Tackling problem debt

Foundation for Credit Counselling
Annual report and accounts 2016

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Foundation for Credit Counselling trades as StepChange Debt Charity

StepChange Debt Charity is the UK's largest debt advice charity. We are dedicated to helping people affected by problem debt.

Introduction

Problem debt doesn't just blight the lives of individuals. It harms families and communities, and drains the UK economy of an estimated £8.3 billion. At StepChange Debt Charity, we help people in problem debt get back on a firmer financial footing. We also campaign for change, to help prevent problem debt and to limit its negative effects. Problem debt is not inevitable: free advice can and does turn lives around. And, as individuals and families bounce back, we all benefit from the boost to our society and economy.

Chairman's statement

Our vision is a society free from problem debt. As the UK's largest debt advice charity, everything we do is designed to bring this reality a little closer. Our free advice helps people navigate their way through the often complex and agonising challenges of being in debt. Our campaigning, influencing and partnership work brings about change in industry practice, regulation and government policy, to prevent yet more people falling into problem debt and reduce the harm it causes.

Last year, nearly 600,000 people sought our help; 9% more than in 2015. With our support, people reduced their debt by over £500m, paying off £414m, with a further £89m written off. Nearly 20,000 of the people we helped became debt free last year. Many more were able to tackle debt themselves following our advice, available by phone and through our online tool, Debt Remedy.

We were also very glad to see a reduction in the damage caused by payday loans. We welcome the UK Government's Help to Save scheme, and recent manifesto citations make us increasingly confident that, after the General Election, the next Government will implement our 'breathing space' proposals – designed to help people in financial difficulty get back on their feet.

In March 2017, the Bank of England expressed concern about consumer credit, which was growing at its fastest rate since 2005. For the first time in eight years, we have seen the average debt of those we help increase. Against a backdrop of rising borrowing, stagnant wages and the growth of insecure work, increasing numbers of households will be vulnerable to problem debt. We must prepare for an increase in the number of people needing our help.

The UK already has 2.9 million people in severe problem debt, with only 1.5 million getting support.

Problem debt damages families, communities and the UK economy. The wider social cost is £8.3bn, through its impact on physical and mental health, entering employment, work productivity, and through the social welfare costs of supporting those who become trapped by debt. This highlights the importance of working with regulators and the Government to ensure that lending is responsible, that products don't create unexpected or unaffordable debt and that collection practices are fair.

With our support, people reduced their debt by over £500m, paying off £414m, with a further £89m written off

We are committed to doing more. Our income has grown by 39% since 2012, allowing us to help 60% more people. We were delighted to receive authorisation from the Financial Conduct Authority in 2016. Such regulation, albeit welcome, has increased our costs by 7%.

We currently employ more than 1,400 staff, including our award-winning Advocacy Team in Cardiff which provides an enhanced service for the most vulnerable. To meet the expected demand for our services, we need to become more productive. We are investing significant sums in new business processes and technologies to make sure that we provide the best services for our clients and creditors, delivered at the lowest possible cost.

I would like to thank my colleagues and fellow Trustees for their efforts, as we work together to tackle problem debt.

But we cannot do it alone; our work wouldn't be possible without the support of our funders. We are grateful to the lenders, utility companies and other organisations – including the Money Advice Service – who support the charity. We also appreciate the support of the organisations we work with: Citizens Advice, the Money Advice Trust, Children's Society, Christians Against Poverty, Macmillan, Mind, Samaritans and many others. Because of these partnerships, we can make an even greater difference to those in difficulty.

Sir Hector Sants
Chairman
6 June 2017

What we do

In 2016, 600,000 people sought our help.
Each person who contacted us owed, on average, £14,251 across 5.7 debts. Over the phone or online, we gave them free independent advice, offering a range of solutions to help them manage their situation and, ultimately, become free of problem debt. Many of the people we talk to say their lives and families have been left devastated by debts that have spiralled out of control. Over half of them told us they suffered a year of financial distress before contacting us.

People often describe the immense relief they feel when they speak to us and realise there is a way out

The UK has **2.9m** people in severe problem debt and only **1.5m** are getting help

The main causes of debt include job loss, illness and relationship breakdown, so many people also face the strain of dealing with other difficult issues. Lying awake at night worrying about finances can also affect their physical and mental health. People often describe the immense relief they feel when they speak to us and realise there is a way out.

Over half of our clients told us they suffered a year of financial distress before contacting us

As part of our advice process, we ask each person to complete a monthly income and expenditure summary listing their debts, the names of their creditors and the value of each balance. From this data, our advisors or our Debt Remedy tool will identify and present the most appropriate solutions.

Debt management

The most common solution is a Debt Management Plan (DMP). Instead of having to pay each creditor individually, the person makes a single monthly payment to the charity. We then disburse this amount divided across their creditors until the debt has been cleared.

Every penny a person pays us goes towards eliminating their debt. Once the details are agreed, we set up the DMP on the person's behalf, working with them to keep their plan under regular review. We also provide an annual debt 're-advice' session to ensure their solution remains appropriate and affordable.

Many people can't immediately afford to make repayments when they first contact us. In such cases, we can often arrange a 'token payment plan' where each creditor receives £1 a month until the situation improves enough to increase the monthly amount paid back.

Insolvency solutions

We support insolvency solutions such as Debt Relief Orders (DROs) and Individual Voluntary Arrangements (IVAs) and, in appropriate circumstances, we will help people apply for bankruptcy. With a DRO, a person's debt is written off; an IVA combines write-off and repayment. In Scotland there are different debt solutions, and our Glasgow and Newcastle staff are trained to advise on these. They include Sequestration, Minimal Asset Process and Trust Deeds.

Online help

Our website allows anyone to access information and advice at any time. Our *7 Days, 7 Ways* programme includes practical tips on recognising the early signs of problem debt, and how to prepare for engagement with a debt advice provider. The site also features the Mental Health Foundation's *Be Mindful* programme, which explores how mindfulness can help reduce stress. General money advice is available on our moneyaware.co.uk site, along with news updates, regular blog posts and a benefit checker tool.

UK-wide presence

Our advice services are available by phone across all four UK nations through contact centres based in Birmingham, Cardiff, Chester, Glasgow, Halifax, Leeds, Limavady and Newcastle. In 2015 we established a service, delivered from our main centre in Leeds, to help people living in the Republic of Ireland. We have developed our Cardiff centre to specialise in helping the most vulnerable people: those who need extra support due to physical or mental health issues, suicidal thoughts, disability or old age. Our External Affairs teams are based in London and Glasgow.

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Most of us need to borrow money at some point in our lives. For the majority, it's an affordable way to make large purchases or balance competing financial priorities. However, unexpected events such as losing a job, becoming ill or suffering a relationship breakdown can turn manageable borrowing into a daily struggle.

“

Making the initial contact was daunting but every person I have spoken to has been kind, supportive and non-judgemental. I am incredibly relieved and so glad I made the decision to contact StepChange Debt Charity. The steps I am taking now really have changed my life.

— Linda, Suffolk

“

At every stage of the process your staff were exceedingly helpful, considerate and reassuring. The debt solution offered to me has given me back control of my life.

— Richard, Merseyside

“

I was very depressed and sure I would lose my home along with everything else. It was taking a toll on my health and I spent many sleepless nights trying to figure out what to do. StepChange Debt Charity has helped me in a way I would never have thought possible.

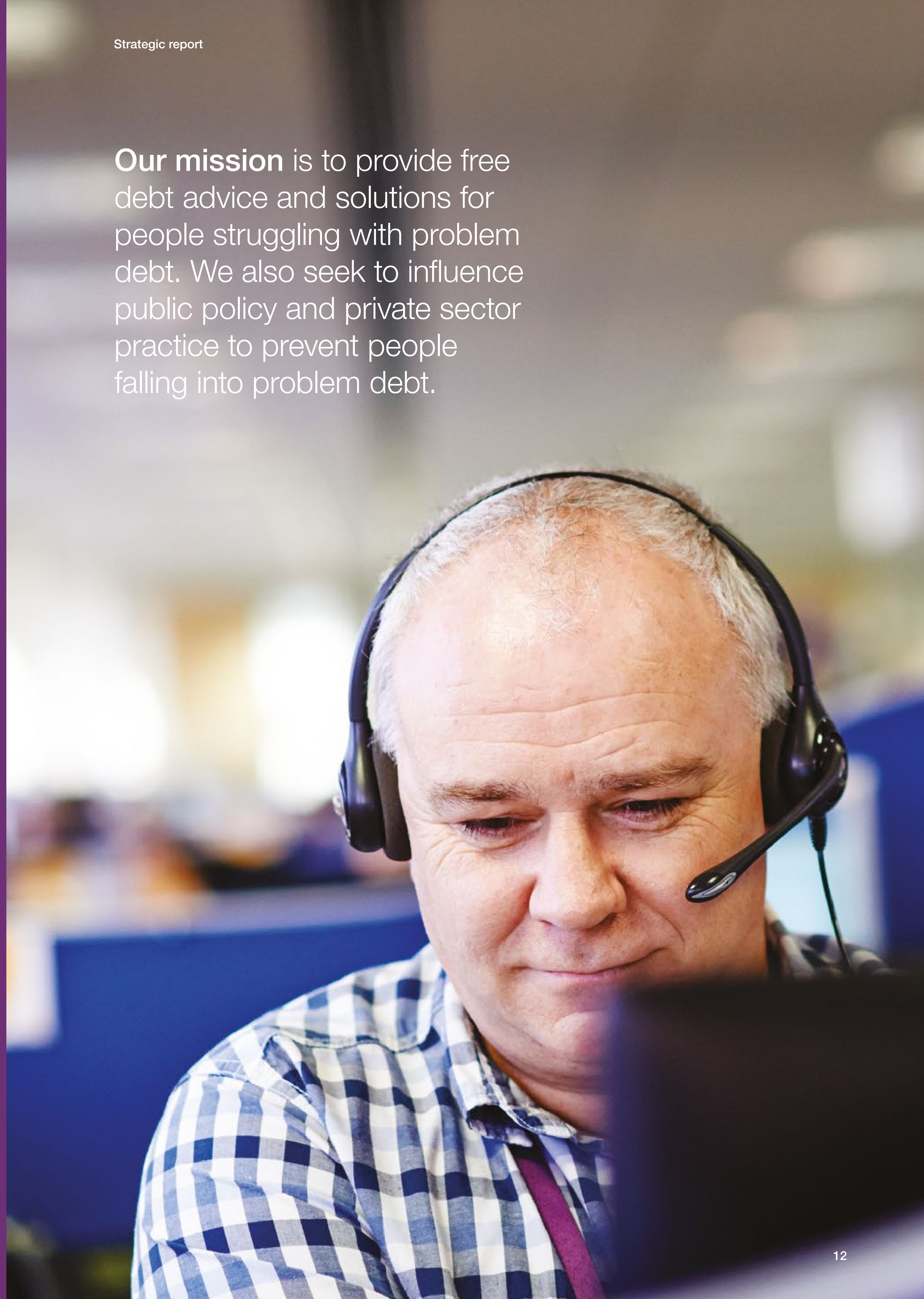
— Alison, Surrey

Our vision

We want to create a society free from problem debt. In 2017, around 2.9 million people in the UK are in severe problem debt, with 9.2 million in moderate financial difficulty[1]. We also estimate that 8.8 million households are using credit for everyday living expenses, including 1.1 million resorting to high-cost credit.

