StepChange Debt Charity

Stepping Up

Annual Report and Accounts 2018

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Overview

Chair of Trustees' statement

I am both honoured and delighted to have been appointed Chair of StepChange, which is such an important charity. As we report on our achievements of 2018, I also look forward to the challenges of the current year and beyond.

With over 3 million people in severe financial circumstances in the UK our principal challenge remains our capacity to help everyone who contacts us. The Wyman review, commissioned by the Money and Pensions Service's predecessor body, envisaged the need for a doubling of the availability of advice across the sector. Unsurprisingly, therefore, 2018 has been another very busy year for us, with 657,930 people contacting us for help with problem debt, the most in our 26-year history.

The number of people we managed to take through full debt advice rose marginally to 306,391. The proportion accessing advice recommendations online rose from 57% to 61% as we continue to see a shift towards demand for online rather than telephone-based services.

In terms of solutions, at the year-end we had set up 56,660 new supported solutions and had directly arranged other suitable outcomes for people during the year.

Recognising the strategic need to help more people with our existing resources, we have continued to make progress with our operational systems and ways of working transformation programme. Our initial major capital investment in new technology nears completion. The process has proved challenging in terms of effort, money and timescale, but we now look forward to seeing the benefits start to emerge later in 2019 and beyond.

This is likely to require continual investment as we continue to pursue the increased efficiency and high-quality service that our funders expect. To this end, we are working with a group of debt advice providers aiming to develop a more collaborative model for the sector in the future, in line with Wyman's recommendations.

In parallel, we see the desirability of intervening earlier in the debt cycle to help prevent people from falling too far into debt in the first place, and we are actively exploring how to play our part in making this happen.

Important as infrastructure and strategy may be, in the end our business is all about successfully helping people. In 2018 we launched 'Client Outcomes', our new continuous tracking survey of our clients. This began to give us fresh insights that will help drive further improvements. Early findings are highlighted on pages 14-15, and suggest that our advice and solutions are effective, but that many people remain living on a knife edge, especially those with an ongoing negative budget.

Our second major challenge is to influence constructively government policy at all levels. Top of the list is working with the Money and Pensions Service and its sponsoring departments, the Department for Work and Pensions (DWP) and the Treasury, as well as working closely with the devolved governments in Scotland and Wales.

We will continue to engage with them in discussing what a threshold level of "free at the point of sale" debt advice provision should be and how it should be funded.

On specific policy issues we have had a successful campaigning year. One of the most notable policy changes that we argued for was the Financial Conduct Authority's decision to cap prices in parts of the high cost credit market and in overdrafts. We welcomed HM Treasury's consultations on the scope of the new Breathing Space scheme and statutory debt repayment plans. We supported the Ministry of Justice's call for evidence on bailiff practice, which will inform a decision in 2019 on whether to impose more stringent regulation on bailiffs – a step we regard as vital.

Our unique research and statistics, and the insight we gain from working with so many clients, helped us deliver a number of highly regarded reports including our 'Affordable alternatives to high cost credit' report in March.

Indeed, the National Audit Office used some of our research in its influential assessment of the costs to government of problem debt, which noted, among other things, that the government's own debt enforcement practices lag behind those required in the credit sector.

We are very grateful to Sir Hector Sants, who was my predecessor until October, when he stood down to take up his new post as Chair of the Money and Pensions Service and to my fellow trustee, Chris Stern, who acted as Interim Chair pending my own arrival.

I would like to thank our 1,500 dedicated colleagues across the country for all their hard work. We recognise that providing advice to people with great difficulties can itself be stressful as well as rewarding. Thanks are also due to our 900 partner organisations and innumerable supporters and contacts without whom we would not have been able to help so many clients in 2018.

We look forward to another challenging year ahead. Together we will help more people break free from problem debt and shape the public policy landscape to reduce its occurrence in the future.

John Griffith-Jones
Chair of Trustees

CEO's statement

As in previous years 2018 has been an incredibly busy year for the charity. In fact, we've helped more people than at any time in our 26-year history. At the same time, we've made excellent progress in building the foundations that will enable us to positively change the lives of twice as many people by 2022.

Our new strategy: Stepping Forward, maps out how we will achieve this target. However, it is not enough that we increase the number of people we help, we also need to help people earlier. It is clear that the vast majority of clients who come to us for debt advice would have achieved earlier resolution and greater choice if they had sought help sooner.

This is why we are building an infrastructure which will allow us to expand our operations into earlier interventions. In 2018 we started taking calls from clients who are not in crisis but who have persistently high credit card balances. Whilst numbers are small at the moment, this work has yielded excellent results, with many clients moving on to specific plans and others simply getting general money advice. We will be looking to expand this service in to other areas of early intervention in 2019 and beyond.

Our funders rightly demand that our operations are efficient and that we demonstrate value for money. More importantly, we hold ourselves to the highest possible standards with regards to quality and consistency of debt advice. It is these imperatives that are driving our ways of working transformation. This is not an IT implementation but rather a new way of working, replacing legacy processes and systems with a more intuitive approach to the way that we serve our clients whether they come to us online (now 61% of contact) or by telephone.

This new approach improves how we detect and assist clients with additional vulnerabilities. Our new way of working will also give our colleagues a more varied working day which, in turn, will help us keep a clear focus on the wellbeing of our colleagues given the emotionally intense nature of our activities.

The major next phase of this implementation will go live in the first half of 2019 following the excellent progress made in 2018. These developments have required significant financial investment during the year, but have already started to deliver efficiencies. Continual investment in these systems and our people will continue to be a key feature for 2019 and beyond.

One challenge that all providers are facing is the changing debt landscape; clients have fewer assets, and lower surpluses.

This change is driving growth in the uptake of Debt relief orders (DROs) which increased by 40% in 2018 and remain underfunded.

An incredibly important part of our role is delivered by the small campaigning and influencing team based in London. This team has created quite a splash in 2018 with continued work on the implementation of Breathing Space and also with the quiet announcement in the Budget that a No Interest Loan Scheme is to be designed by an HM Treasury working group, including StepChange. The sector has been lobbying for this style of scheme which creates a small loan alternative to payday, doorstep and rent-to-own lending and could go a long way to stamping out poor practice in high cost credit lending in the UK.

StepChange is nothing without the hard work, extraordinary efforts and selfless devotion of our 1,500 colleagues located around the UK. Our colleagues go above and beyond every single day, dealing sensitively with clients, many of whom are in desperate need of help and hope.

This is difficult and emotionally complex work and the Executive team, Trustees and clients extend their thanks to all our colleagues for everything they do. We will be continuing to look at new ways to recognise and reward their dedication in 2019.

I would also like to thank Sir Hector Sants for his excellent support as Chair as we developed the 2022 strategy. I was very sorry to see him step down but our loss is the Money and Pensions Service gain.

I would like to finish by thanking our funders and contributors, who provided over £55m of support to the charity in 2018. Without them, none of this extraordinary work would be possible.

Phil Andrew
Chief Executive Officer

Why free debt advice matters

Around 3.3 million people in the UK are in severe problem debt, with 9.3 million people in moderate financial difficulty.

With an uncertain economic outlook, free debt advice can help people build better futures.

9.3m
people are in moderate financial difficulty in the UK

3.3m
people are in severe financial difficulty in the UK

There is
£1.624
trillion of outstanding debt in the UK

£13,544
was the average client debt in 2018

115,299
had a personal insolvency across England and Wales in 2018

Our vision

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

Our mission

Our mission is to provide free and impartial debt advice and solutions for people struggling with problem debt and to influence public policy and private sector practice to prevent people from falling into problem debt.

Strategic report

Our four-year strategy

In 2018 we saw the development and launch of 'Stepping Forward: Our four-year strategy' which set out our bold ambition to double the number of people we help by 2022.

In a nutshell, our plan will see us:

Helping more people

- Investing in both our online and telephone services
- Offering a full range of solutions with recommendations to clients based entirely on their needs
- Introducing earlier interventions to help prevent more people reaching problem debt
- Maximising efficiency and working with others to deliver value and impact

Responding to our clients' changing needs

For the first time, we'll develop new services to reach people at a much earlier stage in their debt journey. We'll establish this new service by:

- Working with creditors, partners and clients to identify how best to reach people before they reach crisis point
- Seeking new partnerships to raise awareness of problem debt and ensure financial education and support is available to those who need it
- Securing new funding streams to support these earlier interventions
- Campaigning to reduce the stigma of problem debt so more people access support without fear or shame

Colleagues and partners working together

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

We'll continue to develop by:

- Identifying and embedding career opportunities to help us grow, retain and reward talent
- Introducing graduate entry and apprenticeship schemes
- Working with partners to create joint policy initiatives to reduce the harm of problem debt

Our work in 2018: How we're delivering

We work together to make change happen. In 2018 we made significant progress against our charitable objectives. We've pioneered debt advice but we've got much more to do, especially with our ambitious plans to double the number of people we help by 2022.

Our Trustees follow the Charity Commission's general guidance on public benefit and supplementary guidance for charities whose aims, like ours, include preventing or relieving poverty. We also adhere to rules from the Office of the Scottish Charity Regulator and the Irish Charities Regulator.

In 2018 our activities were in line with our charitable objectives, our progress against these objectives is described in the next section.

Cutting edge work on advice and solutions

Our first objective is to provide free debt advice and solutions for people struggling with problem debt.

In 2018 we continued to offer industry-leading debt advice and solutions, and we began a long-term study of client outcomes.

