Stepping Ahead

Annual Report and Accounts 2019

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Overview

Chair's statement

How times change. The period covered by this report, itself an eventful year for a remarkable organisation, now seems a million miles away. Issues posing the most immediate opportunities and risks then have been put in a wholly new perspective by the likely consequences of the coronavirus pandemic.

We at StepChange have been fortunate in having a reasonably predictable funding stream in the immediate short term but one that is increasingly at risk as clients struggle to make payments. We are grateful to our hugely supportive funders who help to protect us. Now we face the challenge of a severe economic downturn which will inevitably lead to a significant increase in the number of people needing our help. We are already in intensive discussions with the various government bodies and other charities in our sector. Together we have the responsibility to provide the additional advice, guidance and, sadly, “intensive care” that is going to be needed to help people as the country gets back onto its economic feet.

We cannot claim to have foreseen what was to come, but many of our initiatives and achievements in 2019, described in this report, will stand us in good stead as we prepare to play our part.

Last year we reached 635,091 clients in total. We provided 10,608 clients with early intervention support through our newly launched persistent debt services. We saw 14.5 million views of our website and MoneyAware, our debt advice blog, and 301,594 people completed a full debt advice session to help them get back on their feet.

Since we launched Stepping Forward in 2018, our five-year strategy, the transformation of our technology and our ways of working, whilst vital, has been a mammoth undertaking. It has not been without its issues, but we have invested a cumulative £8million in our technology platform, which is now live. With it we expect to be able to cope with the anticipated increase in volumes. There is still more to be done, the pace of technological change is likely to accelerate, and we need to have systems in place that can interface efficiently with the organisations to which our clients owe money.

It is just as important that we invest in our colleagues. Giving financial advice is a hugely responsible job and requires considerable expertise alongside an empathetic mindset. I was particularly pleased in 2019 that the Board of Trustees approved a multi-year investment in a total reward package for those working at StepChange. It enables us to align with the commitment that others are making in the sector and it also recognises that our colleagues are our most valuable asset. We must work harder to recognise their unmatched dedication.

I've also been particularly proud that our policy and influencing working continues to exert an influence that belies the size of our team. From Breathing Space to bailiff reform, as well as new work on safety nets and subprime credit cards, our credibility and connections have never been stronger. We have also maintained a strong working relationship with the Money and Pensions Service as they launched their own five-year vision for the sector.

Above all, at the end of my first year in post and at the end of an incredibly busy year, what has struck me the most is the dedication of my colleagues at StepChange. The work they do isn't easy. The pressures of rising demand and adapting to new ways of working adds additional complexities to already challenging work.

But every phone call, every advice session, every webpage offering advice and every bit of work we do to raise awareness of problem debt and to change the policy landscape truly has the power to transform people's lives.

I am also mindful that none of this would be possible without the voluntary generosity of our partners. They recognise that by working together we can help those who need it and get their clients back on their feet. For that I, and everyone at StepChange, is enormously grateful.

I hope that colleagues, clients and our partners share my immense pride at everything we do. I look forward to collaborating with those in the sector in 2020 to ensure that we can support even more people affected by problem debt across the UK.

John Griffith-Jones
Chair

CEO's statement

At the end of 2018, StepChange launched our five-year strategy, Stepping Forward, that set out our bold ambitions to 2023. The strategy amounted to nothing less than fundamentally transforming the charity.

We stated that we would double the number of people we help. We'd do this by investing in our technology, our ways of working and, most importantly, our people. We'd also move from just being there to help people at the point of crisis, to supporting them before they fall into problem debt. We want to stop just being the ambulance at the bottom of the cliff, but to do much more to stop people falling over the edge in the first place.

2019 was the year where we started to make these changes a reality and embed the practices that could make our ambitions spring to life. It was a year in which we laid the foundations so that we will be fit for purpose well into the future.

But, as any Chief Executive will tell you, change of this scale is never easy. And 2019 was in many ways a challenging year at StepChange. That's a fact that we've been honest in communicating with our colleagues and partners.

After many months of development, we launched our new debt advice platform, Pulse. The new system represents a significant investment for the charity and will allow us to offer better and more efficient advice to clients as well as increase the number of people we're able to help.

Of course, the launch hasn't been without its teething problems. We were always clear that we would not launch until we were certain that the system was ready.

We had hoped to launch in the spring of 2019 but we rolled it out in the summer.

Thankfully, due to the patience and hard work of our colleagues we were able to train every single debt advisor to use the new system before the end of the year. Now, all debt advice that we deliver over the phone is carried out on our new system, and we're set to launch it for clients accessing debt advice online in 2020.

We also took real steps towards helping people earlier. We launched our new service to help those with persistent credit card debt, which supports those who have been trapped making only minimum repayments for 36 months or more.

During the year we have remained a steadfast critical friend of government policies and practices when we've needed to be. From bailiff reform to social security, we don't hesitate to speak up on behalf of our clients. We also shout loudly to commend the good work being done, such as developments on Breathing Space.

In light of the coronavirus pandemic, we now have new challenges to face. Countless numbers of people across the UK will be facing unemployment or a significantly reduced income in the months ahead. Those who have never faced financial hardship before may need our services. Young people, single parents, those with existing debt and the most vulnerable in our society will be left in increasingly difficult circumstances.

That's why in 2020 we'll apply ourselves with even greater urgency to adapt to embed the significant changes we want to make, fine-tune our new technology and tools and fight for those in problem debt. The motivation for doing so could hardly be more urgent.

More people than ever are now falling into problem debt and record numbers are visiting our website and picking up the phone to ask for help. There is also mounting evidence that the benefits system is not just pushing people into debt but causing destitution.

That's what motivates every one of our incredible colleagues to work as hard as they do. It is for that reason that I'm proud of this Annual Report and the work that it celebrates.

Thank you to our colleagues and, of course, our partners for making it all possible.

Phil Andrew
Chief Executive Officer

9.8m
people are in moderate financial difficulty in the UK[1]

3.2m
people are in severe financial difficulty in the UK[2]

Why free debt advice matters more than ever

There is £1.675 trillion of outstanding personal debt in the UK[3]

Even before the coronavirus outbreak, around 3.2 million people in the UK were in severe problem debt, with 9.8 million people in moderate financial difficulty.

With an uncertain economic outlook, free debt advice can help people get back on their feet and build a better future.

£14,129
was the average client debt in 2019[4]

122,181
had a personal insolvency across England and Wales in 2019[5]

1/2 StepChange commissioned YouGov plc to conduct general population research. Total sample size was 4,972 adults. Fieldwork was undertaken between 28 November – 2 December 2019.

3 Money and Credit Statistics, Bank of England, December 2019

4 Statistics Yearbook, StepChange Debt Charity, March 2020

5 Individual Insolvency Statistics, The Insolvency Service, October to December 2019

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. We also influence public policy and private sector practice to stop people from falling into problem debt.

Impact report

Our five-year strategy

We've made good strides towards achieving the aims set out in 'Stepping Forward', our strategy launched in 2018. This set out our bold ambition to double the number of people we help by 2023.

We're continuing to:

Help more people by...

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

Respond to our clients' changing needs…

We're developing new services to reach people at a much earlier stage in their debt journey.

We're establishing these services by:

- Working with creditors, partners and clients to identify how best to reach people before they hit 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 feel able to access support without fear or shame

Work together with our colleagues and partners…

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

We're continuing to develop by:

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

In 2019 we reached 635,091 clients and…

We rolled out Pulse, our new debt advice platform to all of our colleagues

We led a pilot with our partners to test out new referral mechanisms into debt advice

We expanded the number of organisations we work with across the charitable and commercial sectors

We helped more than 10,000 clients through our new early intervention services

We rolled out our new total reward strategy, representing a multi-million-pound investment in our colleagues

We expanded access to debt advice in Scotland by opening a new office in Glasgow

We launched a new online persistent debt hub for clients

We took a lead role in making sure a debt Breathing Space scheme is implemented by government

How we're delivering

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 2019 our activities were in line with our charitable objectives. Our progress against these objectives is described in the following sections.

Objective 1:

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 2019 we supported thousands more people to manage their problem debt, by offering holistic advice and the widest range of practical debt solutions of any provider in the UK. We also supported people in persistent debt, expanded our research on client outcomes after debt advice, developed new ways to measure success in how we support clients, and we expanded access to debt advice across Scotland.

Key achievements: Supporting clients in persistent debt

In 2019, credit card providers made plans to contact people across the UK to ask them to increase their payments if they were only making minimal payments off their credit card debt.

To support people in persistent debt paying more in interest and charges over a 36 month period, we launched a dedicated online information and guidance hub and an interactive credit card repayment calculator for people receiving persistent debt letters.

By giving people the help they need at the first sign of any possible trouble, we stand a greater chance in turning the tide on the huge number of people reaching debt crisis point.

Key statistics:

How we're performing compared to 2018

635,091 clients helped in total — **-3.5%**

10,608 clients were helped with persistent debt*

54,970 clients started a managed solution — **-2.9%**

5,822 debt relief orders set up — **-7.8%**

£436m of debt was repaid by clients — **+1%**

3.1m users of our website and MoneyAware, our debt advice blog**

24,013 clients became free from problem debt with our support — **-1.2%**

*new metric for 2019.

**based on a person using one of our pages for at least 30 seconds.

Improved access to debt advice in Scotland

It was a transformational year for StepChange Scotland. In order to expand to meet the growing need for debt advice we invested in the Glasgow Centre, our new, large scale office premises. The Glasgow Centre is home to a new specialist advocacy team that provides additional support to our most vulnerable clients.

Our statutory teams have also grown and we have more colleagues supporting clients with Debt Arrangement Schemes, Sequestration and Minimal Asset Process bankruptcy.

Developing our research on client outcomes

Since 2017, we've been measuring the outcomes of clients at three, nine and 15 months after debt advice. 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.

In 2019 we began work on our research report 'Paths to Recovery', which explores outcomes at 15 months after debt advice.

