

# **NATIONAL EMPLOYMENT SAVINGS TRUST CORPORATION**

## **FRAMEWORK DOCUMENT**

**EFFECTIVE FROM February 2016**

# **National Employment Savings Trust (NEST) Corporation**

## **Framework Document**

### **1. Introduction**

- 1.1 This framework document has been drawn up by the Department for Work and Pensions (DWP) and the National Employment Savings Trust Corporation (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 the Department and NEST Corporation.
- 1.2 The Department or NEST Corporation may propose amendments to this document at any time. Any such proposals will need to be approved by both the Departmental Steward and the Chair of NEST Corporation.
- 1.3 Any question regarding the interpretation of this document shall be resolved by consultation between the Department and NEST Corporation.
- 1.4 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.

### **2. Purpose of NEST Corporation**

- 2.1 The Pensions Act 2008 made provision for the establishment of NEST Corporation and the NEST pension scheme.
- 2.2 NEST Corporation is an executive non-departmental public body (NDPB). Its primary function is to act as the trustee of the NEST pension scheme – an occupational pension scheme.
- 2.3 NEST was established to support automatic enrolment :
  - to ensure that UK employers of any size can access a low-cost, suitable pension scheme to fulfill their employer duties under the Pensions Act 2008; and
  - to ensure that self-employed people can access a low-cost, suitable pension scheme.
- 2.4 The NEST Trustee 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. The scheme has certain characteristics that focus it on a target market of low to moderate earners.

2.5 NEST Corporation has responsibility for setting its own strategic and operational aims and objectives but will discuss these with DWP in order to provide assurance that these remain consistent with the overall strategic aims and objectives of automatic enrolment.

### **3. Governance and accountability**

3.1 It is recognised that the Trustee's primary duty is its fiduciary duty to act in the best interests of members. In this context, NEST Corporation is expected to fulfill its obligations as an NDPB unless these conflict with the Trustee's fiduciary duty. If such a conflict occurs, or NEST Corporation believes it may occur, it will notify the Department for discussion and urgent resolution.

3.2 Both parties to this document acknowledge that to discharge their responsibilities, they will need to collaborate and foster a close working relationship based on mutual respect for each other's interests and obligations. This will include both parties ensuring that they keep the other informed of key developments of which the other party would reasonably expect to be informed.

3.3 As both the trustee of a pension scheme and an NDPB, NEST Corporation's duties, rights and obligations arise from:

- primary<sup>1</sup> and secondary<sup>2</sup> legislation specific to NEST and the NEST Rules
- pensions and trust law
- public law, including workplace legislation and financial regulations
- requirements placed on NDPBs as outlined in *Managing Public Money* and other guidance issued by DWP, HM Treasury and the Cabinet Office that are appropriate for NEST Corporation

3.4 Details of governance arrangements and accountabilities are set out in this document, as well as in the Loan Agreement and associated documents between NEST Corporation (as the borrower) and DWP (as the lender).

### **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.

4.2 Ministerial responsibilities include:

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<sup>1</sup> Pensions Act 2008

<sup>2</sup> National Employment Savings Trust Order SI 2010/917; The National Employment Savings Trust (Amendment) Order 2013 SI 2013/597; The National Employment Savings Trust (Amendment) Order 2015 SI 2015/187

