



Department
for Work &
Pensions



**NATIONAL EMPLOYMENT SAVINGS TRUST
CORPORATION**

FRAMEWORK DOCUMENT

EFFECTIVE FROM February 2019

National Employment Savings Trust (NEST) Corporation

Framework Document 2018

This Framework Document has been drawn up by the Department for Work and Pensions (DWP) and the National Employment Savings Trust (NEST) Corporation. It sets out the broad framework within which NEST Corporation will operate and how DWP will discharge its responsibilities as the sponsoring Department.

This document does not convey any legal powers or responsibilities. It is signed and dated by DWP and NEST Corporation. This document aligns with the Loan Agreement and associated documents between NEST Corporation (as the borrower) and DWP (as the lender).

DWP or NEST Corporation may propose amendments to this document at any time. Any such proposals will need to be approved by both DWP and NEST Corporation.

Any question regarding the interpretation of this document shall be resolved by consultation between DWP and NEST Corporation.

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 NEST Corporation website.

Purpose

1. Purpose of National Employment Savings Trust (NEST) Corporation

1.1 NEST was established to support automatic enrolment:

- to ensure that UK employers of any size can access a low-cost, suitable pension scheme to fulfil their employer duties under the Pensions Act 2008, and
- to ensure that self-employed people can access a low-cost, suitable pension scheme.

1.2 NEST Corporation has a Public Service Obligation to accept any employer who wishes to use NEST to meet their employer duties and to admit all eligible workers automatically enrolled by the employer.

1.3 NEST Corporation has responsibility for setting its own strategic and operational aims and objectives but must provide DWP with assurance these remain consistent with the overall strategic aims and objectives of automatic enrolment and its duties as a Public Corporation, subject to the primacy of its fiduciary duty as set out in clause 2.3.

1.4 Prior to the business planning process each year NEST Corporation will share with DWP its proposed priorities and objectives for the year ahead.

Governance and accountability

2. NEST Corporation's legal origins of powers and duties

2.1 The Pensions Act 2008 made provision for the establishment of NEST Corporation and the NEST pension scheme.

2.2 NEST Corporation is a Public Corporation and the Trustee of the NEST pension scheme.

2.3 NEST Corporation has duties as a Public Corporation and as the Trustee of the NEST pension scheme. It is recognised that its primary duty is its fiduciary duty as Trustee to act in the best interests of NEST members. NEST Corporation is expected to fulfil its obligations as a Public Corporation unless these conflict with its fiduciary duty as Trustee to act in the best interests of NEST members. If such a conflict occurs, or NEST Corporation believes it may occur, it will notify the DWP for discussion and urgent resolution.

Informal process

The conflict resolution process should be followed when the Trustee Members are due to consider proposals which could lead to them making a decision which raises issues of conflict (that is, before the event), and when the Trustee Members have made a decision that raises issues of conflict (that is, after the event). Wherever possible, any conflict should be discussed and addressed ahead of any decision being taken by NEST Corporation.

It is expected that issues relating to conflict should be discussed as early as possible. This provides an opportunity for both parties to:

- understand whether a real or perceived conflict could arise or has arisen and the implications of this;
- seek advice and explore whether the conflict could be avoided or mitigated; and
- agree a handling strategy.

Issues relating to conflict may be raised by any party to DWP's Private Pensions Director and to the NEST Corporation Chair who are responsible for understanding, exploring and agreeing a way forward, involving the NEST partner, Permanent Secretary and Ministers as necessary.

Formal process

Where a conflict cannot be resolved through the above process, it is recognised that the Trustee Members' fiduciary duty will take precedence. Should this occur, the NEST Chair will write to the Permanent Secretary setting out the decision, and the reasons for not complying with the relevant Public Corporation requirement.

3. Strategic priorities

3.1 NEST Corporation's mission statement is to help millions enjoy a better retirement.

3.2 NEST Corporation's strategic priorities are to:

- Support strong member outcomes;
- Deliver a good service to customers;
- Grow the business in the right way;
- Deliver a sustainable future business model; and
- Deliver a corporation fit for the future.

4. Ministerial responsibility

4.1 The Secretary of State for Work and Pensions, or a Departmental Minister will account for NEST Corporation's business in Parliament.

5. Contact and Engagement between DWP and NEST Corporation

5.1 DWP is the responsible Department for NEST Corporation.

5.2 The Department and NEST Corporation will have an open and honest, trust-based partnership supported by the principles set out in the Partnerships between Departments and ALBs: Code of Good Practice. As such, both parties will ensure that they clearly understand the strategic aims and objectives of the other. Both will commit to keeping each other informed of any significant issues and concerns.

