

# Supporting the nation



Annual Report  
and Accounts  
2020







# Chair's statement

Last year, I began this introductory statement with a reflection on how things change; 2019 was already beginning to feel like ancient history by the time our Annual Report was published toward the mid-point of 2020. This year, perhaps I should reflect on quite how long “temporary” change can persist, as we have continued to experience the ongoing effects of the pandemic far more deeply and perniciously than any of us would have hoped.

**Yet 2020 still managed to be an impressive year on a number of levels for StepChange, and one in which it was a privilege for me and for my fellow Trustees to support the charity in its work, which required decisions both brave and timely in the face of a rapidly evolving situation.**

While the Executive team grappled with the operational requirements of ensuring continuity of services across a brand new “work from home” necessity for an office-based, regulated workforce of over 1,500, they were simultaneously looking to the future, both near- and long-term. I have been impressed with how the entire team has managed to retain a strategic focus despite the prevailing pressure, and even with the chill winds of change we remain on course to be able to fulfil our aspirations in terms of improving both the quality and the flexibility of the services we offer over coming months and years.

Perhaps the most unexpected challenge we faced in 2020 was the gap between the demand for information and the demand for debt solutions. In line with the sector as a whole we initially expected a surge in demand for our support. What actually happened was somewhat different. StepChange's website saw higher

traffic than ever before, with over four million people seeking information and delivering huge insight over the course of the year about what was exercising and worrying consumers in terms of debt and financial pressure. But demand for full debt advice, and for debt solutions saw a marked decline, as the main body of this report explains. While this may seem counter-intuitive, it was felt across the sector. With hindsight it is understandable in the context of the emergency support measures – such as employment support, temporary uplifts in benefits, and the deferred payment schemes mandated by regulators in the areas of mortgages, consumer credit and overdrafts. To give credit where it is due, these prompt and decisive actions of the government and the regulators meant that many, many people who would otherwise be in considerable financial distress were given a lifeline, which did the job for which it was intended. Many, but not all. As the statistics now clearly show, there has been a bifurcated result. The many have been protected and together with lock down “enforced” saving have actually saved more or borrowed less. But we must not forget the rest, and as our and others' research shows, there are renters, single parents, young and self-employed whose finances are in a truly precarious state and whose issues have been deferred rather than gone away.

**The question that is as yet unanswered, across the whole of the debt advice sector, is: at what point will that demand re-emerge? The answer will inevitably depend on the strength of the economic bounce back and the government's skill in tapering its support measures. While we model the possible answers to that question, we have been taking a moderate and prudent approach. On the one hand, we cannot be oblivious to the uncertain funding climate; on the other, we know that underlying debt problems have worsened rather than lessened over the course of the pandemic for many people who have yet to seek help.**

At StepChange we have been deeply grateful to both Westminster and the devolved governments, to the Money and Pensions Service and to our regular creditor funding partners for going above and beyond normal support, right through 2020 and, indeed, into 2021. While we take seriously our role as a “critical friend” to policymakers, and have successfully influenced a range of policy outcomes in the debt landscape in 2020, the fact that we do not always agree does not diminish the strength of our appreciation for the extraordinary support we received in this strangest of years.

Financially it has become more challenging since the year end as our FairShare income reduces and the emergency support that we received from the government stopped in March 2021. Our Board has maintained a steady resolution to ensure the charity's financial security. Our reserves policy has flexed only marginally, despite all the tribulations of 2020, as we all recognise that StepChange absolutely must be here to serve the needs of those who will need our help for years to come. That said, we were not afraid to approve investment in the development of the Covid Payment Plan, a new short-term debt management approach for those affected by the pandemic, to sit alongside existing solutions and approaches.

Exceptional times call for exceptional measure. And as this report goes to print, the long expected increase in demand for debt advice has not yet materialised, in large part due to the success of government temporary support measures. This has real operational challenges for us as an organisation. It does, regrettably, mean that in early 2021 StepChange is embarking on a deeply painful process of stabilising our pandemic finances, involving redundancies amongst our valued colleagues. I have no doubt that this is the right decision for the long term future of the charity but it does have short term pain for us as an employer. My thanks go to all who support us, as well as to our hard-working colleagues and my fellow Trustees, whose combined efforts mean that ways out of debt are widely and freely available to all who need them.

**John Griffith-Jones**  
Chair





# CEO's statement

At the end of 2019, we had no way of knowing quite what an extraordinary year 2020 would prove to be – for our clients, for our colleagues, for our partners and funders. All have been, and continue to be, amazing. Together, we have proved that we really are maturing into the organisation we want to be – flexible, efficient, resilient and solution-focused.

From a standing start when the first lockdown materialised, as an organisation previously based on a traditional office-based working model, we successfully and quickly transformed ourselves to deliver the same seamless and supportive services to our clients through home-based working. We will be forever grateful to those funders who went the extra mile and helped us buy laptops to ensure that we were able to set up our colleagues with the necessary tools for the job.



Once we were over the initial operational hurdles, we learned as we went. Looking back over the year it's very clear that the learning experience has been challenging, but our colleagues have risen to the moment. We created new virtual training academies and received excellent feedback from those we trained. We significantly improved the way in which colleagues communicate with each other, using new technology platforms, and have seen a blossoming of mutual support and better ways of working emerging as a result. We researched what our clients were experiencing as a result of Covid, and put them at the centre of our response. I'm humbled to say we've become a more human organisation over the past year, and I hope that the benefits of that will be long-lasting.

**None of this would have been possible had we not invested heavily in our systems and business resilience strategies in previous years. While we could never have anticipated it, the skillsets we were able to draw on within our team resulted not only in being able to deliver existing services, albeit in a completely different way, but also to develop new flagship innovations. Perhaps most notable was our new Covid Payment Plan, a temporary 12-month product for these unique times, designed to complement the suite of long-term debt solutions by giving people who are hopeful but cash-strapped a sensible, structured lower payment period with equitably distributed payments to creditors along the lines that our partners already know and trust. During this time we have continued to invest in our digital tools, moving ever closer to delivering a true, omnichannel debt advice experience for our clients.**

Of course, 2020 was far from plain sailing.

Perhaps the biggest challenge has been the difficulty in accurately forecasting demand for debt advice, and the likely mix of solutions appropriate to clients in these very different conditions. The client paradox of 2020 was that we – along with other debt advice providers – saw fewer clients actually going through full debt advice than in previous years, despite the worsening economic environment. As the pandemic stayed entrenched for far longer than had seemed likely at the start of the year, the attendant emergency support measures were extended again and again. We are now seeing that the full scale of the UK population's financial problems has yet to crystallise due in large part to the unprecedented level of government support made available during the pandemic.

We've been seeking reform to debt advice funding structures for some time, and the pandemic certainly laid bare the flaws in the existing models that rely to a large degree on setting up debt solutions. I'm enormously proud that, despite the various challenges, we maintained our reserves position – and we greatly appreciated the responsiveness of HM Treasury, the Money and Pensions Service, the devolved Governments and our creditor partners in finding creative and flexible ways to meet our unforeseen capital needs and protect our capacity through this unusual period.

**Pandemic aside, we also continued our proud tradition of giving our clients a voice, and ensuring that voice was heard among policymakers. Our successes to improve the landscape for people in debt included significant reforms to address the detriment being caused by opportunistic lead generators for debt management solutions, as well as the announcement of significant reforms to the consumer credit environment. Every such success helps to protect our current and future clients from harm.**

As 2020 gave way to 2021, the future remained uncertain for many of us. As our Chair has written on previous pages, demand for debt advice remains markedly suppressed. As Chief Executive my ultimate responsibility is to our colleagues and the clients who rely on our services. To ensure that we can support those who need us in the months and years ahead we face difficult decisions and painful moments for the charity. I remain enormously grateful to all partners, supporters and colleagues who ensure that we are here to help those throughout the Covid crisis, its aftermath and beyond. We look forward to a future in which we can help more and more people become debt free. Thank you to all who support us.

**Phil Andrew**  
Chief Executive Officer

# Why free debt advice matters more than ever

Whilst many households have saved money during the pandemic – taking advantage of lower expenditure as day-to-day travel, holidays and shopping were curtailed, for others the coronavirus pandemic has caused a steep drop in income. Between March 2020 and January 2021, over 11 million people built up £25 billion of arrears and debt to pay for essentials. Our research in January 2021 also found 19.2m people (38% of British adults) have faced a loss of income because of the pandemic<sup>1</sup>.

As the number of people facing financial difficulty builds across the UK, it is now more important than ever that free debt advice is available to help them get back on their feet.



## Our vision

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

## Our mission

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



# Impact report

<sup>1/2/3</sup> Covid Debt Rescue report, StepChange Debt Charity, March 2021

<sup>4</sup> Money and Credit Statistics, Bank of England, December 2020

<sup>5</sup> Statistics Yearbook, StepChange Debt Charity, April 2021

<sup>6</sup> Individual Insolvency Statistics, The Insolvency Service, October to December 2020

# Our five-year strategy

It's clear that the pandemic has had a real impact on our ability to deliver against our strategic goals, including impacting our finances and reducing the number of people we took through full debt advice. But despite these pressure, we continued to make progress towards many of our goals and objectives.

## We're continuing to:

### Help people by...

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

### Deliver a true omni-channel client experience

For the first time in 2020, we have delivered a new, end-to-end omni-channel client experience through debt advice. This means that clients can choose the channel – telephony or online – that is right for them.

It also means they can switch between channels, get support over the phone at any point in their journey or start on the phone and finish online at a time that is convenient for them.

This marks a systemic shift in our ability to help people efficiently and respond to changing client needs, all whilst maintaining the high quality of our debt advice.

### Work together with our colleagues and partners...

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

#### We're continuing to develop by:

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



## How we're delivering

Our Trustees follow the Charity Commission's general guidance on public benefit and supplementary guidance for charities whose aims, like ours, include preventing or relieving poverty.

We also adhere to rules from the Office of the Scottish Charity Regulator.

In 2020 our activities were in line with our charitable objectives. Our progress against these objectives is described in the following sections.

Our Annual Report measures our progress against our key strategic objectives. In 2020 the headwinds of the pandemic which exacerbated the pressures on an already creaking sector funding model have impacted our ability to deliver against our key objectives.

Our five-year strategy sets out our ambition to double the number of people we help. In fact, 2020 saw us

take fewer people through full debt advice (198,980 in 2020, compared to 301,574 in 2019). Whilst StepChange and others across the sector believe problem debt is increasing across the country, the unprecedented level of government support has prevented many people from falling over the financial cliff-edge or, at the least, ensured that financial troubles have yet to crystallise.

As an organisation, we are funded based on taking people through full debt-advice and supporting them on to long-term debt solutions. We have long highlighted the challenges, complexities and contradictions in this funding model and 2020 has starkly demonstrated our concerns. As we help fewer people than in previous years, we face funding challenges and difficult decisions in 2021.

However, our amazing colleagues have continued to deliver amidst the professional and personal pressures they have faced in 2020.

## Objective 1:

# Cutting edge work on advice and solutions

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

In 2020 we expanded our role in providing the widest range of practical debt solutions of any provider in the UK by launching the Covid Payment Plan (CVPP).

The CVPP is a new debt solution that was created to support those needing short term financial help due to the coronavirus pandemic. We also published research into how clients and the general public have been financially affected during the pandemic, and launched a pilot to encourage more clients to seek debt advice online.

## Who we supported: Among new clients accessing debt advice in 2020<sup>7</sup>:

- Three in five (60%) were women
- Half (50%) were in a vulnerable situation, up from 44% in 2019
- Almost one quarter (22%) were single parents, compared to 6% of the wider population
- One third (33%) were in receipt of Universal Credit
- More than one third (34%) were renting privately
- Two thirds (67%) had at least one credit card debt
- More than one third (36%) of clients were behind on council tax

## Key achievements: The Covid Payment Plan

To respond to the pandemic we launched the Covid Payment Plan (CVPP), a new debt solution to help those who have been put into short-term financial hardship as a direct result of Covid-19. We launched CVPP in just eight months.

