1992–2017

25 years of helping people with problem debt

The Foundation for Credit Counselling
Annual report and accounts 2017

Contents

Part 1 Overview

We've been helping people with problem debt for 25 years, providing the UK's most comprehensive debt advice service. We help people take back control of their finances and their lives. We campaign to prevent problem debt and reduce the harm that it causes.

Chairman's statement

In January 2018 we celebrated our 25th anniversary and over those years we have grown from a small charity with an aspirational vision into a large charity with a strong presence in the UK and Ireland. I am extremely proud of leading such an invaluable and successful organisation and delighted to say that we helped more people in 2017 than ever before.

We want to create a society free from problem debt

Free debt advice helps people cope with the challenges of being in debt. Investing in free debt advice not only delivers solutions to enable people to return to a firmer financial footing and get on with their lives, but it prevents significant future social costs. In 2015, we estimated the social cost of problem debt to society was £8.3bn through the additional strain on health services, lost productivity, lost jobs and longer term reliance on welfare and support services.

Our campaigning, influencing and partnership work brings change in industry practice, regulation and government policy, to prevent yet more people fall into problem debt and reduce the harm it causes. The future macroeconomic picture is uncertain with predicted rises in interest rates and further pressure on those living on welfare payments. We expect the need for our services to continue to increase.

Securing more funding to help more people is one of the main challenges ahead for us. Moreover, the charity has an over-reliance on funding from fair share contributions (FSC) from the repayment of debts within debt management plans (DMPs). So, we are looking to diversify our funding model to meet the expected demand for debt advice and solutions.

We helped more than 620,000 people in 2017

We welcome the findings of Peter Wyman's independent review of the funding of the debt advice sector. It reconfirms the value of our fair share model for funding, but we support the call to be more efficient, more innovative with technology and more collaborative with our friends within the free debt advice sector. We look forward to playing an active role in implementing the Wyman recommendations.

We've recognised the need to be more efficient and effective, which is why we've commenced our charity-wide Transformation programme

We've recognised the need to be more efficient and effective, which is why we've commenced our charity-wide Transformation programme. This Transformation will allow clients to move seamlessly between telephone and on-line channels, and provide colleagues with the toolkit to support their clients, all delivered at a lower cost enabling us to help more people.

Following our extensive campaigning for several years, we're delighted that the Government is establishing a statutory Breathing Space scheme. This will result in creditors freezing interest, charges and enforcement action for clients seeking debt advice, which means clients won't continue to receive demands for payments and will be given time to seek advice and help. The Government has committed to designing and implementing the scheme in partnership with the debt advice sector so that it can be introduced as soon as possible, with legislation expected in 2019.

I would like to thank our committed colleagues who do their very best every day to make a difference to our clients, as well as express appreciation for each of our Trustees. I would also like to thank our former CEO, Mike O'Connor CBE, who retired in November 2017, for the significant contribution he made to the charity and to warmly welcome our new CEO, Phil Andrew.

Finally, I would like to thank and acknowledge all the partners who help us progress towards our vision of a society free from problem debt. Without the funding we currently receive from the creditors we work with, we wouldn't be able to look forward to future growth plans. With the challenges that lie ahead, collaborative and innovative solutions to the shared problem of helping more people will be more important than ever.

Sir Hector Sants
Chairman
19 June 2018

CEO's statement

Having taken over as CEO of StepChange in November 2017, I'm very pleased to report that I find the charity to be in excellent shape. We now help more than 620,000 people a year deal with their problem debt.

> In 2017, we set ourselves the ambitious goal of doubling the number of people we help annually by 2021

We operate our charity on the principle of being 'socially motivated and commercially minded'. This means that every day we make a social difference on a nationally relevant scale by striving to provide the highest quality debt advice and solutions, consistently and efficiently. This is underpinned by our ethos that the advice we give will always be free to the individuals who seek our help. Whilst some may believe that people in problem debt are to blame for their situation, our evidence tells us otherwise. The most common factors that push people into problem debt are job loss, long-term ill health, relationship breakdown, bereavement or simply not earning enough to make ends meet. It can happen to anyone.

Our clients, funders and wider stakeholders have the right to expect that we operate the charity on the basis of strong governance, and I'm pleased to say that our Financial Conduct Authority authorisation ensures that we have the highest standards of control and oversight.

In our opinion, the imperative to be efficient and sustainable is stronger than in commercial organisations; rather than making money for shareholders, every efficiency saving we make goes towards helping more people. Because of the huge demand across the debt advice sector, this efficiency will only be possible through greater collaborations with other organisations.

Whilst we continue to work closely with others in the free sector, we are still mindful that we want to maintain our point of difference versus the rest of the debt advice sector and give potential clients a reason for choosing to come to us. We were delighted with the results of independent 'mystery shopper' research we commissioned last year, which found the advice clients received from us to be clear and the experience with us was rated extremely positively.

In 2017, we set ourselves the ambitious goal of doubling the number of people we help annually by 2021. In order to deliver this, we have been heavily investing in a wide-ranging Transformation programme which is well underway, and is now in its implementation stage. It will cost over £20m in its development over the forthcoming years. The overarching aim is to fundamentally overhaul the client's experience when they contact StepChange by making the infrastructure of the charity and the processes we go through quicker, more intuitive and more tailored to an individual's needs. This, in turn, will lead to better integration between our online and telephone systems and allow us to swiftly incorporate new communication channels as they come into widespread use. For the first time since it was introduced in 2006, more people are now opting to access our advice through Debt Remedy, our innovative online debt advice tool, instead of calling us.

This radical re-tooling of technology and ways of working will significantly extend the help we're able to deliver. Ultimately, it will reduce costs, whilst maintaining the highest of standards. It will also allow for early adoption of Fintech solutions and capitalise on the opportunities provided by Open Banking.

We will continue to work in partnership with our funders and other providers to create a funding model that's more directly connected to the individual strands and breadth of work we do for our clients. Our need for increased income will be a big focus for us and will help us in the delivery of both our Transformation programme and our aim to double the number of people we help each year.

As with any charity, great people are the cornerstone of our organisation and without them we cannot deliver the help we promise. I'm delighted to have joined a charity where the mission and values are so well embedded. Our colleagues go above and beyond as a matter of course and I'm enormously thankful for their drive and commitment. We will strive to make StepChange an even better place to work and to find new and innovative ways to attract, reward and retain the very best people.

All of these actions create the strong foundations necessary for the ambitious plans we have for the charity. These include significantly increasing our capacity to assist in our traditional advice and solution areas, much closer working relationships with other providers in the sector and a more specific and tailored approach to devolved nations. We're beginning to look at ways to extend our reach into areas such as education and early intervention, helping people before they fall into problem debt.

Personally, my goal is to build on the foundations already in place to create a significantly wider reach for the charity. This will allow us to move towards our vision of a society free from problem debt in terms of policy, education, early intervention, advice and solutions. I want to place StepChange at the forefront of policy and innovative thinking, and to continue to strive for excellence in everything we do.

I'd like to take this opportunity to thank my predecessor, Mike O'Connor CBE, for his outstanding contribution to the charity. Without his hard work and dedication we wouldn't have such a strong foundation from which to build for the future.

Phil Andrew
CEO
19 June 2018

Our vision

We want to create a society free from problem debt. Our latest research shows that around 3.3 million people in the UK are in severe problem debt, with 9.3 million people in moderate financial difficulty.[1]

Problem debt 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.

Our 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] StepChange commissioned YouGov plc to conduct general population research. Total sample size was 5,052 adults. Fieldwork was undertaken between 13 – 18 December 2017.

Our mission

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

What we do

We've been helping people with problem debt for 25 years. In 2017, we delivered free, comprehensive and non-judgemental debt advice to more people than ever before.

Meanwhile, our campaigning, influencing and partnership work also helps prevent problem debt by influencing change in industry practice, regulation and government policy.

Many people believe that having a debt problem is a personal failing; our statistics tell a different story. The most common causes of debt are unavoidable life events yet the stigma of debt means that many clients try to self-manage, often for a number of years, not knowing where to turn.

In the meantime, their mental health can deteriorate and money worries can affect their work, relationships and feelings of self-worth.

Our debt advice process

Whether by telephone or online, we work with every client to complete an income and expenditure statement. Using this information we'll then identify the most appropriate debt solution for each individual.

Every client then receives a personalised action plan, offering them access to a range of debt solutions to help them manage their situation and address their debt problem. If we are unable to offer them a debt solution we will advise them until their situation improves.

Assess
We work with clients to create an income and expenditure statement

Identify
We identify the most appropriate solution for each individual

Plan
Clients receive a personalised action plan, offering them access to a range of debt solutions

Debt management

The most common solution for clients is a debt management plan, known as a DMP. Instead of paying each of their creditors individually, the client makes one monthly payment to the charity and we disburse it fairly across their creditors.

Every penny the client pays to us goes towards repaying their debt. Once the details are agreed we set up the DMP on the client's behalf, working with them to stay on track. We also conduct reviews at least annually to ensure their DMP is still affordable and the most appropriate solution.

Every penny the client pays to us goes towards repaying their debt

For our Scottish clients a similar solution known as a debt payment programme (DPP) is available under the Debt Arrangement Scheme (DAS). In some cases, clients come to us when they can't realistically afford to make repayments towards their debts but they know their situation is likely to improve soon. In these situations we'll work with the client and their creditors to manage a token payment plan (TPP). Each creditor receives £1 a month until the client's situation improves enough to increase their monthly repayment amount.

Insolvency options

We believe that if a client can afford to repay their debts within a reasonable period of time then they should do so, however if they can't we'll advise them on an insolvency option.

We can help set up a range of insolvency solutions such as debt relief orders (DROs), individual voluntary arrangements (IVAs) through our Voluntary Solutions team, and where appropriate, we'll help people apply for bankruptcy. In Scotland, other insolvency solutions are available to clients including sequestration, minimal assets process (MAP) and trust deeds.

Equity release

For clients who are at or near retirement StepChange Financial Solutions also provides free equity release advice.

We're the UK's only charity-operated equity release service and can help clients with interest only lifetime mortgages, lifetime mortgages and home reversion plans.

A UK-wide charity

Our advice services are available by phone through our UK wide network of offices in Leeds, Newcastle, Glasgow, Birmingham, Halifax, Cardiff and Chester. We also have a specialist advice team in Cardiff who work with our most vulnerable clients, a team in Leeds to service clients living in Ireland, as well as teams in Glasgow and Newcastle for our Scottish clients.

Our external affairs team (in London and Glasgow) influence change using specialist expertise and our clients' experiences to make the evidence-based case for changing regulation, law and practice, to prevent and reduce the harm problem debt causes.

Delivering advice online

We're the only debt advice provider offering individually tailored debt advice online; giving people access to the help they need 24/7. Our website also provides an extensive library of information and advice on debt and money worries, as well as a blog to support clients with budgeting and money advice.

We also help people recognise the signs of problem debt with a 60 second debt test and to enhance their financial capability with our '7 days, 7 ways' email advice programme.