Problem debt also increases people's risk of losing their home or having their children taken into care, puts pressure on relationships and holds back children's education. Advice can help people get back on their feet, but where possible we need to help prevent them from falling into debt in the first place. We also endeavour to make problem debt less harmful and easier to recover from. These aims drive much of our policy and campaigning work.

[1] We define 'problem debt' as being when people display three or more of the indicators below. We use the term 'moderate financial difficulty' when people display one or two. The indicators are: paying minimum repayments on credit commitments for three months or more; falling behind on essential bills; using credit to pay essential bills; using credit to keep up with credit commitments; using credit to make it through to payday; and being charged overdraft or late-payment fees on a regular basis.



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

Our objectives

Our Trustees adhere to rules from the Office of the Scottish Charity Regulator and 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 are satisfied that, in 2016, our activities were in line with our charitable objectives. These objectives are outlined in the pages below, along with our plans for 2017 and beyond.

1. Provide independent free advice and debt solutions for people struggling with problem debt

By pioneering free debt-management solutions and running the country's most comprehensive debt advice service, we have changed the face of personal debt advice in the UK. Unlike some companies who charge a fee to manage debt, we have no shareholders, and invest all our time and money into doing what's best for each person that contacts us.

In 2016, 600,000 people approached us for debt advice, up 9% compared with 2015. We delivered 339,687 detailed advice sessions, up nearly 11% on the previous year. Many people use the information we provide to tackle debt by themselves. And for the first time, online advice sessions – with our Debt Remedy tool – exceeded those by phone, comprising 50.1% of total sessions (48.5% in 2015).

In June 2015, we set up a service to support people seeking advice because their debt management firms were not authorised by the Financial Conduct Authority. In the 18 months that followed, 6,713 clients were referred to us for this reason and 4,545 of them completed a debt advice session.

2. Create greater awareness of free debt advice

We create awareness through the StepChange Debt Charity brand, which is synonymous with free debt advice. Since its launch in 2012, the brand has gone from strength to strength, aided by:

- Maintaining a strong online presence.
- The quality of information and advice on our website, and money management tips on moneyaware.co.uk
- Increasing our engagement with creditors, to grow awareness among their employees.
- Enhancing our reputation for policy and influencing work.

Our brand-tracking research is carried out online by an independent agency, and covers a geographically representative sample of the UK population. This research lets us measure and monitor changes in awareness of the brand. In 2016, we exceeded our ambitions for brand awareness, with 15.1% of respondents saying that they had heard of StepChange Debt Charity.

This objective is supported by the FCA's Consumer Credit sourcebook, which requires commercial debt management firms to signpost the availability of free advice.

Our aim for 2017 is to maintain brand awareness levels.

3. Champion the cause of people in, and at risk of, problem debt by campaigning for change in public policy and private sector practice

Drawing on real-life experiences and data from the people we help, we make evidence-based cases for changing regulation, law and practice to reduce the risk of problem debt and the harm it causes.

Over the past two years, we have campaigned to highlight the importance of 'rainy day' savings. This has contributed to the introduction of the Government's Help to Save scheme, which received Royal Assent in January 2017. The scheme will see the Government offer a 50% financial match (up to a maximum of £600) to those saving on a low income. Our research shows that having £1,000 in savings halves the chance of a family falling into problem debt.

Our priorities for 2017:

- Having secured manifesto commitments, to continue our campaign for effective implementation of our 'breathing space' proposals for people in England and Wales who fall into problem debt. This would provide statutory protection from interest, charges and creditor enforcement action for people who engage with debt advice. In Scotland, we are looking to improve the current system.
- Continue our work with other advice agencies to raise awareness of problems around bailiff conduct, and secure fundamental changes to protect people in financial difficulty by improving bailiff practices in England and Wales.
- Continue to advocate greater access to safer, more sustainable credit.
- Continue to work with the FCA to tackle persistent overdraft and credit card debt.

4. Educate and inform people through our services to enable them to better manage their money and recover from problem debt

We educate and inform people as we help them. To supplement this, our MoneyAware service provides practical advice and tips, through a blog and social media, for people managing on a tight budget. It also delivers engaging content from our partners, and news around topics that may affect those struggling financially.

MoneyAware attracts people who need help managing their money (and who may not have contacted our charity) by appearing prominently in Google search results. It also helps clients who are recovering from problem debt. There were 1,486,313 visits to MoneyAware in 2016, a 32% increase on 2015.

5. Be the most efficient and sustainable provider of free debt advice and debt solutions

While the unit cost of giving debt advice remains similar year on year, the cost of serving those on repayment plans increased, mainly reflecting the cost of regulation. To help more people, we want to minimise our expenditure while delivering the best possible service.

Long term, we will achieve this by redesigning our systems and processes over the next four years. In April 2017, our Board of Trustees approved the launch of a major Transformation Programme to improve efficiency and sustainability.

6. Engage and develop our colleagues

We added this in 2017, to reflect the vital importance of our colleagues in delivering our charitable objectives.

We want to continue to engage and develop our colleagues to fulfil their potential and help ensure we deliver our strategy and vision.

2016 and the future

2016 was a productive and successful year. And, for the past two years, our funding has been sufficient to cover the costs of running and expanding our services.

However, there is a growing need for our services, underscored by a significant rise in consumer credit. Our costs have increased as a result of regulation, the people we help are becoming poorer, and raising funds in a competitive market is never easy. For these reasons, we must keep striving to prove the value of what we do, and the positive difference it makes to people's lives.

Creating a sustainable long-term funding model is a priority for us over the next two years

In 2017, we want to help a similar number of people to the previous year. To maintain our service levels, we have increased the rate of creditors' voluntary 'fair share' contributions from 11.75% to 13%. We are grateful to those creditors who make the contributions, particularly the vast majority who supported the recent rise.

We recognise the challenge presented by our current funding model: 80% of our income (though down from 90% in 2013) is earned from one debt solution, DMPs. Creating a sustainable, long-term funding model is a priority for us over the next two years. We continue to discuss a range of solutions to meet the needs of creditors and other funders while supporting our aim of providing free advice to as many people as possible.

As mentioned in Objectives, our Board endorsed the senior management's Transformation Programme to rationalise and improve the client journey and operating model, by investing in new business processes and information technology.

The Transformation Programme will deliver a new client relationship management system through which our staff can support people on their journey from initial contact to becoming free of problem debt. People will be able to manage their debt solutions online, as well as speaking to our advisors.

We also aim to improve our service to creditors by keeping them better informed of people's progression out of debt. By refining our internal systems and processes, and enhancing our self-service capability, we will reduce our unit costs and be able to help more people out of debt without increasing our cost base. We plan to deliver the first phase of the Transformation Programme by mid-2018.

Our impact in 2016

600,000
people sought our help

339,687
advice sessions for new clients

£414m
debt repaid with our support

£89m
debt written off

20,000
clients free from debt

James's story

"Telephone staff helped find the best way to solve my debt problems and quite often were a shoulder for when the phone calls and threatening letters arrived from creditors"

James was in a joint tenancy when his housemate lost his job and couldn't access benefit support. Before long, they were struggling to pay the rent.

James began relying on credit cards to cover essential bills. When he was unable to keep up with repayments, the charges and interest increased his debts. He tried to take out a personal loan but was turned down, and started using payday lenders to get by.

He and his friend were tied into their rental contract for another seven months. With their mothers acting as guarantors, they were forced to stay in their now unaffordable property as the landlord refused to release them from the agreement.

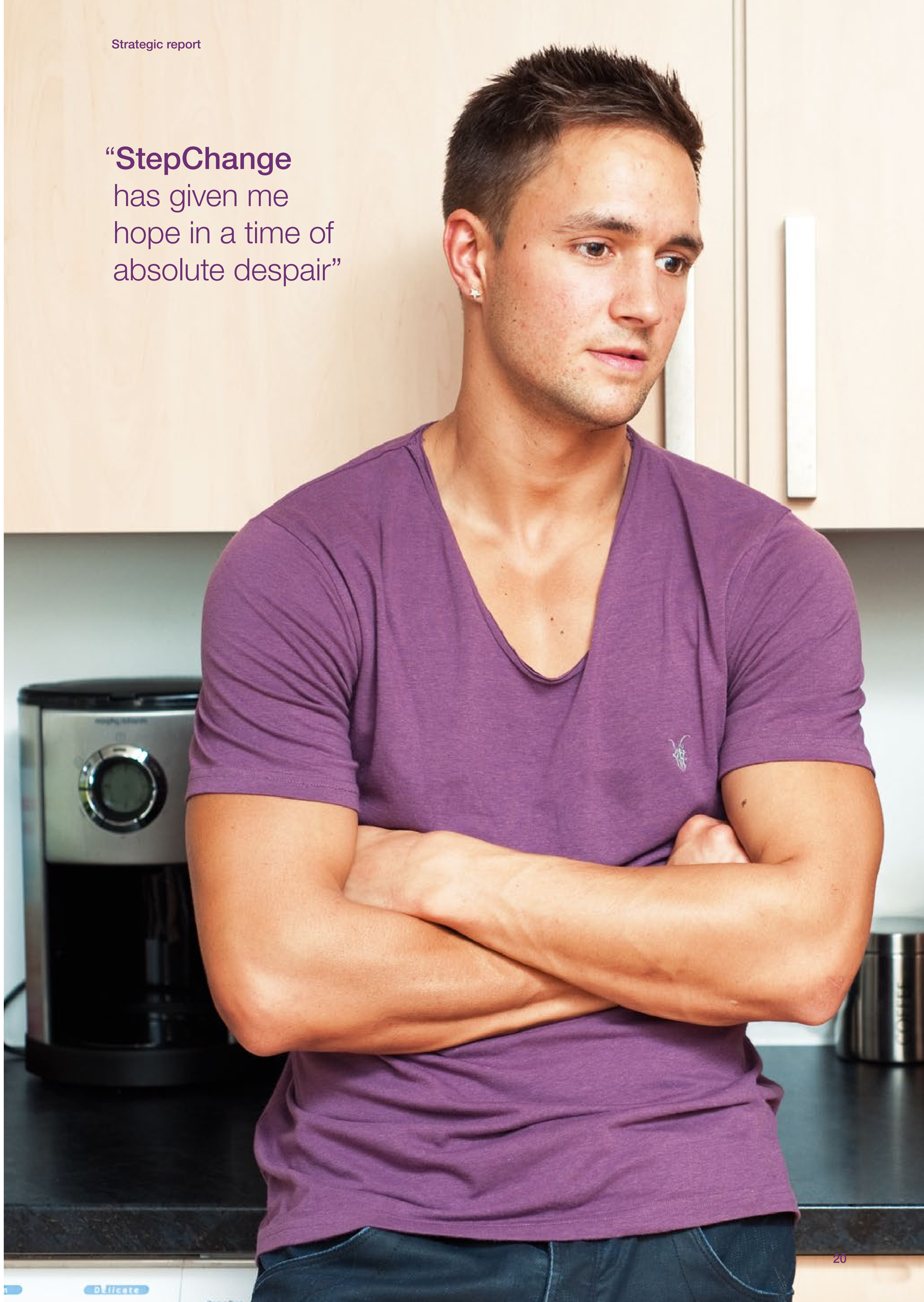
James soon found himself deferring debt repayments – which had reached 120% of his wage – and only paying interest. He faced consistent overdraft charges, amounting to around £140 a year. He describes "periodic harassment" over his debts, particularly from bailiffs. He was receiving calls as late as 2am, and threats to turn up at his workplace or his mother's house. After his rental contract ended, James moved back to his mother's home and subsequently suffered a reduction in wages, before being made redundant. He received very little redundancy pay. He spent nearly a year living on the bare minimum and, as the cost of running his car was so high, was often faced with the choice of eating or travelling to work. He was still struggling financially on a zero-hours contract. He once went to bed for over a week because he couldn't afford food.

