# Annual Report and Accounts 2017/18

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Company number 07172704

# The Money Advice Service Annual Report and Accounts 2017/18

The Accounts for the year ended 31 March 2018 are presented to Parliament pursuant to paragraph 9A (3) of Schedule 1A of the Financial Services and Markets Act 2000.

The Annual Report is presented to the House of Commons by Command of Her Majesty.

The Annual Report is presented to the House of Lords by Command of Her Majesty.

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# Company information

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# Contents

# Chairman's foreword

**By the end of 2018 the Money Advice Service will become part of the new Single Financial Guidance Body (SFGB) being set up by government, so this is our final Annual Report. With this in mind, I would like to take the opportunity to reflect on what has been achieved by the Money Advice Service (MAS) since I became chair in 2013. There were challenging times in the early years, and I want to thank my colleagues at MAS for their resilience, determination and passion for what we do. I also want to thank our many partners and stakeholders for their unwavering support. Together we have helped millions of people to take control of their money, and so to lead happier lives. It is wonderful that this important work will be continued and developed by the SFGB.**

Since 2012/13 the teams at MAS have significantly increased the number of people we reach with our services, and also the cost-effectiveness of that engagement. Back then, 3.2 million consumers were visiting our website each year looking for guidance on money matters. Last year this figure had more than tripled to 10.5 million. Meanwhile the cost of providing the service has fallen dramatically - from £0.60 per visit to just £0.16 per visit. Overwhelmingly, the people who visit our website say they find the information they are looking for to manage their money better, either with us or on the websites we signpost them to.  There is no doubt that the UK public really appreciate having access to an expert and comprehensive money guidance portal that they can be confident is on their side.

Over the last five years, by working collaboratively with our debt advice partners, we have also increased by nearly fivefold the number of debt advice sessions we fund each year- 487,000 in 2017/18. Meanwhile the cost per session has fallen by two thirds from £270 to just £90. Debt advice is a lifeline for the millions of people who are struggling with financial difficulties, so I cannot thank enough our debt advice partners for the essential work that they do.

Recognising that the demand for debt advice is exceeding supply, last year we developed a new commissioning strategy for the debt advice sector. The strategy takes forward key recommendations from the Wyman Review, which as Chair of the Debt Advice Steering Group (DASG), I commissioned in 2017. The Review not only secures funding for the sector for the foreseeable future, but also sets out a road map for improving the quality, reach and effectiveness of the advice that people receive. I want to give my thanks to Peter Wyman for his insights, and also to the DASG members for embracing the Review's challenging ambitions. The debt advice sector is now in a much better place than it was five years ago, and I am sure this progress will be built on by the SFGB in the years to come.

Nevertheless, I believe MAS's greatest achievement will come to be seen as the establishment of the Financial Capability Strategy, which we launched in 2015. The strategy has already met with an enthusiastic response from government and the financial services sector, as both recognise that helping people to be more financially capable is central to a well-functioning society. We owe much gratitude to our Financial Capability Board members who have helped us appreciate the complexity of the challenge, and also encouraged us to embrace the power of a collective impact approach. The Strategy is a marathon not a sprint, but the foundations for its success are now in place. Through our What Works Fund projects we already have a wealth of data about what interventions work best for which consumer groups, and a community of over 200 organisations affiliated to the Strategy who are already putting this knowledge to work.

All those involved with these achievements deserve to feel proud of their contribution. However, I know they also appreciate that there is still so much to be done. The need for our services has never been greater, which is why we are delighted that the SFGB is coming into existence, and will be taking forward our vital work. My Board's focus from here is on maintaining the momentum we have established, and on continuing to deliver our services until the SFGB is ready to take over. We will do all we can to ensure the new body hits the ground running, inspired by the ambition that has driven all of us at MAS for the past five years. We wish Sir Hector Sants and the SFGB every success.

Lastly, I would like to give my thanks to the board members of MAS for their inspiration and support. It has been a privilege to work with such an insightful and engaged group of people.

**Andy Briscoe**
Chair

*'These successes could not have been achieved without our dedicated staff and our many partners and stakeholders'*

# Chief Executive's introduction

**I'm delighted, having joined the Money Advice Service in its final full year, that it was such a successful one. A key achievement this year is helping almost half a million people receive debt advice. We know what consistently high-quality debt advice can achieve: a transformation, not just in people's finances, but in their health, their state of mind and their entire quality of life.**

Debt advice doesn't just change individual lives. Overall – taking into account all the societal and economic benefits – our research has found that debt advice is worth between £445 and £960 million a year to the UK economy. Dealing with debt also has wider consequences – such as a fall in desperation crime, improvements in family and child relationships, and a reduced risk of homelessness. These are harder to quantify but have a huge impact on the society we live in.

I welcome Peter Wyman's recommendations on the funding and supply of debt advice in the UK. One of Peter's reflections, which particularly resonated with us, was on the importance of quality debt advice; it needs to be as good as it can possibly be. It's something the sector has acknowledged that we must collectively improve. We are pleased to be driving forward Peter Wyman's recommendations.

At the Money Advice Service, we must always focus on our customers, and this year I have been privileged to visit some of our What Works projects up and down the UK. It is humbling to see the positive effects these projects have on some of the most vulnerable people in society. Results from the projects, along with the work carried out by our Financial Capability Lab, have contributed a wealth of new evidence to our Evidence Hub. We now have a fuller picture about the UK's financial capability and about the tools, techniques and interventions that can be best deployed to improve it. The next challenge for the Money Advice Service is to turn this evidence into action.

For me, and for all my colleagues at the Money Advice Service, it is our clear commitment to this common purpose – improving financial capability in the UK – that makes us stand out as an organisation. I was delighted, but not surprised, to see how strongly this came across in our 2017 survey, in which 90% of staff said they believe strongly in the organisation's purpose and objectives.

Among our challenges this year has been supporting our people to maintain their drive, determination and commitment to our work programme as we prepare for transition to the SFGB. The majority of our funding goes to frontline services but I wanted to recognise the great work done behind the scenes by our people, whether in the financial capability, customer or debt advice teams. I wanted to highlight the enabling role of the corporate services team and their focus throughout the year on ensuring that our support functions – HR, technology, finance and commercial – are in great shape as we move into the new body. I'm really proud of the work these members of staff carry out, as they enable the whole of the Money Advice Service to deliver for the public and harness the collective impact of our organisation throughout the UK.

This may be our last year, but we are certainly not slowing down as we reach the finish line. Our focus for the coming year is to maintain momentum and to continue to deliver a high-quality service for members of the public while working on a smooth and successful transition to the new SFGB. I am excited at the potential of the new body to provide free and impartial guidance, from pocket money to pensions, and to continue to transform financial capability across the UK.

**Charles Counsell**
Chief Executive

*'Our focus for the coming year is to maintain momentum and to continue to deliver a high-quality service'*

# This year's highlights

## We helped millions of people to make the most of their money

- We directly provided money guidance to **10.5 million people**, including **3.8 million** from the financially squeezed and struggling segments.
- Our Money Manager tool launched online and in job centres is helping Universal Credit claimants make the transition to monthly payments.
- More than **750 partners** linked to our online content and tools.
- **85%** of telephone and online customers said they received the information they needed from our service.
- We have helped **more than 20** third-sector organisations to improve the reach and effectiveness of their digital money guidance for people who are struggling with money.

## We boosted the quality and availability of debt advice

- We helped over **487,000 people** through the Money Advice Service funded free debt advice services – 4.1% above our forecast.
- **91%** of people receiving debt advice are using organisations that hold a Money Advice Service accredited quality standard.
- Where clients agreed with a Money Advice Service funded debt adviser to take action, **93%** went on to do so. Three to six months after receiving advice, **half of funded clients** with debt arrears are repaying their debts or have repaid in full.
- Our Standard Financial Statement, which ensures consistency and quality of debt advice, has been adopted by more than **1,000 organisations**.
- We devised a Creditor Toolkit, together with debt advice providers and creditors, to spread best practice.
- Our new debt advice commissioning strategy sets out a plan to support people who are over-indebted, with a focus on those with low incomes, dependent children and mental ill health.

## We are spearheading a campaign to improve the nation's financial capability

- This year's Financial Capability Week – with the theme #TalkMoney – featured around **200 events and activities** across the UK, bringing together charities, financial industry leaders, policy makers, academics and practitioners.
- Our What Works Fund has directly supported **65 projects**, which have collectively been awarded funding of more than **£11 million**, to investigate the best ways of enhancing financial capability.
- **54 pieces of evidence** were added to our Financial Capability Evidence Hub – making a total of more than 250.
- Our Financial Capability Lab has worked with more than **90 experts** to generate **240 new ideas** to tackle the challenges facing people across the UK.
- **100 organisations** have signed up to our financial capability IMPACT principles, which promote good practice in evidence and evaluation.
- We sponsored TechCity's FinTech For All competition, which attracted **85 entries** from FinTech start-up companies developing digital approaches to financial capability.

## We funded important research into debt, financial education and guidance

- We calculated that the total positive impact of debt advice – including benefits to mental health, employment productivity and creditor recovery rates – is worth between **£445m and £960m** annually across the UK.
- Our Right Place, Right Time research explored how people make use of financial help and support at different life stages. As a result, we are now focusing our efforts on the **10%** of people who recognised that they needed help but did not go on to seek it – including around two million people in the financially squeezed and struggling segments.
- Two of our studies are exploring the best approaches to financial education: Talk, Learn, Do: Parents, Kids and Money is helping parents in Wales talk to and teach their children about money; and Maths in Context is testing teaching maths through 'real world' money scenarios.
- The results of our research into young adults' views on money management are informing stakeholders' work among young consumers.
- We supported World Mental Health Day with research into the association between debt and poor mental health.
- We published research about problem debt, and publicised the ways to spot the signs of problem debt.

# Our customers

- Vital money skills start to be developed between the ages of **3 and 7**.
- Only **4 in 10 children** aged 7-17 say they have learned about money management at school.
- **50% of adults (25.9m)** feel that keeping up with their bills and credit commitments is a burden.
- In the last six months, **11% of adults (5.7m)** have fallen behind on or missed payments for credit commitments or domestic bills for three or more months.
- When faced with an unexpected £300 bill, **23% of adults (11.9m)** would have to borrow or could not pay.
- **49% of working-age adults (17.2m)** with bills or credit commitments struggle to keep up, are falling behind or have fallen behind with their commitments.
- **44% of working-age adults (17.3m)** have less than £100 in a formal savings account.
- **25% of adults (12.9m)** rarely or never save.
- **29% of young adults** aged 18-24 **(1.7m)** are over-confident in their ability to use numbers in everyday life.
- **27% of working-age adults (11.1m)** are over-confident in their ability to use numbers in everyday life.
- **15.9% of adults (8.3m)** are over indebted.
- **19.6% of young adults aged 18-24 (1.1m)** are over indebted.
- **19% of working-age adults (7.6m)** are over indebted.

# Delivering our plan

# Aim 1: Delivering through others

**For too many people across the UK, money is a constant source of worry and stress. Millions of us are struggling with budgeting, saving and debt, and are at risk of falling into serious financial difficulties. We are at the forefront of a plan to change this. We want to improve financial capability across the UK so that everyone feels in control of their money.**

Our research shows that:

- four out of ten adults in the UK don't have an approach to budgeting they feel works
- 44% of working-age adults have less than £100 in a formal savings account
- more than 8 million people are over-indebted.

To tackle these longstanding problems, we launched the *Financial Capability Strategy* (the UK Strategy) in 2015. This set out our ten-year plan to equip everyone in the UK with lifelong control and confidence to make the most of their money – from pocket money to pensions – and to handle periods of financial difficulty.

The UK Strategy is one of the driving forces behind our own three-year *Corporate Strategy*, which runs from 2016–2019.

## Working together

Financial capability is a complex issue, which affects individuals' health and wellbeing and the UK economy as a whole. Problems cannot be solved by any one organisation working alone.

As part of the UK Strategy, we are actively bringing together many organisations to collaborate, focus on what works, and take action. The Strategy is based on a model of 'collective impact': the idea that organisations must coordinate their efforts around a clear goal to create lasting solutions on a large scale.

## The Financial Capability Lab

To identify the best ways to improve financial capability, we have partnered with the Behavioural Insights Team (BIT) and Ipsos MORI to set up the Financial Capability Lab.

> ***The aim of the Lab is to generate new ideas to tackle some of the most complex financial capability challenges facing people across the UK.***

The Lab uses BIT's online experimentation platform Predictiv to understand financial behaviour and rapidly test ideas. It does this by running randomised controlled trials with an online group, drawn from a sample of more than 200,000 adults across the UK. We also used qualitative research, including focus groups, workshops and interviews, conducted by Ipsos MORI, to help us explore ideas in depth and understand how people make decisions about money.

Working with more than 90 experts, we generated over 240 ideas. The 17 strongest ideas were then tested in the Lab. These included:

- making it easy for people to bank savings on their weekly shop
- using current account transaction data to offer timely help and support
- helping people to block unsolicited high-cost credit offers.

We are now engaging with potential delivery partners to develop the most promising ideas into field pilots – testing ideas in the real world at scale. We plan to agree several pilots to run through to 2020.

## Building financial capability in the devolved nations

- The Money Advice Service Financial Capability Forum held a conference in September to understand what a financial capable Northern Ireland (NI) looks like, and to develop actions and priorities for the Department for Communities (DfC) as they develop a new strategy for NI.
- The Scottish Financial Capability Partnership run by the Money Advice Service acts both as a steering group for the Financial Capability Strategy for Scotland, and in an advisory capacity to the Money Advice Service, informing us of key issues facing consumers.
- In partnership with Welsh government, and at the request of the Financial Capability Strategy for Wales Steering Group, we are funding the three Wales Financial Capability forums. These work with diverse organisations and individuals from across Wales, bringing people together to learn and share knowledge and practice. We are also a member of the Welsh Government's Financial Inclusion Steering Group, which oversees the delivery of the Financial Inclusion Delivery Plan.


Martin Lewis, of Money Saving Expert, speaking at the Talk Money Conference

## Financial Capability Week 2017

Building on the success of the first ever Financial Capability Week in 2016, Financial Capability Week is now an annual event that celebrates and shares the work taking place to improve financial wellbeing in the UK. The week is organised as part of the Financial Capability Strategy.

The 2017 week – with the theme #TalkMoney – included around 200 events and activities, organised by hundreds of organisations from all four nations of the UK – from financial advisers in Aberdeen, a housing association in Belfast, and credit unions in Newport to academics, charities and advice agencies. All the events encouraged people to talk more openly about money at home, at work and in the wider community.

We worked with the Welsh government to deliver Financial Capability Week in **Wales**. More than 40 events took place across Wales, and over 150 people attended events in the iconic Principality Stadium and the Senedd, celebrating the work being done across the nation.

In **Scotland**, a parliamentary reception at Holyrood highlighted the financial capability work happening across different age groups with various Scottish organisations.

Four different events were held in Belfast during the week, including workplace seminars and drop-in sessions with trained advisors.

During the week, we also held the **Talk Money conference**, which brought together more than 250 stakeholders to hear the latest thinking on financial capability. Our keynote speakers included Guy Opperman MP, Minister for Pensions and Financial Inclusion, and Martin Lewis, founder of MoneySavingExpert and the Money and Mental Health Policy Institute. The presentations from the conference are all available at: **www.fincap.org.uk/Fincap-Week-2017-TalkMoney_Conference**

Plans are already in motion for Financial Capability Week 2018, which will run from 12 to 18 November. If you want to be involved, please register to stay in touch at www.**fincap.org.uk/fincapweek**.



# A focus on evidence

**To target our resources effectively, we need to know the best ways to improve people's relationships with their money. We therefore do everything we can to gather evidence about different approaches and to understand what works and why, for whom and in what circumstances.**

## A central hub for evidence

***Our Financial Capability Evidence Hub is a unique focal point for gathering and sharing evidence and insight.***

Policymakers and funders can build this evidence into their programmes, and organisations can use it to inform the development of financial capability projects.

We are continually improving the Evidence Hub, and it now includes:

- a wider range of evidence, covering insight as well as evaluation studies
- a thematic review section, which pulls together key insights and learning on particular topics.

The Hub already contains more than 250 individual studies from the UK and beyond, covering credit use and debt; budgeting; saving; pensions; and financial education.

Since we revamped the Hub in November 2016, the number of people using it has doubled. This includes funders, delivery organisations and others who are using the Hub to enhance the impact of their work.

We have added 120 pieces of evidence to the Evidence Hub in 2017/18. In line with the commitment in our Business Plan, over 50 of these come from signatories to our IMPACT principles.

## Supporting rigorous evaluation

We have also created an Evaluation Toolkit to help organisations evaluate what they do and to understand their impact. At the heart of the Toolkit is a suite of **outcomes frameworks** that set out standardised ways to measure money management skills and wider financial capability.

Attached to each outcomes framework is a **question bank** that helps organisations identify indicators and survey questions to measure changes in the financial capability of people who engage with their services.

A key aim of the toolkit is to help organisations understand how a programme or project works, using a **theory of change**. This helps to clarify what a certain activity is trying to achieve and how to measure resulting changes and outcomes. It can help in the development of a new programme or project and can provide the basis of any subsequent evaluation.

We have supported **more than 100 organisations** to use the toolkit, including all those who are funded through our What Works Fund. The result is better quality evidence about the effects of different interventions on how people manage their money.

## IMPACT principles

In 2017/18, the number of organisations who have signed up to our financial capability IMPACT principles rose from 40 to 100. These principles are designed to raise awareness of good practice in evidence and evaluation, and to encourage organisations to embed these practices in their own work. Organisations who become IMPACT principle signatories have access to guidance and support to help them make the best use of our evaluation tools and techniques.

# What Works Fund

As a core part of the *Financial Capability Strategy* for the UK, we launched the £11 million What Works Fund in 2016. The fund is dedicated to establishing the most effective ways of helping different groups manage their money, and finding out what works to increase financial capability.

From more than 400 applications, we chose to fund 65 projects across the UK. Projects range from embedding money guidance in existing community services, harnessing peer support and coaching techniques, and testing online approaches to learning and assistance. See pages 19 and 20 for details of some of the funded projects.

By evaluating and measuring the impact of these interventions, we are gathering robust evidence about what works – and, just as importantly, what doesn't.

> ***The pilot projects have already had a direct impact on more than 40,000 people.***

They could go on to help millions more as the evidence they generate will be used to develop interventions on a larger scale.

The projects have continued throughout 2017/18 and we expect to publish an assessment of the first wave of What Works towards the end of 2018.

## Supporting learning and evaluation

We are helping to build evaluation capabilities in the organisations receiving funding, with a team of six Money Advice Service staff supporting them every step of the way.

We have also appointed a dedicated Evaluation and Learning Partner, who has held webinars, workshops and presentations to enable the project organisations make the most of their experiences and maximise the impact of their evidence.

## The What Works Fund in action

### Digital skills drive financial confidence

Good Things Foundation, a social and digital inclusion charity, has demonstrated the importance of digital skills in improving financial capability.

The project – funded by the What Works Fund and supported by the Toynbee Hall charity in London – used a randomised control trial.

Two groups of people attended a financial capability course, and the people in one group were also given support to carry out a real-life digital transaction, which involved making a purchase online.

The study found that participants who received the support were six times more likely to carry out financial transactions online on their own in future – thus saving money. They also had a marked increase in confidence about their financial future.

The findings highlight the need to embed digital skills into financial capability support. They also show that trusted organisations and individuals can play a crucial role in driving behaviour change.

### Helping young people get Money Smart

Youth Cymru's project tested the effectiveness of peer support in developing financial capability of young adults.

Young people from ITEC centres across South Wales evaluated existing financial capability training. They gave their views about the type of help and support they need to help them make better decisions and manage their money, especially when leaving home and beginning to live independently.

Their views fed into the development of the Youth Cymru financial capability toolkit known as Money Smart.

### School of Hard Knocks

The School of Hard Knocks pilot project is evaluating different ways of providing financial capability support to vulnerable boys.

The study used three groups of school pupils. One group was given financial capability support as part of a sports and mentoring programme delivered by the School of Hard Knocks (SOHK) charity, another group received just the financial capability support and another received no intervention.

Although many pupils in the SOHK group initially had lower levels of financial capability than the group receiving no intervention, they now match or exceed this group on many levels. Pupils now understand more about different ways to pay for things and how to compare prices, and are better able to keep track of their finances.

SOHK has now trained all its staff in financial capability and has secured EU funding to allow it to embed financial capability support into all its programmes across Wales.

### Shelter Scotland

Shelter Scotland's Healthy Finances pilot project provided money advice, help and support in healthcare settings across Dundee and Glasgow. The aim was to find out whether this was an effective way to reach vulnerable people of working age who were struggling with money problems.

The findings have been positive. Many of the adults who received the support have managed to improve their financial situations, and have become more confident and motivated to manage their money well. In many cases, there was also a positive impact on housing: the intervention helped people to secure more stable, affordable or appropriate housing. Better housing, together with improved financial wellbeing, have in turn helped to boost mental health.

The pilot project found that referrals from GPs are an effective way to reach this group of people. It also demonstrated the importance of offering holistic support around a range of issues, including housing, and the need for longer-term engagement in some cases. Healthcare staff have said they would welcome a permanent Healthy Finances service with increased capacity.

### Tenovus Cancer Care

The What Works Fund enabled Tenovus Cancer Care to evaluate ways to help people affected by cancer avoid falling into financial difficulties.

A cancer diagnosis can often have a financial impact on individuals and their families, as the ability to work can be affected. The Tenovus Money Advice project provided practical money and benefit advice to help clients cope financially and to put their financial affairs in order.

There was a high demand for the service. Clients were grateful for the support they received, and said that it had psychological, as well as financial, benefits. Tenovus staff believe the project had a positive impact on the overall quality of Tenovus service delivery, as well as on their own job satisfaction, and external stakeholders saw the service as meaningful and necessary.

Tenovus has now secured local authority funding to continue to deliver a financial capability service as part of the Tenovus core offer after the What Works Fund project has completed.



# Aim 2: Earlier and wider access to debt advice

**We aim to help people stay out of debt but it's also vital to help the 8 million people in the UK who are over-indebted. As well as funding free, high-quality debt advice across the UK, we are leading efforts to improve the quality and consistency of all debt advice services so that everyone who needs it can be sure of getting the help they need.**

## Funding free, high-quality debt advice

> ***The Money Advice Service is the largest single funder of debt advice in the UK.***

In 2017/18 our network of expert providers across the UK helped just over 487,000 people with free debt advice – an increase of 10% on the previous year.

Where clients agreed with a Money Advice Service-funded debt adviser to take action, 93% went on to do so. Three to six months after advice, half of clients with debt arrears are repaying their debts or have repaid in full.

But we know we need to do more. The need for debt advice continues to outstrip supply, and we are injecting fresh urgency into our efforts to improve standards.

## A fresh approach to commissioning

In December 2017, we published *a strategic approach to debt advice commissioning 2018–2023.* This outlined our plan to deliver better outcomes for people in the UK who are facing serious debt problems

A key focus of the strategy is delivering to people who are most in need. We have pinpointed three characteristics shared by many people who are facing problem debt:

- dependent children;
- a low household income;
- mental ill-health.

