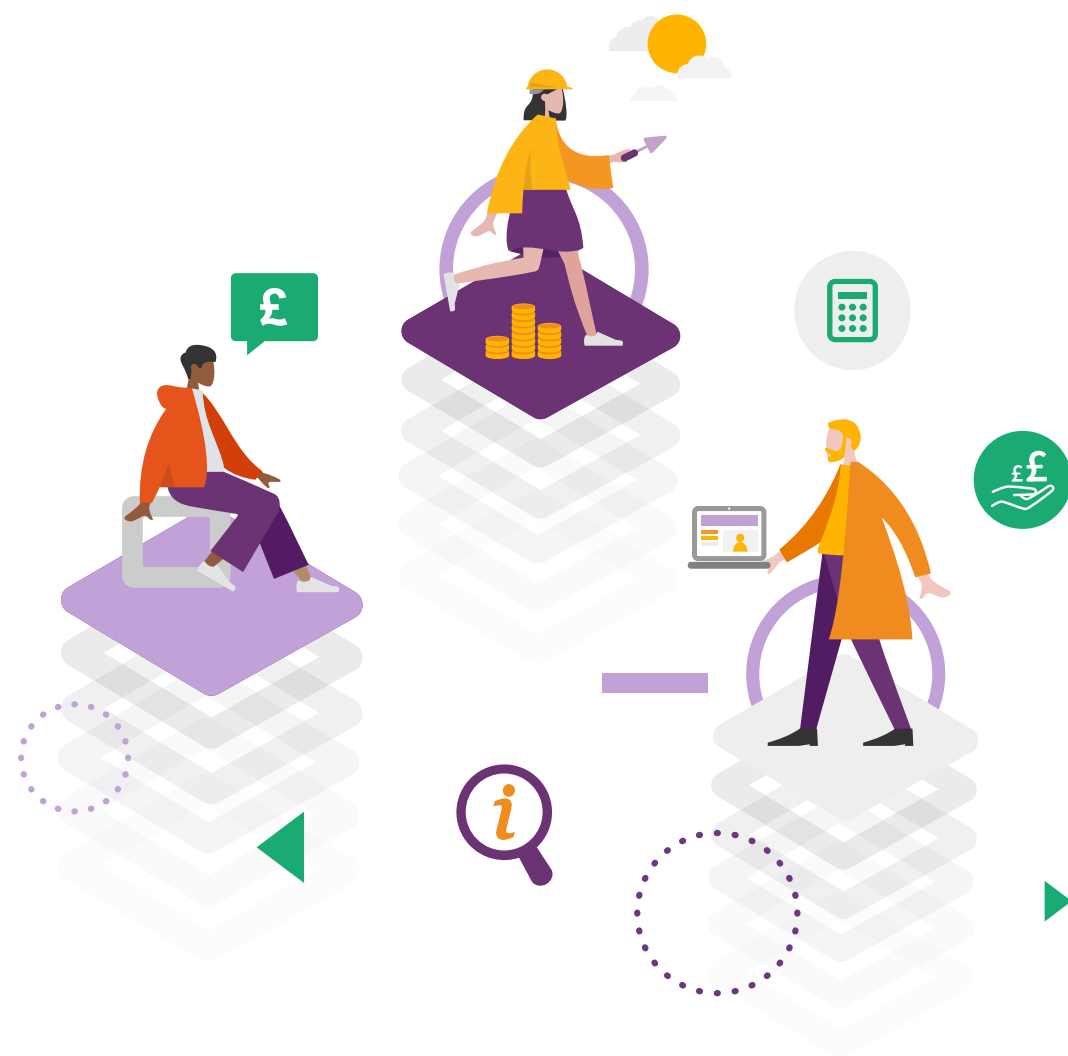
John Griffith-Jones
Chair
6 July 2022

Financials



Financial review

Our Group accounts for the year to 31 December 2021 show a net deficit of £0.6m compared with a deficit of £2.8m in the previous financial year. The result for 2020 is stated after transformation costs of £1.2m, which costs ceased in July 2020 as the Pulse debt advice system was fully rolled out. On-going systems expenditure has subsequently been absorbed into business-as-usual activities.



Income

In 2021, our total funding was slightly increased to £61.0m compared with £60.6m in 2020. These amounts include furlough support totalling £1.9m (2020: £0.8m). Excluding that support, total funding fell by £0.7m, and our unrestricted funding was reduced by £1.4m.

The Group's financial results have continued to experience some disruption in its regular funding caused by the Covid-19 pandemic, as was reported in last year's accounts. The reduced demand for debt advice resulting from the continued exceptional forbearance measures from creditors led to fewer new clients starting solutions. As a result, the numbers of clients on debt management plans fell to 170,774 at the end of the year (2020: 181,981), with a consequent reduction in Fairshare contributions received as well as reductions in income in our subsidiaries.

Additional unrestricted income was also received in the form of donations with £0.8m received compared with £1.4m in 2020.

Within the year, grant funding increased slightly due to continuation of grants made to support the sector by the Money and Pensions Service, with our total restricted funding increasing to £11.7m (2020: £11.1m).

Operating Expenditure

Total operating expenditure for the Group was £61.6m (2020: £63.4m or £62.2m excluding transformation costs). In 2020, colleague numbers were increased primarily to fulfil the requirements of the additional grants received. However, following the decline in overall funding in 2021, the Group undertook a cost reduction programme reducing total FTE to below 1,300. The savings achieved ensured that the Group could operate at a small surplus in the second half of the year.

Operating Deficit

The operating deficit of £0.6m is stated after an amortisation charge of £2.1m (2020: £2.1m) which relates to the Pulse debt advice development costs that were capitalised as an intangible asset. The underlying surplus before amortisation helped to increase the Group's free reserves as at 31 December 2021.

Capital Expenditure

Total additions to tangible fixed assets were £2.3m in the year (2020: £1.2m).

The principal investment during the year was the fit-out and furnishing of our new headquarters in Leeds. The costs were substantially funded by a capital contribution from the landlord which results in corresponding balances recorded within creditors (including within amounts falling due after one year). As a result of this move to the new headquarters, our annual premises costs for Leeds reduced by 30%.

Subsidiaries

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

Cashflow, investments & liquidity

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

Within the year, there was a net decrease in cash and cash equivalents of £0.3m (2020: £0.9m decrease). This outflow was due largely to working capital timing differences. At 31 December 2021 total cash and cash equivalents were £7.1m (2020: £7.4m) with no funds held on deposit for a period of greater than three months (2020: £NIL).

During 2021 the Group secured approval from the FCA for a new liquidity backstop being a minimum cash balance of £5.25m. Such cash reserves would allow the Group to effect an orderly winddown without detriment to clients should the situation ever arise.

Reserves policy and management

Reserves are maintained at a level to manage the short-term financial risk, the potential costs of unplanned closure and ensure the long-term viability of the charity given the risks detailed in the “Principal Risks and Uncertainties” section of this report. Our reserves policy is reviewed by the Board of Trustees at least annually, considering both the risk environment as well as the trading and investment needs of the group.

The primary considerations in setting the policy are ensuring that adequate levels of cash reserves are held, balanced with our obligation to ensure that such reserves are not excessive so that funding received is applied promptly to our charitable purpose. Maintaining an appropriate level of free reserves that complies with our reserves policy, whilst taking into consideration the uncertain economic environment, remains a key financial management objective for the Group.