The CVPP is a helping hand, offering clients an alternative to full debt advice, long-term restructuring of debt or taking additional borrowing to repay arrears. By enabling clients to make reduced payments towards their monthly financial commitments such as credit cards or loans, our new product gives them time to recover their incomes and regain control of their financial situation.

<sup>7</sup> StepChange Debt Charity, Statistics Yearbook 2020  
[https://www.stepchange.org/Portals/0/assets/pdf/stepchange\\_statistics\\_yearbook\\_2020.pdf](https://www.stepchange.org/Portals/0/assets/pdf/stepchange_statistics_yearbook_2020.pdf)

## Key statistics:

### How we're performing



**4.4 million**  
clients reached in total\*



**242,369**  
clients guided\*\*



**198,980**  
clients advised\*\*\*



**40,700**  
clients supported\*\*\*\*



**£436m**  
of debt was repaid  
by clients



**24,042**  
clients became free from problem  
debt with our support

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

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

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

\*\*\*\*The total number of new clients supported in 2020.

## Tracking the impact of the pandemic

To share our understanding of the ways our clients have been financially affected by the coronavirus pandemic, we published a series of monthly reports from March 2020 which identified the demographic groups seeking debt advice, and which types of debt affected them.

In December 2020, we also conducted an in-depth review of clients' experiences. Using debt advice data and a survey of our clients, this report explored the factors that have underpinned clients' financial difficulty during the pandemic, and how they've coped during this difficult time.

This series of reports found that many of the same demographic groups that were 'debt vulnerable' before the pandemic continued to be over-represented among clients seeking full debt advice. For example, we continued to advise a disproportionately high number of women, younger people, single parents, and renters during the pandemic. The reports also found that an increasing proportion of clients had fallen behind on essential household bills, and that credit cards continue to be the most common form of unsecured debt.

## StepChange 'Your Way'

To prepare ourselves for the increase in people needing our help during the pandemic we began to pilot a seamless omni-channel approach to debt advice allowing a client to access our services at a time and through a channel that suits them. Clients also have the opportunity to change between channels, such as online and telephone, as they choose with a webchat function also available.

In October 2020 two of our telephone debt advice teams in Chester piloted the approach. Early results are good, with the majority of clients providing positive feedback about the flexibility of the approach. StepChange 'Your Way' also gives our debt advice teams an increased capacity to help more people who particularly need advice via telephone.

## Supporting vulnerable clients

Working on our Vulnerability Strategy continues to be high priority, particularly in light of the pandemic as we saw the highest disclosure of vulnerability amongst our clients in 2020. Last year a new Vulnerability Training Programme was delivered to 100% of our client-facing colleagues and built into our New Starter Academy. Our partners Mental Health UK and Surviving Economic Abuse helped us to redesign the debt advice journey to enable our debt advisors to refer clients to specialist services easily, and they also provided expert training for our specialist vulnerability team.

## Success with bankruptcy eligibility criteria in Scotland

Working in collaboration with a range of debt charities in Scotland, we were able to encourage the Scottish government to include changes to the bankruptcy eligibility criteria in Covid-19 emergency legislation. These provisions included free bankruptcy applications for clients on benefits, those with increased levels of debt, longer moratorium periods and protection against eviction for tenants.



## Our goals for 2021

- To help more people through full debt advice than we did in 2020, balancing ongoing government support, the continued impact of the pandemic and the need to carefully manage our finances
- Promote our new Covid Payment Plan to clients as temporary government support and creditor forbearance begins to end
- To continue to deliver research to understand the impact of the pandemic on clients – including lobbying to ensure a fair and equitable recovery from the financial impact of covid
- To further develop our omnichannel debt advice process 'Your Way' to provide clients with a seamless choice as to how they get support from us
- Improve the efficiency of how we deliver debt advice for our clients and our partners





I ended up with a provisional job offer, but I didn't pass the security checks needed for the role, so I'm currently in the process of appealing the decision. One of the stages of the vetting process is a credit reference agency check, which is likely to be the reason for the job offer being on hold.

Most days I felt like I was teetering on the edge, because the process is incredibly invasive and I felt anxious about how I'd deal with my finances if I don't have a new source of income soon. However, now I've signed up for the new Covid Payment Plan (CVPP) with StepChange, I feel like a massive weight has been lifted off my shoulders.

I also learned recently that my Mum has been diagnosed with a rare form of Parkinson's and Supra-nuclear Palsy, which is also brutal and quite advanced. So to not have to deal with my creditors going forward will be a massive relief.

Before starting my CVPP, my mental health was in such a state that some days I felt I couldn't function at all. Without additional intervention, it could take years for me to recover mentally and financially from the impact of the pandemic.

I'm relieved to be able to draw a line under the additional debt I have accrued during the lockdown period and move on with my life as best as I can."

## Robert's story

"Before the coronavirus pandemic, I had just started working in a senior role at a large international company. I have a long career history of working in learning and development for big organisations and I was really excited to start this new opportunity.

However, in February – when I was only halfway through my six month probation period – I was laid off just as the severity of the pandemic was emerging. I found that I was ineligible for any redundancy benefits and I was not offered the lifeline of being placed on furlough.

My mental health crumbled, but I decided it was important to get on with contacting my creditors to find out what my options were, with StepChange's support. I found that I was able to access payment holidays fairly easily, leaving me able to focus on trying to find another job.

As it stands, I've applied for over 300 jobs throughout the duration of lockdown and I've had one virtual interview.



## Objective 2: Collaboration and efficiency



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

We launched the Covid Payment Plan (CVPP), and worked quickly to ensure that our colleagues were set up to work remotely during the pandemic. In addition we adopted a seamless approach to debt advice ensuring clients could get help in the most appropriate way for them.



### Key achievements: Designing the Covid Payment Plan

We worked closely with our partners, the Treasury, the Money and Pensions Service and the Financial Conduct Authority to launch the Covid Payment Plan (CVPP) debt solution.

The team at StepChange undertook extensive user testing to understand our clients' needs and designed and launched a new product to respond to these needs in just eight months. The creation of the CVPP has also helped us continue to shape the approaches that we'll take towards modernising our heritage technology systems, which is a major piece of work we will continue in 2021 and a project we seek to accelerate.



### Home working during the pandemic

In 2020 we made sure that 95% of our colleagues could work remotely at the same time limiting as the impact on our service to clients. This meant acquiring over 1,000 laptops and other pieces of equipment, installing software and applications, and safely delivering these to our colleagues across our eight sites in the UK.

Within a few weeks of the first national lockdown, we'd set more than 800 colleagues up to work from home from a charity device and provided training where needed. We'd also increased our network bandwidth to ensure nearly all 1,600 of our colleagues could work remotely.

We're extremely proud that we were able to keep our service running for clients while ensuring our colleagues could continue to work from a safe environment.

## Key facts and figures:



We launched the CVPP in less than eight months



We've been shortlisted for 13 awards and won three in 2020, including an award for business continuity throughout the pandemic



**95%**  
of our colleagues were set up to work remotely



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



## Omni-channel debt advice during the pandemic

The ability to deliver quality, free to client, omni-channel advice has been imperative during the pandemic, especially in light of the fact that many face-to-face debt advice services were unable to operate early on. To support the demand for debt advice we:

- Increased the availability of our online debt advice tool to enable people to have a truly omni-channel experience.
- Introduced an online triage tool guiding people more quickly to the help they need.
- Improved our offering for vulnerable clients.

## Securing funding

With significant additional pressure on the charity's funding as a result of the pandemic, we're grateful to have been able to secure short term funding to keep the charity operational throughout 2020. This has included creditor partners, the Money and Pensions Service and the devolved governments in both Scotland and Wales. Our funding partners showed enormous additional financial support to the charity by reducing invoice payments times, providing one off donations, and paying Fair Share Contributions up front. However, we remain acutely aware that StepChange and others in the sector will face significant financial pressure in 2021 as the number of people going through full debt advice remains suppressed.

## The Piloting Advisor Capacity and Efficiency pilot

The charity has continued to participate in the Piloting Advisor Capacity and Efficiency (PACE) pilot funded by the Money and Pensions Service alongside the Money Advice Trust and Citizens Advice. Our involvement in PACE has allowed the pilot to increase the number of referral agencies into the service, and allowed online self-referrals. The pilot has also introduced open banking into the debt advice process.

## Sector collaborations

We've continued to work collaboratively with our partners and shared with them how we adapted our services throughout the year. This included introducing payment holidays to help people on debt solutions who found themselves struggling to make any level of debt repayment due to a drop in income. In addition, we provided detailed weekly updates in the early stages of the pandemic to ensure our partners were kept up to date on early insights, and operational and digital performance. Finally we rolled out a new Expanding Referral Routes signposting tool to 45 organisations, which includes both an option to book a telephone appointment for debt advice and a digital link to begin debt advice online.

## Our goals for 2021

- Implement the Breathing Space scheme to benefit our future clients
- Deliver a clear technology plan for the next three years that defines how we modernise our systems and applications
- Continue to develop our seamless advice through an omni-channel approach
- Work and integrate with even more partner organisations for debt advice



## Objective 3: Improving debt advice policy and practice

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



### Key facts and figures:



**5 reports**  
showing the financial impacts of the coronavirus pandemic and setting out the help people need



**20+** responses and submissions to policy makers



**6 monthly reports**  
showing the impact of the pandemic on clients and debt advice demand



**6 events**  
on coronavirus debt impact in Westminster and Scottish parliaments and at party conferences

### Key achievements:

In 2020, understanding and responding to the financial impact of coronavirus on UK households was our first priority. We were also able to move key policy areas like Breathing Space, Government Debt Management and Universal Credit forward.



#### Responding to the coronavirus pandemic

Throughout 2020 we monitored the impact of coronavirus on our clients along with households across the UK. We worked with Money Advice Trust and Citizens Advice on a policy briefing immediately after the first lockdown, and published research in June and November showing the financial impact of coronavirus, as well as calling for policy action.

As secretariat of the All Party Parliamentary Group on debt and personal finance, we organised two sessions on preventing a coronavirus debt crisis and hosted two high profile events at party conferences. Our client data and survey analysis has informed policy makers about who is struggling and how policy changes can help.



#### Government debt management and bailiffs

We moved a little nearer to our goal of ensuring fair debt management practice by public sector creditors in 2020 with the Cabinet Office publishing a call for evidence. Our response included evidence from StepChange clients highlighting problems with assessing affordability and understanding vulnerability. This is especially important as Stepchange clients with public sector debts are more likely to be vulnerable and have negative budgets. We've continued to campaign for better oversight of bailiffs, and look forward to progressing this in 2021.



#### Breathing Space and Statutory Debt Repayment Plan schemes

2020 saw important progress on both of these long-term policy priorities. The Government confirmed its plans for Breathing Space in February and the scheme will go live on 4 May 2021. As part of the announcement, StepChange was delighted to welcome Economic Secretary John Glen MP to our London offices. Regulations on the Breathing Space scheme have since passed into law and the Government has also introduced the legislation needed to move the Statutory Debt Repayment Plan scheme forward.





## Key reports in 2020: Insight and data to drive change

In 2020 we released more influential reports that helped us shape opinion and influence policy.

### Problem debt and the social security system – January

We reported on the experiences of StepChange clients on working age benefits, with a particular focus on Universal Credit. National polling shows that over half of people in problem debt receive social security support and that four in ten need to use credit for essentials. Among StepChange clients receiving support, 53% showed signs of destitution and hardship. Our research found that unaffordable deductions, including for Universal Credit payment advances, contributed to this.

- **We called for:**
  - Debt proofing of the social security system by ensuring benefits meet needs; deductions are affordable; and reliance on harmful unaffordable credit is reduced.
- **Result:**
  - We shared our evidence with officials and ministers, gave evidence to MPs on Universal Credit advance payments and worked with other charities on deductions and extending the £20 uplift to Universal Credit. Since the report was published, the government has reduced the rate at which deduction are collected from Universal Credit and extended the period over which advances are repaid, allowing claimants to keep more of their payment.

