

## **Money Advice Service, Financial Conduct Authority and HM Treasury Framework Document**

This framework document has been drawn up by HM Treasury in consultation with the Money Advice Service (the Service) and the Financial Conduct Authority (FCA). The document sets out the broad framework within which the Money Advice Service operates. The document does not convey any legal powers or responsibilities and is not legally binding or have legal force or effect on the parties. It is signed and dated by HM Treasury, the Money Advice Service and the FCA. Copies of the document and any subsequent amendments have been placed in the Libraries of both Houses of Parliament and made available to members of the public on the Money Advice Service website.

This agreement takes effect from 1 April 2013 and can be reviewed at any time by the Service, the FCA or HM Treasury.

### **1. Purpose of the Money Advice Service (the Service)**

- 1.1 Under the Financial Services and Markets Act 2000, as amended in the Financial Services Act 2010, the Consumer Financial Education Body, known under the brand name the Money Advice Service, has been set up as an independent body to enhance public understanding of financial matters.
- 1.2 Its statutory duties are to enhance:
  - The understanding and knowledge of members of the public of financial matters (including the UK financial system); and
  - The ability of members of the public to manage their own financial affairs.
- 1.3 In particular, this includes:
  - Promoting awareness of the benefits of financial planning;
  - Promoting awareness of the financial advantages and disadvantages in relation to particular decisions relating to different kinds of goods and services;
  - Promoting awareness of the benefits and risks associated with different kinds of financial dealing (which includes informing the FCA and other bodies of those benefits and risks);
  - The publication of educational materials or the carrying out of other educational activities;
  - The provision of information and advice to members of the public;
  - Assisting members of the public with the management of debt; and
  - Working with other organisations which provide debt services, with a view to improving-(i) the availability to the public of those services;
  - (ii) the quality of services provided; and
  - (iii) consistency in the services available, in the way in which they are provided and in the advice given.

### **Governance and accountability**

### **2. The Money Advice Service's legal origins of powers and duties**

- 2.1 The Money Advice Service's function is set out in sections 6A of the Financial Services and Markets Act 2000. Further provision is made in Schedule 1A to the Financial Services and Markets Act 2000.

### 3. Relationship with the FCA

3.1 The Service is independent of the FCA in carrying out its statutory function. However, the FCA must take such steps as are necessary to ensure that the Service is, at all times, capable of exercising its function.

3.2 The FCA is responsible for:

- The appointment and removal of the Board (but on terms that secure independence of the Money Advice Service's function and subject to the Treasury's approval of the appointment or removal of the Service's Chair or Chief Executive);
- Approving the annual budget and business plan (including any variations to the approved budget and plan, as described in section 7.4 below);
- Levying sums, on behalf of the Service, from FSMA authorised firms, payment service providers and electronic money issuers;
- Receiving an annual report in relation to the discharge of the Service's statutory duties; and
- The FCA may appoint an independent person to conduct a review of the economy, efficiency and effectiveness of the Money Advice Service's use of resources.

3.3 Respecting the independence of the Money Advice Service in carrying out its statutory function the FCA and the Service agree to make arrangements in order to enable the FCA to monitor the Service's activities with a view to ensuring that:

- the Service is capable of exercising its functions;
- the FCA has sufficient information and time to consider its approval of the Service's annual budget, annual plan and any required approval of variations of the approved budget or plan, as described in section 7.4 below;
- If the FCA has concerns about these matters it will make such interventions as are within its powers and as are judged necessary, and inform the Treasury of any such interventions; and
- The FCA will bring such concerns about the activities of the Service which cannot be resolved at senior management level to the Service's Chairman, requesting explanations and assurances that appropriate action will be taken.

As part of these arrangements the Service will provide the FCA with an annual report setting out the extent to which it has met its objectives, with a copy of its latest accounts and the report by the Comptroller and Auditor General.

3.4 The FCA and the Service agree to communicate regularly. This will be underpinned by regular meetings and contact at executive level and includes:

- Strategic dialogue with the Service's Board including half-yearly meetings with the Service's Chairman;
- Quarterly meetings at senior management level;

3.5 Consumer Markets and Intelligence is the FCA primary contact for the Service.

### 4. Relationship with the Treasury

- 4.1 Without having a direct governance role, the Treasury has a role in a number of the Service's responsibilities. The Treasury:
  - approves the FCA's appointment or removal of the Service's Chair and Chief Executive;
  - along with the Secretary of State, the Office of Fair Trading (OFT) and other appropriate persons, is consulted on the Service's budget; and
  - along with the Secretary of State, the OFT, the Practitioner Panel, the Consumer Panel and other appropriate persons, is consulted on the Service's annual plan.
- 4.2 In addition, the Treasury must be consulted by the FCA prior to the commissioning of an efficiency review of the Service.
- 4.3 Finally, under the policy of aligning budgets with estimates and accounts (Clear Line of Sight), and as a direct result of the Service's current ONS classification, the Service's accounts are consolidated into the Treasury Group annual resource accounts. Through the interim and final accounts consolidation process, HM Treasury will seek appropriate assurances on the operation of the systems, controls and processes that underpin the production of the Service's accounts affecting the overall accuracy of the Treasury Group accounts and within relevant levels of materiality represent a true and fair view.