In line with best practice, our policy was revised in 2019 to include a lower and upper limit on our free reserves. This established that the Group’s free reserves (i.e. reserves after removing net tangible and intangible fixed assets and restricted funds) will not be allowed to fall below £10m nor to exceed £18m.

In December 2020 this policy was reviewed and endorsed by the Board of Trustees with no change to the target range. It was noted however that the accounting for the costs of the fit-out of the new Leeds office created an unintended reduction in reserves due to the tangible fixed asset being excluded from reserves whilst the provision for the unamortised landlord contribution within creditors remained as a deduction in the balance sheet.

Therefore the policy was amended to note that the latter element would also be excluded from the free reserves calculation.

At 31 December 2021 the Group’s free (unrestricted) reserves therefore stood at £12.7m being unrestricted funds of £17.3m less fixed assets of £6.2m plus unamortised landlord fit-out contribution of £1.5m. These reserves show an increase from £10.3m at the start of the year generated primarily from the operating surplus prior to amortisation of intangibles.

Following the cost reductions during 2020, our reserves position has improved and we are more resilient to any further decreases in Fairshare contributions. However, with household budgets now being squeezed by inflation, continued short-term declines in Fairshare look increasingly likely and the Group is reviewing other ways of generating additional funding in preparedness for increased numbers of people needing our help.

This level of reserves also covers the prudential resources requirement under the FCA debt management rules set out within CONC 10.2.5, which requirement stood at £1.4m at the end of 2021.

The total balance sheet reserves at 31 December 2021 were £17.5m (2020: £18.1m), of which £0.1m (2020: £0.8m) are restricted in nature.

Investment policy

The charity’s investment policy is reviewed annually by the Audit and Risk Committee. In 2021, the policy has been maintained to continue to invest the surplus liquid funds in fixed-term deposits with maturities of no more than 12 months. This continues to allow the Board the appropriate flexibility and liquidity whilst reserves are close to our agreed minimum level.

Due to the lower cash balances and our liquidity obligations, we did not place funds on deposit during 2021. In 2020, with minimal risk, an average return of 0.61% was achieved.

Basis of preparation of the Accounts

In-line with the Charities Accounts (Scotland) Regulations 2006 (as amended), the charity has prepared a charity-only Statement of Financial Affairs on page 59, with additional charity-only disclosures made in the notes to the financial statements.

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



Principle risks and uncertainties

Principal risks and uncertainties

The Board of Trustees is responsible for determining the nature and extent of the principal risks it is willing to take to achieve the charity's strategic objectives. The Board allocates oversight responsibility to the Audit & Risk Committee for obtaining adequate assurance that the charity maintains robust systems of risk management and internal control, and that these are reviewed for adequacy and effectiveness on a regular basis.

Our approach to risk management

In line with recognised good practice, the charity employs a traditional 'Three lines of defence' assurance model. This comprises of first line quality assurance with additional quality monitoring activity, second line risk management and compliance (monitoring and advisory), and third line internal audit (delivered through a professional services provider).

There is a risk management framework embedded across the charity to support the effective identification, assessment and management of risk and risk events. The Board, and Audit & Risk Committee, with input from the Executive, periodically performs a robust and systematic review of those risks that it believes could materially impact the charity's performance, future prospects, reputation or ability to deliver against its strategic objectives.

Risk appetite

The Board reviews and approves the charity's risk appetite statement on an annual basis, or more frequently in the event of unexpected changes to the risk profile, with the aim of ensuring that the level of risk that the charity is willing to take remains consistent with its strategy, priorities and the regulatory environment.

In order to determine the charity's risk appetite and capacity, different triggers and limits are set on a forward-looking basis through Key Risk Indicators. In the event that the desired risk appetite is breached, or likely to be breached; a predefined escalation process is followed to ensure this is highlighted to the Board or relevant Board sub-committee.

Risk universe

To enable a review of risk in line with agreed appetite and tolerances, the charity maintains a register of all risks within its risk universe. The risk management framework and associated processes are operated throughout the charity with the 2nd line Group Risk team responsible for ensuring that the framework is embedded and operating effectively. All departments perform regular risk assessments that consider and assess both existing and emerging risks. This process ensures a consistent approach to the assessment of risk across the charity as well as informing the group risk register from bottom-up. The findings of both internal and external audit outputs are considered when reviewing both the risk register and the annual audit plans.

Impact on the charity of Covid-19

During 2021 the Coronavirus pandemic continued to have a significant impact on all of our lives as well as on the organisations which employ us. As mentioned in last year's report, the impact upon personal finances and, hence, the debt advice sector, was not as initially expected due to the exceptional and sustained support measures provided to individuals by the government and through extended forbearance by creditors.

This continued to reduce the number of people contacting the charity for debt advice in the year and, consequently, the number of people taking out debt solutions such as debt management plans. At the same time, the pandemic has, in many cases, seen the acceleration of improvements in creditor practices, originally born out of increased, pre pandemic, Regulatory, societal and media focus on customers in financial difficulty, which means that an increased number of "simple" cases are managed without the need for a referral to debt advice.

Put together, this led to a reduction in demand and / or a shift towards more complex cases, including those where customers are experiencing multiple or extreme vulnerability and / or present with a negative budget, and has led to reductions in the charity's funding received from Fairshare contributions. Therefore, during 2021, the charity took the difficult decision to undertake a programme of redundancies to reduce operating costs and ensure that the charity remains financially strong and well-positioned to help more people when demand for our services increases again.

In the early months of 2022 we have started to see such an increase in demand but with a continuing pattern of clients being in more complex situations. We are also starting to see the impact on clients of increases in the cost of living (see further below) which looks likely also to impact the charity's Fairshare funding. These two Covid-19 effects are likely to continue for the rest of 2022 as we continue to provide advice for more complex financial problems our clients are facing.

Impact of increased cost-of-living

The start of 2022 has seen inflation in the UK reach its highest levels for many years, with increases in fuel costs particularly impacting household budgets. Clients in or near problem debt are especially exposed to such increases. In 2022 we are already seeing more people seeking help where debt is not the main issue but instead it is having insufficient income to meet essential household expenditure. For these clients a repayment plan is often not an appropriate solution.

We are also experiencing a greater number of clients already on solutions who are contacting us to reduce their payments. At this stage we do not know how long these pressures on households will continue or what additional help may be provided for people who are struggling to manage. The risk to the charity is a combination of Fairshare funding continuing to reduce whilst demand for our services increase.

In addition the charity's own costs are rising more quickly than they have in the recent past. We will continue to look to preserve an appropriate level of financial strength during this period and maintain a balance between helping more people in the short-term and having the financial security to deliver on longer-term plans as well as investments in our people and technology.

We are expecting to see these cost of living trends continue for the rest of 2022 as the energy cap increases again and people have less disposable income. We are forecasting Fairshare contributions will continue to be squeezed by these increases in the cost of living, albeit the pressures seen to date have been less severe than we had predicted due partly to the emergence of additional government support measures. In 2022, we plan to mitigate this adverse effect on Fairshare contributions by securing additional funding streams by way of grants and donations.