5.3 The ALB Partnership Team in the Department is the primary contact for NEST Corporation. They are the main source of advice to the responsible Minister in the discharge of their responsibilities in respect of NEST Corporation. They also support the Principal Accounting Officer (PAO) in his responsibilities toward NEST Corporation.

5.4 In addition to routine and policy lead contact between DWP and NEST, meetings will take place between:

- The Minister for Pensions and Financial Inclusion and the NEST Chair and Chief Executive at least once a year; and
- The ALB Partnership Team and the NEST Chief Executive on a quarterly basis.

5.5 With the exception of conflicts relating to NEST Corporation's fiduciary duty any disputes between the Department and the NEST will be resolved in the first instance between the ALB Partnership Division's Head of Pensions Bodies and senior NEST Corporation officials.

5.6 If resolution cannot be reached at that level, and the matter is significant, the Head of the ALB Partnership Division will seek resolution with the Chief Executive.

5.7 In exceptional cases, where resolution cannot be reached, discussions may take place between Ministers (including HM Treasury Ministers, if appropriate) or the Permanent Secretary and the NEST Corporation Chair.

6. The DWP accounting officer's specific accountabilities and responsibilities as Principal Accounting Officer (PAO)

6.1 The Permanent Secretary is DWP's Principal Accounting Officer (PAO), whose responsibilities are set out in Chapter 3 of Managing Public Money issued by HM Treasury.

6.2 The PAO is accountable to Parliament for NEST Corporation's use of public money. The PAO is also responsible for advising Ministers on:

- an appropriate framework of objectives and targets for NEST Corporation, which take account of the fact that its function is to be the trustee of the NEST pension scheme;
- an appropriate budget for NEST Corporation in the light of DWP's overall public expenditure priorities; and in line with revenue from the NEST pension scheme, grant in aid and a Public Service Obligation Offset Payment (PSOOP);
- how well NEST Corporation is achieving its strategic objectives and whether it is delivering value for money; and the Automatic Enrolment Programme.

6.3 The PAO is also responsible for ensuring arrangements are in place to:

- monitor the activities of NEST Corporation;
- address significant problems in NEST Corporation, making such interventions as are judged necessary;
- periodically carry out an assessment of risks to shared and Departmental objectives and activities;
- inform NEST Corporation of relevant government policy in a timely manner; and
- bring concerns about the activities of NEST Corporation to the NEST Corporation Board, and as appropriate the DWP board requiring explanations and assurances that appropriate action has taken place.

6.4 The DWP Partner is the senior official designated by the PAO as being responsible for the sponsorship of NEST Corporation. The DWP ALB Partnership team acts as the primary contact for NEST Corporation with the exception of the Automatic Enrolment Programme whereby the Private Pensions Director is the Senior Responsible Owner (SRO) in respect of the Programme. They are also the main source of advice to the responsible minister and the PAO on the discharge of their responsibilities in respect of NEST Corporation.

7. Responsibilities of NEST Corporation's Chief Executive Officer

General

7.1 The Chief Executive Officer is personally responsible for:

- safeguarding the public funds for which she has charge;
- ensuring propriety, regularity and value for money in the handling of those public funds; and
- the day-to-day financial operations and financial management of NEST Corporation.

In addition, she should ensure that NEST Corporation as a whole is run on the basis of the standards, in terms of governance, decision-making and financial management, as set out in Managing Public Money.

7.2 The accountabilities of the NEST Corporation Chief Executive Officer include:

- ensuring that the various sources of funds to NEST Corporation are appropriately accounted for and reported on, supported by good governance arrangements and proper records management;
- signing the accounts and ensuring that proper records are kept relating to NEST Corporation accounts and that the accounts are also properly prepared and presented in accordance with HM Treasury's Financial Reporting Manual (FReM) and any directions issued by the Secretary of State;
- preparing and signing a Governance Statement covering corporate governance and risk management, for inclusion in the Annual Report and Accounts;
- ensuring that effective procedures for handling complaints are established and published by NEST Corporation;
- acting in accordance with the terms of this document and Managing Public Money and, as appropriate, other instructions and guidance issued from time to time by the DWP, the Cabinet Office and HM Treasury; and
- giving evidence, normally with the PAO, when summoned before the Public Accounts Committee on NEST Corporation's stewardship of public funds.