Key findings:

Clients report good levels of progress
At 15 months after advice, three in four (75%) said they were making at least fair progress in dealing with their debts, including 12% who'd become debt free.

Debt advice has many long-term positive effects
On average, our clients' happiness, levels of anxiety and overall wellbeing showed improvement across three, nine and 15 months after debt advice.

However, many clients are still on a financial knife edge
At 15 months, very few clients would be able to cover the costs of an income shock, such as the cost of repairing white goods in an emergency.

Measuring success

Currently, when we measure how many people we've helped across the UK, we only capture how many clients have completed a full debt advice session. But that's not the whole picture. As part of our early intervention approach, we also support many more clients when they read our money advice blogs on MoneyAware, use a digital advice tool on our website, or call our phoneline to find out what services we can offer.

We also provide ongoing support to clients over a long-term period if they have started a debt solution with us. We have developed a new approach to measuring success at StepChange, which allows us to demonstrate the broader impact our services have on the lives of clients. It also enables us to match best practice across the charity and financial services sector, and illustrate the ways that our colleagues make a difference. We will be reporting against these measures within our annual reporting in future.

We'll be measuring:

Reached	The number of people who've visited our website or called our phoneline for information or support with their money or problem debt.
Guided	The number of people who've used a StepChange money guidance or advice tool to support them with budgeting, income or to identify what support they'll need with problem debt.
Advised	The number of people who've completed full debt advice or received emergency advice and support.
Supported	The number of people who've started or remain on a StepChange supported or recommended debt solution.
Free from problem debt	The number of people who've become free from problem debt with StepChange's help.

Our goals for 2020

- To help more people than we did in 2019 – over 600,000 people – which is increasingly important given the pressures of the coronavirus pandemic
- Share our new ways of measuring success
- Gain a clearer understanding of clients' outcomes in light of the pandemic

Dave's story

"Before experiencing debt problems, my partner and I were fairly secure. My wife had her own business and I was a manager, and we had around £20,000 in savings that we knew we could use if we needed to.

However, a few years ago, my wife was diagnosed with cancer. It was a huge shock. She had to stop working and start treatment, which meant that our income went down.

Not long after that, I was diagnosed with kidney disease and sepsis. I ended up on dialysis and was unable to work, meaning we lost both incomes.

We took out credit cards as we had dwindled away most of our hard-earned savings. This left us just managing on what we got from sick pay and a couple of grants from Macmillan to pay for bills like gas and electricity.

It was basically hand to mouth each week. We had two teenage children to support too.

I was using credit for food and clothes quite often. We managed to get a council tax reduction, so we were paying the minimum and making sure we could pay for that each month. Some of the creditors were understanding, but others were more of a problem. There was one energy company that I owed £100 to after switching to a different provider. I tried to set up a direct debit to pay it off, but I kept running into errors that were not my fault.

It became too much to handle. It was getting to the point where I thought I just can't take this anymore.

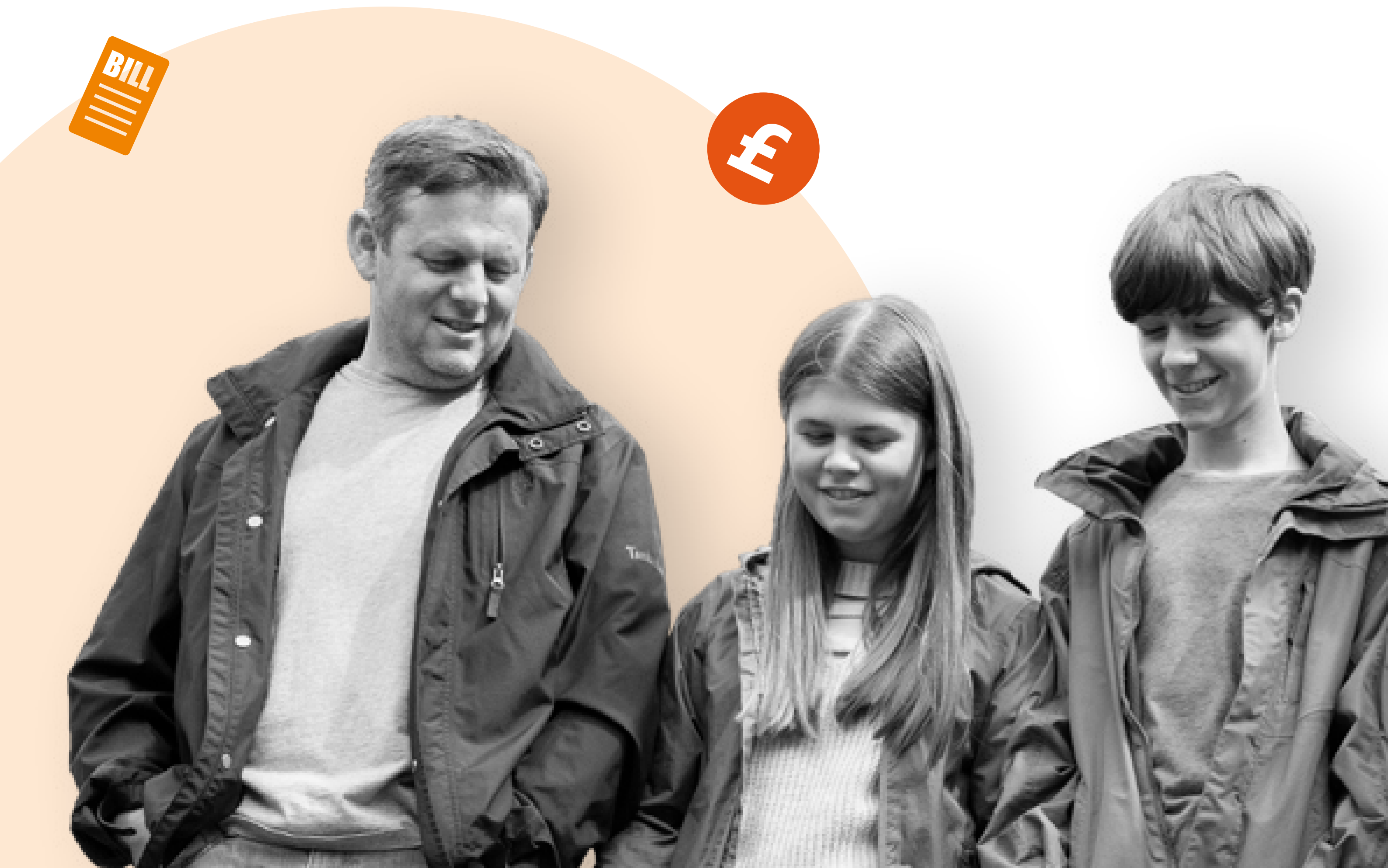
One day, my mortgage lender recommended that I get in touch with StepChange.

The StepChange advisor on the phone was fantastic. They explained all my options to me and how to move forward with things. They were very understanding, helpful and reassuring.

They were able to sort everything out and they set up a debt management plan (DMP) to help me manage my budget.

Being on a DMP has given me a sense of relief that things are getting sorted. I also feel like people are willing to listen to the situation I am in. Creditors put so much pressure on you and it caused me a lot of stress, but once they find out you're working with StepChange they become more understanding.

Now I'm in contact with StepChange things are a lot better. I finally feel like my situation can and will improve."



Objective 2:
Collaboration and efficiency

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

We're making our ways of working more efficient, continuing to expand the number of organisations that we work with across the sector, and leading conversations about funding.

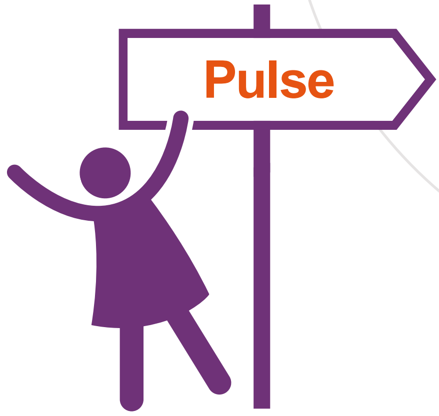
Key facts and figures:

We've campaigned for services such as Debt Relief Orders to be funded properly

We worked closely with the Money and Pensions Service, Citizens Advice and the Money Advice Trust to improve client referrals to debt advice

100%
of colleagues across our seven sites are fully trained to use Pulse, our new debt advice platform

Our partners referred
118,387
clients to us for telephone advice



Key achievements:
Our new debt advice platform

This year we launched Pulse, our new debt advice platform and customer relationship management system. By no means a small investment, it increases our capacity and capability to provide debt advice. Working in a more efficient way means we can help more people, as well as improve the debt advice experience for both our clients and our colleagues.

As with all significant change initiatives, it wasn't without its challenges. However, we ended the year with all colleagues trained up on the new system and feedback has been extremely positive. Pulse is now in place and our colleagues across seven of our UK sites are trained to use it, meaning that we're better equipped to deal with the ever-growing demand for our services. We're very much looking forward to using it with clients who seek debt advice online in 2020.

Leading the way for more change

Launching Pulse is just one of the ways that we've driven efficiency at StepChange. We've also:

- Significantly developed Pulse to add new functions shaped by the research we have about our clients' experiences. This includes a focus on working with clients at the later stages of their debt journey
- Built a new technology services team bringing together colleagues who work with clients at every step of their debt journey. This will make sure that we get even better at focusing all of our technological improvements on the needs of clients.

The Piloting Advisor Capacity and Efficiency pilot

As part of the Piloting Advisor Capacity and Efficiency (PACE) pilot, we've been working closely with the Money and Pensions Service, Citizens Advice and the Money Advice Trust to develop a new referral mechanism for clients into debt advice. This is targeted at credit card firms who don't actively signpost their clients to the advice sector.

This new mechanism will make sure that clients' debt problems are resolved as efficiently and effectively as possible. The project will include trialling open banking applications and using credit reference agency data to improve both efficiency and the client experience.