End-to-end debt advice

Our holistic debt advice process supports clients all the way through to financial recovery:

Step 1 We work with clients to create an income and expenditure statement

Step 2 We identify the most appropriate solution for the client

Step 3 They receive a personalised action plan, offering them access to a range of suitable debt solutions

Step 4 We set up their managed solution, or advise them on what to do next

Step 5 We provide advice and aftercare until they've recovered financially

Our debt solutions

We offer the widest range of practical debt solutions of any provider in the UK:

Advocacy services

- Specialist support for vulnerable clients

Debt solutions

- Token payment plans
- Debt management plans

Financial solutions

- Mortgage advice
- Equity release

Scottish solutions

- Sequestration
- Trust deeds
- Debt arrangement scheme
- Minimal assets process

Insolvency options

- Individual voluntary arrangements
- Bankruptcy advice
- Debt relief orders

Key statistics:

How we're performing compared to 2017

657,930 clients contacted us — + 6.1%

306,391 clients completed a debt advice session — + 0.3%

56,660 clients started a managed solution — – 8.3%

6,315 Debt relief orders set up — + 40%

£432m of debt repaid by our clients — + 0.8%

£110m written off with our support — + 7%

24,310 became debt free with our support — + 15%

Key achievement:
We piloted our Client Outcomes project.

We will use this to further drive operational excellence and support our public policy work.

We define a ‘client outcome’ as the changes, or lack of changes, in a client’s situation after receiving debt advice. This includes their financial situation as well as other aspects of their life such as overall wellbeing.

Our initial findings:

Getting debt advice helps people's financial situations

The evidence from this pilot suggests that debt advice is working particularly effectively for certain groups of people in problem debt. Three months after advice, 60% of clients said their overall financial situation was better than before seeking advice. Even better, 12% said their debt problem was now completely sorted.

But many clients are still living on a knife edge

For most clients, including those with positive budgets, debt problems can’t be solved after just three months, and the severe impact of problem debt is still being felt at 15 months after advice. At three months, 14% of clients were still using credit, with 4% using it for housing costs and essential bills.

Recovery from debt is often a marathon, not a sprint

For many clients with additional vulnerabilities, particularly those who also have negative budgets, making ends meet each month can be difficult. More than a third (36%) of clients with a negative budget and additional vulnerability say they don't think they’ll be able to make ends meet.

Our goals for 2019

- Help even more people than in 2018
- Increase the number of clients who complete a full debt advice session
- Continue to use research to better understand client outcomes

Neil's story

Neil was young when he joined the military. He wasn't used to being paid regularly and he struggled to manage his money.

He'd spend significant amounts of money every weekend travelling back and forth from home and socialising with friends and eventually Neil ended up in his overdraft. He was getting £10 into the black, before entering the red again and spending his overdraft for the rest of the month. Neil then got offered a credit card and "very naively" didn't pay it back, trying to ignore his money issues, hoping they'd go away.

Neil managed to momentarily gain control of his finances, but as soon as he felt in control again, he went back to spending money he didn't have. This continued until he left the army.

Using credit to live

At one point, he went on holiday to Mexico, and spent the entire time worrying about how he was going to pay for it.

It got to the point where Neil was using payday lenders just to survive another month and pay his living expenses.

Scared to answer the phone, he wasn't eating and he began losing weight very quickly. Neil was behind on his water, electricity and Council Tax.

Neil described his experience with his creditors as "scary" and at one point the Council threatened to take Neil to court for his arrears. One bank even told Neil he was going to have visits from bailiffs, so he turned off his lights, shut his curtains and put his car around the corner.

The road to recovery

One day however, Neil saw an advert for StepChange.

He says:

"As soon as I spoke to someone I felt like a weight had lifted".

The advisors helped him budget, and put him on a debt management plan. His budget even allowed him to put a little aside each month in case of income shocks – which was incredibly helpful as his landlord sold the property Neil was living in.

Neil says if this had happened before the help he received from StepChange, "He'd probably have been homeless." But because Neil had the safety net, he was able to get a tenancy deposit sorted.

Neil now has two more payments to make until he's considered debt free and is in the process of applying for a mortgage. He says he can't wait for the next step of the journey to start.

Collaboration and efficiency

Our second key objective is to be the most efficient and sustainable provider of free debt advice and debt solutions.

We're driving efficiencies, leading the conversations around funding, and working with hundreds of organisations across the sector.

Key facts and figures:

We reduced our client advice cost by **4.2%**

We continued to collaborate with Citizens Advice and Business Debtline to direct clients to the right advice provider for their needs

We continued to develop our customer relationship management system (CRM) to better serve our clients

We supported the development of the Single Financial Statement (SFS)

Key achievements:

Our ways of working programme

The new systems, processes and ways of working we're developing will mean we operate more efficiently, increasing our capacity and capability so we can help more people and at the same time deliver a better experience for both clients and colleagues.

Our ways of working programme is a huge investment, not just in new technology and processes but in our most important asset, our colleagues. It will also mean we can develop new, innovative products and services that will benefit our clients, our creditors and strategic partners and help us develop new partnerships. This investment represents our commitment to stepping up to our social responsibility to help more people.

Our partners referred
154,611
clients to us for telephone advice

What's changing?

- The systems and processes we'll use
- The way we'll interact with clients
- The way our debt advice team is structured
- The types of work we'll carry out

Our new customer relationship management system

Customer expectations continue to change dramatically and will continue to evolve. People now expect technology to provide an experience which is fast, efficient and intuitive. They want to see their information at a glance and serve themselves when they wish. We need to be able to react and adapt to these changes and our new CRM will allow us to do just that.

Client benefits

- Clients will still be able to choose between phone and online debt advice but now they'll be able to switch seamlessly between the two.
- The information we request from the client will be tailored to their circumstances. For example, if they've told us they don't have children, we won't ask about child-associated expenditure.
- We can focus even more on adapting our approach to suit clients, acknowledging and addressing their circumstances, and preferences.
- Our budget-only service supports clients who don't need the whole debt advice process, but just need to evidence their financial circumstances to creditors or better manage their finances.

Colleague benefits

- Colleagues will use just one integrated debt advice and client management platform, instead of the several which are used today.
- It will be quicker and easier for colleagues to navigate a client through the process and will adapt their approach to meet the needs of each client.
- A typical day could include calls, emails, webchats and a co-browse sessions where they'll see the same information the client sees. That's on top of tailoring our approach to each client.

Leading the conversation about funding in the sector

Funding for the sector remains an issue. We continue to work to diversify our funding streams through broadening the support we offer to our clients and partners.

At the same time, we continue to work with partners to maximise the effectiveness of fair share contribution (FSC) by increasing the base of funders.

We fully support the Money and Pensions Service (MAPS) funding work stream, this is a positive step forward in resolving what is a very complex sector wide issue. It's critical that existing funding mechanisms remain supported whilst this work progresses to ensure the sector can continue to support clients in need of debt advice and solution servicing.

Sector collaborations

In 2018 we continued to work with hundreds of organisations across the charitable and commercial sectors to ensure that people struggling with debt get the support they needed.

Citizens Advice

In September 2017 Citizens Advice launched a 12-month pilot to provide zero offers and individual voluntary arrangements to their debt advice clients. The pilot included a cross-section of local Citizens Advice across England and Wales.

From November 2017 we agreed to support the pilot and manage their clients' payments for any ongoing debt solutions such as debt management plans (DMPs), token payment plans (TPPs) and settlements.

Now when a Citizens Advice client is eligible for a DMP, TPP, settlement or IVA, or they require a holding strategy, they are referred to one of two new Citizens Advice debt management units (DMUs) which provide all the support they need, with StepChange managing their payments.

Business Debtline

The Money Advice Trust's Business Debtline (BDL) has always been well placed to provide debt advice to the self-employed, but their only limitation has been capacity.

BDL has received funding from MAPS to increase the size of their team and extend their service hours, therefore increasing the provision of debt advice for the self-employed.

Now, when a self-employed client contacts us for help, as soon as we identify they are self-employed, we refer them to BDL as the debt sector specialist for the self-employed.

This means that self-employed clients receive the best possible advice for their particular circumstances, from the provider in the market who's best placed to offer the specialist advice and support that these clients need.

The standard financial statement (SFS)

To create consistency and drive efficiencies, the debt advice sector has been working together over many months to adopt a standard financial statement (SFS).

This is a landmark development for debt advice in the UK, delivering, for the first time, a universal income and expenditure statement, together with a single set of spending guidelines - allowing the debt advice sector and creditors to work together to achieve the right outcomes for people struggling with their finances.

Our goals for 2019

- Continue to implement our four-year strategy
- Work with even more partner organisations
- Launch our new System in spring 2019

Improving debt advice policy and practice

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 wins included Breathing Space, a no interest loan scheme (NILS) feasibility study, FCA interventions on rent-to-own and overdrafts, and MPs getting behind the campaign for bailiff reform.

Key facts and figures:

4 major policy wins

Government introduced the No Interest Loan Scheme pilot

10 consultation responses

8 influential research and data reports

4 major FCA interventions matching our goals

Parliament legislated for Breathing Space within the Financial Guidance and Claims Act 2018

Key achievements:

Despite the ongoing upheaval in Westminster, our team in London achieved great progress against our key campaigns:

Breathing Space

We've campaigned for years for a debt "Breathing Space", and we're delighted that the government formally included it in the Financial Guidance and Claims Act 2018.

HM Treasury is currently finalising on the design of the scheme and the accompanying proposed statutory debt repayment plan, and the details should be announced later in 2019.

The scheme will only be fully effective if it includes wider debts (such as council tax) and not simply consumer credit – as influential reports from both the Treasury Select Committee and the National Audit Office, using our evidence, recognised. We anticipate that this will be made explicit in the final design of the scheme.

Affordable alternatives to high-cost credit – and savings

In another campaigning win, the 2018 Budget announced government support for a feasibility study on a "No Interest Loans Scheme" (NILS). NILS would tackle the poverty conundrum that last year saw an estimated 1.4 million households turn to high cost credit simply to meet basic needs.