"When I first contacted StepChange I was incredibly nervous," said James. "Telephone staff helped find the best way to solve my debt problems and quite often were a shoulder for when the phone calls and threatening letters arrived from creditors. StepChange are easy to speak to, and put simply, a light at the end of the tunnel."

James is now on a Debt Management Plan. He's found a new job, and help from the charity means his debt repayments now take up around 10% of his wage.

"StepChange has given me hope in a time of absolute despair and most probably saved my life by giving me it back. I no longer owe each penny I earn and don't have to worry about how to feed myself or whether I'll have a roof over my head."

We have changed the name of our client to protect his anonymity.



"**StepChange** has given me hope in a time of absolute despair"

Our people

Our success is built on the skill, attitude and commitment of every employee. We share the ambition of helping as many people as possible. Since 2012, we've seen a marked increase in demand for our services. Therefore, over the past few years we've significantly grown our team.

Much of this growth has been across our operational teams, those in direct contact with the people we help. We now employ over 1,400 people in offices across England, Scotland, Wales and indirectly through our partner organisation in Northern Ireland. We have also expanded our non-operational areas. This expansion enables us to remain compliant in a significantly changed regulatory environment, allows us to strengthen our financial sustainability, and further develop our processes to improve productivity, client/creditor services and staff care.

Our success is built on the skill, attitude and commitment of every employee. We share the ambition of helping as many people as possible.

Each one of our colleagues receives an annual review, performance reviews, and regular one-to-one meetings with their line managers.

Engagement

80% of colleagues responded to our 2016 People Engagement Survey, with 86% of the responses as good as, or better than the third-sector standard benchmark. We use our Engagement Survey as the basis for creating our People Engagement Plan.

The plan is led by our People Engagement Group, made up of representatives from across the charity. We also have a team of 'Strategy Champions' who help drive colleague participation in our strategic direction. They gather questions and feedback from their departments, meet with members of the Senior Leadership Group and share ideas about our strategy with their colleagues.

Communication

We engage with our colleagues in a variety of ways to encourage participation, including 'broadcast' media such as our in-house magazine and regular emails. To further maximise the impact of key messages, we also produce our own video content, which often features colleagues and the Senior Leadership Group.

Our values

These support our vision, shape our culture and reflect what's important to us.

We are committed to our clients

We act with integrity to provide impartial advice that delivers fair outcomes.

We work together

We value each other's contributions. We use our knowledge and expertise to help, challenge and support one another to get the job done.

We make change happen

We strive for, and are passionate about, innovation that improves the lives of those struggling with debt.

Over the course of the year, members of our Executive team visited all offices and departments within the charity. This gave colleagues the opportunity to ask questions, and participate in open and honest discussion.

Wellbeing

Many of our colleagues deal directly with vulnerable, highly distressed people – which can impact their own health. Our employees' wellbeing is of paramount importance, and this is reflected in the following ways:

- Our healthcare programme allows colleagues to claim money back on everyday healthcare, including dental and ophthalmic services, chiropody and physiotherapy sessions.
- We have a confidential, independent 24-hour advice line giving colleagues access to counselling, plus advice on legal issues, tax, eldercare and childcare.
- We also help colleagues with schemes such as travel season-ticket loans, childcare vouchers, cycle-to-work and pension planning.
- We offer a generous holiday entitlement, which increases with length of employment and can be further added-to by 'purchasing' up to five extra days.
- We run our own Mental Health Awareness Month, where we encourage colleagues to discuss their experiences and tell their stories to help others.

Fundraising

We are committed to supporting the work of other charities, so we ask colleagues to vote for their 'Charity of the Year'. Last year we raised nearly £6,000 for Mind and £3,000 from our participation in the Macmillan Coffee Morning.

Diversity and human rights

We pride ourselves on being a diverse organisation that respects the rights of all individuals. We aim to reward and value every person for their contribution to our charity's purpose and strategic objectives.

We offer all colleagues and job applicants equal opportunity and fair treatment. They will not be discriminated against on grounds of colour, race, nationality or ethnic origin, religion, gender, marital status, sexual orientation, disability or age.

Training

We recognise the importance of developing staff potential, both for the individual and the delivery of our charity's objectives. We're committed to providing training and development opportunities for all employees, so they can perform their job to the highest standard.

In August 2014, we were proud to be awarded accreditation by the Money Advice Service for our Helpline and Advice training academies. This accreditation lasts for three years and will be renewed in 2017. Currently, most of our Helpline and Debt Advisors have completed the accredited training. The remaining few are currently undertaking the MAS assessment.

Online learning

In 2016, we introduced a new learning management system called MyLO (My Learning Online). This allows us to manage our mandatory e-learning content, and acts as a one-stop-shop for staff training.

We're committed to providing training and development opportunities for all employees

“A Debt Management Plan was the best thing I could have done, and I wish I had done it sooner. It really helped knowing that someone was on the end of the phone.”

Elizabeth’s story

Elizabeth was struggling on a low salary when her husband was forced to become self-employed because the garage he worked for was unable to keep him on. Their income dropped significantly, and they had no option but to use credit for essential living expenses. They explained the situation to their bank but were only offered more loans.

As the bank charges and interest built up, Elizabeth felt pressured by calls to pay back more towards their debts, and what she describes as “veiled threats of bailiffs and court action”. Meanwhile, their reliance on credit to get through each month meant an uphill struggle as their debt continued to spiral. They were battling two loans, a credit card and an overdraft but could not increase their payments. Eventually, the bank froze the interest on Elizabeth’s accounts and referred her to StepChange Debt Charity. She describes this intervention as “making a considerable difference and a huge weight off my shoulders.”

Elizabeth and her husband were battling two loans, a credit card and an overdraft but could not increase their payments

“Although I was apprehensive at first,” said Elizabeth, “I was very pleasantly surprised at how patient and understanding the charity’s staff seemed to be. On every occasion, I’ve been dealt with very efficiently and courteously. This has also helped us to deal with our situation.”

They continue to struggle financially as her husband’s income remains volatile, ranging from £30 to £120 per week. But things are improving.

“A Debt Management Plan was the best thing I could’ve done, and I wish I’d done it sooner. It really helped knowing that someone was on the end of the phone.”

We have changed the name of our client to protect her anonymity.

Our income

Income for the year for the Group totalled £49.5m. The term "Group" is used here to refer to StepChange Debt Charity and its two subsidiaries. Consumer Credit Counselling Service Voluntary Arrangements Ltd (CCCS VA) and Consumer Credit Counselling Service (Equity Release) Limited (CCCS ER) are the two trading subsidiaries, which specialise in Individual Voluntary Arrangements (IVAs), and equity release and mortgage products respectively.

80% of the Group's funding comes from donations by creditors, known as a fair share contribution

Our primary sources of income are donations from creditors, funding for debt advice and income from our two subsidiaries.

80% of the Group's funding comes from donations by creditors, known as a fair share contribution (FSC). It is calculated as a percentage of the monies disbursed back to creditors on Debt Management Plans. All contributions made by clients go towards paying off their debts.

We secured two contracts to deliver additional debt advice in 2016. Firstly, we received £3 million from the Money Advice Service to provide advice to people whose existing fee-charging debt management companies were not expected to receive Financial Conduct Authority authorisation. Secondly, we received £1.2m from a number of Irish banks to provide free debt advice to people in the Republic of Ireland.

Both income streams are disclosed as restricted funds on the face of the Statement of Financial Affairs, because the income must be spent in the manner designated by the contracts.

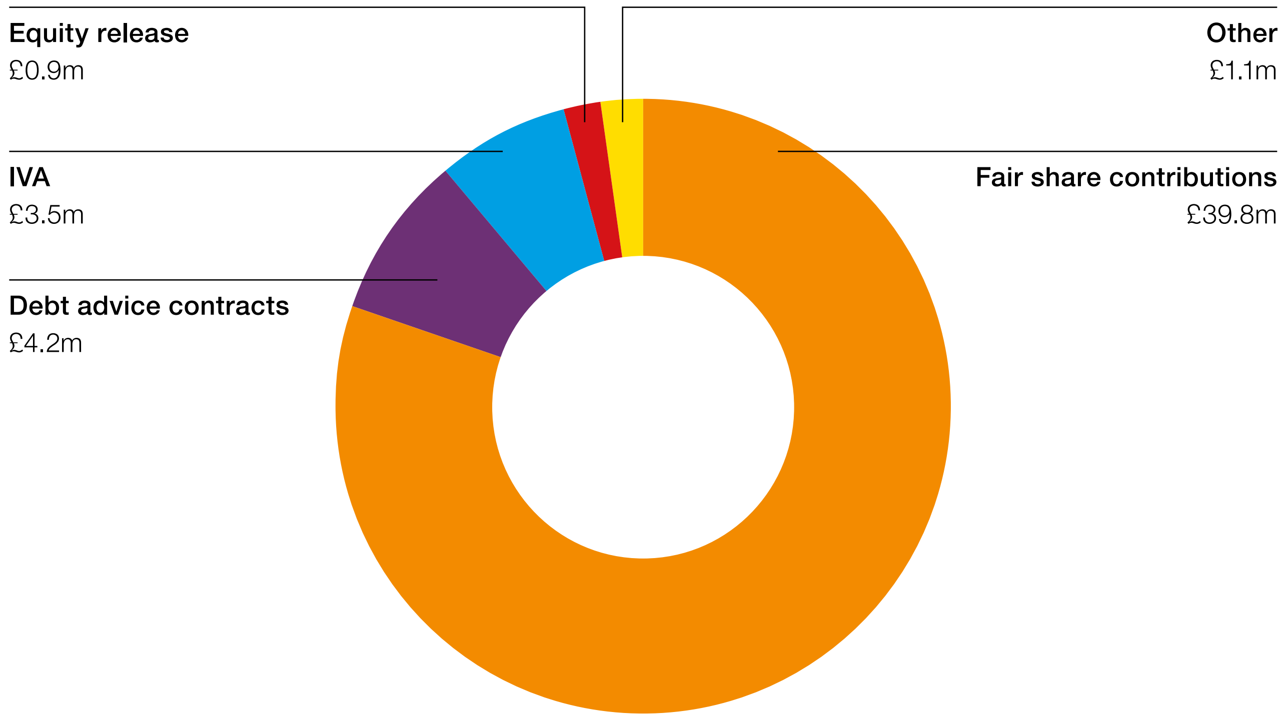
CCCS VA arranges and supervises Individual Voluntary Arrangements. The firm earns nominee fees from the arrangement of the IVA by the Insolvency Practitioner. Then once the IVA is approved, supervisory fees are earned by the Insolvency Practitioner to ensure the proper conduct of the IVA over the life of the contract.