7.3 Responsibilities of NEST Corporation's Chief Executive Officer to the DWP include:

- ensuring there is a robust planning and performance management framework with financial and key performance indicators to achieve NEST Corporation's objectives in order to discharge its duties as both a trustee and as a Public Corporation;
- informing the DWP of progress made in helping to achieve the DWP's wider strategic policy objectives as part of the Automatic Enrolment Programme and encouraging saving for later life and in demonstrating how resources are being used to achieve those objectives by regularly demonstrating how NEST Corporation's resources are being used to achieve value for money in managing and administering the Scheme and related contracts;
- ensuring that timely forecasts and monitoring information on performance and finance are provided to the DWP at Quarterly Accountability Reviews and the Automatic Enrolment Programme as required; that the DWP is notified promptly if over or under spends are likely and that corrective action is taken; and that any significant problems whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the DWP in a timely fashion;
- ensuring that the terms and conditions set out by agreements between the DWP and NEST Corporation are adhered to.

7.4 The NEST Chief Executive Officer has the following responsibilities to NEST Corporation Board:

- advising the board of their responsibilities as set out in this document, in the loan agreement, in applicable legislation and in any other guidance that may be issued from time to time;
- advising the board on NEST Corporation's and the Scheme's performance compared with its aims and objectives;
- ensuring that financial considerations are fully taken into account by the board at all stages in reaching and executing their decisions and that appropriate financial appraisal techniques are followed;
- taking action, as set out in Managing Public Money, if the Trustee Members or NEST Corporation's Chair are contemplating a course of action involving a transaction which the Chief Executive Officer considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration, efficiency or effectiveness, is of questionable feasibility or is unethical; and
- providing information and advice in the event the Trustee Members are concerned that a course of action may breach their fiduciary duties.

8. The NEST Corporation Board

8.1 The Trustee Members of NEST Corporation (the Board) should ensure that effective arrangements are in place to provide assurance on risk management,

governance and internal control. The Board is expected to assure itself of the effectiveness of the internal control and risk management systems. Within NEST Corporation the Board is known as the NEST Corporation Governing Body (NCGB).

8.2 The Board is specifically responsible for:

- ensuring that NEST Corporation meets the requirements of being a Public Corporation, including those set out in the Pension Act 2008 and outlined in guidance from Ministers, Cabinet Office, HM Treasury (including Managing Public Money) and DWP, except where those requirements conflict with its fiduciary duties as set out in 2.3;
- establishing and taking forward the strategic direction of NEST Corporation and the Pension Scheme in line with its trustee duties and the Public Service Obligation and the policy and resources framework determined by the Secretary of State;
- ensuring that the responsible minister is kept informed of any changes which are likely to impact on the strategic direction of NEST Corporation or on the attainability of its targets relating to the automatic enrolment programme's critical success factors or its duties as a Public Corporation, and determining the steps needed to deal with such changes;
- ensuring that any statutory or administrative requirements for the use of public funds are complied with; that the Board operates within the limits of its statutory authority and any delegated authority agreed with DWP, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Board takes into account guidance issued by DWP;
- ensuring that the Board receives and reviews regular financial information concerning the management of NEST Corporation; is informed in a timely manner about any concerns about the activities of NEST Corporation; and, where relevant, provides positive assurance to DWP that appropriate action has been taken on such concerns;
- demonstrating high standards of corporate governance at all times, including by using the audit and risk committees to help the Board to address key financial and other risks; and
- ensuring that effective arrangements are in place to provide assurance on risk management, governance and internal control. The Board is also expected to assure itself of the effectiveness of the internal control and risk management systems both within NEST Corporation as well as any contracted provider(s) of services.

Responsibilities of the NEST Corporation Chair

8.3 The Chair is responsible to the Secretary of State. Communications from NEST Corporation directly to the Secretary of State for Work and Pensions or to DWP Minister should normally be through the Chair.

8.4 The Chair should also ensure that the affairs of NEST Corporation are conducted with the integrity expected of public bodies. In addition to acting in line with the Board's trustee duties, the Chair is also responsible for ensuring that due regard is given to DWP's wider strategic aims, the aims of automatic enrolment and its duties as a Public Corporation. Where appropriate, these should be clearly communicated and disseminated throughout NEST Corporation.

8.5 The Chair has the following leadership responsibilities:

- ensuring that the Trustee Members, in reaching decisions, take proper account of guidance provided by the Secretary of State, Departmental Minister or DWP, whilst having regard to their fiduciary duties to scheme members;
- promoting the efficient and effective use of staff and other resources;
- delivering high standards of regularity and propriety; and
- representing the views of the Trustee to scheme members and the general public.