We're the only debt advice provider offering individually tailored debt advice online; giving people access to the help they need 24/7

Our policy work

Our campaigning, influencing and partnership work helps prevent and reduce the harm of problem debt by influencing change in industry practice, regulation and government policy.

Breathing Space

Our clients often describe the relief they feel after contacting us, when the payment chasing calls stop and interest or charges no longer increase their debts. But this depends on us convincing each of their creditors to informally agree to grant a temporary breathing space period. One of our biggest campaigns over recent years has been for a statutory 'Breathing Space' scheme.

> Our clients often describe the relief they feel after contacting us, when the payment chasing calls stop and interest or charges no longer escalate their debts

We secured manifesto commitments for Breathing Space from the two main parties during the 2017 General Election and later in the year, the Government made a commitment to introduce the scheme by 2020.

We are continuing to campaign for a timely and effective implementation of the scheme with a period of up to a year free of creditor enforcement action, interest or charges.

Improved access to savings

Traumatic events such as redundancy, relationship breakdown or bereavement can set a family back financially for months, even years. Accessible savings can help avoid problem debt, promote financial inclusion and lead to wider social benefits but many struggle to save for a rainy day.

Our campaign contributed to the introduction of the Government's Help to Save scheme which is rolling out across 2018 and which offers those on a low income a 50% boost to their savings. Over four years, those saving the maximum of £2,400 would qualify for a bonus of £1,200.

Safer and more sustainable credit

Credit cards are designed as short-term products but can too easily lead to persistent long-term debt. In 2017, the Financial Conduct Authority (FCA) acknowledged that the persistent debt caused by this product is detrimental to consumers.

Significant reform is needed including lenders intervening earlier to prevent the build-up of persistent debt; increasing minimum payments on credit card balances and banning unsolicited credit limit increases. Overdrafts can also lead to persistent debt problems. Regularly having to go into an overdraft, or being hit by unarranged overdraft charges can lead to and exacerbate financial difficulties. The FCA is undertaking a review of overdrafts and as part of this, we have been recommending it abolishes unarranged overdraft charges and ensure banks are helping more people out of persistent overdraft debt.

When payday loans were the fastest rising type of debt among our clients, we campaigned for better controls to limit the rise and extreme detriment they were causing.

The FCA introduced a package of measures to deal with payday lending problems, including a cap on interest and charges to help regulate the payday loans market, with the aim of making it fairer for borrowers.

These regulatory interventions significantly reduced the proportion of clients with payday loan debts and we also saw fewer cases of flagrant bad practice.

We're calling on the Government to develop a new scheme for 'no interest loans' to help the most financially vulnerable who struggle to safely access any form of commercial credit

However, we continue to see problems with unaffordable multiple short-term high cost loans and poor debt collection practices. There is a need for clear and coordinated action to build more accessible and affordable credit alternatives for the most financially vulnerable.

We're calling on the Government to develop a new scheme for 'no interest loans' to help the most financially vulnerable who struggle to safely access any form of commercial credit.

Bailiff reform

Our clients continue to report widespread problems with the behaviour of bailiffs and the difficulty of making complaints about poor conduct. With the use of bailiffs by local councils increasing dramatically over recent years, and more people being adversely affected, we're calling for fundamental changes to protect people in financial difficulty from unfair treatment and to improve the practices of bailiffs.

As extensive evidence demonstrates, the 2014 bailiff reforms in England and Wales have had minimal impact. To address this, we've joined forces with 10 other organisations to campaign for fundamental bailiff reform and in March 2017, we launched the Taking Control campaign at a Parliamentary event, presenting considerable evidence on the problem in the published report. The campaign is calling for independent regulation of the bailiff industry; a free, transparent and accessible complaints process; and procedures to identify vulnerable people and protect them from enforcement action.

Since then, nearly 300 people have shared their bailiff stories on the campaign website www.bailiffreform.org, over a hundred of our clients have written to their local MP to ask them to support better bailiff regulation, and the campaign has been featured by high profile national print and broadcast media.

Mel's story

"I feel so amazingly happy. I pay my rent every month, my credit card is paid off every month and I own my car – without finance."

Mel was 33 and happily married with a young child. She opened a shop as a family business with her husband and took out a loan in her name, so they could get it off the ground. When Mel's husband became abusive, she filed for divorce to protect herself and her child. She stopped working at the shop and found another job, but unfortunately not long after she started, the company she joined went into administration. Unable to find work for a few months, Mel struggled to make the business loan repayments on the shop she'd opened with her husband, and she fell into arrears.

When Mel's husband became abusive, she filed for divorce to protect herself and her child

When Mel did find work again it was only part-time, so she struggled financially. She was able to continue to pay her mortgage, and just about manage her bills, but she struggled to repay the business loan and it caused her a lot of anxiety. She decided to speak to her bank about it, and they advised her to get in touch with StepChange.

We looked at Mel's financial situation and, based on her particular circumstances, determined that a DMP was the best way for her to deal with her debts. Mel was happy with our recommendation and took out a DMP with us.

After six years of living on a DMP, Mel has now paid her debts off in full; she now makes furniture part time as well as working as a self-employed cleaner:

"I feel so amazingly happy that it's gone. I can guarantee that I will never take a loan out again. I pay my rent every month, my credit card is paid off every month and I own my car - without finance. The only debt I'll ever take on again in future would be a mortgage to secure my daughter's future."

Part 2
Strategic report

Our success is built on the commitment and skill of our colleagues, and the continued support of our funding partners. We work together to make change happen.

In 2017 we made significant progress against our charitable objectives, and this year we're celebrating 25 years of delivering debt advice by looking back at the key achievements which have shaped the charity. We've pioneered debt advice but we've got much more to do.

Our key strategic priorities for 2018 set the benchmark for what we want to achieve this year and for another 25 years of championing the cause of those with problem debt.

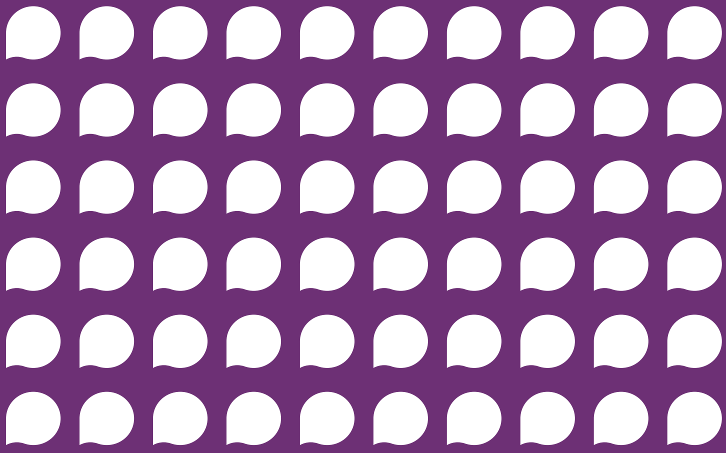
Our objectives

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

We're satisfied that in 2017 our activities were in line with our charitable objectives. These objectives are outlined on the following pages, along with our plans for 2018 and beyond.

Our impact in 2017

620,000
people were helped by us



357,000
debt advice sessions delivered

£418m
debt repaid with our support

£102m
debt written off

21,000
clients free from debt

Objective 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've changed the face of personal debt advice in the UK. As a not-for-profit charity we have no shareholders and invest all our time and money into doing what's best for every person that contacts us.

Progress in 2017

In 2017, 620,000 people received help from us, an increase of 3.5% from 2016. We delivered 357,386 detailed debt advice sessions, up nearly 5.1% on the previous year. The move towards online advice continued with 57% of clients now using our online advice services rather than telephone advice.

Goals in 2018

In 2018 we want to help more people than ever before, increasing the number of clients we advise by 7% by continuing to enhance our online and telephone advice services.

Objective 2
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 has increased due to regulation. Despite this, our unit costs remain competitive due to the high volumes of clients we have helped.

Progress in 2017

In April 2017, our Board of Trustees approved the launch of a major Transformation programme to improve our efficiency and sustainability, working to minimise our costs in order to help even more clients.

Goals in 2018

2018 will be the year that we implement our new customer relationship management system (CRM) for debt advice with Pegasystems which will reduce our costs and significantly improve our clients' experience.

Objective 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.

Progress in 2017

Over the past two years, we've 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. This scheme which is rolling out across 2018 offers those on a low income a 50% boost to their savings. Our research shows that having £1,000 in savings halves the chance of a family falling into problem debt.

In 2017 we also succeeded in securing the Government's commitment to introducing a statutory 'Breathing Space' scheme for those seeking debt advice.

Goals in 2018

In 2018 we'll continue to campaign for effective implementation of our Breathing Space proposals, as well as our work with other advice agencies to raise awareness of problems around the conduct of bailiffs, advocate for greater access to safer, more sustainable credit and our work with the FCA to tackle persistent overdraft and credit card debt.

Our research shows that having £1,000 in savings halves the chance of a family falling into problem debt

Objective 4

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

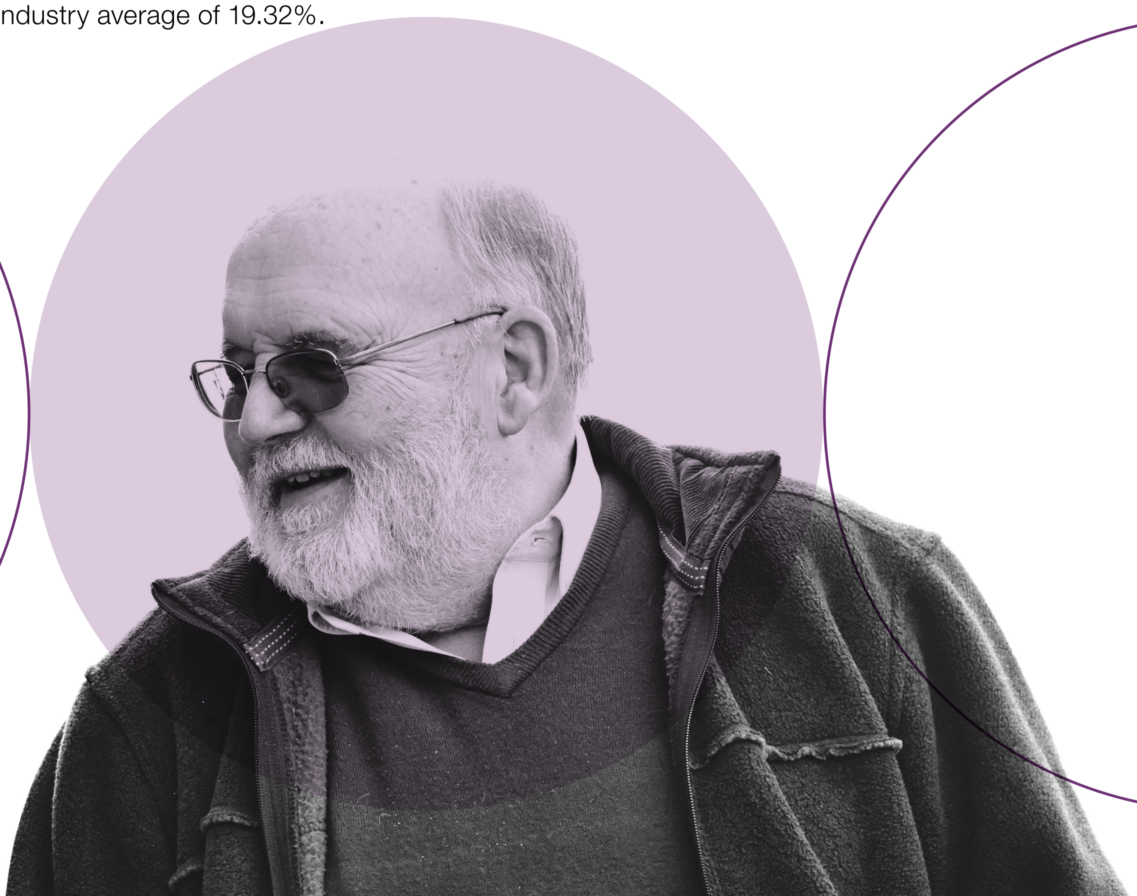
We educate and inform people as we help them. Not only have we developed our website to provide detailed debt information to help people understand debt, our MoneyAware service also provides practical advice and tips for people managing on a tight budget. It also delivers engaging content from our partners, and news around topics that may affect those struggling financially.