It would enable households who can't afford essential goods to pay sustainably for them without resorting to unaffordable borrowing. International experience suggests such schemes can be highly effective. The government's new "Help to Save" scheme, rolled out in September 2018, provided another important piece of the jigsaw to build financial resilience. Having £1,000 in accessible savings nearly halves a household's risk of experiencing problem debt. In line with our campaigning, the new scheme provides worthwhile incentives to lower-income working households to start saving.

Tackling unsustainable credit

2018 saw the Financial Conduct Authority (FCA) taking action across a range of fronts to tackle unsustainable credit, all of them reflecting StepChange campaigning priorities.

As well as intervening to require credit card firms to address the issue of persistent card debt, the regulator also adopted an innovative approach to cap costs in the rent-to-own market, not only in terms of the cost of credit but also the underlying cost of goods.

Perhaps the most dramatic proposed shake-up announced in 2018 was on overdrafts. The FCA announced in December proposals to stop firms from charging higher prices for unarranged overdrafts, and a requirement on firms to identify and help customers stuck in persistent overdraft debt.

Campaigning for further bailiff reform

Despite reforms in 2014, we and other debt charities have continued to see far too many clients continuing to experience poor practice from bailiffs. Our lobbying for tighter regulation and supervision, working with partners such as Citizens Advice, resulted in a November 2018 announcement by the Ministry of Justice of a new call for evidence on bailiff behaviour.

We worked in a coalition with 10 other organisations under the Taking Control campaign banner to produce a wide-ranging response to the Ministry of Justice consultation.

Our efforts to raise the profile of the issues with MPs resulted in a meeting if the All Party Parliamentary Group on debt about the issue, a Westminster Hall debate among MPs, and an evidence enquiry by the Justice Select Committee.

We await the government's decisions following the consultation.

Key reports in 2018: Insight and data to drive change

In 2018 we released a number of influential reports that helped us to shape opinion and influence policy.

Affordable alternatives to high-cost credit – March

Too many families on low incomes are turning to high cost credit as a safety net to pay for everyday household costs. We looked at what sort of affordable credit could help low income households, so they don't have to turn to high cost credit.

We called for:

- Mixed and expansive provision of affordable credit alternatives and grant based emergency support
- A sustained and long-term programme to expand the provision of community lending
- The UK and devolved governments lead the development of no-interest loan provision

Result:

- The Autumn Budget announced a feasibility study into the NILS.

Behind on the basics – May

For some, just keeping up with basic household costs can be a real struggle. 140,000 people who received debt advice from us in 2017 were behind on at least one of their essential household bills.

Our data revealed that of those in financial difficulty, certain groups may be at particularly high risk of falling into arrears, including lower income families, younger people renters, and people with a vulnerability.

We called for:

- Further action to help those in arrears get the right support to get back on track
- A commitment that all debts to government, such as tax, council tax and benefit overpayments be included as part of a Breathing Space scheme
- The Department for Work and Pensions (DWP) ensure that deductions from benefits are only applied when appropriate, and won't cause hardship for the individual or their family
- The government lead a review of how to increase households' financial resilience

Result:

- The National Audit Office used some of our data in its influential report on the costs of problem debt to the public purse, and the government's Breathing Space consultation proposed the inclusion of debts to government within the statutory debt repayment place, which is vital.

Breaking the link - June

Our briefing looked at the financial circumstances of our clients with vulnerabilities. Debt can have a serious impact on anybody's life, but for people who are in a vulnerable situation, such as physical or mental health problems, or a life event, it can be even more severe.

Our research found that in 2017, we supported almost 29,500 people who had an additional vulnerability on top of their financial difficulties. That's the equivalent of one in five of the clients we advised in 2017.

We called for:

- Policymakers, financial services firms, utilities providers, debt collection and enforcement agencies and support organisations – to help people with a vulnerability get the support and adaptations they need to ensure they're at no greater risk of financial harm
- And, to reduce the negative impacts of problem debt so that it doesn't affect people's health and wellbeing

Result:

- The FCA is undertaking further work on how financial firms should treat their vulnerable customers, and as a charity we are creating new ways of working to better support our clients who face additional challenges.

Locked out by debt – November

Our research looked at how our clients' problem debt affected their access to housing and the security, quality and affordability of their homes, at a time they were trying to stabilise their finances or repay their debts.

Our research found that poor credit ratings affected clients' access to housing, forced clients into expensive private rentals and that housing quality had a negative impact on energy bills.

We called for:

- A cross-government review of the use of the private rented sector for housing vulnerable people
- Voluntary initiatives where paying your rent on time could improve credit ratings without taking out new credit agreements
- Protections from eviction for rent arrears in the government's new Breathing Space and statutory debt repayment plan schemes
- An end to 'no fault' evictions in Scotland so other UK nations could build on this policy

Result:

- We secured important meetings with housing policymakers and are building further on our housing-related influencing work in 2019. We welcome as a first step the Housing Minister's recognition of the need to address the discrimination still faced by tenants claiming benefits when seeking to secure private sector tenancies.

Our policy goals for 2019

- Launch our new programme of work to support Financial Resilience
- Continue to develop our major reports and research initiatives and expand into more work in devolved nations
- Influence the outcome of the Ministry of Justice's bailiff review
- Continue to use client data to provide evidence and insight on debt and make the case for policy change

Testing out prevention alongside cure

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

We have always educated and informed our clients through our services, and in 2018 have started to develop new ways to help them earlier in the journey to debt advice.

Key facts and figures:

145,924
subscribers to our DMP newsletters

5.2m
views of our debt information and advice website pages

2.5m
visits to our website*

Launched our new
Persistent Debt
advice services

784,630
unique visits to MoneyAware our debt advice blog

* We've changed the way we measure web visits in line with industry best practice: we now only count a web visit when a person has viewed one of our pages for at least 30 seconds.

Key achievement:

We launched our persistent debt initiative

We recognise that many people struggling with debt may not yet recognise their situation. It's our strategic ambition that we want to work with people proactively before they enter a debt spiral to ultimately reduce the number of people who hit crisis point.

The Financial Conduct Authority (FCA) rules and guidance on persistent credit card debt now require credit card firms to help customers who have been paying more in interest and charges than the repayments of the principle balance over an 18-month period. As part of these measures, they must also make clients aware of free debt advice. These changes bring a new cohort of people to debt advice who are not necessarily in problem debt, but who still need support.

Our response has been to establish a persistent debt pilot in 2018, using existing resources to:

- evidence the demand on debt advice; and
- measure the impact of clients engaging with us

Our aim is to engage clients earlier, equipping them to take action to remove themselves from persistent debt.

Where possible we want clients to avoid falling into problem debt in the future by:

Education – we educate about the regulatory change and the benefits of paying more than the minimum payment

Budgeting – we create a budget, giving practical money management tips to see if the client is in financial difficulty

Credit management information/debt advice – we provide information about repaying debt more quickly/more cheaply or we take them through our debt advice process

We're delivering this pilot across both telephone and digital channels with information and tools on our StepChange main website and MoneyAware blog.

Our goals for 2019

- Continue to educate and support our clients through our work
- Grow our persistent debt service and help more people before they reach crisis point
- Learn from our pilot service to help inform our further work on persistent card debt

Getting the message out

Our fifth key objective is to create greater awareness of free debt advice. In an increasingly digital age, making sure people reach the right kind of advice is crucial.

We achieved a strong digital media presence and increased our brand awareness.

Key facts and figures:

50% growth in unprompted brand awareness

22% increase in website visits since 2017

36 press releases

1686 pieces of press coverage

279 mentions on TV and radio

23 broadcast interviews

Key achievements:

Our online reach

Through innovations such as our web tools, blogs, information services and digital partnerships we've reached an estimated 2.5m in 2018. We also had 5.2m views of our debt information and advice pages; an increase of 17.7% since 2017.

We're highly visible across the web with links on Money Saving Expert forums, Local Authorities, Housing Associations, as well as creditors and utility companies.

Brand awareness

Unprompted brand awareness of StepChange increased from 5.8% in 2017, to 8.6% in 2018.

We've successfully tackled over 50 instances of trademark infringement by 24 organisations attempting to masquerade as the charity through online advertising, but this remains a problem.

Media coverage

Our small, but highly active media team in London secured extensive media coverage in 2018. This included 279 mentions on TV and radio, and over 1,600 press articles.

Our goals for 2019

- Influence positive policy change including better regulation of bailiff firms, further interventions on high cost credit, a successful introduction of new measures to tackle overdrafts, and the successful introduction of the NILS
- Launch our new programme of policy work to support an increase in financial resilience and a deeper understanding of debt drivers to help inform policymakers
- Continue to use and develop our insight and data to help influence and inform policy and good practice in the debt advice, credit industry and government debt sectors

Nurturing our people

Our final and one of our most crucial objectives is to engage and develop our colleagues.

2018 was a year of careful listening to our colleagues and putting in place the building blocks to support their development.

Key facts and figures:

We employ **1,500** colleagues across 8 cities

We launched a new colleague onboarding site and induction programme

We invested **11,220** hours in colleague training

We launched the One Voice colleague feedback forum

Our CEO hosted **25** townhall sessions

We awarded **20** colleagues with an Iain Kendall Award for excellence

Key achievements:

We recognise that we need to increase investment in our people and do more to support their wellbeing and development during this period of rapid change.

We currently employ over 1,500 people, located in eight offices across the UK. Our colleagues are our greatest asset. Attraction and retention of talented people who embody our values is critical to our success and our ability to support our clients.

Improving our processes

In 2018, we reviewed and revised our recruitment processes, and introduced a new website to welcome and provide pre-induction information to new staff.

This has reduced costs, helped us to attract higher quality candidates, and helped to engage and inform our new colleagues at every stage of recruitment.

Launching our new graduate programme

In September we launched our first ever graduate recruitment programme and received over 900 applications. With six openings available starting in September 2019, competition has been intense, but we have now finalised the entrant selection process. We've created a rotational programme which will give our graduates the chance to find out where their strengths lie and to help us continue to transform our ways of working.