### Standard Financial Statement

The Standard Financial Statement (SFS) is a landmark development for debt advice in the UK. It brings greater consistency to the way organisations assess people's finances when they fall behind on payments. This helps the debt advice sector and creditors to work together to achieve the right outcomes for people who are struggling with their finances.

Launched in March 2017, the SFS has been rolled out successfully throughout 2017/18 and has now been adopted by more than 1,000 organisations. By the end of 2018/19 we expect more than 90% of clients to receive advice from organisations that use the SFS.

## New toolkit to improve creditor practices

One of our key achievements this year was the launch of a ground-breaking toolkit for creditors. The toolkit will benefit creditors and debt clients alike: making sure that people who can repay their debts do so and that creditors receive the money owed.

For many years, debt advice agencies have campaigned for more consistent creditor practices. While many creditors had effective strategies to support customers in financial difficulty, some were out of step with this supportive approach. They had limited regard to what customers could afford to pay and had poor or non-existent relationships with debt advice agencies.

To encourage more consistent support, our independent Debt Advice Steering Group (DASG) asked us to lead an action group, building on the work of the Future of Debt Management working group, which was led by Nationwide Building Society.

The result is our new *Working Collaboratively with Debt Advice Agencies* toolkit, published in July 2017. Developed with active input from creditors, debt advice agencies and trade bodies, the toolkit will help to share and spread best practice. We followed up the publication with extensive stakeholder engagement to increase awareness and understanding across the sector.

## The Wyman Review

This year has seen an important step forward in increasing and improving debt advice in the UK, with the publication of the Wyman Review.

In July 2017, the Debt Advice Steering Group (DASG) – which brings together the main debt advice providers and creditors – commissioned Peter Wyman CBE to lead an independent review of the funding of debt advice.

The resulting ambitious and wide-ranging report – *Independent Review of the Funding of Debt Advice in England, Scotland, Wales and Northern Ireland* – was published in January 2018.

It makes 20 recommendations, spanning government, regulators, creditors, debt advice providers and the Money Advice Service itself. The recommendations cover the funding and supply of debt advice as well as access to, and quality of, advice.

In April this year, the DASG approved the priority recommendations of the Wyman Review and agreed to take them forward. We are now working with stakeholders across the sector to promote the recommendations and bring the report's visions to life.

There are some impact areas where the economic benefits are less clear or currently less well-evidenced. For example, some dimensions, such as desperation crime, were not sufficiently represented in the primary research for robust conclusions to be drawn. Equally, as with any primary research, there is a limit on how many topics can be raised.

Debt advice has a total beneficial impact on health of

**£74-145 million**

annually across the UK

The annual productivity gain associated with receiving debt advice is estimated to be

**£67-137 million**

annually across the UK

**£135-237 million**

in social benefits annually across the UK

This is the reduced cost of recovery only. And since the benefit was calculated for only three of the available solutions the total impact of debt advice will be even larger.

**£133-360 million**

in increased creditor recovery annually across the UK

On the other hand, increased creditor recovery means that payments from debtors to creditors go up, i.e. these are transfers. This does not represent social benefits in the same sense as the reduced recovery costs.

There is an additional benefit to creditor by an increase in transfer payments of

**£12-£32 million**

annually.

In addition debt advice has social benefits of

**£25-48 million**

annually across the UK

This is shared £13-26 million in consumer benefits and £12-22 million in benefits for creditors

**£445m-£960m**

The total benefits from debt advice are estimated to be £445-960m annually across the UK

## How the economy benefits from debt advice

One of the major inputs for the Wyman Review was *The Economic Impact of Debt Advice* – an analysis undertaken by Europe Economics for the Money Advice Service, published in January 2018.

The study showed that the total positive impact of debt advice, including benefits to mental health, employment productivity and creditor recovery rates, could be worth as much as £445m–£960m annually across the UK.

There is a well-established link between debt problems and health issues, and this study highlights that debt advice provides up to £145 million in health benefits every year across the UK.

Evidence also suggests a causal link between being indebted and reduced productivity, with debt advice delivering productivity gains of up to £137 million.

This is in the context of an estimated £150m and £200m total annual investment in debt advice.

## Working with partners in Northern Ireland, Scotland and Wales

In Northern Ireland, Scotland and Wales, we are partnering with government and voluntary sector organisations to improve the quality and availability of debt advice.

In Scotland:

- We continue to fund debt advice projects in partnership with the Scottish Government, administered by the Scottish Legal Aid Board. These projects help people in difficult circumstances to get help and advice when they need it.
- The Improving Outcomes in Money Advice (MAO) project, jointly funded by the Money Advice Service and the Improvement Service, continues to drive forward better collaboration and partnership working across the local authority sector in Scotland.
- We are part of the Scottish Government's Tackling Problem Debt working group, which is shaping the long-term vision for debt advice in Scotland.

In Wales:

- In partnership with Welsh Government, and at the request of the Financial Capability Strategy for Wales Steering Group, we are now funding the three Wales Financial Capability forums which work with a diverse number of organisations and individuals from across Wales bringing people together to learn and share knowledge and practice.

In Northern Ireland:

- We have expanded our funding and resources for debt advice delivery in the three prisons in Northern Ireland (NI) to include people serving non-custodial sentences and those on probation. These services will also include financial capability sessions available in the Northern Ireland Association for the Care and Resettlement of Offenders (NIACRO) centre to help people better manage their finances as part of their wider rehabilitation programmes.
- We are continuing to deliver face-to-face, telephone and webchat debt advice through the Citizens Advice network across all of NI.
- We have worked with Advice NI to develop a business debt line service to support self-employed people facing money and debt issues.
- We have extended and expanded the availability and channels of delivery for the technical and specialist support for debt advisors through Advice NI.
- We are working with the Department for Communities to understand the current provision of debt advice as we move to devolution of debt advice in the new single financial guidance body.



# Aim 3: More people budgeting and saving

**We received 4.6m visits, calls and webchats on budgeting and saving topics in 2017/18. But we know that we, and the many other organisations that provide help and guidance, need to do much more to meet people's needs – in particular, to help those people who need it most. Throughout 2017/18, we have been accelerating our work to help the most vulnerable groups.**

## Squeezed and struggling

Our in-depth research into the different financial needs of consumers in the UK identified two particularly vulnerable groups, which we refer to as the financially 'squeezed' and 'struggling' segments (see p35).

The squeezed segment includes working-age consumers with significant financial commitments but relatively little provision for coping with income shocks. People in the struggling segment find it hard to keep up with bills and payments or to build any form of savings buffer. They are the least financially resilient and the most likely to be over-indebted.

Understanding these groups enables us to target our resources and to ensure that the right people are reached in the right way at the right time. Later this year, we will publish two commissioning plans: one will focus primarily on people of working age in the squeezed and struggling segments. Our aim is to ensure that people have access to debt advice and money guidance wherever and however they seek support. The plan will include costed and scoped proposals that the Single Financial Guidance Body can choose to adopt.

### Testing what works

Around two-thirds of the What Works Fund (see p18) are targeted at the needs of working-age people, many of them in the struggling and squeezed segments. These range from young adults who have left school through to those moving into retirement.

Our aim is to identify the approaches with the greatest impact on money management that are most suitable to being applied at scale. The evidence from these projects will be at the heart of our new commissioning plan for working-age people.

## Money management for young adults

In January 2018, we published our *Young Adults and Money Management: behaviours, attitudes and useful rules of thumb* report and video. We commissioned BritainThinks, an insight and strategy consultancy, to conduct qualitative and quantitative research to test which money management tips or 'rules of thumb' have the most resonance with young adults entering the workplace for the first time.

We are encouraging stakeholders to use the results of our research to inform the design of their interventions for young adults seeking money guidance.

Our findings were featured in the Financial Times personal finance section and we hosted a launch event in partnership with BritainThinks and the Financial Times on 15 January, with more than 80 attendees from the financial services sector and stakeholders working with young adults.

In 2018/19, we are looking to build on this work by testing and refining financial rules of thumb in two areas: developing tips for sensible credit use among young consumers; and devising rules of thumb to help people manage the financial implications of a negative or unexpected life event.

## Support for Universal Credit claimants

As the rollout of the government's Universal Credit (UC) programme continues, we are focusing on providing support to claimants online, in print and through our contact centre. We have launched a UC Money Manager tool, available online and in job centres, and published printed guides to help claimants make the transition to monthly payments. Over the course of 2017/18, our UC tool received over 26,000 visits.

In February 2017, we secured approval for all Jobcentre Plus offices to signpost UC claimants to our Money Manager tool and UC support. In early 2018, we made significant enhancements to the tool to reflect flexibilities available to claimants in Northern Ireland and Scotland.

As part of our UC support, we also direct claimants who lack digital skills, or those who are experiencing severe financial difficulties, to local or more specialised support services. This includes our Debt Advice Locator tool, which connects people to free, confidential debt advice across the UK.

We have also contributed to UK Finance guidelines for banks whose customers face financial difficulty when moving to Universal Credit.

## Tackling numeracy issues

A great many people struggle with numbers in everyday life, and this can be a significant problem when it comes to dealing with money. We have partnered with independent charity National Numeracy to establish the links between numeracy and financial capability, and to explore ways to tackle both together.

In November 2017, we published the results of this research in Numeracy and Financial Capability: Exploring the links. This explained that the ability to manage money effectively isn't just about maths skills: mindset and confidence are also big factors. In particular, people's confidence in their ability to make calculations, read financial documents and make financial decisions plays an important role. The research found that almost 7.5m working-age adults lack both confidence and skills in using numbers in everyday life, while over 11m working-age adults are over-confident in their ability to use numbers in everyday life, which could result in questionable financial decisions and costly mistakes.

The report concludes that, alongside wider efforts to tackle low levels of numeracy, there is a need for support based around real-life money scenarios, and specific work on issues of confidence.

## Serving older people

We support older people with information to help them prepare for and manage their income in retirement. An important challenge is managing resources over the full course of retirement – balancing day-to-day needs with preparing for and managing life events such as ill health, care needs and bereavement.

In 2017/18, we have supported important research into older people's financial capability needs through the UK Strategy's Older People in Retirement Steering Group.

There are also 10 What Works Fund projects looking at how to make a difference to money management in retirement. Through this work, we are building a richer picture of the needs of older people and how best to address them.

### Retirement Adviser Directory

Our Retirement Adviser Directory is an important resource for people approaching retirement. It lists 3,719 firms, giving access to 7,042 financial advisers, who specialise in retirement planning and can provide regulated advice about specific products and services.

Specialist advice is particularly important at this life stage. Pensions often represent a significant proportion of an individual's overall assets, and the decisions made at this time can have long-lasting consequences.

We have continued to make refinements to the Directory since its launch in 2015 to ensure it continues to meet needs, and to make it easier to find an adviser who offers specific services. In 2017/18, 91,598 unique visitors used the site to search for an adviser, and 25,967 directly linked to an adviser's website or telephone number.

### Annuity comparison tool

We have updated our guaranteed income product (annuity) comparison tool to make it easier for people to work out what sort of product will suit them best.

### Fresh ideas from the Financial Capability Lab

Our Financial Capability Lab (see p14) has developed a range of ideas to help people who struggle to budget and save. The following two ideas from the Lab already have partners onboard.

#### Repay and Save

Repay and Save is an idea for a financial product that uses automated payments made directly from salaries to help employees to pay off their debts more quickly.

The most novel aspect of this idea is the automatic transition to saving once a person has repaid their debts. This makes use of the 'status quo bias', in which people prefer the current state of affairs so would be happy with the same amount of money being deducted even after the debt is repaid.

However, it is also important that the product rewards the achievement of paying off a debt, as this is an important moment that people look forward to. Repay and Save provides a financial windfall by making the first monthly savings payment half of the previous debt repayment.

For example, somebody who has been repaying £100 each month will automatically be transitioned to saving £50 each month upon repayment. In this way, anyone who has successfully repaid their debts will have more cash in the bank from the first month of being debt free. This encourages and reinforces positive behaviours. Auto-escalation would then increase savings payments from this starting point of £50.

#### Checkout Savings

The Checkout Savings plan is designed to make it easy to put savings aside when grocery shopping online. Shoppers set an initial budget for their shop. If the total spend is less than their budget, they are given the option to automatically add the money left over to a savings account. We tested the idea with different prompts to encourage people to save instead of taking the money immediately. The results were encouraging.

An effective Checkout Savings product could inspire brand loyalty and create an opportunity for a retailer to show commitment to improving its customers' financial wellbeing. We are seeking retailers and financial institutions to work with us to develop the Checkout Savings product and test it with their customers. This idea could have a significant impact and create weekly or even daily opportunities to save.



# Aim 4: Better access to guidance and advice

**High-quality financial advice and guidance makes a real difference to people's lives but too many people are missing out – either because they don't think they need help, or because they don't think the right help is available. We are working hard to make sure everyone can access the right advice when they need it, especially when dealing with unexpected events.**

## Our direct service to consumers

The Money Advice Service provides free and unbiased help and guidance on money matters directly to people that need it. Through our website, digital tools, printed guides and contact centre, we aim to provide the help people need in the most efficient and accessible way possible.

### Online advice and tools

The vast majority of our customers come to us through our website, moneyadviceservice.org.uk. The site provides information, tools and guidance to help with everyday money management and planning for the future.

### An increase in online visitors

In 2017/18, we had more than 28.7 million visits to our website. Our online service makes it easy to access advice whenever and wherever people need it: around 10.5 million people used the site through desktop, mobile and tablet devices.

The website is well used by those people most in need: more than 3.8 million of the visitors to our website last year were from the financially squeezed and struggling segments (see p27). This is in line with the target we set in our Business Plan.

We have successfully increased traffic at the same time as cutting costs. We are now one of the largest websites in the financial sector, with a cost per visit lower than almost all other finance sites.

## High satisfaction rates

The most popular sections of our website in 2017/18 were:

- homes and mortgages (5.3m page views)
- births, deaths and family (4.4m)
- pensions and retirement (2.6m)

Customers can rate their satisfaction in a pop-up survey that appears on most article pages and some tools, such as the Pension Calculator. For 2017/18 the average customer satisfaction rating for our website was 8.3/10.

During 2017/18, we also introduced a feature at the bottom of article pages, asking customers to give us a thumbs up or a thumbs down, according to how useful they found the page. Figures to date show that, across the site, 87% of people approve of the content they are reading.

Quotes from our satisfied website visitors include:

*'It covers every element of daily life and budgets for it, for things perhaps you would forget to account for yourself.'*

*'Plethora of advice and the links are great for additional information.'*

*'I found the information on this website very helpful, and will save a lot of money by doing my own PPI claim.'*

*'I wanted to know I was getting an unbiased pension projection. A lot of the calculators are confusing, but this one is simple.'*

*'Easy to navigate. Well written. Quickly got to points of interest.'*

## Partner links drive traffic

Our online tools and content are freely available for other organisations to use in their own customer communications and we currently have hundreds of partners who link to our content from more than one million destinations on their websites. In 2017/18 this helped drive more than **3 million views** of our content and tools.

## A comprehensive contact centre

We offer a full telephone service to support customers who prefer or need to talk about their money guidance needs. Customers can contact us six days a week on 0800 138 7777 and calls to the service are free.

We also operate Typetalk for people with hearing difficulties. During 2017/18, we changed our Typetalk number 18001 0800 915 4622 to make the service free of charge for everyone who uses it.

A growing number of customers are choosing to use our webchat facility, which connects them to our contact centre via the website.

In 2017/18 our contact centre handled nearly 99,000 calls and over 42,000 webchats.

The top telephone topics were:

1. 52% Debt
2. 13% Benefits
3. 12% Homes & Mortgages

The most common webchat subjects were:

1. 36% Debt
2. 14% Pensions & Retirement
3. 13% Benefits

During 2017/18, our telephone customers reported high levels of satisfaction with the service they received: nine out of ten people said they would use the service again or recommend it to a friend.

More than eight out of ten (84%) said they received the help they needed.

## Strengthening our links with TPAS

Ahead of the move to a Single Financial Guidance Body, we have strengthened our links with The Pensions Advisory Service (TPAS). As part of our voice recognition system, anyone calling our contact centre can choose to speak to someone specifically about pensions. Their call is then put directly through to TPAS. We have introduced a similar function for webchat.

*"Our partnership with the Money Advice Service, now in its second year, means that people who contact the Money Advice Service with pensions-related questions are transferred to our own contact centre. A total of 39,646 customers have been able to seamlessly access specialist pensions guidance, either over the phone or by webchat."*

Michelle Cracknell, Chief Executive of TPAS:


### Free printed guides

We produce a range of free printed guides covering key money topics such as:

- mortgages
- losing your job
- Universal Credit and other benefits
- pensions and retirement
- credit unions
- fee-free basic bank accounts
- money management
- bereavement

During 2017/18, we dispatched 756,429 free guides. We provided the artwork to our partners so that they could print and distribute the guides to their own customers. This was all in addition to the guides downloaded directly from our website.

In line with our Business Plan aims, we have conducted a thorough review of our printed guides this year. We want to find out whether the current range of material is appropriate to people's needs and the level of demand. We will be implementing the findings of the review in 2018/19.

## Delivering high-quality support through partners

Across the UK, many thousands of practitioners are delivering money support and money guidance. They are at the heart of efforts to improve levels of financial capability, and we aim to help them provide the best possible support for the people they serve.

### Listening to practitioners

In 2017/18 we brought together a consortium of organisations from across the financial capability community to understand their needs and the best ways to improve quality and consistency of support and guidance across the country. We also held in-depth interviews, and a survey of practitioners was carried out by the Learning and Work Institute.

We have reflected on the findings to develop a strategy and programme of work for 2018/19 and beyond. Our aim is to raise the status and profile of financial capability support and the quality and consistency of its delivery.

### Improving training and guidance

Through the consortium, we are also identifying gaps in training and guidance and sharing the very best content available. Future work may include developing a resource portal so that organisations and practitioners can easily access materials and spread good practice.

During Financial Capability Week (see p16) we partnered with Citizens Advice's Financial Capability Forums to run Talk Money workshops across England. Around 120 practitioners took part in sessions which focused on behaviour change techniques that practitioners can use to support clients' money management needs.

## Right place, right time

Regrettably, many people who need financial help don't look for it. In November 2017, we published our research into this challenge: *Right Place, Right Time – Helping people with their finances when they need it most*. The research identifies the main reasons why so many people don't make use of the help and support available. It explores how the reasons vary according to financial or life-events.

We will use the insights to develop, in partnership with others, new approaches that increase reach and remove barriers.

In 2018/19, we will focus our efforts on the 10% of people who recognised that they needed help but did not go on to seek it. This includes around two million people in the financially squeezed and struggling segments (see p27).

## The main reasons people don't seek help with their finances.


We carried out over 3,500 online surveys to explore the question: 'What do people think about getting help with their finances?'. The research has given us a rich database of information about working-age people, the financial events they have recently experienced, and how they acted. We wanted to understand the points at which people disengage or are prevented from getting the financial help they needed. If someone didn't seek help, what were the main reasons? If they did seek help, what were they looking for, and did they ultimately find it?

## Boosting third-sector reach

The Money Advice Service cannot meet all the guidance needs of the UK population on our own. To make a real breakthrough, a wide network of organisations with a deep reach into people's lives must be involved. We act as a catalyst for this network of organisations to grow and deliver a real impact.

One of our aims is to support voluntary sector organisations, helping them improve their reach and effectiveness. Many people who use these organisations have specific, complex needs, and the targeted services they provide are a vital part of the money advice landscape.

As promised in our Business Plan, we have provided search engine optimisation (SEO) support to five organisations, including Citizens Advice.

We will continue to offer these services to organisations that feel they can use our support.

*"Working with MAS on insights from their SEO report helped us build on our roadmap of important technical and content changes. It also provided an opportunity to further upskill our content designers on content-led SEO. The MAS team's presentation gave really useful contextualisation and brought the report alive, answered all the detailed questions that Citizens Advice colleagues had and also responded to our subsequent requests for information."*

Feedback from Citizens Advice

## Improving access to advice and guidance in Wales

The Money Advice Service is a member of the Wales National Advice Network, which advises the Welsh Government on policy requirements to improve access to good quality social welfare law information and advice services. The work of the network includes delivering the Information and Advice Action Plan and supporting the development of the Information and Advice Quality Framework for Wales.

As a member of the Advice Service Funding Commission Working Group, we are working to shape the Welsh government's future commissioning strategy.

As part of our Equality and Diversity Policy, we provide the following key services in the Welsh language:

- Our website: www.moneyadviceservice.org.uk/cy. We translate hundreds of pages of content. The exceptions allowed by policy are video content and all digital media that works in an environment of instant communication, such as social media and online advertising.
- Our telephone-based money guidance.
- Face-to-face debt advice services, provided by the Lead Organisations we fund.

The Money Advice Service Welsh Language Scheme was approved by the Welsh Language Board in 2012, and we continue to take into account new legislative developments regarding use of the Welsh language. Our full Welsh Language Scheme is available on our website. We submit an annual monitoring report to the Welsh Language Commissioner.

# Aim 5: Widening and improving financial education

**The evidence is increasingly clear that children's experiences around money as they grow up have a significant impact on their long-term financial wellbeing. Our goal is to improve and widen effective financial education so that future generations develop financial confidence and the ability to manage their money well throughout their lives.**

## The path to better financial education

As we work towards more effective financial education, we are focusing on how it fits with wider educational and social policy priorities, the interaction between what happens in schools and at home, as well as the different policies and practices in the four nations of the UK.

Through 2017/18, we have been working towards the aim in our corporate strategy: to publish a commissioning plan in autumn 2018 based on a comprehensive view of needs, gaps in existing provision, and robust evidence of how best to fill those gaps. This is the second of the two commissioning plans we will publish in 2018/19.

## A comprehensive needs analysis

In April 2018 we published Children and Young People and Financial Capability: Needs Analysis, which brought together the findings from our own research and other published material. The report sets out what we know about children and young people's financial capability needs and which groups of children have greater or different needs.

Alongside the needs analysis, we published two in-depth studies looking at specific issues.