### Client Outcomes - March

Our second report on debt advice client outcomes data focused on clients at nine and 15 months after advice. The report found clients valuing and using the advice and support they received, with significant improvements in wellbeing and the large majority of clients making progress with their debts.

### Scotland in the Red - May

In 2020 our Scotland in the Red data report demonstrated the extent of problem debt pre-coronavirus, and the pressing need for urgent changes to respond to the financial impact of crisis, and the long-term nature of these impacts. The report also identified the economic harms that many were experiencing due to the ongoing crisis and that these harms would be long-lasting. This contributed to the case for several of the Scottish emergency debt legislation provisions to be made permanent.

### ➤ We found:

- The data suggests a large harm reduction potential from encouraging people to debt advice earlier.
- Poorer outcomes for clients with negative budgets questions what more advice services and public policy need to do to help this group.

### ➤ We called for:

- The Scottish government to introduce emergency measures to Scottish debt legislation

### ➤ Result:

- The Scottish government introduced a broad range of emergency measures around their debt legislation, including amendments to the client fee for bankruptcy, the extension of the client moratorium and several process improvements. Subsequently the changes to the fee structure for Minimal Asset Process and Sequestration were made permanent after lobbying from the charity and others in the sector in Scotland.

## Our goals for 2021

- To respond to the financial difficulties developing throughout the coronavirus pandemic, and the need for policy action to support households falling into debt
- Continue to call for support to help people facing debt problems as a result of coronavirus
- Develop new knowledge about problem debt and develop policy on public sector debt, negative budgets and financial resilience
- Build links with newly elected MSPs in Scotland
- Ensure the new Scottish Government maintains its focus on problem debt and goes ahead with the legislative review of statutory debt solutions in Scotland

## Objective 4: Testing out prevention alongside cure

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

The charity has ambitious and achievable plans to help over 150,000 people with early intervention strategies over the course of the next three years.

### Key facts and figures:



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

\*\* Repeated views of a single page are counted.

### Key achievements:

#### A record-breaking year for our website

To ensure we were a trusted first port of call for our clients and members of the general public worried about debt and money during the pandemic, we launched a comprehensive 'debt and coronavirus' hub on our website. This provides clear and accessible guidance and support for anyone who has questions about managing their financial situation and debt, as well as information on financial regulation, legislation and financial sector policy.

The hub was updated on a regular basis to give near real-time information. In addition our website expanded to feature numerous informational hubs to cover a broad range of topics including:

- Emergency support with money, food and housing
- Furloughing support and money
- Redundancy and reduced income
- Money, debt stress and financial wellbeing

#### Launching and expanding our persistent debt hub

In February 2020, working in parallel with our early intervention team, we launched an informational hub on our website and a self-service online tool to help users understand and get out of persistent debt. We created a softer approach for clients to managing money by hosting an online repayment calculator and a budgeting tool, giving client the ability to move into full debt advice if it became clear they needed extra support. It was successful at launch, with over 20,000 views in its first six weeks, before the pandemic hit and the Financial Conduct Authority asked the sector to pause their persistent debt strategies.

While we stand ready to support further when persistent debt communications are re-started, the hub continues to attract thousands of users each month who needed information on how to lift themselves out of paying the minimum on their credit commitments.



### Our goals for 2021

- To assist over 65,000 clients at the earliest possible stage before they reach crisis point
- To further develop and expand the budgeting information available online

## Objective 5: Getting the message out



Our fifth objective is to create greater awareness of free debt advice. Given the continued trend towards digital throughout the pandemic, making sure people receive the right kind of advice is even more crucial.

We launched a new marketing campaign in response to the pandemic, made good progress with our business-to-business (B2B) marketing strategy, secured a significant amount of coverage in the media and tackled online impersonators.

### Key facts and figures:



### Key achievements: Launching a new marketing campaign

During the coronavirus pandemic we launched our *What If* marketing campaign to not only remind existing clients of our services, but also make the thousands of additional people affected by problem debt in 2020 aware of how we can help. Knowing that many people would be faced with countless worries about their finances and job security, our campaign provided solutions to these problems and signposted the public to our newly launched Covid Payment Plan (CVPP) debt solution alongside our existing services.

In 2021 we will relaunch the campaign and continue to collaborate with our partners to ensure that our annual Debt Awareness Week helps to increase the number of people aware of free, impartial debt advice.

### Our online reach

Our website, blogs, online tools and partnerships have helped us reach an estimated 5.7 million people in 2020. We also had 2.7m views of our debt guides.

We're very prominent online, ranking highly in search engines for a wide range of debt terms. Our online visibility has increased by publishing answers to debt questions with high search volumes and by gaining coverage on charity, local authority, consumer news, creditor, utility company and housing association websites. We've also successfully tackled 53 instances of trademark infringement by websites attempting to masquerade as StepChange through online advertising.

### Media coverage

By securing over 2,000 items of coverage, we helped to raise awareness of pandemic debt, signpost the availability of debt advice, and build support for new policy interventions.

### Brand awareness

In 2020 we commissioned the research agency YouGov to deliver our brand awareness tracking activity and also provide us with access to real-time insight on consumer behaviour and opinion. In December 2020, our prompted brand awareness, where the general public are asked to name the debt advice organisations they have heard of with a prompt or hint, was at 17% of the UK population<sup>8</sup>. Among the cohorts of the population with the greatest likelihood to require our services prompted brand awareness was at 27% of the UK population.

### Building our partner proposition

We continued to encourage our partners to spot the signs of problem debt, refer their customers and garner their support for Debt Awareness Week. In May we launched our easy referral form, providing a seamless way for partners to help clients engage digitally or to book a call-back, and over the summer we worked closely with them to develop CVPP. We also began to engage with partners through new digital channels including webinars, and began developing our employee financial wellbeing service for employers to support their staff which we'll continue to build on in 2021.

### Our goals for 2021

- Reach a greater number of prospective clients by delivering new targeted marketing campaigns
- Continue to build our consumer insights programme to fully understand the changing needs of the people we are looking to support
- Gain media coverage that builds support for positive actions and policies to help people experiencing debt
- Continue to work with Google to tackle impersonators

<sup>8</sup> We now report on prompted brand awareness as a key metric rather than unprompted brand awareness as this has been identified as a more reliable measure of actual consumer awareness.

## Objective 6: Empowering our people



Our final objective is to engage and develop our colleagues.

In 2020 we began implementing our Total Reward strategy and we reshaped our training programme to build in online learning. We continued to deliver our graduate programme, expanded our wellbeing strategy to support colleagues throughout the pandemic, and began building our Equality, Diversity and Inclusion strategy.

### Key facts and figures:



We provided **126** hours of training for each of our colleagues

Our CEO and Executive team hosted...



**2** townhall sessions with each reaching over 1,000 colleagues



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



### Key achievements:

#### Rolling out our Total reward strategy

During 2020 we began implementing our new Total reward strategy. We've updated frameworks to manage the professional development of client-facing colleagues, revised pension scheme contributions and introduced a range of new family-friendly benefits.

#### Learning from our colleagues

We delivered our annual charity-wide engagement survey and achieved an outstanding engagement score of 84%, which is 13% higher than in 2019. We believe this is a testament to our strategies to make StepChange an even better place to work, and our colleagues have told us that our collective response to the pandemic has been a factor in this.

Following the success of working with employee representatives to consider and implement our Total Reward strategy, we have established a new joint consultative committee to work with in addressing areas of concern or challenge and discuss key issues.

#### Gender pay gap results

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

### Our talent strategy

All academies from March 2020 were virtual with online learning and we converted to online in just four weeks, training 100 colleagues. Our graduates continue to progress through their two-year programme, attending development events, gaining exposure to our Executive Team and Trustees, and moving through directorates gaining a real mix of skills and experience.

We also designed and launched the In Role Development Framework for operational colleagues, providing a structured learning platform facilitating progression in salary and competence.

### Developing our wellbeing strategy

We expanded our wellbeing strategy in 2020, working with colleagues across the charity to understand areas of concern and assess priorities. We delivered a range of wellbeing initiatives throughout the coronavirus pandemic, including communicating a range of tips and advice about managing the work-life balance and highlighting the productivity benefits of working from home. We extended our occupational sick pay provision, offered colleagues paid time off for dependents during 2020, and matched time off for dependants early in 2021.

### Our Equality, Diversity and Inclusion strategy

We started work on our Equality, Diversity and Inclusion strategy, working with external consultants to identify areas of priority and understand current and emerging best practice. Focus groups are being established, consisting of a diverse representation of our colleagues, to understand current challenges and how we can overcome these.

### Our goals for 2021

- Design and implement our Equality, Diversity and Inclusion strategy
- Continue vulnerability and effective communication training for client-facing colleagues
- Support colleagues as the pandemic continues and the charity faces financial pressures

# Financial Review

The Group's financial accounts for the year to 31 December 2020 show a net deficit of £2.8m compared with a deficit of £2.1m in 2019. The result for 2020 is stated after transformation costs of £1.2m (2019: £2.0m) as the Pulse debt advice system was fully rolled out and on-going system improvements were absorbed into business-as-usual activities.

## Income

In 2020, the Group's financial results reflect some disruption in its regular funding caused by the Covid-19 pandemic. The principal effects were those of fewer new clients completing debt advice as well as existing clients reducing payments on their solutions. This led to a reduction in Fairshare contributions received as well as income in subsidiaries.

In 2020 these impacts were more than offset by increased restricted funding primarily from additional grants received. These grants included funding provided by the Money and Pensions Service to offset reductions in Fairshare contributions as well as a grant to fund the recruitment of additional debt advisors to be available to support more people following the pandemic. In total restricted income increased from £3.7m in 2019 to £11.1m in 2020.

Additional unrestricted income was also received in the form of donations. Overall income therefore increased from £54.6m in 2019 to £60.6m in 2020.

## Operating expenditure

Total operating expenditure for the Group was £63.4m (2019: £56.7m). This includes a £3.9m increase in staff costs which reflects increased colleague numbers during the year, primarily in fulfilling the requirements of the additional grants received. These costs also reflect the improvements made to colleague remuneration and benefits under our Total Reward strategy.

In addition, in 2020 operating expenditure includes the cost of developing the new Covid Payment Plan product (CvPP).

## Operating Deficit

The operating deficit of £2.8m for 2020, leads to a reduction in the Group's free reserves to £10.3m as at 31 December 2020. Whilst the deficit is reflective of some particular circumstances and events in 2020, it is now clear that the impacts of the pandemic are likely to last through most, if not all, of 2021.

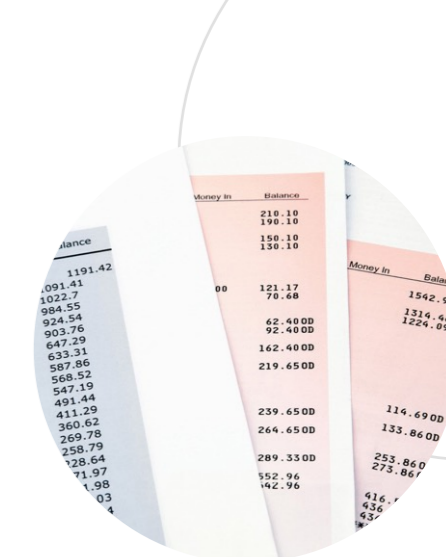
The Group has a primary financial management objective to maintain an adequate level of free reserves to protect itself and its stakeholders against risks and uncertainties, in line with its reserves policy. Whilst we have gratefully received additional financial support from our partners and funders during the pandemic to date, our total funding is reducing in 2021 and therefore we have needed to undertake a number of activities to reduce expenditure including, regrettably, the decision to commence a redundancy process. This will ensure that the Group retains the financial strength to support more clients as the social and economic climate starts to return to normal.