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

| Risk | Relevance | Mitigation | |
|--|---|--|---|
| The charity fails to develop and implement a sustainable and proportionate funding model | The charity requires a model which reduces our funding concentration risk and is reflective of the breadth of money guidance, debt advice and debt management services provided by the charity to its clients | <ul style="list-style-type: none"> • We have regular dialogue with funders to understand value drivers and expectations for fair client outcomes | <ul style="list-style-type: none"> • Our efficiency drive with Transformation underpins our work to develop our funding model and we are actively contributing to the Single Financial Guidance Body's work on an appropriate model for funding for debt advice |
| Failure to attract, develop and retain talent and key skills | Supported by the development of technology, colleagues remain the charity's key asset. To support delivery of the charity's four-year strategic plan, it is paramount that the charity attracts, develops and retains the right people with the right skills in the right numbers. | <ul style="list-style-type: none"> • During 2021 we developed the charity's strategies for Leadership Development and Equality, Diversity and Inclusion • We have continued to monitor the competitiveness of our Total Reward Strategy, including base pay benchmarking and in-role progression and development | <ul style="list-style-type: none"> • The charity works to a defined Talent Acquisition Strategy to ensure that we have the capacity and capability to deliver against the charity's strategic objectives • Formal succession planning and talent management framework are in operation, with periodic reporting via Nomination Committee |
| The risk of client detriment, financial loss, disruption or damage to the charity's reputation resulting from a cyber-attack | The charity operates a large number of IT systems which hold material volumes of sensitive client data. We will continue to focus on minimising the data we hold and the controls we have in place to maintain our security resilience and prevent unauthorised access or misuse of this data | <ul style="list-style-type: none"> • We've implemented enhanced colleague access controls • We minimise colleague risk through pre-employment checks | <ul style="list-style-type: none"> • We have specialist resource to support the continuous improvement of the charity's information security and data governance framework |
| Failure to assess and manage the charity's exposure to conduct risk | Under the FCA's oversight of the consumer credit sector, we will continue to provide the highest quality debt advice and debt management services complemented by robust systems of risk management and internal control | <ul style="list-style-type: none"> • The Board employs a 'three lines of defence' model to gain assurance over the effectiveness of its internal systems and controls including the outsourcing of its Internal Audit function to a reputable third-party provider • We have regular, effective management meetings held by the Executive team including the use of comprehensive management information to identify risks and opportunities and manage these in line with the charity's appetite for risk | <ul style="list-style-type: none"> • Colleagues with appropriate skills and competence are recruited into senior risk and compliance roles • We have successfully embedded the Senior Managers & Certification Regime with clearly documented responsibilities, accountabilities and expected standards of conduct for all colleagues |
| Key supplier or third-party provider failure | The failure of a key supplier may lead to an adverse and material impact on the ongoing provision of services to clients or to back office key processes. | <ul style="list-style-type: none"> • The charity has an established procurement supplier management framework in operation, overseen by a centralised Procurement function • Ongoing service, quality and value for money reviews are performed for key supplier arrangements | <ul style="list-style-type: none"> • The charity maintains close oversight of all material outsourced relationships (as defined within SYSC 13.9) |
| Failure to respond effectively to changes in the external environment | The regulatory, political and legal landscapes continue to evolve with a potential impact on our core operating functions. Early identification and analysis of change is vital to a compliant and appropriate response | <ul style="list-style-type: none"> • We have ongoing engagement with key decision makers and stakeholders in government, with regulators and with the wider sector • We have a horizon scanning framework in operation to early identify changes which may impact the charity and its stakeholders and plan for change where appropriate | <ul style="list-style-type: none"> • One such example is the Breathing Space legislation implemented in May 2021 |

| Risk | Relevance | Mitigation | |
|--|--|---|---|
| The charity's Board of Trustees and Executive team fail to provide effective governance and oversight of the charity, leading to a failure to deliver against the strategic objectives | Following several high-profile governance failures across a variety of sectors; the adequacy and effectiveness of charity governance draws interest from several key stakeholder groups | <ul style="list-style-type: none">• We have an experienced and wide-ranging Board of Trustees who meet up to six times a year to oversee the group's strategy and progress in line with the agreed objectives and priorities• Three Board sub-committees exist within the group's governance framework with specific duties and responsibilities documented (Nomination Committee, Remuneration Committee and Audit & Risk Committee) | <ul style="list-style-type: none">• We have a formal governance structure in place to facilitate decision making at all levels within mandated authorities |
| The risk of sanction or enforcement by a regulatory body due to a material breach of regulatory or legislative requirements | The charity prides itself on the relationship it continues to build with its regulators. Enhancements to the charity's systems of risk management and internal control help to demonstrate to key stakeholder groups the consistent and fair client outcomes the charity delivers on a day-to-day basis | <ul style="list-style-type: none">• The Board employs a 'three lines of defence' model to gain assurance over the effectiveness of its internal systems and controls including the outsourcing of its Internal Audit function to a reputable third-party provider• Several key senior roles are in place – Director of Risk & Compliance, Head of Client Operations, Head of Operational Strategy and Quality, and a Regulatory Finance Manager oversee the delivery of regulatory processes and controls | <ul style="list-style-type: none">• There are client outcome and satisfaction measures in place to measure performance• We have a robust complaints process in place with supporting root cause analysis to identify any systemic issues |
| Financial loss and reputational Damage arising from internal fraud | As a CASS large debt management firm, the charity manages in excess of £420m of client money across 2.3m transactions on an annual basis. The complexity inherent within both the volume of frequency of transactions requires robust systems of internal control and governance to be in place and proven to be effective | <ul style="list-style-type: none">• Through the Charity's governance framework, internal monitoring and reporting, it consistently evidences its operational, colleague and system controls that are in place to protect and segregate client money• The Charity complies with the debt management client money rules and mandate rules permissions for which it is authorised as concluded via external assurance by PwC under SUP 3 | <ul style="list-style-type: none">• The Charity ensures appropriate policies and controls are maintained and adhered to in relation to financial crime, delegated authority, compliance and treasury including approval and signatory limits and controls |
| Failure to withstand the impact of an event, or series of events, that significantly disrupts the operations of the charity | Robust operational resilience to unexpected material events ensures the ongoing provision of the charity's core services to new and existing clients. The risk crystallised in 2020 during the onset of the Covid-19 pandemic. | <ul style="list-style-type: none">• The charity has an established business continuity policy and framework, which is owned by the Board of Trustees. The framework is embedded across the charity and is tested on a regular basis at both national and local levels through desktop and scenario exercises. The charity has contracted work area recovery facilities to respond to a medium-term denial of access event, and invested heavily in 2020 in mobile devices to ensure continuity of operations through a remote enabled workforce | |

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

Opinion

In our opinion, Foundation for Credit Counselling’s group financial statements and charity financial statements (the “financial statements”):

- give a true and fair view of the state of the group’s and of the charity’s affairs as at 31 December 2021 and of the group’s and charity’s incoming resources and application of resources, including its income and expenditure, and of the group’s and charity’s cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”, and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2021 (the “Annual Report”), which comprise: the group and charity balance sheets as at 31 December 2021; the consolidated and charity statements of financial activities (incorporating an income and expenditure statement), and the group and charity cash flow statements for the year then ended; and the notes to the financial statements, which include a description of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors’ responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group and charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC’s Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group’s and charity’s ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors’ report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Trustees’ Report

In our opinion, based on the work undertaken in the course of the audit the information given in the Trustees’ Report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Trustees’ Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the group and charity and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Trustees’ Report. We have nothing to report in this respect.