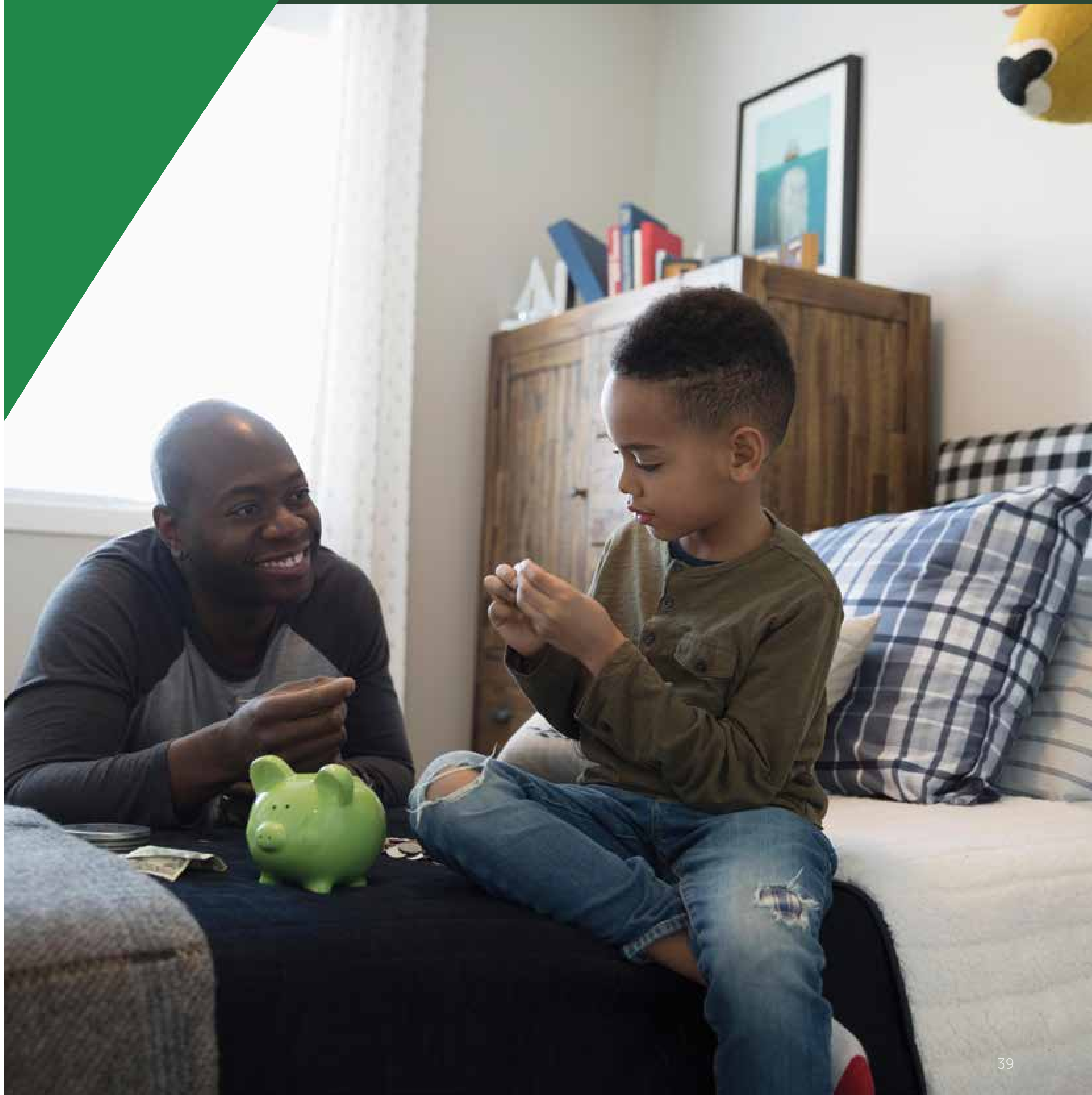
### Survey of children's financial capability

Results of our survey – Financial Capability of Children, Young People and their Parents in the UK – were published in March 2017 and headline findings were explained in our 2016/17 annual report.

In 2017/18, we have built on this research by carrying out in-depth analyses of the data for Scotland, Wales and Northern Ireland. This will enable us to work effectively with the devolved governments, local authorities, schools and a range of other organisations involved with children and young people and parents. Specific priority issues for the devolved nations include:

- For **Scotland**, enabling children to have greater responsibility about saving decisions, and considering why fewer young people aim to be financially independent compared with the UK as a whole.
- In **Wales**, encouraging more conversations about finances during childhood (in ways that recognise the higher proportion of parents who consider their bills a burden), and considering why fewer young people aim to be financially independent than in the UK as a whole.
- In **Northern Ireland**, a focus on children saving and keeping track of their money, being given financial responsibility and seeing a range of financial transactions; and on parents talking about money with their children on a regular basis.

In addition to the main survey, we have been tracking a cohort of 15- to 17-year-olds for three years to examine their transition to adulthood, the issues they face, and how they deal with them. We expect to have the results of this study later in 2018.



### Analysing the 1970 cohort

The 1970 British Cohort Study (BCS70) is an important longitudinal data set for more than 17,000 people born in the first week of April 1970. These people have been surveyed periodically on a range of different issues.

In November 2017, we published The journey from childhood skills to adult financial capability – analysis of the 1970 British Cohort Study, an in-depth study that explored the links between childhood skills and financial capability in adulthood. We found that childhood skills from as young as five predicted adult financial outcomes decades later, even after controlling for factors such as household income, highest level of educational attainment and employment. The ages of five to ten were a particular turning point.

This piece of work provides us with useful insight on how best to target those most in need. We will continue to use it to improve our learning about the skills, attitudes and behaviours that are important for financial capability.

## Supporting vulnerable children

In late 2017, we began a pilot training scheme for practitioners who work directly with vulnerable children and young people in four areas of England.

The project is designed to find out how best to support practitioners to build financial capability into the wider help they offer to young people.

The results of this project, which is being delivered by the National Skills Academy for Financial Services will be reported in autumn 2018 and will inform our commissioning plan.

## Financial Education Quality Mark

In 2017/18, we continued to fund and support Young Money to deliver the Financial Education Quality Mark. The Quality Mark is awarded to financial education resources which meet independent quality assurance checks, and which are provided by organisations that have committed to the IMPACT Principles (see p17) and to developing an evaluation plan with Money Advice Service support.

More than 30 resources with the Quality Mark are now available to teachers and others who work with children and young people. We are continuing to broaden the range of topics covered, to promote their use in the devolved nations, and to encourage evaluation of the resources' impact.

## Financial education projects in Wales and Scotland

The Talk, Learn, Do project (see p41) is now in the Welsh Government's Flying Start Parenting Support Guidance, published June 2017, for all parenting interventions across Wales.

We are also working with the Welsh Government to create a new curriculum for Wales. Specifically, we have been working to develop the role of financial education in the Mathematics and Numeracy Area of Learning and Experience.

In Scotland, during 2017/18, the Money Advice Service took over coordination of the Scottish Financial Education Forum, which brings together organisations from across Scotland to share information and make connections to further and higher education and employment. The group will support the actions set out in the Children and Young People and Young Adults sections of the Financial Capability Strategy for Scotland.

## Testing the ground

To understand the best ways to deliver financial education, we have been working with partners on two unique, large-scale trials: Talk, Learn, Do and Maths in Context. Both trials have been ongoing throughout this year.

The principal goal in funding these projects is to build robust evidence about what works. Importantly, they are also directly helping thousands of young people (and their parents) to manage their money better.

We are also funding 26 innovative smaller projects – 12 for children below school leaving age, and 14 for young adults – through the What Works Fund (see p18). We expect these to deliver evidence by the middle of 2018, and we will report on the results separately.

### Talk, Learn, Do

Talk, Learn, Do: Parents, Kids and Money is a major pilot study in Wales. Its aim is to help parents talk to and teach their children about money. Co-funded by the Money Advice Service and Big Lottery Wales, the pilot has involved every local authority in Wales. Parenting practitioners have been trained to support parents in day-to-day interactions with their children about money.

The final results are not due until summer 2018 but, based on the enthusiastic response of participants and delivery staff, we expect the evidence to highlight Talk, Learn, Do as an exemplar for future projects. We are considering how to take the findings forward in 2018/19.

### Maths in Context

Maths in Context is an important randomised control trial, co-funded with the Education Endowment Foundation and delivered by Young Money. It is testing the idea that teaching maths through 'real-world' money scenarios would improve both maths scores (GSCE results) and young people's financial capability. The aim is to make maths accessible, engaging and relevant to real life, while also preparing students for the questions they will face in exams. Delivery began in September 2017 and results are expected in 2020.

# Our people

**We employ around 160 people, the majority in our central London office. We aim to create a culture that respects and values difference, and harnesses the widest possible range of talents, working together as 'one Money Advice Service' to the ultimate benefit of those receiving our services. In order to ensure that the Single Financial Guidance Body (SFGB) gets off to a flying start, in 2017/18 we continued to invest in our people and culture so we can continue to maintain momentum behind our business priorities and deliver for our customers.**

## Equality, diversity and inclusion

Equality, diversity and inclusion are central to what we do and to the way we take decisions. This applies both to our role as a service provider and as an employer.

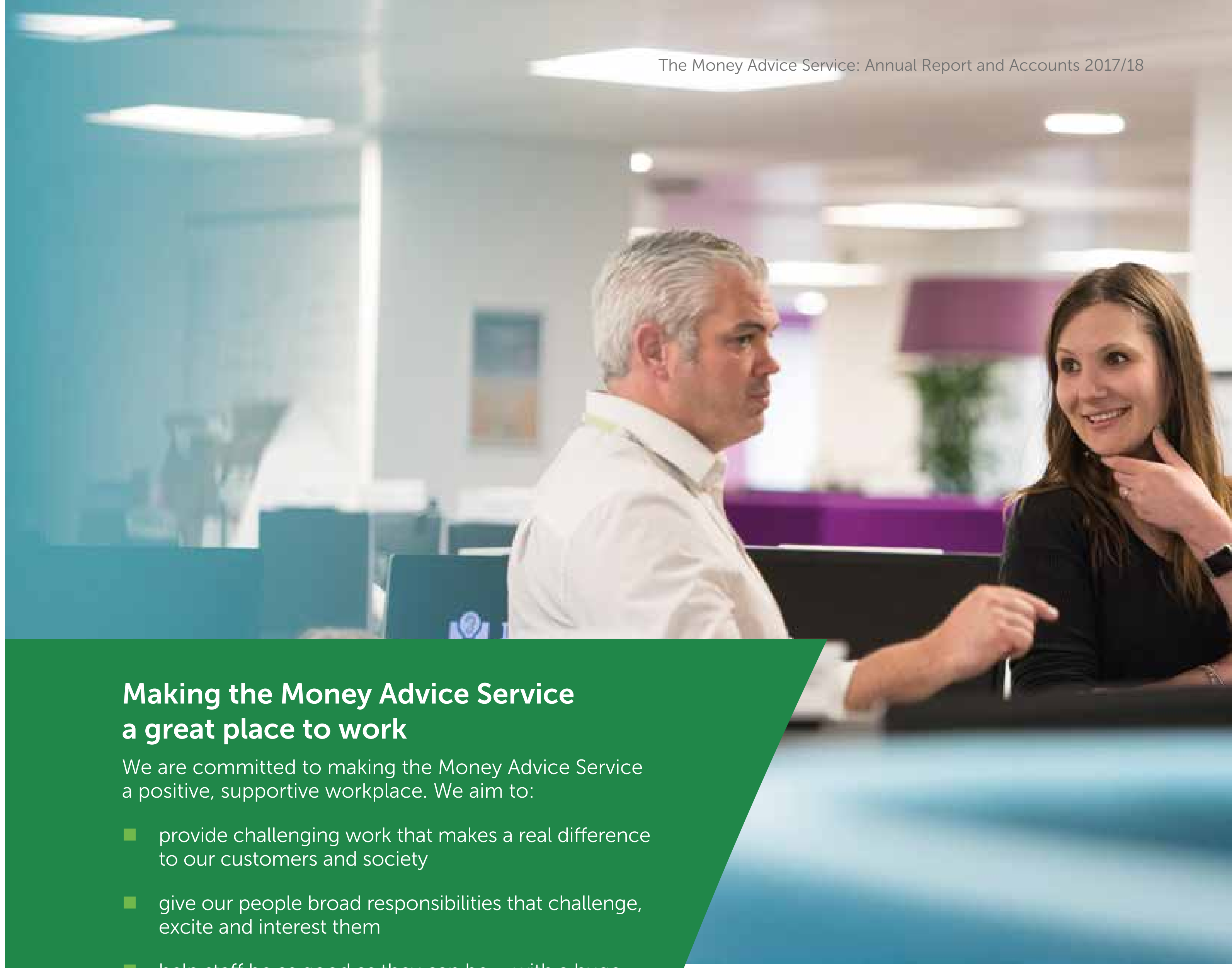
We strive to be a fair employer, recruiting, developing and promoting a diverse and talented workforce that is representative of our customers, stakeholders and partners. We promote a values-led environment that supports difference and enables everyone to contribute fully.

In line with the Public Sector Equality Duty, we provide an inclusive work environment where there is equal opportunity for colleagues regardless of age, disability, gender, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex or sexual orientation.

We also go much further than our statutory duty to promote and celebrate equality and diversity at work as these examples show.

- During **National Inclusion Week** an annual campaign run to raise awareness of the importance of inclusion in the workplace and the business benefits to having a diverse and included workforce we ran an event for Money Advice Service staff.
- As part of **LGBT History month**, we launched a transgender policy and held a talk on being transgender in the workplace.
- For **International Women's Day**, our female Board members ran a Women in Leadership talk for female staff.

We are also member of the **Business Disability** forum and the **Employers' Network for Equity and Inclusion**. This helps us to stay up-to-date with best practices and to share the latest information with staff.



## Making the Money Advice Service a great place to work

We are committed to making the Money Advice Service a positive, supportive workplace. We aim to:

- provide challenging work that makes a real difference to our customers and society
- give our people broad responsibilities that challenge, excite and interest them
- help staff be as good as they can be – with a huge emphasis on training and development
- create a place where people can grow their career
- make sure people have the right tools to do their jobs well, making appropriate adjustments where needed.

We are proud of the results of our 2017 staff survey, which found that:

- **90%** of staff believe strongly in the organisation's purpose and objectives.
- **89%** would be happy to recommend the services of the organisation.
- **84%** feel they understand how their work contributes to the success of the organisation.

Our staff survey also demonstrated areas for improvement and we have an action plan in place to do this.

In 2017/18, we put in place a new People Strategy, which focuses on:

- enhancing our leadership and management capability – delivered through a rigorous leadership programme
- embedding a strong performance management culture – providing training, guidance and tools for people managers to draw on
- improving staff engagement and making the Money Advice Service a better place to work.


## Growing our talent

24 line managers have taken part in our line management programme this year. The programme aims to develop the strengths of line managers, providing training in key leadership and management skills, principles and practices.

*"I think the line management training programme has had a huge impact. Understanding how we work as managers and how we can be as effective as possible for our teams is what will ensure that we get the best out of people."*

*"The opportunity, within each session, for discussion is really valuable...This debate helps us to apply the information/ideas to our experience. I think it is a good concept: to accept that, for some types of training at least, it's important to build in and value the experiences of the trainees."*

## Opportunities for training and development

We have offered more than 200 training places throughout the year for courses providing both soft skills and technical skills. This equates to more than 2,500 hours of training. This year's training included the internally run GDPR foundation and practitioner training.

Since July 2017, when we launched a revamped corporate induction, all new joiners now complete seven e-learning courses within two weeks. Even though these courses are not regulatory requirements, the Money Advice Service decided to mandate these courses for our people as best practice.

We have also carried out corporate-wide PRISM training for all staff, with 94 employees trained across all four Directorates. This training focused on identifying and mapping behavioural preferences to enable teams to better understand how they work together.

We actively promote membership of professional bodies and currently 30 people are affiliated to various bodies including:

- Chartered Institute of Management Accountants (CIMA)
- Chartered Institute of Personnel and Development (CIPD)
- Market Research Society (MRS)
- Social Research Association (SRA)
- The Whitehall & Industry Group (WIG)

## Investing in the financial wellbeing of our staff

As part of our benefits package, all permanent and fixed-term contract staff are entitled to free meetings or finance reviews from financial advisers at the Lighthouse Group. Any further specific financial advice is charged at a discounted rate.

## Recognising the importance of mental health and wellbeing

We've invested in mental health first aider training for 15 members of staff so they can support their work colleagues - identifying, understanding and helping anyone who may be experiencing a mental health issue. We have also launched an emotional wellbeing programme that runs over six months. The first module looks at emotional wellbeing and stress. The programme was attended by over 30 staff and 11 managers. One attendee said: *"The course has been absolutely fab and I have learnt so much and am motivated to learn more- it's amazing how simple things can make a massive difference."*

We are also providing mental health awareness training for our call centre staff so they are clear about how to confidently manage conversations with vulnerable customers.

## Smart working

We have launched a new smart working programme, in response to staff requests for a more progressive flexible working policy. It is too soon to fully assess the impact of this programme but initial staff feedback has been very positive.

## Embedding and celebrating our values

Our values as an organisation are important to us. They are what motivate us to make a difference to people's lives. They help us understand the role each of us plays in the organisation and give us the confidence to deliver our shared vision.

### Customer-focused

**We put the customer at the heart of everything we do.** We provide real help to real people, based on a deep understanding of what's right for each person. It's the reason we exist.

### Collaborative

**We work together as 'one Money Advice Service'.** By working together, we are more than the sum of our parts. We get the best out of each other by sharing time and energy and exchanging knowledge and experience.

### Listening and learning

**We actively listen so we can learn more.** We show respect for what people have to say – their ideas, solutions and points of view. We want to improve, and we understand that our own ideas may not always be the best ones.

### Passionate

**We have energy and drive to make the Money Advice Service a great place to work.** We believe wholeheartedly in what we do, and stand up for what we believe in. We go above and beyond, inspiring others to come on the journey with us, and are always looking for creative new ways to get things done.

### Open

**We are honest, transparent and build trust.** We value each other's views and are open to new ways of thinking and doing things – even if they are difficult or do not always succeed. We welcome constructive feedback and discussion and are able to speak our minds.



# Our performance in 2017/18

The table below shows our key performance indicators (KPIs) for the year and explains whether and how we have met them

| KPI | | Met? | Comments |
|---|---|---|---|
| 1.1 | Early in 2017/18 we will publish all the action plans agreed by Financial Capability Strategy Steering Groups and:<br>■ deliver actions agreed by the Money Advice Service in 2017/18;<br>■ lead others to deliver actions agreed for completion in 2017/18;<br>■ publish an assessment of progress by autumn 2017. | Achieved | The six theme action plans were published on the Financial Capability website in June 2017 and work is continuing with Financial Capability Strategy Steering Group members to progress the activities they contain. During Financial Capability Week, an annual progress report, *Financial Capability Strategy for the UK: Two years on*, was published, containing updates on activity underway across the themes and the devolved nations. When the new Financial Capability website is launched in 2018/19, we will be able to publish more regular updates on the progress being made in each theme. |
| 1.2 | We will fund the delivery and evaluation of 58 projects that will transform our collective understanding of what is effective in improving financial capability. | Exceeded | In 2017/18, we have funded the delivery and evaluation of 63 projects that will transform our collective understanding of what is effective in improving financial capability. |
| 1.3 | We will identify which are the most promising What Works Fund projects to be tested at a wider scale and/or a longer timeframe in 2018/19. | Achieved | The What Works steering group has agreed the selection methodology and identified a shortlist of the most promising What Works Fund projects to be tested on a wider scale and/or in a longer timeframe in 2018/19. |
| 1.4 | At least 50 pieces of evidence will be added to the Evidence Hub by IMPACT Principle signatories. | Exceeded | A total of 54 pieces of evidence produced by IMPACT Principles signatories were uploaded to the Evidence Hub during 2017/18. |
| 2.1 | We will ensure that, where clients agree with a Money Advice Service-funded debt adviser to take action, nine out of ten go on to do so. | Exceeded | In 2017/18, where clients agreed with a Money Advice Service-funded debt adviser to take action, 93% went on to do so. |

| KPI | | Met? | Comments |
|---|---|---|---|
| 2.2 | We will commission debt advice for 468,000 people. | Exceeded | In 2017/18, we helped over 487,000 people through Money Advice Service-funded debt advice services – 4.1% above the forecast for the year. |
| 2.3 | We will ensure that, by the end of 2017/18, across the whole debt advice sector, 75% of clients receiving debt advice will access it through organisations that hold a Money Advice Service-accredited quality standard. | Exceeded | The latest supply survey indicates that, across the whole debt advice sector, 91% of clients receiving debt advice are accessing it through organisations that hold a Money Advice Service-accredited quality standard. |
| 2.4 | We will work with the sector to develop a new Sector Strategy for Debt Advice and Management, by the end of the year we will publish it in outline, and will ensure that at least three programmes of work it proposes are under way. | Not achieved | The Wyman Review was completed earlier than anticipated. Therefore, the Debt Advice Steering Group decided to delay the publication of the new Sector Strategy for Debt Advice and Management until 2018/19 in order to ensure the Strategy complements and supports the recommendations contained within the Review. |
| 2.5 | We will ensure that, by the end of 2017/18, across the whole debt advice sector, 75% of clients receiving debt advice will access it through organisations that use the Standard Financial Statement. | Not achieved | At the end of 2017/18, across the whole debt advice sector, 56% of clients receiving debt advice were accessing it through organisations that use the Standard Financial Statement. Scotland was still considering its position and one of the leading debt advice providers has delayed the roll-out of its new IT infrastructure (which includes the Standard Financial Statement) until November 2018. |
| 3.1 | We will take the essential steps required in 2017/18 to complete a commissioning plan for the savings and budgeting needs of people in the ‘struggling’ and ‘squeezed’ segments by autumn 2018. | Achieved | Analysis of our sub-segments has led us to identify and prioritise three target age groups for the commissioning plan, along with an initial range of outcomes we would most like to achieve and measure. We included our rationale for the suggested target age groups in the 2018/19 business plan consultation. Policy and horizon scanning, along with a synthesis of the best available evidence, is underway. Together with further activities planned for 2018/19 quarter one, these will be used by autumn 2018 to build recommendations for a commissioning plan for the savings and budgeting needs of people in the ‘struggling’ and ‘squeezed’ segments. |
| 3.2 | We will ensure the delivery of, analyse and share the results of the 17 projects completed via the What Works Fund to support working-age people to budget and save. | Not achieved | KPIs 3.2 and 5.3 were drafted with the mistaken assumption that all What Works Fund projects would be delivered and evaluated by March 2018. In reality, this was always expected to be spread over the period 12/2017-09/2018. Therefore, in the spirit of each KPI, we reviewed and published all the relevant projects on the Evidence Hub as soon as they were completed. But we agreed that pushing to achieve the letter of each KPI would result in perverse incentives and therefore they would not be met. |
| 3.3 | We will serve 3.8m website visits, calls and webchats helping people with the topics of budgeting and saving. | Exceeded | At the end of 2017/18, we have served 4.6 million website visits, calls and webchats helping people with the topics of budgeting and saving. |



| KPI | | Met? | Comments |
|---|---|---|---|
| 4.1 | We will directly provide money guidance to 8.2m people, of which 3.7m will be from the ‘struggling’ and ‘squeezed’ segments. | Exceeded | At the end of 2017/18, we have directly provided money guidance to 10.5 million people, of whom 3.8 million were from the ‘struggling’ and ‘squeezed’ segments. |
| 4.2 | We will support at least five third-sector organisations to improve the reach and effectiveness of the digital money guidance they offer that is relevant to the ‘struggling’ segment. | Exceeded | Throughout 2017/18, the Partnership team has helped more than 20 third-sector organisations to improve the reach and effectiveness of the digital money guidance they offer that is relevant to the 'struggling' segment. In addition, the Digital team has produced a search engine optimisation (SEO) guide for ReThink and an SEO audit for Citizens Advice. |
| 4.3 | We will increase the percentage of customers who say they received the information they required when they used our telephone and digital services to 85%. | Achieved | In 2017/18, 84% of telephone and 85% of online customers said they received the information they required when using our services. The weighted composite rate across the two channels was on target at 85%. |
| 5.1 | We will take the essential steps required in 2017/18 to complete a commissioning plan for children and young people’s financial capability by autumn 2018. | Achieved | All the essential steps have been taken to complete a commissioning plan for children and young people’s financial capability by autumn 2018. |
| 5.2 | We will determine the objective indicators that will measure positive change in the financial education sector. | Achieved | Following consultation with stakeholders, a set of objective indicators for measuring positive change in the financial education sector has been refined and approved by the Aim Five steering group. These indicators informed one of the long-term impact measures in the 2018/19 Money Advice Service Business Plan: a rise in the percentage of children and young people who receive meaningful financial education. |
| 5.3 | We will ensure the delivery of, analyse and share the results of the 23 projects completed via the What Works Fund to support children and young people. | Not achieved | KPIs 3.2 and 5.3 were drafted with the mistaken assumption that all What Works Fund projects would be delivered and evaluated by March 2018. In reality, this was always expected to be spread over the period 12/2017-09/2018. Therefore, in the spirit of each KPI, we reviewed and published all the relevant projects on the Evidence Hub as soon as they were completed. But we agreed that pushing to achieve the letter of each KPI would result in perverse incentives and therefore they would not be met. |

# Adapting to changes

**As a listening and learning organisation, we aim to use our experiences to inform our work in the future and to improve the service we provide. We also hope that by sharing these experiences, we can help others. These are some of the areas where we have adapted our approach and learned lessons in the light of changing circumstances or evidence.**

## Improving the quality of debt advice

While we remain absolutely committed to increasing the availability of debt advice for those in need, our focus is increasingly on improving the quality of debt advice. As emphasised in the Wyman Review, poor quality debt advice can be damaging.