We are the only organisation in the UK offering clients a free advice service for equity release plans and mortgages

CCCS ER provides advice and the arrangement of both equity release plans and mortgages aimed at helping people out of problem debt. In line with our charitable objectives, CCCS ER is the only organisation in the UK offering clients a free advice service for these products.

Other income includes donations from utility companies, statutory fair share payment for distributing funds of our Scottish Debt Payment Programmes, and interest on cash balances.

The income breakdown is below.



Financial review

In 2016, the Group recorded an overall deficit of £0.9m (2015: surplus of £0.9m), which included costs of £0.8m in developing its Transformation Programme. There was an operating deficit in 2016 of £71,035. The deficit was composed of a deficit of £139,750 in restricted funds (2015: £863,282 surplus) and a small surplus of £68,715 in unrestricted funds (2015: £22,895 surplus). This is a very similar performance to 2015. For the last two years, the Group has been able to fund its charitable activities from its income.

The movement from a surplus and deficit from restricted funds in 2015 and 2016 respectively reflects differences in the timing of incurring and invoicing of costs in respect of our contracts to supply debt advice in the Republic of Ireland and within the MAS contract. On an annual basis, the performance on unrestricted funds is a more reflective measure of financial performance.

Income

Income totalled £49.5m (2015: £46.3m), an increase of £3.2m. During what was a period of significant challenge for the charity sector, we are pleased that total income increased by 6.9%.

The main source of income for the Group continues to be the fair share contributions received from creditors. The fair share income grew by 4%, or £1.6m, to £39.8m in 2016. This growth is due to an increase in disbursement of Debt Management Plan funds to creditors from £390m to £403m.

In addition to fair share contributions, the growth in income in 2016 is due to the full year contribution of the MAS and Ireland debt advice contracts. The increase in income in 2016 from these restricted funds was £1.4m.

Costs

Total Group costs were £50.4m (2015: £45.4m). Operating costs, before costs of the Transformation Programme, were £49.6m. Before the £0.8m investment in the Transformation Programme, costs increased by 9.1% from 2015. The charitable costs fund the provision of free debt advice, the management of clients on debt solutions, the costs of business development, marketing, media, public affairs and policy work and other indirect costs to support our charitable activities.

Within the charity, total costs increased by 9.5% from £41.8m to £45.8m. For unrestricted funds only (a measure of underlying performance), costs increased by 4% from £39.8m to £41.4m (see note 8). The higher percentage increase in overall costs was due to the full year impact of the debt advice contracts within restricted funds. The charity incurred an additional £3.2m of costs attributable to regulation, 7% of its total costs.

The costs of the two trading subsidiaries were £3.8m in 2016 (2015: £3.6m). Although not classified as charitable activities within the Statement of Financial Accounts, the provision of insolvency solutions and equity release/mortgage solutions have been developed to help people become free of problem debt. As a not-for-profit organisation, any proceeds from our two subsidiaries are distributed via Gift Aid back to the charity. Across the group, 75% of the costs are people-related costs. The 2016 £0.8m investment in the Transformation Programme represents the incremental costs of developing the new operating vision and business case to transform our service delivery, including our processes and systems.

Five year record

Over the five year period from 2012 to 2016, Group income has grown by 39% to fund the 60% increase in the number of people receiving debt advice (2016: 339,687) and the 53% increase of clients on debt solutions managed by the charity (2016: 202,985). The deficit of £3.8m in 2013 reflected the decision to invest reserves in growth to help more people, to expand our prevention capacity and to create and develop the StepChange Debt Charity brand.

Five year income

Income and costs	2012	2013	2014	2015	2016
	£m	£m	£m	£m	£m
Income	35.7	37.3	39.8	46.3	49.5
Costs	33.3	41.1	40.7	45.2	49.6
Operating surplus/deficit	2.4	(3.8)	(0.9)	1.1	(0.1)
One-off items			(1.1)[1]	(0.2)[1]	(0.8)[2]
Total surplus/deficit	**2.4**	**(3.8)**	**(2.0)**	**0.9**	**(0.9)**

[1] Monies repaid to the client trust accounts relating to 2002 – 2013
[2] Transformation programme costs

Cash flow and investments

We measure our underlying cashflow performance by excluding the movements in short-term, current asset investments from the movement in cash and cash equivalents, given the investment policy agreed by the Trustees to invest in fixed-term bank deposits only.

Although the net inflow of cash and cash equivalents was £1.1m in 2016 (2015: £4.3m inflow), the underlying consolidated cashflow was a £2.7m outflow (2015: £1.8m outflow). This outflow was due to slower payment of fair share contributions by our clients' creditors and the costs of the Transformation Programme.

Capital expenditure was £1.1m in 2016 due to an investment in IT equipment and the fit-out costs for new premises, which reflect the increased provision of services.

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 its principal risks as set out in the Risk section.

The charity's free reserves (i.e. reserves after taking account of net tangible fixed assets and restricted funds) will not be allowed to fall below £12m. This would allow the charity to affect an orderly run-off of its existing client portfolio, should the situation ever arise, and to meet its debts. This scenario takes into account a material loss of income and the redundancy costs associated with implementing this course of action.

This level of reserves also covers the prudential resources requirement under the FCA debt management rules set out within CONC 10.2.5. The minimum prudential requirement is £1.7m for the Group reserves. This minimum level of reserves was confirmed by Trustees in February 2017 as part of the annual review of the policy.

The reserves at 31 December 2016 were £21.3m, of which £0.7m are restricted in nature. The level of free (unrestricted) reserves is £19.0m after deducting fixed assets of £1.6m, leaving £7.0m in excess of the minimum reserves set out within the charity's reserves policy. Our current level of reserves enables us to meet our normal trading commitments and fund our Transformation Programme.

Investment policy

The charity's investment policy is reviewed annually by the Audit and Risk Committee. In 2016, the policy was maintained to continue to invest the surplus liquid funds in fixed-term deposits. This affords the Board the flexibility to commit a material level of funds to the Transformation Programme in 2017.

With minimal risk, an average return of 1.2% (2015: 1.3%) was achieved and considered acceptable in the current environment.

Pensions

The Group offers its colleagues the opportunity to contribute to a defined contribution scheme. The scheme is administered by Aviva Life Services UK Limited. Contributions made to the scheme during the year were £1.0m (2015: £0.9m), reflecting the increase in the number of employees enjoying the pension benefits.

Trading companies

Foundation for Credit Counselling, the charity and parent company, recorded a deficit of £0.3m before the £0.8m investment in the Transformation Programme (2015: £0.8m surplus). Against 2015, the increase in the number of people contacting us for help increased the charity's cost base above the growth in income.

CCCS VA Limited recorded a profit of £0.5m on income of £3.5m, up 5% for the year. The income growth reflects the increase in referral levels from the charity in IVA debt solution recommendations.

CCCS ER Limited recorded a profit of £0.2m on income of £0.9m, up 23% in the year. This growth was generated primarily from the increase in the average fees per policy, although completion volumes increased by 4% in 2016.

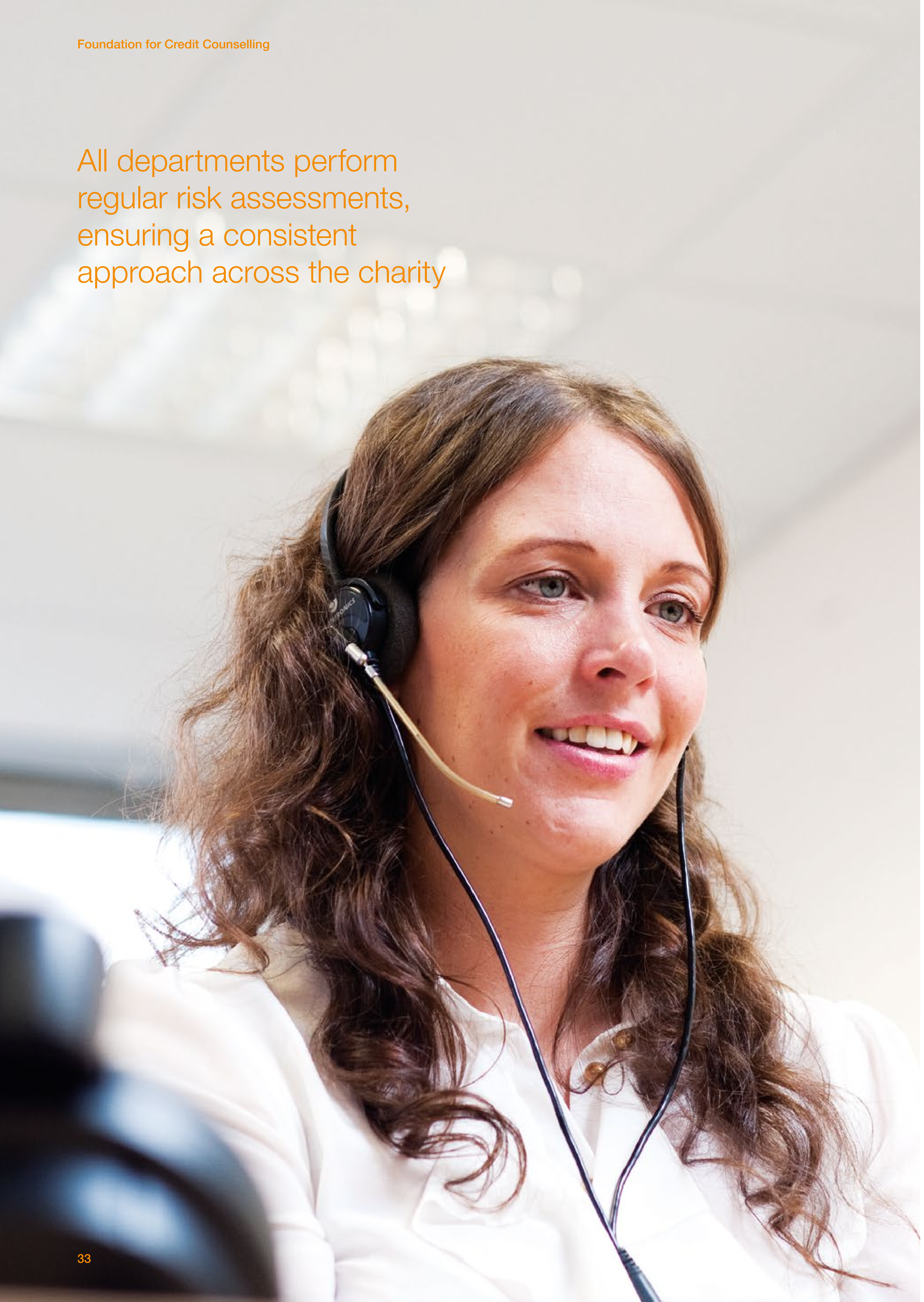
Basis of preparation of the Accounts

In line with the Charities Accounts (Scotland) Regulations 2006 (as amended), the charity has prepared a charity-only Statement of Financial Affairs on page 49, 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.