Progress in 2017

We received 4m website visits and 70% of all StepChange website visits were from a search engine. We were no.1 for a range of important debt search terms and the market leader with 11% of all debt search clicks. There were also 1.2m visits to MoneyAware blog and its accompanying email newsletter saw an open rate of 49.6%, well above the industry average of 19.32%.

Goals in 2018

In 2018 we will increase the number of visits to our website. We will continue to move our pages to a responsive design that adapts to mobile and desktop devices. We will also continue to develop the debt information section on our website to ensure that people from all walks of life can understand debt related issues.



Objective 5
Create greater awareness of free debt advice

Since our rebrand to StepChange Debt Charity in 2012 our name has become synonymous with debt advice. We have done this by maintaining a strong online presence, providing quality information and advice on our website, developing good relationships with our partners and their front line teams, as well as investing in our policy and influencing work.

Progress in 2017

In 2017 we exceeded our ambitions for brand awareness, with 12% of respondents in our brand tracking research saying they had heard of StepChange Debt Charity – an extremely positive result. This objective is further supported by the FCA's Consumer Credit sourcebook, which requires commercial debt management firms to signpost the availability of free advice.

Goals in 2018

Our aim for 2018 is to maintain brand awareness levels and to continue to invest in our online presence, ensuring we are at the top, or in the top three of all relevant debt related search terms.

Objective 6
Engage and develop our colleagues

We strive to be the employer of choice for socially minded individuals, who provide the highest levels of service to clients struggling with, or at risk of problem debt.

Progress in 2017

In 2017 we strengthened our commitment to people development by appointing a People Services Director to the Executive team and we introduced Mylo – our employee training portal.

Goals in 2018

In 2018 we will continue to improve colleague development with our enhanced learning and mandatory training programmes. We're also focusing on talent progression, colleague engagement and participation, whilst supporting our colleagues' wellbeing.

Tackling problem debt for 25 years

25 years ago two men had a vision for the future – that anyone in financial difficulty should have access to free debt advice. From that simple concept our charity was born. Since then we've helped millions of people to resolve their debts, and rebuild their lives.

We understand the causes and see the consequences of debt, but most importantly we know the way out. We help thousands of people every week and our service is available to everyone, however big or small their debt problem. Currently, one person every 51 seconds contacts us for debt advice in the UK and we never charge for the professional debt advice we offer.

Over 25 years we've helped over five million people and have supported clients to repay £4 billion of debts

25 years of tackling problem debt

1992
Vic Ware OBE and Malcolm Hurlston CBE founded the charity

1993
We opened our first advice centre, pioneering the debt management plan

1995
We opened two new offices, in Nottingham and Birmingham

2001
We started delivering debt advice in Northern Ireland

2006
We launched our online debt advice tool, Debt Remedy

2007
We became the only not-for-profit organisation offering IVAs

2009
We became approved intermediaries to offer debt relief orders

2010
We launched our equity release subsidiary

2012
We changed our name to StepChange Debt Charity

2013
500,000 people contacted us for help for the first time

2014
We launched our first ever Debt Awareness Week

2015
We launched StepChange Debt Charity Ireland

2016
We became authorised by the FCA

2017
We began our Transformation programme

Our key strategic priorities for 2018

Tackling problem debt is of paramount importance to the health of the economy. It alleviates poverty and improves health and wellbeing, but the demand for debt advice far outstrips supply.

In parallel with our work against our key strategic priorities we're working hard to meet that demand, helping thousands of clients every day by providing free debt advice, solutions, information and support. Our latest statistics reveal that one person in every hundred adults in the UK contacted us for help last year – more people than ever before.

Funding

One of the big challenges over the next few years is how we can secure more funding in order to help even more people. The sector as a whole is underfunded, and the funding received from fair share contributions (FSC) simply doesn't allow us to meet the demand for free debt advice.

> One of the big challenges over the next few years is how we can secure more funding in order to help even more people

Therefore, we welcomed the Money Advice Service (MAS) announcement in July 2017 that Peter Wyman CBE, chair of the Care Quality Commission, was to lead an independent review of the way debt advice across the UK is funded.

Wyman review

Wyman's report was published in January 2018 and we agree with the key conclusions and recommendations, which are:

- The current supply of debt advice doesn't meet demand.
- To close that gap, there needs to be an increase in funding. It is positive that the review recommends a temporary increase in the levy, and calls for increased support of FSC and on-going support for donations.
- Savings should be made through a focus on efficiency and making sure clients are helped on the most cost-effective channel in line with their preference.
- To ensure effectiveness, there needs to be robust quality assurance processes in the sector

We are pleased that Peter Wyman recognised the importance of FSC in the funding landscape of the sector with a call for fair share funding to not only continue, but also be extended. The report states that the provision of free debt advice needs to rise by 50% in the next two years to 1.65m people advised per annum. A £10m increase in the financial levy in each of 2018/19 and 2019/20 is essential to achieve this.

The report is very clear that debt advice providers must also look to improve quality and commit to efficiency savings of 20% over the next two years. We believe that our Transformation programme will make us fit to meet these challenges and that we're already benefiting from working with others in the free debt advice sector, on collaborative solutions to the shared problem of meeting these increases in future demand.

We believe that driving efficiency should never come at the expense of quality of advice nor good client outcomes. The whole sector should adhere to common quality assurance standards. There must be funding to effectively support the more vulnerable clients. We place client needs at the heart of everything we do, and we must be mindful that we are always giving clients the support they need.

Diversification

80% of the group's funding comes from FSC, which is generated from the management of Debt Management Plans. The charity is continuing to develop a new funding model, incorporating FSC, but will allow us to help more people without the reliance on a single product. We will respond to the planned devolution of funding outlined by the Single Financial Guidance Body and find new funding sources to extend our reach into areas such as education and early intervention.

Our key strategic priorities for 2018
Transformation

We need to become more efficient and effective in how we offer advice to clients, which is why we've embarked on a charity-wide Transformation programme.

This Transformation will allow us to offer clients more choice in how they want to receive advice and ongoing support from us, and improve the user experience. The investment we're making in the programme is £13.9m over the next three years.

Transformation gives us a chance to update our technology and design our processes around our clients' needs, while still making significant productivity gains. The charity's rapid growth, under investment in our IT systems, increased regulation and other changes in the debt advice sector have all driven our need to transform.

Although our clients and partners praise the service we deliver we recognise the need to modernise our infrastructure and how we work, to drive incremental efficiency.

Over 50% of our clients are referred to us by creditors and these interactions can often be slow and manual, with costs in both time and money. Going forward we want to be able to transfer information digitally between us and be able to share information about the clients' situation.

The scope of the project will cover all of the people, processes and IT systems that provide and maintain debt advice and debt solutions for all of our clients. All our solutions and systems, in all of our locations will be reviewed as part of the programme.

Customer expectations have changed dramatically over the last decade; people expect technology to provide an experience which is fast, efficient and intuitive. They want to see their information at a glance and serve themselves when they wish – we want to meet these client expectations.

Research that tells us that although clients are happy with our advice, support and non-judgmental approach, there are some key areas where we could improve our service:

Transforming our service
Client benefits

Clients want to have the ability to move easily between telephone and online systems, dictating the speed of their own journey and to be able to update their information easily. We'll provide:

Easy data access
Clients allow us to obtain their data automatically from creditors and credit reference agencies

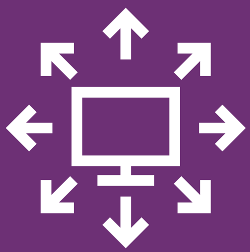
Simpler information supply
Clients will electronically provide information, for example by uploading a picture of a document and sending it directly to us

A richer online experience
Our online journey will cover all of our processes and won't end when a solution is activated

Seamless switching
We'll give clients the ability to switch seamlessly between online and telephony services

Transforming our service
Colleague benefits

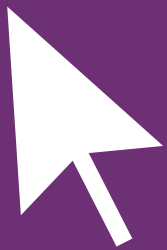
Our current systems and processes need updating and in particular our debt advisors need a single system to help them deliver advice. The first big goal for Transformation is to deliver a new client relationship management (CRM) system. Colleagues will benefit from:



One system
We'll implement a central system for client support which will enable fast and easier training for colleagues

Adaptable technology
The new CRM will be adaptable allowing advisors to tailor calls to suit the client's needs

Faster systems
Colleagues will have faster access to information and better data analysis capabilities



Simpler administration
Administration will be simplified, making tasks such as cancelling a direct debit a one-click process

Our key strategic priorities for 2018
Client outcomes

In 2017, we began an exciting pilot project to help us improve how we measure the outcomes and solutions of our clients. We want to capture the impact of our debt advice at key points following on from our initial engagement with clients.

We aim to improve how we assess the value of our service and to see what positive change we have helped achieve for different types of clients. Measuring client outcomes will also help us assess whether we need to develop new products and services to meet the potentially changing needs of our clients.

We measure the status of clients at three, nine and 15 month intervals. Through the pilot project, we are developing surveys and an analysis model to measure a client's journey at each of these points.

This project will enable us to strengthen our understanding of what works best for our clients and improve their experience. We also hope to use the emerging data to help inform our policy and influencing work and we will be publishing the first results in 2018.

“

Patient, friendly and so helpful. They talked me though everything I needed to know and helped me to understand how to deal with my debts. Highly recommend. I only wish I'd found them sooner.

Anne, Devon

I feel like my life has improved so much thanks to the help they provide.