Leading the conversation about funding in the sector

With demand continuing to outstrip supply in the debt advice sector and fair share funding (a funding model that we introduced to the UK where creditors make a donation to our charity) under increasing pressure, we've worked hard to diversify our funding streams. We've done this by developing our partnerships and services as well as campaigning for costly services such as Debt Relief Orders to be funded through a levy on creditors. It's more important than ever that a sector-wide model is agreed as a matter of urgency but also that existing funding is maintained in the interim.

Sector collaborations

In 2019 we expanded the number of organisations we work with across the charitable and commercial sectors to make sure that people struggling with debt get the support they need.

For example, we've worked closely with a range of other organisations in the advice sector on our Expanding Referral Routes (ERR) project. Our partners have found that the length of their conversations with clients can prevent a client being referred to StepChange there and then. If our call volumes are high, it can also be difficult for partners to refer their clients to debt advice.

The ERR project will offer clients:

- Digital referral: StepChange will contact the client by SMS and/or email to start online debt advice; and
- Call back: StepChange will call the client back at a time that is suitable for them to begin their debt advice journey.

This will make sure that we can reach a greater number of people now and in the future.

Our goals for 2020

- Continue to deliver more efficient services using Pulse and take 100% of new online clients through the Pulse journey
- Evolve our technology strategy to put client and partner experience at its heart at a time of a changing demand for our services
- To work and integrate with even more partner organisations for debt advice

Objective 3:
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 facts and figures:

7 influential research and data reports

3 major Financial Conduct Authority interventions move forward on credit cards, overdrafts and rent to own

3 consultation responses

1 report from the House of Commons Justice Committee calling for independent bailiff regulation

3 regulators published important work on supporting vulnerable consumers

Key achievements:

For many, 2019 will be remembered for its general election and Brexit. Space for debate and for policymakers to think about problem debt was limited, but we still managed to make great progress with our key campaigns.

Breathing Space

We've continued campaigning for a debt 'Breathing Space' alongside Statutory Debt Repayment Plans (SDRPs) and we're very pleased that they're now moving towards government implementation.

The schemes will only be effective if they include wider debts (such as council tax). Earlier in 2019 HM Treasury launched a major consultation setting out how key protections will work, and we were delighted when they confirmed that government and local government debt will be included.

Breathing Space is on track for launch by the government in 2021 and SDRPs will be launched in 2022. We'll continue to work with government to shape their implementation.

Campaigning for bailiff reform

Our influencing work with the Taking Control coalition of charities and advice providers helped to secure a commitment from the Ministry of Justice to investigate the case for illegal bailiff reform.

The Ministry published a call for evidence and StepChange gave a detailed comprehensive response. We gave oral and written evidence to the House of Commons Justice Committee on the need for bailiff reform, and we were very pleased to see that the Committee made recommendations to the government. This included a call for the independent regulation of the bailiff industry.

The ball is now in the government's court to make the changes that are needed.

Improving how the government works with those in debt

In May 2019, the Cabinet Office published a statement setting out its intention to improve the way that the government interacts with people in debt, particularly when they're in vulnerable circumstances and/or experiencing financial hardship.

We're continuing to work with the Cabinet Office Fairness Group, and we're helping to shape principles in the Digital Economy Act Code of Practice. In addition, we're spreading good practice across government debt management and collections.

Campaigning against overdraft debt

In 2019, we saw the Financial Conduct Authority introduce rules to prohibit overdraft fees and require lenders to act when people become trapped in overdraft debt.

We've campaigned for the end of unauthorised overdraft fees and have continued to campaign for better support to help people get out of the overdraft debt trap.

Campaigning wins in Scotland

In 2019 we saw the Scottish Parliament introduce several key changes to the Debt Arrangement Scheme (DAS). We've successfully campaigned for the introduction of crisis payment breaks and smaller administrative changes to streamline the process for clients, advisors and creditors, and for the introduction of changes to the fee structure which will make DAS a more viable solution for advice providers.

Our statistics in 2018 showed that just under half (46%) of clients contacting us by telephone were in council tax debt, with many facing collection action by their local authorities. In 2019 we worked with partners in Scotland to create a collections toolkit for local authorities to signpost to debt advice. This will help them to avoid imposing costly collection fees that have a negative impact on our clients.

Key reports in 2019:
Insight and data to drive change

In 2019 we released more influential reports that helped us shape opinion and influence policy.

Scotland in the Red – April

Our report showed that in 2018 there were nearly 700,000 people in Scotland in, or at risk of, problem debt, which was primarily a symptom of poverty, poor housing conditions, welfare cuts, ill-health, and insecure work.

The research identified a growing emergency with council tax arrears and increasing pressure on household bills.

We called for:

- Earlier signposting to free debt advice
- Urgent action on council tax
- A coordinated action plan for Scotland on addressing debt

Result:

- We held a well-attended parliamentary event in Holyrood to launch the report and we continue to lobby the Scottish Parliament.

Red Card: Subprime credit cards and problem debt – July

One in three people in severe problem debt have a subprime card, which often have high interest rates of 30% or more. In a survey of our clients with subprime credit cards, two out of five (18%) were unemployed when they took the card out, and half (47%) were behind on a priority bill. In addition, four out of five (79%) felt it had a negative impact on their financial situation. Many took out their card at a point of severe need, after which their financial difficulties worsened.

We called for:

- Action by the Financial Conduct Authority to improve creditworthiness and affordability assessments and address persistent debt issues in the subprime card sector
- Action to protect financially vulnerable borrowers against unreasonable and harmful credit card costs

Result:

- We continue to raise these issues with the Financial Conduct Authority and in Parliament.

Life Happens - July

Our research showed that just under half (45%) of the adult population have experienced a life event such as falling ill, separation or reduced work income in the last two years. Over 2 million of them are currently in problem debt, and a further 5.7 million are showing signs of financial distress.

We called for:

- Policy-makers to acknowledge that current safety nets are not preventing people from falling into problem debt
- Better support for people experiencing a life event, in order to avoid problem debt
- Effective alternatives to using a risky credit safety net that increases the chance of falling into serious problem debt.

Result:

- We used the report to begin a debate on safety nets at party conferences and our findings have influenced the work of the Financial Resilience Commission.

Wales in the Red – October

We estimate that around 8% of adults living in Wales are facing severe debt problems, compared to around 6% of the UK adult population.

This report highlighted the debt problems of StepChange clients residing in Wales, the need for policy action to help those in financial difficulty now, and what's needed to prevent more problems in the future.

We called for:

- Welsh Assembly Members to support the call for independent bailiff regulation
- Further progress of fair council tax collection
- The Welsh Government to work to improve the financial resilience of people most vulnerable to debt.

Result:

- We're continuing to raise awareness of debt issues with Assembly Members and the Welsh Government.

Our goals for 2020

- To respond to the financial difficulties developing throughout the coronavirus pandemic, and the need for policy action to support households falling into debt
- To develop our work on debt Breathing Space and introduce independent bailiff regulation
- To continue to develop new research, policy and evidence reports to build our understanding about UK problem debt in light of the pandemic

Sarah’s story

“It all started when my bank started offering me credit. I began using credit cards and that moved on to store cards and spending through catalogues. It became normal to buy things on a card if there wasn't enough money in my account.

The situation got more difficult, partly due to my own bad management, and partly due to meeting the father of my child. He’d ask if he could borrow money, so I’d take out £100 cash on the credit card or bought things for him because he was going to give back the money he owed. But then it got to the point where he didn’t give the money back.

Then we had my son and that’s when I realised I couldn’t keep up with any repayments.

The financial pressures got to the point where I couldn’t cope.

Even when we all moved in together as a family it didn't change. I remember trying to manage all the income and then trying to pay bills and repayments but they never added up.

The interest and extra charges kept piling up. At certain points I was accruing more interest than the value of the payments I was making, even when I’d gone back to working full time.

I was in a hole that was so big and I just couldn’t get out of it. It was getting to the point where I was living hand to mouth. I was managing everything, writing everything down, putting money away in a tin, just so I knew I could pay for food for that week.

About eight months after having my baby, it all got too much, and that’s when I decided to contact StepChange.

I remember feeling so much better after talking to somebody. It changed everything to have that person at the end of the phone telling you everything was okay.

In the end my son’s father and I split up after another year or so, and things were really hard for the first couple of years after facing the debt.

But after speaking to StepChange I became in complete control of my finances.

Every advisor I have ever spoken to at StepChange has been supportive, professional and non-judgemental.

They set up a Debt Management Plan (DMP) for me. All the way through the DMP I had to manage my money. Every penny was monitored and logged!

Doing the annual budget report was sometimes hard but it helped to keep me on track. Nowadays I will always be on top of things and know where every penny will go.

In late 2019 I became debt free, which was and is an amazing feeling.

I am extremely grateful to StepChange for the help and support I received. Despite the shame and embarrassment you feel, it's great to know you can get support with absolutely no judgement."

Objective 4:
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.

The charity has ambitious and achievable plans to help over 150,000 people with early intervention strategies over the course of the next four years. Our activity supporting clients in persistent debt is the first phase of this important work.

Key facts and figures:

3.1m

users of our website and MoneyAware debt advice blog*

10,608

clients were helped sooner by our early intervention services

14.5m

views of our website and MoneyAware, our debt advice blog**

* We've changed the way we measure web users with industry best practice: we now only count a user when a person has used one of our pages for a least 30 seconds.

** Repeated views of a single page are counted.

Key achievement:
Developing our persistent debt hub

The Financial Conduct Authority rules and guidance on persistent credit card debt now require credit card firms to help customers who've been making minimum repayments on their account to repay more quickly.

We've been engaging with firms in order to understand their approach to helping clients in persistent debt. This type of regulation is new for everyone and the insight we've gathered from lenders has informed and shaped our persistent debt budgeting service. This has ensured that it's fit for purpose and able to meet the needs of our clients.