8.6 The Chair must ensure that:

- the work of the Board and its Trustee Members is reviewed, and the Board is working effectively;
- the DWP Partnership Team is notified if the Chair has any concerns about whether the Board has a balance of skills appropriate to directing NEST Corporation business, as set out in the Government Code of Good Practice for Corporate Governance;
- the Trustee Members are fully briefed on their terms of appointment, duties, rights and responsibilities;
- the Trustee Members receive appropriate training in financial management and reporting requirements and on any differences that may exist between public and private sector practice;
- the Trustee Members' performance is reviewed annually;
- the DWP Minister is advised of Trustee Member vacancies when they arise, and the Chair assesses the performance of individual Trustee members when being considered for reappointment; and
- there is a code of conduct for Trustee Members in place that is consistent with the Cabinet Office Code of Conduct for Board Members of Public Bodies.

8.7 Individual NEST Corporation Trustee Members' responsibilities include:

- comply at all times with the code of conduct for Board Members of Public Bodies and the Trustee code of conduct and with the rules relating to the use of public funds and to conflicts of interest;
- comply with the terms and conditions of their appointment;
- not misuse information gained in the course of public service for personal gain or political profit, nor to promote their private interests or those of connected persons or organisations;
- comply with NEST Corporation rules on the acceptance of gifts or hospitality, and of business appointments;
- act in good faith; and
- act in the best interests of NEST scheme members and NEST Corporation.

9. Annual report and accounts

9.1 NEST Corporation must publish an annual report together with its audited accounts in accordance with the provisions set out in the Pensions Act 2008¹. A final draft of the report should be submitted to DWP at least two weeks before the proposed Parliamentary laying date.

9.2 The annual report must:

- be prepared in accordance with any relevant statutes and comply with any specific accounts direction issued by DWP as well as the Treasury's Financial Reporting Manual (FReM);
- outline NEST Corporation's strategic priorities and objectives and the main activities and performance during the previous financial year and set out in summary form forward plans; and
- cover any corporate, outsourced or joint ventures under its control.

9.3 Information on performance against key financial targets is within scope of the audit and should be included in the notes to the accounts.

9.4 The report and accounts shall be laid in Parliament and published on NEST Corporation's website, in accordance with the guidance in the FReM.

9.5 The accounts for the NEST Pension Scheme are separate to those for the NEST Corporation. The Scheme Accounts must comply with appropriate legislative requirements and the Pensions SORP (Statement of Recommended Practice) and should be signed off by the Chair of NEST Corporation along with the Statement of Assets.

9.6 The Scheme Accounts and NEST Corporation Accounts should, where possible, be published together.

¹ Pensions Act 2008, Schedule 1, paragraphs 17 and 20

10. Internal Audit

10.1 NEST Corporation shall:

- establish and maintain arrangements for internal audit in accordance with the Treasury's Public Sector Internal Audit Standards (PSIAS); the Audit and Risk Assurance Committee Handbook; the Code of Good Practice for Corporate Governance; and applicable codes of practice issued by the Pensions Regulator;
- ensure that the individual with lead responsibility for NEST Corporation internal audit activity (directly employed or otherwise) holds a relevant and professional qualification in line with the PSIAS standards;
- set up an audit committee of its Board in accordance with the Code of Good Practice for Corporate Governance and the Audit and Risk Assurance Committee Handbook;
- forward the Annual Audit Plan, together with the Head of Internal Audit Opinion to the DWP; as soon as possible after the end of the financial year;
- keep records of fraud and theft (if any) and report annually to DWP; and
- notify the DWP of any unusual or major incidents as soon as possible.

10.2 The NEST Corporation's internal audit service has a right of access to all documents, including where the service is contracted out.

11. External audit

11.1 The Comptroller and Auditor General (C&AG) audits NEST Corporation's Annual Report and Accounts, but not the NEST Scheme Accounts.

11.2 The C&AG:

- will consult DWP and NEST Corporation as to whether the National Audit Office or a commercially appointed auditor – should undertake audits on his behalf. The final decision rests with the C&AG;
- has a statutory right of access to relevant documents, including by virtue of section 25(8) of the Government Resources and Accounts Act 2000, held by another party in receipt of payments from NEST Corporation;
- will share with DWP information identified during the audit process and the audit report (together with any other outputs) at the end of the audit, in particular on issues impacting on DWP's responsibilities in relation to financial systems within NEST Corporation; and
- will, where asked, provide DWP and other relevant bodies with Regulatory Compliance Reports and other similar reports, which may be requested at the commencement of the audit and which are compatible with the independent auditor's role.

11.3 The C&AG may carry out examinations into the economy, efficiency and effectiveness with which NEST Corporation has used its resources in discharging its functions. For the purpose of these examinations, the C&AG has the statutory right of access to documents as provided for under section 8 of the National Audit Act 1983. In addition, NEST Corporation should provide, in relation to contracts and outsourced arrangements, the ability for the C&AG to access documents held by contractors and sub-contractors as may be required for these examinations. NEST Corporation will use its best endeavours to secure access for the C&AG to any other documents required for the audit which are held by other bodies.

