Dear Nicky

Thank you very much for your letter of 7 March, on departmental accountability of the Single Financial Guidance Body (SFGB).

As you know, the SFGB is being established as an arm’s length body of Government to ensure appropriate accountability to Parliament. The SFGB will deliver guidance which spans both the Treasury and DWP policy areas. I wish to emphasise that the creation of the single financial guidance body is not primarily about regulation or interaction with industry. The body will provide pensions and money guidance services for people on a UK-wide basis, and will commission debt advice for people in England. It will also play an important role in protecting consumers, many of whom will be DWP’s customers.

As you have pointed out, the body will have a role to play in working with the financial services and the pensions industry. You have identified that there has been a trend away from Defined Benefit to Defined Contribution schemes. However, not all schemes are regulated by the Financial Conduct Authority, for example, the Pension Schemes Act 2017 introduces a new authorisation and supervision regime for Master Trust schemes which is administered by the Pensions Regulator.

Although the body spans both department’s objectives, in October 2016, DWP and Treasury ministers agreed that a single government department needed to be named as the lead sponsor department for the SFGB to ensure clear and transparent accountability. This decision was informed by a number of factors including responses to the Government consultation on the single financial guidance body, the Farnish Review and the Treasury Select Committee. All of these have stressed the need to learn the lessons from the experience of the Money Advice Service in order to maintain focus on primary objectives and meet the needs of consumers.
The Government decided that DWP was best placed to be the lead department for the SFGB. DWP has dedicated resources, including an in-house sponsorship team with experience in managing a portfolio of similar arm’s length bodies and a project management team that has been running the project to set up the SFGB.

This decision does not change departmental policy responsibilities, neither does it mean that the Treasury will not have an important role in setting the SFGB’s direction. Indeed, policy for the single financial guidance body has been developed jointly by DWP and the Treasury. Once the body is established, DWP and the Treasury will have a common responsibility in ensuring the body is adequately supported to deliver its statutory functions in an effective and efficient manner. Clause 25 of the Bill defines key terms and is clear that all references made in Part 1 to the “Secretary of State” mean either the Secretary of State or the Treasury [other than the references in section 1(7)(a) and the first subparagraph of paragraph 1 of Schedule 2].

The Treasury will retain its existing policy responsibility over financial capability, financial inclusion and consumer debt and expects to work closely with the SFGB on these issues. DWP will be responsible for the day-to-day operational delivery of money guidance and debt advice by the body and its partners, but the Treasury will retain responsibility for the development of a national strategy to improve financial capability, people’s ability to manage debt, and financial education for children and young people, as described in the body’s strategic function.

Key elements of the SFGB’s accountability and governance arrangements are set out in the Bill. However, the details of the relationship between the SFGB and DWP will be set out in a published Framework Document and the details of the respective role of DWP and Treasury Ministers will be set out in a Memorandum of Understanding between departments. The Bill has yet to finish its progress through Parliament and the SFGB will be established no earlier than Autumn 2018. A joint programme of work is underway with the Treasury and DWP developing plans for transition from the existing organisations to the new body. The Memorandum of Understanding will be developed as part of this programme and published when the new body is established.

Finally, I want to reassure you that we expect the Treasury Select Committee to examine Treasury Ministers on those policy matters which remain the Treasury’s responsibility. If this on occasion includes an interest in the SFGB’s delivery, we would expect DWP Ministers and the body’s chair and CEO would also be asked to provide evidence.