We've also launched a new, self-service online tool to assist our clients in getting out of persistent debt and built an enhanced telephone-based team. The team is dedicated to supporting clients who may need additional support as they go through this journey.

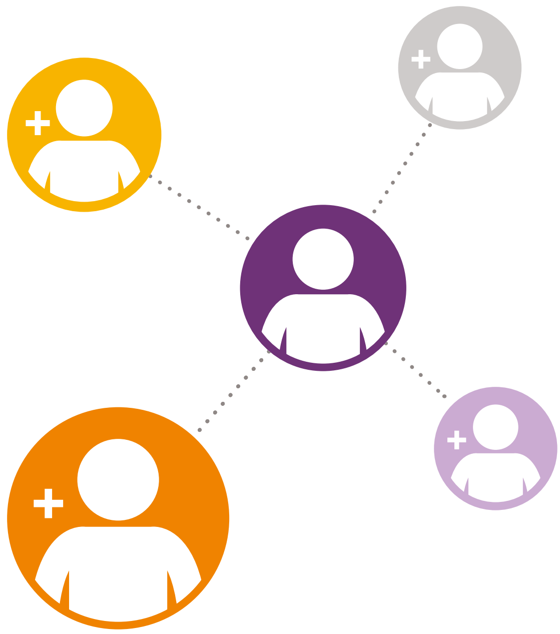
Our persistent debt service offers:

- Helpful information from a trusted source
- A softer approach to managing money compared to debt advice
- A user-friendly budgeting tool that works on both desktop computers and mobile devices
- A repayment calculator to see how much extra they can afford to repay
- The ability to move into full debt advice if it becomes apparent that they need extra support.

Expanding our early intervention team

We have significantly expanded the number of colleagues in our early intervention team. They have been providing clients in persistent debt with information and guidance.

Over the coming years we want to rapidly increase the number of people we help through early interventions and new services, so we can only expect to see our team, and the number of clients we help grow each year.



Our goals for 2020

- To assist over 65,000 clients with early interventions before they reach crisis point
- To further develop our persistent debt services

Objective 5:
Getting the message out

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

We expanded our marketing team, transformed our B2B marketing approach, secured a significant amount of coverage in the media and tackled online impersonators.

Key facts and figures:

Tackled **97** instances of trademark infringement

24% increase in website users since 2018

91 mentions on TV and radio

37 press releases

2,085 pieces of press coverage

29 broadcast interviews

Key achievements:

Expanding our team

In 2019 we expanded our marketing team to deliver much more in 2020 and beyond. During 2020, our new Head of Marketing will be launching our new marketing strategy. We've also expanded our B2C and B2B marketing teams to launch new campaigns, and we have a new Social Media Officer who will be launching a new social media strategy for StepChange. In addition, we also have a new Case Studies Officer who will be developing how we communicate the real experiences of our clients.

Over the coming years we want to rapidly increase the number of people we help through early interventions and new services, so we can only expect to see our team, and the number of clients we help grow each year.

Our online reach

Our web tools, blogs, information services and digital partnerships have helped us reach an estimated 5.7 million people in 2019. We also had 2.7m views of our debt information and advice pages.

We're highly visible across the web, appearing prominently in search engine results about debt, and supporting Money Saving Expert debt forums. We're also included on relevant advice pages on local authority and housing association websites, as well as those of creditors and utility companies.

Brand awareness

In 2019 unprompted brand awareness, where the general public are asked to name the charities they have heard of without any prompts or hints, was at 8.4% of the UK population.

We've successfully tackled 97 instances of trademark infringement by 37 websites attempting to masquerade as StepChange through online advertising. This remains a problem, and we've worked closely with Google to review changes to their advertising policies. In addition, we've worked with the Money Advice and Pensions Service to highlight misleading advertising practices to the Advertising Standards Authority and Financial Conduct Authority.

Media coverage

We secured extensive media coverage throughout 2019, with over 2,000 items of coverage. Our media work helped influence change, including the shift in advertising policy by Google to reduce the online impersonation of debt advice organisations.

Transforming our marketing approach with partners

In 2019, we held a three-month consultation with our partners to help us better understand their needs and how we can best work with them to reach more people.

Feedback from the project has already informed the development of three new products and services that we plan to launch in 2020. We'll be continuing to listen to our partners to ensure that we're collaborating effectively to support people who are in, or at risk of problem debt.

Our goals for 2020

- Launch our new marketing strategy in support of the charity's strategy to 2023
- Reach the significant number of people who have been financially affected by the coronavirus pandemic through new targeted marketing campaigns
- Use our data, insight and expertise to generate media coverage that fosters more public debate and shapes policy thinking
- Continue to work with Google to tackle impersonators

Objective 6:
Nurturing our people

Our final objective is to engage and develop our colleagues.

In 2019 we made a significant investment in developing and rewarding colleagues, we continued to deliver our graduate programme and we initiated our leadership programme.

Key facts and figures:

We invested **16,582** hours training our colleagues

We employ over **1,400** across 8 cities

Our CEO and Executive team hosted **24** townhall sessions with colleagues

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

We launched a Joint Consultative Committee to help shape the total reward strategy

Key achievements:

Launching our total reward strategy

In 2019 we launched a total reward strategy which looked at rewards for all colleagues within the charity. This will make sure we can attract key talent in an increasingly competitive marketplace.

It also helps us to engage and retain that talent by providing a framework to manage development and salary and reward progression. The strategy represents a multi-million-pound investment in our colleagues, which maximises our ability to deliver our strategic objectives and offer the very best service to our clients.

Learning from our colleagues

We delivered our annual charity-wide engagement survey and achieved a 71% engagement score with an 80% completion rate. We received a lot of feedback from our colleagues giving us some very rich data to work with.

Senior Leadership Visibility, Cross Departmental Working and Managing Change were the three recurring themes in the feedback. We've set up colleague listening groups to take a look at what we need to do to make progress against them.

Gender pay gap results

Our ongoing commitment to diversity and inclusion underpins the charity's strategy; we believe that the purpose of the charity is best served by a diverse workforce that is representative of our clients and brings together a variety of perspectives and experiences.

Our gender pay gap is significantly lower than most organisations in the UK, and overwhelmingly lower than organisations operating in the same sector. Highlights include our median pay approaching parity, median bonus at parity and, in 2019, the proportion of women receiving a bonus is now higher than for men for the first time.

Initiating a new leadership development programme

We began work to identify an external partner to design a leadership programme. This aims to define what great leadership looks like at StepChange Debt Charity and supports our leaders to achieve it. The programme will be designed to upskill them in their current role and drive high performance within their teams. The approach will include online and face-to-face learning and we plan to begin the design of the programme last quarter 2020, with the launch being in the first half of 2021.

Delivering our graduate programme

We also began delivering our first ever graduate programme, and successfully recruited seven exceptional individuals who joined us in September 2019. Our graduates have signed up for our two-year rotation scheme which gives them the opportunity to experience all functions within the charity. In each rotation they're given specific projects to undertake, supported by additional development workshops that they attend each quarter.

Our goals for 2020

- Deliver our new total reward strategy
- Implement a talent strategy, which will include a leadership and management development programme
- Develop a wellbeing strategy for 2020-2022, which will recognise and consider factors brought about by the coronavirus pandemic, such as increased remote working and the long-term societal impacts which these may create
- Develop a diversity, inclusion and equality strategy

Financial Review

The group's financial accounts for the year to 31 December 2019 reflect the group's ongoing programme of investment, especially in the new Pulse debt advice system. We are only part of the way through our current cycle of investment which is required to ensure the sustainability of our services, to increase efficiency through technology and to retain and attract the people required to deliver our services. Our strategic objective to significantly increase the number of people that we help leads naturally to a need to increase our overall level of funding.

Through this period, our financial management objectives require that a balance be maintained between the pace of investment, the funding available and the utilisation of our free reserves brought forward from previous years. However, maintaining an adequate level of cash reserves to protect the group against risks and uncertainties will always remain a primary objective.

During the financial year, we have satisfied these objectives by generating an unrestricted operating surplus for the year of £0.5m, prior to the group's investment in new systems (referred to in the accounts as "transformation costs").

Net of transformation costs, the overall group result for 2019 was a deficit of £2.1m (2018: surplus of £1.4m). The deficit largely relates to the expensing of £2.0m of project costs relating to systems development subsequent to the launch of the new telephone advice platform in the third quarter of the year.

The costs expensed relate to modifications for the online debt advice system, optimisation of the telephone advice system, as well as pre-development work on future phases. The overall deficit was comprised of a deficit of £0.7m in restricted funds (2018: £0.3m surplus) and a deficit of £1.5m in unrestricted funds (2018: £1.1m surplus).

During 2019 we also incurred transformation expenditure of £1.9m that was suitable for capitalisation as an intangible fixed asset. Following deployment of the telephone advice system in Q3 2019, the resulting total capitalised costs of £8.3m began to be amortised over a period of 4 years, generating an amortisation charge of £0.5m in 2019.

The reported deficit from restricted funds in 2019 reflects timing differences between the incurring and invoicing of costs in respect of our contracts to supply debt advice in England through the Money and Pensions Service contract and the provision in the Scottish, Welsh and Republic of Ireland contracts.

Income

Group income for the year was £54.6m (2018: £54.3m), an annual increase of £0.3m or 0.5%.

The main source of income for the group continues to be the fair share contributions received from creditors. Income from this source grew in 2019, with an increase of £1.1m, or 2.5%, to £44.4m in the year. This is supported by an increase in debt management plan funds disbursed to creditors from £421m to £426m, as well as a modest increase in the average percentage fair share rate realised from those creditors.

Income from other donations fell by £0.3m in the year despite an increase in the donations received from the utility sector.

Operating expenditure

Total group operating expenditure was £56.7m (2018: £52.9m) or £54.7m (2018: £52.8m) excluding the costs of the transformation programme. Therefore, underlying expenditure showed an increase of 3.6% from 2018.