Right of access

11.4 Subject to complying with GDPR requirements DWP has the right of access to all NEST Corporation's records and personnel for the purposes relevant to the Department's responsibilities under the legislation, Managing Public Money, or this Framework Document. The Department will give reasonable advance notice of any records it requires access to. In addition, the Department will discuss with the Trustee Board, any matter giving rise to a right of access, before exercising its right to do so. The Department has no right of access to customer records.

11.5 If DWP receives a request under the Freedom of Information Act 2000 (FOIA) for information which would include within its ambit information provided by NEST Corporation, DWP will inform NEST Corporation and work together with it on a response, and consider whether sections 41 (confidential information) or 43 (commercial interests) apply.

11.6 Information provided by NEST Corporation to DWP will be held securely in a file. Where information is subject to DWP protocols describing how, and the length of time for which, it is held, it will be held and ultimately destroyed, in line with those protocols. Other information will be held in a secure manner and securely deleted after 6 months.

Management and Financial Responsibilities

12. Managing Public Money and other government-wide corporate guidance and instructions

12.1 Unless agreed by DWP, and as necessary HM Treasury, NEST Corporation will, in its use of public money, follow the principles, rules, guidance and advice in Managing Public Money unless this triggers a breach of the Trustee's fiduciary duties. The Chief Executive Officer will consult with DWP to resolve any conflict.

12.2 NEST Corporation is funded by:

- a loan – the existing loan agreement, which is legally binding and enforceable, sets out that DWP will lend NEST funds to cover its operating; employment

and administration costs. It will be repaid through revenues raised through charges to scheme members and will be governed through the loan agreement;

- a Public Service Obligation Offset Payment – provided to reduce NEST Corporation's borrowing costs from the commercial rate of interest to the Government cost of borrowing;
- grant in aid – provided by DWP to cover costs that NEST Corporation will incur from their activities that cannot be charged to Scheme members, for example dealing with Freedom of Information requests and providing answers to Parliamentary Questions; and
- member charges - NEST pension scheme members pay a contribution charge on all contributions and an annual management charge based on the total value of their pot.

12.3 NEST Corporation will have authority to incur expenditure without further reference to DWP on the following conditions:

- NEST Corporation will comply with the delegations set out in Annex A, which must not be altered without prior agreement from DWP;
- NEST Corporation will comply with Managing Public Money regarding novel, contentious or repercussive proposals;
- Inclusion of any planned and approved expenditure in the budget shall not remove the need to seek DWP's approval where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed; and
- NEST Corporation shall provide the DWP with such information about its operations, performance, or individual projects or other expenditure as the DWP may reasonably require.

13 Corporate governance

13.1 Trustee Member Board appointments

- The Chair and Trustee Members are appointed by the Secretary of State or a Departmental Minister. Such appointments will comply with the Commissioner for Public Appointments Code of Practice for Ministerial Appointments to Public Bodies.
- In accordance with the legislation, any appointment to the NEST Corporation Board must be for a fixed term of no more than five years, with the opportunity to be reappointed once.
- In accordance with the legislation, the Board should have between nine and fifteen Trustee Members.
- The number of members of the NEST Corporation Board should, within the statutory parameters, be driven by the collective skill requirements and duties

of the Board, and aim to be as few as possible whilst ensuring that the Board can operate efficiently and effectively.

- the travel expenses of Trustee Members shall be tied to the rates allowed to senior staff of NEST Corporation. Reasonable actual costs shall be reimbursed.

13.2 As part of NEST Corporation Board's annual effectiveness review it should:

- a) continue to undertake a skills audit for Trustee Members and use this to determine the appropriate board size and skills requirements for recruitment to the Board;
- b) assess whether existing Non-Executive Trustee Members can effectively undertake their duties within their contractual hours and where they cannot, discuss options with the Department;
- c) ensure the remit and responsibilities of the Board collectively and individually are clear; and
- d) ensure Board interaction with the Chief Executive's senior team is effective.

14 Risk Management

14.1 NEST Corporation must meet government standards in the safe handling, processing, storing and transferring of personal/sensitive information (regardless of the media used). The DWP will provide guidance on request on the extent to which NEST Corporation is expected to comply with aspects of the government's Security Policy Framework. NEST Corporation will be expected to provide an annual report to DWP on compliance with the Framework.

14.2 Where services are outsourced to other parties, either permanently or temporarily, the information gathered and shared under these arrangements remains the responsibility of NEST Corporation.