David, East Anglia

Brilliant. They dealt with everything so quickly. A weight has been lifted off me. I feel myself again.

Jane, Flintshire

Very supportive, friendly professional service, un-biased. I feel like I have a life again and have a huge weight lifted off my shoulders!

Katie, Mid Glamorgan

”

Our key strategic priorities for 2018
Our people strategy

Our colleagues are the charity's greatest asset. We currently employ over 1,500 colleagues located in eight offices across the UK. We pride ourselves on being a diverse organisation that respects the rights of all individuals. We offer all colleagues and job applicants equal opportunity and fair treatment. They will not be discriminated against on the grounds of colour, race, nationality or ethnic origin, religion, gender, marital status, sexual orientation, disability or age.

This year we have strengthened our commitment to people development by appointing a People Services Director to the Executive team.

We strive to be the employer of choice for socially minded individuals, who provide the highest levels of service to clients struggling with, or at risk of problem debt.

This year we have strengthened our commitment to people development by appointing a People Services Director to the Executive team.

Colleague development

In 2017 we added a sixth strategic objective 'to engage and develop colleagues to fulfil their potential to recognise the vital role they play in delivering the charity's objectives'.

In support of this, a new colleague Performance Framework was introduced. Developed with our values at its heart, this new approach to performance management provides colleagues with an empowered voice when it comes to their own development, as well as a solid structure through which to measure performance.

We believe that 'how' we work across the charity is as important as 'what' we do. So, performance is measured through a behavioural framework which sets expected standards in terms of 'what' colleagues do, and 'how' they achieve their objectives by providing examples under the key headings of: 'Committed to our clients', 'Working together', 'Make change happen', 'Flexibility' and 'Learning and developing'.

There are also additional behaviour requirements for managers and leaders.





Learning accreditation and training

Using our online Learning Management System MyLO, the Performance Framework allows the format of monthly one-to-one discussions and an annual performance summary to be driven by the individual and their role on a real time basis.

We were proud to receive re-accreditation by both the Advice Quality Standard (AQS) and the Money Advice Service (MAS).

This accreditation ensures all our debt advisors meet a sector wide quality standard and quality assurance framework. In 2017 we continued with a commitment to raise standards internally through formal debt advice qualifications by supporting a further 52 colleagues through the Chartered Institute of Credit Management's Money and Debt Advice qualification. To date we have supported 235 colleagues to achieve either a diploma or certificate.

Since receiving FCA authorisation in November 2016, we have been providing an annual programme of mandatory eLearning training modules.

Talent progression

In 2017 we developed our employer brand and we are now classed as a large employer across the UK.

We strive to offer careers to our colleagues, not just jobs and we're proud of our ability to attract talent directly, reducing our time to hire this year from 10 to 8 weeks. In addition to this achievement 94% of our vacancies were filled internally with 154 colleagues being offered career development moves.

Engagement and participation

Colleague participation and engagement is very important to us and our annual Colleague Engagement Survey is the barometer against which we measure engagement and benchmark our performance against similar sized charities.

2017 was a year of change for a number of our frontline colleagues as we began transforming our ways of working to enable us to help even more clients and we achieved a 83% engagement rate.

Our annual Colleague Engagement Survey is the barometer against which we measure colleague engagement and benchmark our performance against similar sized charities

We've supported our colleagues on this journey through learning and development interventions and we are pleased to report that survey response rates remain in the upper quartile of charities in the sector.

Individual departmental action plans have been created on the back of the charity-wide survey results and colleague feedback has been sought and acted upon to determine our accommodation and non-contractual reward strategies.

Our weekly colleague blog, 'The vine online', also provides an opportunity for colleagues to share ideas and express their views.

Our gender pay gap figures

Below is the gender pay gap for our charity, as of 5 April 2017. These are significantly better than those reflected in the ONS figures, but we accept that more needs to be done.

While our pay gap compares extremely favourably with other organisations across the UK, we plan to continue to strengthen our results and push for even greater equality at all levels within our charity.

7.8%

lower mean hourly rate for women (UK average 17.4%)

0.7%

lower median hourly rate for women (UK average 18.4%)

Steps we're taking to reduce the pay gap

We have a clear policy of equal pay and reward and as such we've been carrying out the following activities for a number of years:

- Carrying out external salary benchmarking audits at regular intervals
- Evaluating all job roles using a standardised job evaluation system to ensure a fair pay structure
- Promoting flexible working to allow colleagues to fit work around their other commitments where possible

We're committed to doing more and over the course of the year will be looking at ways to improve the gender balance in areas such as IT where the gap is highest.

Wellbeing

Demand for the services we provide is on the increase and many of our colleagues deal directly with vulnerable, distressed clients – which can impact on their own health and wellbeing. We continue to offer a range of flexible working arrangements and health-related benefits to promote colleague wellbeing and work life balance which include:

- Our healthcare programme which allows colleagues to claim money back on everyday healthcare, including dental and ophthalmic services, chiropody and physiotherapy sessions
- A confidential, independent 24hour advice line giving colleagues access to counselling, plus advice on legal issues, tax, eldercare and childcare
- Assistance with travel season-ticket loans, childcare vouchers, cycle-to-work and pension planning
- A generous holiday entitlement, which increases with length of employment and can be further added-to by 'purchasing' up to five extra days

We believe in recognising and celebrating success. In addition to the budget that each department holds for colleague recognition, our Iain Kendall Memorial Award, introduced in memory of our first Chief Executive, recognises excellence across the charity and is awarded to those colleagues who display without exception our charity's values, and go the extra mile. It's a peer-to-peer nomination process, with 20 colleagues each year receiving this highly regarded award.

We're also committed to supporting the work of other charities. Each year we ask colleagues to vote for their 'Charity of the Year'. In 2017 we raised £7,388 for Simon on the Streets; a Yorkshire-based charity which offers help to homeless people across Leeds, Bradford and Huddersfield. We're proud of the friendly and open culture that runs across the charity and the high levels of service our colleagues provide to our clients.

Building organisational resilience

As the charity adapts to the demands of the ever changing external landscape and embarks on the next three-year business plan, a number of strategic people initiatives are in progress to strengthen the charity's colleague offering and build better organisational resilience.

Initiatives include the following:

- Job evaluation and pay grading to ensure the charity's reward offering remains competitive in the external market place, attracting and retaining talented individuals who share the charity's values
- Creation of job families and career paths to enable career progression
- Organisational design to ensure alignment across roles and spans of control, and job evaluation and pay; as well as the right competence levels in place to deliver the strategy, beginning with our People Services function then delivered across the organisation
- Creation of leadership development, talent and succession frameworks to accelerate talent mobility
- Development of Apprentice and Graduate programmes to provide development opportunities for early career talent
- A colleague engagement programme to focus on people elements of our Transformation plans
- A digital learning agenda to accelerate time to competence and skills development across the charity
- A wellbeing strategy to enable colleagues to work smarter rather than harder, proactively manage their health and well-being and provide the best possible service to clients and colleagues

We're satisfied that implementing these initiatives in 2018 will help to ensure the resilience of the charity.

We continue to offer a range of flexible working arrangements and health-related benefits to promote colleague wellbeing and work life balance

Our income

Income for the year for the Group totalled £53.2m (2016 – £49.5m). The term 'Group' refers 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).

Our main sources of income continue to be donations from creditors, funding for debt advice and income from our two subsidiaries.

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The largest of these sources are the donations by creditors known as fair share contribution (FSC). These donations amounted to 80% of all income in the year. FSC is calculated as a percentage of the monies disbursed back to those creditors from our clients' Debt Management Plans. All contributions made by clients go towards paying off their debts.

In addition, we had two agreements to deliver additional debt advice during 2017. Firstly, we received £2.8 million from the Money Advice Service to provide both telephone and digital advice, including such advice to people whose existing fee-charging debt management companies were unlikely to receive Financial Conduct Authority authorisation. Secondly, we received £1.3m from a number of banks in the Republic of Ireland under continuation of the agreement secured in 2016 to provide free debt advice to people in that country. 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.

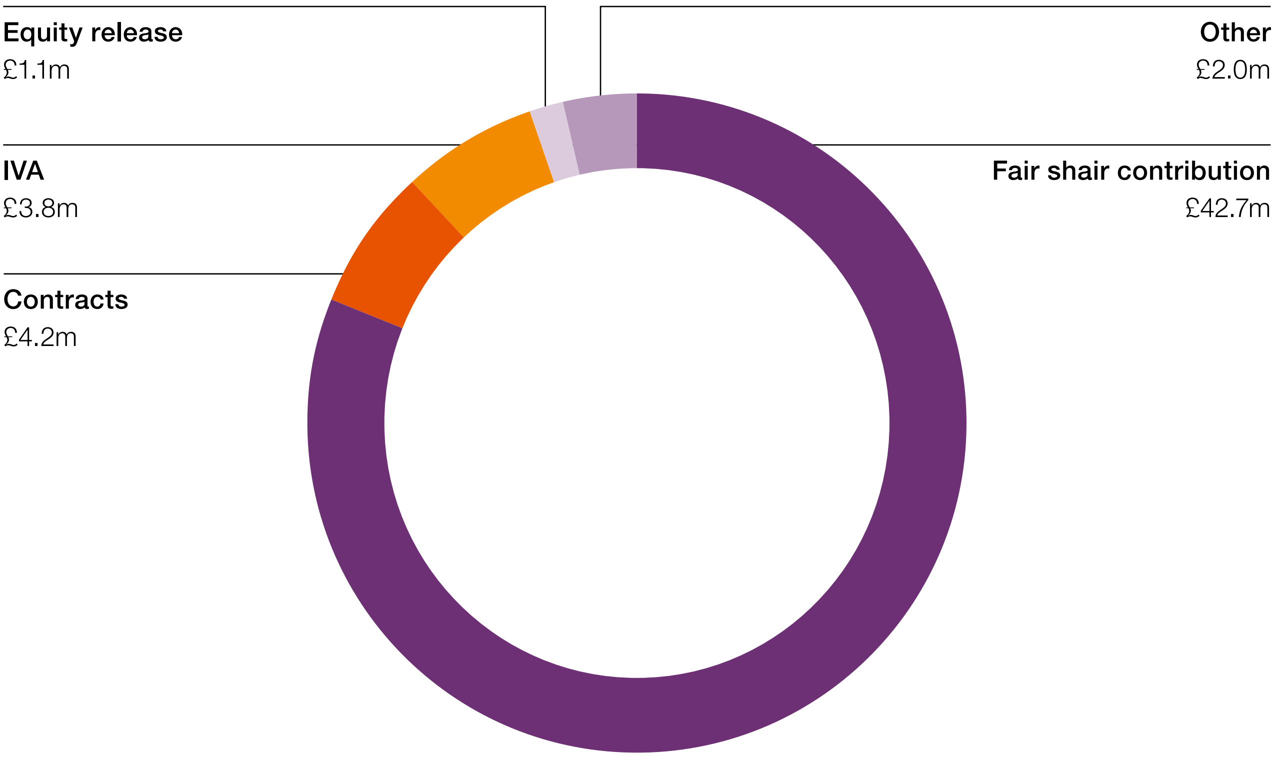
CCCS VA arranges and supervises Individual Voluntary Arrangements (IVA's). The firm earns fees that are agreed with the creditors at the

Income for the year for the Group totalled £53.2m

outset of the arrangement and which are deducted from the subsequent distributions made to those creditors. Total fees in 2017 were £3.8m. These fees are categorised as nominee fees, for the preparation and arrangement of the IVA by the Insolvency Practitioner, and supervisory fees, for the proper conduct and administration of the IVA over the life of the contract.