## Capital Expenditure

The principal investments during the year have been IT equipment, including the enablement of remote working with provision of laptop computers for almost all colleagues. Total additions to tangible fixed assets were £1.2m in the year (2019: £0.3m).

In 2020 there were no further additions to the capitalised costs of our development of new systems shown within Intangible Fixed Assets, compared with £1.9m in 2019. Those costs included third party software development expenditure, incremental IT and project resources and certain other related project costs.

The expected benefits of the programme include an improved omni-channel client journey as well as significant operating efficiencies as clients can both provide information online themselves and interact with an advisor as required. Additionally during the Covid pandemic the new system has demonstrated resilience to provide continual availability of debt advice to clients.



## Subsidiaries

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

## Cashflow and investments

Our investment policy agreed by the Trustees remains to invest in fixed-term bank deposits only. During 2020, there was a net decrease in cash and cash equivalents of £0.9m (2019: £1.8m decrease). This outflow was due to operating deficit for the year. At 31 December 2020 total cash and cash equivalents were £7.4m (2019: £8.3m) with no funds held on deposit for a period of greater than three months (2019: £NIL).

## Covid-19 pandemic

During the second quarter of 2020, the Covid-19 pandemic started to have an impact on the charity and its finances. The biggest financial impact has been to the charity's fair share revenues, primarily due to fewer new clients completing debt advice and starting debt management plans. Since then the charity has seen a reduction in such payments of more than 10%. However this decrease has largely been offset by a combination of additional grant funding and donations received from partners, coupled with reductions in expenditure. The charity continues to receive additional Covid-related grant funding from MaPS during 2021.



## Reserves policy and management

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

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

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

At the balance sheet date, reserves stood at £10.3 million, close to our policy minimum. Whilst ongoing funding in early 2021 was sufficient to maintain reserves above £10 million, in April 2021 the Board approved a number of cost reductions including redundancies through which continued compliance with the policy has been achieved.

This policy was endorsed unchanged by the Board of Trustees in December 2020.

This level of reserves covers the prudential resources requirement under the FCA debt management rules set out within CONC 10.2.5, which requirement stood at £1.5m at the end of 2020. Such reserves would allow the charity to affect an orderly run-off of our existing client portfolio, should the situation ever arise, and to meet our debts. This scenario takes into account a material loss of income and the redundancy costs associated with implementing this course of action.

The total balance sheet reserves at 31 December 2020 were £18.1m (2019: £20.9m), of which £0.8m (2019: £0.4m) are restricted in nature. The level of free (unrestricted) reserves is £10.3m (2019: £12.0m) after deducting fixed assets of £7.0m. Our current level of reserves enables us to meet our normal trading commitments and to fund our on-going investment plans.

## Investment policy

The charity’s investment policy is reviewed annually by the Audit and Risk Committee. In 2020, the policy has been maintained to continue to invest the surplus liquid funds in fixed-term deposits with maturities of no more than 12 months. This continues to allow the Board the appropriate flexibility and liquidity whilst reserves are close to our agreed minimum level.

With minimal risk, an average return of 0.61% (2019: 0.59%) was achieved and considered acceptable in the current environment.

## Basis of preparation of the Accounts

In-line with the Charities Accounts (Scotland) Regulations 2006 (as amended), the charity has prepared a charity-only Statement of Financial Affairs on page 61, with additional charity-only disclosures made in the notes to the financial statements.

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

# Principal risks and uncertainties



## Principal risks and uncertainties

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

## Our approach to risk management

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

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

## Risk appetite

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

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

## Risk universe

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

## Impact on the Charity of COVID-19 Pandemic

The COVID-19 pandemic continues to have a significant impact on all of our lives as well as on the organisations which employ us, with the effects lasting longer than most people thought when the pandemic started nearly eighteen months ago.

As mentioned previously in this report, the impact upon the debt advice sector has not been entirely as expected due to the exceptional support measures provided to individuals by the government and by financial services companies via forbearance.

Therefore the biggest impact on the Charity has been a reduction in people coming to us for debt advice, thereby reducing the number of people taking out solutions to their debt issues such as debt management plans. This has reduced the Charity's funding received from Fairshare contributions and this funding is unlikely to start increasing until late 2021 or 2022.

Whilst the Charity continues all of its operational functions without issue, we are in a period where funding may be reduced for a further twelve months or perhaps longer. We have responded by reducing our operating costs such that we can retain Charity reserves above £10 million being the minimum level within our reserves policy. This ensures that the Charity remains financially strong and well-positioned to help more people when demand for our services start to increase again.

Since the Charity does not have any borrowings and only a limited number of long-term commitments, it remains the case that any further or ongoing contraction in Fairshare contributions can be mitigated by reductions in operating expenditure although such reductions could impact the numbers of people that the Charity can help.

The Charity is focussed on maintaining developments in technology as a cost-effective means of ensuring that an increasing number of its services can be directly accessed by clients online but with integrated telephone support as required. These developments will help ensure the availability of services if the demand for debt advice should increase as current support measures start to be withdrawn.



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

Risk	Relevance		Mitigation	
The charity fails to develop and implement a sustainable and proportionate funding model	The charity requires a model which reduces our funding concentration risk and is reflective of the breadth of money guidance, debt advice and debt management services provided by the charity to its clients		<ul style="list-style-type: none"> <li>We have regular dialogue with funders to understand value drivers and expectations for fair client outcomes</li> </ul>	<ul style="list-style-type: none"> <li>Our drive for efficiency through improved technology underpins our work to develop our funding model and we are actively contributing to the Single Financial Guidance Body's work on an appropriate model for funding for debt advice</li> </ul>
Failure to attract, develop and retain talent and key skills	Supported by the development of technology, colleagues remain the charity's key asset. To support delivery of the charity's four-year strategic plan, it is paramount that the charity attracts, develops and retains the right people with the right skills in the right numbers		<ul style="list-style-type: none"> <li>Led by an experienced Human Resources team; the charity continued the roll-out of its Total Reward Strategy in 2020</li> <li>The strategy includes a series of targeted changes to reward and benefits for colleagues, which includes; base pay benchmarking, in-role progression and development, leave entitlements and enhanced matched pension contribution</li> </ul>	<ul style="list-style-type: none"> <li>The charity works to a defined Talent Acquisition Strategy to ensure that we have the capacity and capability to deliver against the charity's strategic objectives</li> <li>Formal succession planning and talent management framework are in operation, with periodic reporting via Nomination Committee</li> </ul>
The risk of client detriment, financial loss, disruption or damage to the charity's reputation resulting from a cyber-attack	The charity operates a large number of IT systems which hold material volumes of sensitive client data. We will continue to focus on minimising the data we hold and the controls we have in place to maintain our security resilience and prevent unauthorised access or misuse of this data		<ul style="list-style-type: none"> <li>We have automated and scheduled checks and controls in operation</li> <li>We've implemented enhanced colleague access controls</li> <li>We minimise colleague risk through pre-employment checks</li> <li>We have specialist resource to support the continuous improvement of the charity's information security and data governance framework</li> </ul>	<ul style="list-style-type: none"> <li>Technical vulnerability management processes to limit exposure to exploitation</li> <li>Back-up and recovery capabilities to provide service and data resilience</li> <li>Security Incident Management processes to identify, triage and respond to cyber attacks</li> <li>Charity-wide security awareness and training programme</li> </ul>
Failure to assess and manage the charity's exposure to conduct risk	Under the FCA's oversight of the consumer credit sector, we will continue to provide the highest quality debt advice and debt management services complemented by robust systems of risk management and internal control		<ul style="list-style-type: none"> <li>The Board employs a 'three lines of defence' model to gain assurance over the effectiveness of its internal systems and controls including the outsourcing of its Internal Audit function to a reputable third-party provider</li> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Colleagues with appropriate skills and competence are recruited into senior risk and compliance roles</li> <li>We have successfully embedded the Senior Managers &amp; Certification Regime with clearly documented responsibilities, accountabilities and expected standards of conduct for all colleagues</li> </ul>
Key supplier or third-party provider failure	The failure of a key supplier may lead to an adverse and material impact on the ongoing provision of services to clients or to back office key processes.		<ul style="list-style-type: none"> <li>The charity has an established procurement supplier management framework in operation, overseen by a centralised Procurement function</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing service, quality and value for money reviews are performed for key supplier arrangements</li> <li>The charity maintains close oversight of all material outsourced relationships (as defined within SYSC 13.9)</li> </ul>
Failure to respond effectively to changes in the external environment	The regulatory, political and legal landscapes continue to evolve with a potential impact on our core operating functions. Early identification and analysis of change is vital to a compliant and appropriate response		<ul style="list-style-type: none"> <li>We have ongoing engagement with key decision makers and stakeholders in government, with regulators and with the wider sector</li> </ul>	<ul style="list-style-type: none"> <li>We have a horizon scanning framework in operation to early identify changes which may impact the charity and its stakeholders and plan for change where appropriate</li> <li>One such example is the Breathing Space legislation due for implementation in May 2021</li> </ul>

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

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

# Trustees' report



# Structure, Governance and Management

## Structure and management

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

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

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

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

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

## Board of Trustees

The charity is governed by a Board of Trustees (the Board) and currently consists of 11 Trustees. In 2020, there was one resignation.

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

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

On behalf of the Board, the Nomination Committee oversees arrangements for a Board Effectiveness review process, to periodically review the collective performance of the Board and its Committees. In addition, the Chair has regular discussions with individual

trustees to review their performance and contribution to the Board; the performance of the Chair is reviewed by the Senior Independent Director.

The Board met five times during 2020. Due to Covid-19 and lockdown restrictions, from April 2020 onwards all meetings of the Board and its Committees were held via video conference.

## Trustee induction

The induction of new Trustees is facilitated by the Company Secretariat function. Trustees receive a comprehensive induction pack providing reference information covering the background of the charity, its structure and status, its method of operation, its finances and the environment in which it operates. Trustees have access to the charity's Board Portal which contains past Board and committee meeting packs, policies, and strategy documents. Governance information is provided via the Charity Governance Code and key Charity Commission guidance including “The Essential Trustee”, and an NVCO training session on trustee roles and responsibilities. The Trustee induction programme also involves meetings with managers across the different functions of the charity, as well as call listening with adviser colleagues.

## Trustee term of duty

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

## Indemnity

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

## Committee structure

Trustees may be invited to serve on one or more Board Committees. The Committees are delegated specific responsibilities by the Board as outlined below. Executive team members attend Board and Committee meetings by invitation. Committee membership details are shown in the table on page 47.

## Audit and Risk Committee

The Audit and Risk Committee's purpose is to provide assurance to the Board that the group as a whole has an effective system of internal controls, risk management, and financial reporting, including oversight of internal and external audit processes. The areas covered within the Committee's terms of reference include: financial reporting; internal controls and risk management systems; financial crime, whistle blowing and anti-bribery; internal audit; and external audit. The Committee met seven times in 2020.

## Nomination Committee

The Nomination Committee's purpose is to provide oversight on behalf of the Board of the selection and appointment process for trustees and key senior management appointments. The areas covered within the Committee's terms of reference include: Board and Committee composition and diversity; selection and appointment of trustees, the Chief Executive, and other executive directors; succession planning; and effectiveness and performance off the Board, its committees, trustees and the executive team. The Committee met three times in 2020.

## Remuneration Committee

The Remuneration Committee's purpose is to provide oversight on behalf of the Board of remuneration arrangements which support the strategic aims, purpose and values of the charity and promote its long-term sustainable success, while complying with good practice and regulatory requirements and maintaining the expectations of stakeholders. The areas covered within the Committee's terms of reference include the overall rewards and recognition framework, and associated board level policies; the remuneration, pension and contractual arrangements for the executive team; and the review of remuneration trends and market analyses. The Committee met twice in 2020.