14.3 Information systems that process, store or transmit personal or sensitive information must be assessed by the Trustee Members to provide assurance that the system meets acceptable security standards and does not present an unacceptable level of risk. Information systems should meet, or exceed, recognised Government and Internal Security Standards (for example, ISO / IEC27001).

14.4 DWP must be alerted as soon as NEST Corporation becomes aware of a serious breach of information security by NEST Corporation (or anyone working on its behalf) so that appropriate briefing can be prepared and shared. This should apply reciprocally if the breach has occurred in DWP in relation to NEST Corporation information security.

14.5 Unless required by law, DWP will not release any commercial, personal or sensitive data relating to NEST Corporation, its contractors or employees without prior agreement from NEST Corporation.

14.6 Business Continuity Management

- NEST Corporation will develop a business continuity programme which will include a business impact analysis and the preparation of robust business continuity plans.
- Regular reports shall be delivered to NEST Corporation Executive Team and the Trustee Audit Committee.

15 Corporate and business plans

15.1 NEST Corporation will publish a Corporate Plan annually on its website. Subject to any commercial considerations, the published Corporate Plan should be a digest of the internal corporate and business plans submitted to DWP.

15.2 NEST Corporation shall submit annually to DWP a draft of the internal corporate plan covering three years ahead from 31 March. The draft should be submitted by 31 January each year from 2019 onwards alongside or incorporating cost assurance relating to the year ahead as required by the loan agreement between DWP and NEST. The plan shall reflect NEST Corporation's strategic objectives and performance measures, statutory and/or other duties and, within those duties, the priorities set from time to time by the Trustee. It shall also reflect priorities set from time to time by the responsible minister (including decisions taken on policy and resources in the light of wider public expenditure decisions) where those are agreed to be consistent with the Corporation's fiduciary duty as Trustee. The plan shall demonstrate how NEST Corporation contributes to the achievement of DWP's relevant priorities.

15.3 The first year of the internal corporate plan, amplified as necessary, shall form the business plan. The business plan shall be updated to include key targets and milestones for the year immediately ahead and shall be linked to budgeting information so that resources allocated to achieve specific objectives can readily be identified by DWP.

15.4 The following key matters should be included in the plans (but do not necessarily need to be in the published digest):

- key objectives and associated key performance targets for the forward years, and the strategy for achieving those objectives;
- key non-financial performance targets and indicators;
- a review of performance in the preceding financial year, together with comparable outturns for the previous 2-5 years, and an estimate of performance in the current year;
- alternative scenarios and an assessment of the risk factors that may significantly affect the execution of the plan but that cannot be accurately forecast; and

- other matters as agreed between DWP and NEST Corporation.

16 Budgeting Procedures

16.1 The loan agreement requires NEST to provide DWP with a new forecast each year, setting out when the government loan will be repaid, in which the loan model and its assumptions have been reviewed.

16.2 Each year NEST must provide DWP with an updated version of the loan model using proposed assumptions by the end of January each year, known as the Initial Funding Requirement Forecast (IFRF). The assumptions underpinning the IFRF will have been discussed prior to submission in the Assumptions Working Group (AWG)². The AWG meetings will cover changes to assumptions in the modelling of revenues and costs. This model will include the proposed corporate costs for the year provided in the draft business plan and/or cost assurance document which provide assurance to DWP that NEST Corporation's financial plans represents value for money including looking at corporate efficiencies and reviewing processes as set out in section 14. When DWP are content, this forecast will become the Final Funding Requirement Forecast (FFRF) for the year.

16.3 Each year, in the light of decisions by DWP on the updated draft corporate plan, DWP will send to NEST Corporation by 31 March a formal statement of the annual budgetary provision allocated by DWP in the light of competing priorities across DWP and of any forecast income approved by DWP; and a statement of any planned change in policies affecting NEST Corporation.

16.4 The approved annual business plan will include a budget of estimated payments and receipts together with a profile of expected expenditure and of draw-down of any Departmental funding and/or other income over the year.

17 Grant-in-aid

17.1 Any grant-in-aid provided by DWP for the year in question will be voted in DWP's Supply Estimate and be subject to Parliamentary control.

17.2 Grant-in aid will normally be paid in arrears on the basis of written applications showing evidence of need. NEST Corporation 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 public funds shall be kept to a minimum level consistent with the efficient operation of NEST Corporation. Grant-in-aid not drawn down by the end of the financial year shall lapse.

² The Assumptions Working Group has participants from DWP, NEST and TPR. The remit of this group is solely the submission of the IFRF and following FFRF.