Other improvements in 2018 included:

- Revising our induction programme for those staff who deal directly with clients, enabling them to get "up and running" in their role more effectively
- Introducing a new manager induction workshop to support colleagues moving into line management roles
- Launching a new performance management system built on both objectives and behaviours
- Training 900 colleagues to recognise the signals of vulnerability in client conversations and adapt their approach to deliver better outcomes

Colleague engagement

Every single one of our staff was included in the development of our new four-year strategy, through "town hall" sessions in which our CEO and other senior leaders sought feedback and questions on our proposals, which influenced the final plan.

Following our 2018 colleague engagement survey, we introduced a new representative group, "One Voice", which will act as a regular sounding board to complement other feedback channels.

Survey feedback in 2018 identified that areas for us to focus on included:

- **Visible career paths and opportunities for progression across the charity with appropriately aligned pay and rewards.** This is a key area for us in 2019.
- **Focusing on the health and wellbeing of our colleagues.** Working in debt advice can be stressful. We offer a range of flexible working arrangements and health-related benefits and in 2019 we will develop a comprehensive wellbeing strategy.

We believe in recognising and celebrating success. In addition to departmental recognition, our peer-nominated Iain Kendall Memorial Award, in memory of our first Chief Executive, recognises excellence across the charity and is awarded to 20 colleagues a year who display without exception the charity's values and commitment.

We're very proud of the way that our colleagues so often go above and beyond their core roles in so many ways.

Our goals for 2019

- The development of a total reward strategy aligned with our Stepping Forward strategy
- The development of a comprehensive wellbeing strategy
- The launch of our first Graduate Programme

Financial Review

The group's financial management includes the balanced objectives of maintaining a healthy financial position in both our annual operating results and our reserves as well as using our financial resources to invest in the ability to provide effective and efficient solutions in the future or to reach more people who need our help now.

During the financial year, we have satisfied these objectives by generating an operating surplus for the year and maintaining reserves in accordance with policy whilst investing significantly in our transformation programme and also whilst increasing expenditure on promoting the charity's services.

In 2018, the group recorded an overall surplus of £1.4m (2017: surplus of £0.3m). The increase in surplus largely relates to the presence in 2017 of pre-project costs of £1.4m relating to our ways of working programme which were expensed prior to the project entering its full development phase.

The overall surplus was comprised of a surplus of £330k in restricted funds (2017: £21k surplus) and a surplus of £1,106k in unrestricted funds (2017: £293k surplus). Thus the group has been able to fund its charitable activities from its income for a fourth consecutive year although our surplus is stated before significant capital investment in our new systems.

During 2018 we have incurred capital investment of £5.6m in our transformation programme, further to such costs of £0.9m in 2017 which were eligible for capitalisation as intangible fixed assets.

The reported surpluses from restricted funds in 2017 and 2018 reflect timing differences between incurring and invoicing of costs in respect of our contracts to supply debt advice in the Republic of Ireland and within the Money Advice Service contract. On an annual basis, the performance of unrestricted funds is a more reflective measure of financial performance.

Income

Group income for the year was £54.3m (2017: £53.2m), an annual increase of £1.1m or 2.2%.

The main source of income for the group continues to be the fair share contributions received from creditors. Growth in such income slowed in 2018, with an increase of £0.5m, or 1.2%, to £43.3m in the year. Debt management plan funds disbursed to creditors rose from £418m to £421m.

Donations grew by £0.5m despite a decrease in the amounts received from the utility sector this year.

Operating expenditure

Total group operating expenditure was £52.9m (2017: £52.8m) or, excluding the costs of the transformation programme, £52.8m (2017: £51.5m). Excluding expenditure relating directly to the transformation programme, costs increased by 2.5% from 2017.

The cost increases in 2018 arose wholly in the charity, with operating costs in the two trading subsidiaries being constant year-on-year. Within the charity, total costs (excluding our transformation programme) increased by 2.9% from £47.8m to £49.2m. These costs include promotional activity in the Republic of Ireland which were specifically funded under the related grant agreement, as well as an increase in promotional activity for our core activities.

The cost of providing debt advice reduced in 2018 whilst we also succeeded in increasing the number of people advised and thereby delivering a 4.2% efficiency benefit in the year. This is mainly due to increasing use of our online service. Continuing efficiency in the provision of our services is a key objective for the charity and further reductions in the cost of providing debt advice will be realised via the transformation programme. Increased efficiency in provision of advice and solutions will in turn enable the charity to help more people and remains a key objective for the group.

Capital expenditure

The principal investment during the year has been in the development of new systems under our transformation programme, shown within Intangible Fixed Assets. Related capitalised expenditure totalled £5.6m in 2018 (2017: £0.9m). Costs include third-party software development expenditure, incremental IT and project resources and certain other related project costs.

It should prove that 2018 was the year of greatest investment in the programme as this included the development of both the platform and on-going capability to deliver future phases of the programme. However expenditure on these systems will continue in 2019 and beyond.

The expected benefits of the programme include significant operating efficiencies for telephone-based advice as well as an improved client journey online. A detailed cost benefit analysis is supportive of the business case for the programme and for the intangible asset thereby created.

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 and investments

Our investment policy agreed by the Trustees remains to invest in fixed-term bank deposits only. Therefore we measure our underlying cashflow performance by excluding the movements in current asset investments from the movement in cash and cash equivalents.

Thus, although there was a net increase in cash and cash equivalents of £0.7m in 2018 (2017: £0.3m outflow), the underlying movement including current asset investments was an outflow of £4.3m (2017: £1.5m inflow). This outflow was due to investment in fixed assets including the transformation programme.

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 ongoing viability of the charity given the principal risks as set out in the Risk section.

Our continuing reserves policy is that the charity's free reserves (reserves after deducting net tangible and intangible fixed assets and restricted funds) should not be allowed to fall below £12m. This policy is reviewed by the Trustees at least once a year.

This level of reserves covers the prudential resources requirement under the FCA debt management rules set out within CONC 10.2.5, which requirement stood at £1.6m at the end of 2018. Such reserves would allow the charity to affect an orderly run-off of our existing client portfolio, should the situation ever arise, and to meet our debts. This scenario takes into account a material loss of income and the redundancy costs associated with implementing this course of action.

The reserves at 31 December 2018 were £23.1m (2017: £21.6m), of which £1.1m (2017: £0.7m) are restricted in nature. The level of Free Reserves is £14.7m (2017: £18.9m) after deducting fixed assets of £7.3m (2017: £2.0m). Thus the reduction in our Free Reserves of £4.2m is entirely explained by our net investment of fixed assets of £5.3m during the year.

Our current level of reserves enables us to meet our normal trading commitments and fund on-going investment in our transformation programme.

Investment policy

The charity's investment policy is reviewed annually by the Audit and Risk Committee. In 2018, 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 flexibility to commit a material level of funds to our Transformation programme.

With minimal risk, an average return of 0.55% was achieved (2017: 0.4%) and considered acceptable in the current environment.

Pensions

The group offers our colleagues the opportunity to join a defined contribution scheme. The scheme is administered by Aviva Life Services UK Limited. Contributions made to the scheme during the year were £1.2m (2017: £1.1m), reflecting the increase in the base level of percentage contributions made by the group following the auto-enrolment changes made during the year.

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 57, with additional charity-only disclosures made in the notes to the financial statements.

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

Principal risks and uncertainties

External auditors

PricewaterhouseCoopers LLP was appointed as the group's external auditors in October 2017 and subsequently reappointed by the Board in June 2018. The Board of Trustees (the Board) is responsible for determining the nature and extent of the principal risks it is willing to take to achieve the charity's strategic objectives. Furthermore, the Board mandates oversight responsibility to the Board Audit & Risk Committee for obtaining adequate assurance that the charity has robust systems of internal control and risk management, and that these are reviewed for effectiveness on a periodic 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 an outsourced provider).

In the second line, there is a formal risk management framework embedded across the charity to support the effective identification, assessment and management of risk. The Board and its Audit & Risk Committee, supported by the Executive team, 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 and priorities.

Risk register

To enable this level of review, the charity maintains a register of all of its risks. The risk management framework and associated processes are operated throughout the charity with the Group Risk team responsible for ensuring that the framework is embedded and operating effectively. All departments perform regular risk assessments that consider and assess each department's operational risks.
This process ensures a consistent approach to the assessment of risk across the charity as well as informing the key risk profile from a bottom-up perspective. The findings of both internal and external audit outputs are considered and taken into account when reviewing both the risk register and the annual audit plans. The content of the risk register is considered and discussed at both the Executive and Board of Trustee levels.

2018 and the future

Further progress was made in 2018 to embed the charity's risk management framework and to foster a culture of effective risk management into the first line. A new software solution to support risk management processes across the charity was purchased and implemented during the year. This has enabled a more effective process for the recording, assessing and real-time management of operational risks and risk events.