External auditors

PricewaterhouseCoopers LLP was appointed as the Group's external auditors in October 2016 following an Invitation to Tender process. The previous auditors, RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP), had been in post since 2005 and the Board felt the change was appropriate for governance reasons.



All departments perform regular risk assessments, ensuring a consistent approach across the charity

Principal risks and uncertainties

The Board of Trustees has overall responsibility for determining the nature and extent of the principal risks it is willing to take to achieve the charity's strategic objectives. Furthermore, the Board holds responsibility for ensuring that the charity has robust systems of internal control and risk management, and that these are reviewed for effectiveness on a periodic basis.

As part of a wider and ongoing process to enhance the charity's risk management activities and capabilities, the charity has recruited for two key roles during the past year

In line with good practice, the charity employs a traditional 'Three Lines of Defence' assurance model. This comprises 1st line quality assurance, 2nd line risk management and compliance and 3rd line internal audit. In the 2nd line, there is a formal risk management framework embedded within the charity to support the effective identification and management of risk. The Board, supported by the Executive team, periodically perform a robust and systematic review of those risks that it believes could materially affect the charity's performance, future prospects, reputation or ability to deliver against its strategic objectives and priorities.

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

As part of a wider and ongoing process to enhance the charity's risk management activities and capabilities, the charity has recruited for two key roles during the past year. In August 2016, a new Director of Risk & Compliance joined the charity and the role of Group Risk Manager was filled in January 2017. Both of these key roles have been charged with delivering further enhancements to the risk management framework, which supports the charity's focus on risk management being an enabler to the achievement of its strategic objectives.

The principal risks identified overleaf do not comprise all of the risks associated with the charity and are not set out in priority order.

Principal risks and uncertainties

Risk	Mitigation
The charity is unable to operate following an IT or site outage, or the loss of key people for a sustained period (business continuity)	Disaster recovery plans in place and tested regularly. IT resilience testing (penetration testing) performed
	Alternative workplace recovery arrangements available across several of the charity's locations
	Roll out of mobile working capabilities
	Succession plans established for senior roles
	Work ongoing to improve the charity's business continuity arrangements
The charity is unable to develop a sustainable funding model	3-year financial plan developed to deliver alignment of the charity's income needs with operational expenditure
	Dialogue with external stakeholders to develop a longer term funding model
	Opportunity for further sector funding investigated
	Transformation Programme to deliver significant efficiency gains
The Transformation Programme fails to deliver the planned operational efficiencies	Board level oversight of Transformation Programme activities and assessment against expected benefits
	Third party programme assurance consultancy engaged
	Robust governance arrangements in place for all key programme decisions, including expenditure by chunk
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.	An experienced Board of Trustees meets six times a year to oversee the group's strategy and progress in line with the agreed strategic priorities
	The Board employs a 'three lines of defence' model to provide assurance as to the effectiveness of its internal systems and controls including the outsourcing of its Internal Audit function to a reputable third party provider
	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
The charity does not retain its authorised status from the Financial Conduct Authority to provide debt adjusting and debt counselling activities	The Audit and Risk Committee, which operates with delegated authority from the main Trustee Board, meets on a quarterly basis to oversee the financial and regulated activities of the charity and wider group
	The Executive team meets on a quarterly basis to oversee the risk, compliance and internal audit activities across the Group as well as reviewing the performance of regulated activities including conduct, client money, health & safety and information security risk
	The charity has invested in its risk and compliance framework, including the appointment of a new Director of Risk and Compliance in 2016 and the development of augmented teams across both risk and compliance disciplines

Risk	Mitigation
The charity fails to develop and deliver a medium/ long term strategy	Charitable objectives and priorities established and agreed with the Board of Trustees
	2018 – 2020 Business Plan to be developed over the coming year
	Trustee and Executive alignment on core priorities
The charity suffers a reportable loss of client data	Information security policies and procedures including security patching, vulnerability scanning, penetration testing and anti-virus software
	Document retention and storage policy in operation
	Physical and logical access controls
	Paperless office and clear desk policy in place and tested regularly
	No reportable data protection breaches during the year
Failure to respond effectively to changes in the external environment (regulatory, sector)	Engagement with key decision makers and stakeholders in government, the regulator and the wider sector
	Senior level representation on various fora
	Horizon scanning and ongoing dialogue with the regulator
Poor client outcomes (detriment) due to the failure to assess and manage the charity's exposure to conduct risk	Appropriate skills and competence recruited into senior risk and compliance roles
	Significant strengthening completed over client money controls and the FCA's Client Asset Sourcebook's oversight arrangements
	Traditional 'three lines of defence' model deployed with internal audit outsourced to a professional services provider
	Quality Monitoring Team established to improve 1st line oversight
	Training and competence arrangements continually refined to improve staff awareness and understanding of customer outcomes
Management stretch leads to failure to deliver against key objectives	Executive prioritisation sessions introduced
	Governance structure implemented to drive appropriate prioritisation of the charity's resources
	Executive team strengthened to reduce reliance on individual members
The charity has unenforceable contracts and/or informal arrangements with third parties	Arrangement formalised with key external parties in relation to data sharing
	Procurement policy updated to improve governance arrangements over contract management
	External legal counsel in place and engaged as required

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 and SC046263).

On 13 July 2016, Consumer Credit Counselling Service (Scotland) Ltd (Registered Charity Number SC024413) was put into Members Voluntary Liquidation. The charitable activities have transferred into the Foundation for Credit Counselling. The Office of the Scottish Regulator (OSCR) registered the Foundation for Credit Counselling in Scotland on 15 January 2016 (Registered Charity Number SC046263).

The charity and CCCS ER are both regulated by the Financial Conduct Authority. The charity (no 729047) achieved authorisation on 11 November 2016 and is authorised to provide debt adjusting and debt counselling services. It is permitted to hold client money as a not-for-profit firm and holds limited permissions under the FCA Handbook. Due to its size and importance within the consumer credit market, the charity is a fixed portfolio firm and has an allocated FCA Supervisor.

CCCS ER (no 517674) is regulated to advise and arrange home reversion plans and mortgage contracts.

Board of Trustees

The charity is governed by a Board of Trustees (the Board) and currently consists of 12 Trustees (as at 6 June 2017). In 2016, four new Trustees were appointed, with one resignation.

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

The Board has a Schedule of Matters Reserved and is responsible for setting the Group's strategic direction, overseeing governance and risk, setting budgets and ensuring that the charity achieves its objectives and complies with its legal and regulatory obligations.

Some specific duties of the Board are delegated to the Audit and Risk Committee, the Nominations Committee and the Remuneration Committee, with daily operations managed by the Executive team.

Led by the Chairman, the Board carries out an annual performance review which includes one-to-one Trustee meetings with the Chairman. The Board met six times during 2016.

Trustee induction

The induction of new Trustees is facilitated by the Company Secretary. Trustees receive a comprehensive induction pack comprising a booklet 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 *Good Governance: A Code for the Voluntary and Community Sector* and the Charity Commission's booklets, *The Hallmarks of an Effective Charity* and *The Effective Trustee*.

Trustee term of duty

New Trustees are initially elected for a term of three years, which may be extended for a further three years upon approval by the Board. A Trustee may in exceptional circumstances be appointed for a third three-year term where the Board determines that it is in the best interest of the charity. The Trustees 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 38.

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 like health and safety and information security. The CEO, Director of Finance and Director of Risk and Compliance may be invited to attend the meetings as appropriate. The committee met four times in 2016.

Nominations Committee

The role of the Nominations 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 twice in 2016.

Remuneration Committee

This Committee approves the overall policy for remuneration and pension arrangements for all employees, including any major changes to employee benefits. The Committee also determines the remuneration, benefits and pension arrangements of the Chief Executive and the Executive team. The Committee met twice in 2016.

Executive

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

Executive Board – oversees the strategic policymaking of the Group, recommends the annual budget to the Board and allocates the Group's resources to meet its charitable objectives.

Performance Board – oversees and monitors the financial performance against plans and reviews progress of the Group's activities against Key Performance Indicators.

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.

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

Trustees

Board		Board Committees		
Trustees	**Year of appointment**	**Audit & Risk**	**Nomination**	**Remuneration**
Sir Hector Sants	2015		○	
Sir Geoff Mulcahy	2008	●	●	
David Coates	2009	○	●	
John Fingleton	2015			●
Andy Hill From 1 July 2016	2016	●		
Dame Suzi Leather	2014	●		
Sue Lewis	2012		●	●
Kenny MacLeod From 1 July 2016	2016			
The Rt. Hon. Alun Michael	2014			
Chris Stern[1] From 1 July 2016	2016	●		
Suzanna Taverne	2009			○
Gillian Thompson From 8 January 2016	2016		●	

○ Chair ● Member

[1] Chris Stern was appointed as the Senior Independent Trustee on 6 December 2016
Otto Thoresen resigned from the Board on 8 November 2016

The Trustees at 6 June 2017

Sir Hector Sants is Vice Chairman and Partner of Oliver Wyman, Chairman of Julius Baer International Limited and is a member of the UK's Financial Capability Board and Trustee of Just Finance. Previous roles include Chief Executive of the Financial Services Authority, Deputy Governor designate of the Bank of England, CEO designate of the Prudential Regulation Authority, member of the interim Financial Policy Committee of the Bank of England, Chair of Oxford University Business School and Non-Executive Director ("NED") of an NHS Trust. In 2013, he was knighted for services to financial services and regulation.