17.3 Subject to approval by Parliament of the relevant Estimates provision, where grant-in-aid is delayed to avoid excess cash balances at the year-end, DWP will make available in the next financial year any such grant-in-aid that is required to meet any liabilities at the year-end, such as creditors.

18 Reporting performance to the DWP

18.1 NEST Corporation will operate management information, financial and accounting systems that enable it to review in a timely and effective manner its financial and non-financial performance. NEST Corporation will inform the DWP as soon as possible of any significant changes that make the achievement of its objectives more or less difficult.

18.2 The performance of NEST Corporation will be monitored by DWP via Quarterly Accountability Reviews to assess NEST Corporation's performance against its business plan and strategic objectives. NEST Corporation will be required to provide information (including the latest Board performance report) to DWP for the Quarterly Accountability Reviews.

18.3 NEST Corporation will provide DWP with sufficient information to enable it to:

- assess performance against NEST Corporation's strategic priorities and objectives;
- ensure regular formal assessment of its performance, and efficiency
- monitor, administer and evaluate the loan arrangements, grant in aid and Public Service Obligation Offset arrangements;
- support DWP's interest in NEST Corporation, including understanding and evaluating policy outcomes and reporting for the Automatic Enrolment Programme; and
- ensure NEST Corporation is meeting its obligations as a Public Corporation.

Providing monitoring information to DWP

18.4 As a minimum, NEST Corporation shall provide DWP with information quarterly for Quarterly Accountability Reviews and monthly that will enable DWP satisfactorily to monitor:

- NEST Corporation's cash management;
- its draw-down of its loan and grant-in-aid;
- forecast outturn by resource headings; and
- other data required for the Online System for Central Accounting and Reporting (OSCAR).

DWP working level liaison arrangements

18.5 The DWP Partnership Team will liaise regularly with NEST Corporation to review both financial and non-financial performance against plans and achievement

against targets in accordance with the terms and conditions set out in this agreement, the Loan Agreement (and its associated documents) and NEST Corporation's Corporate and Business Plans.

18.6 The DWP Partnership Team, wider Private Pensions and ALB Partnership Directorate and supporting Finance colleagues will also explain wider policy and financial developments that might have an impact on NEST Corporation, including guidance issued by HM Government.

19 Delegated Authorities

19.1 NEST Corporation will seek the written authority of the DWP before:

- entering into any undertaking to incur expenditure that falls outside the delegations or which is likely to exceed monies provided for in the loan agreement;
- incurring expenditure for any purpose that is or might be considered novel or contentious (as set out in Annex A), or which has significant future cost implications;
- making any significant change to the scale of the operation outside those agreed in the Corporate and Business Plans;
- making any change of policy or practice which has wider financial implications that might prove repercussive or which might significantly affect the future level of resources required; and
- carrying out policies that go against the principles, rules, guidance and advice in Managing Public Money.

20. NEST Corporation Staff

Broad responsibilities for staff

20.1 Within the arrangements approved by the responsible Minister and where necessary HM Treasury, NEST Corporation will have responsibility for the recruitment, retention and motivation of its staff. The broad responsibilities towards its staff are to ensure that:

- the rules for recruitment and management of staff create an inclusive culture in which diversity is fully valued; appointment and advancement are based on merit; there is no discrimination on grounds of gender, marital status, sexual orientation, race, colour or national origin, religion, disability, community background or age;
- the level and structure of its staffing, including grading and staff numbers, are appropriate to its functions and requirements of economy, efficiency and effectiveness;

- the performance of its staff at all levels is satisfactorily appraised and the NEST Corporation's performance measurement systems are reviewed from time to time;
- its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve NEST Corporation's objectives;
- proper consultation with staff takes place on key issues affecting them;
- adequate grievance and disciplinary procedures are in place; and
- whistle-blowing procedures consistent with the Public Interest Disclosure Act are in place.

20.2 NEST Corporation will continue its work to improve the diversity of its staff at all levels, especially in senior posts, and continue to report on progress annually to the DWP or more often as required. NEST Corporation will ensure appropriate levels of disclosure of diversity data to understand the workforce and track progress.

Staff Costs

20.3 Subject to its delegated authorities, NEST Corporation will ensure:

- that the creation of any additional posts does not incur forward commitments that will exceed its ability to pay for them;
- it clearly demonstrates due consideration to DWP views in determining its annual pay and reward strategy; and
- DWP has sight of senior staff salaries at NEST Corporation that meet the thresholds for advance approval of the Chief Secretary to the Treasury (CST)³.

Pay and Conditions of Service

20.4 NEST Corporation will have flexibility for determining the remuneration and terms and conditions of its staff within the general pay structure approved by DWP and within conditions set out in 20.3.