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

Risk	Relevance
Our ways of working programme fails to deliver the planned benefits, is delayed in its implementation and/or is over budget	We're in the process of transforming our systems and processes to deliver greater efficiency and meet the changing needs of a variety of stakeholder groups
The charity fails to develop and implement a sustainable and proportionate funding model	The charity requires a funding model which reduces our funding concentration risk and is reflective of the breadth of client services provided by the charity
The risk of 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 operation to prevent unauthorised access or misuse of this data
Poor client outcomes (detriment) due to the 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 internal control
Failure to respond effectively to changes in the external environment (regulatory, sector)	The regulatory and legal landscape continues 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
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 recent high-profile governance failures across a variety of sectors, the adequacy and effectiveness of charity governance draws interest from several key stakeholder groups
The risk of sanction or enforcement by a regulatory body due to a material breach of regulatory or legislative requirements	The charity continues to develop strong links with the regulator. Enhancements to the charity's systems and control and assurance mechanisms help to demonstrate to key stakeholders groups the good client outcomes the charity delivers
The risk of 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 client transactions on an annualised basis and the complexity inherent within both the volume and frequency of transactions requires robust systems of internal control and governance to be in place and proven to be effective

Mitigation

- We have a robust programme governance structure in place with clearly defined roles and responsibilities
- Our programme leadership team regularly reviews performance against approved plans
- We have regular, effective engagement with Pegasystems our CRM supplier
- Our critical success factors to measure programme performance are overseen by our audit and risk committee
- Our programme outputs are regularly tested by colleagues to ensure that their needs are being met

- We have regular dialogue with funders to understand value drivers and expectations for good client outcomes
- We have funding model development activity underway which aligns to the Money and Pensions Service workstream activities
- Our efficiency drive with ways of working programme underpins our work to develop our funding model

- We have automated and scheduled checks and controls in operation
- We've implemented enhanced colleague access controls
- We minimise staff risks through pre-employment checks
- We have specialist resource to support the embedding of the charity's information security and data governance framework
- We successfully implemented our GDPR readiness programme by May 2018

- The Board employs a 'three lines of defence' model to provide assurance as to 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
- People with appropriate skills and competence are recruited into senior risk and compliance roles
- We are planning for the implementation of the senior managers and certification regime in 2019 which will further document responsibilities, accountabilities and expected standards of conduct

- We have ongoing engagement with key decision makers and stakeholders in government, the regulator and the wider sector
- We have a horizon scanning framework in operation to early identify changes which may impact the charity and its stakeholders

- We have an experienced and wide-ranging Board of Trustees that meets up to six times a year to oversee the group's strategy and progress in line with the agreed priorities
- Three sub-delegated committees exist within the group's governance framework with specific duties and responsibilities (Nominations Committee, Remuneration Committee, Audit & Risk Committee)
- We have a formal governance structure in place to facilitate decision making at appropriate levels within mandated authorities

- The charity has an established a 'Three Lines of Defence' model in operation with appropriate resource and expertise employed to provide assurance to the Executive team and the Board.
- Key roles in place – Director of Risk & Compliance, Head of Compliance and Head of Regulatory Finance roles oversee delivery of regulatory processes and controls
- 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 potential systemic issues

- 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
- 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

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 permissions under the FCA Handbook within its flexible firm portfolio.

The 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.

The Consumer Credit Counselling Service (Voluntary Arrangements) Ltd is authorised by the Insolvency Practitioners Association (IPA).

Board of trustees

The charity is governed by a Board of Trustees (the Board) and currently consists of 11 Trustees. In 2018, one new Trustee was appointed with four resignations.

For the purposes of company law, all Trustees are treated as Directors of the charity.

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 daily operations managed by the Executive team.

Led by the Chair, the Board carries out an annual performance review which includes one-to-one Trustee meetings with the Chair. The Board met five times during 2018.

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. Governance information is provided by including a copy of the Charity Governance Code and the Charity Commission's booklets, The Hallmarks of an Effective Charity and The Effective Trustee.

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 42.

Audit and Risk Committee

The Audit and Risk Committee is responsible for providing oversight for financial activities throughout the Group, including the review of the Annual Report and Accounts and the effectiveness of the external audit services. The Committee reviews the group's risk management framework and internal control systems and monitors the effectiveness of the internal audit function. Furthermore, the Committee reviews the level of compliance with regulated activities, such as the provision of debt advice and client money activities, and reviews specific risk areas, for example; data protection or business continuity arrangements. The CEO, Director of Finance and Director of Risk and Compliance may be invited to attend the meetings as appropriate. The committee met five times in 2018.

Nomination Committee

The role of the Nomination Committee is to review the structure, size and composition of the Board, including reviewing current skills, knowledge and experience. It also identifies and nominates candidates for Board approval to fill any Board vacancies. The Committee also considers succession planning for the Board and the Executive and reviews any conflicts of interest that may be reported. The Committee met four times in 2018.

Remuneration Committee

This Committee approves the overall policy for remuneration and pension arrangements for all employees, including any major changes to employee benefits. The Committee also determines the remuneration, benefits and pension arrangements of the Chief Executive and the Executive team. The Committee met twice in 2018.

Executive

The Executive team manages the charity's daily activities. Responsibilities are governed through formally minuted monthly meetings (quarterly meetings for the Risk and Conduct Committee).

The Executive Board oversees the strategic policymaking of the Group, recommends the annual budget to the Board and allocates the Group's resources to meet its charitable objectives. This Board is also responsible for overseeing and monitoring the financial performance against plans and reviews progress of the Group's activities against Key Performance Indicators.

The Change Board oversees and monitors the progress of the change programmes and projects, including Transformation to ensure that they meet their objectives on a timely basis to the expected quality and within the agreed budget.

The Risk and Conduct Committee oversees the risk, compliance and internal audit activities across the Group as well as reviewing the performance of regulated activities including conduct, client money, health & safety and information security. It reports to the Audit and Risk Committee.

Charity Governance Code

The charity's governance framework is in alignment with the principles of the 'Charity Governance Code for Larger Charities', published by the Charity Commission in 2017. 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, rationales and key outcomes. The Code's seven principles cover organisation purpose; leadership; integrity; decision making, risk and control; board effectiveness; diversity; and openness and transparency.

Trustees report

Board as at 30 April 2019		Board Committees		
Trustees	Year of appointment	Audit & Risk	Nomination	Remuneration
John Griffith-Jones	2019		Chair	
Josh Bell	2018	Member		
Nick Caplan	2019	Member		
Helen Dean	2019			Member
John Fingleton	2015			Member
Tim Frost	2017	Chair		
Andy Hill	2016	Member		
Monica Kalia	2017	Member		Member
Sue Lewis	2012		Member	Chair
Chris Stern[1]	2016	Member	Member	
Lesley Titcomb	2019	Member		

● Chair
● Member

[1] Chris Stern is the Senior Independent Director and was Interim Chair from 3 October 2018 to 7 January 2019

Sir Hector Sants stepped down as the Chair on 2 October 2018. In addition, there were four trustee resignations since the previous report: Sir Geoffrey Mulcahy with effect from 31 May 2018, The Rt Hon Alun Michael and Dame Suzie Leather with effect from 31 December 2018, and David Coates with effect from 31 March 2019.

The Trustees at 30 April 2019 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 Vice Chairman of the National Numeracy Trust, a Governor of Brentwood School, and is a regular participant in the Speakers for Schools programme.

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.

Josh Bell

Josh Bell is a General Partner at Dawn Capital, a FinTech-focused venture capital firm, leading their investments in transformative financial technologies across the UK and Europe.

Before co-founding Dawn in 2007, Josh worked with McKinsey & Company, specialising in financial services and leading McKinsey's support for the World Economic Forum's financial services knowledge initiatives and activities.

He was a Graduate Scholar at Oxford University in Mathematics, a Research Fellow at Harvard University specialising in Economics and Game Theory and studied further postgraduate statistics at Cambridge University.

Nick Caplan

Nick brings technology, strategy and operational experience from a broad range of sectors. Most recently he co-founded The Smart Request Company which is developing a Request for Payment solution to help people gain better control of their payments. Nick is a Director of Vitality Life and Health and Covea Insurance.

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

Helen Dean, CEO of NEST Corporation, is one of the architects of auto enrolment and responsible for bringing nearly 10 million UK workers into pension saving, including many low and middle-income earners. Helen was a senior civil servant at DWP before joining PADA, NEST's predecessor, where she moved from developing policy to delivering a low-cost, high-quality pension scheme.

Helen led the product, marketing and operations arms of NEST before her appointment as CEO in September 2016. Since then, Helen has been at the helm of one of the largest pension schemes in the UK with over 7 million members.

John Fingleton

John Fingleton is founder of Fingleton Associates, a strategic advice and insight company. He ran the Irish Competition Authority before becoming Chief Executive of the Office of Fair Trading from 2005 to 2012.

He has taught at the London School of Economics, Trinity College Dublin and the University of Chicago and wrote and taught game theory and the economics of industry and regulation.

A member of the Policy Advisory Board at the Social Market Foundation, he is a Trustee at the Kaleidoscope Diversity Trust and the Centre for Economic Policy Research, and he chairs the Executive Risk Committee at Coles, an Australian Supermarket, and is on the Council of Innovate UK.

Tim Frost

Tim is Chair of the Audit & Risk Committee at StepChange. He is the Chair of Cairn Capital, a former Director of the Bank of England and an Emeritus Governor of the London School of Economics.

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.

Andy Hill

Andy Hill is Chair of the Equity Release and Voluntary Arrangements Subsidiary Boards at StepChange. He is retired from his role as CEO at Damart UK and member of Damartex SA Group Board, and recently completed a stint as interim MD at Coopers of Stortford. He is now focusing on non-executive director responsibilities, primarily with StepChange.

A qualified accountant, he has extensive experience in the mail order and retail industries having previously worked for Next, Redcats and the Lennons Group, with direct board responsibility across a range of disciplines including finance, marketing, customer services and IT.

He previously served as director of the UK Direct Marketing Association and Chairman of its Home Shopping Council.

Monica Kalia

Monica is a highly accomplished senior executive with over 20 years of experience in Financial Services. She is the Co-Founder and Chief Strategy Officer 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. It also won "Benefits Innovation of the Year", at the Workplace Savings & Benefits Awards in 2016 and 2017. Formerly, Monica was the Co-Head of the European Banks Equity Research team at Goldman Sachs.

She is a regular speaker at Global Fintech and Employee Wellbeing Conferences, sharing her perspective on financial inclusion, innovation and disruption in financial services. She was invited by House of Lords Select Committee to provide evidence on how Fintech can help address financial exclusion in UK. Monica also champions the cause of diversity and advancement of women in business.

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 the recipient of the Chairman's award for outstanding contribution to U.K. tech in the Diversity UK awards in 2018, and is listed as one of the Top 100 most influential BAME leaders in UK tech by the Financial Times & Inclusive Boards.