In collaboration with organisations from across the sector, we are working to drive up standards in several ways, as follows.

- Our new Performance Management Framework, which incorporates 'three lines of oversight' across seventeen different elements under six different performance areas – from financial control and performance to quality of advice and client outcomes and experience.
- A redesigned peer assessment process which allows specialist debt advisers to assess the quality of advice provided by their peers, and to provide feedback and suggestions for improvement where required.
- All organisations that we fund hold a Money Advice Service-accredited quality standard, and that all debt staff have undertaken the Money Advice Service accredited training or equivalent, through the Giving Good Debt Advice learning platform.
- We now employ two full-time Quality Assurance Managers at the Money Advice Service.
- We are investing in improving case recording, which was a key weakness highlighted by peer assessment.

## Measuring our own impact

The evaluation of our Budget Planner tool highlighted some important challenges for measuring the impact of our own work. It is important that we demonstrate the same commitment we ask of others to evaluating the impact of our work. This can be a challenge when effects we are looking to bring about are often long term. Through the evaluation, we have identified ways to design evaluation into our products, making it easier to gauge their impact.

## Changing the focus of our advice

Use of credit has come more sharply into focus as it has become clear that financially squeezed households are vulnerable to problems with unsecured debt. More than half of people in our 'squeezed' segment have a credit or store card, and 24% of these generally make the minimum payment each month, although they pay more than the minimum when they can. This means 3.1 million financially squeezed adults in the UK are vulnerable to excessive interest charges or problem debt.

## Taking on a more confident strategic leadership role

Our relationships with stakeholders have been fundamental in our success. We have frequently sought their views and expertise, and their input has helped shape our policies and products. However, as we have evolved and built our expertise, we have learned to take on a more confident, strategic leadership role, reducing the time we spend consulting with other bodies. We will continue to work closely with stakeholders but will lead as much as we listen.

## Learning the lessons of external funding

Our What Works Fund has been a huge success. The projects are on track to deliver high-quality and robust evaluation of a wide range of interventions and outcomes throughout the UK and across all age groups. They will significantly increase the volume of UK studies in our evidence hub.

We had assumed that, during the course of the funding, some projects would drop out or be delayed. This did not happen. The dedication and commitment of the projects is to be celebrated. However, it did lead us to spend more than we expected on the What Works Fund in 2017/18, contributing to an overall overspend for the programme of £1.0m.

This was our first large scale commission project; lessons learned will be applied to any future projects.

## Pushing up contact centre satisfaction

To give customers a service that more closely meets their needs, we made some changes to the way we deal with calls about certain common money guidance subjects. When we realised that these changes had led to caller satisfaction rates dipping below target, we introduced closer call monitoring to ensure the quality of call handling was being maintained. Satisfaction rates have returned to target levels although we just narrowly missed our overall target for the year as a whole. We are continuing to review satisfaction levels closely.

# Towards a new Single Financial Guidance Body

**The Financial Guidance and Claims Act received Royal Assent on 10 May 2018.**

**The Act introduces a new Single Financial Guidance Body (SFGB) to replace the Money Advice Service and the two other public financial guidance organisations, the Pensions Advisory Service (TPAS), and Pension Wise duties to ensure the provision of debt advice, money and pensions guidance. Government has set out that a single body with cross-cutting responsibilities will simplify the existing public financial guidance landscape, making it easier for people to access information and guidance to help them make effective financial decisions**

The new body will have five core functions, as follows:

- **The pensions guidance function** – to provide information and guidance to the public on matters relating to occupational and personal pensions.
- **The money guidance function** – to provide information and guidance designed to enhance people's understanding and knowledge of financial matters and their ability to manage their own financial affairs.
- **The debt advice function** – to provide members of the public in England with information and advice on debt.
- **The strategic function** – to work with others in the financial services industry, the devolved authorities, and the public and voluntary sectors to develop and coordinate a national strategy to improve the financial capability of members of the public, the ability of members of the public to manage debt, and the provision of financial education to children and young people.
- **The consumer protection function** - to alert the FCA if it becomes aware of any practices by FCA-regulated persons which may be detrimental to consumers, and to consider the effects on consumers of direct marketing.

Working with and alongside the other public financial guidance bodies, the Money Advice Service is busy supporting the transition and, alongside this, keeping a focus on maintaining the momentum of our day-to-day work and continuing to deliver a high-quality service for the public.

The Department for Work and Pensions (DWP) will be the sponsor Department for the new body, but the body will also engage with HM Treasury, which has responsibility for government policy on financial capability and consumer debt. The DWP has established a SFGB programme board with representatives from the three organisations, the Financial Conduct Authority and HM Treasury to prepare for and ensure a smooth transition.

A single body will make it easier for people to access information and guidance.

# Statutory reports





# Contents

# Strategic report

The Directors present their Strategic Report for the Money Advice Service for the year ended 31 March 2018





## Strategic report

This strategic report explains our mission, our values and strategy, an overview of our performance during 2017/18, and our plans for the future.

### Our mission

The Money Advice Service changes lives by helping people make the most of their money.

### Our role

We have a statutory responsibility to:

- enhance people's understanding and knowledge of financial matters;
- improve individuals' ability to manage their own financial affairs; and
- work with partners to improve the availability, quality and consistency of debt advice across the UK.

### Our values

Our values are what motivate us to make a difference to people's lives. They help us understand the role each of us plays in the organisation and give us the confidence to deliver our shared vision. Details of our values are included on page 46 of the Annual Review.

### The Single Financial Guidance Body

The Financial Guidance and Claims Act gained Royal Assent on 10 May 2018. The new body will take on responsibility for:

- pensions guidance
- debt advice
- money guidance
- consumer protection.
- strategy

The SFGB will build on the achievements of the Money Advice Service – maintaining our focus on developing financial capability and improving the supply of debt advice, applying an evidence-based approach and working with partners.

### Money Advice Service – Strategy

In December 2016, we consulted on a three-year Corporate Strategy for the Money Advice Service to take us through to 2019. The responses from the organisations who contributed to our consultation were overwhelmingly positive about our intentions.

At the heart of the Corporate Strategy are five strategic aims that focus our thinking on who needs money guidance and debt advice, and how it can be delivered to them in the most cost-effective manner.

### Our five corporate strategy aims for the period 2016 – 2019

#### Delivering though others

To lead co-ordination of the many organisations that can contribute to improving financial capability through collective impact – creating a common understanding of problems and of ways to address them.

#### Earlier and wider access to debt advice

To help significantly more over-indebted people to access free, high quality advice as early as possible in order to resolve their crises and build their long-term financial capability.

#### More people budgeting and saving

To help people who are most at risk from income 'shocks' to manage their money day to day and to save more.

#### Improving access to guidance and advice

To enable more people to access the right information, advice or guidance when making financial decisions.

#### Widening and improving financial education

To improve the ability of a generation of children and young people to manage their money and make good financial decisions.

## Overview of Performance in 2017/18

The following report outlines the performance of the Money Advice Service in 2017/18. It is likely that 2017/18 will be the last full year of activity for the Money Advice Service. The Financial Guidance and Claims Act 2018 establishes the Single Financial Guidance Body, which will replace the Money Advice Service in the autumn of 2018. Although the Money Advice Service is coming to an end, it continues to deliver for its customers and partners. We have prepared the accounts on a basis other than going concern for the reasons outlined above. We have reviewed the carrying value of assets and liabilities at the year end and have made any necessary adjustments.

### Income

As reported in the 2016/17 financial statements the Money Guidance general reserve at 31 March 2017 was £7.9m more than the maximum allowed by the reserves policy. The allowable amount was £1.8m or six percent of our annual budget (16/17 £30.0m) and our reserves at the year-end (as restated – see note 23 of the accounts) were £9.5m. Therefore, to bring Money Guidance general reserves within policy we needed to reduce the reserves by £7.9m. We did this by requesting less from the Financial Conduct Authority (FCA) to fund Money Guidance operations in 2017/18 – a budget of £19.1m (£27.0m budget less the return to FCA of £7.9m). The FCA collected £20.6m of levy to fund Money Guidance, which is £1.5m more than budget. See note 3 of the accounts for details.

For Debt Advice, we received £49.2m of income, which is £1.2m more than budget. The overcollection in the year related to income from consumer credit firms, which have recently been regulated by the FCA.

### Expenditure

As with previous years, the Money Advice Service focused its expenditure on delivery of its key objective of helping people to manage their money better. Money Guidance operations costs were £28.0m, £1.0m more than budget. This was agreed during the financial year by the Money Advice Service Board and FCA oversight committee. We launched the What Works Fund (WWF) in 2016/17 and 2017/18 was the first full year of the fund. We incurred £8.7m delivering 58 projects. We continued to deliver our services through our website at a cost of £1.1m and over the phone and printed guides at a cost of £1.4m. Staff costs reduced in the year, although the number of full-time equivalent members of staff increased. This was achieved by recruiting more permanent staff and using less interim resource.

For Debt Advice, we continue to deliver advice through our partners and funded £43.1m of frontline services. In addition to delivering advice, we developed a five-year strategy for the provision of debt advice, supported and contributed to the production of, the Wyman review and developed commissioning plans for 2019/20 and beyond. And in line with agreed policy, and with the agreement of the FCA, we used some of our reserves to provide additional funding for debt advice for impacted clients. To do all this we required additional resource and expertise and this is reflected in the increased staff costs.

## Total comprehensive deficit explained (see page 97 for details)

The Money Advice Service is reporting a deficit for the year of £9.3m. In 2017/18, we returned £7.9m to our levy payers and continued to run down our reserves, resulting in a reported deficit of £9.3m. This was done to utilise accumulated reserves. The deficit is made up of the following;

| Net Impact on | Amount £m | Comment |
|---|---|---|
| **Income** | | |
| Interest and grant income | £0.2m | Bank deposit income and Big Lottery co-funded pilot. |
| Money Guidance | £1.5m | Income received above our levy request and additional income from prior years. |
| Debt Advice | £1.1m | Income received above our levy request and additional income from prior years. |
| **Expenditure** | | |
| Debt Advice impacted clients | (£2.4m) | Reserves used to fund impacted clients, agreed with the FCA as part of the business planning process in December 2016. |
| Debt Advice legacy redundancy | (£0.4m) | Transfer of funds to Lead Organisations for their redundancy liabilities (4 out of 6). |
| Money Guidance – What Works Fund (WWF) | (£1.0m) | Additional expenditure on What Works Fund grant agreements agreed by the Money Advice Service Board and FCA oversight committee. |
| Depreciation and amortisation | (£0.4m) | Depreciation of the Money Advice Service assets, not included in the budget. |
| **Operating deficit** | **(£1.4m)** | |
| Levy income returned to fee payers | (£7.9m) | Funds returned to fee payers to reduce reserves carried into 17/18. |
| **Deficit before taxation** | **(£9.3m)** | |

### Cash

Cash in bank at 31 March 2018 was £37.8m, compared with £38.8m for the year ended 31 March 2017. This is a decrease of £1.0m cash in the year. The majority of cash held at year end relates to levy income for 2018/19.

Further details of total trade and other payables are included on page 113 of our financial statements.

### Money guidance – services for our customers

Through operational efficiencies, we have provided more support for our Money Guidance customers whilst reducing costs. We spent £2.5m (2016/17: £4.9m) on front line service delivery, providing 158,000 (2016/17: 128,000) telephone and email responses and webchat sessions, and total online customer contacts of 28.7m (2016/17: 26.8m).

### Debt advice – services for our customers

In our debt advice work we funded more than 468,000 (2016/17: 411,000) debt advice sessions in England and Wales through our partners at a cost of £39.2m (2016/17: £39.4m). We also spent £3.9m on debt advice in Scotland and Northern Ireland (2016/17: £3.9m). This has delivered more than 13,000 (2016/17: 9,000) sessions in Scotland and more than 5,300 (2016/17: 5,100) sessions in Northern Ireland. Across all nations, more than 487,100 people have been helped through our debt advice providers in 2017/18 (2016/17: 441,700).

## Use of reserves in 2017/18

As a consequence of tightly managing expenditure within the limits agreed with the FCA, and returning excess funds to the FCA, our reserves reduced from a brought forward of £13.8m (restated, see note 23 of the accounts) to £4.5m by the year end. The following table provides further details about these movements and how the closing reserves compare with the 5% limit agreed with the FCA.

| Summary of reserves for the Money Advice Service | Notes | General reserve | | Special Reserve £'000 | The Money Advice Service Total £'000 |
|---|---|---|---|---|---|
| | | Money Guidance £'000 | UK Debt Advice £'000 | | |
| Opening reserve 1 April 17 (as restated - see note 23 to the accounts) | | 9,459 | 2,518 | 1,827 | 13,804 |
| Deficit 2017/18 | | (7,662) | (1,230) | (369) | (9,261) |
| **Closing reserve 31 March 2018** | | **1,797** | **1,288** | **1,458** | **4,543** |
| Max reserve per policy | A | 5% | 5% | | |
| Total reserve allowed per policy | B | 1,350 | 2,400 | | |
| Levy returned to fee payers in 18/19 | | (447) | - | | (447) |
| Closing reserve 31 March 2018 (less returned levy) | | 1,350 | 1,288 | 1,458 | 4,096 |

**Note A**
The reserve is calculated as a percentage of the funding budget set for the year (money guidance £27m; and debt advice £48m excluding impacted clients).

**Note B**
Money Guidance – we will retain £1.35m and return a total of £0.45m to fee payers in 2018/19, this is a combination of the 2017/18 additional income over budget and accumulated reserves from prior years.

UK Debt Advice – we will retain £1.29m as a reserve in 2018/19 to be used in 2018/19 and our plans for levy income in 18/19 will align with our target for the end of the 2019 financial year.



## Application of reserves policy in 2017/18

Decisions to use the reserve are taken by the Audit and Risk Committee on behalf of the Board. Reserves cannot be transferred between Debt Advice and Money Guidance.

The Money Advice Service has set a general reserve policy, which is applied to separate reserves for Money Guidance and UK Debt Advice levies as they remain separate funding streams.

Reserves in excess of the maximum percentage (5%) set by the Audit and Risk Committee are returned to fee payers by reducing the funding request for the coming year.

In accordance with these policies, the Money Guidance general reserve of £1.8m will be reduced by returning £0.45m to fee payers. This is based on a maximum allowable reserve of £1.35m (£27m funding for 2017/18 x 5%). For UK Debt Advice, a general reserve of the full accumulated surplus of £1.3m will be carried forward, which is 2.7% of the current year's funding (2016/17: £2.5m, 5.5%). This is under the maximum allowable reserve of 5% and therefore no repayment to the FCA is required. This general Debt Advice reserve is in addition to a £1.5m special reserve for UK Debt Advice (2016/17: £1.8m). The Legislation that established the Money Advice Service created the statutory obligation to take on the responsibilities of the grants as agreed by the Department of Business, Innovation and Skills (BIS). In the year ended 31 March 2013, a special reserve was created for the obligations. This was for any potential redundancies that were provided for under grant agreements that BIS had with Lead Organisations before we inherited these responsibilities. The special reserve's primary purpose is to be utilised for potential payment of such redundancies, should the projects need to be closed early or at the end of their life.

The UK Debt Advice special reserve has reduced by £0.3m to £1.5m (2016/17: £1.8m) during the year. We have transferred funds to four of our partners, who will hold the reserve going forward, and will settle any redundancy payments. If an employee with a potential claim leaves the organisation and the redundancy claim no longer exists, we have agreed the funds should be used to deliver additional debt advice sessions. We have also agreed that each organisation will report, on an annual basis, any movement in the funds transferred.

Our general reserves (Money Guidance and UK Debt Advice) will continue to be used in accordance with our accounting policy to fund unplanned general expenditure such as over performance on service delivery.

### Performance against budget in 2017/18

Net costs before tax for the year ended 31 March 2018 were £79.2m, compared with £76.0m (as restated – see note 23 of the accounts) for the year ended 31 March 2017, and resulted in a deficit of expenditure over income after tax for the year of £9.3m (2016/17: restated surplus of £1.7m – see note 23 to the accounts). The deficit of £9.3m includes a reduction of income of £7.9m. We reduced our income request of the FCA to utilise surplus general reserves carried forward.

The table below shows expenditure for 2017/18, compared with budget. The budget was signed off by the FCA in December 2016 and consulted on from January to February 2017. It includes money guidance and debt advice expenditure separately as they are funded from separate levies.

| | Actual | Budget | Variance | Comment |
|---|---|---|---|---|
| Money guidance | £28.0m | £27.0m | (£1.0m) | (£1.0m) variance was due to What Works Fund project over performance. |
| Debt advice | £50.8m | £48.0m | (£2.8m) | The variance was due to the planned use of reserves:<br>■ (£2.4m) additional spend on impacted clients who we needed to support but not by reducing front line budgeted spend.<br>■ (£0.4m) on the payment made to Lead Organisations to meet their redundancy liabilities. |
| **Total** | **£78.8m** | **£75.0m** | **(£3.8m)** | |

The Actual figures will not tie back to the Statement of comprehensive income as they do not include depreciation (£0.4m).

Money guidance spent £1m more than budget: we used these funds to deliver more What Works Fund projects because of the importance of the fund's projects, demand from the sector and to increase the pace of delivery. This additional expenditure was authorised in December 2017 by the Money Advice Service Board and the FCA Oversight Committee.

Debt advice spent £2.8m more than budget. The additional spend of £2.4m for impacted clients was agreed by the FCA Oversight Committee in December 2016 and funded from reserves. The £0.4m of redundancy costs was agreed by the FCA Oversight Committee and funded from the Debt Advice Special Reserve.

The Commercial team awarded 105 new contracts and grants totalling £13.7m. All spend is now contracted, reflecting the focus on driving value for money and managing risk. The total number of active contracts and grants in this period was 163, equating to £97.4m. Additionally, the team made savings and increased value for money delivered through numerous means, such as through contract negotiations for IT hardware, permanent recruitment and digital tools.

### Funding in 2017/18

The Money Advice Service's primary source of income for its Money Guidance and Debt Advice work is from levies from authorised firms, payments institutions and electronic money issuers. These levies are raised and collected by the FCA on behalf of the Money Advice Service.

We requested £19.1m for Money Guidance (£7.9m less than the budget of £27.0m) and £48.0m for Debt Advice. The FCA collected £2.7m more levy than requested (£1.5m for money guidance and £1.2m for debt advice). The reason for the over-collection is, as for last year, that it is difficult to predict the amount of consumer credit income when setting the collection tariffs in April each year. We expect the amount of over-collection to reduce as quality of data for consumer credit firms improves.

### Going concern

The Public Financial Guidance Review published in March 2016 announced the intent to replace the Money Advice Service with a new financial guidance body. On 19 December 2016, the Government published a fresh consultation, setting out plans to bring the functions of the Money Advice Service, The Pension Advisory Service and Pension Wise together in a Single Financial Guidance Body (SFGB), due to be fully operational by autumn 2018 at the earliest.

The Financial Guidance and Claims Act was given Royal Assent on 10 May 2018 thus has passed into law. The legislation will remove the Money Advice Service's statutory duty, which will pass to the SFGB.

The Directors of the Company have therefore assessed that the going concern assumption is no longer appropriate for the Money Advice Service and the accounts will be prepared on a basis other than going concern. Any impact of preparing the accounts on this basis will be disclosed in each relevant section.

## Future developments beyond 2017/18

Our strategic direction in 2018/19 is to build on the achievements of 2017/18 and to complete our three-year plan.

We will focus on:

- a strategic approach to financial capability and debt advice
- the need to increase the supply of quality debt advice
- evidence-based decision-making
- segmentation
- the prioritisation of our customers
- partnership working

Our plans for 2018/19 as set out in the Business Plan include:

- building on the momentum of our financial capability work, to help nearly 11 million people with financial guidance
- increasing the provision of high-quality, free-to-client debt advice
- working with the debt sector to push through the recommendations from Peter Wyman's independent review of debt advice funding
- changing the way we commission free debt advice, based on our strategic approach
- using the experience of our What Works projects, the evidence in our Evidence Hub, and the insight from our Financial Capability Lab to ensure that interventions really improve the money management skills of people across the UK
- understanding the best ways to encourage people to save via the workplace
- discovering how FinTech can improve the money management behaviours of people most in need of help
- developing plans to commission and fund interventions to build the financial capability of working adults, of children and young people

## Principal risks and uncertainties in 2018/19

The Executive Leadership Team, business heads, steering groups and programme and project managers undertake regular and systematic reviews of the strategic risks and uncertainties faced by the Money Advice Service. Our strategy is devised to avoid these risks, to mitigate them where necessary, and to make plans for uncertainties.

The most significant risks identified are:

- **Quality of debt advice:** Poor quality Debt Advice means that people who have problems with debt suffer detriment or are not helped as effectively as they could be. Mitigations are in place to reduce the likelihood and impact of this risk, one of which is the prioritisation of the recommendations from the Wyman review which focus on improving the quality of Debt Advice and establishing a Debt Advice qualification for all advisers. We have also put in place a new performance management framework, for all grantees, focussed on quality.

- **Recruitment and retention:** There is a risk of gaps in talent at all levels and across all teams, should rates of staff turnover increase. We have identified measures for both recruitment and retention, including a strong focus on maintaining and improving staff engagement, and any significant changes would result in the risk being escalated. We will be monitoring this closely throughout transition.