## Executive

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

The Executive Board provides focus on strategy and planning, day-to day oversight and management of the operations of the Charity, including financial and colleague performance management, service delivery and operational volumes. It develops business plans, policies, procedures and budgets for presentation to the Board of Trustees, and has responsibility for

implementation when Trustee Board approval is received and ensuring the effective delivery of the Charity's purpose, strategy and objectives.

The Change Board is responsible for establishing, maintaining and reviewing the Charity's Strategic Change Roadmap. This includes: considering and approving new projects / programme requests; directing the progress of the overall Change Portfolio; and leading and supporting the development of the Change Management Framework.

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

### Charity Governance Code

The charity's governance framework is in alignment with the principles of the 'Charity Governance Code for Larger Charities', published in 2017. The charity is committed to maintaining the highest standards of governance and uses the code as a practical point of reference to drive a process of continual improvement built upon the code's principles, key outcomes, and recommended practice. The Code's seven principles cover organisational purpose; leadership; integrity; decision making, risk and control; board effectiveness; equality, diversity and inclusion; and openness and transparency. In 2019, an external assessment of the charity's governance framework against the Code's principles was undertaken on behalf of the Board; as a result, an action plan was drawn up to provide a focus for ongoing improvement and review of performance against the Code during 2020. The Board welcomes the refresh of the Code published in December 2020 in relation to the Integrity and the Equality, Diversity & Inclusion principles; in 2021 it will be undertaking a further assessment against the refreshed Code and updating its action plan.

### Diversity and Inclusion

The Board of Trustees believes that promoting diversity and inclusion in the workplace is a vital part of being a good employer and making the most of our colleagues. The Board also recognises the value of a diverse group of trustees, with a broad range of experience, skills, background, and perspectives, in its aim to improve its own effectiveness and ensure balanced decision-making. The Nomination Committee regularly carries out an audit of skills, experience and diversity of the Board of Trustees to identify gaps, and to inform trustee recruitment and training. When

recruiting new trustees, the Committee considers how best to attract a diverse pool of candidates, and where and how trustee vacancies are publicised.

As part of its commitment to adopting the practice and recommendations of the Charity Governance Code, a number of actions and improvements were identified in 2020 in relation to the Code's Diversity Principle. In 2021, we will be undertaking a further assessment against the Code's recommended practice set out in the revised Equality, Diversity & Inclusion principle, which was published in December 2020, and agreeing an updated action plan for continuous improvement.

This will align closely with the work already underway to develop the charity-wide Diversity & Inclusion Strategy, with the scope, timetable and appointment of a third-party partner to support the project agreed by the Remuneration Committee in 2020, for development and implementation in 2021. The scope of this work covers organisational leadership culture, appointment practices, and monitoring information which includes the Board of Trustees and its committees.

### Remuneration of Senior Employees

The charity has a Pay Policy which applies to all employees, and is reviewed at least biannually by the Remuneration Committee and approved by the Board of Trustees. In 2020, the Pay Policy & Procedure was subject to an in-depth review following the implementation of the charity's Total Reward Strategy agreed by the Board in 2019. The overriding principles of the Strategy are for the charity's total reward offering to be competitive, fair and sustainable. The principles guiding the Charity's pay management include basic pay reflecting a colleague's skills, competence and capability to perform their role, and with all roles aligned to a pay range built around market median pay levels.

As a result of the implementation of Total Reward Strategy in 2020, the Pay Policy & Procedure was rewritten to accurately reflect the new approach to pay and rewards introduced by the strategy. It clarifies how pay will be benchmarked and managed, and includes annual pay review, development reviews and the use of in-role development frameworks to reflect the development of skills and knowledge.

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

## Trustees' report

Board as at 6 July 2021		Board Committees		
Trustees	Year of appointment	Audit & Risk	Nomination	Remuneration
John Griffith-Jones (Chair of the Board)	2019		●	
Josh Bell	2018			●
Nick Caplan	2019	●		
Helen Dean CBE	2019		●	●
Tim Frost	2017	●		
Andy Hill	2016			
Monica Kalia	2017		●	●
Yvonne MacDermid OBE	2021			
Chris Stern (Senior Independent Director)	2016	●	●	
Lesley Titcomb CBE	2019	●		
Chris Wood	2021			●

There have been two resignations since the last report; John Fingleton resigned with effect from 30 April 2020; and Sue Lewis resigned with effect from 1 June 2021.

- Chair
- Member

The Trustees at 6 July 2021 are listed below:

### John Griffith-Jones

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

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

### Josh Bell

Josh joined the Board in 2018. He is a General Partner at Dawn Capital, a FinTech-focused venture capital firm, leading their investments in transformative financial technologies across the UK and Europe. Before co-founding Dawn in 2007, Josh worked with McKinsey & Company, specialising in financial services and leading McKinsey's support for the World Economic Forum's financial services knowledge initiatives and activities. He was a Graduate Scholar at Oxford University in Mathematics, a Research Fellow at Harvard University specialising in Economics and Game Theory and studied further postgraduate statistics at Cambridge University.

### Nick Caplan

Nick joined the Board in 2019. He has significant Financial Services and Technology experience gained across a range of roles and sectors in both senior Executive and Non-Executive roles. In addition to his role at StepChange, he is also a Non-Executive Director at Vitality Health and Life; and at Covea Insurance, Chairman of AND Digital, and Pay Later Group, and a founder of Ordo, a new payments company. Nick previously held a number of senior Executive and Non-Executive positions including Chair of Faster Payments, a key part of the UK's payments infrastructure; Chair of MyCSP a public sector pensions administrator and an executive director of Logica, a major IT services company.

### Helen Dean CBE

Helen Dean, CEO of NEST Corporation, is one of the architects of auto enrolment and responsible for bringing nearly 10 million UK workers into pension saving, including many low and middle-income earners. Helen was a senior civil servant at DWP before joining PADA, NEST's predecessor, where she moved from developing policy to delivering a low-cost, high-quality pension scheme. Helen led the product, marketing and operations arms of NEST before her appointment as CEO in 2015. Since then, Helen has been at the helm of one of the largest pension schemes in the UK with over 9 million members.

### Tim Frost

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

### Andy Hill

Andy joined the Board in 2016, and is Chair of the Voluntary Arrangements Subsidiary Board, and Independent Non Executive Director of the Equity Release Subsidiary Board at StepChange. He is retired from his role as CEO at Damart UK and member of Damartex SA Group Board, and is now focusing on non-executive director responsibilities, primarily with StepChange. A qualified accountant, he has extensive experience in the mail order and retail industries having previously worked for Next, Redcats and the Lennons Group, with direct board responsibility across a range of disciplines including finance, marketing, customer services and IT. He previously served as director of the UK Direct Marketing Association and Chairman of its Home Shopping Council.

### Monica Kalia

Monica joined the Board in 2017. She is a highly accomplished senior executive with over 20 years of experience in Financial Services. In 2015, Monica co-founded Neyber, pioneering the creation of the UK salary deducted lending market, offering an affordable borrowing solution to hundreds of thousands of UK employees. Monica now acts as fintech advisor and investor. Formerly, Monica was the Co-Head of the European Banks Equity Research team at Goldman Sachs. She is a regular speaker at Global Fintech and Employee Wellbeing Conferences, sharing her perspective on financial inclusion, innovation and disruption in financial services. She was invited by House of Lords Select Committee to provide evidence on how Fintech can help address financial exclusion in UK. Monica was recognised by Forbes as one of the top female leaders in Fintech, included in Women in Fintech Power List by Innovate Finance UK and the recipient of the Chairman's award for outstanding contribution to UK tech in the Diversity UK awards in 2018, and is listed as one of the Top 100 most influential BAME leaders in UK tech by the Financial Times & Inclusive Boards.

### Yvonne MacDermid OBE

Yvonne joined the Board in June 2021. She has been involved in credit and debt matters for almost 34 years, and recently stepped down after almost 24 years as Chief Executive of Money Advice Scotland. She is passionate about the provision of debt advice and financial education, and treating customers fairly, and committed to working with government, regulators, and all parts of the credit, debt collection/purchase industries. Yvonne is a Non Executive Board member and Director sitting on four Boards from across the public, private and voluntary sectors, including the Credit Services Association, and its subsidiary; and Money Advice Liaison Group (MALG). She is also Trustee of Pollok Credit Union. In 2002 Yvonne received the OBE for services to disadvantaged communities, and in 2018 she was awarded the inaugural "Women in Credit" Lifetime Achievement Award.

### Chris Stern

Chris Stern, FCCA FCMI, joined the Board in 2016 and is Senior Independent Director at StepChange. He has significant Financial Services and Customer Service experience, gained across a range of roles and sectors, in both a senior Executive and Non Executive capacity. In addition to his role at StepChange, he is a Non Executive Director on the Centrica Pension Investment Board and a senior Pension Trustee, and a trustee within the youth charity YMCA, holding a number of trustee and committee positions within its national and regional structure. Chris previously held a number of Senior Executive and Non Executive positions within the Centrica Group. These included Chairman of British Gas Insurance and British Gas Finance Ltd (a regulated Consumer Credit provider) and NED of British Gas Services and Home Assistance UK Ltd, both regulated Financial Service intermediaries. His senior executive positions included Divisional Chief Executive and Finance Director roles, within the Financial Services, Customer and Retail Services, and Automotive, sectors. Chris is a qualified accountant and a Lay Minister within the Church of England.

### Lesley Titcomb CBE

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

### Chris Wood

Chris joined the Board in February 2021. He has significant Financial Services and Payments experience, and is a qualified chartered accountant. For the last 15 years he has run scale businesses and functions for Barclays and Barclaycard in the UK, Europe and North America, and he has extensive experience in both Executive and Non-Executive roles. Prior to Barclays, Chris worked as a consultant for Accenture for ten years with clients in Europe, North America and Australasia specialising in Financial Services. Chris is an independent adviser with Bain & Company and a member of PilotLight, supporting and guiding charitable organisations.

# Executive Team

## Phil Andrew Chief Executive

Phil has almost 30 years of varied experience as Chairman, CEO, CFO, NED and Treasurer in government owned organisations, blue-chip companies and charities in the UK, Ireland, Russia, France and the Far East. Phil is a Chartered Accountant, qualified treasurer and Chartered Marketer.

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

Over the last 15 years he has specialised in environments where social good is the primary objective but in an environment requiring very high levels of commercial efficiency. Phil is Non-Executive Director of Raven Housing Association and Vice-Chair of the Marketors' Trust, a City of London charity.

## Lorraine Dunn Acting Director of Operational Delivery

Lorraine is the Acting Director of Operational Delivery and leads the charity's operational teams who provide debt advice and ongoing service provision across a number of sites in the UK.

Lorraine started her career in Financial Services where she gained a wealth of operational experience leading multi-site contact centre's and has an MBA from Bradford University. Lorraine joined the charity in 2012 and during this time she has held the positions of Head of Debt Advice and Head of Debt Management.

## Vikki Brownridge Director of Client Experience

Vikki is the Director of Client Experience. She's responsible for business development and the management of strategic relationships including funders and creditors. Vikki has worked at the charity for over 14 years in a number of senior leadership positions including Head of Debt Advice and Head of Strategic Partnerships.

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

## Richard McKenzie Director of Risk and Compliance

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

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

## Richard Britten Director of Finance

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

## Richard Lane Director of External Affairs and Operating Subsidiaries

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

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

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

## Sian Evans Director of Human Resources and Estates Strategy

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

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

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

## Lorna Allan Chief Information Officer

Lorna is the charity's first Chief Information Officer and is responsible for our Technology teams, leading our Enterprise Architecture roadmap and looking after the delivery of our charity change projects. She has over 20 years' experience in delivering IT Services and technology transformation in a wide range of business sectors, including government organisations and large international businesses. Prior to joining StepChange, Lorna was CIO for Hitachi Capital (UK) Ltd.

## Fiona Megaw Chief Operating Officer

Fiona Megaw left her position of Chief Operating Officer after almost 20 years' service, and the Trustees wish to record their thanks to Fiona for her long service and dedication to the charity during this time.