Sue Lewis

Sue Lewis is Chair of the Remuneration Committee at StepChange. She was Chair of the FCA's Financial Services Consumer Panel until December 2018. She is a Trustee of The People's Pension, and of Surviving Economic Abuse and the FairBanking Foundation. She is also a consumer advocate member of the Chartered Insurance Institute Professional Standards Committee; an independent member of the Chartered Banker Professional Standards Board; and a member of the European Insurance and Occupational Pensions Authority's Occupational Pensions Stakeholder Group.

Sue advises overseas clients on financial education, financial inclusion and financial services consumer protection. Previously a senior civil servant, from 2005 to 2011 she was Head of Savings and Investments at the Treasury.

Chris Stern

Chris Stern, FCCA FCMI, is Senior Independent Director at StepChange. He has significant Financial Services and Customer Service experience gained across a range of roles and sectors in both senior Executive and Non Executive roles. In addition to his role at StepChange, he is also a Non Executive Director on the Centrica Pension Investment Board and a senior Pension Trustee, having recently completed his term as Chairman of British Gas Insurance.

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 and Home Assistance UK Ltd, both regulated Financial Service intermediaries. He also held a number of senior Executive positions within the Centrica Group stretching over 30 years including Divisional Chief Executive and Finance Director roles, within the Financial Services, Customer and Retail Services, and Automotive, sectors. Chris is a qualified accountant and a Lay Minister within the Church of England.

Lesley Titcomb

Lesley Titcomb is an independent non-executive director of National Bank of Kuwait International and a former Chief Executive of the Pensions Regulator (TPR).

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

Executive Team

Phil Andrew, Chief Executive

Phil has over 25 years' varied experience as Chairman, CEO, CFO, NED and Treasurer in government owned organisations, blue-chip companies and charities in the UK, Ireland, Russia, France and the Far East. Phil is a Chartered Accountant, qualified treasurer and Chartered Marketer.

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

Over the last 10 years he has specialised in environments where social good is the primary objective but in an environment requiring very high levels of commercial efficiency. Phil is Non-Executive Director of Raven Housing Association and was, until recently, Chairman of the Breck Foundation, an on-line safety awareness charity.

Phil has been chosen as one of the Faces of a Vibrant Economy. This programme recognises business leaders for their commitment to developing an economy that enables people, organisations and communities to flourish. Visit Phil's profile at the Faces of a Vibrant Economy website.

Fiona Megaw, Chief Operating Officer

Director of operations, Fiona is responsible for the management, development and direction of all operational areas. Fiona has worked in senior roles within the Charity for over 10 years and has held her current post since April 2006. Earlier in her career, Fiona held senior positions at The Burton Group plc and GE Capital - Global Consumer Finance.

Vikki Brownridge, Director of Charity Development

Vikki is the Director of Charity Development. She's responsible for business development and the management of strategic relationships including funders and creditors. Vikki has worked at the charity for over 13 years in a number of senior leadership positions including Head of Debt Advice and Head of Strategic Partnerships.

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

Richard McKenzie, Director of Risk and Compliance

Richard is responsible for the delivery of the Charity's risk and compliance arrangements. Richard is a Chartered Certified Accountant having qualified with Deloitte.

Richard brings a wealth of financial services experience gained across a variety of industry sectors and business, including Aviva, Cattles and more recently Direct Group.

Richard Britten, Director of Finance

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

Richard 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.

Richard Lane, Director of External Affairs

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

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.

Sian Evans, Director of Human Resources

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

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

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

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

Wade House, Merrion Centre, Leeds, LS2 8NG.

Important numbers

Company number: 02757055 in England and Wales. Charity numbers: 1016630 in England and Wales, SC046263 in Scotland. 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:

- The prevention or relief of poverty amongst persons who are in debt;
- 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
29 Wellington Street
Leeds
LS1 4JP
Internal auditors
BDO LLP
55 Baker Street
London
W1U 7EU

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 April 2019 Board meeting.

Statement of Trustees' Responsibilities

The Trustees (who are also directors of Foundation for Credit Counselling for the purposes of company law) are responsible for preparing the Trustees' Annual Report (including the Strategic 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 (2015);
- 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, Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). 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 confirm that they have had regard to the Charity Commission's guidance on public benefit in reporting on the charity's objectives and achievements on pages 11 to 31.

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.

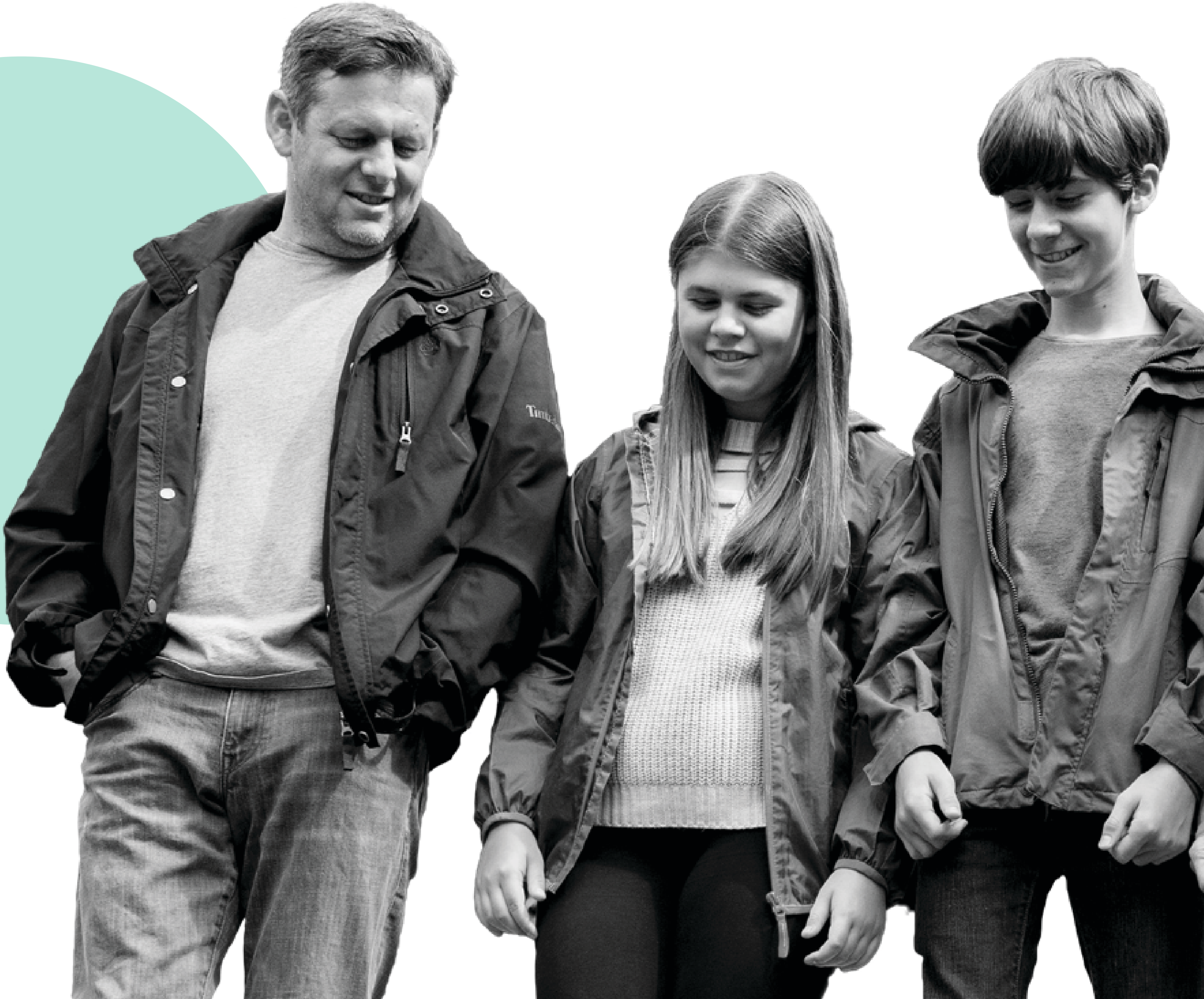
In the case of each trustee in office at the date the trustees' report is approved, we confirm that:

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

b. each Trustee has taken all the steps that they ought to have taken in order to make 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 of Trustees



Financials

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

Report on the audit of the financial statements

Opinion

In our opinion, Foundation for Credit Counselling's Group financial statements and parent charitable company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the parent charitable company's affairs as at 31 December 2018 and of the Group's income and expenditure and 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 (the "Annual Report, which comprise: the Group and parent charitable company balance sheets as at 31 December 2018; the Group and parent charitable company statements of financial activities, the Group and parent charitable company cash flow statements for the year then ended; and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the board of trustees use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board of trustees has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and parent charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group and parent charitable company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group and parent charitable company's trade, customers, suppliers and the wider economy.

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.

With respect to the Strategic Report and Trustees' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Trustees' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Trustees' Report and the Strategic Report for the year ended 31 December 2018 is consistent with the financial statements and the Strategic Report and the Trustees' Report have been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent charitable company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and the Trustees' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the board of trustees for the financial statements

As explained more fully in the Statement of Trustees' Responsibilities set out on page 49, the (who are also the directors of the parent charitable company for the purposes of company law) is 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 board of trustees is 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 board of trustees is responsible for assessing the Group and parent charitable company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intends to liquidate the group and charitable parent company or to cease operations, or has 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.

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

Use of this report

This report, including the opinions, has been prepared for and only for the charity's members and trustees of Foundation for Credit Counselling, in accordance 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.