Sir Geoff Mulcahy has extensive retail experience and was Chief Executive Officer of Kingfisher until his retirement in 2002, building it into the largest non-food retailer in the UK operating in 13 countries worldwide. He was chairman of the Javelin Group from 2003 until 2015, chairman of the British Retail Consortium from 2006 until 2009 and has acted as an NED for British Telecom, Intercontinental Hotels and Chelsea and Westminster Hospital.

David Coates has extensive experience in developing businesses in the financial services sector. Currently a non-executive director of the Training Room Ltd., he advises smaller financial service businesses at board level. He previously managed Experian's Business Information and Consumer Information divisions and was a founding and managing director of Callcredit. As the Chief Executive of the Davenham Group plc, he took the Group public and has also acted as non-executive director of the Richmond Group and as Chair of Amigo Loans Ltd.

John Fingleton is founder of Fingleton Associates, a strategic advice and insight company. He ran the Irish Competition Authority before becoming Chief Executive of the Office of Fair Trading from 2005 to 2012. He has taught at the London School of Economics, Trinity College Dublin and the University of Chicago and wrote and taught game theory and the economics of industry and regulation. A member of the Policy Advisory Board at the Social Market Foundation, he is also a Trustee for Kaleidoscope and CEPR.

Andy Hill is CEO at Damartex UK Ltd, Chairman of Coopers of Stortford and a member of the Damartex SA Group Board. 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.

Dame Suzi Leather is Chair of the Office of the Independent Adjudicator for Higher Education and a member of the General Medical Council. Previous roles include Chair of the Charity Commission, the Human Fertilisation and Embryology Authority, LankellyChase Foundation, Exeter and District NHS Trust and Deputy Chair of the Food Standards Agency. She is a Deputy Lieutenant of Devon, Vice President of Hospiscare and a patron of the Donor Conception Network.

Sue Lewis is Chair of the FCA's Financial Services Consumer Panel. She is a Trustee of The People's Pension, a consumer advocate member of the Chartered Insurance Institute Professional Standards Board and a member of the Chartered Banker Professional Standards Board and the Fairbanking Mark Assessment panel. She advises overseas clients on financial education, financial inclusion and financial services conduct regulation. Previously a senior civil servant, from 2005 to 2011 she acted as Head of Savings and Investments at the Treasury.

Kenny MacLeod, CA, is currently the Chief Executive Officer of Scotwest Credit Union based in Glasgow. As a Chartered Accountant, he has extensive operational and financial experience having worked in a range of industry sectors, including travel and leisure, education and fast-moving consumer goods. He was previously the Group Finance Director and Company Secretary at David Urquhart Travel and has held various finance positions with Motherwell College, Scottish Pride, Lanarkshire Development Agency and PwC.

The Rt. Hon Alun Michael is the Police and Crime Commissioner for South Wales and a member of the National Executive (Board) of the Cooperative Party and Trustee of the Penarth Headland Link (a charitable company). He was Member of Parliament for South Cardiff and Penarth from 1987 to 2012, during which time he held office as Deputy Home Secretary, Secretary of State for Wales, Minister of State for Rural Affairs and Minister of State for Industry and the Regions.

Chris Stern, FCCA, FCMI, is currently the Chairman of British Gas Insurance and a senior director at British Gas. He holds a number of Non-Executive Director roles within the Centrica Group, including Chairman of British Gas Finance Ltd, and has previously held a number of senior executive positions within the Centrica Group for over 30 years. Chris is a qualified accountant and also acts as a Pension Trustee and a Director of the Centrica Pension Investment Board.

Suzanna Taverne is a trustee of the BBC, Age UK and is also a Non-Executive Director of Ford Credit Europe. She has a broad range of experience in strategic development and organisational change, working at board level across public and commercial organisations in the finance, culture and media sectors. Suzanna has previously been a Non-Executive Director of the Nationwide Building Society and Chair of Gingerbread having served as Operations Director at Imperial College and Managing Director of the British Museum.

Gillian Thompson, OBE is the Judicial Complaints Reviewer for Scotland, a Non-Executive Director of the Scottish Public Pensions Agency and a Scottish Ambassador for the UK charity Tomorrow's People. She has a broad experience in delivering the policies of the Scottish Government as a civil servant in Scotland for over 36 years, and was the first woman to be appointed Accountant in Bankruptcy and Agency Chief Executive in Scotland, a position she held from 2002 until 2009.

Executive team

Senior management team at 6 June 2017

Mike O'Connor, CBE, Chief Executive Officer, has held CEO posts in public and third sector organisations for nearly 30 years. He has also worked at a senior level in government including the Department of Health, HM Treasury and Cabinet Office and was Private Secretary to two Ministers of Health. He has degrees in natural and social science and has sat on the boards of a number of charities including the Mental Health Foundation and Action on Smoking and Health. He received a CBE in 2000 and is a member of the Council of Fellows of Keele University.

Fiona Megaw, Chief Operating Officer, has responsibility for the management, direction and development of all operational areas. Fiona has worked in senior roles within the charity for over 10 years and has held her current post since April 2006. Earlier in her career, Fiona held senior positions at The Burton Group plc and GE Capital - Global Consumer Finance.

Francis McGee, Director of External Affairs, is responsible for policy, campaigns, media and external relations. His career spans over 20 years in government, regulation and the financial services industry. Prior to joining the charity he was Head of Policy and External Affairs at the Money Advice Service. Earlier in his career, he had roles as Head of Corporate Affairs at AEGON UK and Head of Regulation and Strategy at the Association of British Insurers, as well as over a decade in HM Treasury.

Richard McKenzie, Director of Risk and Compliance, ACCA, is responsible for the delivery and development of the charity's risk and compliance framework, and maintaining its authorised status with the Financial Conduct Authority. Richard is also a Chartered Certified Accountant having qualified with Deloitte in Leeds. Richard brings a wealth of financial services experience gained across a variety of industry sectors and business, including Aviva, Cattles and more recently Ryan Direct Group.

Richard Shannon, Director of Finance, ACA, provides strategic and financial leadership to ensure that the charity's financial commitments are met, including the safeguarding of client assets. He's a Chartered Accountant having qualified at EY in London. Richard gained commercial and regulatory experience in financial services at Towergate Insurance and mobile telephony at O2.

Charlie Stewart, Director of Corporate Services, has responsibility for directing the corporate support functions within the charity. Specifically he leads IT, digital, people services and the transformation and change functions. Charlie started his career in the Royal Air Force before holding senior leadership positions in both the private and public sector. Before joining StepChange Debt Charity he was Assistant Chief Executive at a unitary city council.

Reference and administrative details

Company name

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

Registered and principal office

Wade House
Merrion Centre
Leeds
LS2 8NG

Important numbers

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

Constitution

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

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
BDO LLP
55 Baker Street
London
W1U 7EU

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

External auditors
A resolution for the reappointment of PricewaterhouseCoopers LLP as auditors for the charity will be proposed at June's 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 17.

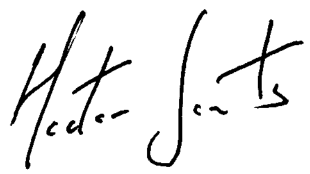
The Trustees are responsible for the maintenance and integrity of the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

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

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

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



Sir Hector Sants
Chairman
6 June 2017

Independent auditors' report to the members of Foundation for Credit Counselling

Report on the financial statements

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

- give a true and fair view of the state of the Group's and of the parent charitable company's affairs as at 31 December 2016 and of the Group's and parent charitable company's incoming resources and application of resources, including its income and expenditure and of the Group's and parent charitable company's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

What we have audited
The financial statements, included within the Annual Reports and Accounts (the "Annual Report"), comprise:

- the Group and parent charitable company balance sheets as at 31 December 2016;
- the Group and parent charitable company statements of financial activities and the Group and parent charitable company summary income and expenditure accounts for the year then ended;
- the Group and parent charitable company cash flow statements for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is 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).

In applying the financial reporting framework, the Trustees have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Trustees' Annual Report, including the Strategic Report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Trustees' Annual Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Trustees' Annual Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

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 parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Trustees' remuneration
Under the Companies Act 2006, we are required to report to you if, in our opinion, certain disclosures of Trustees' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Trustees
As explained more fully in the Trustees' Responsibilities Statement, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the charity's members and Trustees as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended) 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.

What an audit of financial statements involves
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the parent charitable company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Trustees; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Trustees' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Trustees' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

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

7 June 2017

Consolidated statement of financial activities
Year ended 31 December 2016

	Notes	Restricted funds 2016 £'000	Unrestricted funds 2016 £'000	Total funds 2016 £'000	Total funds 2015 £'000
Income					
Donations	2	—	353	353	1,094
Charitable activities	3	4,191	39,769	43,960	40,494
Other trading activities	4	—	4,428	4,428	4,084
Investments	5	—	91	91	166
Other	6	—	655	655	469
Total income		**4,191**	**45,296**	**49,487**	**46,307**
Expenditure					
Raising funds: other trading activities	7	—	3,760	3,760	3,583
Charitable activities	8,9	4,331	41,461	45,792	41,831
Transformation	10	—	839	839	—
Other		—	6	6	7
Total expenditure		**4,331**	**46,066**	**50,397**	**45,421**
Net (expenditure)/income for the year before taxation					
Before transformation costs		(140)	69	(71)	886
After transformation costs		(140)	(770)	(910)	886
Net (expenditure)/income for the year before taxation		(140)	(770)	(910)	886
Taxation on other trading activities	14	—	(8)	(8)	18
Net (expenditure)/income and net movement of funds for the year		**(140)**	**(778)**	**(918)**	**904**
Reconciliation of funds					
Total funds at 1 January 2016		863	21,375	22,238	21,334
Total funds at 31 December 2016	21,22	**723**	**20,597**	**21,320**	**22,238**

Charity statement of financial activities
Year ended 31 December 2016

	Notes	Restricted funds 2016 £'000	Unrestricted funds 2016 £'000	Total funds 2016 £'000	Total funds 2015 £'000
Income					
Donations	2	—	842	842	1,335
Charitable activities	3	4,191	39,642	43,833	40,439
Other trading activities	4	—	—	—	—
Investments	5	—	100	100	166
Other	6	—	655	655	389
Total income		**4,191**	**41,239**	**45,430**	**42,489**
Expenditure					
Raising funds: other trading activities	7	—	—	—	—
Charitable activities	8,9	4,331	41,412	45,743	41,727
Transformation	10	—	839	839	—
Other		—	6	6	7
Total expenditure		**4,331**	**42,257**	**46,588**	**41,734**
Net (expenditure)/income for the year before taxation					
Before transformation costs		(140)	(179)	(319)	755
After transformation costs		(140)	(1,018)	(1,158)	755
Net (expenditure)/income for the year before taxation		(140)	(1,018)	(1,158)	755
Taxation on other trading activities	14	—	—	—	—
Net (expenditure)/income and net movement in funds for the year		**(140)**	**(1,018)**	**(1,158)**	**755**
Reconciliation of funds					
Total funds at 1 January 2016		863	21,357	22,220	21,465
Total funds at 31 December 2016	21,22	**723**	**20,339**	**21,062**	**22,220**