## **5. Relationship with the Office of Fair Trading (OFT)**

- 5.1 In addition to being consulted on the Service's annual budget and plan, the OFT has the power to levy consumer credit licensees and applicants on behalf of the Service, following consultation with the FCA, the Service and such other persons (if any) as the OFT considers appropriate.

## **6. HM Treasury's and BIS Accounting Officer's specific accountabilities and responsibilities**

- 6.1 HM Treasury's Principal Accounting Officer (PAO) has designated the Chief Executive as the Service's Accounting Officer.
- 6.2 HM Treasury's PAO is accountable to Parliament for preparing and signing the Treasury's accounts, including the consolidation of the Money Advice Service's accounts. He or she is accountable to Parliament for the issue of any grant-in-aid, loans or any other financial assistance to the Money Advice Service, provided by the Treasury.
- 6.3 The BIS Accounting Officer is accountable to Parliament for the issue of grant-in-aid, loans or any other financial assistance to the Money Advice Service, provided by BIS.
- 6.4 HM Treasury's PAO is not responsible for the regularity, propriety or value for money at the Money Advice Service. The Money Advice Service Accounting Officer holds these responsibilities and for providing assurance to the Treasury's PAO on regularity and propriety for the Money Advice Service element of Treasury Group consolidated account.

## **7. Responsibilities of the Chief Executive as the Money Advice Service's Accounting Officer**

- 7.1 The Chief Executive as Accounting Officer (AO) 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 on the basis of the standards in terms of governance, decision-making and financial management that are set out in Box 3.1 to Managing Public Money ([http://www.hm-treasury.gov.uk/d/mpm\\_whole.pdf](http://www.hm-treasury.gov.uk/d/mpm_whole.pdf)) and in line with the broad principles underpinning the government-wide corporate guidance and instructions set out in Appendix A.

7.2 The Service's Accounting Officer is responsible to the Service's board for:

- advising on the discharge of the board's responsibilities as set out in this document, in the founding legislation and in any other relevant instructions and guidance that may be issued from time to time;
- advising the board on the Service's performance compared with its aims and objectives; and
- ensuring that financial considerations are taken into account by the board in reaching and executing its decisions, and that financial appraisal techniques are followed.

7.3 The Service's Accounting Officer's responsibilities for accounting to Parliament include:

- signing the accounts and ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Treasury;
- signing a Statement of Accounting Officer's responsibilities, for inclusion in the annual report and accounts;
- signing a Governance Statement regarding the system of internal control, for inclusion in the annual report and accounts; and
- giving evidence when summoned before the PAC on the Service's stewardship of public funds.

7.4 Respecting the independence of the Money Advice Service in carrying out its statutory function, the Service agrees with the FCA to (in a manner consistent with the budgeting procedures described in section 15, where relevant):

- forward the audit strategy, periodic audit plans and annual audit report as soon as practicable to the FCA;
- seek the required approval from the FCA before varying the overall agreed budget<sup>1</sup> and also to seek approval from the FCA prior to entering into any undertaking to incur expenditure that is judged by the Service's AO as not provided for in the Service's overall annual budget as approved by the FCA;
- seek the required approval from the FCA before varying an agreed annual plan or the main deliverables as agreed and defined in the annual plan, seek approval from the FCA prior to making any significant change as judged by the Service's AO, in the scale of operation or funding (where the change would require variation above the overall agreed budget of the Money Advice Service) of any initiative or particular scheme previously approved by the FCA;
- seek approval from the FCA prior to making any change of policy or practice, as judged by the Service's AO, which impacts on the annual budget (where the change would require

---

<sup>1</sup> Budgeting controls are set out in paragraph 15.5

variation above the overall agreed budget of the Money Advice Service), annual plan or main deliverables previously approved by the FCA; and

- notify the FCA and the Treasury as soon as reasonably practical if over or under spends against the overall agreed budget are likely. At the time of any proposed over spend or variation to the overall annual budget, the Money Advice Service would provide the FCA with a paper justifying the proposed variation and underlying data to explain relevant cost components. If there is a forecast underspend (over and above that to be allocated to agreed reserves) the Money Advice Service would in Quarter 4 provide a proposal for usage of such excess funds.

