Thank you for your letter of 3 March which requested further detail for the Pension Wise programme costs included within HM Treasury’s 2014-15 Supplementary Estimate.

Your letter correctly notes that at Budget 2014, I committed a development fund of up to £20m to get the pension guidance service, now called Pension Wise, up and running. This was an initial estimate, as the Government had at that point not yet decided how the service would be delivered and was consulting on the matter.

In July 2014, the Government published its response to the consultation issued. The response confirmed the Government’s preferred approach to delivering impartial guidance: a single integrated service led from the Treasury, partnering with trusted, independent organisations. The response also set out the Government’s intention to fund the ongoing costs of the service, from 2015/16 onwards, via a levy on the financial services industry.

At the same time as publishing the response, HM Treasury sought Parliamentary approval to draw down £10m of the development fund for preparatory work, in the form of an advance from the Contingencies Fund. As your letter states, further funding was drawn down via the 2014/15 Supplementary Estimate – this comprised a further £12.2m additional funding, plus £10m to pay back the advance.

I address each of your questions in turn below.

_How much of the £22.2m is to repay cash advances from the Contingencies Fund?

As noted above, £10m of the £22.2m has been paid back to the Contingencies Fund for 2014/15.

_Will the £22.2 million pay for any other aspects of pension guidance besides the development fund? If so, please specify them.

£1.5m has been allocated to services which will support the delivery of Pension Wise: £1m to DWP to expand the capacity of state pension forecasting services and £0.5m to
the Money Advice Service to support the development of its revised annuity comparison table and directory of financial advisors specialising in retirement advice.

**What are the purposes and objectives of the development fund?**

The purpose of the development fund is as previously stated by the Government: to get Pension Wise up and running. This includes, but is not limited to, service design, grants to delivery partners to enable them to recruit staff and prepare to deliver appointments, commercial contracts (e.g. the contact centre), design and rollout of training, user research and piloting, marketing, and the costs of live running of the service starting this month.

**How has the money spent to date been allocated (please provide a breakdown by the recipient organisation and purpose)?**

The Government has so far allocated £7.1m in grant agreements to delivery partners for this financial year. This is to mobilise resources in preparation for the full launch from April.

In respect of other contracts, the details will be published in line with the Government’s Transparency Agenda on the Contracts Finder website.

**What has the money spent to date achieved?**

The following has been achieved:

- the launch of the ‘Pension Wise’ website (currently in beta form);
- recruitment and training of guidance specialists to deliver Pension Wise appointments in the Pensions Advisory Service (TPAS) and the three Citizens Advice bodies in the UK is underway;
- infrastructure required to deliver the Pension Wise service to achieve geographic coverage;
- supporting elements of the service, such as a customer contact centre and booking system have been purchased and are currently being tested ahead of launch this month;
- piloting is currently underway; and
- a multi-media marketing campaign (TV, press, digital) which is currently running.

**How is further expenditure intended to be allocated (please provide a breakdown by recipient organisation and purpose)?**
Grant agreement expenditure for the remainder of this financial year are in the process of being finalised with each delivery partner. We estimate that this will amount to approximately £6.3m. Expenditure for any new commercial contracts (should any be required) will be published in line with the Government’s Transparency Agenda.

*How do you intend to assess the impact and effectiveness of the development fund?*

The effectiveness of the Pension Wise service, including those elements initially funded by the development fund, will be assessed both through robust management information, and a programme of longer-term evaluation being designed in partnership with the Behavioural Insights Team.

*Why has the cost of the development fund apparently exceeded the £20 million originally envisaged?*

As noted above, £20m was an initial estimated funding requirement before decisions had been taken on the operating model. The additional expenditure – £2.2m or 10% over the initial estimate – reflects the Government’s decision to set up a single integrated service, led by HM Treasury and with grant funding to our partners, Citizens Advice and TPAS.

*Best with,*

GEORGE OSBORNE