Balance sheets
31 December 2016

	Notes	Group 2016	Group 2015	Charity 2016	Charity 2015
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	15	1,566	1,362	1,553	1,277
Investments	16	—	—	5	5
		1,566	**1,362**	**1,558**	**1,282**
Current assets					
Debtors	17	10,132	8,669	10,040	8,648
Investments	18	5,228	7,089	5,228	7,089
Cash at bank and in hand		7,631	8,486	7,304	8,322
		22,991	**24,244**	**22,572**	**24,059**
Current liabilities					
Creditors: amounts falling due within one year	19	(3,237)	(3,368)	(3,068)	(3,121)
Net current assets		**19,754**	**20,876**	**19,504**	**20,938**
Net assets		**21,320**	**22,238**	**21,062**	**22,220**
Total group funds					
Unrestricted funds	21	20,597	21,375	20,339	21,357
Restricted funds	22	723	863	723	863
		21,320	**22,238**	**21,062**	**22,220**

The financial statements on pages 48 to 65 were approved by the Trustees on 6 June 2017 and are signed on their behalf by:

Sir Hector Sants
Chairman

Company Registration No. 2757055
Registered Charity No. 1016630

Consolidated cash flow statement
Year ended 31 December 2016

	Notes	Group 2016	Group 2015	Charity 2016	Charity 2015
		£'000	£'000	£'000	£'000
Reconciliation of net (expenditure)/income to net cash flows from operating activities					
Net movement in funds		(910)	904	(1,158)	755
Investment income		(91)	(165)	(100)	(176)
Depreciation charge		757	751	737	685
Loss/(profit) on disposal		—	8	(58)	8
Decrease/(increase) in debtors		(1,471)	(3,170)	(1,393)	(3,079)
(Decrease)/increase in creditors		(131)	426	(53)	436
Net cash provided by operating activities		**(1,846)**	**(1,246)**	**(2,025)**	**(1,371)**
Investing activities					
Purchase of tangible fixed assets		(961)	(759)	(954)	(745)
Net cash inflow from current asset investments		3,861	6,177	3,861	6,177
Interest received		91	165	100	176
Net cash provided by investing activities		**2,991**	**5,583**	**3,007**	**5,608**
Net increase/(decrease) in cash and cash equivalents		**1,145**	**4,337**	**982**	**4,237**
Cash and cash equivalents at 1 January 2016		8,486	4,149	8,323	4,085
Total cash and cash equivalents at 31 December 2016	24	**9,631**	**8,486**	**9,305**	**8,322**

Notes to the financial statements
Year ended 31 December 2016

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 within the levels in the reserves policy. There are no material uncertainties about the charity's ability to continue.

The accounting policies have been redrafted to improve the users' understanding of the financial statements. The substance of the accounting policies have been applied consistently throughout the accounts and the prior year.

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

b) Group accounts

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

c) Incoming resources

All income is included when the charity is entitled to the income, the amount can be quantified, and receipt of the funds is probable.

The receipt of fair share contributions is deemed probable when an existing disbursement creditor has indicated they are prepared to pay the request for the fair share contribution.

For new relationships, amounts are not recognised until such time as an adequate payment history has been established with the creditor. Recognition commences following the receipt of the first two monthly payment requests.

Commission income from mortgage advisors and insolvency practitioners is recognised upon the receipt of the notification of creditor approval of arrangements.

Investment income is recognised on an accruals basis, using daily rate calculations for funds on deposit and average balance calculations for funds held in current accounts.

Income from grants is recognised on a case-by-case basis. For the Money Advice Service, Ireland and Scottish Legal Aid Board grant agreements, income is recognised on submission of a monthly or quarterly grant claim in accordance with the specific terms of each agreement. Funding is not received until the submission of grant claims. For the J.P. Morgan Chase grant where no such periodic claim is required, amounts are recognised on receipt of funds. In all cases, grant income is treated as restricted funds, as the provision of grant funding is for specific purposes as described at Note 22.

Donations are recognised when the charity becomes unconditionally entitled to the funds.

Insolvency service income comprises nominee fee and supervisory fee income. Nominee fees are recognised on acceptance of the appointment following a meeting of creditors and typically for the first five months of the arrangement. Supervisory fees are recognised over the period of the arrangement resulting from ongoing payments by clients.

Equity release service income is recognised on notification of the completion of an equity release or mortgage case from third party lenders.

d) Resources expended

All expenditure is accounted for on an accruals basis.

Direct costs, including attributable salaries, are allocated on an actual basis to the key strategic areas of activity.

Support costs are the costs of functions which support more than one of the charity's activities and have been allocated to those activities on the basis of employee numbers.

Governance costs are the costs associated with the governance arrangements of the Group. These costs include external and internal audit, legal advice for Trustees, management costs preparing for and attending Trustee meetings and the costs associated with constitutional and statutory requirements.

Transformation costs are incremental costs expended to develop and execute a business-wide programme of change.

e) 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

f) 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.

g) 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.

h) 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.

i) Leasing

Rentals payable under operating leases are charged to the SOFA on a straight line basis over the lease term.

j) 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.

k) 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.

l) 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.

m) 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.

n) 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 2016	Group unrestricted funds 2015	Charity unrestricted funds 2016	Charity unrestricted funds 2015
	£'000	£'000	£'000	£'000
Donations from the utility sector	344	1,000	344	1,000
Other donations	9	94	498	335
	353	**1,094**	**842**	**1,335**

Included within the charity's other donations is £388,766 (2015: £320,292) received from its subsidiary undertakings through Gift Aid Donations.

3. Income from charitable activities

	Restricted funds	Unrestricted funds	Total 2016	Total 2015
	£'000	£'000	£'000	£'000
Group				
Debt advice and solutions	**4,191**	**39,769**	**43,960**	**40,494**
Charity				
Debt advice and solutions	**4,191**	**39,642**	**43,833**	**40,439**

4. Income from other trading activities

	Group unrestricted funds 2016	Group unrestricted funds 2015	Charity unrestricted funds 2016	Charity unrestricted funds 2015
	£'000	£'000	£'000	£'000
Insolvency service	3,485	3,318	—	—
Equity release services	943	766	—	—
	4,428	**4,084**	**—**	**—**

5. Investment income

	Group unrestricted funds 2016	Group unrestricted funds 2015	Charity unrestricted funds 2016	Charity unrestricted funds 2015
	£'000	£'000	£'000	£'000
Bank interest	91	166	91	166
Intercompany interest receivable	—	—	9	—
	91	**166**	**100**	**166**

6. Other income

	Group and charity unrestricted funds 2016	Group and charity unrestricted funds 2015
	£'000	£'000
Commission income from mortgage advisors and insolvency practitioners	429	358
Other	226	111
	655	**469**

7. Expenditure on raising funds: other trading activities

	Group unrestricted funds 2016	Group unrestricted funds 2015	Charity unrestricted funds 2016	Charity unrestricted funds 2015
	£'000	£'000	£'000	£'000
Insolvency service	3,019	2,934	—	—
Equity release services	741	649	—	—
	3,760	**3,583**	**—**	**—**

8. Expenditure on charitable activities

	Direct costs	Support & governance costs	Total 2016	Total 2015 (restated)
	£'000	£'000	£'000	£'000
Group unrestricted funds				
Debt advice	14,769	7,418	22,187	21,628
Client management	11,271	5,410	16,681	14,686
Promotion of charitable purpose	2,228	365	2,593	3,428
Monies paid to trust account	—	—	—	180
Total	**28,268**	**13,193**	**41,461**	**39,922**
Group restricted funds				
Debt advice	2,713	618	3,382	1,847
Client management	490	138	627	—
Promotion of charitable purpose	372	—	372	62
Total	**3,575**	**756**	**4,331**	**1,909**
Total expenditure on charitable activities	**31,843**	**13,949**	**45,792**	**41,831**
Charity unrestricted funds				
Debt advice	14,720	7,418	22,138	21,524
Client management	11,271	5,410	16,681	14,686
Promotion of charitable purpose	2,228	365	2,593	3,428
Monies paid to trust account	—	—	—	180
Total	**28,219**	**13,193**	**41,412**	**39,818**
Charity restricted funds				
Debt advice	2,713	618	3,382	1,847
Client management	490	138	627	—
Promotion of charitable purpose	372	—	372	62
Total	**3,575**	**756**	**4,331**	**1,909**
Total expenditure on charitable activities	**31,794**	**13,949**	**45,743**	**41,727**

The difference in the charitable costs between the Group and charity is Scotland's debt advice costs. In 2016, these costs amounted to £49,000 (2015: £104,000)

During the year, the charity has revised its classification of expenditure on charitable activities to better align this with the charity's current operating model.

Debt advice costs (previously counselling costs) are defined as the costs incurred in providing debt advice to new clients.

Client management costs (previously debt 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.

2015 numbers have been restated on a consistent basis with 2016. As a result, £7 million of costs have been re-classified from debt advice to client management costs, reflecting the distinction now being drawn between the services provided to new, as distinct from existing clients. The re-classification also resulted in a reduction in total support and governance costs of £4.1 million, as more costs previously allocated (namely premises, telephony, printing and postage) were attributed to the direct costs of the business areas.

During 2014, the charity included as an exceptional item within resources expended the sum of all amounts that have been transferred out of the Trust accounts and into the charity's bank account and recognised as income since 2003. This treatment has been the case in those instances where client funds are returned by creditors without sufficient information to identify the original client or where cheques have remained uncashed for a number of years. A line by line review of the transactions moved to Trust undertaken during 2015 has identified some instances of netting which require further funding and a further £179,645 was placed in a client Trust account out of the charity's reserves during 2016.

9. Analysis of support and governance costs on charitable activities

	Debt advice	Client management	Promotion of charitable purpose	Total 2016	Total 2015 (restated)
	£'000	£'000	£'000	£'000	£'000
Unrestricted funds					
IT, digital & change	3,883	2,681	176	6,740	5,969
Corporate services	2,182	1,795	128	4,105	4,533
People services	1,198	827	54	2,079	1,602
Governance	155	107	7	269	466
Total	**7,418**	**5,410**	**365**	**13,193**	**12,570**
Restricted funds					
Corporate services	618	138	—	756	390
Total support and governance costs	**8,036**	**5,548**	**365**	**13,949**	**12,960**

The Support costs have been allocated to the charitable activities on the basis of employee numbers. During the year the charity has reclassified its Support costs, moving from an expenditure type analysis to an analysis by functional area.