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. Fees for 2017 totalled £1.1m.

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 shown below.



Financial review

In 2017, the group recorded an overall surplus of £0.3m (2016: deficit of £0.9m), which included costs of £1.4m in to develop our Transformation programme. The operating surplus prior to those costs was £1.7m. The overall surplus was comprised of a small surplus of £21k in restricted funds (2016: £140k deficit) and a surplus of £303k in unrestricted funds (2016: £69k surplus).

This is the third consecutive year that the group has been able to fund its charitable activities from its income.

Further to the £1.4m costs noted above, an additional £0.9m of costs were incurred for our Transformation programme which were suitable for capitalisation as intangible fixed assets and are not therefore deducted when reporting surpluses for the year.

The reported surpluses from restricted funds in 2016 and 2017 reflect timing differences between incurring and invoicing of costs in respect of our contracts to supply debt advice in the Republic of Ireland and within the Money Advice Service contract. On an annual basis, the performance on unrestricted funds is a more reflective measure of financial performance.

Income

Income for the year was £53.2m (2016: £49.5m), an annual increase of £3.7m or 7.4%. We are pleased to report another year of income growth, since such growth, along with efficient delivery of our services, are key measures towards our objective of helping more people.

The main source of income for the group continues to be the voluntary fair share contributions received from creditors. The fair share income grew by 7.3%, or £2.9m, to £42.7m in 2017. This is supported by an increase in debt management plan funds disbursed to creditors from £403m to £418m, as well as an increase in the average percentage fair share rate from those creditors. Otherwise income was further grown by £0.8m in the year across a number of non-FSC sources.

In 2017, funds disbursed to creditors on behalf of our debt management clients increased to £418m

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Total group operating costs were £52.8m (2016: £50.4m) or, excluding the costs of the Transformation programme, £51.5m (2016: £49.6m). Therefore before the £1.4m investment in the Transformation programme, costs increased by 3.8% from 2016. The cost increases in 2017 arose wholly within the charity, with operating costs in the two trading subsidiaries reduced by £0.2m compared to 2016. Within the charity, total costs (excluding our Transformation programme) increased by 4.8% from £45.7m to £47.8m due to increases in employee numbers and the impact of annual pay rises. Whilst this rate of increase is less than the rate of growth in income for the year, a key objective for the charity is to continue to reduce unit costs of the provision of our core services. Increased efficiency in provision of advice and solutions will in turn enable the charity to help more people.

Our Transformation programme is a fundamental part of the charity's plans to deliver increased efficiencies. Expenditure on the programme increased to £2.3m (2016: £0.8m), of which £0.9m was capitalised (2016: £nil). Costs include third-party software development expenditure, incremental IT and project resources and certain other related project costs. In 2018, costs will increase further as the programme moves into its key intensive development phase.

Subsidiaries

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

Five year income

Income and costs

	2013	2014	2015	2016	2017
	£m	£m	£m	£m	£m
Income	37.3	39.8	46.3	49.5	53.2
Costs	41.1	40.7	45.2	49.6	51.5
Operating surplus/deficit	(3.8)	(0.9)	1.1	(0.1)	1.7
One-off items		(1.1)[1]	(0.2)[1]	(0.8)[2]	(1.4)[2]
Total surplus/deficit	**(3.8)**	**(2)**	**0.9**	**(0.9)**	**0.3**

1 Monies repaid to the client trust accounts relating to 2002 – 2013
2 Transformation programme costs
* CCCS Voluntary Arrangements
** CCCS Equity Release

Five year record

Over the five year period from 2013 to 2017, group income has grown by 43% to fund the increase in the number of people receiving debt advice (2017: 357,386) and the 37% increase in clients on debt solutions managed by the charity (2017: 209,111).

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. From 2014 to 2017 the group has managed to deliver an overall surplus of £1.8m before one-off items.

Cashflow and investments

The investment policy agreed by the Trustees is to invest in fixed-term bank deposits only. Therefore we measure our underlying cashflow performance by current asset investments and our cash and cash equivalents.

The net movement in cash and cash equivalents in 2017 was an outflow of £0.3m, but the combined movement including current asset investments was an inflow of £1.5m (2016: £2.7m outflow). This inflow was aided by quicker collection of the fair share contributions (FSC) from our clients' creditors.

Capital expenditure was £1.1m in 2017 (2016: £1.1m) reflecting the capitalised costs of our Transformation programme in intangibles of £0.9m plus £0.2m of other replacement capital expenditure.

Reserves policy and management

Reserves are maintained at a level to manage the short-term financial risk, the potential costs of unplanned closure and ensure the long-term viability of the charity given the principal risks as set out in the Risk section.

The charity's free reserves (i.e. reserves after removing 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 our existing client portfolio, should the situation ever arise, and to meet our obligations. 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.

The £12m minimum level of reserves was confirmed by Trustees in February 2018 as part of the annual review of the policy.

The reserves at 31 December 2017 were £21.6m (2016: £21.3m), of which £0.7m (2016: £0.7m) are restricted in nature. The level of free (unrestricted) reserves is £18.9m (2016: £19.0m) after deducting fixed assets of £2.0m, leaving £6.9m 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 2017, the policy has been to continue to invest the surplus liquid funds in fixed-term deposits with maturities of no more than 12 months. This continues to allow the Board the flexibility to commit a material level of funds to our Transformation programme.

With minimal risk, an average return of 0.4% (2016: 1.2%) was achieved and is considered acceptable in the current environment of low interest rates.

Pensions

The group offers our 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 £1.1m (2016: £1.0m), reflecting the increase in the number of employees enjoying the pension benefits.

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 Activities on page 75, 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 and subsequently reappointed by the Board in April 2017.

Principal risks and uncertainties

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

Our approach to risk management

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

In the second line, there is a formal risk management framework embedded across the charity to support the effective identification and management of risk. The Board, supported by the Executive team, periodically performs a robust and systematic review of those risks that it believes could materially impact the charity's performance, future prospects, reputation or ability to deliver against its strategic objectives and priorities.

Risk register

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

2017 and the future

Significant progress was made in 2017 to further enhance the charity's risk management activities and to embed a culture of effective risk management into the first line. A new software solution to support risk management processes across the charity is being delivered across 2018 to enable smarter, real-time reporting on key risks and risk events.

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

Risk	Relevance	Mitigation
Our Transformation programme fails to deliver the planned benefits, is delayed in its implementation and/or is over budget	We're in the process of transforming our systems and processes to deliver greater efficiency and meet the changing needs of a variety of stakeholder groups	We have a robust programme governance structure in place with clearly defined roles and responsibilities
		Our programme leadership team regularly reviews performance against approved plans
		We have regular, effective engagement with Pegasystems our CRM supplier
		Our critical success factors to measure programme performance monitored and reported through our Audit & Risk Committee
		Our programme outputs are regularly tested by clients and colleagues to ensure that their needs are being met
The charity fails to develop and implement a sustainable and proportionate funding model	The charity requires a funding model which reduces our funding concentration risk and is reflective of the breadth of client services provided by the charity	We have regular dialogue with funders to understand value drivers and expectations for good client outcomes
		We have funding model development activity underway with external input and support
		Our efficiency drive with Transformation underpins our work to develop our funding model
The risk of financial loss, disruption or damage to the charity's reputation resulting from a cyber-attack	The charity operates a large number of IT systems which hold material volumes of sensitive client data. We will continue to focus on minimising the data we hold and the controls we have in operation to prevent unauthorised access or misuse of this data	We have automated and scheduled checks and controls in operation
		We've implemented enhanced colleague access controls
		We minimise staff risks through pre-employment checks
		We have specialist resource to support the embedding of the charity's information security and data governance framework

Principal risks and uncertainties

Risk	Relevance	Mitigation
Poor client outcomes (detriment) due to the failure to assess and manage the charity's exposure to conduct risk	Under the FCA's oversight of the consumer credit sector, we will continue to provide the highest quality debt advice and debt management services complemented by robust systems of internal control	The Board employs a 'three lines of defence' model to provide assurance as to the effectiveness of its internal systems and controls including the outsourcing of its Internal Audit function to a reputable third-party provider
		We have regular, effective management meetings held by the Executive team including the use of comprehensive management information to identify risks and opportunities and manage these in line with the charity's appetite for risk
		People with appropriate skills and competence are recruited into senior risk and compliance roles
		We have significantly strengthened client money controls and the FCA's Client Asset Sourcebook's oversight arrangements in place
		We have a Quality Monitoring Team in place to provide additional first line oversight
Failure to respond effectively to changes in the external environment (regulatory, sector)	The regulatory and legal landscape continues to evolve with a potential impact on our core operating functions. Early identification and analysis of change is vital to a compliant and appropriate response	We have ongoing engagement with key decision makers and stakeholders in government, the regulator and the wider sector
		We have a horizon scanning framework in operation to early identify changes which may impact the charity and its stakeholders
The charity's Board of Trustees and Executive team fail to provide effective governance and oversight of the charity, leading to a failure to deliver against the strategic objectives	Following recent high-profile governance failures across various sectors, the adequacy and effectiveness of charity governance draws interest from a variety of key stakeholders	We have an experienced and wide-ranging Board of Trustees meets up to six times a year to oversee the group's strategy and progress in line with the agreed strategic priorities
		Three sub-delegated committees exist within the group's governance framework with specific duties and responsibilities (Nominations Committee, Remuneration Committee, Audit & Risk Committee)
		We have a formal governance structure in place to facilitate decision making at appropriate levels within mandated authorities

Risk	Relevance	Mitigation
The risk of sanction or enforcement by a regulatory body due to a material breach of regulatory or legislative requirements	The charity prides itself on the relationship it continues to build with the regulator. Enhancements to the charity's systems and control and assurance mechanisms help to demonstrate to key stakeholders groups the good client outcomes the charity delivers	The charity has an established a 'Three Lines of Defence' model in operation with appropriate resource and expertise employed to provide assurance to the Executive team and the Board.
		Key roles in place – Director of Risk & Compliance, Head of Compliance and Head of Regulatory Finance roles oversee delivery of regulatory processes and controls
		There are client outcome and satisfaction measures in place to measure performance
		We have a robust complaints process in place with supporting root cause analysis to identify potential systemic issues
The charity fails to comply with the requirements of General Data Protection Regulation by May 2018	The delivery of GDPR compliance by the 25 May deadline remains a core focus for the charity, whilst ensuring all output feeds into our Transformational programme. As with many peer group organisations, we have a significant programme of work to deliver by the statutory deadline	We have a programme in place to deliver GDPR compliance initiated in 2017, with appropriate expertise recruited through the charity's Group Data Governance Manager
		There is on-going formal reporting of progress through the charity's Change Governance framework
		We have third-party support in place to support the design of programme deliverables in line with good practice

Part 3
Trustees' report

We want our clients, funders, partners and the public to feel confident that we are publicly accountable for the management of the charity.