## Streamlined Energy and Carbon Reporting (SECR)

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

For 2020, we collected the energy usage data for all our sites in the UK and the business travel data for the colleagues claiming business mileage using personal or charity leased vehicles to estimate the emissions driven by our operations. We have then uplifted these estimates by 5% to cover uncertainty in line with Intergovernmental Panel on Climate Change's *Good Practice Guidance and Uncertainty Management in National Greenhouse Gas inventories* and our own internal assessment of data coverage and quality.

During the year we have undertaken an energy saving program of work, including the installation of LED lighting and Passive Infrared automated detection systems in a selection of sites. The impact of COVID19 has also significantly reduced electricity consumption and business travel emissions, with the vast majority of colleagues working from home from the end of March 2020.

In December 2020 we committed to a lease for a more energy efficient head office building in Leeds with a significant reduction in footprint to better accommodate flexible working approaches.

UK Greenhouse gas emissions and energy use data	2020
<b>Energy consumption used to calculate emissions (kWh)</b>	3,242,863
<b>Scope 1 emissions in metric tonnes CO2e</b>	▼
Business travel in vehicles on company lease	4.50
<b>Scope 2 emissions in metric tonnes CO2e</b>	▼
Purchased electricity	482.57
Gas consumption	203.25
<b>Total Scope 2</b>	685.82
<b>Scope 3 emissions in metric tonnes CO2e</b>	▼
Business travel in colleague owned vehicles	14.46
<b>Total gross emissions in metric tonnes CO2e</b>	704.78
<b>Intensity ratio Tonnes CO2e per FTE</b>	0.48

## Reference and administrative details

### Company name

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

### Registered and Principal Office

123 Albion Street,  
Leeds, LS2 8ER.

### Important numbers

**Company number:**  
02757055 in England and Wales.

**Charity numbers:**

- 1016630 in England and Wales,
- SC046263 in Scotland
- FCA number 729047.

### Constitution

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

The charitable objects for which the charity was established are:

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

### Professional Advisors

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

### Internal auditors

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

### Legal advisors

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

### External auditors

A resolution for the reappointment of PricewaterhouseCoopers LLP as auditors for the charity was proposed at the July 2021 Board meeting.

# Statement of Trustees' Responsibilities

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

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

## In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Statement of Recommended Practice: Accounting and Reporting by Charities (2015);
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006, Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees confirm that they have had regard to the Charity Commission's guidance on public benefit in reporting on the charity's objectives and achievements on pages 9 to 31.

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

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

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

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



**John Griffith-Jones** Chair  
6 July 2021

## Financials



# Independent auditors' report to the Board of Trustees of Foundation for Credit Counselling



## Report on the audit of the financial statements

### Opinion

In our opinion, Foundation for Credit Counselling's group financial statements and charity financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the charity's affairs as at 31 December 2020 and of the group's incoming resources and application of resources, including its income and expenditure, and cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the group and charity balance sheets as at 31 December 2020; the consolidated group and charity statements of financial activities (incorporating an income and expenditure statement), and the group and charity cash flow statements for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies.

### Basis for opinion

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

### Independence

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

### Conclusions relating to going concern

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

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

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

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

### Reporting on other information

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

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

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

### Trustees' Report

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

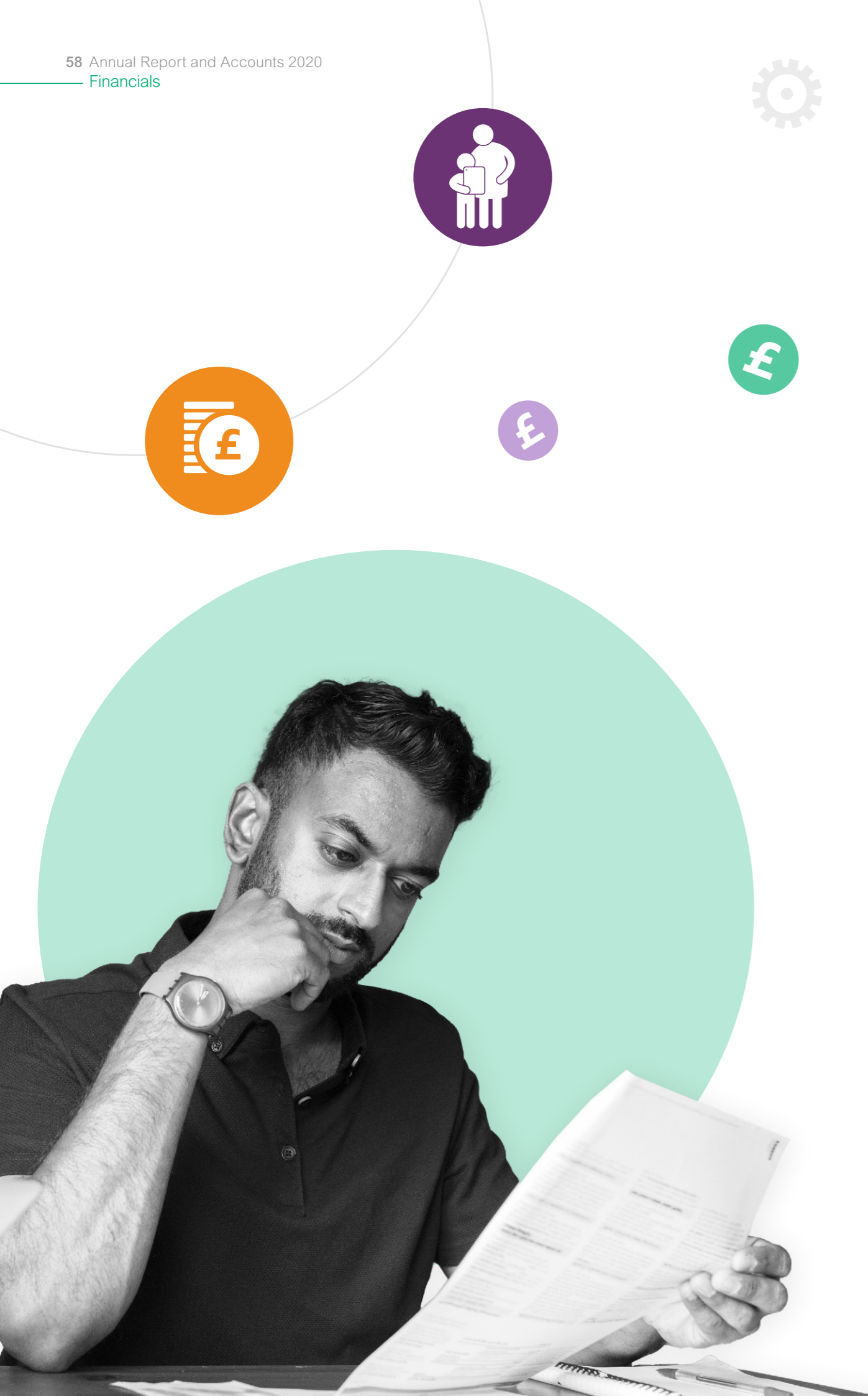
In addition, in light of the knowledge and understanding of the group and charity and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Trustees' Report. We have nothing to report in this respect.

### Responsibilities for the financial statements and the audit

#### Responsibilities of the Board of Trustees for the financial statements

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

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



### Auditors' responsibilities for the audit of the financial statements

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

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

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

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

Review of the financial statement disclosures and underlying supporting documentation and enquiries of management in relation to disclosures within the financial statements. There are inherent limitations in the audit procedures described above. We are less likely to

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

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

### Use of this report

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

### Other required reporting

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

We have no exceptions to report arising from this responsibility.

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

7 July 2021

## Consolidated statement of financial activities

Year ended 31 December 2020

	Note(s)	Restricted funds 2020 £'000	Unrestricted funds 2020 £'000	Total funds 2020 £'000	Total funds 2019 £'000
<b>Income</b>					
Donations	2	—	1,472	1,472	997
Charitable activities	3	11,095	42,464	53,559	48,099
Other trading activities	4	—	4,579	4,579	5,051
Investments	5	—	28	28	10
Other	6	—	926	926	403
<b>Total income</b>		<b>11,095</b>	<b>49,469</b>	<b>60,564</b>	<b>54,560</b>
<b>Expenditure</b>					
Raising funds: other trading activities	7	—	3,440	3,440	3,718
Charitable activities	8,9	10,756	48,046	58,802	51,007
Transformation	10	—	1,153	1,153	1,972
Other		—	7	7	6
<b>Total expenditure</b>		<b>10,756</b>	<b>52,646</b>	<b>63,402</b>	<b>56,703</b>
<b>Net income/(expenditure) for the year before taxation</b>					
Before transformation costs		339	(2,024)	(1,685)	(171)
After transformation costs		339	(3,177)	(2,838)	(2,143)
Net income/(expenditure) for the year before taxation		339	(3,177)	(2,838)	(2,143)
Taxation on other trading activities	14	—	—	—	—
<b>Net income/(expenditure) and net movement of funds for the year</b>		<b>339</b>	<b>(3,177)</b>	<b>(2,838)</b>	<b>(2,143)</b>
<b>Reconciliation of funds</b>					
Total funds at 1 January 2020		416	20,511	20,927	23,070
<b>Total funds at 31 December 2020</b>	<b>22,23</b>	<b>755</b>	<b>17,334</b>	<b>18,089</b>	<b>20,927</b>

## Charity statement of financial activities

Year ended 31 December 2020

	Note(s)	Restricted funds 2020 £'000	Unrestricted funds 2020 £'000	Total funds 2020 £'000	Total funds 2019 £'000
<b>Income</b>					
Donations	2	—	2,797	2,797	2,201
Charitable activities	3	11,095	42,464	53,559	48,099
Other trading activities	4	—	—	—	—
Investments	5	—	33	33	14
Other	6	—	715	715	403
<b>Total income</b>		<b>11,095</b>	<b>46,009</b>	<b>57,104</b>	<b>50,717</b>
<b>Expenditure</b>					
Raising funds: other trading activities	7	—	—	—	—
Charitable activities	8,9	10,756	48,046	58,802	51,007
Transformation	10	—	1,153	1,153	1,972
Other		—	7	7	6
<b>Total expenditure</b>		<b>10,756</b>	<b>49,206</b>	<b>59,962</b>	<b>52,985</b>
<b>Net income/(expenditure) for the year before taxation</b>					
Before transformation costs		339	(2,044)	(1,705)	(296)
After transformation costs		339	(3,197)	(2,858)	(2,268)
Net income/(expenditure) for the year before taxation		339	(3,197)	(2,858)	(2,268)
Taxation on other trading activities	14	—	—	—	—
<b>Net income/(expenditure) and net movement in funds for the year</b>		<b>339</b>	<b>(3,197)</b>	<b>(2,858)</b>	<b>(2,268)</b>
<b>Reconciliation of funds</b>					
Total funds at 1 January 2020		416	19,199	19,615	21,883
<b>Total funds at 31 December 2020</b>	<b>22,23</b>	<b>755</b>	<b>16,002</b>	<b>16,757</b>	<b>19,615</b>

## Balance sheets

31 December 2020

	Note(s)	Group 2020 £'000	Group 2019 £'000	Charity 2020 £'000	Charity 2019 £'000
<b>Fixed assets</b>					
Intangible assets	15	5,662	7,818	5,662	7,818
Tangible assets	16	1,378	710	1,378	709
Investments	17	—	—	5	5
		<b>7,040</b>	<b>8,528</b>	<b>7,045</b>	<b>8,532</b>
<b>Current assets</b>					
Debtors	18	9,177	8,309	8,713	7,749
Investments		—	—	—	—
Cash and cash equivalents	19	7,400	8,267	6,358	7,191
		<b>16,577</b>	<b>16,576</b>	<b>15,071</b>	<b>14,940</b>
<b>Current liabilities</b>					
Creditors: amounts falling due within one year	20	(5,528)	(4,177)	(5,359)	(3,857)
<b>Net current assets</b>		<b>11,049</b>	<b>12,399</b>	<b>9,712</b>	<b>11,083</b>
<b>Net assets</b>		<b>18,089</b>	<b>20,927</b>	<b>16,757</b>	<b>19,615</b>
<b>Total group funds</b>					
Unrestricted funds	22	17,334	20,511	16,002	19,199
Restricted funds	23	755	416	755	416
		<b>18,089</b>	<b>20,927</b>	<b>16,757</b>	<b>19,615</b>