Responsibilities for the financial statements and the audit

Responsibilities of the trustees for the financial statements

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

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

Auditors’ responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and/charitable company/industry, we identified that the principal risks of non-compliance with laws and regulations related to Charities Act 2011, Financial Conduct Authority's ("FCA") regulations, Anti-Bribery and Corruption legislation, Anti-Money Laundering legislation and the UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue, and management bias in accounting estimates and judgements (including the risk of override of controls). Audit procedures performed included:

- Challenging estimates and judgements made by management in their significant accounting estimates;
- Identifying and testing journal entries, in particular journal entries posted with unusual account combinations; and
- Review of correspondence with regulators including the FCA.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the charity's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Gary Shaw (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
6 July 2022



Consolidated statement of financial activities

Year ended 31 December 2021

| | Note(s) | Restricted funds 2021 £'000 | Unrestricted funds 2021 £'000 | Total funds 2021 £'000 | Total funds 2020 £'000 |
|--|--------------|--------------------------------|----------------------------------|---------------------------|---------------------------|
| Income | ▼ | ▼ | ▼ | ▼ | ▼ |
| Donations | 2 | — | 810 | 810 | 1,472 |
| Charitable activities | 3 | 11,717 | 41,787 | 53,504 | 53,559 |
| Other trading activities | 4 | — | 4,381 | 4,381 | 4,579 |
| Investments | 5 | — | 1 | 1 | 28 |
| Other | 6 | — | 2,280 | 2,280 | 926 |
| Total income | | 11,717 | 49,259 | 60,976 | 60,564 |
| Expenditure | ▼ | ▼ | ▼ | ▼ | ▼ |
| Raising funds: other trading activities | 7 | — | 3,073 | 3,073 | 3,440 |
| Charitable activities | 8,9 | 12,389 | 46,128 | 58,517 | 58,802 |
| Transformation | 10 | — | — | — | 1,153 |
| Other | | — | — | — | 7 |
| Total expenditure | | 12,389 | 49,201 | 61,590 | 63,402 |
| Net (expenditure)/income for the year before taxation | ▼ | ▼ | ▼ | ▼ | ▼ |
| Before transformation costs | | (672) | 58 | (614) | (1,685) |
| After transformation costs | | (672) | 58 | ((614) | (2,838) |
| Net (expenditure)/income for the year before taxation | | (672) | 58 | (614) | (2,838) |
| Taxation on other trading activities | 14 | — | — | — | — |
| Net (expenditure)/income and net movement of funds for the year | | (672) | 58 | (614) | (2,838) |
| Reconciliation of funds | ▼ | ▼ | ▼ | ▼ | ▼ |
| Total funds at 1 January 2021 | | 755 | 17,334 | 18,089 | 20,927 |
| Total funds at 31 December 2021 | 22,23 | 83 | 17,392 | 17,475 | 18,089 |

Charity statement of financial activities

Year ended 31 December 2021

| | Note(s) | Restricted funds 2021 £'000 | Unrestricted funds 2021 £'000 | Total funds 2021 £'000 | Total funds 2020 £'000 |
|--|--------------|--------------------------------|----------------------------------|---------------------------|---------------------------|
| Income | ▼ | ▼ | ▼ | ▼ | ▼ |
| Donations | 2 | — | 2,158 | 2,158 | 2,797 |
| Charitable activities | 3 | 11,717 | 41,787 | 53,504 | 53,559 |
| Other trading activities | 4 | — | — | — | — |
| Investments | 5 | — | 6 | 6 | 33 |
| Other | 6 | — | 2,031 | 2,031 | 715 |
| Total income | | 11,717 | 45,982 | 57,699 | 57,104 |
| Expenditure | ▼ | ▼ | ▼ | ▼ | ▼ |
| Raising funds: other trading activities | 7 | — | — | — | — |
| Charitable activities | 8,9 | 12,389 | 46,128 | 58,517 | 58,802 |
| Transformation | 10 | — | — | — | 1,153 |
| Other | | — | — | — | 7 |
| Total expenditure | | 12,389 | 46,128 | 58,517 | 59,962 |
| Net income/(expenditure) for the year before taxation | ▼ | ▼ | ▼ | ▼ | ▼ |
| Before transformation costs | | (672) | (146) | (818) | (1,705) |
| After transformation costs | | (672) | (146) | (818) | (2,858) |
| Net income/(expenditure) for the year before taxation | | (672) | (146) | (818) | (2,858) |
| Taxation on other trading activities | 14 | — | — | — | — |
| Net income/(expenditure) and net movement in funds for the year | | (672) | (146) | (818) | (2,858) |
| Reconciliation of funds | ▼ | ▼ | ▼ | ▼ | ▼ |
| Total funds at 1 January 2021 | | 756 | 16,002 | 16,757 | 19,615 |
| Total funds at 31 December 2021 | 22,23 | 83 | 15,856 | 15,939 | 16,757 |

Balance sheets

31 December 2021

| | Note(s) | Group 2021 £'000 | Group 2020 £'000 | Charity 2021 £'000 | Charity 2020 £'000 |
|--|---------|---------------------|---------------------|-----------------------|-----------------------|
| Fixed assets | ▼ | ▼ | ▼ | ▼ | ▼ |
| Intangible assets | 15 | 3,603 | 5,662 | 3,603 | 5,662 |
| Tangible assets | 16 | 2,624 | 1,378 | 2,624 | 1,378 |
| Investments | 17 | — | — | 5 | 5 |
| | | 6,227 | 7,040 | 6,232 | 7,045 |
| Current assets | ▼ | ▼ | ▼ | ▼ | ▼ |
| Debtors | 18 | 9,257 | 9,177 | 8,713 | 8,713 |
| Investments | | — | — | — | — |
| Cash and cash equivalents | 19 | 7,120 | 7,400 | 5,991 | 6,358 |
| | | 16,377 | 16,577 | 14,704 | 15,071 |
| Current liabilities | ▼ | ▼ | ▼ | ▼ | ▼ |
| Creditors: amounts falling due within one year | 20 | (3,743) | (5,528) | (3,612) | (5,359) |
| Net current assets | | 12,634 | 11,049 | 11,092 | 9,712 |
| Creditors: amounts falling due after one year | 26 | (1,386) | — | (1,386) | — |
| Net assets | | 17,475 | 18,089 | 15,939 | 16,757 |
| Total group funds | ▼ | ▼ | ▼ | ▼ | ▼ |
| Unrestricted funds | 22 | 17,392 | 17,334 | 15,856 | 16,002 |
| Restricted funds | 23 | 83 | 755 | 83 | 755 |
| | | 17,475 | 18,089 | 15,938 | 16,757 |

The financial statements on pages 58 to 79 were approved by the Trustees on 5 July 2022 and were signed on their behalf by