The Trustees report sets out our structure, governance and management, a statement of the responsibilities of the Trustees and the administrative details of the charity.

Structure, governance and management

Structure and management

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

The Office of the Irish Regulator registered The Foundation for Credit Counselling on 29 November 2017 (Registered Charity Number 20104887).

The charity is authorised and regulated by the Financial Conduct Authority (FCA no 729047) to provide debt adjusting and debt counselling services. It is permitted to hold client money as a not-for-profit firm and holds limited permissions under the FCA Handbook. 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 Ltd (FCA no 517674) is separately authorised and 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 11 Trustees. In 2017, two new Trustees were appointed with three resignations.

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

The Board has a Schedule of Matters Reserved and is responsible for setting the group's strategic direction, overseeing governance and risk, setting budgets and ensuring that the charity achieves its objectives and complies with its legal and regulatory obligations. Some specific duties of the Board are delegated to the Audit and Risk Committee, the 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 2017.

Trustee induction

The induction of new Trustees is facilitated by the Company Secretariat function. 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 62.

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 2017.

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 2017.

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 2017.

Executive

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

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

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

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

Charity Governance Code

The charity's governance framework is in alignment with the seven principles of the Charity Governance code for larger charities. The charity is committed to maintaining the highest standards of governance and uses the code as a practical point of reference to drive a process of continual improvement built upon the code's principles, rationales and key outcomes.

Trustees report and matrix

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			●
Tim Frost from 1 July 2017	2017	●		
Andy Hill [1]	2016	●		
Monica Kalia from 1 July 2017	2017	●		●
Dame Suzi Leather	2014	●		
Sue Lewis	2012		●	○
The Rt. Hon. Alun Michael	2014			
Chris Stern [2]	2016	●	●	
Josh Bell	2018	●		

○ Chair ● Member

[1] Andy Hill was a member of the Audit & Risk Committee up to February 2018
[2] Chris Stern is the Senior Independent Trustee
There were four resignations since the previous accounts: Kenny MacLeod and Suzanna Taverne with effect from 20 September 2017, and Gillian Thompson from 19 September 2017, and Sir Geoff Mulcahy from 31 May 2018

The Trustees at 19 June 2018

Sir Hector Sants is Chair of Julius Baer International, a leading wealth manager and is a member of the UK's Financial Capability Board and a Trustee of Just Finance. Previous roles include Chief Executive of the Financial Services Authority, member of the interim Financial Policy Committee of the Bank of England, Vice Chair of the management consultant Oliver Wyman, Chair of the Oxford University Business School and non-executive director of an NHS Trust. He has a MA from Oxford University and in 2013 was knighted for Services to Financial Services and Regulation.

David Coates, a graduate of Manchester University, has extensive experience in developing businesses in the financial services sector. Currently a non-executive director of several companies 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 a Trustee at the Kaleidoscope Diversity Trust and the Centre for Economic Policy Research, and chairs the Risk, Audit and Compliance Committee at Australian supermarket Coles.

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

Andy Hill is retired from his role as CEO at Damart UK and member of Damartex SA Group Board, and recently completed a stint as interim MD at Coopers of Stortford. He is now focusing on non-executive director responsibilities, primarily with StepChange and has assumed responsibilities for Trustee oversight of the operating subsidiaries. A qualified accountant, he has extensive experience in the mail order and retail industries having previously worked for Next, Redcats and the Lennons Group, with direct board responsibility across a range of disciplines including finance, marketing, customer services and IT. He previously served as director of the UK Direct Marketing Association and Chairman of its Home Shopping Council.

Monica Kalia is the Co-founder and Chief Strategy Officer at Neyber. She has an extensive background in banking, running the European bank's equity research team at Goldman Sachs. Monica's strategic approach has enabled her to identify the technology based solution that was needed to revolutionise personal finance and help drive access to fair banking. Previously the director of European banking research at Credit Suisse, she holds a degree in Economics from the London School of Economics and a post graduate diploma in law from the University of Law, Guildford. Monica co-founded Neyber in 2014 and pioneered a new model of borrowing that enables employers to offer loans to their employees at affordable rates.

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; an independent member of the Chartered Banker Professional Standards Board; and a member of 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 was Head of Savings and Investments at the Treasury.

The Rt. Hon Alun Michael is the Police and Crime Commissioner for South Wales. He is a member of the National Executive (Board) of the Cooperative Party, a Trustee of the Penarth Headland Link (a charitable company) and a Trustee of South Wales Police Youth Trust (also a charity). 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, is currently the Chairman of British Gas Insurance and holds a number of Non-Executive Director roles within the Centrica Group. He is a pension trustee and a Director of the Centrica Pension Investment Board and has previously held a number of senior executive positions within the Centrica Group over the last 30 years. He is a qualified accountant and a Licensed Lay Minister.

Josh Bell is a General Partner at Dawn Capital, a FinTech-focussed venture capital firm, leading their investments in transformative financial technologies across the UK and Europe. Before co-founding Dawn in 2007, he worked with McKinsey & Company, specialising in financial services and leading McKinsey's support for the World Economic Forum's financial services knowledge initiatives and activities. Josh was a Graduate Scholar at Oxford University in Mathematics, a Research Fellow at Harvard University specialising in Economics and Game Theory, and studied further postgraduate statistics at Cambridge University.

Executive team

The Executive team as at 19 June 2018

Phil Andrew, Chief Executive, took up his post in November 2017 and has over 25 years' varied experience as Chairman, chief executive officer, chief financial officer, non-executive director and Treasurer in government owned organisations, blue-chip companies and charities in the UK, Ireland, Russia, France and the Far East. He is a Chartered Accountant, qualified treasurer and Chartered Marketer. Prior to joining StepChange he was CEO of Working Links and prior to this CFO, Sodexo UK & Ireland and CEO, Sodexo Justice Services. Over the past 10 years he has specialised in environments where social good is the primary objective but in an environment requiring very high levels of commercial efficiency.

Richard Britten, Director of Finance, provides strategic and financial leadership to ensure that the charity's financial objectives are met. He's a Chartered Accountant having qualified at EY in London. Richard brings a wealth of commercial financial management experience gained in regulated financial services at Mitchell Farrar Group and Provident Financial plc as well as previously at Enterprise Oil plc.

Melanie Manners, Director of People Services, is responsible for all people services and internal communications activity across the charity. She is a Fellow of the CIPD and has held Senior HR leadership roles at GE Capital, BT, Pace Plc and KCOM, and a Non-Executive Director role for Calico Group. Prior to joining StepChange Debt Charity in July 2017, Melanie held the role of Group Director Transformation Change and HR for Your Housing Group.

Fiona Megaw, Chief Operating Officer, has responsibility for the management, direction and development of all operational areas. She 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.

Richard McKenzie, Director of Risk and Compliance, is responsible for the delivery and development of the charity's risk and compliance framework and in maintaining its authorised status with the Financial Conduct Authority. He is also a Chartered Certified Accountant having qualified with Deloitte in Leeds and 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, Commercial Director, took up this new post in December 2017 moving from his previous position as the Director of Finance. As the Commercial Director, he is responsible for the delivery of the charity's Transformation programme, IT, business development and managing the relationships with our creditors and funders. He retains the responsibility for the safeguarding of client assets and is a Chartered Accountant with more than 25 years' experience in both blue chip companies and entrepreneurial, privately owned companies. Prior to joining StepChange as the Director of Finance in March 2016, he held a number of senior finance roles at Towergate Insurance, at O2 and EY.

Reference and administrative details

Company name

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

Registered and Principal Office

Wade House
Merrion Centre
Leeds
LS2 8NG

Important numbers

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

Constitution

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

1. The prevention or relief of poverty amongst persons who are in debt;

2. To advance the education of the public in general (and particularly amongst persons in debt or at risk of falling into debt) on the subject of financial budgeting, financial products and financial services.

Professional Advisors

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

Internal auditors
BDO LLP
55 Baker Street
London
W1U 7EU

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

External auditors
A resolution for the reappointment of PricewaterhouseCoopers LLP as auditors for the charity was proposed at the April 2018 Board meeting.

Statement of Trustee's 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 22 to 29.

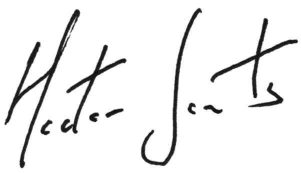
The Trustees are responsible for the maintenance and integrity of the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

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

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

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



Sir Hector Sants
Chairman
19 June 2018

Part 4 Financials

We want our clients, funders, partners and the public to feel confident that the charity is publicly accountable for the stewardship of the funds it holds on trust.

Our financial statement reports on the assets, liabilities, equity, income, expenses and cash flows of the charity and its subsidiaries.

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 2017 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.

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 2017;
- 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 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 Directors' 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

19 June 2018

Consolidated statement of financial activities
Year ended 31 December 2017

	Notes	Restricted funds 2017 £'000	Unrestricted funds 2017 £'000	Total funds 2017 £'000	Total funds 2016 £'000
Income					
Donations	2	—	777	777	353
Charitable activities	3	4,168	42,836	47,004	43,960
Other trading activities	4	—	4,851	4,851	4,428
Investments	5	—	36	36	91
Other	6	—	502	502	655
Total income		**4,168**	**49,002**	**53,170**	**49,487**
Expenditure					
Raising funds: other trading activities	7	—	3,603	3,603	3,760
Charitable activities	8,9	4,147	43,699	47,846	45,792
Transformation	10	—	1,394	1,394	839
Other		—	3	3	6
Total expenditure		**4,147**	**48,699**	**52,846**	**50,397**
Net income/(expenditure) for the year before taxation					
Before transformation costs		21	1,697	1,718	(71)
After transformation costs		21	303	324	(910)
Net income/(expenditure) for the year before taxation		21	303	324	(910)
Taxation on other trading activities	14	—	(10)	(10)	(8)
Net income/(expenditure) and net movement of funds for the year		**21**	**293**	**314**	**(918)**
Reconciliation of funds					
Total funds at 1 January 2017		723	20,597	21,320	22,238
Total funds at 31 December 2017	23,24	**744**	**20,890**	**21,634**	**21,320**