These increases arose largely in the charity, with operating costs in the two trading subsidiaries increasing by £0.1m or 3.1% year-on-year. Within the charity, total costs (excluding transformation costs) increased by 3.7% from £49.2m to £51.0m.

Capital expenditure

The principal investment during the year was the development of new systems under our transformation programme, shown within Intangible Fixed Assets. Related capitalised expenditure totalled £1.9m in 2019 (2018: £5.6m). Costs include third-party software development expenditure, incremental IT and project resources and certain other related project costs.

The expected benefits of the programme include significant operating efficiencies for debt 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.

During 2019, there was a net decrease in cash and cash equivalents of £1.8m (2018: £0.7m in-flow). 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 long-term viability of the charity given the principal risks as set out in the Risk section. Our reserves policy is reviewed by the Board of Trustees at least annually, considering both the risk environment as well as the trading and investment needs of the group.

The primary considerations in setting the policy are ensuring that adequate levels of cash reserves are held, balanced with our obligation to ensure that such reserves are not excessive so that funding received is applied promptly to our charitable purpose.

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

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 2019. 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 costs associated with implementing such a course of action.

The total balance sheet reserves at 31 December 2019 were £20.9m (2018: £23.1m), of which £0.4m (2018: £1.1m) are restricted in nature. The level of free (unrestricted) reserves is £12.0m (2018: £14.7m) after deducting fixed assets of £8.5m. Our current level of reserves enables us to meet our normal trading commitments and to fund our ongoing investment plans.

Covid-19 pandemic

During the second quarter of 2020, the Covid-19 pandemic has started to have an impact on the charity and its finances. The biggest financial risk arising from this is to the charity's fair share revenues if clients on existing plans need to suspend or reduce their payments. In that period the charity has seen a reduction in such payments of nearly 15% although this is offset by both reductions in expenditure and the receipt of additional contributions and donations from partners. As explained in Note 26, the charity has applied for additional funding to both secure and grow its incoming resources in order to build for the expected increase in demand for its services later in 2020. The charity has been successful in obtaining the first element of funding thereby securing existing resources and reserves and remains in dialogue over the funding required to meet the expected demand growth.

Investment policy

The charity's investment policy is reviewed annually by the Audit and Risk Committee. In 2019, 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 0.59% (2018: 0.55%) was achieved 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 £1.4m (2018: £1.2m), reflecting the increase in the base level of percentage contributions made by the group following the auto-enrolment changes made in April 2019.

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 61, 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

Principal risks and uncertainties

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

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

Risk appetite

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

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

Our risk register

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

Impact to the charity of COVID-19

The COVID-19 pandemic is having a significant impact on all individuals and organisations in 2020. As one of the largest providers of advice and solutions in the UK to people in financial difficulty this is especially true for the charity. The impacts are primarily on how we operate, our funding and the demand for our services.

Operationally, the impact on the charity was very limited with over 90% of all colleagues being fully-enabled for remote working within a few weeks of the lockdown being announced. Our telephone services were only shut down for two days and our critical functions, such as client money operations, were maintained without incident throughout. With flexible and remote working in place, supported by our systems and infrastructure, our services are capable of being maintained into the future.

Financially, the charity has significant reliance on fairshare income generated from the operation of debt management plans. Due to the pandemic and the related impact on household incomes, an increasing number of clients became unable to make their monthly payments, with a consequential loss of funding for the charity. This reduction in income is expected to be temporary and alternative funding has been secured through the support of a number of our partner organisations including the Money and Pensions Service ("MaPS"). We thank all donors and funders for their support at this time. The charity is likely to be utilising funds from its brought forward free reserves during 2020 but expects to be able to remain within its overall target range for reserves in accordance with its reserves policy.

The most significant and longer lasting impact is likely to be on the demand for the charity's services as the economic consequences of the pandemic take hold on the nation's finances. It is paramount to StepChange that we can be there to meet the needs of people in financial difficulty with a prospect of the numbers of people requiring our help being doubled in less than twelve months. We cannot meet this demand without additional funding but again we are working closely with MaPS and some other partners to do everything we can to do so. With our new debt advice system in place, online referral processes being rolled out to partners and our colleagues enabled for remote working we are well-placed to increase our scale as quickly as financial and other resources can be procured to do so. Beyond meeting the initial demand for advice, it is likely that the number of clients on StepChange managed solutions will increase, which will bring greater security of funding into 2021.

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

Risk	Relevance
Our Transformation 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 clients, creditors and other stakeholder groups
The charity fails to develop and implement a sustainable and proportionate funding model	The charity requires a model which reduces our funding concentration risk and is reflective of the breadth of money guidance, debt advice and debt management services provided by the charity to its clients
Failure to attract, develop and retain talent and key skills	Supported by the development of technology, colleagues remain the charity's key asset. To support delivery of the charity's five-year strategic plan, it is paramount that the charity attracts, develops and retains the right people with the right skills in the right numbers.
The risk of client detriment, financial loss, disruption or damage to the charity's reputation resulting from a cyber-attack	The charity operates a large number of IT systems which hold material volumes of sensitive client data. We will continue to focus on minimising the data we hold and the controls we have in place to maintain our security resilience and prevent unauthorised access or misuse of this data
Failure to assess and manage the charity's exposure to conduct risk	Under the FCA's oversight of the consumer credit sector, we will continue to provide the highest quality debt advice and debt management services complemented by robust systems of risk management and internal control
Failure to respond effectively to changes in the external environment	The regulatory, political and legal landscapes continue to evolve with a potential impact on our core operating functions. Early identification and analysis of change is vital to a compliant and appropriate response
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 prides itself on the relationship it continues to build with its regulators. Enhancements to the charity's systems of risk management and internal control help to demonstrate to key stakeholder groups the consistent and fair client outcomes the charity delivers on a day to day basis
Financial loss and reputational damage arising from internal fraud	As a CASS large debt management firm, the charity manages in excess of £420m of client money across £2.3m transactions on an annual basis. The complexity inherent within both the volume of frequency of transactions requires robust systems of internal control and governance to be in place and proven to be effective

Mitigation

• Our critical success factors to measure programme performance are overseen by our Audit and Risk Committee • We have a robust programme governance structure in place with clearly defined roles and responsibilities • We have regular, effective engagement with Pegasystems our CRM supplier	• Our programme outputs are regularly tested by colleagues to ensure that client needs are being met • Our programme leadership team regularly reviews performance against approved plans
• We have regular dialogue with funders to understand value drivers and expectations for fair client outcomes	• Our efficiency drive with Transformation underpins our work to develop our funding model and we are actively contributing to the Single Financial Guidance Body's work on an appropriate model for funding for debt advice
• Led by an experienced Human Resources team; the charity commenced the roll-out of its total reward strategy in late 2019	• The strategy includes a series of targeted changes to reward and benefits for colleagues, which includes; base pay benchmarking, in-role progression and development, leave entitlements and enhanced matched pension contribution
• We have automated and scheduled checks and controls in operation	• We've implemented enhanced colleague access controls
• The Board employs a 'three lines of defence' model to gain assurance over the effectiveness of its internal systems and controls including the outsourcing of its internal audit function to a reputable third-party provider	• We have regular, effective management meetings held by the Executive team including the use of comprehensive management information to identify risks and opportunities and manage these in line with the charity's appetite for risk
• We have ongoing engagement with key decision makers and stakeholders in government, with regulators and with the wider sector	• We have a horizon scanning framework in operation to early identify changes which may impact the charity and its stakeholders and plan for change where appropriate
• We have an experienced and wide-ranging Board of Trustees who meet up to six times a year to oversee the group's strategy and progress in line with the agreed objectives and priorities	• Three Board sub-committees exist within the group's governance framework with specific duties and responsibilities agreed (Nomination Committee, Remuneration Committee and Audit and Risk Committee) • We have a formal governance structure in place to facilitate decision making at all 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 Board and its sub-committees	• Key roles in place – Director of Risk and Compliance, Head of Regulatory Compliance, and Head of Regulatory Finance roles oversee delivery of regulatory processes and controls
• 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 PricewaterhouseCoopers LLP under SUP 3

Trustees' report

Structure, Governance and Management

Structure and management

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

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

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

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

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

Board of Trustees

The charity is governed by a Board of Trustees (the Board) and currently consists of 11 Trustees. In 2019, four new Trustees were appointed including the Chair, with one resignation.

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

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

On behalf of the Board, the Nomination Committee oversees arrangements for a Board Effectiveness review process, to periodically review the collective performance of the Board and its committees. The results of an internal review process were reported to the Board in December 2019 and an action plan drawn up to take forward a number of key themes, as well as some smaller practical suggestions. In addition, the Chair has regular discussions with individual Trustees to review their performance and contribution to the Board; the performance of the Chair is reviewed by the Senior Independent Director. The Board met five times during 2019.

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. The Trustee induction programme also involves meetings with key managers across the different functions of the charity, as well as call listening with advisor colleagues.

Trustee term of duty

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

Indemnity

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

Committee structure

Trustees may be invited to serve on one or more Board Committees. The Committees are delegated specific responsibilities by the Board as outlined below. Executive team members attend Board and Committee meetings by invitation. Committee membership details are shown in the table on page 45.

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 2019.

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 three times in 2019.

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 three times in 2019.

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 is responsible for developing and agreeing the strategy with the Board, recommends the annual budget to the Board and allocates the charity's resources to meet its objectives. This Board is also responsible for overseeing and monitoring the financial performance against plans and reviews progress of the charity's activities against Key Performance Indicators. The Change Board oversees and monitors the progress of the change programmes and projects 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 charity as well as reviewing the performance of regulated activities including conduct, client money, health and 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 organisational purpose; leadership; integrity; decision making; risk and control; board effectiveness; diversity; and openness and accountability. In 2019, an assessment of the charity's governance framework against the Code's principles was undertaken on behalf of the Board; as a result, an action plan was drawn up to provide a focus for ongoing improvement and review of performance against the Code.