John Griffith-Jones

Chair
6 July 2022

Company Registration No. 2757055 | Registered Charity No. 1016630

Cash flow statements

Year ended 31 December 2021

| | Note(s) | Group 2021 £'000 | Group 2020 £'000 | Charity 2021 £'000 | Charity 2020 £'000 |
|--|-----------|---------------------|---------------------|-----------------------|-----------------------|
| Reconciliation of net (expenditure)/ income to net cash flows from operating activities | ▼ | ▼ | ▼ | ▼ | ▼ |
| Net movement in funds | | (615) | (2,838) | (818) | (2,858) |
| Investment income | | — | (28) | — | (33) |
| Depreciation and amortisation charge | | 2,689 | 2,635 | 2,689 | 2,634 |
| Result on intangible asset write off | | — | 97 | — | 97 |
| (Increase)/decrease in debtors | | (80) | (868) | — | (964) |
| Increase/(decrease) in creditors | | (398) | 1,351 | (362) | 1,502 |
| Net cash generated from operating activities | | 1,596 | 349 | 1,509 | 378 |
| Investing activities | ▼ | ▼ | ▼ | ▼ | ▼ |
| Purchase of tangible and intangible fixed assets | 16 | (1,876) | (1,244) | (1,876) | (1,244) |
| Net cash inflow from current asset investments | | — | — | — | — |
| Interest received | | — | 28 | — | 33 |
| Net cash provided used in investing activities | | (1,876) | (1,216) | (1,876) | (1,211) |
| Net decrease in cash and cash equivalents | | (280) | (867) | (367) | (833) |
| Cash and cash equivalents at 1 January | | 7,400 | 8,267 | 6,358 | 7,191 |
| Total cash and cash equivalents at 31 December | 19 | 7,120 | 7,400 | 5,991 | 6,358 |



Notes to the financial statements

Year ended 31 December 2021

1. Accounting Policies

The principal accounting policies are summarised below.

a) Basis of preparation

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

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

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

b) Group accounts

The consolidated accounts incorporate the results of the Foundation for Credit Counselling Limited ('the charity') and its subsidiary undertakings on a line by line basis. The consolidated entity is also referred to as 'the Group'. The list of all the subsidiary undertakings is shown in note 17.

c) Incoming resources

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

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

In all cases, grant income is treated as restricted funds, as the provision of grant funding is for specific purposes as described at note 23. Donations are recognised when the charity becomes unconditionally entitled to the funds. Insolvency service income comprises nominee fee and supervisory fee income. Nominee fees are recognised on acceptance of the appointment following a meeting of creditors and typically for the first five months of the arrangement. Supervisory fees are recognised over the period of the arrangement resulting from ongoing payments by clients. Equity release service income is recognised on notification of the completion of an equity release or mortgage case from third party lenders.

d) Resources expended

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

e) Intangible fixed assets

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

f) Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows: Fixtures, fittings and equipment: 20% – 33.3% on a straight line basis

g) Investments

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

h) Cash and cash equivalents

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

i) Financial instruments

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

j) Leasing

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

k) Taxation

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

l) Pensions

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

m) Employee benefits

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

n) Funds

Unrestricted funds are donations and other incoming resources for the objects of the charity without further specified purposes and are available as general funds. Restricted funds are funds that can only be used for specific restricted purposes set out by the donor within the objects of the charity. The Landlord Contribution as per note 22 has been deducted from the unrestricted funds to report the reserves net of Landlord contribution.

o) Judgements and key sources of estimation uncertainty

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

Intangible Impairment

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

Bad debt provision

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

Cost allocation

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



2. Donations

| | Group unrestricted funds 2021 £'000 | Group unrestricted funds 2020 £'000 | Charity unrestricted funds 2021 £'000 | Charity unrestricted funds 2020 £'000 |
|-----------------------------------|--|--|--|--|
| Donations from the utility sector | 196 | 411 | 196 | 411 |
| Other donations | 614 | 1,061 | 1,962 | 2,386 |
| | 810 | 1,472 | 2,158 | 2,797 |

Included within the charity's other donations is £1,347,519 (2020: £1,324,377) received from its subsidiary undertakings through Gift Aid Donations.

3. Income from charitable activities

| | Restricted funds 2021 £'000 | Unrestricted funds 2021 £'000 | Total 2021 £'000 | Total 2020 £'000 |
|---------------------------|-----------------------------------|-------------------------------------|---------------------|---------------------|
| Group | ▼ | ▼ | ▼ | ▼ |
| Debt advice and solutions | 11,717 | 41,787 | 53,504 | 53,559 |
| Charity | ▼ | ▼ | ▼ | ▼ |
| Debt advice and solutions | 11,717 | 41,787 | 53,504 | 53,559 |

4. Income from other trading activities

| | Group unrestricted funds 2021 £'000 | Group unrestricted funds 2020 £'000 | Charity unrestricted funds 2021 £'000 | Charity unrestricted funds 2020 £'000 |
|-------------------------|--|--|--|--|
| Insolvency service | 3,425 | 3,530 | — | — |
| Equity release services | 956 | 1,049 | — | — |
| | 4,381 | 4,579 | — | — |

5. Investment income

| | Group unrestricted funds 2021 £'000 | Group unrestricted funds 2020 £'000 | Charity unrestricted funds 2021 £'000 | Charity unrestricted funds 2020 £'000 |
|----------------------------------|--|--|--|--|
| Bank interest | 1 | 28 | 1 | 28 |
| Intercompany interest receivable | — | — | 5 | 5 |
| | 1 | 28 | 6 | 33 |

6. Other income

| | Group unrestricted funds 2021 £'000 | Group unrestricted funds 2020 £'000 | Charity unrestricted funds 2021 £'000 | Charity unrestricted funds 2020 £'000 |
|---|--|--|--|--|
| Commission income from mortgage advisors and insolvency practitioners | 41 | 114 | 41 | 114 |
| Other | 2,239 | 812 | 1,990 | 601 |
| | 2,280 | 927 | 2,031 | 715 |

7. Expenditure on raising funds: other trading activities

| | Group unrestricted funds 2021 £'000 | Group unrestricted funds 2020 £'000 | Charity unrestricted funds 2021 £'000 | Charity unrestricted funds 2020 £'000 |
|-------------------------|--|--|--|--|
| Insolvency service | 2,162 | 2,397 | — | — |
| Equity release services | 911 | 1,043 | — | — |
| | 3,073 | 3,440 | — | — |

8. Expenditure on charitable activities

| | Direct costs 2021 £'000 | Support & governance costs 2021 £'000 | Total 2021 £'000 | Total 2020 £'000 |
|--|-------------------------------|---|------------------------|------------------------|
| Group unrestricted funds | ▼ | ▼ | ▼ | ▼ |
| Debt advice | 8,674 | 10,461 | 19,135 | 22,822 |
| Client management | 13,078 | 8,751 | 21,829 | 20,701 |
| Promotion of charitable purpose | 4,082 | 1,081 | 5,163 | 4,523 |
| Total | 25,834 | 20,293 | 46,127 | 48,046 |
| Group restricted funds | ▼ | ▼ | ▼ | ▼ |
| Debt advice | 9,585 | 2,754 | 12,339 | 10,345 |
| Client management | 20 | 7 | 27 | 57 |
| Promotion of charitable purpose | 23 | — | 23 | 354 |
| Total | 9,628 | 2,761 | 12,389 | 10,756 |
| Total expenditure on charitable activities | 35,462 | 23,054 | 58,516 | 58,802 |
| Charity unrestricted funds | ▼ | ▼ | ▼ | ▼ |
| Debt advice | 8,674 | 10,461 | 19,135 | 22,822 |
| Client management | 13,078 | 8,751 | 21,829 | 20,701 |
| Promotion of charitable purpose | 4,082 | 1,081 | 5,163 | 4,523 |
| Total | 25,834 | 20,293 | 46,127 | 48,046 |
| Charity restricted funds | ▼ | ▼ | ▼ | ▼ |
| Debt advice | 9,585 | 2,754 | 12,339 | 10,345 |
| Client management | 20 | 7 | 27 | 57 |
| Promotion of charitable purpose | 23 | 0 | 23 | 354 |
| Total | 9,628 | 2,761 | 12,389 | 10,756 |
| Total expenditure on charitable activities | 35,462 | 23,054 | 58,516 | 58,802 |