Charity statement of financial activities
Year ended 31 December 2017

	Notes	Restricted funds 2017 £'000	Unrestricted funds 2017 £'000	Total funds 2017 £'000	Total funds 2016 £'000
Income					
Donations	2	—	1,340	1,340	842
Charitable activities	3	4,168	42,836	47,004	43,833
Other trading activities	4	—	—	—	—
Investments	5	—	46	46	100
Other	6	—	502	502	655
Total income		**4,168**	**44,724**	**48,892**	**45,430**
Expenditure					
Raising funds: other trading activities	7	—	—	—	—
Charitable activities	8,9	4,147	43,699	47,846	45,743
Transformation	10	—	1,394	1,394	839
Other		—	3	3	6
Total expenditure		**4,147**	**45,096**	**49,243**	**46,588**
Net income/(expenditure) for the year before taxation					
Before transformation costs		21	1,022	1,043	(319)
After transformation costs		21	(372)	(351)	(1,158)
Net income/(expenditure) for the year before taxation		21	(372)	(351)	(1,158)
Taxation on other trading activities	14	—	—	—	—
Net income/(expenditure) and net movement in funds for the year		**21**	**(372)**	**(351)**	**(1,158)**
Reconciliation of funds					
Total funds at 1 January 2017		723	20,339	21,062	22,220
Total funds at 31 December 2017	23,24	**744**	**19,967**	**20,711**	**21,062**

Balance sheets
31 December 2017

	Notes	Group 2017 £'000	Group 2016 Restated £'000	Charity 2017 £'000	Charity 2016 Restated £'000
Fixed assets					
Intangible assets	15	873	—	873	—
Tangible assets	16	1,130	1,566	1,126	1,553
Investments	17	—	—	5	5
		2,003	**1,566**	**2,004**	**1,558**
Current assets					
Debtors	18	9,857	10,132	9,230	10,040
Investments	19	5,011	3,228	5,011	3,228
Cash and cash equivalents	20	9,368	9,631	8,836	9,304
		24,236	**22,991**	**23,077**	**22,572**
Current liabilities					
Creditors: amounts falling due within one year	21	(4,605)	(3,237)	(4,370)	(3,068)
Net current assets		**19,631**	**19,754**	**18,707**	**19,504**
Net assets		**21,634**	**21,320**	**20,711**	**21,062**
Total group funds					
Unrestricted funds	23	20,890	20,597	19,967	20,339
Restricted funds	24	744	723	744	723
		21,634	**21,320**	**20,711**	**21,062**

The restatement in 2016 reflects a restatement between investments and cash and cash equivalents and is disclosed in Note 27. The financial statements on pages 68 to 93 were approved by the Trustees on 19 June 2018 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 2017

	Notes	Group 2017 £'000	Group 2016 £'000	Charity 2017 £'000	Charity 2016 £'000
Reconciliation of net income/(expenditure) to net cash flows from operating activities					
Net movement in funds		314	(910)	(351)	(1,158)
Investment income		(36)	(91)	(46)	(100)
Depreciation charge		706	757	697	737
Loss/(profit) on disposal		—	—	—	(58)
Decrease/(increase) in debtors		275	(1,471)	810	(1,393)
Increase/(decrease) in creditors		1,368	(131)	1,302	(53)
Net cash provided by/(used in) operating activities		**2,627**	**(1,846)**	**2,412**	**(2,025)**
Investing activities					
Purchase of tangible fixed assets		(1,143)	(961)	(1,143)	(954)
Net cash inflow/(outflow) from current asset investments		(1,783)	3,861	(1,783)	3,861
Interest received		36	91	46	100
Net cash provided by/(used in) investing activities		**(2,890)**	**2,991**	**(2,880)**	**3,007**
Net increase/(decrease) in cash and cash equivalents		**(263)**	**1,145**	**(468)**	**982**
Cash and cash equivalents at 1 January		9,631	8,486	9,304	8,323
Total cash and cash equivalents at 31 December	25	**9,368**	**9,631**	**8,836**	**9,304**

Notes to the financial statements
Year ended 31 December 2017

1. Accounting Policies

The principal accounting policies are summarised below.

a) Basis of preparation

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

In line with the Charities Accounts (Scotland) Regulations 2006 (as amended), both the consolidated results and the results for the parent charity have been included within the accounts.

The accounts have been prepared on the going concern basis. The company has strong financial resources invested with minimal risk and no borrowings. The charity projects increased expenditure on its Transformation Programme which will be reflected in an annual deficit but with reserves remaining above the minimum levels in the reserves policy. There are no material uncertainties about the charity's ability to continue.

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

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

b) Group accounts

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

c) Incoming resources

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

The receipt of fair share contributions is deemed probable when an existing disbursement creditor has indicated they are prepared to pay the request for the fair share contribution. For new relationships, amounts are not recognised until such time as an adequate payment history has been established with the creditor. Recognition commences following the receipt of the first two monthly payment requests.

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

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

Income from grants is recognised on a case-by-case basis. For the Money Advice Service, Ireland and Scottish Legal Aid Board grant agreements, income is recognised on submission of a monthly or quarterly grant claim in accordance with the specific terms of each agreement. Funding is not received until the submission of grant claims. 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 23.

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

Insolvency service income comprises nominee fee and supervisory fee income. Nominee fees are recognised on acceptance of the appointment following a meeting of creditors and typically for the first five months of the arrangement. Supervisory fees are recognised over the period of the arrangement resulting from ongoing payments by clients. Equity release service income is recognised on notification of the completion of an equity release or mortgage case from third party lenders.

d) Resources expended

All expenditure is accounted for on an accruals basis. Direct costs, including attributable salaries, are allocated on an actual basis to the key strategic areas of activity.

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

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

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

e) Intangible fixed assets

The intangible asset represents the qualifying costs of the development of a new customer relationship management system which the charity will utilise to deliver both debt advice and client management support to clients across both telephone and online channels.

The intangible asset is currently held at cost pending completion of the first phase of development work, after which it will be amortised to the Statement of Financial Activities over its expected life.

f) Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:

Fixtures, fittings and equipment: 20% – 33.3% on a straight line basis

g) Investments

Money market deposits, with maturity periods of more than three months, are current asset investments that are readily convertible into cash at, or close to, their carrying amount.

Fixed asset investments are stated at cost in the company balance sheet.

h) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

i) Financial instruments

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

j) Leasing

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

k) Taxation

The charitable members of the Group are exempt from income and corporation taxes on income and gains to the extent that they are applied for their charitable objects. The trading subsidiaries do not generally pay UK corporation tax because their policy is to distribute taxable profits to the charity as Gift Aid.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

l) Pensions

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

m) Employee benefits

The costs of short-term employee benefits are recognised as a cost within the Statement of Financial Activities.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

n) Funds

Unrestricted funds are donations and other incoming resources for the objects of the charity without further specified purposes and are available as general funds. Restricted funds are funds that can only be used for specific restricted purposes set out by the donor within the objects of the charity.

o) Judgements and key sources of estimation uncertainty

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

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

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

2. Donations

	Group unrestricted funds 2017 £'000	Group unrestricted funds 2016 £'000	Charity unrestricted funds 2017 £'000	Charity unrestricted funds 2016 £'000
Donations from the utility sector	671	344	671	344
Other donations	106	9	669	498
	777	**353**	**1,340**	**842**

Included within the charity's other donations is £563,042 (2016: £388,766) received from its subsidiary undertakings through Gift Aid Donations.

3. Income from charitable activities

	Restricted funds 2017 £'000	Unrestricted funds 2017 £'000	Total 2017 £'000	Total 2016 £'000
Group				
Debt advice and solutions	**4,168**	**42,836**	**47,004**	**43,960**
Charity				
Debt advice and solutions	**4,168**	**42,836**	**47,004**	**43,833**

4. Income from other trading activities

	Group unrestricted funds 2017 £'000	Group unrestricted funds 2016 £'000	Charity unrestricted funds 2017 £'000	Charity unrestricted funds 2016 £'000
Insolvency service	3,766	3,485	—	—
Equity release services	1,085	943	—	—
	4,851	**4,428**	**—**	**—**

5. Investment income

	Group unrestricted funds 2017 £'000	Group unrestricted funds 2016 £'000	Charity unrestricted funds 2017 £'000	Charity unrestricted funds 2016 £'000
Bank interest	36	91	36	91
Intercompany interest receivable	—	—	10	9
	36	**91**	**46**	**100**

6. Other income

	Group and charity unrestricted funds 2017 £'000	Group and charity unrestricted funds 2016 £'000
Commission income from mortgage advisors and insolvency practitioners	459	429
Other	43	226
	502	**655**

7. Expenditure on raising funds: other trading activities

	Group unrestricted funds 2017 £'000	Group unrestricted funds 2016 £'000	Charity unrestricted funds 2017 £'000	Charity unrestricted funds 2016 £'000
Insolvency service	2,791	3,019	—	—
Equity release services	812	741	—	—
	3,603	**3,760**	**—**	**—**

8. Expenditure on charitable activities

	Direct costs 2017 £'000	Support & governance costs 2017 £'000	Total 2017 £'000	Total 2016 £'000
Group unrestricted funds				
Debt advice	15,127	8,112	23,239	22,187
Client management	11,754	6,028	17,782	16,681
Promotion of charitable purpose	2,237	441	2,678	2,593
Total	**29,118**	**14,581**	**43,699**	**41,461**
Group restricted funds				
Debt advice	2,869	480	3,349	3,332
Client management	455	107	562	627
Promotion of charitable purpose	236	—	236	372
Total	**3,560**	**587**	**4,147**	**4,331**
Total expenditure on charitable activities	**32,678**	**15,168**	**47,846**	**45,792**
Charity unrestricted funds				
Debt advice	15,127	8,112	23,239	22,138
Client management	11,754	6,028	17,782	16,681
Promotion of charitable purpose	2,237	441	2,678	2,593
Total	**29,118**	**14,581**	**43,699**	**41,412**
Charity restricted funds				
Debt advice	2,869	480	3,349	3,332
Client management	455	107	562	627
Promotion of charitable purpose	236	—	236	372
Total	**3,560**	**587**	**4,147**	**4,331**
Total expenditure on charitable activities	**32,678**	**15,168**	**47,846**	**45,743**

The historical difference in the charitable costs between the Group and charity is Scotland's debt advice costs. In 2016, these costs amounted to £49,000. Following the liquidation of the Scottish Charity (see Note 17) this difference has been eliminated in 2017. Debt advice costs are defined as the costs incurred in providing debt advice to new clients.

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

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

9. Analysis of support and governance costs on charitable activities

	Debt advice 2017	Client management 2017	Promotion of charitable purpose 2017	Total 2017	Total 2016
	£'000	£'000	£'000	£'000	£'000
Unrestricted funds					
IT, digital & change	3,986	2,846	205	7,037	6,740
Corporate services	2,742	2,194	165	5,101	4,105
People services	1,205	861	62	2,128	2,079
Governance	179	127	9	315	269
Total	**8,112**	**6,028**	**441**	**14,581**	**13,193**
Restricted funds					
Corporate services	480	107	–	587	756
Total support and governance costs	**8,592**	**6,135**	**441**	**15,168**	**13,949**

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

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

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

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

10. Transformation costs

	Group and charity 2017	Group and charity 2016
	£'000	£'000
Professional fees	685	559
Incremental project resource costs	709	280
	1,394	**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.