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. 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

May 2019

Consolidated statement of financial activities

Year ended 31 December 2018

	Notes	Restricted funds 2018 £'000	Unrestricted funds 2018 £'000	Total funds 2018 £'000	Total funds 2017 £'000
Income					
Donations	2	—	1,233	1,233	777
Charitable activities	3	4,487	43,304	47,791	47,004
Other trading activities	4	—	4,810	4,810	4,851
Investments	5	—	37	37	36
Other	6	—	450	450	502
Total income		**4,487**	**49,834**	**54,321**	**53,170**
Expenditure					
Raising funds: other trading activities	7	—	3,606	3,606	3,603
Charitable activities	8,9	4,157	45,054	49,211	47,846
Transformation	10	—	64	64	1,394
Other		—	4	4	3
Total expenditure		**4,157**	**48,728**	**52,885**	**52,846**
Net income for the year before taxation					
Before transformation costs		330	1,170	1,500	1,718
After transformation costs		330	1,106	1,436	324
Net income for the year before taxation		330	1,106	1,436	324
Taxation on other trading activities	14	—	—	—	(10)
Net income and net movement of funds for the year		**330**	**1,106**	**1,436**	**314**
Reconciliation of funds					
Total funds at 1 January		744	20,890	21,634	21,320
Total funds at 31 December	23,24	**1,074**	**21,996**	**23,070**	**21,634**

Charity statement of financial activities

Year ended 31 December 2018

	Notes	Restricted funds 2018 £'000	Unrestricted funds 2018 £'000	Total funds 2018 £'000	Total funds 2017 £'000
Income					
Donations	2	—	2,169	2,169	1,340
Charitable activities	3	4,487	43,304	47,791	47,004
Other trading activities	4	—	—	—	—
Investments	5	—	41	41	46
Other	6	—	450	450	502
Total income		**4,487**	**45,964**	**50,451**	**48,892**
Expenditure					
Raising funds: other trading activities	7	—	—	—	—
Charitable activities	8,9	4,157	45,054	49,211	47,846
Transformation	10	—	64	64	1,394
Other		—	4	4	3
Total expenditure		**4,157**	**45,122**	**49,279**	**49,243**
Net income/(expenditure) for the year before taxation					
Before transformation costs		330	906	1,236	1,043
After transformation costs		330	842	1,172	(351)
Net income/(expenditure) for the year before taxation		330	842	1,172	(351)
Taxation on other trading activities	14	—	—	—	—
Net income/(expenditure) and net movement in funds for the year		**330**	**842**	**1,172**	**(351)**
Reconciliation of funds					
Total funds at 1 January		744	19,967	20,711	21,062
Total funds at 31 December	23,24	**1,074**	**20,809**	**21,883**	**20,711**

Balance sheets

31 December 2018

	Notes	Group 2018 £'000	Group 2017 £'000	Charity 2018 £'000	Charity 2017 £'000
Fixed assets					
Intangible assets	15	6,436	873	6,436	873
Tangible assets	16	886	1,130	885	1,126
Investments	17	—	—	5	5
		7,322	**2,003**	**7,326**	**2,004**
Current assets					
Debtors	18	10,309	9,857	9,832	9,230
Investments	19	0	5,011	0	5,011
Cash and cash equivalents	20	10,103	9,368	9,149	8,836
		20,412	**24,236**	**18,981**	**23,077**
Current liabilities					
Creditors: amounts falling due within one year	21	(4,664)	(4,605)	(4,424)	(4,370)
Net current assets		**15,748**	**19,631**	**14,557**	**18,707**
Net assets		**23,070**	**21,634**	**21,883**	**20,711**
Total group funds					
Unrestricted funds	23	21,996	20,890	20,809	19,967
Restricted funds	24	1,074	744	1,074	744
		23,070	**21,634**	**21,883**	**20,711**

Consolidated cash flow statement

Year ended 31 December 2018

	Notes	Group 2018 £'000	Group 2017 £'000	Charity 2018 £'000	Charity 2017 £'000
Reconciliation of net income/(expenditure) to net cash flows from operating activities					
Net movement in funds		1,436	314	1,172	(351)
Investment income		(37)	(36)	(41)	(46)
Depreciation charge		612	706	607	697
Loss/(profit) on disposal		—	—	—	—
(Increase)/Decrease in debtors		(452)	275	(602)	810
Increase in creditors		59	1,368	54	1,302
Net cash provided by operating activities		**1,618**	**2,627**	**1,190**	**2,412**
Investing activities					
Purchase of tangible fixed assets		(5,931)	(1,143)	(5,929)	(1,143)
Net cash inflow/(outflow) from current asset investments		5,011	(1,783)	5,011	(1,783)
Interest received		37	36	41	46
Net cash used in investing activities		**(883)**	**(2,890)**	**(877)**	**(2,880)**
Net increase/(decrease) in cash and cash equivalents		**735**	**(263)**	**313**	**(468)**
Cash and cash equivalents at 1 January		9,368	9,631	8,836	9,304
Total cash and cash equivalents at 31 December	20	**10,103**	**9,368**	**9,149**	**8,836**

Notes to the financial statements

Year ended 31 December 2018

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 Advice Service, Ireland and Scottish Legal Aid Board 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 24. 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 the development of a new customer relationship management system which the charity will utilise to deliver both debt advice and client management support to clients across both telephone and online channels. The intangible asset is currently held at cost pending completion of the first phase of development work, after which it will be amortised to the Statement of Financial Activities over its expected life.

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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

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.

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.

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 2018 £'000	Group unrestricted funds 2017 £'000	Charity unrestricted funds 2018 £'000	Charity unrestricted funds 2017 £'000
Donations from the utility sector	467	671	467	671
Other donations	766	106	1,702	669
	1,233	**777**	**2,169**	**1,340**

Included within the charity's other donations is £935,596 (2017: £563,042) received from its subsidiary undertakings through Gift Aid Donations.

3. Income from charitable activities

	Restricted funds 2018 £'000	Unrestricted funds 2018 £'000	Total 2018 £'000	Total 2017 £'000
Group				
Debt advice and solutions	**4,487**	**43,304**	**47,791**	**47,004**
Charity				
Debt advice and solutions	**4,487**	**43,304**	**47,791**	**47,004**

4. Income from other trading activities

	Group unrestricted funds 2018 £'000	Group unrestricted funds 2017 £'000	Charity unrestricted funds 2018 £'000	Charity unrestricted funds 2017 £'000
Insolvency service	3,606	3,766	—	—
Equity release services	1,204	1,085	—	—
	4,810	**4,851**	**—**	**—**

5. Investment income

	Group unrestricted funds 2018 £'000	Group unrestricted funds 2017 £'000	Charity unrestricted funds 2018 £'000	Charity unrestricted funds 2017 £'000
Bank interest	37	36	37	36
Intercompany interest receivable	—	—	4	10
	37	**36**	**41**	**46**

6. Other income

	Group and charity unrestricted funds 2018 £'000	Group and charity unrestricted funds 2017 £'000
Commission income from mortgage advisors and insolvency practitioners	323	459
Other	127	43
	450	**502**

7. Expenditure on raising funds: other trading activities

	Group unrestricted funds 2018 £'000	Group unrestricted funds 2017 £'000	Charity unrestricted funds 2018 £'000	Charity unrestricted funds 2017 £'000
Insolvency service	2,712	2,791	—	—
Equity release services	894	812	—	—
	3,606	**3,603**	**—**	**—**

8. Expenditure on charitable activities

	Direct costs 2018	Support & governance costs 2018	Total 2018	Total 2017
	£'000	£'000	£'000	£'000
Group and charity unrestricted funds				
Debt advice	14,012	8,483	22,495	23,239
Client management	12,462	6,131	18,593	17,782
Promotion of charitable purpose	3,438	528	3,966	2,678
Total	**29,912**	**15,142**	**45,054**	**43,699**
Group and charity restricted funds				
Debt advice	3,379	379	3,758	3,349
Client management	103	16	119	562
Promotion of charitable purpose	280	—	280	236
Total	**3,762**	**395**	**4,157**	**4,147**
Total expenditure on charitable activities	**33,674**	**15,537**	**49,211**	**47,846**

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 2018 £'000	Client management 2018 £'000	Promotion of charitable purpose 2018 £'000	Total 2018 £'000	Total 2017 £'000
Unrestricted funds					
IT, digital & change	4,124	2,860	245	7,229	7,037
Corporate services	2,380	1,898	165	4,443	5,101
People services	1,795	1,245	107	3,147	2,128
Governance	184	128	11	323	315
Total	**8,483**	**6,131**	**528**	**15,142**	**14,581**
Restricted funds					
Corporate services	379	16	—	395	587
Total support and governance costs	**8,862**	**6,147**	**528**	**15,537**	**15,168**

The Support costs have been allocated to the charitable activities on the basis of employee numbers.

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 costs

	Group and charity 2018 £'000	Group and charity 2017 £'000
Professional fees	5	685
Incremental project resource costs	59	709
	64	**1,394**

During Q3 2017 following the completion of the discovery phase, work commenced on the development of the new advice software platform. Eligible costs associated with this phase have been capitalised in accordance with FRS102 as detailed at Note 15.

11. Auditors' remuneration

	Total 2018 £'000	Total 2017 £'000
Fees payable to the charity's auditors		
Audit of the financial statements (charity)	41	34
Audit of the financial statements (subsidiaries)	17	17
Other assurance services	64	35
Tax advisory services	16	35
	138	**121**

12. Employees

	2018 No.	2017 No.
i) Average number of persons employed by the group		
Debt advice	632	674
Client management	464	481
Promotion of charitable purposes	38	35
Insolvency services	83	90
Equity release services	20	20
Support services	236	221
	1,473	**1,521**

The total average full time equivalent (FTE) numbers in 2018 were 1,415 (2017: 1,462).