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

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

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

9. Analysis of support and governance costs on charitable activities

| | Debt advice 2021 £'000 | Client management 2021 £'000 | Promotion of charitable purpose 2021 £'000 | Total 2021 £'000 | Total 2020 £'000 |
|------------------------------------|---------------------------------|---------------------------------------|---|------------------------|------------------------|
| Unrestricted funds | ▼ | ▼ | ▼ | ▼ | ▼ |
| IT, digital & change | 5,432 | 4,775 | 590 | 10,797 | 10,651 |
| Corporate services | 3,091 | 2,441 | 301 | 5,833 | 5,598 |
| People services | 1,753 | 1,389 | 172 | 3,314 | 3,258 |
| Governance | 185 | 146 | 18 | 349 | 342 |
| Total | 10,461 | 8,751 | 1,081 | 20,293 | 19,849 |
| Restricted funds | ▼ | ▼ | ▼ | ▼ | ▼ |
| IT, digital & change | 2,718 | 7 | — | 2,725 | 2,183 |
| Corporate services | 20 | — | — | 20 | 85 |
| People services | 16 | — | — | 16 | 229 |
| Total | 2,754 | 7 | — | 2,761 | 2,497 |
| Total support and governance costs | 13,215 | 8,758 | 1,081 | 23,054 | 22,346 |

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

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

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

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

10. Transformation

| | Group and charity 2021 £'000 | Group and charity 2020 £'000 |
|------------------------------------|---------------------------------|---------------------------------|
| Professional fees | — | — |
| Incremental project resource costs | — | 1,153 |
| | — | 1,153 |

11. Auditors’ remuneration

| | Total 2021 £'000 | Total 2020 £'000 |
|--|---------------------|---------------------|
| Fees payable to the charity’s auditors | ▼ | ▼ |
| Audit of the financial statements (charity) | 53 | 49 |
| Audit of the financial statements (subsidiaries) | 17 | 17 |
| Other assurance services | 38 | 37 |
| Tax advisory services | 28 | 15 |
| | 136 | 118 |

12. Employees

| | 2021 No. | 2020 No. |
|---|--------------|--------------|
| i) Average number of persons employed by the group | ▼ | ▼ |
| Debt advice | 607 | 658 |
| Client management | 477 | 484 |
| Promotion of charitable purposes | 50 | 49 |
| Insolvency services | 59 | 66 |
| Equity release services | 21 | 25 |
| Support services | 236 | 245 |
| | 1,450 | 1,527 |

The total average full time equivalent (FTE) numbers in 2021 were 1,388 (2020: 1,464).

| | 2021 No. | 2020 No. |
|--------------------------------|---------------|---------------|
| ii) Staff costs | ▼ | ▼ |
| Wages and salaries | 37,578 | 38,972 |
| Social security costs | 3,605 | 3,781 |
| Pension costs | 2,750 | 1,938 |
| Other payroll related benefits | 248 | 279 |
| | 44,181 | 44,970 |

The remuneration of key management personnel (members of the Executive team) is £1,386,000 (2020: £1,279,000). The total remuneration of the Chief Executive Officer was £208,719 in 2021 of which £186,258 comprises basic salary (2020: total remuneration £190,963 and basic salary £167,508). The Chief Executive Officer is not a member of the

contributory pension scheme and total remuneration includes a payment in lieu of pension contributions of £12,276 (2020: £11,404).

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

| | 2021 No. | 2020 No. |
|---------------------|-------------|-------------|
| £60,001 – £70,000 | 12 | 17 |
| £70,001 – £80,000 | 9 | 8 |
| £80,001 – £90,000 | 6 | 9 |
| £90,001 – £100,000 | 2 | — |
| £100,001 – £110,000 | 1 | 3 |
| £110,001 – £120,000 | 3 | — |
| £120,001 – £130,000 | 2 | 2 |
| £130,001 – £140,000 | 1 | 1 |
| £140,001 – £150,000 | — | 1 |
| £150,001 – £160,000 | — | 1 |
| £160,001 – £170,000 | — | — |
| £170,000 – £180,000 | 1 | — |
| £180,000 – £190,000 | — | 1 |
| £190,001 – £200,000 | — | — |
| £200,001 – £210,000 | 1 | — |
| Total | 38 | 43 |

Contributions were made to defined contribution schemes for a total of 36 (2020: 41) of higher-paid employees.

13. Trustees

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

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

None of the remaining Trustees (or any persons connected with them) received any remuneration during the year. One of the Trustees was reimbursed for out of pocket expenses incurred in attending Trustee meetings totalling £255.02 (2020: One Trustee reimbursed for expenses totalling £88)

Indemnity insurance is taken out to provide liability cover to protect any charity Trustee, employee or officer from claims arising against them as a result of an actual or alleged ‘wrongful act’ when performing the scope of their regular duties. The cost of providing this insurance is £26,817 (2020: £13,093).

14. Taxation on other trading activities

As a charity, the company is exempt from tax on income falling within Part II of the Corporation Tax Act 2010 and on gains falling within S.256 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objectives. No tax charges have arisen in the charity.

| | Total 2021 £'000 | Total 2020 £'000 |
|--------------------------------|---------------------|---------------------|
| Analysis of charge in the year | ▼ | ▼ |
| Deferred tax on trading losses | — | — |

15. Intangible assets

| | Group £'000 | Charity £'000 |
|--------------------------|----------------|------------------|
| Cost | ▼ | ▼ |
| At 1 January 2021 | 8,236 | 8,236 |
| Additions | — | — |
| Group transfers | — | — |
| Write-off | — | — |
| At 31 December 2021 | 8,236 | 8,236 |
| Accumulated Amortisation | ▼ | ▼ |
| At 1 January 2021 | 2,574 | 2,574 |
| Charge for the year | 2,059 | 2,059 |
| Group transfers | — | — |
| Write-off | — | — |
| At 31 December 2021 | 4,633 | 4,633 |
| Net book value | ▼ | ▼ |
| At 31 December 2021 | 3,603 | 3,603 |
| At 31 December 2020 | 5,662 | 5,662 |

All intangible assets relate to internal software development.