The financial statements on pages 60 to 81 were approved by the Trustees on 6 July 2021 and were signed on their behalf by



John Griffith-Jones  
Chair  
6 July 2021

## Cash flow statements

Year ended 31 December 2020

	Note(s)	Group 2020 £'000	Group 2019 £'000	Charity 2020 £'000	Charity 2019 £'000
<b>Reconciliation of net (expenditure)/ income to net cash flows from operating activities</b>					
Net movement in funds		(2,838)	(2,143)	(2,858)	(2,268)
Investment income		(28)	(10)	(33)	(14)
Depreciation and amortisation charge		2,635	985	2,634	985
Result on intangible asset write off		97	—	97	—
(Increase)/decrease in debtors		(868)	2,000	(964)	2,083
Increase/(decrease) in creditors		1,351	(487)	1,502	(567)
<b>Net cash generated from operating activities</b>		<b>349</b>	<b>345</b>	<b>378</b>	<b>219</b>
<b>Investing activities</b>					
Purchase of tangible and intangible fixed assets		(1,244)	(2,191)	(1,244)	(2,191)
Net cash inflow from current asset investments		—	—	—	—
Interest received		28	10	33	14
<b>Net cash provided used in investing activities</b>		<b>(1,216)</b>	<b>(2,181)</b>	<b>(1,211)</b>	<b>(2,177)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(867)</b>	<b>(1,836)</b>	<b>(833)</b>	<b>(1,958)</b>
Cash and cash equivalents at 1 January		8,267	10,103	7,191	9,149
<b>Total cash and cash equivalents at 31 December</b>	<b>19</b>	<b>7,400</b>	<b>8,267</b>	<b>6,358</b>	<b>7,191</b>

# Notes to the financial statements

Year ended 31 December 2020

## 1. Accounting Policies

The principal accounting policies are summarised below.

### a) Basis of preparation

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

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

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

### b) Group accounts

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

### c) Incoming resources

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

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

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

### d) Resources expended

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

### e) Intangible fixed assets

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

### f) Tangible fixed assets

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

### g) Investments

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

### h) Cash and cash equivalents

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

### **i) Financial instruments**

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

### **j) Leasing**

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

### **k) Taxation**

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

### **l) Pensions**

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

### **m) Employee benefits**

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

### **n) Funds**

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

### **o) Judgements and key sources of estimation uncertainty**

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

### **Intangible Impairment**

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

### **Bad debt provision**

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

### **Cost allocation**

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

## 2. Donations

	Group unrestricted funds 2020 £'000	Group unrestricted funds 2019 £'000	Charity unrestricted funds 2020 £'000	Charity unrestricted funds 2019 £'000
Donations from the utility sector	411	596	411	596
Other donations	1,061	401	2,386	1,605
	<b>1,472</b>	<b>997</b>	<b>2,797</b>	<b>2,201</b>

Included within the charity's other donations is £1,324,377 (2019: £1,203,612) received from its subsidiary undertakings through Gift Aid Donations.

## 3. Income from charitable activities

	Restricted funds 2020 £'000	Unrestricted funds 2020 £'000	Total 2020 £'000	Total 2019 £'000
<b>Group</b>	▼	▼	▼	▼
Debt advice and solutions	11,095	42,464	53,559	48,099
<b>Charity</b>	▼	▼	▼	▼
Debt advice and solutions	11,095	42,464	53,559	48,099

## 4. Income from other trading activities

	Group unrestricted funds 2020 £'000	Group unrestricted funds 2019 £'000	Charity unrestricted funds 2020 £'000	Charity unrestricted funds 2019 £'000
Insolvency service	3,530	3,664	—	—
Equity release services	1,049	1,387	—	—
	<b>4,579</b>	<b>5,051</b>	—	—

## 5. Investment income

	Group unrestricted funds 2020 £'000	Group unrestricted funds 2019 £'000	Charity unrestricted funds 2020 £'000	Charity unrestricted funds 2019 £'000
Bank interest	28	10	28	10
Intercompany interest receivable	—	—	5	4
	<b>28</b>	<b>10</b>	<b>33</b>	<b>14</b>

## 6. Other income

	Group unrestricted funds 2020 £'000	Group unrestricted funds 2019 £'000	Charity unrestricted funds 2020 £'000	Charity unrestricted funds 2019 £'000
Commission income from mortgage advisors and insolvency practitioners	114	207	114	207
Other	812	196	601	196
	<b>926</b>	<b>403</b>	<b>715</b>	<b>403</b>

## 7. Expenditure on raising funds: other trading activities

	Group unrestricted funds 2020 £'000	Group unrestricted funds 2019 £'000	Charity unrestricted funds 2020 £'000	Charity unrestricted funds 2019 £'000
Insolvency service	2,397	2,628	—	—
Equity release services	1,043	1,090	—	—
	<b>3,440</b>	<b>3,718</b>	—	—

## 8. Expenditure on charitable activities

	Direct costs 2020 £'000	Support & governance costs 2020 £'000	Total 2020 £'000	Total 2019 £'000
<b>Group unrestricted funds</b>				
Debt advice	11,975	10,847	22,822	23,804
Client management	12,511	8,190	20,701	19,382
Promotion of charitable purpose	3,711	812	4,523	3,420
<b>Total</b>	<b>28,197</b>	<b>19,849</b>	<b>48,046</b>	<b>46,606</b>
<b>Group restricted funds</b>				
Debt advice	7,881	2,464	10,345	4,227
Client management	42	15	57	—
Promotion of charitable purpose	336	18	354	174
<b>Total</b>	<b>8,259</b>	<b>2,497</b>	<b>10,756</b>	<b>4,401</b>
<b>Total expenditure on charitable activities</b>	<b>36,456</b>	<b>22,346</b>	<b>58,802</b>	<b>49,211</b>
<b>Charity unrestricted funds</b>				
Debt advice	11,975	10,847	22,822	23,804
Client management	12,511	8,190	20,701	19,382
Promotion of charitable purpose	3,711	812	4,523	3,420
<b>Total</b>	<b>28,197</b>	<b>19,849</b>	<b>48,046</b>	<b>46,606</b>
<b>Charity restricted funds</b>				
Debt advice	7,881	2,464	10,345	4,227
Client management	42	15	57	—
Promotion of charitable purpose	336	18	354	174
<b>Total</b>	<b>8,259</b>	<b>2,497</b>	<b>10,756</b>	<b>4,401</b>
<b>Total expenditure on charitable activities</b>	<b>36,456</b>	<b>22,346</b>	<b>58,802</b>	<b>51,007</b>

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 2020 £'000	Client management 2020 £'000	Promotion of charitable purpose 2020 £'000	Total 2020 £'000	Total 2019 £'000
<b>Unrestricted funds</b>					
IT, digital & change	5,901	4,326	424	10,651	8,262
Corporate services	3,056	2,309	233	5,598	5,613
People services	1,700	1,416	142	3,258	3,457
Governance	189	139	14	342	367
<b>Total</b>	<b>10,846</b>	<b>8,190</b>	<b>813</b>	<b>19,849</b>	<b>17,699</b>
<b>Restricted funds</b>					
IT, digital & change	2,154	13	16	2,183	0
Corporate services	83	1	1	85	248
People services	227	1	1	229	0
<b>Total</b>	<b>2,464</b>	<b>15</b>	<b>18</b>	<b>2,497</b>	<b>248</b>
<b>Total support and governance costs</b>	<b>13,310</b>	<b>8,205</b>	<b>831</b>	<b>22,346</b>	<b>17,947</b>

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

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

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

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

## 10. Transformation

	Group and charity 2020 £'000	Group and charity 2019 £'000
Professional fees	—	70
Incremental project resource costs	1,153	1,902
	<b>1,153</b>	<b>1,972</b>

During 2020, further project resource costs were incurred in respect of the Pulse system, both in platform optimisation and system development in respect to the digital referral channel, neither category of which meet the criteria for capitalisation

under FRS102. Following successful deployment of the digital referral channel, all further costs in relation to routine platform maintenance is classified as expenditure in respect of charitable activities.

## 11. Auditors' remuneration

	Total 2020 £'000	Total 2019 £'000
<b>Fees payable to the charity's auditors</b>		
Audit of the financial statements (charity)	49	43
Audit of the financial statements (subsidiaries)	17	17
Other assurance services	37	35
Tax advisory services	15	27
	<b>118</b>	<b>122</b>

## 12. Employees

	2020 No.	2019 No.
<b>i) Average number of persons employed by the group</b>		
Debt advice	658	611
Client management	484	466
Promotion of charitable purposes	49	37
Insolvency services	66	75
Equity release services	25	25
Support services	245	249
	<b>1,527</b>	<b>1,463</b>

The total average full time equivalent (FTE) numbers in 2020 were 1,464 (2019: 1,399).

	2020 No.	2019 No.
<b>ii) Staff costs</b>		
Wages and salaries	38,972	35,936
Social security costs	3,781	3,412
Pension costs	1,938	1,427
Other payroll related benefits	279	308
	<b>44,970</b>	<b>41,083</b>

The remuneration of key management personnel (members of the Executive team) is £1,279,000 (2019: £1,055,000). The total remuneration of the Chief Executive Officer was £190,963 in 2020 of which £167,508 comprises basic salary (2019: total remuneration £175,840 and basic salary £158,875).

The Chief Executive Office is not a member of the contributory pension scheme and total remuneration includes a payment in lieu of pension contributions of £11,404 (2019: £10,332).

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

	2020 No.	2019 No.
£60,001 – £70,000 <sup>1</sup>	17	12
£70,001 – £80,000	8	6
£80,001 – £90,000	9	4
£90,001 – £100,000	—	3
£100,001 – £110,000	3	—
£110,001 – £120,000	—	1
£120,001 – £130,000	2	1
£130,001 – £140,000	1	1
£140,001 – £150,000	1	—
£150,001 – £160,000	1	1
£160,001 – £170,000	—	—
£170,000 – £180,000	—	1
£180,000 – £190,000	1	—
£200,001 – £210,000	—	—
<b>Total</b>	<b>43</b>	<b>30</b>

Contributions were made to defined contribution schemes for a total of 41 (2019: 29) of higher-paid employees.

<sup>1</sup> Included within the 2019 amounts is a termination payment of £12,969

## 13. Trustees

Prior to the current Chair's appointment, a written order was approved by the Charity Commission for a 'regulated alteration' to the Articles of Association to permit remuneration to the Chair of the Board and a special resolution to amend the Articles was passed in April 2019. In line with this approval, the Chair of the Board of Trustees, John Griffith-Jones, received remuneration of £12,000 in the year. No additional benefits or pension contributions were paid.

None of the remaining Trustees (or any persons connected with them) received any remuneration during the year. One of the Trustees were reimbursed for out of pocket expenses incurred in attending Trustee meetings totalling £88 (2019: Four Trustees reimbursed for expenses totalling £986).

Indemnity insurance is taken out to provide liability cover to protect any charity Trustee, employee or officer from claims arising against them as a result of an actual or alleged 'wrongful act' when performing the scope of their regular duties. The cost of providing this insurance is £13,093 (2019: £12,085).