7.5 Respecting the independence of the Money Advice Service in carrying out its statutory function, the Service's Accounting Officer is responsible to the Treasury for, in particular:

- ensuring that timely forecasts and monitoring information on finance are provided to the Treasury; and
- that any significant problems whether financial or otherwise, and whether detected by internal audit or by other means, likely to impact on the accounts and audit opinion are notified to the Treasury in a timely fashion.

## 8. **The Money Advice Service Board**

8.1 The Service's Board should ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control. The Board should set up an Audit and Risk Committee chaired by an independent non-executive member to provide independent advice. The Board is expected to assure itself of the effectiveness of the internal control and risk management systems. The Board should also set up a Remuneration Committee.

8.2 The role of the Board is to lead and control the affairs of the Service. The Board is specifically responsible for:

- making strategic decisions;
- overseeing the discharge by the executive management of the day-to-day business of the Service;
- setting appropriate policies to manage risks to the Service's operations and seeking regular assurance that the system of internal control is effective in the manner it has approved;
- maintaining a sound system of financial control;
- taking specific decisions which the Board or executive management consider to be of such significance as to require to be taken by the Board;
- maintaining high level relations with other organisations and authorities, including the FCA and government; and
- providing an accountability mechanism for decisions on committees of the Board and executive management, through periodic reporting.

8.3 Should an issue arise of an operational nature, which is not specifically addressed within this framework document, it would fall to the MAS Board and executive management to determine the appropriate course of action provided it fell within the scope of FSMA and other appropriate legislation.

8.4 Individual board members' responsibilities:

- keeping under review whether the Service is, in discharging its functions, using its resources in the most efficient and economic way;
- keeping under review whether the Service's internal financial controls secure proper conduct of its financial affairs; and
- determining the remuneration of the chairman of the Board and the executive members of the Board, subject to the approval of the FCA.

8.5 Individual board members should:

- comply at all times with the Code of Conduct for Board Members of Public Bodies and with the rules relating to the use of public funds and to conflicts of interest;
- not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations;
- comply with the board's rules on the acceptance of gifts and hospitality, and of business appointments; and
- act in good faith and in the best interests of the Money Advice Service.

**9. Annual report and accounts**

9.1 The Service is required to pass its annual report to the FCA in relation to the discharge of its statutory function and publish it in a way it considers appropriate. Before the end of each financial year, the Money Advice Service and the Treasury shall agree a consolidation timetable for the Money Advice Service to provide the Treasury financial information in an agreed format for consolidation. This will be in sufficient time to enable the Treasury to meet its external reporting requirements and will also allow the Money Advice Service reasonable time to prepare the finalised (audited) accounts.

9.2 The annual report must:

- set out the extent to which the Service has met its objectives and priorities for the period covered by the report;
- include a copy of the latest accounts; and
- comply with any requirements specified in rules made by the FCA.

9.3 As is normal practice, a draft of the annual report should be submitted to the Treasury for information two weeks before the proposed publication date. The annual report and accounts shall be laid in Parliament by the Treasury and made available on the Money Advice Service's website. The accounts should be prepared in accordance with the relevant statutes and specific accounts direction issued by the Treasury as well as the FReM<sup>2</sup>.

**10. Internal audit**

10.1 The Money Advice Service shall establish and maintain arrangements for internal audit.

**11. External audit**

11.1 From commencement of the Financial Services Act 2012, MAS agrees to appoint the Comptroller & Auditor General (C&AG) to audit the Service's annual accounts. The Service

---

<sup>2</sup> Government Financial Reporting Manual

will pass the audited accounts to the Treasury in line with the agreed consolidation timetable to be consolidated within the Treasury's resource accounts.

11.2 The Treasury has an interest in the external audit of the Service, in particular on issues impacting on the Treasury's responsibilities in relation to financial systems within the Service. The C&AG will share with the Treasury information identified during the audit process and the audit report (together with any other outputs) at the end of the audit.

## **Management and financial responsibilities**

### **12. Corporate governance: Board appointments - the Chair and Board members**

12.1 The Money Advice Service Chair and Board members are appointed by the FCA (acting in the case of the Chair or Chief Executive, with the approval of HM Treasury).

12.2 The Board will consist of a Chair, together with a number of executive and non executive members that have knowledge or experience which is likely to be relevant to the exercise by the body of the consumer financial education function and who are independent of the FCA.