16. Tangible assets

| | 2021 | | 2020 | |
|--------------------------|----------------|------------------|----------------|------------------|
| | Group £'000 | Charity £'000 | Group £'000 | Charity £'000 |
| Cost | ▼ | ▼ | ▼ | ▼ |
| At 1 January | 8,281 | 7,856 | 7,037 | 6,612 |
| Additions | 2,265 | 2,265 | 1,244 | 1,244 |
| Group transfers | — | — | — | — |
| Disposals | (270) | (270) | — | — |
| At 31 December | 10,276 | 9,851 | 8,281 | 7,856 |
| Accumulated Depreciation | ▼ | ▼ | ▼ | ▼ |
| At 1 January | 6,903 | 6,478 | 6,327 | 5,903 |
| Charge for the year | 907 | 907 | 576 | 575 |
| Group transfers | — | — | — | — |
| Disposals | (158) | (158) | — | — |
| At 31 December | 7,652 | 7,227 | 6,903 | 6,478 |
| Net book value | ▼ | ▼ | ▼ | ▼ |
| At 31 December | 2,624 | 2,624 | 1,378 | 1,378 |
| At 1 January | 1,378 | 1,378 | 710 | 709 |

All tangible assets are fixtures, fittings and equipment.



17. Investments

| Charity | | | 2021 £ | 2020 £ |
|--|----------------------|---|--------------|--------------|
| Subsidiary undertakings | | | 5,001 | 5,001 |
| | Company registration | Activities | 2021 £ | 2020 £ |
| Subsidiary undertakings as at 31 December | ▼ | ▼ | ▼ | ▼ |
| Consumer Credit Counselling Service (Voluntary Arrangements) Ltd | 05659160 | Insolvency services | 1 | 1 |
| Consumer Credit Counselling Service (Equity Release) Ltd | 06741879 | Advice for Equity Release and Mortgages | 5,000 | 5,000 |
| Debt Remedy Ltd | 07869502 | Dormant | — | — |
| StepChange Equity Release Ltd | 08056301 | Dormant | — | — |
| StepChange Financial Solutions Ltd | 08561006 | Dormant | — | — |
| StepChange Voluntary Arrangements Ltd | 08056168 | Dormant | — | — |
| | | | 5,001 | 5,001 |

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

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

| | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| Consumer Credit Counselling Service Voluntary Arrangements Limited | ▼ | ▼ |
| Turnover | 3,557 | 3,575 |
| Cost of sales | (1,488) | (1,738) |
| Gross profit | 2,069 | 1,837 |
| Administrative expenses | (673) | (658) |
| Profit for the financial year | 1,396 | 1,179 |
| Assets | 1,661 | 1,527 |
| Liabilities | (271) | (354) |
| Shareholders' funds | 1,390 | 1,173 |
| Consumer Credit Counselling Service (Equity Release) Limited | ▼ | ▼ |
| Turnover | 1,072 | 1,215 |
| Cost of sales | (911) | (1,043) |
| Operating profit | (160) | 172 |
| Interest payable | (5) | (6) |
| Taxation | — | — |
| Profit for the financial year | (155) | 166 |
| Assets | 545 | 616 |
| Liabilities | (394) | (451) |
| Shareholders' funds | 151 | 165 |

18. Debtors

| | Group 2021 £'000 | Group 2020 £'000 | Charity 2021 £'000 | Charity 2020 £'000 |
|-------------------------------------|---------------------|---------------------|-----------------------|-----------------------|
| Due within one year | ▼ | ▼ | ▼ | ▼ |
| Trade debtors | 5,056 | 4,978 | 4,013 | 3,928 |
| Prepayments and accrued income | 4,163 | 4,140 | 4,132 | 4,090 |
| Other debtors | 38 | 59 | 36 | 58 |
| Amounts owed by group undertakings | — | — | 533 | 437 |
| | 9,257 | 9,177 | 8,713 | 8,513 |
| Deferred tax asset (note 14) | — | — | — | — |
| | 9,257 | 9,177 | 8,713 | 8,513 |
| Due after more than one year | ▼ | ▼ | ▼ | ▼ |
| Amounts owed by group undertaking | — | — | 200 | 200 |
| Total | 9,257 | 9,177 | 8,913 | 8,713 |

The amount owed by a group undertaking after more than one year is a loan of £200,000 (2020: £200,000) made to Consumer Credit Counselling Service (Equity Release), a trading subsidiary of Foundation for Credit Counselling. Interest is charged at a rate of 2.50% and is subject to annual review. The loan is repayable on any date agreed in writing between the parties or

within 30 days of receipt of a written request from the Lender (which the Lender agrees it will only serve on the Borrower if, in the reasonable opinion of the Lender, the Borrower has financial resources available to it to repay the Loan at that time). The Trustees do not currently envisage either event to crystallise within 12 months of the balance sheet date.

19. Cash and cash equivalents

| | Group 2021 £'000 | Group 2020 £'000 | Charity 2021 £'000 | Charity 2020 £'000 |
|--|---------------------|---------------------|-----------------------|-----------------------|
| Cash and cash equivalents | ▼ | ▼ | ▼ | ▼ |
| Cash balances | 7,120 | 7,400 | 5,991 | 6,358 |
| Bank deposits | — | — | — | — |
| Total cash and cash equivalents | 7,120 | 7,400 | 5,991 | 6,358 |

Bank deposits are included within cash and cash equivalents when they have an original maturity of 3 months or less.

20. Creditors: amounts falling due within one year

| | Group 2021 £'000 | Group 2020 £'000 | Charity 2021 £'000 | Charity 2020 £'000 |
|---|---------------------|---------------------|-----------------------|-----------------------|
| Creditors: amounts falling due within one year | ▼ | ▼ | ▼ | ▼ |
| Trade creditors | 743 | 1,575 | 715 | 1,540 |
| Other taxes and social security costs | 761 | 986 | 743 | 966 |
| Accruals and other creditors | 2,239 | 2,967 | 2,154 | 2,853 |
| | 3,743 | 5,528 | 3,612 | 5,359 |

21. Operating lease commitments

| | Land and buildings 2021 £'000 | Other 2021 £'000 | Total 2021 £'000 | Total 2020 £'000 |
|--|-------------------------------------|---------------------|---------------------|---------------------|
| Expiry date | ▼ | ▼ | ▼ | ▼ |
| Within one year | 208 | 19 | 227 | 131 |
| Between one and five years | 1,007 | 147 | 1,154 | 2,155 |
| After five years | 7,205 | — | 7,205 | 8,402 |
| | 8,420 | 166 | 8,586 | 10,688 |
| Net expenditure for the year before taxation is stated after charging | ▼ | ▼ | ▼ | ▼ |
| Operating lease charges | 2,038 | 165 | 2,203 | 1,961 |

22. Movements in unrestricted funds

| | At 1 Jan 2021 £'000 | Incoming resources £'000 | Outgoing resources £'000 | At 31 Dec 2021 £'000 |
|--|------------------------|--------------------------------|--------------------------------|-------------------------|
| Group | ▼ | ▼ | ▼ | ▼ |
| Unrestricted reserves | 17,334 | 49,259 | (49,201) | 17,392 |
| Landlord contribution | — | (277) | 1,940 | 1,663 |
| Reserves net of Landlord contribution | 17,334 | 48,981 | (47,261) | 19,055 |
| Charity | ▼ | ▼ | ▼ | ▼ |
| Unrestricted reserves | 16,002 | 45,982 | (46,128) | 15,856 |
| Landlord contribution | — | (277) | 1,940 | 1,663 |
| Reserves net of Landlord contribution | 16,002 | 45,705 | (44,188) | 17,519 |