	2018 £'000	2017 £'000
ii) Staff costs		
Wages and salaries	34,180	35,351
Social security costs	3,272	3,376
Pension costs	1,146	1,098
Other payroll related benefits	394	514
	38,992	**40,339**

The remuneration of key management personnel (members of the Executive team) is £1,142,000 (2017: £1,183,000). The total remuneration of the Chief Executive Officer was £167,675 in 2018 of which £155,000 comprises basic salary (2017: Total remuneration £19,777 and basic salary £18,282, reflecting November 2017 appointment). The basic salary has not increased in 2018.

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

	2018 No.	2017 No.
£60,001 – £70,000[5]	7	10
£70,001 – £80,000	9	4
£80,001 – £90,000	2	—
£100,001 – £110,000[3]	1	1
£110,001 – £120,000	1	1
£130,001 – £140,000	1	1
£140,001 – £150,000[2]	1	1
£150,001 – £160,000	1	—
£160,001 – £170,000	1	—
£180,000 – £190,000	—	1
£190,001 – £200,000[4]	—	1
£200,001 – £210,000[1]	1	—
Total	**25**	**20**

Contributions were made to defined contribution schemes for a total of 24 (2017: 18) of higher-paid employees.

[1] Included within the 2018 amounts is a termination payment of £99,937

[2] Included within the 2018 amounts is a termination payment of £80,250

[3] Included within the 2018 amounts is a termination payment of £44,840

[4] Included within the 2017 amounts is a termination payment of £62,812

[5] Included within the 2017 amounts is a termination payment of £44,772

13. Trustees

None of the Trustees (or any persons connected with them) received any remuneration during the year. Three of the Trustees were reimbursed for out of pocket expenses incurred in attending Trustee meetings totalling £1,441 (2017: Five Trustees reimbursed for expenses totalling £2,038).

Indemnity insurance is taken out to cover losses arising from neglect or default by any charity Trustee, employee or officer. The cost of providing this insurance is £32,231 (2017: £24,710).

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 2018 £'000	Total 2017 £'000
Analysis of charge in the year		
Deferred tax on trading losses	**0**	**(10)**

15. Intangible assets

	Group £'000	Charity £'000
Cost		
At 1 January 2018	873	873
Additions	5,563	5,563
Group transfers	—	—
Disposals	—	—
At 31 December 2018	**6,436**	**6,436**
Accumulated Amortisation		
At 1 January 2018	—	—
Charge for the year	—	—
Group transfers	—	—
Disposals	—	—
At 31 December 2018	**0**	**0**
Net book value		
At 31 December 2018	**6,436**	**6,436**
At 31 December 2017	**873**	**873**

All intangible assets relate to internal software development.

16. Tangible assets

	Group £'000	Charity £'000
Cost		
At 1 January 2018	9,781	8,904
Additions	368	366
Group transfers	—	—
Disposals	(454)	—
At 31 December 2018	**9,695**	**9,270**
Accumulated Depreciation		
At 1 January 2018	8,651	7,778
Charge for the year	612	607
Group transfers	—	—
Disposals	(454)	—
At 31 December 2018	**8,809**	**8,385**
Net book value		
At 31 December 2018	**886**	**885**
At 31 December 2017	**1,130**	**1,126**

All tangible assets are fixtures, fittings and equipment.

17. Investments

	2018 £	2017 £
Subsidiary undertakings	**5,001**	**5,001**

	Company registration	Activities	2018	2017
Subsidiary undertakings as at 31 December 2018				
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 Wade House, Merrion Centre, Leeds, LS2 8NG.

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 opposite.

	2018 £'000	2017 £'000
Consumer Credit Counselling Service Voluntary Arrangements Limited		
Turnover	3,606	3,766
Cost of sales	(1,779)	(1,777)
Gross profit	1,827	1,989
Administrative expenses	(933)	(1,014)
Profit for the financial year	**894**	**975**
Assets	1,288	1,268
Liabilities	(403)	(404)
Shareholders' funds	**885**	**864**

	2018 £'000	2017 £'000
Consumer Credit Counselling Service (Equity Release) Limited		
Turnover	1,204	1,085
Cost of sales	(894)	(811)
Operating profit	310	274
Interest payable	(5)	(10)
Taxation	0	(10)
Profit for the financial year	**305**	**254**
Assets	606	370
Liabilities	(299)	(306)
Shareholder's funds	**307**	**64**

18. Debtors

	Group 2018 £'000	Group 2017 £'000	Charity 2018 £'000	Charity 2017 £'000
Due within one year				
Trade debtors	6,873	7,751	6,042	6,741
Prepayments and accrued income	3,332	2,007	3,224	1,916
Other debtors	104	99	104	97
Amounts owed by group undertakings	—	—	262	276
	10,309	9,857	9,632	9,030
Deferred tax asset (note 14)	—	—	—	—
	10,309	**9,857**	**9,632**	**9,030**
Due after more than one year				
Amounts owed by group undertaking	**—**	**—**	**200**	**200**
Total	**10,309**	**9,857**	**9,832**	**9,230**

The amount owed by a group undertaking after more than one year is a loan of £200,000 (2017: £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. Current asset investments

	Group 2018 £'000	Group 2017 £'000	Charity 2018 £'000	Charity 2017 £'000
Current asset investments				
Bank deposits	**0**	**5,011**	**0**	**5,011**

20. Cash and cash equivalents

	Group 2018 £'000	Group 2017 £'000	Charity 2018 £'000	Charity 2017 £'000
Cash and cash equivalents				
Cash balances	7,103	6,368	6,149	5,836
Bank deposits	3,000	3,000	3,000	3,000
Total cash and cash equivalents	**10,103**	**9,368**	**9,149**	**8,836**

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

21. Creditors: amounts falling due within one year

	Group 2018 £'000	Group 2017 £'000	Charity 2018 £'000	Charity 2017 £'000
Creditors: amounts falling due within one year				
Trade creditors	705	569	669	528
Other taxes and social security costs	849	900	826	882
Accruals and other creditors	3,110	3,136	2,929	2,960
	4,664	**4,605**	**4,424**	**4,370**

22. Operating lease commitments

	Land and buildings 2018 £'000	Other 2018 £'000	Total 2018 £'000	Total 2017 £'000
Expiry date				
Within one year	—	11	11	302
Between one and five years	5,007	253	5,260	3,979
After five years	571	—	571	1,999
	5,578	**264**	**5,842**	**6,280**
Net expenditure for the year before taxation is stated after charging				
Operating lease charges	**1,796**	**88**	**1,884**	**1,775**

23. Movements in unrestricted funds

	At 1 Jan 2018 £'000	Incoming resources £'000	Outgoing resources £'000	At 31 Dec 2018 £'000
Group				
General reserves	**20,890**	**49,834**	**(48,728)**	**21,996**
Charity				
General reserves	**19,967**	**45,964**	**(45,122)**	**20,809**

24. Movements in restricted funds

	At 1 Jan 2018 £'000	Incoming resources £'000	Outgoing resources £'000	At 31 Dec 2018 £'000
Group and charity				
MAPS	16	3,688	(2,960)	744
Ireland – Advice	728	710	(1,108)	330
SLAB	0	89	(89)	0
	744	**4,487**	**(4,157)**	**1,074**

MAPS Grant

FCC received funding initially from the Money Advice Service (MAS), for 1 year from 1st April 2018, to support advice provided by both telephone and digital channels. On 1st January 2019, the agreement was novated to the Single Financial Guidance Body (SFGB), which was then renamed as MAPS in April 2019.

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 for a three year period commencing on 1 October 2015. Following expiry on 30th September 2018, a 6 month wind-down period was agreed until 31st March 2019, following which there is a further agreement to utilise any remaining resources to explore the possibility of a partnership with Ireland's Money Advice and Budgeting Service (MABS).

SLAB

FCC received funding from the Scottish Legal Aid Board (SLAB), on behalf of the Scottish Government and Money Advice Service, under the Making Advice Work programme in Scotland. This provides advice to people who have been impacted by the Welfare Reforms and those who are struggling with problem debt. The funding is due to expire on 31st March 2019.

The summary of the assets and liabilities for the total restricted funds, disclosed by contract and the total unrestricted funds at 31 December 2018 are shown in the following table.

	MAPS	Ireland	Total restricted	Total unrestricted	Total funds
	£'000	£'000	£'000	£'000	£'000
Fixed Assets					
Intangible assets	–	–	–	6,436	6,436
Tangible assets	–	–	–	886	886
	0	–	0	7,322	7,322
Current Assets					
Debtors	–	–	–	10,309	10,309
Investments	–	–	–	–	–
Cash at bank and in hand	744	330	1,074	9,029	10,103
	744	330	1,074	19,338	20,412
Creditors: Amounts falling due within one year	–	–	–	(4,664)	(4,664)
Net Current Assets	744	330	1,074	14,674	15,748
Net Assets	**744**	**330**	**1,074**	**21,996**	**23,070**

25. Related party disclosures

On a consolidated basis, there were no (2017: none) transactions undertaken with related parties during the year. The charity continues to extend a loan of £200,000 (2017: £200,000) to Consumer Credit Counselling Service (Equity Release). The details are disclosed within note 18.

26. 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 funds and amounted to £1,194,642 (2017: £1,098,014). This value differs to the pension cost charge shown at Note 12 due to pension contributions capitalised into the software development intangible. At the year end the pension creditor amounted to £183,220 (2017: £179,095).

Thank you to our supporters

Each of these organisations supported us financially in 2018, and many have also worked with us on policy to help improve the debt landscape. We'd like to express our gratitude for their support, without which our work would not be possible.

118 118 Money
Aberdein Considine & Co
Affinity Water
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Arrow Global
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Barclays UK
Brighthouse
Bristol and Wessex Water
British Gas
Cabot Credit Management
Capital One
Capital Resolve
CARS
Cash Converters
CashEuroNet
CCUK Finance
Clydesdale Banking Group
Computershare
Co-operative Bank
Creation Financial Services
Credit Security
Curo Group
Damart
E.ON
Elderbridge
Essex & Suffolk Water
Freeman Grattan Holdings
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