#### 14. Taxation on other trading activities

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

	Total 2020 £'000	Total 2019 £'000
<b>Analysis of charge in the year</b>		
Deferred tax on trading losses	—	—

#### 15. Intangible assets

	Group £'000	Charity £'000
<b>Cost</b>		
At 1 January 2020	8,333	8,333
Additions	—	—
Group transfers	—	—
Write-off	(97)	(97)
<b>At 31 December 2020</b>	<b>8,236</b>	<b>8,236</b>
<b>Accumulated Amortisation</b>		
At 1 January 2020	515	515
Charge for the year	2,059	2,059
Group transfers	—	—
Write-off	—	—
<b>At 31 December 2020</b>	<b>2,574</b>	<b>2,574</b>
<b>Net book value</b>		
<b>At 31 December 2020</b>	<b>5,662</b>	<b>5,662</b>
<b>At 31 December 2019</b>	<b>7,818</b>	<b>7,818</b>

All intangible assets relate to internal software development.

#### 16. Tangible assets

	2020		2019	
	Group £'000	Charity £'000	Group £'000	Charity £'000
<b>Cost</b>				
At 1 January 2020	7,037	6,612	9,695	9,270
Additions	1,244	1,244	294	294
Group transfers	—	—	—	—
Disposals	0	0	(2,952)	(2,952)
<b>At 31 December</b>	<b>8,281</b>	<b>7,856</b>	<b>7,037</b>	<b>6,612</b>
<b>Accumulated Depreciation</b>				
At 1 January 2020	6,327	5,903	8,809	8,385
Charge for the year	576	575	470	470
Group transfers	—	—	—	—
Disposals	0	0	(2,952)	(2,952)
<b>At 31 December</b>	<b>6,903</b>	<b>6,478</b>	<b>6,327</b>	<b>5,903</b>
<b>Net book value</b>				
<b>At 31 December</b>	<b>1,378</b>	<b>1,378</b>	<b>710</b>	<b>709</b>
<b>At 1 January</b>	<b>710</b>	<b>709</b>	<b>886</b>	<b>885</b>

All tangible assets are fixtures, fittings and equipment.

## 17. Investments

			2020	2019
Charity			£	£
Subsidiary undertakings			5,001	5,001
			2020	2019
	Company registration	Activities	£	£
Subsidiary undertakings as at 31 December				
Consumer Credit Counselling Service (Voluntary Arrangements) Ltd	05659160	Insolvency services	1	1
Consumer Credit Counselling Service (Equity Release) Ltd	06741879	Advice for Equity Release and Mortgages	5,000	5,000
Debt Remedy Ltd	07869502	Dormant	—	—
StepChange Equity Release Ltd	08056301	Dormant	—	—
StepChange Financial Solutions Ltd	08561006	Dormant	—	—
StepChange Voluntary Arrangements Ltd	08056168	Dormant	—	—
			5,001	5,001

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

Foundation for Credit Counselling held a 100% interest in all of the subsidiary undertakings.

A summary of the results and balance sheet of the subsidiaries are given below:

	2020	2019
	£'000	£'000
<b>Consumer Credit Counselling Service Voluntary Arrangements Limited</b>		
Turnover	3,575	3,665
Cost of sales	(1,738)	(1,752)
Gross profit	1,837	1,913
Administrative expenses	(658)	(876)
<b>Profit for the financial year</b>	<b>1,179</b>	<b>1,037</b>
Assets	1,527	1,539
Liabilities	(354)	(514)
<b>Shareholders' funds</b>	<b>1,173</b>	<b>1,025</b>
<b>Consumer Credit Counselling Service (Equity Release) Limited</b>		
Turnover	1,215	1,387
Cost of sales	(1,043)	(1,095)
Operating profit	172	292
Interest payable	(6)	(5)
Taxation	—	—
<b>Profit for the financial year</b>	<b>166</b>	<b>287</b>
Assets	616	630
Liabilities	(451)	(338)
<b>Shareholders' funds</b>	<b>165</b>	<b>292</b>

## 18. Debtors

	Group 2020 £'000	Group 2019 £'000	Charity 2020 £'000	Charity 2019 £'000
<b>Due within one year</b>				
Trade debtors	4,978	5,679	3,928	4,674
Prepayments and accrued income	4,140	2,525	4,090	2,437
Other debtors	59	105	58	105
Amounts owed by group undertakings	—	—	437	333
	9,177	8,309	8,513	7,549
Deferred tax asset (note 14)	—	—	—	—
	<b>9,177</b>	<b>8,309</b>	<b>8,513</b>	<b>7,549</b>
<b>Due after more than one year</b>				
Amounts owed by group undertaking	—	—	200	200
<b>Total</b>	<b>9,177</b>	<b>8,309</b>	<b>8,713</b>	<b>7,749</b>

The amount owed by a group undertaking after more than one year is a loan of £200,000 (2019: £200,000) made to Consumer Credit Counselling Service (Equity Release), a trading subsidiary of Foundation for Credit Counselling. Interest is charged at a rate of 2.50% and is subject to annual review. The loan is repayable on any date agreed in writing between the

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

## 19. Cash and cash equivalents

	Group 2020 £'000	Group 2019 £'000	Charity 2020 £'000	Charity 2019 £'000
<b>Cash and cash equivalents</b>				
Cash balances	7,400	8,267	6,358	7,191
Bank deposits	—	—	—	—
<b>Total cash and cash equivalents</b>	<b>7,400</b>	<b>8,267</b>	<b>6,358</b>	<b>7,191</b>

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

## 20. Creditors: amounts falling due within one year

	Group 2020 £'000	Group 2019 £'000	Charity 2020 £'000	Charity 2019 £'000
<b>Creditors: amounts falling due within one year</b>				
Trade creditors	1,575	888	1,540	848
Other taxes and social security costs	986	911	966	888
Accruals and other creditors	2,967	2,378	2,853	2,121
	<b>5,528</b>	<b>4,177</b>	<b>5,359</b>	<b>3,857</b>

## 21. Operating lease commitments

	Land and buildings 2020 £'000	Other 2020 £'000	Total 2020 £'000	Total 2019 £'000
<b>Expiry date</b>				
Within one year	55	76	131	201
Between one and five years	1,946	209	2,155	3,133
After five years	8,402	—	8,402	—
	<b>10,403</b>	<b>285</b>	<b>10,688</b>	<b>3,334</b>
<b>Net expenditure for the year before taxation is stated after charging</b>				
Operating lease charges	1,746	215	1,961	1,905

## 22. Movements in unrestricted funds

	At 1 Jan 2020 £'000	Incoming resources £'000	Outgoing resources £'000	At 31 Dec 2020 £'000
<b>Group</b>				
General reserves	20,511	49,469	(52,646)	17,334
<b>Charity</b>				
General reserves	19,199	46,009	(49,206)	16,002

## 23. Movements in restricted funds

	At 1 Jan 2020 £'000	Incoming resources £'000	Outgoing resources £'000	At 31 Dec 2020 £'000
<b>Group and charity</b>				
MaPS	—	9,118	(9,104)	14
Ireland - Advice	302	—	—	302
Scottish Ministers	114	1,202	(1,160)	156
Welsh Ministers	—	175	(175)	—
Barclays Execution Services Limited	—	600	(317)	283
	<b>416</b>	<b>11,095</b>	<b>(10,756)</b>	<b>755</b>

### MaPS Grant

FCC continued to receive grant funding from the Money and Pension Service (MaPS) to support advice provided by both telephone and digital channels for the period up to 31st March 2021. Through the year additional grant funding was received to fund the establishment of a persistent debt service and to support sector collaboration in the Pilot Advisor Capacity Efficiency (PACE) project. Following the impact of the COVID-19 pandemic, additional grant funds were made available to mitigate core income stream reductions and protect advice capacity and to support the development of a specific COVID payment plan (CVPP) product, tailored for clients suffering short-term adverse debt servicing impacts as a result of the pandemic.

### Ireland – advice

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

### Scottish Ministers

FCC received funding under two agreements from the Scottish Ministers. Firstly, for the provision of a telephone debt advice service to indebted individuals for a 1 year period from the 1st April 2019 and subsequently the provision of a specialist debt service with a particular focus on vulnerable clients for the period from 30th May 2019 to 31st March 2020. Both of these agreements were renewed up to 31st March 2021 and additional agreements were also entered into to provide more tailored support to clients impacted by the COVID-19 pandemic.

### Welsh Ministers

FCC received funding for the provision of a telephone debt advice to indebted individuals for a 1 year period from the 1st April 2019 from the Welsh ministers. This agreement was renewed up to 31st March 2021 and a further agreement was entered into to provide more tailored support to clients impacted by the COVID-19 pandemic.

### Barclays Execution Services Limited

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

The summary of the assets and liabilities for the total restricted funds, disclosed by contract and the total unrestricted funds.

	MaPS £'000	Scotland £'000	Ireland £'000	Barclays £'000	Total restricted £'000	Total unrestricted £'000	Total funds £'000
<b>Fixed Assets</b>							
Intangible assets	—	—	—	—	—	—	—
Tangible assets	—	—	—	—	—	—	—
	—	—	—	—	—	—	—
<b>Current Assets</b>							
Debtors	—	—	—	—	—	—	—
Investments	—	—	—	—	—	—	—
Cash at bank and in hand	14	156	302	283	755	—	755
	<b>14</b>	<b>156</b>	<b>302</b>	<b>283</b>	<b>755</b>	—	<b>755</b>
Creditors: Amounts falling due within one year	—	—	—	—	—	—	—
<b>Net Current Assets</b>	<b>14</b>	<b>156</b>	<b>302</b>	<b>283</b>	<b>755</b>	—	<b>755</b>
<b>Net Assets</b>	<b>14</b>	<b>156</b>	<b>302</b>	<b>283</b>	<b>755</b>	—	<b>755</b>

## 24. Related party disclosures

On a consolidated basis, there were no (2019: none) transactions undertaken with related parties during the year. The charity provided a loan of £200,000 (2019: £200,000) to Consumer Credit Counselling Service (Equity Release). The details are disclosed within note 18.

## 25. Pension costs

The charity operates defined contribution pension schemes. The assets of the schemes are held separately from those of the company, being invested with insurance companies as per the employee's instructions. The pension cost charge represents contributions payable by the charity to the pension funds and amounted to £1,937,845 (2019: £1,427,012). At the year end the pension creditor amounted to £313,402 (2019: £237,222).

# Thank you to our supporters

Each of these organisations supported us financially in 2020, and many have worked with us on policy to improve the debt landscape. We'd like to express our gratitude for their support, without which our work would not be possible.



- 118 118 Money
- Aaseya
- Aberdein Considine & Co
- Affinity Water
- American Express
- Anglian Water
- Arrow Global
- Barclays UK
- Bristol and Wessex Water
- BritainThinks
- Britford Bridge
- British Gas
- Cabot Credit Management
- Capital One
- Capital Resolve
- CARS
- Clydesdale Banking Group
- Computershare
- Co-operative Bank
- Creation Financial Services
- Credit Security
- Credit Style
- Damart
- Debt Managers Services Ltd
- E.ON
- Elderbridge
- Essex and Suffolk Water
- Freeman Grattan Holdings
- Hargreaves Lansdown
- Harvey and Thompson
- Hitachi Capital
- Hoist Finance
- Home Retail Group
- HSBC Bank
- Ikano Bank
- Intrum
- Jaja Finance
- Klarna
- Lantern
- Leeds Building Society
- Lendable Ltd
- Link Financial
- Lloyds Banking Group
- Lowell Financial
- Marston Group
- McCambridge Duffy
- Money and Pensions Service
- Moneyline
- Moorcroft Debt Recovery
- Morses Club
- N Brown
- Nationwide Building Society
- NatWest
- NewDay
- Northumbrian Water
- Npower
- Oakbrook Finance
- OVO Energy
- Paragon
- Pega
- PRA Group
- Provident Financial Group
- Pure Planet
- QBE
- Redcats
- Sage Housing
- Sainsbury's Bank
- Santander
- Scottish Government
- Southern Water
- Spark Energy
- StepChange Financial Solutions
- StepChange Voluntary Arrangements
- TBI Financial Services
- Tesco Bank
- Thames Water
- The Very Group
- TSB
- United Utilities
- Utilita Energy
- Virgin Money
- Welsh Government
- Welsh Water
- Yorkshire Water