### **13. Risk management**

13.1 The Service shall ensure that the risks that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and develop a risk management strategy, in accordance with the principles of Treasury guidance Management of Risk: Principles and Concepts. It should adopt and implement policies and practices to safeguard itself against fraud and theft, in line with the principles of Treasury's guide: Managing the Risk of Fraud. It should also take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract or to give grant or grant-in-aid.

### **14. Annual Plan**

14.1 Before the start of the financial year, the Money Advice Service shall submit annually to the FCA a draft of the annual plan.

14.2 Before preparing the annual plan, the Service must consult:

- The Treasury;
- The Secretary of State;
- The Office of Fair Trading;
- The Practitioner Panel;
- The Smaller Business Practitioner Panel;
- The Consumer Panel; and
- Any other such persons (if any) as the Service considers appropriate.

14.3 The Service shall agree to provide early sight and dialogue with the FCA during the preparation of the Service's annual plan.

14.4 The draft must be submitted to the FCA in advance of the relevant FCA Board meeting, along with supporting material (if appropriate) and in sufficient time to enable FCA staff at working level to properly brief the FCA Board. The FCA will confirm timings on a yearly basis.

14.5 The plan shall reflect the Money Advice Service's statutory duties. The annual plan should be published by the Money Advice Service in a way it considers appropriate.

14.6 The annual plan in respect of a financial year must set out:

- the objectives of the Money Advice Service (both long and short term);
- how the extent to which each of those objectives is met is to be determined; and
- how its resources are to be allocated among the activities to be carried on in connection with the fulfilment of its objectives

14.7 The FCA agrees that when approving the Service's annual plan and budget that it will consider:

- how the proposals in the budget and business plan align with the Money Advice Service's statutory objectives;
- whether the Money Advice Service has sufficient resources to perform its statutory objectives;
- whether the Money Advice Service has meaningful short, medium and long term measures of success;
- whether the Money Advice Service has implemented credible metrics for assessing success in delivering these objectives; and
- whether significant risks are properly managed and appropriately mitigated.

## 15. Budgeting procedures

15.1 The approved annual plan will take account of any approved funding provision, funding from FSMA authorised persons, electronic money issuers or payment services providers or funding from consumer credit licensees and will include a profile of expected expenditure and of draw-down of any FCA funding and/or other income over the year. These elements form part of the approved annual plan for the year in question.

15.2 The Money Advice Service will have a separate line in the Treasury's Estimate<sup>3</sup> which will show an estimate of budget expenditure. The Service will be able to itself submit an additional Memorandum alongside that of the Treasury. This will protect the independence of the Service and ensure transparency in the resources that are provided to the Service.

15.3 The FCA will determine the amount to be levied from persons authorised under FSMA to meet the Service's relevant costs. The FCA levies by way of making rules to require FSMA authorised persons specified in the rules to pay sums to the FCA to meet the relevant costs. The FCA will determine the amount to be levied but will also take into account other anticipated funding for the Service before making its rules. The FCA will sign a Service Level Agreement with the Service which sets out the obligations of the FCA in setting levy rates to recover the agreed budget and ensuring collection of those levies. The FCA will also agree a charge for its services

---

<sup>3</sup> Estimates seek Parliamentary authority for voted resources, capital and cash both for existing services and for any necessary new services. They include non-cash items such as depreciation. For further information please see [http://www.hm-treasury.gov.uk/psr\\_estimates\\_mainindex.htm](http://www.hm-treasury.gov.uk/psr_estimates_mainindex.htm)

15.4 The FCA will make an ‘on account’ payment to the Service on 30 April. The balance will be paid over the course of the financial year. Weekly payments will be made to the Service whenever the FCA are in a position of holding £50,000 or more for the Service.

15.5 The Money Advice Service will provide the FCA with:

- On a quarterly basis, a high-level income and expenditure report compared to budget or reforecast, cash flow statement and balance sheet (as provided to the Money Advice Service board) with associated high level commentary. This shall be accompanied by a further proposed reforecast budget where appropriate, to reflect any likely overspend against the overall annual budget; and
- If the Service forecasts to overspend its total annual budget outside of the above reporting frequency, the Service will notify the FCA as soon as reasonably practical and will provide information about the nature and size of the overspend. In relation to any such notified forecast overspend, the Service shall subsequently provide a more detailed proposed reforecast budget with the next quarterly income and expenditure report.

15.6 The Service will cover any overspend using their reserve, if applicable and to the extent possible. If at any time the Service forecasts to use or deplete their reserve, the Service agrees to inform the FCA and HM Treasury as soon as reasonably practical.