Diversity

The Board recognises the value and benefit of diversity and an inclusive culture across the charity; this includes the need for a diverse group of Trustees, with a broad range of skills, background, values and approach, as well as gender and ethnicity. The Nomination Committee regularly carries out an audit of skills, experience and diversity of background of its members to identify gaps, and to inform Trustee recruitment and training. When recruiting new Trustees, the Committee considers how best to attract a diverse pool of candidates, and where and how Trustee vacancies are publicised.

As part of its commitment to adopting the practice and recommendations of the Charity Governance Code, a number of actions have been identified in relation to the Code's Diversity Principle. A key action for the Remuneration Committee is to further consider the charity-wide Inclusion, Diversity and Equality Strategy, and linked to this the Nomination Committee aims to develop, monitor and achieve diversity objectives for the Board.

Remuneration of Senior Employees

The charity has a Pay Policy which applies to all employees and is reviewed bi-annually by the Remuneration Committee and approved by the Board of Trustees. The policy sets out the commitment of StepChange to ensure that in line with the equal opportunity policy we operate a fair and transparent pay system based on objective criteria and free from all biases. We also ensure that all roles are evaluated on a fair and consistent basis. This fairness and consistency will be established by adhering to the process and procedure set out in the policy, and through compliance with the Equality Act (Gender Pay Gap Information) regulations.

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

Trustees' report

Board as at 17 July 2020		Board Committees		
Trustees	**Year of appointment**	**Audit & Risk**	**Nomination**	**Remuneration**
John Griffith-Jones (Chair of the Board)	2019		Chair	
Josh Bell	2018			Member
Nick Caplan	2019	Member		
Helen Dean	2019			Member
Tim Frost	2017	Chair		
Andy Hill	2016			
Monica Kalia	2017		Member	Member
Sue Lewis	2012		Member	Chair
Chris Stern (Senior Independent Director)	2016	Member	Member	
Lesley Titcomb	2019	Member		

There have been two resignations since the last report;
David Coates with effect from 31 March 2019; and John Fingleton with effect from 30 April 2020.

● Chair
● Member

The Trustees at 17 July 2020 are:

John Griffith-Jones

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

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

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 2015. Since then, Helen has been at the helm of one of the largest pension schemes in the UK with over 9 million members.

Tim Frost

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

Andy Hill

Andy Hill is Chair of the Voluntary Arrangements Subsidiary Board, and Independent Non-Executive Director of the Equity Release Subsidiary Board 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 and 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 UK 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 and Inclusive Boards.

Sue Lewis

Sue Lewis is Chair of the Remuneration Committee at StepChange. Her other Board roles include Trustee Director at award winning master trust The People's Pension, and Trustee of Surviving Economic Abuse and The Fairbanking Foundation.

Sue is also a member of the European Insurance and Occupational Pensions Authority's Occupational Pensions Stakeholder Group. Sue chaired the FCA's Financial Services Consumer Panel until December 2018. She advises overseas clients on financial education, financial inclusion and financial services consumer protection regulation.

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 CBE

Lesley Titcomb is an independent non-Executive director of National Bank of Kuwait International, and an independent non-Executive director of Legal and General Financial Advice. She was previously 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 and 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 and Chair of the Renumeration Committee at the Raven Housing Trust and was, until recently, Chairman of the Breck Foundation, an online 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

As the 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 18 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 responsible for business development and the management of strategic relationships including funders and creditors. Vikki has worked at the charity for over 14 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 and oversight 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 businesses, 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 is 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 joined the charity from Severfield Plc where she was Group HR Director. She is a fellow of the Chartered Institute of Personnel and Development.

Lorna Allan

Chief Information Officer

Lorna is the charity's first Chief Information Officer and looks after our Technology teams and architecture. Lorna's background is varied, and she has delivered IT services and technology changes in a number of very different organisations, from large international businesses like Siemens, through to fascinating government organisations like The British Library, and many others.

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
- 20104887 in Ireland.
- FCA number 729047.

Constitution

The governing document of the charity is its Memorandum and Articles of Association.

The charitable objects for which the charity was established are:

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

Professional Advisors

Chartered accountants and statutory auditors
PricewaterhouseCoopers LLP

29 Wellington Street, Leeds
LS1 4JP

Internal auditors

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

Legal advisors

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

External auditors

A resolution for the reappointment of PricewaterhouseCoopers LLP as auditors for the charity was proposed at the April 2020 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 10 to 33.

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
17 July 2020

Financials

Independent auditors' report to the Board of Trustees of 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 charity financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the charity's affairs as at 31 December 2019 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);
- 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 charity balance sheets as at 31 December 2019; the Group and charity statements of financial activities, the Group and charity 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 charity'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's and charity's ability to continue as a going concern.

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 2019 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 charity 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 Statement of Trustees' Responsibilities set out on page 53, the Board of Trustees (who are also the directors of the institution 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's and charity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Trustees either intends to liquidate the group and charity 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 Board of Trustees of Foundation for Credit Counselling, in accordance with Article 22 of the institution’s Articles of Government, and Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Opinions on other matters prescribed in the Audit Code of Practice issued by the Education and Skills Funding Agency

In our opinion, in all material respects:

- proper accounting records have been kept; and
- the financial statements are in agreement with the accounting records and returns.

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 charity, or returns adequate for our audit have not been received from branches not visited by us; or
- the group and charity’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

17 July 2020

Consolidated statement of financial activities

Year ended 31 December 2019

	Note(s)	Restricted funds 2019 £'000	Unrestricted funds 2019 £'000	Total funds 2019 £'000	Total funds 2018 £'000
Income					
Donations	2	—	997	997	1,233
Charitable activities	3	3,743	44,356	48,099	47,791
Other trading activities	4	—	5,051	5,051	4,810
Investments	5	—	10	10	37
Other	6	—	403	403	450
Total income		**3,743**	**50,817**	**54,560**	**54,321**
Expenditure					
Raising funds: other trading activities	7	—	3,718	3,718	3,606
Charitable activities	8,9	4,401	46,606	51,007	49,211
Transformation	10	—	1,972	1,972	64
Other		—	6	6	4
Total expenditure		**4,401**	**52,302**	**56,703**	**52,885**
Net (expenditure)/income for the year before taxation					
Before transformation costs		(658)	487	(171)	1,500
After transformation costs		(658)	(1,485)	(2,143)	1,436
Net (expenditure)/income for the year before taxation		(658)	(1,485)	(2,143)	1,436
Taxation on other trading activities	14	—	—	—	—
Net (expenditure)/income and net movement of funds for the year		**(658)**	**(1,485)**	**(2,143)**	**1,436**
Reconciliation of funds					
Total funds at 1 January 2019		1,074	21,996	23,070	21,634
Total funds at 31 December 2019	**22,23**	**416**	**20,511**	**20,927**	**23,070**

Charity statement of financial activities

Year ended 31 December 2019

	Note(s)	Restricted funds 2019 £'000	Unrestricted funds 2019 £'000	Total funds 2019 £'000	Total funds 2018 £'000
Income					
Donations	2	—	2,201	2,201	2,169
Charitable activities	3	3,743	44,356	48,099	47,791
Other trading activities	4	—	—	—	—
Investments	5	—	14	14	41
Other	6	—	403	403	450
Total income		**3,743**	**46,974**	**50,717**	**50,451**
Expenditure					
Raising funds: other trading activities	7	—	—	—	—
Charitable activities	8,9	4,401	46,606	51,007	49,211
Transformation	10	—	1,972	1,972	64
Other		—	6	6	4
Total expenditure		**4,401**	**48,584**	**52,985**	**49,279**
Net (expenditure)/income for the year before taxation					
Before transformation costs		(658)	362	(296)	1,236
After transformation costs		(658)	(1,610)	(2,268)	1,172
Net (expenditure)/income for the year before taxation		(658)	(1,610)	(2,268)	1,172
Taxation on other trading activities	14	—	—	—	—
Net (expenditure)/income and net movement in funds for the year		**(658)**	**(1,610)**	**(2,268)**	**1,172**
Reconciliation of funds					
Total funds at 1 January 2019		1,074	20,809	21,883	20,711
Total funds at 31 December 2019	**22,23**	**416**	**19,199**	**19,615**	**21,883**

Balance sheets

31 December 2019

	Notes	Group 2019 £'000	Group 2018 £'000	Charity 2019 £'000	Charity 2018 £'000
Fixed assets					
Intangible assets	15	7,818	6,436	7,818	6,436
Tangible assets	16	710	886	709	885
Investments	17	—	—	5	5
		8,528	**7,322**	**8,532**	**7,326**
Current assets					
Debtors	18	8,309	10,309	7,749	9,832
Investments		—	—	—	—
Cash and cash equivalents	19	8,267	10,103	7,191	9,149
		16,576	**20,412**	**14,940**	**18,981**
Current liabilities					
Creditors: amounts falling due within one year	20	(4,177)	(4,664)	(3,857)	(4,424)
Net current assets		**12,399**	**15,748**	**11,083**	**14,557**
Net assets		**20,927**	**23,070**	**19,615**	**21,883**
Total group funds					
Unrestricted funds	22	20,511	21,996	19,199	20,809
Restricted funds	23	416	1,074	416	1,074
		20,927	**23,070**	**19,615**	**21,883**

The financial statements on pages 60 to 81 were approved by the Trustees on 17 July 2020 and were signed on their behalf by