- **GDPR:** The GDPR project was ahead of its plan for readiness prior to 25 May 2018, and there is a plan in place to embed GDPR into business as usual activity.

- **Transition:** Key personnel, processes and intellectual capital don't move over to the new Single Financial Guidance Body (SFGB) as required. The Money Advice Service is on track and working with the Department for Work and Pensions (DWP), Pension Wise and The Pensions Advisory Service (TPAS) to deliver the implementation plan.

- **Cyber security:** External cyber security threats and internal data security issues could cause operational and reputational damage to the Money Advice Service. Cyber Security is a priority for the Money Advice Service and we have an action plan in place to reduce the likelihood of this risk.

These risks are reviewed regularly by the Strategic Risk Committee, the Audit and Risk Committee and the Board. All staff are alert to possible risks and are encouraged to raise any risks with their managers.

By Order of the Board

**Michelle Clewer**
Company Secretary

# Directors' report for the year ended 31 March 2018





## Directors' report for the year ended 31 March 2018

**The Directors of the Money Advice Service present their report, together with the audited financial statements on pages 96 to 99 and associated notes on pages 100 to 118 for the year ended 31 March 2018.**

### Principal activities

The Money Advice Service (company number 07172704) is a Company limited by guarantee. The members of the Company have agreed to contribute £1 each to the assets of the Company in the event of it being wound up.

It was launched as the Consumer Financial Education Body in April 2010, an independent organisation set up under the Financial Services Act 2010 to help people understand financial matters and manage their money better. The Act removed the 'public awareness' objective from the Financial Conduct Authority and set out new, broader objectives for the organisation.

Its statutory objectives are to:

- enhance the understanding and knowledge of members of the public of financial matters (including the UK financial system); and
- enhance the ability of members of the public to manage their own financial affairs.

The statutory functions include but are not limited to:

- promoting awareness of the benefits of financial planning;
- promoting awareness of the financial advantages and disadvantages in relation to the supply of particular kinds of goods or services;
- promoting awareness of the benefits and risks associated with different kinds of financial dealing (which includes informing the Authority and other bodies of those benefits and risks);
- publishing educational materials or the carrying out of other educational activities; and
- providing for information and advice to members of the public.

It became the Money Advice Service on 4 April 2011.

The Financial Services Act 2012 includes an amendment to these statutory functions to additionally include specific responsibility for debt advice, specifically to:

- assist members of the public with the management of debt; and
- work with other organisations which provide debt services, with a view to improving
  - the availability to the public of those services
  - the quality of the services provided
  - consistency in the services available, in the way in which they are provided and in the advice given.

The Money Advice Service exists to change people's lives by helping them make the most of their money, both through our own service and by working with others.

The Financial Guidance and Claims Act 2018, given Royal Assent on 10 May 2018, establishes a new Single Financial Guidance Body. At a date to be confirmed the Money Advice Service corporate body will be dissolved. All functions of the Money Advice Service, including staff, property, rights and liabilities will be transferred to the new body.

## Directors

The Board of the Money Advice Service is appointed by The Financial Conduct Authority (FCA); with the appointment of the Chair and Chief Executive also requiring HM Treasury approval.

The Directors of the Company, who served during the year, together with their dates of appointment to the Board are as shown below:

| Non-Executives | |
|---|---|
| Andy Briscoe (Chairman) | appointed 27 September 2013 |
| Nicola Bruce | appointed 1 April 2015 |
| Mike Dailly | appointed 1 April 2015 |
| *Jonathan Douglas* | *appointed 4 January 2011, retired 3 January 2018* |
| Caroline Fawcett | appointed 1 April 2015 |
| *Richard Hughes* | *appointed 4 January 2011, retired 3 January 2018* |
| *Stephen Locke* | *appointed 4 January 2011, retired 2 July 2017* |
| Chris Morson | appointed 1 September 2015 |
| Robert Skinner | appointed 1 February 2012 |
| **Executives** | |
| Charles Counsell (CEO) | appointed 5 June 2017 |
| *David Haigh* | *appointed 1 June 2015, resigned 3 April 2018* |
| John Penberthy-Smith | appointed 1 June 2015 |
| *Caroline Rookes* | *appointed 1 February 2013, retired 2 June 2017* |
| Sheila Wheeler | *appointed 1 July 2016, left 30 June 2018* |

Further details of the Money Advice Service's Directors are included in our governance statement for the year ended 31 March 2018 (see page 72).

## Directors' insurance

The Company maintains an appropriate level of Directors' and Officers' liability insurance which is reviewed annually.

## Disclosure of information to the auditor

Each of the Directors in office, at the date the Strategic and Directors' Report is approved, confirms that:

a so far as the Director is aware, there is no relevant audit information of the which the Company's auditors are unaware

b it is expected that the Director has taken all the steps that he/she ought to have taken as a Director in order to make him/her aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## External auditors

Under the Financial Services Act 2012 the Comptroller and Auditor General (C&AG) was appointed the statutory auditor of the Service.

## Internal auditors

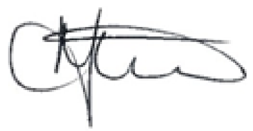
In June 2016, the Audit and Risk Committee agreed to appoint Grant Thornton as its internal auditors for another year, with the option to extend to 2019. Grant Thornton has undertaken nine reviews for the year ended 31 March 2018 (see page "Internal Audit" on page 84 for details). The Audit and Risk Committee and Board agreed in March 2018 to retender the internal audit services. Following a detailed reprocurement exercise, the Committee and Board agreed to appoint Mazars from April 2018.

## Political donations and political expenditure

The Company has not made any political donations for the year ended 31 March 2018.

The Strategic and Directors' Report was approved by the Board on 9 July 2018 and signed below by order of the Board.

By Order of the Board



**Michelle Clewer**
Company Secretary

# Statement of Directors' and Accounting Officer's responsibilities





## Statement of Directors' and Accounting Officer's responsibilities

**The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable laws and regulations.**

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the accounts direction issued by HM Treasury in accordance with section 5(2) of the Government Resources and Accounts Act 2000;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS as adopted by the European Union 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 Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Accounting Officer of HM Treasury has designated the Chief Executive as Accounting Officer of the Money Advice Service and they are responsible for ensuring resources are used in a proper and regular manner, in accordance with the provisions of the Financial Services and Markets Act 2000, Companies Act 2006 and all other applicable law.

The Accounting Officer is required to confirm that the annual report and accounts as a whole are fair, balanced and understandable and that he or she takes personal responsibility for the annual report and accounts and the judgments required for determining that they are fair, balanced and understandable.

# Governance statement





# Governance statement

## Scope of responsibility

As Accounting Officer for the Money Advice Service, I can confirm that all transactions and balances included in the Money Advice Service 2017/18 financial statements were recognised in accordance with the relevant legislation and International Financial Reporting Standards (IFRS) as adopted by the European Union.

I also confirm to the best of my knowledge and belief, and having made the appropriate enquiries:

- all transactions undertaken have been properly reflected and recorded in the financial statements, and all material liabilities, both actual and contingent, and all material guarantees that we have given to third parties, including oral guarantees made by the Company and the group on behalf of an affiliate, Director, officer or any other third party, have been properly recorded or disclosed; and
- all significant assumptions used by us in making accounting estimates, including those surrounding measurement at fair value and review of impairments, are reasonable.

My assurance is based on the ongoing programme of work carried out by our internal audit function. I also have the added comfort of the work carried out by external auditors on the Money Advice Service financial statements, whose work includes an assessment of the reasonableness of significant accounting estimates made by the Directors.

## Overview

The Money Advice Service was set up as an independent body to enhance public understanding of financial matters. It was initially known as the Consumer Financial Education Body, the name used in the Financial Services Act 2010.

Its statutory objectives, as set out in the Financial Services Act 2012, are:

- Improving people's understanding and knowledge of financial matters.
- Improving people's ability to manage their own financial affairs.
- Assisting members of the public with management of debt with a view to improving the availability, quality and consistency of debt advice services across the UK.

The Service is independent of the Financial Conduct Authority (FCA) in carrying out its statutory function. However, the FCA ensures that the service is at all times capable of exercising its function. The FCA and the Service communicate regularly through half yearly meetings with the Service's Chair and quarterly meetings at senior management level.

During the year, consultations have been carried out with the FCA on the 2018/19 Annual Business Plan and Budget. The FCA Board approved the budget at its March 2018 meeting.

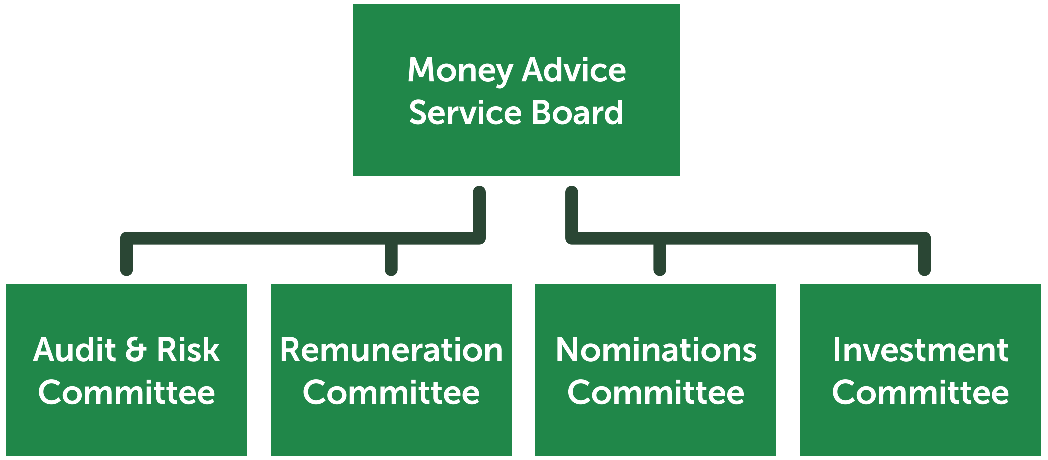
The Chief Executive Officer is the accounting officer of the Service and is personally responsible for:

- Safeguarding the public funds for which he or she has charge
- Ensuring propriety and regularity in the handling of those public funds
- The day-to-day operations and management of the Service and
- Ensuring that the Service as a whole is run in accordance with the principles of managing public money.

Having reviewed the evidence provided from risk management and from the internal auditors' opinions, I am satisfied that the Service has maintained a sound system of internal control during the financial year 2017/18, operating effectively across the organisation, on which I can rely as Accounting Officer.

## Governance Framework of the Money Advice Service

### Governance structure




The Money Advice Service is governed by a Board, which is responsible under company law for ensuring that the statutory objectives are carried out and that the Service is run in an appropriate and legal manner. Along with the Board the Service also has a number of sub-committees which supervise the running of the organisation as follows: Audit & Risk Committee, Remuneration Committee, Nominations Committee and Investment Committee.

### Board composition

As at 31 March 2018, the Board comprised of nine Directors, (six Non-Executive Directors and four Executive Directors, including the Chief Executive).

The FCA approves all appointments to the Board with the appointment of the Chair and the Chief Executive being approved by HM Treasury.

Three Non-Executive Board members retired during the year. All three had reached the end of their third terms in office, and given the size and longevity of the Board, the Board and FCA agreed not to renew their terms of office, nor to replace them.

- *Stephen Locke retired from the Board on 2 July 2017.*

- *Jonathan Douglas retired from the Board on 3 January 2018.*

- *Richard Hughes retired from the Board on 3 January 2018.*

Stephen, Jonathan and Richard were appointed to the Board of the Money Advice Service in January 2011, and their contribution to the work of the Money Advice Service along with their diversity and skills, have been extremely valuable to the organisation.

One new Executive Board member joined during the year:

- *Charles Counsell (CEO) joined the Board on 5 June 2017.*

Two Executive Board members left during the year:

- *Caroline Rookes (CEO) retired from the Board on 2 June 2017.*

- *David Haigh, UK Financial Capability Director, stepped down from the Board on 3 April 2018.*

David wished to make lifestyle changes and stepped down from the Board and his Executive duties but remains a valuable member of the team.

One Executive Director left after 31 March:

- *Sheila Wheeler, UK Debt Director left on 30 June 2018.*



The details of the current Board members are as follows:

### Andy Briscoe
**Chair**

During an extensive and successful career in the financial services sector Andy has chaired and served on the Boards of a broad range of companies. His professional experience ranges from insurance and credit cards to private equity, and includes managing directorships with Centrica and The AA, as well as spells at American Express and BUPA. He is also a trustee of his local Citizens Advice. Andy assumed the chair on 27 September 2013. In October 2017, the FCA and HM Treasury approved his reappointment until June 2019.

### Nicola Bruce
**Non-Executive Director**

Nicola Bruce is an experienced strategist with a background in non-standard financial services. She was formerly Director of Strategy and Business Development at De La Rue plc, the banknote and security printer. Prior to this, Nicola was a partner at The Monitor Company where she led strategy development and consumer research projects for financial services and consumer goods companies. Nicola is currently on the Board of Hanover Housing Association, one of the UK's largest providers of retirement accommodation for vulnerable and elderly people, where she chairs the Investment Committee, and also on the Board of Wings Travel Management, where she sits on the Audit and Risk Committee. Nicola was appointed on 1 April 2015 for a three-year term, and in July 2017 her term was extended until June 2019.

## Mike Dailly
### Non-Executive Director

Mike is the Director of the Govan Law Centre in Glasgow. This is a not-for-profit advice centre, helping people at the sharp end who are having to cope with financial disputes, including credit repayments and mortgage repossessions. He is a Solicitor Advocate who acts exclusively for consumers, a member of the European Banking Authority's expert group, and a Non-Executive Director with the Scottish Housing Regulator. He has also been a member of one of the Service's key stakeholder groups, the Financial Services Consumer Panel. Mike was appointed on 1 April 2015 for a three-year term, and in July 2017 his term was extended until June 2019.

## Caroline Fawcett
### Non-Executive Director

Caroline is a specialist in customer experience and bringing customers to the heart of organisations. She was formerly the Customer Experience Director and Marketing Director at Legal & General, Customer Director at the Rural Payments Agency, and has held positions at Serco, Essex County Council and the Care Quality Commission. She also has significant experience of the financial services sector. As well as her positions at Legal & General, she is on the Board of Co-Op Insurance and Cambridge and Counties Bank, and she was Customer Advocate for Prudential Assurance. Caroline was appointed on 1 April 2015 for a three-year term, and in July 2017 her term was extended until June 2019.

## Christopher Morson
### Non-Executive Director

Christopher has held a number of senior roles in the finance sector, latterly specialising in digital. He is currently also a Non-Executive Director of the DVLA, and of HM Land Registry, where he chairs their Audit and Risk Committee. Previous roles have included MD, Digital for RBS/NatWest and for Virgin Money. He has experience as MD of a European consumer finance business, and has held senior strategy, operations and transformation roles at Director level. He also has experience as a management consultant. Christopher was appointed on 1 September 2015 and in July 2017 his term was extended until June 2019.

## Robert Skinner
### Non-Executive Director

Robert has held a variety of senior roles in a 40-year career in financial services. He was Chief Executive of the Lending Standards Board, and prior to this he spent three years as Director General of the Money Advice Trust, a charity that provides advice to over-indebted individuals, via National Debtline and training and support to money advisers. Robert's earlier career was spent working for Barclays Bank where he held a number of senior roles in large corporate, international and retail banking. He was appointed 1 February 2012 for a three-year term. Robert was appointed as the Senior Independent Director in December 2015. Robert's term was renewed in 2015, and in July 2017 his term was extended until June 2019.

## Charles Counsell
### Chief Executive

Charles was appointed as Chief Executive on 5 June 2017. Charles spent six years prior to this as Executive Director of Automatic Enrolment at the Pensions Regulator (TPR) where he was responsible for the successful UK roll-out of this programme, working alongside DWP. In his time at TPR, the automatic enrolment programme led to over 7.5 million workers newly saving into a workplace pension from over 500,000 employers.

Charles was awarded an OBE in 2017 for services to workplace pension reform. He has spent much of his career setting up and leading major change programmes in both the private and public sectors in the UK and overseas.

## John Penberthy-Smith
### Executive Director

John was appointed as the Customer Director on 5 December 2014. He is a 'new world' Chief Marketing Officer with nearly 30 years' experience in senior roles in fast moving consumer sectors of retail, telecoms and technology. He is an expert in turning consumer understanding into a compelling and workable proposition for organisations that will grow market share and profit.

John joined the Money Advice Service following several years running his own management consultancy, focused on digital transformation and accelerating start-ups.

Prior to that he spent over a decade in the telecoms industry in Director roles at Vodafone, Three and Eircom.

John spent a decade in the retail sector at the beginning of his career in a variety of sales and marketing roles working for both Dixons Stores Group and Thorn EMI.

## Sheila Wheeler
### Executive Director

Sheila was appointed as the UK Debt Advice Director at the Money Advice Service on 20 June 2016. She has worked throughout her career in the public sector and with a number of charities. She has gained extensive experience of delivering, improving and increasing the availability of services and outcomes for people through innovation and collaborative working with stakeholders. She has held Chief Executive roles in two local authorities, and as a finance Director in a number of organisations.

Sheila is a member of the Investment Committee of the Care & Wellbeing Fund and a Trustee of the Roman Catholic Archdiocese of Southwark.

Sheila left the Company on 30 June 2018.

## Board duties/responsibilities

The role of the Board is to take responsibility for the development and delivery of the Money Advice Service's strategic vision, business plan, policies and services. It also monitors performance and holds the organisation to account. The Board also has the responsibility for setting and supporting the organisational values, and ensuring that these values embody the Company's commitment to conduct business in accordance with the highest ethical standards and in compliance with all applicable laws, rules and regulations. Further details on the Board's key responsibilities are available in its Terms of Reference.

The Board considered a number of key issues during the year including:

- The Financial Guidance and Claims Bill and transition planning
- Debt Commissioning Strategy
- Peter Wyman Review of funding debt advice
- Future Commissioning of Debt Advice Services
- What Works Fund
- Reprocurement of new contact centre services
- 2017/18 Annual Review and financial statements
- 2018/19 Business Plan and budget
- Staff engagement survey
- Cyber security

## Board performance

The Board met eight times during the year, which included an annual 'away day'.

During March 2018, the Board and its committees conducted an internal evaluation of their effectiveness looking at their performance over the year 2017/18. This was carried out by anonymous questionnaire and a report was compiled. The Board discussed the report at its meeting in May 2018.

The report noted good progress, and recognised the changes in the Board (three directors stepping down) during the year. The report highlighted the continued improvements being made to the quality and quantity of information provided. The report asked that the Chair and CEO ensure that the agenda remain focussed on strategically important issues.

During the year the Board attended several presentations, covering: children and young people; the Money Advice Service values; open banking; General Data Protection Regulations, debt quality and Public Sector Equality Duty.

The July Board away day focused on the vision and future challenges for the Money Advice Service, in particular open banking. Board members also discussed transition planning and moving towards a commissioning organisation.

The Non-Executive Directors continued to be involved in the business outside of Board meetings, and attended meetings throughout the year to get to know staff and share advice, as well as attending events such as the Financial Capability Conference. The Non-Executive Directors have also visited the National Debtline call centre in Birmingham, and listened to sessions at individual Citizens Advice Bureaux.



## Board Sub-Committees

### The Audit and Risk Committee

The Audit and Risk Committee is chaired by Caroline Fawcett. The Committee is responsible for reviewing and providing assurance to the Board on matters including the effectiveness of the Money Advice Service internal controls and risk management systems, the integrity of financial statements and for oversight of the external audit process. The Committee comprises four Non-Executive Directors appointed by the Board. The Chief Executive, Head of Corporate Services and other Executive Directors (as appropriate) and at least one representative of the external auditors and internal auditors attend all meetings of the Committee.

The Committee met four times during the year and the schedule of regular agenda items continued to be very busy. As part of its normal cycle of work, the Committee has reviewed the risk management policy including the risk appetite statement, strategic risk register, external audit report, internal audit reports, incident management reports, procurement MI including single tender action contract awards; review of policies including TUPE; cyber security; banking and investment; accounting; whistleblowing; gift; hospitality and entertainment and code of conduct; changes in financial procedures. The Committee also reviewed and recommended the Annual Review and Accounts 2016/17 for approval by the Board.

Stephen Locke stepped down from the Committee in July 2017, and Mike Dailly was appointed to the Committee in December 2017.

### Remuneration Committee

The Remuneration Committee was chaired by Jonathan Douglas until December 2017, and thereafter by Mike Dailly. The Committee is responsible for ensuring that the Money Advice Service has in place a comprehensive, effective and value for money total reward and performance framework that enables the organisation to attract, retain and motivate a high calibre workforce to deliver its objectives. It comprises three Non-Executive Board members (excluding the Chair of the Board). To ensure independence, the Chair of the Audit and Risk Committee is not a member of the Remuneration Committee.

The Committee had two meetings during the year and agreed the new Executive Directors remuneration, 2017/18 people strategy, organisation-level performance-related award for 2017/18, the individual performance awards, consolidated pay increase and equal pay review, the performance reviews for Executive Directors including their performance awards and objectives. (See pages 86 to 92).

Jonathan Douglas and Richard Hughes stepped down in December 2017, and Chris Morson and Nicola Bruce were appointed in December 2017 and February 2018, respectively.

### Nominations Committee

The Nominations Committee is chaired by Andy Briscoe. The Committee is responsible for leading the process for Board appointments and for making recommendations to the Board, subject to the approval of the FCA. The Committee is made up of five Directors, comprising the Chair of the Board, three Non-Executive Directors and the Chief Executive.

The Committee met twice during the year and discussed the following key issues: succession planning, review of the structure, size and composition of the Board including diversity, skills, knowledge and experience, Non-Executive Directors renewal of terms, Board evaluation proposal, and individual performance appraisals for the Board.

The Committee approved the appointment of Sarah Porretta, as the new UK Financial Capability Director (not a Board appointment). It also reviewed the new CEO's performance during his probation and approved his formal appointment. Changes in Committee membership and extensions to Executive Board members teams of office were also approved.

### Investment Committee

The Investment Committee was chaired by Richard Hughes until January 2018, and thereafter by Nicola Bruce. The Committee facilitates timely approval of investment decisions which are above the Executive level delegated authority limits. The Committee comprises four Non-Executive Board members appointed by the Board and meets whenever approval for an investment decision is necessary.

The Committee met seven times during the financial year. It discussed the following key issues: call centre extension and re-procurement, GPDR readiness project, Financial Capability labs, Debt Advice second-tier specialist support. In addition, it reviewed a number of What Works Fund projects and approved the extension of the evaluation and learning partner for these projects. When required, the Committee makes recommendations to the Board.

Richard Hughes stepped down in December 2017, and the vacancy on the Committee has not been filled. Nicola Bruce, already a member, was appointed as Chair in December 2017.