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

11. Auditors' remuneration

	Total 2017 £'000	Total 2016 £'000
Fees payable to the charity's auditors		
Audit of the financial statements (charity)	34	31
Audit of the financial statements (subsidiaries)	17	17
Other assurance services	35	6
Tax advisory services	35	11
	121	**65**

12. Employees

	2017 No.	2016 No.
i) Average number of persons employed by the group		
Debt advice	674	660
Client management	481	455
Promotion of charitable purposes	35	30
Insolvency services	90	94
Equity release services	20	18
Support services	221	207
	1,521	**1,464**

The total average full time equivalent (FTE) numbers in 2017 were 1,462 (2016: 1,394).

	2017 £'000	2016 £'000
ii) Staff costs		
Wages and salaries	35,351	32,990
Social security costs	3,376	2,944
Pension costs	1,098	990
Other payroll related benefits	514	480
	40,339	**37,404**

The remuneration of key management personnel (members of the Executive team) is £1,183,000 (2016: £955,000). The salary of the Chief Executive Officer (who retired on the 31st December 2017) was £181,667 in 2017 (2016: £171,434), which reflects additional payments in lieu of pension contributions and a one-off payment of unutilised holiday entitlement. The basic salary increased by 1.25% in 2017.

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

	2017 No.	2016 No.
£60,001 – £70,000[2]	10	8
£70,001 – £80,000	4	1
£80,001 – £90,000	—	2
£100,001 – £110,000	1	1
£110,001 – £120,000	1	—
£120,001 – £130,000	—	1
£130,001 – £140,000[3]	1	2
£140,001 – £150,000	1	1
£180,000 – £190,000	1	1
£190,001 – £200,000[1]	1	—
Total	**20**	**17**

Contributions were made to defined contribution schemes for a total of 18 (2016: 17) of higher-paid employees.

[1] Included within the 2017 amounts is a termination payment of £62,812
[2] Included within the 2017 amounts is a termination payment of £44,772
[3] Included within the 2016 amounts is a termination payment of £53,597

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 £2,038 (2016: Five Trustees reimbursed for expenses totalling £1,850).

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 £24,710 (2016: £17,301).

14. Deferred taxation

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

	Total 2017 £'000	Total 2016 £'000
Analysis of charge in the year		
Deferred tax on trading losses	**(10)**	**(8)**

15. Intangible assets

	Group £'000	Charity £'000
Cost		
At 1 January 2017	—	—
Additions	873	873
Group transfers	—	—
Disposals	—	—
At 31 December 2017	**873**	**873**
Amortisation		
At 1 January 2017	—	—
Charge for the year	—	—
Group transfers	—	—
Disposals	—	—
At 31 December 2017	**—**	**—**
Net book value		
At 31 December 2017	**873**	**873**
At 31 December 2016	**—**	**—**

All intangible assets relate to internal software development.

16. Tangible assets

	Group £'000	Charity £'000
Cost		
At 1 January 2017	9,511	8,634
Additions	270	270
Group transfers	—	—
Disposals	—	—
At 31 December 2017	**9,781**	**8,904**
Depreciation		
At 1 January 2017	7,945	7,081
Charge for the year	706	697
Group transfers	—	—
Disposals	—	—
At 31 December 2017	**8,651**	**7,778**
Net book value		
At 31 December 2017	**1,130**	**1,126**
At 31 December 2016	**1,566**	**1,553**

All tangible assets are fixtures, fittings and equipment.

17. Fixed asset investments

	2017 £	2016 £
Subsidiary undertakings	**5,001**	**5,001**

	Company registration	Activities	2017	2016
Subsidiary undertakings as at 31 December 2017				
Consumer Credit Counselling Service (Voluntary Arrangements) Ltd	05659160	Insolvency services	1	1
Consumer Credit Counselling Service (Equity Release) Ltd	06741879	Advice for Equity Release and Mortgages	5,000	5,000
Debt Remedy Ltd	07869502	Dormant	—	—
StepChange Equity Release Ltd	08056301	Dormant	—	—
StepChange Financial Solutions Ltd	08561006	Dormant	—	—
StepChange Voluntary Arrangements Ltd	08056168	Dormant	—	—
			5,001	**5,001**

The registered office for all group companies is Wade House, Merrion Centre, Leeds, LS2 8NG. Foundation for Credit Counselling held a 100% interest in all of the subsidiary undertakings. 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. A summary of the results and balance sheet of the subsidiaries are given below:

	2017 £'000	2016 £'000
Consumer Credit Counselling Service Voluntary Arrangements Limited		
Turnover	3,766	3,485
Cost of sales	(1,777)	(1,908)
Gross profit	1,989	1,577
Administrative expenses	(1,014)	(1,111)
Profit for the financial year	**975**	**466**
Assets	1,268	1,071
Liabilities	(404)	(618)
Shareholders' funds	**864**	**453**

	2017 £'000	2016 £'000
Consumer Credit Counselling Service (Equity Release) Limited		
Turnover	1,085	944
Cost of sales	(811)	(741)
Operating profit	274	203
Interest payable	(10)	(9)
Taxation	(10)	(8)
Profit for the financial year	**254**	**186**
Assets	380	295
Liabilities	(307)	(484)
Shareholder's funds/(deficit)	**73**	**(189)**

	2017 £'000	2016 £'000
Consumer Credit Counselling Service (Scotland)		
Income	—	126
Expenditure	—	(149)
Loss for the financial year	**—**	**(23)**
Assets	—	—
Liabilities	—	—
Unrestricted funds	**—**	**—**

18. Debtors

	Group 2017 £'000	Group 2016 £'000	Charity 2017 £'000	Charity 2016 £'000
Due within one year				
Trade debtors	7,751	8,618	6,741	7,690
Prepayments and accrued income	2,007	1,390	1,916	1,297
Other debtors	99	114	97	114
Amounts owed by group undertakings	—	—	276	539
	9,857	10,122	9,030	9,640
Deferred tax asset (note 14)	—	10	—	—
	9,857	**10,132**	**9,030**	**9,640**
Due after more than one year				
Amounts owed by group undertaking	**—**	**—**	**200**	**400**
Total	**9,857**	**10,132**	**9,230**	**10,040**

The amount owed by a group undertaking after more than one year is a loan of £200,000 (2016: £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.

19. Current asset investments

	Group 2017 £'000	Group 2016 Restated £'000	Charity 2017 £'000	Charity 2016 Restated £'000
Current asset investments				
Bank deposits	**5,011**	**3,228**	**5,011**	**3,228**

20. Cash and cash equivalents

	Group 2017 £'000	Group 2016 £'000	Charity 2017 £'000	Charity 2016 £'000
Cash and cash equivalents				
Cash balances	6,368	7,631	5,836	7,304
Bank deposits	3,000	2,000	3,000	2,000
Total cash and cash equivalents	**9,368**	**9,631**	**8,836**	**9,305**

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

21. Creditors: amounts falling due within one year

	Group 2017 £'000	Group 2016 £'000	Charity 2017 £'000	Charity 2016 £'000
Creditors: amounts falling due within one year				
Trade creditors	569	409	528	363
Other taxes and social security costs	900	806	882	806
Accruals and other creditors	3,136	2,022	2,960	1,899
	4,605	**3,237**	**4,370**	**3,068**

22. 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 2017 £'000	Other 2017 £'000	Total 2017 £'000	Land and buildings 2016 £'000
Expiry date				
Within one year	297	5	**302**	**143**
Between one and five years	3,881	98	**3,979**	**3,623**
After five years	1,999	—	**1,999**	**3,411**
	6,177	**103**	**6,280**	**7,177**
Net expenditure for the year before taxation is stated after charging				
Operating lease charges	**1,704**	**71**	**1,775**	**1,626**

23. Movements in unrestricted funds

	At 1 Jan 2017	Incoming resources	Outgoing resources	At 31 Dec 2017
	£'000	£'000	£'000	£'000
Group				
General reserves	**20,597**	**49,002**	**(48,709)**	**20,890**
Charity				
General reserves	**20,339**	**44,724**	**(45,096)**	**19,967**

24. Movements in restricted funds

	At 1 Jan 2017	Incoming resources	Outgoing resources	At 31 Dec 2017
	£'000	£'000	£'000	£'000
Group and charity				
MAS Grant	43	2,815	(2,842)	16
Ireland – Advice	584	1,287	(1,143)	728
J.P. Morgan	96	—	(96)	0
SLAB	—	66	(66)	0
	723	**4,168**	**(4,147)**	**744**

MAS Grant

FCC received funding from the Money Advice Service (MAS), initially to make advice available to people impacted by the exit of their debt management company from the market. The original funding covered the period from 1 August 2015 to 31 July 2016 and was extended to 31 March 2017. Further funding has now been provided until 31 March 2018, together with a broadening of the client base against which funding can be utilised.

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 2019.

The summary of the assets and liabilities for the total restricted funds, disclosed by contract and the total unrestricted funds at 31 December 2017 is shown overleaf:

	MAS	Ireland	Total restricted	Total unrestricted	Total funds
	£'000	£'000	£'000	£'000	£'000
Fixed Assets					
Intangible assets	–	–	–	873	873
Tangible assets	16	–	16	1,114	1,130
	16	–	16	1,987	2,003
Current Assets					
Debtors	–	149	149	9,708	9,857
Investments	–	–	–	5,011	5,011
Cash at bank and in hand	–	579	579	8,789	9,368
	–	728	728	23,508	24,236
Creditors: Amounts falling due within one year	–	–	–	(4,605)	(4,605)
Net Current Assets	–	728	728	18,903	19,631
Net Assets	**16**	**728**	**744**	**20,890**	**21,634**

25. Related party disclosures

On a consolidated basis, there were no (2016: none) transactions undertaken with related parties during the year. The charity provided a loan of £200,000 (2016: £400,000) to Consumer Credit Counselling Service (Equity Release). The details are disclosed within note 18.

26. Pension costs

The charity operates defined contribution pension schemes. The assets of the schemes are held separately from those of the company, being invested with insurance companies as per the employee's instructions. The pension cost charge represents contributions payable by the charity to the funds and amounted to £1,098,014 (2016: £990,294). At the year end the pension creditor amounted to £179,095 (2016: £160,322).

27. Prior year restatement

The restatement in 2016 involves a reclassification of £2 million from current asset investments into cash and cash equivalents in both the Group and Charity balance sheets. This reflects a treatment consistent with accounting policies for a bank deposit incepted in December 2016, which was of less than 3 months original maturity and was incorrectly shown within investments in 2016. The current asset investment note 19 has also been restated in line with this correction.

"I was crying myself to sleep with worry and avoiding answering my phone in case it was someone else chasing me for payment. StepChange Debt Charity took that worry away, they have been fantastic."

Katie, Derbyshire

www.stepchange.org
@stepchange