John Griffith-Jones
Chair
17 July 2020

Company Registration No. 2757055 | Registered Charity No. 1016630

Cash flow statements

Year ended 31 December 2019

	Notes	Group 2019 £'000	Group 2018 £'000	Charity 2019 £'000	Charity 2018 £'000
Reconciliation of net (expenditure)/ income to net cash flows from operating activities					
Net movement in funds		(2,143)	1,436	(2,268)	1,172
Investment income		(10)	(37)	(14)	(41)
Depreciation and amortisation charge		985	612	985	607
Result on disposal		—	—	—	—
Decrease/(increase) in debtors		2,000	(452)	2,083	(602)
(Decrease)/Increase in creditors		(487)	59	(567)	54
Net cash used in operating activities		**345**	**1,618**	**219**	**1,190**
Investing activities					
Purchase of tangible and intangible fixed assets		(2,191)	(5,931)	(2,191)	(5,929)
Net cash inflow/(outflow) from current asset investments		—	5,011	—	5,011
Interest received		10	37	14	41
Net cash provided by/(used in) investing activities		**(2,181)**	**(883)**	**(2,177)**	**(877)**
Net (Decrease)/Increase in cash and cash equivalents		**(1,836)**	**735**	**(1,958)**	**313**
Cash and cash equivalents at 1 January		10,103	9,368	9,149	8,836
Total cash and cash equivalents at 31 December	**19**	**8,267**	**10,103**	**7,191**	**9,149**

Notes to the financial statements

Year ended 31 December 2019

1. Accounting Policies The principal accounting policies are summarised below.

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

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

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

b) Group accounts

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

c) Incoming resources

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

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

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

d) Resources expended

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

e) Intangible fixed assets

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

f) Tangible fixed assets

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

g) Investments

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

h) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, 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 2019 £'000	Group unrestricted funds 2018 £'000	Charity unrestricted funds 2019 £'000	Charity unrestricted funds 2018 £'000
Donations from the utility sector	596	467	596	467
Other donations	401	766	1,605	1,702
	997	1,233	2,201	2,169

Included within the charity's other donations is £1,203,612 (2018: £935,596) received from its subsidiary undertakings through Gift Aid Donations.

3. Income from charitable activities

	Restricted funds 2019 £'000	Unrestricted funds 2019 £'000	Total 2019 £'000	Total 2018 £'000
Group				
Debt advice and solutions	3,743	44,356	48,099	47,791
Charity				
Debt advice and solutions	3,743	44,356	48,099	47,791

4. Income from other trading activities

	Group unrestricted funds 2019 £'000	Group unrestricted funds 2018 £'000	Charity unrestricted funds 2019 £'000	Charity unrestricted funds 2018 £'000
Insolvency service	3,664	3,606	—	—
Equity release services	1,387	1,204	—	—
	5,051	4,810	—	—

5. Investment income

	Group unrestricted funds 2019 £'000	Group unrestricted funds 2018 £'000	Charity unrestricted funds 2019 £'000	Charity unrestricted funds 2018 £'000
Bank interest	10	37	10	37
Intercompany interest receivable	—	—	4	4
	10	**37**	**14**	**41**

6. Other income

	Group and charity unrestricted funds 2019 £'000	Group and charity unrestricted funds 2018 £'000
Commission income from mortgage advisors and insolvency practitioners	207	323
Other	196	127
	403	**450**

7. Expenditure on raising funds: other trading activities

	Group unrestricted funds 2019 £'000	Group unrestricted funds 2018 £'000	Charity unrestricted funds 2019 £'000	Charity unrestricted funds 2018 £'000
Insolvency service	2,628	2,712	—	—
Equity release services	1,090	894	—	—
	3,718	**3,606**	—	—

8. Expenditure on charitable activities

	Direct costs 2019 £'000	Support & governance costs 2019 £'000	Total 2019 £'000	Total 2018 £'000
Group unrestricted funds				
Debt advice	13,925	9,879	23,804	22,495
Client management	12,130	7,252	19,382	18,593
Promotion of charitable purpose	2,852	568	3,420	3,966
Total	**28,907**	**17,699**	**46,606**	**45,054**
Group restricted funds				
Debt advice	3,980	247	4,227	3,758
Client management	—	—	—	119
Promotion of charitable purpose	173	1	174	280
Total	**4,153**	**248**	**4,401**	**4,157**
Total expenditure on charitable activities	**33,059**	**17,947**	**51,007**	**49,211**
Charity unrestricted funds				
Debt advice	13,925	9,879	23,804	22,495
Client management	12,131	7,252	19,383	18,593
Promotion of charitable purpose	2,852	568	3,420	3,966
Total	**28,907**	**17,699**	**46,606**	**45,054**
Charity restricted funds				
Debt advice	3,980	247	4,227	3,758
Client management	—	—	—	119
Promotion of charitable purpose	173	1	174	280
Total	**4,153**	**248**	**4,401**	**4,157**
Total expenditure on charitable activities	**33,059**	**17,947**	**51,007**	**49,211**

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 2019 £'000	Client management 2019 £'000	Promotion of charitable purpose 2019 £'000	Total 2019 £'000	Total 2018 £'000
Unrestricted funds					
IT, digital & change	4,786	3,223	253	8,262	7,229
Corporate services	2,985	2,438	190	5,613	4,443
People services	1,906	1,438	113	3,457	3,147
Governance	202	153	12	367	323
Total	**9,879**	**7,252**	**568**	**17,699**	**15,142**
Restricted funds					
Corporate services	247	—	1	248	395
Total support and governance costs	**10,126**	**7,252**	**569**	**17,947**	**15,537**

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

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

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

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

10. Transformation costs

	Group and charity 2019 £'000	Group and charity 2018 £'000
Professional fees	70	5
Incremental project resource costs	1,902	59
	1,972	**64**

During 2019, significant testing of the new advice software platform, Pulse, was undertaken. The system was commissioned with a pilot advice group during Q3 2019 and advisor numbers were extended rapidly through Q4 as advisors completed system training. Further capitalistion of costs took place during 2019 and the amortisation of capitalised project costs began in October 2019 and is shown at Note 15. Further project resource costs were incurred, both in platform optimisation following deployment and in preliminary work around future system development, neither category of which meet the criteria for capitalisation under FRS102.

11. Auditors' remuneration

	Total 2019 £'000	Total 2018 £'000
Fees payable to the charity's auditors		
Audit of the financial statements (charity)	43	41
Audit of the financial statements (subsidiaries)	17	17
Other assurance services	35	64
Tax advisory services	27	16
	122	**138**

12. Employees

	2019 No.	2018 No.
i) Average number of persons employed by the group		
Debt advice	611	632
Client management	466	464
Promotion of charitable purposes	37	38
Insolvency services	75	83
Equity release services	25	20
Support services	249	236
	1,463	**1,473**

The total average full time equivalent (FTE) numbers in 2019 were 1,399 (2018: 1,415).

	2019 £'000	2018 £'000
ii) Staff costs		
Wages and salaries	35,936	34,180
Social security costs	3,412	3,272
Pension costs	1,427	1,146
Other payroll related benefits	308	394
	41,083	**38,992**

The remuneration of key management personnel (members of the Executive team) is £1,055,000 (2018: £1,142,000). The total remuneration of the Chief Executive Officer was £175,840 in 2019 of which £158,875 comprises basic salary (2018: total remuneration £167,675 and basic salary £155,000). The basic salary increased 2.5% in 2019.

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

	2019 No.	2018 No.
£60,001 – £70,000[1]	12	7
£70,001 – £80,000	6	9
£80,001 – £90,000	4	2
£90,001 – £100,000	3	—
£100,001 – £110,000[4]	—	1
£110,001 – £120,000	1	1
£120,001 – £130,000	1	—
£130,001 – £140,000	1	1
£140,001 – £150,000[3]	—	1
£150,001 – £160,000	1	1
£160,001 – £170,000	—	1
£170,000 – £180,000	1	—
£200,001 – £210,000[2]	—	1
Total	**30**	**25**

[1] Included within the 2019 amounts is a termination payment of £12,969

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

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

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

13. Trustees

In June 2018, the Board of Trustees approved in principle a proposal to provide remuneration of £12,000 per annum to the Chair of the Board, to be appointed with effect from 1 January 2019, following advice that such remuneration would enable the attraction of more diverse talent, along with the recognition that a level of remuneration would be appropriate in relation to the levels of risk, responsibility and time commitment associated with a large regulated charity. An application was made to the Charity Commission for a 'regulated alteration' to the Articles of Association to permit such remuneration, and the written order was approved by the Commission in March 2019; a special resolution to amend the Articles was passed by the Directors in April 2019.

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

None of the remaining Trustees (or any persons connected with them) received any remuneration during the year. Four of the Trustees were reimbursed for out of pocket expenses incurred in attending Trustee meetings totalling £986 (2018: Three Trustees reimbursed for expenses totalling £1,441).

Indemnity insurance is taken out to provide liability cover to protect any charity Trustee, employee or officer from claims arising against them as a result of an actual or alleged 'wrongful act' when performing the scope of their regular duties. The cost of providing this insurance is £12,085 (2018: £12,085).

14. Deferred taxation

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 2019 £'000	Total 2018 £'000
Analysis of charge in the year		
Deferred tax on trading losses	—	—

15. Intangible assets

	Group £'000	Charity £'000
Cost		
At 1 January 2019	6,436	6,436
Additions	1,897	1,897
Group transfers	—	—
Disposals	—	—
At 31 December 2019	**8,333**	**8,333**
Accumulated Amortisation		
At 1 January 2018	—	—
Charge for the year	515	515
Group transfers	—	—
Disposals	—	—
At 31 December 2019	**515**	**515**
Net book value		
At 31 December 2019	**7,818**	**7,818**
At 31 December 2018	**6,436**	**6,436**

All intangible assets relate to internal software development.

16. Tangible assets

	2019		2018	
	Group £'000	Charity £'000	Group £'000	Charity £'000
Cost				
At 1 January	9,695	9,270	9,781	8,904
Additions	294	294	368	366
Group transfers	—	—	—	—
Disposals	(2,952)	(2,952)	(454)	—
At 31 December	**7,037**	**6,612**	**9,695**	**9,270**
Accumulated Depreciation				
At 1 January	8,809	8,385	8,651	7,778
Charge for the year	470	470	612	607
Group transfers	—	—	—	—
Disposals	(2,952)	(2,952)	(454)	—
At 31 December	**6,327**	**5,903**	**8,809**	**8,385**
Net book value				
At 31 December 2019	**710**	**709**	**886**	**885**
At 1 January 2019	**886**	**885**	**1,130**	**1,126**

All tangible assets are fixtures, fittings and equipment.