15.7 The Service will put in place a reserves policy, subject to the agreement of the FCA.

15.8 If in any given financial year, the Service overspends or under-spends its budget the FCA will consider any Money Advice Service proposal(s) to offset any over/under-spend to the Service’s budget for the subsequent financial year, with consideration to the Service’s reserves policy.

## **16. *Grant-in-aid and any ring-fenced grants***

16.1 Any grant-in-aid, loans or any other financial assistance provided by HM Treasury or the BIS Secretary of State for the year in question will be voted in HM Treasury’s or BIS’s Supply Estimate and be subject to Parliamentary control. Levy funding is not included within this definition.

16.2 The grant-in-aid, loans or any other financial assistance will normally be paid in monthly instalments on the basis of written applications showing evidence of need. The Money Advice Service will comply with the general principle that there is no payment in advance of need. Cash balances accumulated during the course of the year from grant-in-aid or other Exchequer funds shall be kept to a minimum level consistent with the efficient operation of the Money Advice Service. Grant-in-aid, loans or other financial assistance not drawn down by the end of the financial year shall lapse. Subject to approval by Parliament of the relevant Estimates provision, where grant-in-aid or loans is delayed to avoid excess cash balances at the year end, HM Treasury will make available in the next financial year any such funding that is required to meet any liabilities at the year end, such as creditors.

16.3 In the event that HM Treasury or the Secretary of State for BIS provides the Service separate grants or loans for specific (ring-fenced) purposes, it would issue the grant or loan as and when the Service needed it on the basis of a written request. The Money Advice Service would provide evidence that the grant or loan was used for the purposes authorised by HM Treasury.

The Money Advice Service shall not have uncommitted grant or loan funds in hand, nor carry grant or loan funds over to another financial year.

## 17. Money Advice Service staff

- 17.1 The Money Advice Service will have responsibility for the recruitment, retention and motivation of its staff.
- 17.2 The Money Advice Service shall ensure that the creation of any additional posts can be accommodated with the resources agreed in the business plans.
- 17.3 Staff terms and conditions should be set out in an Employee Handbook.
- 17.4 The travel expenses of board members shall be tied to the rates allowed to senior staff of the Money Advice Service. Reasonable actual costs shall be reimbursed.
- 17.5 Money Advice Service staff shall normally be eligible for a pension provided by its own scheme. Staff may opt out of the occupational pension scheme provided by the Money Advice Service.

## 18. Review of the Money Advice Service status

- 18.1 The Treasury will undertake a review of the Money Advice Service between 2013-15. From the date of this review, HM Treasury will review the Money Advice Service periodically. This Framework document will also be reviewed at these times, or when appropriate, to ensure it is still suitable.

## 19. Signatures and dates

Signed for and on behalf of  
the Money Advice Service

Name *CAROLINE ROOKES*

Signature *Caroline*

Date *26. 3. 2013*

Position *CEO*

Signed for and on behalf of  
HM Treasury

Name *KIRSTIN BAKER*

Signature *K. Baker*

Date *28. 3. 2013*

Position *FINANCE DIRECTOR*

Signed for and on behalf of  
the Financial Conduct Authority

Name *WESLEY TITHEBURN*

Signature *Wesley*

Date *26. 3. 2013*

Position *CHIEF OPERATING OFFICER*

## **Appendix A**

### **Government-wide corporate guidance and instructions**

The Money Advice Service shall comply with the broad principles of the following general guidance documents and instructions. The Money Advice Service's AO should be able to justify any significant deviations from guidance.

- this document;
- Managing Public Money (MPM) ([http://www.hm-treasury.gov.uk/psr\\_mpm\\_index.htm](http://www.hm-treasury.gov.uk/psr_mpm_index.htm));
- Management of Risk: Principles and Concepts: ([http://www.hm-treasury.gov.uk/orange\\_book.htm](http://www.hm-treasury.gov.uk/orange_book.htm));
- Managing the Risk of Fraud, ([http://www.hm-treasury.gov.uk/psr\\_managing\\_risk\\_of\\_fraud.htm](http://www.hm-treasury.gov.uk/psr_managing_risk_of_fraud.htm));
- Government Financial Reporting Manual (FReM), ([www.financial-reporting.gov.uk](http://www.financial-reporting.gov.uk));
- relevant Dear Accounting Officer letters;
- The Parliamentary Ombudsman's Principles of Good Administration [www.ombudsman.org.uk/improving-public-service/ombudsmansprinciples](http://www.ombudsman.org.uk/improving-public-service/ombudsmansprinciples); (look at terms of reference for ombudsman)