20.5 Any proposal by NEST Corporation to move from the existing pension arrangements, or to pay any redundancy or compensation for loss of office of senior NEST staff, requires the prior approval of DWP. Proposals on severance must comply with the rules in chapter 4 of Managing Public Money.

20.6 Staff terms and conditions should be set out in an Employee Handbook, which should be provided to DWP together with subsequent amendments.

20.7 NEST Corporation shall comply with the EU Directive on contract workers – the Fixed-Term Employees (Prevention of Less Favourable Treatment) Regulations.

³ Currently pay and remuneration packages of above £150,000 or above, and performance (bonus) arrangements of more than £17,500 but which do not require CST approval as they are not public appointments.

Signed..... Wes Sinsch

Date..... 12/2/19

On behalf of the Department for Work
and Pensions

Signed..... Wes Dean

Date..... 12/2/19

On Behalf of NEST Corporation

Annex A - NON-DELEGATED EXPENDITURE

NEST Corporation shall have delegated authority to incur expenditure without further reference to the DWP, subject to it fulfilling the terms and conditions of the loan agreement and subject to the following areas:

Contracts

The DWP has oversight of all financial commitments and spending plans with special emphasis on contracts with a value greater than £5m. The DWP Loan Agreement stipulates that material contracts which provide for the Borrower to make aggregate payments which are equal to or greater than £5m per annum must have DWP Permanent Secretary approval.

Capital expenditure

Any material (above £5 million per annum per transaction) capital expenditure for the purchase of assets, capital projects, lease agreements, service releases or contracts is subject to prior written authorisation of the DWP.

Novel or contentious expenditure

Expenditure for any purpose which is or might be considered novel or contentious is subject to HM Treasury approval. NEST Corporation shall consult with the DWP who will seek that approval.

Write-offs

NEST Corporation may write off individual losses under £2,500 within an overall limit of £10,000 in any financial year without prior consultation with the DWP. Losses are defined as monies or items of monetary value which have been erroneously expended or removed in the normal course of business and are deemed irrecoverable. This does not include losses arising from the disposal of fixed assets that are disposed of through the normal course of business, but does include losses arising from the theft or loss of fixed assets. Losses and write-offs are also subject to requirements in Managing Public Money.

Gifts

NEST Corporation has delegated authority to give gifts to officials/dignitaries up to the value of £20 each (maximum per event £350).

Annex B - List of government-wide corporate guidance instructions

NEST Corporation shall comply with the following general guidance documents and instructions:

- this document
- appropriate adaptations of sections of Corporate Governance in Central Government Departments: Code of Good Practice
<https://www.gov.uk/government/publications/corporate-governance-code-forcentral-government-departments>
- Code of Conduct for Board Members of Public Bodies
http://www.civilservice.gov.uk/wp-content/uploads/2011/09/code-ofconduct_tcm6-38901.pdf
- https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/80082/PublicBodiesGuide2006_5_public_body_staffv2_0.pdf
- Code of Practice for Ministerial Appointments to Public Bodies
<http://publicappointmentscommissioner.independent.gov.uk/wpcontent/uploads/2012/02/Code-of-Practice-2012.pdf>
- Managing Public Money (MPM)
- Public Sector Internal Audit Standards,
<https://www.gov.uk/government/publications/public-sector-internal-auditstandards>
- Management of Risk: Principles and Concepts:
<https://www.gov.uk/government/publications/orange-book>
- HM Treasury Guidance on Tackling Fraud,
http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm treasury.gov.uk/d/managing_the_risk_fraud_guide_for_managers.pdf.pdf
- Government Financial Reporting Manual (FReM),
<https://www.gov.uk/government/publications/government-financial-reportingmanual>;
- Fees and Charges Guide, Chapter 6 of Managing Public Money;
- Departmental Banking: A Manual for Government Departments, annex 5.6 of Managing Public Money;
- relevant Dear Accounting Officer letters
<https://www.gov.uk/government/collections/dao-letters>
- Regularity, Propriety and Value for Money,
http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm treasury.gov.uk/psr_governance_valueformoney.htm
- The Parliamentary and Health Service Ombudsman's Principles of Good Administration <http://www.ombudsman.org.uk/improving-publicservice/ombudsmansprinciples>
- Consolidation Officer Memorandum, and relevant DCO letters

- relevant Freedom of Information Act guidance and instructions (Ministry of Justice)
- other relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts
- other relevant instructions and guidance issued by the central Departments
- specific instructions and guidance issued by the sponsor Department
- recommendations made by the Public Accounts Committee, or by other Parliamentary authority that have been accepted by the Government and relevant to the ALB
- HM Treasury Guidance for approval of Senior Pay