## Board and Committees details for the year ended 31 March 2018

The Board and Board Committees met regularly during the year and details of the number of meetings held and attendance at those meetings are set out below.

| Name | Board | Audit & Risk Committee | Nomination Committee | Remuneration Committee | Investment Committee |
|---|---|---|---|---|---|
| | 8 | 4 | 2 | 2 | 7 |
| **Executive Directors** | | | | | |
| Charles Counsell | 8/8 | 4/4 | 2/2 | 2/2 | |
| David Haigh | 8/8 | | | | |
| John Penberthy-Smith | 8/8 | | | | |
| Caroline Rookes[i] | 1/1 | 1/1 | | 1/1 | |
| Sheila Wheeler | 8/8 | | | | |
| **Non-Executive Directors** | | | | | |
| Andy Briscoe | 8/8 C | | 2/2 C | 2/2 | |
| Nicola Bruce[ii] | 8/8 | 4/4 | | | 6/7 C |
| Mike Dailly[v] | 8/8 | 0/1 | 2/2 | 2/2 C | |
| Jonathan Douglas[iii] | 6/6 | | | 2/2 C | |
| Caroline Fawcett | 8/8 | 4/4 C | | | 7/7 |
| Richard Hughes[iv] | 6/6 | | | 1/1 | 4/4 C |
| Stephen Locke | 2/2 | 2/2 | | | |
| Chris Morson | 8/8 | 4/4 | 2/2 | | |
| Robert Skinner† | 8/8 | | 2/2 | | 7/7 |

C Chair
i Retired 2 June 2017
ii Appointed Chair of the Investment Committee from January 2018 onwards.
iii Chair of the Remuneration Committee until December 2017.
iv Chair of the Investment Committee until December 2017.
v Appointed Chair of the Remuneration Committee from January 2018 onwards.
† Senior Independent Director

## Executive Leadership Team (ELT)

The corporate governance system of the Board and its committees is further supported by the Executive Leadership Team (ELT). The ELT supports the Board in the development of the Strategic Business plan and oversees the day-to-day management of the Money Advice Service. ELT meetings are a forum for the Executive Directors to:

- Monitor and drive operational delivery.
- Take decisions about the allocation of finance and other resources within their delegated powers.
- Consider the risks to the Money Advice Service and agree mitigating actions.
- Agree papers for submission to the Board and Committees.
- Perform ad hoc duties as necessary.

The ELT comprises the following:

- Chief Executive (Chair)
- UK Financial Capability Director
- Customer Director
- UK Debt Advice Director
- Head of Corporate Services
- Head of Human Resources

Other staff attend the meetings when required. The ELT meets at least fortnightly and at such other times as it requires and reports to the Board and provides any additional reports relating to the discharge of the above duties, as appropriate.

## Risk management

A strategic risk committee was created in October 2017 to oversee, review and provide strategic direction to improve the overall effectiveness of risk management at the Money Advice Service.

The Money Advice Service has a clear framework for identifying and managing risk, both at an operational and strategic level. Its risk identification and mitigation process has been designed to be responsive to the environment in which it operates.

Internally, the Money Advice Service employs a strong risk management approach to identify risks, tolerance, mitigation and management. This helps it achieve its goals, identify opportunities for improvement and mitigate the effects of a wide range of risks to the organisation.

Forming the cornerstone of all the organisation's risk management activity is its risk appetite statement which is reviewed and refreshed annually. The Audit and Risk Committee ratified the 2016/17 risk appetite statement which provided the Money Advice Service with an updated view of how it should effectively manage risk within the organisation. The Money Advice Service's risk appetite has a strong control framework in place which, rather than stifle risk management, allows the organisation to work within a transparent and well managed structure.

The Money Advice Service oversees risks taken and the mitigation of external and internal risks faced.

A consistent approach to the assessment of risks has been implemented, subject to challenge through regular systematic assessment.

This is based on the following principles:

- Foster a culture to support well-judged decisions about risks and opportunities.
- The management of risk is integrated into existing processes.
- Clear roles are agreed relating to the accountability, management, escalation and communication of risks.
- All staff are encouraged to be open and honest in the reporting and escalation of risks.

## Internal audit

The Money Advice Service undertakes regular internal audits to ensure that the organisation benefits from ongoing improvements in efficiency, effectiveness and control. Grant Thornton were appointed to provide internal audit services to the Service in August 2014 for three years. A further agreement for one year, with option to extend was signed in March 2017. A programme of internal audits was agreed by the Audit and Risk Committee, and was undertaken and reported to the Committee during the year. In 2017/18 we introduced a quarterly key controls review. As the organisation moves into transition it is important to test our controls to ensure they remain fit for purpose and safeguard the organisation and its employees.

The following audits were performed during 2017/18:

- Key controls review
- Key financial controls
- Outsourced vendor management
- IT general controls and data security including disaster recovery and business continuity follow-up
- What Works Fund follow-up
- Risk management and governance review
- Complaints
- Debt advice Northern Ireland
- Impacted clients

The Audit and Risk Committee and Board agreed in March 2018 to retender the internal audit services. Following a formal re-procurement exercise, the Committee and Board agreed to appoint Mazars from April 2018.

Mazars has been appointed as internal auditors from April 2018, and an internal audit plan for 2018/19 has been prepared by Mazars and agreed by the ELT and the Audit and Risk Committee. A process is in place to ensure that any recommendations made in the internal audit reports are monitored by ELT, progressed and implemented effectively, and that progress is regularly reported to the Audit and Risk Committee. The Committee is satisfied that good progress is being made in putting those recommendations into action over the year.



## Information Security

In accordance with our responsibilities under the HMG Security Policy Framework and the Data Protection Act 2018 (incorporating GDPR), the Money Advice Service has in place provisions for information security.

Information held by the Money Advice Service in electronic or paper form, be it structured or unstructured, is one of the organisation's most vital and valuable assets and it is essential that this information is protected against the many threats that may compromise its confidentially, integrity and availability. In addition, it is critical to ensure that the Service meets all required UK and EU legal compliance obligations to avoid the risk of litigation, potential brand damage and loss of public confidence in the service.

We take all reasonable steps to ensure suppliers abide by all relevant UK and EU legislation regarding information security, storage, handling and processing. The requirement to comply with this legislation is devolved to all employees, contractors, consultants and agents who may be held accountable for any breaches of information security for which they may be responsible.

We have had a project working towards GDPR compliance, which is substantially complete. Of the 96 areas listed by the Information Commissioner's Office, 18 did not apply to the Money Advice Service, and we have completed 85% of the remainder. As of the 25 May 2018 compliance date, we feel we have sufficiently mitigated all the outstanding risks. We are continuing to work through the remaining tasks we identified for full completion.

The IT Strategy includes cyber security and how it is managed throughout the Money Advice Service. Cyber security is a standard item on the Board agenda and regular updates are provided to ensure that cyber risks are identified and appropriate action is achieved. To confirm that best practices are maintained, systems are regularly tested along with independent audit reports, which are presented to the CEO and the Audit and Risk Committee. Two new permanent posts (Head of Technology and Cyber security and Information Assurance Manager) are now in place, with strategic and operational responsibility for cyber security.

Under current data protection legislation, it is our legal obligation to inform the Information Commissioner's Office (ICO) of any known data protection breach incidents. I can confirm that for the year 2017/18, no such incidents were reported to the ICO.

This governance statement is signed by our Accounting Officer on 9 July 2018.

**Charles Counsell**
Chief Executive Officer and Accounting Officer

# Remuneration report





# Remuneration report

## Remuneration Committee

The Remuneration Committee is a sub-committee of the Board and is chaired by an independent Non-Executive Director. Its principal activities are detailed in the Remuneration Committee's Terms of Reference. During the year the Remuneration Committee met twice. The members of the Remuneration Committee are Non-Executive Board members and appointed to the Committee by the Board.

| | April – December 2017 | January – March 2018 |
|---|---|---|
| Chair | Jonathan Douglas | Mike Dailly |
| Member | Richard Hughes | Chris Morson |
| Member | Mike Dailly | Nicola Bruce |
| Ex-officio | Andy Briscoe | Andy Briscoe |

The Chair of the Money Advice Service's Audit & Risk Committee is not a member of the Remuneration Committee. The Money Advice Service Chair attends the Remuneration Committee but is not a member.

No member of the Committee or other individual is involved in any decision about their own remuneration. Accordingly, any Committee member would withdraw from that part of any meeting where their remuneration is likely to be discussed or affected.

Other Money Advice Service staff and Board members attend the meetings of the Committee at the request of the Committee chair as and when considered appropriate by the Committee.

## Remuneration strategy

The Remuneration Committee is responsible for ensuring the Money Advice Service has a comprehensive and effective total reward strategy and framework that enables the organisation to attract, retain and motivate a high-calibre workforce to deliver the organisation's objectives.

## 2017/18 remuneration review

The total remuneration package, which is common to all employees, comprises:

- basic pensionable salary;
- eligibility for a performance related bonus;
- pension contribution; and
- other benefits.

The membership and terms of office of the Money Advice Service Executives and Non-Executives are outlined in the table below.

| Board Membership and terms of office | Appointment date on the Board | Renewal date | End of current term |
|---|---|---|---|
| **Executives** | | | |
| Charles Counsell | 05/06/2017 | | 30/06/2019 |
| John Penberthy-Smith | 01/06/2015 | 31/03/2018 | 30/06/2019 |
| Sheila Wheeler | 01/07/2016 | 31/03/2018 | Left company 30/06/2018 |
| David Haigh | 01/06/2015 | | Stepped down on 03/04/2018 |
| Caroline Rookes | 01/02/2013 | | Retired on 02/06/2017 |
| **Non-Executives** | | | |
| Andy Briscoe | 27/09/2013 | 12/09/2017 | 30/06/2019 |
| Nicola Bruce | 01/04/2015 | 31/03/2018 | 30/06/2019 |
| Mike Dailly | 01/04/2015 | 31/03/2018 | 30/06/2019 |
| Caroline Fawcett | 01/04/2015 | 31/03/2018 | 30/06/2019 |
| Christopher Morson | 01/09/2015 | 31/03/2018 | 30/06/2019 |
| Robert Skinner | 01/02/2012 | 31/03/2018 | 30/06/2019 |
| Jonathan Douglas | 04/01/2011 | | Retired on 03/01/2018 |
| Richard Hughes | 04/01/2011 | | Retired on 03/01/2018 |
| Stephen Locke | 04/01/2011 | | Retired on 02/07/2017 |

For historical reasons, during 2017/18 the terms of office of all the Directors were due to expire. Following recommendation by the Nomination Committee and Board, the FCA approved to extend the appointments of the above Directors to 30 June 2019, or the date that the Single Financial Guidance Body goes live, whichever is the earlier.

## Committee membership as at 31 March 2018

| Name | Board | Audit & Risk | Nomination | Remuneration | Investment |
|---|---|---|---|---|---|
| Andy Briscoe | C | | C | Ex-Officio | |
| Nicola Bruce | ✓ | ✓ | | ✓ | C |
| Mike Dailly | ✓ | ✓ | ✓ | C | |
| Caroline Fawcett | ✓ | C | | | ✓ |
| Chris Morson | ✓ | ✓ | ✓ | ✓ | |
| Robert Skinner† | ✓ | | ✓ | | ✓ |

C denotes Chair
† Senior Independent Director

The Remuneration Committee, within the terms of the agreed framework, and in consultation with the Chief Executive or Chair as appropriate, considers and approves proposals for the remuneration and performance-related pay for senior Executives (including the Chief Executive). In addition, the Chief Executive's remuneration and performance-related pay is approved by the Board. In determining such packages and arrangements including arrangements on termination, the Committee gives sufficient and appropriate regard to relevant legal requirements, and other relevant guidance including the UK Corporate Governance Code.

Director remuneration levels are approved by the Financial Conduct Authority (FCA) and there are no additional payments for chairing sub-committees of the Board.

The Remuneration Committee is also responsible for approving the annual performance objectives of the Chief Executive and senior Executives. Board members provide feedback on performance of the Chief Executive and senior Executives to feed into the annual appraisal process.

## Basic pensionable salary

Salaries are reviewed by the Remuneration Committee annually in line with the overall policy.

## Performance-related bonuses

The Executive Directors and the Chief Executive, like other employees, are eligible to be considered for a discretionary performance-related bonus, which for 2017/18 is up to a maximum of 15% of average base pensionable salary applying during the previous year.

The Chair and other Non-Executive members of the Board are not eligible to be considered for a discretionary performance-related bonus.

## Other benefits

On 31 May 2012 the Money Advice Service ended the flexible benefits system which was originally offered by the FCA and carried over to the Money Advice Service. For a small organisation it was considered overly complex and expensive to administer. From 1 June 2012 a simpler alternative offering to all staff of private medical insurance, life insurance and a contributory pension plan up to a maximum of 10% employer contribution has been put in place. Those in post prior to the introduction of the new arrangements receive an allowance made up of the monetary value difference between the new and old arrangements.

A summary of benefits received by Executives is included in the remuneration table below.

## Pensions

The Money Advice Service was a member of the defined contribution section of the FCA Pension Plan until 31 May 2012. From 1 June 2012 the Money Advice Service has set up a group personal pension scheme (GPP) which is a defined contribution scheme through Aviva. Pension contributions made to the Executives have been disclosed in the remuneration table.

## Remuneration Statement

### a Summary of Executive and Non-Executive Remuneration

| | | Year Ended 31 March 2018 | | | | | Year Ended 31 March 17 |
|---|---|---|---|---|---|---|---|
| | | Board fee | Basic salary | Other emoluments and benefits * | Pension | Total | Total |
| | Notes | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Chair** | | | | | | | |
| Andy Briscoe | | 74 | - | - | - | 74 | 74 |
| **Non - Executive Directors** | | | | | | | |
| Nicola Bruce | | 25 | - | - | - | 25 | 25 |
| Michael Dailly | | 25 | - | - | - | 25 | 25 |
| Jonathan Douglas | 1 | 19 | - | - | - | 19 | 25 |
| Caroline Fawcett | | 25 | - | - | - | 25 | 25 |
| Richard Hughes | 2 | 19 | - | - | - | 19 | 25 |
| Stephen Locke | 3 | 6 | - | - | - | 6 | 25 |
| Christopher Morson | | 25 | - | - | - | 25 | 25 |
| Robert Skinner | | 25 | - | - | - | 25 | 25 |
| **Total Non-Executive Directors** | | **243** | **-** | **-** | **-** | **243** | **274** |
| **Executive Directors** | | | | | | | |
| Charles Counsell | 4 | - | 145 | 14 | - | 159 | - |
| David Haigh | 5 | - | 140 | 15 | 14 | 169 | 177 |
| John Penberthy-Smith | | - | 148 | 23 | 15 | 186 | 179 |
| Caroline Rookes | 6 | - | 29 | 3 | - | 32 | 185 |
| Sheila Wheeler | | - | 131 | 22 | - | 153 | 104 |
| **Total Executive Directors** | | **-** | **593** | **77** | **29** | **699** | **645** |
| **Total** | | **243** | **593** | **77** | **29** | **942** | **919** |

**Notes**

1 Jonathan Douglas' term as Non-Executive Director ended on 03 January 2018

2 Richard Hughes' term as Non-Executive Director ended on 03 January 2018

3 Stephen Locke's term as Non-Executive Director ended on 02 July 2017

4 Charles Counsell's term as Chief Executive and Executive Director began on 05 June 2017 at an annual salary of £175,000

5 David Haigh's term as Executive Director ended on 03 April 2018

6 Caroline Rookes' term as Chief Executive and Executive Director ended on 02 June 2017; at the time her annual salary was £150,070

*** Other emoluments and benefits**
This figure comprimises any performance-related award (see second table below), pay in lieu of employer pension contribution and private medical insurance (for the employee only). Where employees elect to insure family members they are responsible for covering the contribution from net salary contributions.



### Pension

As part of our employee reward arrangement, we have a contributory group personal pension plan. Employer pension contributions are on a matching basis as follows:

| Employee Contribution % | Employer Contribution % |
|---|---|
| 3 | 6 |
| 4 | 8 |
| 5 | 10 |
| >5 | 10 |

### Performance Related Award

Below are details of the discretionary performance related awards made to Executive Directors for the year ended 31 March 2018. Awards agreed for the year will be paid in the following financial year and have been included in the emoluments and benefits figures in the table above.

| | Year Ended 31 March 18 £'000 | Year Ended 31 March 17 £'000 |
|---|---|---|
| Charles Counsell | - | - |
| David Haigh | 14 | 22 |
| John Penberthy-Smith | 22 | 16 |
| Caroline Rookes | - | 23 |
| Sheila Wheeler | - | 1 |
| **Total** | **36** | **62** |

### b Hutton Fair Pay Review Disclosure

| | Year Ended 31 March 18 £'000 | Year Ended 31 March 17 £'000 |
|---|---|---|
| Highest paid Director's total remuneration * | 177 | 185 |
| Median remuneration of the Money Advice Service's total staff | 61 | 56 |
| Ratio | 2.9 | 3.3 |
| Lowest paid employee | 21 | 25 |

* Further to the definitions above the figure for the Highest paid Director for 17/18 also differs from Table a above in that Table b is annualised remuneration whereas Table a shows remuneration from start date of 5 June 2017.

As specified in our accounts direction issued by HM Treasury in accordance with section 5(2) of the Government Resources and Accounts Act 2000 we are required to disclose the relationship between the remuneration of the highest paid Director in the organisation and the median remuneration of the organisation's workforce. The Chief Executive Officer was the highest-paid member of the Service for the year ended 31 March 2018.

Total remuneration includes performance-related payments and benefits in kind but does not include severance payments. It also excludes employer pension contributions and cash equivalent transfers.

The median remuneration of the Service's total staff is based on full-time equivalent remuneration for the year ended 31 March 2018. The figures exclude the highest paid Director. The figures include agency and other temporary employees covering staff vacancies, but exclude consultancy services. Only remuneration paid to employees has been included. We have excluded agency fees but included VAT, where applicable, in our calculations as the Money Advice Service is not registered for VAT and this is a cost to the Service (last year VAT was excluded).

The relatively low ratio between the remuneration of the highest-paid member of the Service's Executive Directors and the median remuneration of the organisation's workforce reflects our people strategy of paying competitive 'spot rate' salaries, and not having any entry-level roles.

The financial statements were approved on 9 July 2018, and the Remuneration Statement was signed on 9 July 2018 on its behalf by:

**Charles Counsell**
Chief Executive Officer and Accounting Officer



# The certificate and report of the Comptroller and Auditor General to the Houses of Parliament

# The certificate and report of the Comptroller and Auditor General to the Houses of Parliament

## Opinion on financial statements

I have audited the financial statements of the Money Advice Service for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and the related notes, including the significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law, the Financial Services and Markets Act 2000, and International Financial Reporting Standards as adopted by the European Union. I have also audited the information in the Director's Remuneration Report that is described in that report as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the Money Advice Service's affairs as at 31 March 2018 and of the deficit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the Companies Act 2006.

## Emphasis of Matter

Without modifying my opinion, I draw attention to Note 2a of the Financial Statements (p101) concerning the Directors' decision to prepare the financial statements on a basis other than going concern. The Directors made this decision as a result of The Financial Guidance and Claims Act, which was given Royal Assent in May 2018. This establishes a new financial guidance body to bring together three existing organisations (the Money Advice Service, Pension Wise and The Pension Advisory Service) into a Single Financial Guidance Body. The legislation will remove the Money Advice Service's statutory duty, which will pass to the Single Financial Guidance Body, and result in it ceasing to trade and being wound up.

## Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Money Advice Service in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Responsibilities of the Directors and Accounting Officer for the financial statements

As explained more fully in the Statement of Directors' and Accounting Officer's Responsibilities, the Directors and the Accounting Officer are responsible for:

- the preparation of the financial statements and for being satisfied that they give a true and fair view.
- such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- assessing the Money Advice Service's ability to continue as a going concern, disclosing, if applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Money Advice Service or to cease operations, or have no realistic alternative but to do so.
- Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and the International Standards on Auditing (ISAs) (UK).

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Money Advice Service's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Money Advice Service's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

## Other Information

The Directors' and the Accounting Officer are responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Remuneration Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## Opinion on other matters prescribed by the Companies Act 2006

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- in the light of the knowledge and understanding of the Money Advice Service and its environment obtained in the course of the audit, I have not identified any material misstatements in the Strategic Report or Director's Report; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements.

## Matters on which I report by exception

I have nothing to report in respect of the following matters where the Companies Act 2006 requires me to report to you if, in my opinion:

- adequate accounting records have not been kept by the Money Advice Service, or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit; or
- a corporate governance statement has not been prepared by the Money Advice Service.

## Report

I have no observations to make on these financial statements.

**Sir Amyas C E Morse** **Date** 13 July 2018
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road Victoria
London SW1W 9SP

# Financial statements for the year ended 31 March 2018

## Statement of comprehensive income
### Year ended 31 March 2018

| | Notes | Year Ended 31 Mar 2018 £'000 | Year Ended 31 Mar 2017 Restated * £'000 |
|---|---|---|---|
| **Income** | | | |
| Fee revenue - Money Guidance | | 28,541 | 30,941 |
| Grant revenue - Money Guidance | | 73 | 143 |
| Interest on bank deposits | | 82 | 147 |
| Fee revenue - UK Debt Advice | | 49,165 | 46,502 |
| Return of funds to fee payers | (a) | (7,898) | - |
| **Total Income** | **3** | **69,963** | **77,733** |
| **Operating costs** | | | |
| Cost of services - Money Guidance | | (28,000) | (26,598) |
| Cost of services - UK Debt Advice | | (50,766) | (48,970) |
| Bad debt provision | | 1 | 10 |
| Depreciation and amortisation | | (443) | (487) |
| **Total operating costs** | **4** | **(79,208)** | **(76,045)** |
| **(Deficit) / surplus before tax** | | (9,245) | 1,688 |
| Taxation | 6 | (16) | (31) |
| **Total comprehensive (deficit) / surplus:** | **(a)** | **(9,261)** | **1,657** |

**Note (a)**: The underlying operating deficit is £1.4m; £7.9m of the £9.3m total comprehensive deficit above is income returned to fee payers.

The total deficit of £9.3m is the planned consequence of decisions made by the Money Advice Service Board over the past 5 years. An upper limit on reserves of 5% has been recently agreed (previously 11%). As agreed with the FCA and the Board, the necessary reduction has been achieved in two ways: firstly, by invoicing levy payers £7.9 million less than the expenditure budget for the year; and secondly, by spending £1.4m more than the expenditure budget on customer focused activities. The table on page 59 gives further information on the largest variances within this planned operating deficit.