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 2016	Group and charity 2015
	£'000	£'000
Professional fees	559	—
Incremental project resource costs	280	—
	839	**—**

These costs are incremental for the charity and reflect the preparation and planning activity to date to develop the high-level roadmap of change and the business case.

11. Auditors' remuneration

	Total 2016	Total 2015
	£'000	£'000
Fees payable to the charity's auditor		
Audit of the financial statements (charity)	31	23
Audit of the financial statements (subsidiaries)	17	16
Other assurance services	6	9
Tax advisory services	11	8
	65	**56**

12. Employees

	2016	2015 (restated)
	No.	No.
i) Average number of persons employed by the group		
Debt advice	660	592
Client management	455	374
Promotion of charitable purposes	30	28
Insolvency services	94	90
Equity release services	18	16
Support services	207	181
	1,464	**1,281**

Employee numbers in 2015 have been restated in line with the cost classification changes as outlined in Note 8. Total employee numbers remain unchanged. The total average full time equivalent (FTE) numbers in 2016 were 1,394 (2015: 1,203).

	2016	2015 (restated)
	£'000	£'000
ii) Staff costs		
Wages and salaries	32,990	29,183
Social security costs	2,944	2,601
Pension costs	990	901
Other payroll related benefits	480	370
	37,404	**33,055**

2015 has been restated to include all group staff costs rather than just those of the charity. The impact has been to increase the staff cost disclosure by £2.89 million. This is a restatement to the employee cost note only and does not impact any of the numbers disclosed within the Statement of Financial Activities.

The remuneration of key management personnel (members of the Executive team) is £955,000 (2015: £926,000). The salary of the Chief Executive Officer was £171,434 in 2016 (2015: £157,100), which reflects additional payments in lieu of pension contributions and the purchase of holiday entitlement. The basic salary increased by 1.5% in 2016.

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

	2016	2015 (restated)
	No.	No.
£60,001 – £70,000	8	8
£70,001 – £80,000	1	2
£80,001 – £90,000	2	1
£100,001 – £110,000	1	1
£120,001 – £130,000	1	—
£130,001 – £140,000[1]	2	1
£140,001 – £150,000	1	1
£170,000 – £180,000	1	1
£200,001 – £210,000[2]	—	1
Total	**17**	**16**

Contributions were made to defined contribution schemes for a total of 17 (2015: 16) of higher-paid employees.

[1] Included within the 2016 amounts is a termination payment of £53,597
[2] Included within the 2015 amounts is a termination payment of £82,992

13. Trustees

None of the Trustees (or any persons connected with them) received any remuneration during the year. Five of the Trustees were reimbursed for out of pocket expenses incurred in attending Trustee meetings totalling £1,850 (2015: Four Trustees reimbursed for expenses totalling £2,602).

Indemnity insurance is taken out to cover losses arising from neglect or default by any charity Trustee, employee or officer. The cost of providing this insurance is £17,301 (2015: £14,707).

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. The deferred tax asset relates to deferred tax arising on losses in Consumer Credit Counselling Service (Equity Release) Limited, a trading subsidiary.

	Total 2016	Total 2015
	£'000	£'000
Analysis of charge in the year		
Deferred tax on trading losses	**(8)**	**18**

15. Tangible fixed assets

	Group £'000	Charity £'000
Cost		
At 1 January 2016	8,550	7,523
Additions	961	954
Group transfers	—	157
Disposals	—	—
At 31 December 2016	**9,511**	**8,634**
Depreciation		
At 1 January 2016	7,188	6,245
Charge for the year	757	737
Group transfers	—	99
Disposals	—	—
At 31 December 2016	**7,945**	**7,081**
Net book value		
At 31 December 2016	**1,566**	**1,553**
At 31 December 2015	**1,362**	**1,278**

All tangible fixed assets are fixtures, fittings and equipment.

16. Fixed asset investments

	2016 £	2015 £
Subsidiary undertakings	**5,001**	**5,001**

	Company registration	Activities	2016	2015
Subsidiary undertakings as at 31 December 2016				
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. On 13 July 2016, Consumer Credit Counselling Service (Scotland) Ltd (Registered Charity Number SC024413) was put into Members Voluntary Liquidation and dissolved on 15 March 2017. The charitable activities have transferred into the Foundation for Credit Counselling. The office of the Scottish Regulator (OSCR) registered the Foundation for Credit Counselling in Scotland on 15 January 2016 (Registered Charity Number SC046263). A summary of the results and balance sheet of the subsidiaries are given below:

	2016 £'000	2015 £'000
Consumer Credit Counselling Service Voluntary Arrangements Limited		
Turnover	3,485	3,318
Cost of sales	(1,908)	(1,873)
Gross profit	1,577	1,445
Administrative expenses	(1,111)	(1,061)
Profit for the financial year	**466**	**384**
Assets	1,071	724
Liabilities	(618)	(349)
Shareholders' funds	**453**	**375**

	2016 £'000	2015 £'000
Consumer Credit Counselling Service (Equity Release) Limited		
Turnover	944	766
Cost of sales	(741)	(649)
Operating profit	203	117
Interest payable	(9)	(1)
Taxation	(8)	18
Profit for the financial year	**186**	**134**
Assets	295	144
Liabilities	(484)	(519)
Shareholder's deficit	**(189)**	**(375)**

	2016 £'000	2015 £'000
Consumer Credit Counselling Service (Scotland)		
Income	126	631
Expenditure	(149)	(680)
Loss for the financial year	**(23)**	**(49)**
Assets	—	109
Liabilities	—	(86)
Unrestricted funds	**—**	**23**

17. Debtors

	Group 2016	Group 2015	Charity 2016	Charity 2015
	£'000	£'000	£'000	£'000
Due within one year				
Trade debtors	8,618	6,907	7,690	6,322
Prepayments and accrued income	1,390	1,522	1,297	1,522
Other debtors	114	222	114	96
Amounts owed by group undertakings	—	—	539	308
	10,122	8,651	9,640	8,248
Deferred tax asset (note 14)	10	18	—	—
	10,132	8,669	9,640	8,248
Due after more than one year				
Amounts owed by group undertaking	—	—	400	400
Total	10,132	8,669	10,040	8,648

The amount owed by a group undertaking after more than one year is a loan of £400,000 (2015: £400,000) made to Consumer Credit Counselling Service (Equity Release), a trading subsidiary of Foundation for Credit Counselling. Interest is charged at a rate of 2.50% and is subject to annual review. The loan is repayable on any date agreed in writing between the parties or within 30 days of receipt of a written request from the Lender (which the Lender agrees it will only serve on the Borrower if, in the reasonable opinion of the Lender, the Borrower has financial resources available to it to repay the Loan at that time). The Trustees do not currently envisage either event to crystallise within 12 months of the balance sheet date.

18. Current asset investments

	Group 2016	Group 2015	Charity 2016	Charity 2015
	£'000	£'000	£'000	£'000
Current asset investments				
Bank deposits	5,228	7,089	5,228	7,089

19. Creditors: amounts falling due within one year

	Group 2016	Group 2015	Charity 2016	Charity 2015
	£'000	£'000	£'000	£'000
Creditors: amounts falling due within one year				
Trade creditors	409	529	363	491
Other taxes and social security costs	806	709	806	710
Accruals and other creditors	2,022	2,130	1,899	1,921
	3,237	3,368	3,068	3,122

20. Operating lease commitments

At the reporting end date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings 2016	Land and buildings 2015 (restated)
	£'000	£'000
Expiry date		
Within one year	143	—
Between one and five years	3,623	1,129
After five years	3,411	7,192
	7,177	8,321
Net expenditure for the year before taxation is stated after charging		
Operating lease charges	1,626	1,189

The prior year note has been restated to reflect the position at the balance sheet date, rather than at the date of the approval of the Group accounts by the Board of Trustees. The increase in lease charges in 2016 reflects new leasehold space required for expansion. Despite the increase in space, the value of outstanding, life-time commitments has decreased because the new leaseholds contain short-term break clauses.

21. Movements in unrestricted funds

	At 1 Jan 2016	Incoming resources	Outgoing resources	At 31 Dec 2016
	£'000	£'000	£'000	£'000
Group				
General reserves	21,375	46,222	(47,000)	20,597
Charity				
General reserves	21,357	41,239	(42,257)	20,339

22. Movements in restricted funds

	At 1 Jan 2016	Incoming resources	Outgoing resources	At 31 Dec 2016
	£'000	£'000	£'000	£'000
Group and charity				
MAS Grant	476	2,844	(3,277)	43
Ireland – Advice	387	1,143	(946)	584
J.P. Morgan	—	100	(4)	96
SLAB	—	104	(104)	—
	863	4,191	(4,331)	723

MAS Grant

FCC received funding from the Money Advice Service (MAS) to make advice available to people impacted by the exit of their debt management company from the market. The funding initially covered the period from 1 August 2015 to 31 July 2016 and has been extended to 31 March 2017.

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.

J.P. Morgan

FCC received funding from the J.P. Morgan Chase Foundation for the provision of debt advice support for London low income families for a one year period commencing 1 December 2016.

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 initially covered the period from 1 October 2013 to 30 September 2016 and has since been extended to 31 March 2017.

The summary of the assets and liabilities for the total restricted funds, disclosed by contract and the total unrestricted funds at 31 December 2016 is:

	MAS	Ireland	J.P. Morgan	Total restricted	Total unrestricted	Total funds
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed Assets						
Tangible assets	43	–	–	43	1,523	1,566
	43	–	–	43	1,523	1,566
Current Assets						
Debtors	–	272	–	272	9,860	10,132
Investments	–	—	—	–	5,228	5,228
Cash at bank and in hand	–	312	96	408	7,223	7,631
	–	584	96	680	22,311	22,991
	–					
Creditors: Amounts falling due within one year	–	–	–	–	(3,237)	(3,237)
Net Current Assets	–	584	96	680	19,074	19,754
Net Assets	**43**	**584**	**96**	**723**	**20,597**	**21,320**

23. Related party disclosures

On a consolidated basis, there were no (2015: none) transactions undertaken with related parties during the year. The charity provided a loan of £400,000 (2015: £400,000) to Consumer Credit Counselling Service (Equity Release). The details are disclosed within note 17.

24. Cash and cash equivalents

	Group 2016	Group 2015	Charity 2016	Charity 2015
	£'000	£'000	£'000	£'000
Cash and cash equivalents				
Cash balances	7,631	8,486	7,305	8,322
Bank deposits	2,000	—	2,000	—
Total cash and cash equivalents	**9,631**	**8,486**	**9,305**	**8,322**

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

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 funds and amounted to £990,294 (2015: £901,378). At the year end the pension creditor amounted to £160,322 (2015: £142,206).

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