17. Investments

	2019 £	2018 £
Subsidiary undertakings	**5,001**	**5,001**

	Company registration	Activities	2019	2018
Subsidiary undertakings as at 31 December 2017				
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 below:

	2019 £'000	2018 £'000
Consumer Credit Counselling Service Voluntary Arrangements Limited		
Turnover	3,665	3,606
Cost of sales	(1,752)	(1,779)
Gross profit	1,913	1,827
Administrative expenses	(876)	(933)
Profit for the financial year	**1,037**	**894**
Assets	1,539	1,288
Liabilities	(514)	(403)
Shareholders' funds	**1,025**	**885**

	2019 £'000	2018 £'000
Consumer Credit Counselling Service (Equity Release) Limited		
Turnover	1,387	1,204
Cost of sales	(1,095)	(894)
Operating profit	292	310
Interest payable	(5)	(5)
Taxation	—	—
Profit for the financial year	**287**	**305**
Assets	630	606
Liabilities	(338)	(299)
Shareholders' funds	**292**	**307**

18. Debtors

	Group 2019 £'000	Group 2018 £'000	Charity 2019 £'000	Charity 2018 £'000
Due within one year				
Trade debtors	5,679	6,873	4,674	6,042
Prepayments and accrued income	2,525	3,332	2,437	3,224
Other debtors	105	104	105	104
Amounts owed by group undertakings	—	—	533	262
	8,309	10,309	7,749	9,632
Deferred tax asset (note 14)	—	—	—	—
	8,309	**10,309**	**7,749**	**9,632**
Due after more than one year				
Amounts owed by group undertaking	—	—	**200**	**200**
Total	**8,309**	**10,309**	**7.949**	**9,832**

The amount owed by a group undertaking after more than one year is a loan of £200,000 (2018: £200,000) made to Consumer Credit Counselling Service (Equity Release), a trading subsidiary of Foundation for Credit Counselling. Interest is charged at a rate of 2.50% and is subject to annual review. The loan is repayable on any date agreed in writing between the parties or within 30 days of receipt of a written request from the Lender (which the Lender agrees it will only serve on the Borrower if, in the reasonable opinion of the Lender, the Borrower has financial resources available to it to repay the Loan at that time). The Trustees do not currently envisage either event to crystallise within 12 months of the balance sheet date.

19. Cash and cash equivalents

	Group 2019 £'000	Group 2018 £'000	Charity 2019 £'000	Charity 2018 £'000
Cash and cash equivalents				
Cash balances	8,267	7,103	7,191	6,149
Bank deposits	—	3,000	—	3,000
Total cash and cash equivalents	**8,267**	**10,103**	**7,191**	**9,149**

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

20. Creditors: amounts falling due within one year

	Group 2019 £'000	Group 2018 £'000	Charity 2019 £'000	Charity 2018 £'000
Creditors: amounts falling due within one year				
Trade creditors	888	705	848	669
Other taxes and social security costs	911	849	888	826
Accruals and other creditors	2,378	3,110	2,121	2,929
	4,177	**4,664**	**3,857**	**4,424**

21. Operating lease commitments

	Land and buildings 2019 £'000	Other 2019 £'000	Total 2019 £'000	Total 2018 £'000
Expiry date				
Within one year	192	9	201	11
Between one and five years	2,766	367	3,133	5,260
After five years	—	—	—	571
	2,958	**376**	**3,334**	**5,842**
Net expenditure for the year before taxation is stated after charging				
Operating lease charges	**1,742**	**163**	**1,905**	**1,884**

22. Movements in unrestricted funds

	At 1 Jan 2019 £'000	Incoming resources £'000	Outgoing resources £'000	At 31 Dec 2019 £'000
Group				
General reserves	21,996	50,817	(52,302)	20,511
Charity				
General reserves	20,809	46,974	(48,584)	19,199

23. Movements in restricted funds

	At 1 Jan 2019 £'000	Incoming resources £'000	Outgoing resources £'000	At 31 Dec 2019 £'000
Group and charity				
MaPS	744	2,660	(3,404)	—
Ireland - Advice	330	—	(28)	302
SLAB	—	22	(22)	—
Scottish Ministers	—	974	(860)	114
Welsh Ministers	—	87	(87)	—
	1,074	**3,743**	**(4,401)**	**416**

MaPS Grant

FCC received funding from the Money Advice Service 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 itself was renamed as the Money and Pension Service (MaPS) on 6th April 2019. On 1st April 2019, a further 1 year funding agreement to support advice in England was entered into, with Scottish and Welsh funding devolved to the Scottish and Welsh Ministers respectively.

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, after which there is an 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 expired on 31st March 2019.

Scottish Ministers

FCC received funding under two agreements from the Scottish Ministers. Firstly, for the provision of a telephone debt advice service to indebted individuals for a 1 year period from the 1st April 2019 and subsequently the provision of a specialist debt service with a particular focus on vulnerable clients for the period from 30th May 2019 to 31st March 2020.

Welsh Ministers

FCC received funding for the provision of a telephone debt advice to indebted individuals for a 1 year period from the 1st April 2019 from the Welsh ministers.

The summary of the assets and liabilities for the total restricted funds, disclosed by contract and the total unrestricted funds at 31 December 2019 is shown overleaf.

	Scotland (Various) £'000	Ireland £'000	Total restricted £'000	Total unrestricted £'000	Total funds £'000
Fixed Assets					
Intangible assets	—	—	—	7,818	7,818
Tangible assets	—	—	—	710	710
	—	—	—	**8,528**	**8,528**
Current Assets					
Debtors	—	—	—	8,309	8,309
Investments	—	—	—	—	—
Cash at bank and in hand	113	302	415	7,852	8,267
	113	**302**	**415**	**16,161**	**16,576**
Creditors: Amounts falling due within one year	—	—	—	(4,177)	(4,177)
Net Current Assets	**113**	**302**	**415**	**11,984**	**12,399**
Net Assets	**113**	**302**	**415**	**20,512**	**20,927**

24. Related party disclosures

On a consolidated basis, there were no (2018: none) transactions undertaken with related parties during the year. The charity provided a loan of £200,000 (2018: £200,000) to Consumer Credit Counselling Service (Equity Release). The details are disclosed within note 18.

25. Pension costs

The charity operates defined contribution pension schemes. The assets of the schemes are held separately from those of the company, being invested with insurance companies as per the employee's instructions. The pension cost charge represents contributions payable by the charity to the pension funds and amounted to £1,427,012 (2018: £1,194,642). At the year end the pension creditor amounted to £237,222 (2018: £183,220).

26. Post Balance Sheet Events

Since early 2020, the epidemic of Coronavirus Disease 2019 ("the COVID-19 pandemic') has spread across most countries of the world, and it has affected business and economic activities to some extent. The charity has seen a near 15% fall in monthly payments from customers towards their repayment plans in the period between March and June 2020, which has in turn, impacted fair share revenues. Despite an initial reduction in debt advice demand as consumers benefit from Government funded protection schemes, the charity is beginning to see this reverse during the second half of 2020 and, aligned with HM Treasury and the Money and Pensions Service that demand will rise rapidly as these protection schemes are phased out.

On the 9 June 2020 HM Treasury announced an extra £37.8 million funding package would be made available to debt advice providers this year (20-21) so they can continue to provide essential services to help more people who are struggling with their finances due to the COVID-19 pandemic. The charity has submitted a request for funding from this package to the Money and Pension Service to both balance the reduction in fair share income anticipated up to March 2021 and to enable future advice capacity to be increased significantly.

On 15 July 2020 the charity received confirmation of funding of up to £5.5m in respect of fair share shortfalls and expects to receive further funding to enable the growth of advice capacity imminently. The charity continues to pay close attention to the development of the COVID-19 pandemic and will take relevant measures to mitigate its expenditure levels if these become necessary.

Thank you to our supporters

Each of these organisations supported us financially in 2019, and many have worked with us on policy to improve the debt landscape. We'd like to express our gratitude for their support, without which our work would not be possible.

118 118 Money
Aberdein Considine & Co
Affinity Water
American Express
Anglian Water
Aperture Debt Solutions
Arrow Global
Barclays UK
Bristol and Wessex Water
British Gas
Cabot Credit Management
Capital One
Capital Resolve
CARS
CashEuroNet
Clydesdale Banking Group
Computershare
Co-op Energy
Co-operative Bank
Creation Financial Services
Credit Security
Curo Group
Damart
Debt Managers Services Ltd
E.ON
Elderbridge
Essex and Suffolk Water
Freeman Grattan Holdings
Harvey and Thompson
Hitachi Capital
Hoist Finance
Home Retail Group
Hoopers Department Store
HSBC Bank
Hyde Foundation
Ikano Bank
Intrum
iSupplyEnergy
Leeds Building Society
Lendable Ltd
Link Financial
Lloyds Banking Group
Lowell Financial
Marston Group
McCambridge Duffy
Money and Pensions Service
Moneyline
Moorcroft Debt Recovery
Morses Club
MYJAR
N Brown
Nationwide Building Society
NewDay
Northumbrian Water
Npower
Oakbrook Finance
OVO Energy
Paragon
Perch Group
PRA Group
Provident Financial Group
Redcats
Sainsbury's Bank
Santander
Scottish Government
Scottish Police Credit Union
Southern Water
Spark Energy
StepChange Financial Solutions
StepChange Voluntary Arrangements
TBI Financial Services
Tesco Bank
Thames Water
The Co-operative Group
The Royal Bank of Scotland Group
The Very Group
Tonik Energy
TSB
UK Credit
United Utilities
Utilita Energy
Virgin Money
Welsh Government
Welsh Water
Wonga
Yorkshire Water