*Certain amounts shown here do not correspond to the 2016/17 financial statements and reflect adjustments made, refer to note 23

## Statement of financial position
### As at 31 March 2018

| | Notes | As at 31 Mar 2018 £'000 | As at 31 Mar 2017 Restated * £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 7 | - | 72 |
| Property, plant and equipment | 8 | - | 923 |
| **Total non-current assets** | | **-** | **995** |
| **Current assets** | | | |
| Intangible assets | 7 | 238 | - |
| Property, plant and equipment | 8 | 708 | - |
| Inventories | 9 | 46 | - |
| Trade and other receivables | 9 | 1,373 | 5,191 |
| Cash and cash equivalents | 9 | 37,759 | 38,772 |
| **Total current assets** | | **40,124** | **43,963** |
| **Total assets** | | **40,124** | **44,958** |
| **Current liabilities** | | | |
| Trade and other payables | 11 | (35,419) | (30,980) |
| Current tax liabilities | 11 | (16) | (30) |
| Bad debt provision | 12 | - | (1) |
| Provisions | 12 | (146) | - |
| **Total current liabilities** | | **(35,581)** | **(31,011)** |
| **Total assets less current liabilities** | | **4,543** | **13,947** |
| **Non-current liabilities** | | | |
| Provisions | 12 | - | (143) |
| **Total non-current liabilities** | | **-** | **(143)** |
| **Net assets** | | **4,543** | **13,804** |
| **Equity** | | | |
| Money Guidance accumulated surplus | | 1,797 | 9,459 |
| UK Debt Advice accumulated surplus | | 1,288 | 2,518 |
| UK Debt Advice special reserve | | 1,458 | 1,827 |
| **Total equity** | | **4,543** | **13,804** |

* Certain amounts shown here do not correspond to the 2016/17 financial statements and reflect adjustments made, refer to Note 23

Under the Financial Services Act 2012, the Money Advice Service is exempt from the requirements of part 16 of the Companies Act 2006 (audit).

The financial statements were approved by the Board of Directors on 9 July 2018, and were signed on 9 July 2018 on its behalf by:

**Andy Briscoe**
Chair

**Charles Counsell**
Chief Executive Officer



## Statement of changes in equity
### Year ended 31 March 2018

| | Money Guidance £'000 | UK Debt Advice £'000 | UK Debt Advice Special Reserve £'000 | Total Equity £'000 |
|---|---|---|---|---|
| **At 1 Apr 2016** | 5,335 | 4,770 | 2,042 | 12,147 |
| Surplus / (deficit) income over expenditure for the year - Restated * | 4,124 | (2,456) | (11) | 1,657 |
| Transfer from Debt Advice Special to General Reserves | - | 204 | (204) | - |
| **At 1 Apr 2017 - Restated *** | **9,459** | **2,518** | **1,827** | **13,804** |
| Deficit income over expenditure for the year | (7,662) | (1,230) | (369)** | (9,261) |
| **Total equity at 31 Mar 2018** | **1,797** | **1,288** | **1,458** | **4,543** |

* Certain amounts shown here do not correspond to the 2016/17 financial statements and reflect adjustments made, refer to Note 23

** The UK Debt Advice special reserve has reduced by £0.3m to £1.5m (2016/17: £1.8m) during the year. The UK Debt Advice Special Reserve is held for potential redundancy liabilities relating to a number of historic contracts with Lead Organisations. We have transferred these funds to Lead Organisations who will hold this reserve going forward in order to settle any potential redundancy payments in respect of this liability directly.

## Statement of cash flows
### Year ended 31 March 2018

| | Notes | Year ended 31 Mar 2018 £'000 | Year ended 31 Mar 2017 £'000 |
|---|---|---|---|
| **Net cash generated from operating activities** | 13 | (671) | 16,705 |
| **Cash flows from investing activities** | | | |
| Interest received on bank deposits | 3 | 82 | 147 |
| Corporation taxes paid | | (30) | (36) |
| Payments to acquire intangible assets | 7 | (339) | (176) |
| Payments to acquire property, plant and equipment | 8 | (55) | (87) |
| **Net cash outflow from investing activities** | | **(342)** | **(152)** |
| **(Decrease)/increase in cash and cash equivalents** | | **(1,013)** | **16,553** |
| Cash and cash equivalents at the start of the year | 9 | 38,772 | 22,219 |
| Cash and cash equivalents at the end of the year | 9 | 37,759 | 38,772 |
| **(Decrease)/increase in cash and cash equivalents** | | **(1,013)** | **16,553** |

# Notes to the financial statements





## Notes to the financial statements

## 1. General information

The Money Advice Service is a Company incorporated in the United Kingdom under the Companies Act 2006 and is limited by guarantee with no share capital. The members of the Company have agreed to contribute £1 each to the assets of the Company in the event of it being wound up. The address of the registered office is given on page 2.

The Money Advice Service was formerly the Consumer Financial Education Body (CFEB), which was incorporated on 1 March 2010 and changed its name to the Money Advice Service on 4 April 2011.

The core statutory objectives of the Money Advice Service are to enhance the understanding and knowledge of the public of financial matters and to enhance the ability of members of the public to manage their own financial affairs. This now includes specific responsibility for debt advice as per the Financial Services Act 2012.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Money Advice Service operates.

The Company presents additional statements at the beginning of the earliest period presented when there is a retrospective restatement. Additional statements for the year ended 31 March 2017 and as at 31 March 2017 are presented in these financial statements due to the correction of an error and an amendment of an accounting estimate retrospectively. See Note 23.

The financial statements are prepared in accordance with EU adopted International Financial Reporting Standards. The financial statements are presented in compliance with International Accounting Standards (IAS) 1, Presentation of Financial Statements (Revised 2007) and the Accounts Direction issued by Her Majesty's Treasury (Treasury), see page 119 for details. The Accounts Direction requires the Money Advice Service to have regard for the FReM to the extent that it clarifies or builds on the Companies Act.

### New accounting standards

There are four new International Financial Reporting Standards (IFRS) coming into effect between 2018 and 2021.

***IFRS 9 - Financial Instruments***

The standard comes into effect for periods commencing 1 January 2018 onwards. This would be applicable to the Money Advice Service for 2018/19 financial year, with comparatives (if applicable) for 2017/18.

Refer to the financial instruments note for additional information for the impact this standard may have.

***IFRS 15 Revenue from Contracts with Customers***

The standard comes into effect for periods commencing 1 January 2018 onwards. This is not applicable to the Money Advice Service for 2018/19 financial year.

Refer to the revenue recognition note for additional information.

***IFRS 16 Leases***

The standard comes into effect for periods commencing 1 January 2019 onwards. This would be applicable to the Money Advice Service for 2019/20 financial year. Given the Money Advice Service's disclosure regarding going concern, this standard will not be relevant when it comes into effect.

***IFRS 17 Insurance Contracts***

The standard comes into effect for periods commencing 1 January 2021 onwards. This would be applicable to the Money Advice Service for 2021/22 financial year but given the Money Advice Service's disclosure regarding going concern, this standard will not be relevant when it comes into effect. Also the Money Advice Service does not foresee the activities of the Money Advice Service falling into the scope of this IFRS.

## 2. Significant accounting policies

The financial statements have been prepared on a historical cost basis, except for financial assets which are held at fair value and subsequently measured at amortised cost using the effective interest method. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Accounts Direction issued by HM Treasury. The principal accounting policies adopted are set out below:

### a Going concern basis of accounting

The Public Financial Guidance Review was published in March 2016 with the declared intent to replace the Money Advice Service with a new money guidance body. The new body will bring together three existing organisations (the Money Advice Service, Pension Wise and The Pension Advisory Service) into a Single Financial Guidance Body (SFGB).

The Financial Guidance and Claims Act (FGC Act) was given Royal Assent on 10 May 2018 and thus has passed into law. The legislation will remove the Money Advice Service's statutory duty, which will pass to the SFGB and result in the Money Advice Service ceasing to trade and the eventual winding up of the Money Advice Service.

The Directors of the Company have therefore assessed that the going concern assumption is no longer appropriate for the Money Advice Service and the accounts will be prepared on a basis other than going concern. Any impact of preparing the accounts on this basis will be disclosed in each relevant section.

As a result of the expected transfer of all assets and liabilities to the SFGB on the transfer date, which is expected to be in late 2018 but at this time no actual date has been set, the Directors propose no change to their carrying value. The assets will continue to be productively used in the business and the Money Advice Service still incurs liabilities in its own right (also see Note 2 r below). The Directors' assessment is that all contracts will be novated from the Money Advice Service to the SFGB at transfer date and no additional costs will be incurred by the Money Advice Service as a result of transfer. Because of this view we do not believe any other liabilities exist as at the 31 March 2018 to be reported as part of the accounts. However, as the transfer is expected to take place in 2018, all assets and liabilities as at 31 March 2018 have been classified as current.

For the users of the Money Advice Service's services, a continuity of service is expected and the FGC Act has a provision for funding to ensure the SFGB can carry out its functions as specified in the FGC Act.

## b Statement of comprehensive income

The format of the statement of comprehensive income on page 97 has been designed to show operating costs and fees levied to cover these costs. It is considered that this format best represents the nature of the activities of the Money Advice Service, which involve carrying out statutory functions and the use of levied fees to meet the net cost of those functions. We have provided an analysis of the expenditure by delivery channel. This analysis has also been provided in our business plan which allows users to easily compare budget to actual expenditure.

## c Revenue recognition

The Money Advice Service has two primary work streams: Money Guidance and Debt Advice. Both are funded by the levy on regulated firms. The Financial Conduct Authority (FCA) raises and collects this levy on behalf of the Money Advice Service.

All levy revenue receivables under the Financial Services and Markets Act 2000 (FSMA), are measured at fair value, and represent the levies to which the Money Advice Service was entitled in respect of the financial year. We recognise all 2017/18 levy income invoiced by the FCA and defer levy income received for 2018/19.

Revenue was also received from the Big Lottery during the year; this revenue has been treated on the same basis as levy income.

The Money Advice Service has established that IFRS 15 is not applicable to it, therefore there is no impact on its revenue recognition policy. The definitions provided by the new standard for Customer and Contract means that services provided by the Money Advice Service and the levy it receives are not within the scope of the standard.

## d Financial instruments

***(i) Trade receivables*** Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying value and the estimated future cash flows deriving from the continued use of that asset, discounted if the effect is material.

***(ii) Bad debt provision*** Our revenue recognition accounting policy is to recognise income when the FCA issues an invoice. It is therefore prudent to provide for bad debts, based on the historic average FCA bad debt collection fee rate, which has been assessed to be 0.2% (based on the last three years).

Under IFRS 9 the assessment for the bad debt provision will also take into account any reasonable and supportable future expectations. No material change is expected as a result of this standard.

***(iii) Trade payables*** Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

***(iv) Cash and cash equivalents*** Cash and cash equivalents comprise cash in hand, demand deposits and other short term liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates their fair value.

Throughout the year funds were placed with a number of financial institutions. The Money Advice Service maintains a balance between readily available funds to meet cash flow requirements and flexibility by placing deposits for fixed periods.

## e Partnership funding

The Money Advice Service commissions services to deliver its statutory objectives. We do this through contracts and grant agreements. Working with the provider, we establish the most appropriate mechanism to deliver the services. Funding is given to external partner organisations to carry out frontline services for debt advice and for the What Works Fund.

***(i) Debt advice*** We commission debt advice services from our partners through grant agreements. We typically provide funding on a three year basis.

***(ii) What Works Fund*** In 2016 we launched an evaluation fund to find out what interventions are most effective in helping people manage their money better. The aim is to build evidence by testing and piloting potential financial capability solutions to find out what works, for who and why. Since its launch in 2016, the What Works Fund has awarded grants to 58 project evaluations totalling £10.6m. These will come to an end by August 2018. In 2017, we launched seven more projects totalling £1.2m. These will come to an end in February 2019.

The grants have been issued to partners based on an agreed evaluation plan. Milestones have been identified and funds are transferred based on the delivery of the defined milestones.

For both streams of funding, a liability is recognised in line with the relevant agreement requirements in place with each partner organisation. The agreements enable us to recognise the funding awarded on an annual only basis. Any termination liabilities are recognised when a decision is made to cease an agreement, and in line with the relevant requirements of the agreement.

***Preparing the accounts on a basis other than going concern:*** No quantitative impact is foreseen arising from contracts and grants currently held by the Money Advice Service. These agreements will transfer to the SFGB and the transfer of such obligations are covered by the FGC Act, Schedule 2.

## f Taxation

The tax expense represents the sum of tax currently payable. The Money Advice Service is only liable to pay corporation tax on investment income and not on levy income received, therefore no deferred tax effect arises.

## g Retirement benefit costs

The Money Advice Service operates a group personal pension scheme (GPP) which is a defined contribution scheme through Aviva.

The payments to the defined contribution scheme are recognised as an expense in the statement of comprehensive income, as they fall due.

## h Capitalisation threshold of assets (tangible and intangible)

The Money Advice Service capitalises assets (tangible and intangible) with a value of £1,000 or more.

## i Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost less estimated residual value on a straight-line basis over the expected useful economic life of the tangible assets.

**Summary of the Money Advice Service's depreciation policy of tangible assets**

| Property, plant and equipment | Useful economic life |
|---|---|
| Leasehold improvements | Straight line over the period of the lease (10 years) |
| Furniture and fittings | Straight line over five years |
| Computer hardware | Straight line over three years |

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

## j Intangible assets

In accordance with IAS 38: Intangible Assets, costs associated with the development of website infrastructure are capitalised only where: the Money Advice Service can demonstrate the technical feasibility of completing the infrastructure, it has adequate technical, financial and other resources available to it as well as the intent to complete its development: and the ability to use it upon completion. In addition, costs are only capitalised if the asset can be separately identified, it is probable that the asset will generate future economic benefits, and that the development costs of the asset can be measured reliably. Economic benefits of a website remain difficult to measure in the public sector however IAS 38 states that capitalised development costs should provide future economic benefits that are attributable to the asset and will flow to the Money Advice Service. Providing advice to the public through our websites will ensure we meet our statutory objectives, meet our service potential and continue to receive funding from the FCA. Expenditure on research activities, website content and applications such as tools are recognised as expenditure in the year in which it is incurred. This expenditure typically has a useful life of less than a year because we are continually improving our content and applications to ensure customers have the best possible experience.

Only costs that are directly attributable to bringing the asset to working condition for its intended use are included in its measurement. These costs include all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in a manner intended by management.

Where no intangible asset can be recognised, development expenditure is charged to the statement of comprehensive income when incurred.

**Summary of the Money Advice Service's amortisation policy of intangible assets**

| Intangible non-current asset | Useful economic life |
|---|---|
| Internally generated website infrastructure | Reducing balance over five years |
| Software licenses | Amortised over the duration of the licence |

## k Impairment of property, plant and equipment and intangible assets.

At the end of each financial year, the Money Advice Service reviews the carrying value of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks to the specific asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

***Preparing the accounts on a basis other than going concern:*** The process of reviewing the assets for impairment remains the same. We consider that no impairment adjustment to the carrying values of the assets is required for these accounts given that these assets remain productively used in the business and will be until the transfer of these assets to the SFGB which is at a date to be agreed. Further impairment reviews will be made at points up to and including the time of transfer.

## l Inventories

Inventories are stated at the lower of cost and net realisable value. Current replacement cost is not considered materially different from historical cost.

## m Leases

Leases are classified as finance leases when substantially all the risk and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

The Money Advice Service has no finance leases in place.

The Money Advice Service has the following operating lease:

Fifth Floor, 120 Holborn (entered into 8 March 2014, expires 7 March 2024)

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight line basis over the term of the lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

***Preparing the accounts on a basis other than going concern:*** As we expect the lease to transfer to the SFGB we do not expect it to be deemed an onerous contract; the only additional potential cost to be incurred will be the cost of the transfer.

## n Provisions

Provisions are recognised when the Money Advice Service has a present obligation, legal or constructive, as a result of a past event, if it is probable that the Money Advice Service will be required to settle that obligation and the amount can be reliably estimated. Provisions are measured at the Directors' best estimate at the reporting date of the expenditure required to settle the obligation.

Provisions are discounted where the time value of money is material. A historical average inflation rate of 2% has been used to determine the value of the provision to recognise each year (see Note 12).

***Preparing the accounts on a basis other than going concern:*** The Money Advice Service currently has dilapidation provisions which will total £146,000 by the end of this financial year. If we were required to reinstate the premises before it is transferred to the SFGB, we would need to bring forward future provisions of £19,000. We do not expect this to be the case as no changes are expected to the current location, therefore do not anticipate the premises to be reinstated as part of the lease transfer.

## o Contingent liabilities

The Money Advice Service recognises contingent liabilities when there is a present obligation legal or constructive as a result of a past event which is uncertain in timing and amount. A contingent liability is disclosed but not accrued, however disclosure is not required if the likelihood of payment is remote.



## p Reserves

The Money Advice Service has set a general reserve policy, which is applied to separate reserves for Money Guidance and Debt Advice levies whilst they remain separate funding streams.

Management have set the general reserve level for Money Guidance at no more than 5% of £27m being £1.35m for 2017/18, (reduced from 6% of £30m being £1.8m for 2016/17) of the current year's agreed funding and the reserve can accrue cumulatively from surplus income over expenditure. It can be used to fund general operating expenditure. For Debt Advice, they have set the reserve to no more than 5% of £48m being £2.4m (reduced from 8% of £45m being £3.6m for 2016/17) of the current year's agreed funding. This can be used for debt advice expenditure and the reserve can accrue cumulatively from income over expenditure.

Reserve amounts cannot be transferred between Money Guidance and Debt Advice. Decisions to utilise the reserve are taken by the Audit and Risk Committee on behalf of the Board with actual utilisation of the reserve subject to approval by the Board and the FCA and to full disclosure in the Money Advice Service's financial statements. If there is surplus income arising after all reserves have been agreed, this will be deducted from future funding levies raised in agreement with the FCA.

Legislation that established the Money Advice Service created the statutory obligation to take on the responsibilities of the grants as agreed by the Department of Business, Innovation and Skills (BIS). In the year ended 31 March 2013, we set up a Special Reserve of £1,750,000 for debt advice. This was for any potential redundancies that were provided for under grant agreements that BIS had with Lead Organisations before we inherited these responsibilities. The Special Reserve's primary purpose is to be utilised for potential payment of such redundancies, should the projects need to be closed early or at the end of their life. After this year's utilisation, the Special Reserve has reduced to £1,458,000 from £1,827,000.

The Money Advice Service assets are primarily used in providing Money Guidance activities. All depreciation/amortisation and write down of assets is apportioned to Money Guidance.

Interest income is apportioned wholly to the Money Guidance. During the year Money Guidance and Debt Advice received the majority of their funding in the first six months of the year. We apportion income generated on surplus funds to Money Guidance and we reduce the amount of recharged expenses from Money Guidance to Debt Advice to account for the deposit income generated by Debt Advice surplus funds.

## q External auditors

The audit fee is VAT exempt as it is required by statute as a result of the Financial Services Act 2012.

## r Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Money Advice Service's significant accounting policies as described in note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Refer to Note ***2 (j) Intangible assets*** for the Money Advice Service's assumptions on website infrastructure.

Accounting estimates for What Works Fund grant liabilities

We collate from grantees their estimated expenditure for our year end accruals. This carries the risk with some of the grantees not having a significant finance function that they do not provide us with correct or timely information which could lead to our year end accruals being incorrect.

**Preparing the accounts on a basis other than going concern:** A key judgement is preparing these accounts on a basis other than going concern. Additionally, the accounts include assumptions around transition, which include the following:

- It is expected the new SFGB will be established as a Company as it is a Non Departmental Government Body and the oversight of the new SFGB will move to the Department for Work and Pensions.
- On day one of the new SFGB, we expect all the Money Advice Service's assets and liabilities will transfer to the SFGB, who will accept the transfer. The SFGB will have funding available to it (as provided for in the new legislation) and will subsume the day-to-day operational functions of the Money Advice Service.
- We anticipate the windup process for the Money Advice Service will be straightforward, all assets and liabilities will transfer to the SFGB on day one. A final set of accounts will be prepared and the company will become dormant until the Money Advice Service name is no longer required.
- Any adjustment to asset value is thought to be more appropriate when there is certainty over the timing and form of their transfer to the SFGB. As the timing of the formation of the SFGB remains uncertain, therefore the timing of any transfer of assets and the value of the assets at the time of transfer remains uncertain. Until then the assets will continue to be used productively in the business thus no change to the carrying value of assets have been made as at the date of these accounts.

## 3 Income

| | Notes | Year ended 31 Mar 2018 £'000 | Year ended 31 Mar 2017 £'000 |
|---|---|---|---|
| **Levy income - Money Guidance** | | | |
| FCA Budget for the period: | | 27,000 | 30,000 |
| Income received in 2017/18 for: | | | |
| 2013/14 | | - | 46 |
| 2014/15 | | 19 | 64 |
| 2015/16 | | 84 | 451 |
| 2016/17 | | 672 | 380 |
| Funds received for 2017/18 in excess of full year forecast | | 766 | - |
| **Sub-total** | | **28,541** | **30,941** |
| Return of funds to fee payers | **3 (i)** | (7,898) | - |
| **Total levy income - Money Guidance** | | **20,643** | **30,941** |
| **Levy income - UK Debt Advice** | | | |
| FCA Budget for the period: | | 48,000 | 45,000 |
| Income received in 2017/18 for: | | | |
| 2015/16 | | 61 | 4 |
| 2016/17 | | 4 | 1,498 |
| Funds received for 2017/18 in excess of full year forecast | | 1,100 | - |
| **Total levy income - UK Debt Advice** | | **49,165** | **46,502** |
| **Total levy income** | | **69,808** | **77,443** |
| **Grant income - Money Guidance** | **3 (ii)** | 73 | 143 |
| **Interest income** | | 82 | 147 |
| **Total income** | | **69,963** | **77,733** |

**Note 3 (i)**: The reduction to income represents the Money Advice Service returning an accumulation of reserves over prior years to fee payers in 2017/18. In 2017/18 the Money Advice Service requested from the FCA £7.9m less than its budgeted spend and the shortfall was funded from its reserves.

**Note 3 (ii)**: Money Guidance co-funded a three year grant with Big Lottery Fund Wales. This expense represents the period's funding for the Talk, Learn, Do project, with the final payment to be made in May 2018.



## 4 Expenditure

| | Notes | Year ended 31 Mar 2018 £'000 | Year ended 31 Mar 2017 Restated * £'000 |
|---|---|---|---|
| **Cost of services - Money Guidance** | | | |
| Provision of direct money advice | | 1,378 | 3,741 |
| Digital service delivery | | 1,116 | 1,183 |
| Total front line delivery costs | | 2,494 | 4,924 |
| What Works Fund | | 8,703 | 2,264 |
| Financial capability | | 626 | 492 |
| Consumer insight and research | | 742 | 2,029 |
| Consumer engagement | | 279 | 241 |
| Staff and associated costs | **5** | 11,137 | 12,550 |
| IT hosting and support services | | 495 | 529 |
| Support services | **4 (i)** | 3,495 | 3,540 |
| Audit fee | **4 (i)** | 29 | 29 |
| **Total cost of services - Money Guidance** | | **28,000** | **26,598** |
| **Cost of services - UK Debt Advice** | | | |
| Frontline delivery - provision of debt advice | | 43,057 | 43,180 |
| Research and evaluation | | 1,108 | 1,356 |
| Staff and associated costs | **5** | 3,109 | 2,328 |
| Lead organisation redundancy costs | | 369 | - |
| Support services | | 3,123 | 2,106 |
| **Total cost of services - UK Debt Advice** | | **50,766** | **48,970** |
| Bad debt provision | **12** | (1) | (10) |
| Depreciation and amortisation | **7 & 8** | 443 | 487 |
| **Total expenditure before tax** | | **79,208** | **76,045** |

**Note (i)**: The audit fee has been shown as a separate item in the analysis for 2017/18, in prior years this was included as part of support services thus the comparative for support services has been restated and a comparative included for the audit fee.