23. Movements in restricted funds

| | At 1 Jan 2021 £'000 | Incoming resources £'000 | Outgoing resources £'000 | At 31 Dec 2021 £'000 |
|-------------------------------------|---------------------------|--------------------------------|--------------------------------|----------------------------|
| Group and charity | ▼ | ▼ | ▼ | ▼ |
| MaPS | 14 | 10,574 | (10,589) | — |
| Ireland - Advice | 302 | (302) | — | — |
| Scottish Ministers | 156 | 1,207 | (1,336) | 27 |
| Welsh Ministers | — | 174 | (174) | — |
| Barclays Execution Services Limited | 283 | — | (283) | — |
| Gambling Commission - Betway | — | 64 | (8) | 56 |
| | 755 | 11,717 | (12,389) | 83 |

MaPS Grant

FCC continued to receive grant funding from the Money and Pension Service (MaPS) to support advice provided by both telephone and digital channels for the period up to 31st March 2022. Through the year additional grant funding was received to fund the establishment of a persistent debt service and to support sector collaboration in the Pilot Advisor Capacity Efficiency (PACE) project. Following the impact of the COVID-19 pandemic, additional grant funds were made available to mitigate core income stream reductions and protect advice capacity and to support the development of a specific COVID payment plan (CVPP) product, tailored for clients suffering short-term adverse debt servicing impacts as a result of the pandemic.

Ireland – advice

FCC received funding from a number of Irish institutions to provide debt advice to financially distressed people resident in the Republic of Ireland, a project which concluded on the 31st March 2019. The COVID-19 pandemic ended the realistic possibility of any immediate further partnership with Ireland's Money Advice and Budgeting Service (MABS) and agreement was reached to return surplus funds during the first quarter of 2021.

Scottish Ministers

FCC received funding under two agreements from the Scottish Ministers. Firstly, for the provision of a telephone debt advice service to indebted individuals for a 1 year period from the 1st April 2019 and subsequently the provision of a specialist debt service with a particular focus on vulnerable clients for the period from 30th May 2019 to 31st March 2020. Both of these agreements were renewed up to 31st March 2022 and an additional agreement was also entered into to increase the support for vulnerable clients as well as building on knowledge and providing training to colleagues on certain key areas.

Welsh Ministers

FCC received funding for the provision of a telephone debt advice to indebted individuals for a 1 year period from the 1st April 2019 from the Welsh ministers. This agreement was renewed up to 31st March 2022.

Barclays Execution Services Limited

FCC received funding in July 2020 to support the recruitment and training of additional debt advisors in response to the COVID-19 pandemic. Advisors were onboarded during August to October 2020, with funding to support provided until April 2021.

The summary of the assets and liabilities for the total restricted funds, disclosed by contract and the total unrestricted funds at 31 December 2021 is shown overleaf.

| | MaPS | Scotland £'000 | Wales £'000 | Ireland £'000 | Barclays £'000 | Betway £'000 | Total restricted £'000 | Total unrestricted £'000 | Total funds £'000 |
|--|------|-------------------|----------------|------------------|-------------------|-----------------|------------------------------|--------------------------------|----------------------|
| Fixed Assets | ▼ | ▼ | | ▼ | ▼ | | ▼ | ▼ | ▼ |
| Intangible assets | — | — | | — | — | — | — | — | — |
| Tangible assets | — | — | | — | — | — | — | — | — |
| | — | — | | — | — | — | — | — | — |
| Current Assets | ▼ | ▼ | | ▼ | ▼ | | ▼ | ▼ | ▼ |
| Debtors | — | — | — | — | — | — | — | — | — |
| Investments | — | — | — | — | — | — | — | — | — |
| Cash at bank and in hand | — | 27 | — | — | — | 56 | 83 | — | 83 |
| | — | 27 | — | — | — | 56 | 83 | — | 83 |
| Creditors: Amounts falling due within one year | — | — | — | — | — | — | — | — | — |
| | — | 27 | — | — | — | 56 | 83 | — | 83 |
| Net Current Assets | — | 27 | — | — | — | 56 | 83 | — | 83 |
| Net Assets | — | 27 | — | — | — | 56 | 83 | — | 83 |

24. Related party disclosures

On a consolidated basis, there were no (2020: none) transactions undertaken with related parties during the year. The charity provided a loan of £200,000 (2020: £200,000) to Consumer Credit Counselling Service (Equity Release). The details are disclosed within note 18.

25. Pension costs

The charity operates defined contribution pension schemes. The assets of the schemes are held separately from those of the company, being invested with insurance companies as per the employee's instructions. The pension cost charge represents contributions payable by the charity to the pension funds and amounted to £2,750,191 (2020: £1,937,845). At the year end the pension creditor amounted to £265,322 (2020: £313,402).

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

| | Group 2021 £'000 | Group 2020 £'000 | Charity 2021 £'000 | Charity 2020 £'000 |
|---|---------------------|---------------------|-----------------------|-----------------------|
| Creditors: amounts falling due after one year | ▼ | ▼ | ▼ | ▼ |
| Trade creditors | — | — | — | — |
| Other taxes and social security costs | — | — | — | — |
| Accruals and other creditors | 1,386 | — | 1,386 | — |
| | 1,386 | — | 1,386 | — |

Thank you to our supporters

Each of these organisations supported us financially in 2021, and many have worked with us on policy to improve the debt landscape. We'd like to express our gratitude for their support, without which our work would not be possible.

| | | | |
|-----------------------------|--------------------------|-----------------------------|-----------------------------------|
| 118 118 Money | Damart | McCambridge Duffy | Sainsbury's Bank |
| Aberdein Considine & Co | DPD | Money and Pensions Service | Santander |
| Affinity Water | E.ON | Moneyline | Scottish Government |
| American Express | Elderbridge | Monzo | Secure Trust Bank |
| Anglian Water | Freeman Grattan Holdings | Moorcroft Debt Recovery | Shelby Finance |
| Arrow Global | Harvey and Thompson | Morses Club | Shell Energy |
| Auden Group Limited | Hitachi Capital | N Brown | Southern Water |
| Barclays UK | Hoist Finance | Nationwide Building Society | Spark Energy |
| Betway Group | Home Retail Group | NatWest | SteadyPay Limited |
| Bristol and Wessex Water | Hoopers Department Store | NewDay | StepChange Financial Solutions |
| Bristow & Sutor | HSBC Bank | Northumbrian Water | StepChange Voluntary Arrangements |
| British Gas | Ikano Bank | Nottingham Building Society | TBI Financial Services |
| Cabot Credit Management | Intrum | OVO Energy | Tesco Bank |
| Capital One | Jaja Finance | Paragon | The Very Group |
| Capital Resolve | Klarna | Pega | TSB |
| CARS | Lantern | PRA Group | United Utilities |
| Clarion Housing | Leeds Building Society | Provident Financial Group | Utilita Energy |
| Computershare | Lendable Ltd | Red Kite Community Housing | Virgin Money |
| Co-operative Bank | Link Financial | Redcats | Welsh Government |
| Creation Financial Services | Lloyds Banking Group | Royal Mail | Welsh Water |
| Credit Security | Lowell Financial | | Yorkshire Water |
| Curo Group | Marston Group | | Zopa |