* Certain amounts shown here do not correspond to the 2016/17 financial statements and reflect adjustments made, refer to Note 23.

## 5 Staff costs

The average number of full-time equivalent (FTE) permanent employees (including Executive Directors) for the year ended 31 March 2018 was 147 (31 March 2017: 131). The average number of FTE permanent employees in each function during the current year was as follows:

Note: The FTE figures below exclude contract and temporary staff.

| | Year ended 31 Mar 2018 Average number of FTE | Year ended 31 Mar 2017 Average number of FTE |
|---|---|---|
| **Directorate** | | |
| Customer | 47 | 43 |
| Executive Office | 9 | 8 |
| UK Financial Capability | 45 | 41 |
| Corporate Services | 27 | 22 |
| UK Debt Advice | 19 | 17 |
| **Average number of full time equivalent permanent employees** | **147** | **131** |

Employment costs (including Executive Directors) comprise:

| Money Guidance: | Notes | Year ended 31 Mar 2018 £'000 | Year ended 31 Mar 2017 £'000 |
|---|---|---|---|
| Gross salary and taxable benefits | **5 (i)** | 8,486 | 8,325 |
| Recharge to Debt for support services staff | **5 (i)** | (1,263) | (814) |
| Contract and temporary staff | | 2,324 | 3,262 |
| Redundancy costs | | 104 | 402 |
| Employer's National Insurance costs | | 858 | 831 |
| Defined contribution pension costs | | 628 | 544 |
| **Total employee costs - Money Guidance** | | **11,137** | **12,550** |

**Note 5 (i)** In prior years the recharge to UK Debt Advice for support staff was shown as part of Gross salary and taxable benefits, this year it has been analysed separately for clarity and a prior year comparative presented.

| UK Debt Advice: | Year ended 31 Mar 2018 £'000 | Year ended 31 Mar 2017 £'000 |
|---|---|---|
| Gross salary and taxable benefits | 1,238 | 965 |
| Recharge for support services staff | 1,263 | 814 |
| Contract and temporary staff | 383 | 373 |
| Employer's National Insurance costs | 139 | 101 |
| Defined contribution pension costs | 86 | 75 |
| **Total employee costs - UK Debt Advice** | **3,109** | **2,328** |

### Reporting of compensation scheme - exit packages

There were no compulsory redundancies and there were two agreed redundancies in the year ended 31 March 2018. In year ended 31 March 2017, there were 14 agreed redundancies.

| Exit package cost band | Number of compulsory redundancies | | Number of other departures agreed | | Total number of exit packages by cost band | |
|---|---|---|---|---|---|---|
| | 31 Mar 2018 | 31 Mar 2017 | 31 Mar 2018 | 31 Mar 2017 | **31 Mar 2018** | **31 Mar 2017** |
| <£10,000 | - | - | - | - | - | - |
| £10,000-£25,000 | - | - | - | 7 | - | 7 |
| £25,000-£50,000 | - | - | - | 6 | - | 6 |
| £50,000-£100,000 | - | - | 2 | 1 | 2 | 1 |
| £100,000-£150,000 | - | - | - | - | - | - |
| £150,000-£200,000 | - | - | - | - | - | - |
| **Total number of exit packages by type** | - | - | 2 | 14 | 2 | 14 |
| **Total resource cost £'000** | - | - | 104 | 402 | **104** | **402** |

## 6 Taxation

| | Year ended 31 Mar 2018 £'000 | Year ended 31 Mar 2017 £'000 |
|---|---|---|
| **The tax charge on ordinary activities is:** | | |
| Current tax on activities | 16 | 31 |
| Income tax expense for the year | 16 | 31 |

Corporation tax for year ended 31 March 2018 is calculated at a rate of 20% of the estimated assessable net income. The total charge for the year can be reconciled to the accounting surplus as follows:

| | Year ended 31 Mar 2018 £'000 | Year ended 31 Mar 2017 £'000 Restated* |
|---|---|---|
| **(Deficit) / Surplus before tax** | (9,245) | 1,688 |
| Tax at 20% thereon | (1,849) | 338 |
| Effects of: | | |
| Adjustment for activities not subject to corporation tax | 1,865 | (307) |
| Current tax charge for the year | 16 | 31 |
| Effective tax rate for the year | 20% | 20% |

The Money Advice Service is not liable for corporation tax on its statutory activities. The tax charge arises solely on net interest receivable of £82,000 (Year ended 31 March 2017: £147,000).

The Money Advice Service calculates corporation tax at the small profits rate of 20% (2016/17: 20%).

* Certain amounts shown here do not correspond to the 2016/17 financial statements and reflect adjustments made, refer to Note 23

## 7 Current Assets - Intangibles

| | Software £'000 | Website £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| **As at 1 Apr 2016** | 286 | - | 286 |
| Additions | 176 | - | 176 |
| Disposals / write-offs | - | - | - |
| **As at 31 Mar 2017** | 462 | - | 462 |
| **As at 1 Apr 2017** | 462 | - | 462 |
| Additions | 234 | 105 | 339 |
| Disposals / write-offs | (172) | - | (172) |
| **As at 31 Mar 2018** | 524 | 105 | 629 |
| **Accumulated amortisation and impairment** | | | |
| **As at 1 Apr 2016** | 165 | - | 165 |
| Charge for year | 225 | - | 225 |
| Disposal amortisation/ impairment | - | - | - |
| **As at 31 Mar 2017** | 390 | - | 390 |
| **As at 1 Apr 2017** | 390 | - | 390 |
| Charge for year | 173 | - | 173 |
| Disposal amortisation/ impairment | (172) | - | (172) |
| **As at 31 Mar 2018** | 391 | - | 391 |
| **Carrying amount** | | | |
| As at 31 Mar 2017 | 72 | - | 72 |
| As at 31 Mar 2018 | 133 | 105 | 238 |

Note that as at 31 March 2018 these assets have been classified as current whereas in the prior year they were non-current - see Notes 2 (a) & (r).

## 8 Current Assets - Property plant and equipment

| | Leasehold property improvements £'000 | Furniture and fittings £'000 | IT equipment £'000 | Total £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| **As at 1 Apr 2016** | 781 | 303 | 356 | 1,440 |
| Additions | - | 16 | 71 | 87 |
| Disposals / write-offs | - | - | - | - |
| **As at 31 Mar 2017** | 781 | 319 | 427 | 1,527 |
| **As at 1 Apr 2017** | 781 | 319 | 427 | 1,527 |
| Additions | - | 7 | 48 | 55 |
| Disposals / write-offs | - | - | (105) | (105) |
| **As at 31 Mar 2018** | 781 | 326 | 370 | 1,477 |
| **Accumulated amortisation and impairment** | | | | |
| **As at 1 Apr 2016** | 153 | 120 | 67 | 340 |
| Charge for year | 78 | 62 | 124 | 264 |
| Disposal depreciation/ impairment | - | - | - | - |
| **As at 31 Mar 2017** | 231 | 182 | 191 | 604 |
| **As at 1 Apr 2017** | 231 | 182 | 191 | 604 |
| Charge for year | 78 | 65 | 127 | 270 |
| Disposal depreciation/ impairment | - | - | (105) | (105) |
| **As at 31 Mar 2018** | 309 | 247 | 213 | 769 |
| **Carrying amount** | | | | |
| As at 31 Mar 2017 | 550 | 137 | 236 | 923 |
| As at 31 Mar 2018 | 472 | 79 | 157 | 708 |

Note that as at 31 March 2018 these assets have been classified as current whereas in the prior year they were non-current - see Notes 2 (a) and (r).

## 9 Other Current assets

| Analysis by type | Notes | As at 31 Mar 2018 £'000 | As at 31 Mar 2017 £'000 |
|---|---|---|---|
| Consumables | | 46 | - |
| **Inventories** | | **46** | **-** |
| Related parties amounts receivable | 9 (i) | 54 | 329 |
| Prepayments and accrued income | | 1,258 | 4,639 |
| Other debtors | | 61 | 223 |
| **Trade and other receivables** | | **1,373** | **5,191** |
| **Cash deposits** | | **37,759** | **38,772** |

### Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

### Prepayments and accrued income

Debt Advice grant agreements entered into in October 2014 provided the Lead Organisations with one month's cash flow which has been prepaid and included in prepayments and accrued income. This prepayment was released by March 2018.

Similarly with the What Works Fund, we have paid an average of 10% at the start of the grant agreement. This has been prepaid and will be netted off against the final payment of the grant agreement.

**Note (i)**: We recognise income when the FCA issues an invoice to fee payers. This balance relates to levy income invoiced but not paid over to the Money Advice Service.

## 10 Financial instruments

### a. Credit risk

The Money Advice Service's credit risk falls into two main categories:

(i) The collection of fees from the financial services industry. The FCA collects fees on behalf of the Money Advice Service and transfers collected fees on a weekly basis. The FCA has a strong record in terms of collecting fees with bad debt experience averaging at less than 0.2% of fees receivable over the last three years.

(ii) the placement of those fees as deposits with various counter-parties. The Money Advice Service only invests with those financial institutions that meet its minimum credit rating as assigned by credit rating agencies. The Money Advice Service also spreads its deposits across a number of counter-parties in order to avoid concentration of credit risk.

### b. Interest rate risk

Other than cash held in bank accounts, all of the Money Advice Service's cash and cash equivalents are fixed-rate fixed term deposits and are not sensitive to variations in interest rates.

### c. Liquidity risk

The Money Advice Service manages its liquidity by carefully monitoring the projected income and expenditure related to its day-to-day business. The Money Advice Service also has an overdraft facility with HSBC for £5m to mitigate liquidity risk.



## 11 Trade and other payables

| Analysis by type | Notes | As at 31 Mar 2018 £'000 | As at 31 Mar 2017 £'000 Restated * |
|---|---|---|---|
| Trade payables | | 1,442 | 2,747 |
| Accruals | | 4,398 | 4,509 |
| Deferred Income | 11 (i) | 29,248 | 23,393 |
| Other taxation and social security | | 331 | 331 |
| **Total trade and other payables** | | **35,419** | **30,980** |
| **Tax liabilities** | | **16** | **30** |

Trade payables and accruals principally comprise amounts outstanding for trade purchases and on-going costs.

The average credit period taken for trade payables is 34 days (2016/17: 29 days).

In accordance with IFRS 7 trade payables and accruals are classified as financial liabilities measured at amortised cost. Directors consider the carrying amount of trade payables approximate to their fair value.

**Note (i)**: The Money Advice Service recognises revenue when an invoice is issued to fee payers. Deferred income was recognised for levies relating to 2018/19 invoiced by the FCA before 31 March 2018.

* Certain amounts shown here do not correspond to the 2016/17 financial statements and reflect adjustments made. Refer to Note 23.

## 12 Provisions

| | Bad debt £'000 | Dilapidation £'000 | Total £'000 |
|---|---|---|---|
| At 1 April 2017 | 1 | 143 | 144 |
| Unwinding of discount | - | 3 | 3 |
| Provision during the year | (1) | - | (1) |
| **Balance at 31 Mar 2018** | **-** | **146** | **146** |

| Analysis of expected timing of cash flow | Bad debt £'000 | Dilapidation* £'000 | Total £'000 |
|---|---|---|---|
| Not later than one year | - | 146 | 146 |
| Later than one year and not later than 5 years | - | - | - |
| Later than 5 years | - | - | - |
| **Balance at 31 Mar 2018** | **-** | **146** | **146** |

On 7 March 2014 the lease of 120 Holborn expired and we entered into a new lease on 8 March 2014 for a period of ten years. We removed the existing provision and replaced it with a new provision for the dilapidation of the office at the end of our current lease (7 March 2024). Our lease agreement clause 4(m) states that at the end of the term the Money Advice Service shall return the demised premises to the landlord in the repair and condition required by the lease. We have estimated a final cost of £165,000 for dilapidations in relation to the lease. We have detailed the expected timing of cash flows in the note above. In 2014/15 we provided for a net present value of £138,065. We arrived at this value by discounting the present value of £165,000 by 2% for 10 years.

As at 31 March 2018 we have a provision of £146,000 having accrued three years of the discount which by 2024 will have built the provision to the required £165,000.

A bad debt provision has been recognised for the year ended 31 March 2018 of £108 on FCA levy income receivable. This provision has been made based on the historic average FCA bad debt collection fee rate which has been assessed to be 0.2% (As at 31 Mar 2017: 0.2%), based on the last three years.

* Note that as at 31 March 2018 this liability has been classified as current whereas in the prior year it was non-current. See Notes 2 (a) & (r).

## 13 Reconciliation of operating surplus to net cash inflow from operating activities

| | Notes | Year Ended 31 Mar 2018 £'000 | Year Ended 31 Mar 2017 £'000 Restated * |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| (Deficit)/Surplus for the year | | (9,261) | 1,657 |
| Interest received on bank deposits | | (82) | (147) |
| Corporation tax expense | **6** | 16 | 31 |
| **Adjustments for non-cash items** | | | |
| Depreciation of property, plant & equipment | **8** | 270 | 264 |
| Amortisation of intangibles | **7** | 173 | 225 |
| Increase/(decrease) in provisions | **12** | 2 | (7) |
| ***Operating cash flows before movements in working capital*** | | (8,882) | 2,023 |
| **Adjustments for movements in working capital** | | | |
| (Increase) / decrease in inventories | **9** | (46) | - |
| (Increase) / decrease in trade and other receivables falling due within one year | **9** | 3,818 | (1,213) |
| Increase / (decrease) in trade and other payables falling due within one year | **11** | 4,439 | 15,895 |
| **Net cash inflows/(outflows) from operating activities** | | **(671)** | **16,705** |

* Certain amounts shown here do not correspond to the 2016/17 financial statements and reflect adjustments made, refer to Note 23.

## 14 Financial commitments

The Money Advice Service has no other significant financial commitments other than those indicated in notes 15 and 16.

## 15 Operating lease commitments

As at 31 March 2018 the Money Advice Service had outstanding commitments for the future minimum lease payments under non cancellable operating leases which fall due as follows:

| | Year Ended 31 Mar 2018 £'000 | Year Ended 31 Mar 2017 £'000 |
|---|---|---|
| Not later than one year | 746 | 744 |
| Later than one year but not later than five years | 3,173 | 3,096 |
| Later than five years | 789 | 1,612 |
| | 4,708 | 5,452 |

The above operating lease relates to the Money Advice Service office at 120 Holborn. We entered into the lease on 8 March 2014 for a 10-year period, ending 7 March 2024. We were granted a 24 month rent free period at the start of the operating lease (March 14 - February 16). In accordance with IAS 17 leases we are amortising the rent-free period over the duration of the lease. We received £225,000 from the landlord as contribution towards renovations of the office, this is also amortised over the duration of the lease.

## 16 Contingent liabilities

On 1 April 2012 the Money Advice Service took on grant agreements previously managed by the Department for Business, Innovation and Skills for the provision of Debt Advice in the UK. This transferred any employee related liabilities accrued at the date of termination of these grant agreements to the Money Advice Service.

Rather than recognising a provision in the accounts we have established a special reserve. We believe this is a prudent approach, as despite lengthy and ongoing discussions, we have not yet come to an agreement of the liability nor the transfer of the funds to the organisation who will actually incur and settle the liability. Management has given this due consideration. Refer to note 2 (p) Reserves for additional details.

## 17 Related party transactions

### Remuneration of key management personnel

The remuneration of key management personnel of the Money Advice Service is set in the remuneration report (page 90). The individuals identified in the remuneration report are the key management personnel as defined by IAS. This includes the Chair and Board of Executive and Non-Executive Directors.

### Significant transactions with the Financial Conduct Authority (FCA)

Under statute (Financial Services Act 2012) the FCA approves the Money Advice Service budget but does not have influence over the operations of the Money Advice Service. Accordingly, the FCA does not control the Money Advice Service, but does consider it to be a related party.

Included in trade and other receivables (note 9) is £54,000 which is outstanding as at 31 March 2018 (2016/17 £0.3m) and relates to the FCA. The receivable is levy income invoiced but not paid to the Money Advice Service. We have recognised income as described in our revenue recognition policy disclosed in the notes above.

During the year, the FCA provided an invoicing and fees collection service to the Money Advice Service.

The FCA charged the Money Advice Service an amount of £111,000 excluding VAT for the provision of this service for the year ended 31 March 2018 (2016/17: £95,000 excluding VAT).

A bad debt provision balance of £108 in relation to FCA levy income has been maintained for the current period as per note 12 (2016/17: £666).

## 18 Losses and special payments

There were no losses or special payments during the current period or prior year.

## 19 Special severance payments

There were special severance payments made during year ended 31 March 2018 £104,000 as shown in Note 5 (31 March 2017 £402,000).

## 20 Sickness absences

For the year ended 31 March 2018 the average absence rate was 1.6% of total staff (Year ended 31 March 2017 : 1.4%).

## 21 Events occurring after the reporting period

As at the date of certification of the accounts the following reportable events had occurred.

*Financial Guidance and Claims Act (FGC Act)*

The FGC Act was given Royal Assent on 10 May 2018 thus has passed into law. The legislation will remove the Money Advice Service's statutory duty, which will pass to the SFGB and result in the Money Advice Service ceasing to trade and the eventual the winding up of the Money Advice Service.

The Directors of the Company have therefore assessed that the going concern assumption is no longer appropriate for the Money Advice Service and the accounts will be prepared on a basis other than going concern. See Note 2 (a) above for more information.

In preparation for the formation of SFGB and the expected appointment of its CEO (expected to be by July 2018), all aspects related to transition are proceeding to plan, including the collation of a transfer scheme. The Money Advice Service is included in working groups under the auspices of the Department for Work and Pensions (DWP). It is planned that the Money Advice Service staff be consulted at an appropriate time.

In July, the MAS Board approved two draft transfer schemes. One dealing with the transfer of property, rights and liabilities, the other dealing with the transfer of employees. The Board appointed a sub-committee of Board members to approve the final drafts of the transfer schemes prior to publication. The final transfer schemes will be approved by the Board, and signed by the Secretary of State, shortly before day one of SFGB, when the final employees, property, rights and liabilities of MAS can be calculated. The property, rights and liabilities transfer scheme also deals with the transfer of the provision of Debt Advice to the devolved nations of Scotland, Wales and Northern Ireland.

*Acquisition of leasehold property*

The Money Advice Service has leased further space in 120 Holborn to accommodate the staff of the other entities being amalgamated under the SFGB as the SFGB currently does not exist as an entity. This was done under the direction of the DWP with the expectation that the lease will be novated to the SFGB on the transfer date. The lease liability is approximately £100k per annum to 2024.

The Money Advice Service Directors' report and financial statements for the year ended 31 March 2018 were approved by the Board of Directors on 9 July 2018.

## 22 Accounts direction from HM Treasury

The accounts direction from HM Treasury for the current period is on page 119. As directed we have followed the principles identified in the Government Financial Reporting Manual issued by HM Treasury to produce the financial statements for the year ended 31 March 2018. On 16 April 2015 the GGC Baseline Panel confirmed the exemption of the Money Advice Service from sustainability reporting. The exemption was granted because the Service did not meet the minimum requirement for the disclosure due to size.

## 23 Restatement note

The Money Advice Service launched the What Works Fund in July 2016, which generated significant interest from the financial capability sector. Although the restatements are below our materiality level, we are restating in full for the purpose of full transparency on the prior year's results.

### 23.1 Correction of an error

Accruals reported in the 2016/17 Annual Report for What Works Fund projects were understated by £92,000 as a result of an invoice being received after year end but not having been accrued.

### 23.2 Change in accounting estimates

Accruals reported in the 2016/17 Annual Report for What Works Fund projects were understated by £145,000 as a result of information of the grantees' estimated expenditure collated for year end being lower than actual expenditure subsequently submitted.

These items have no impact on any other period.

The items above have been corrected by restating the affected financial statement line items for the prior period, as follows:

| Statement of comprehensive income | Year Ended 31 Mar 2017 Reported | Restatement 23.1 | Restatement 23.2 | Year Ended 31 Mar 2017 Restated |
|---|---|---|---|---|
| Cost of services - Money Guidance | (26,361) | (92) | (145) | (26,598) |
| Total operating costs | (75,808) | (92) | (145) | (76,045) |
| (Deficit) / surplus before tax | 1,925 | (92) | (145) | 1,688 |
| Total comprehensive (deficit) / surplus | 1,894 | (92) | (145) | 1,657 |

| Statement of financial position | As at 31 Mar 2017 Reported | Restatement 23.1 | Restatement 23.2 | As at 31 Mar 2017 Restated |
|---|---|---|---|---|
| Trade and other payables | (30,743) | (92) | (145) | (30,980) |
| Total current liabilities | (30,774) | (92) | (145) | (31,011) |
| Total assets less current liabilities | 14,184 | (92) | (145) | 13,947 |
| Net assets | 14,041 | (92) | (145) | 13,804 |
| Total equity | 14,041 | (92) | (145) | 13,804 |

| Statement of changes in equity | Year Ended 31 Mar 2017 Reported | Restatement 23.1 | Restatement 23.2 | Year Ended 31 Mar 2017 Restated |
|---|---|---|---|---|
| Surplus / (deficit) income over expenditure for the year - Money Guidance | 4,361 | (92) | (145) | 4,124 |
| Surplus / (deficit) income over expenditure for the year - total | 1,894 | (92) | (145) | 1,657 |
| Total equity - At 1 Apr 2017 | 14,041 | (92) | (145) | 13,804 |



# Accounts direction from HM Treasury

HM Treasury

HM Treasury
1 Horseguards Road
London SW1A 2HQ
www.gov.uk/hm-treasury

Money Advice Service
Holborn Centre
120 Holborn
London
EC1N 2TD

18 December 2014

**ACCOUNTS DIRECTION GIVEN BY HM TREASURY IN ACCORDANCE WITH SECTION 5(2) OF THE GOVERNMENT RESOURCES AND ACCOUNTS ACT 2000**

1. This direction applies to Money Advice Service (MAS).

2. MAS shall prepare accounts for the financial year ended 31 March 2015 and future years in compliance with the accounting principles and disclosure requirements of and in accordance with the Companies Act 2006 and International Financial Reporting Standards as adopted by the EU.

3. In addition to compliance with the Companies Act, MAS shall also have regard for the requirements and principles identified in the Government Financial Reporting Manual issued by HM Treasury ("the FReM") for the financial year for which the accounts are being prepared to the extent that they clarify or build on the requirements of the Companies Act. This includes in the following areas:

   a) Governance Statement
   b) Remuneration Report
   c) Fair Pay Disclosure
   d) Exit Packages
   e) Balances with other government bodies
   f) Losses and Special Payments
   g) Special Severance Payments
   h) Sickness absences (for 2014-15 only)

4. The accounts shall be prepared so as to:

   (a) give a true and fair view of the state of affairs at 31 March 2015, and subsequent financial year-ends, and the result, changes in tax payer's equity and cash flows for the financial year then ended; and

   (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

Kate Ivers
Deputy Finance Director
Her Majesty's Treasury

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