- ensuring NEST Corporation achieves the objectives for which it has been established under legislation
  - reporting to Parliament on the use of public money and financial support provided to NEST Corporation
  - appointing Trustee Members during the initial period
  - determining the salaries, allowances and gratuities payable to the Trustee Members
  - setting charge limits in particular circumstances<sup>3</sup>
  - making amendments to the NEST Order, with the consent of the Trustee
- 4.3 The Secretary of State for Work and Pensions, or a Departmental Minister, will meet with the Chair of NEST Corporation at least once a year.
- 4.4 The Secretary of State for Work and Pensions will require NEST Corporation to provide responses to Parliamentary Questions and correspondence from Members of Parliament relating to NEST Corporation and its activities within appropriate timescales. If the information is not immediately available or is above the disproportionate cost threshold, then NEST Corporation should notify the NEST Stewardship Team accordingly.<sup>4</sup>
- 4.5 The Secretary of State for Work and Pensions or a Departmental Minister may also refer other correspondence received to NEST Corporation for reply.
- 5. The departmental accounting officer's specific accountabilities and responsibilities as Principal Accounting Officer (PAO)**
- 5.1 The Permanent Secretary as the DWP's Principal Accounting Officer (PAO) has designated the Chief Executive Officer as NEST Corporation's Accounting Officer. The respective responsibilities of the PAO and the Chief Executive Officer are set out in Chapter 3 of *Managing Public Money*. This is sent to the NEST Accounting Officer on appointment.
- 5.1 The PAO is accountable to Parliament for NEST Corporation's use of public money.
- 5.2 The PAO is also responsible for advising Ministers on:
- an appropriate framework of objectives and targets set by NEST Corporation, which take account of the Department's wider strategy, the aims of automatic enrolment and the Public Service Obligation

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<sup>3</sup> The National Employment Savings Trust Order, Article 27 (SI 2010/917)

<sup>4</sup> Currently where the cost of compiling the requested information is likely to exceed £800

- appropriate loan funding and payment of grant-in-aid for activities associated with being an NDPB
- appropriate and consistent application of European State Aid rules, where Ministers judge it is in the public interest to compensate NEST for its Public Service Obligation
- how well NEST Corporation is achieving its strategic objectives and whether it is delivering value for money
- compliance with the terms set out in agreements between the Department and NEST Corporation.

5.3 This advice will reflect input from NEST Corporation's Chair and Chief Executive Officer, as appropriate.

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

- monitor the activities of NEST Corporation through its Corporate and Business Plans and through regular stewardship meetings
- inform NEST Corporation of relevant government policy in a timely manner
- periodically carry out an assessment of risks to shared and departmental objectives and activities
- periodically carry out a risk assessment of NEST Corporation, taking into account the nature of its activities, the public money at stake, NEST Corporation's own internal governance measures, its financial performance, internal and external audit reports, the openness of communications and any other relevant matters
- periodically review the remuneration of the Chair and other Trustee Members, and advise the Secretary of State, with whom the final decision on remuneration rests
- raise any concerns about the activities of NEST Corporation with the Chair and consider how they might be addressed.

5.5 Detailed forecasting, budget planning and spend arrangements are set out in the Loan Agreement and associated documents.

## **6. Departmental Steward**

6.1 The Departmental Steward is the senior official designated by the PAO as being responsible for the sponsorship of NEST Corporation.

6.2 The Departmental Steward supports and advises the PAO in respect of the duties outlined in paragraphs 5.2 and 5.4 and is assisted by the NEST Stewardship Team.

6.3 The NEST Stewardship team acts as the primary contact for NEST Corporation and the Trustee in the Department. The Stewardship Team is the main source of advice to the Departmental Minister, PAO and Steward on the discharge of his or her responsibilities in respect of NEST Corporation.

## **7. Responsibilities of the NEST Corporation Chair**

7.1 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 the Departmental Minister should normally be through the Chair.

7.2 The Chair should also ensure that the affairs of NEST Corporation are conducted with the integrity expected of NDPBs. The Chair is also responsible for ensuring that due regard is given to the Department's wider strategic aims and the aims of automatic enrolment. Where appropriate, these should be clearly communicated and disseminated throughout NEST Corporation.

7.3 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 or Departmental Minister and/or the Department 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.

7.4 The Chair must ensure that:

- the Trustee Members are fully briefed on their terms of appointment, duties, rights and responsibilities
- the Departmental Steward is notified if the Chair has any concerns about whether the Trustee Members have a balance of skills and knowledge appropriate to directing NEST Corporation's business and that this is compliant with the Pension Regulator's Codes of Practice and, as a minimum, meets the *Government Code of Good Practice on Corporate Governance*

- the Trustee Members are also familiar with any differences that may exist between public and private sector practice
- the Trustee Members' performance is reviewed annually and that the Departmental Minister is advised of Trustee Member vacancies when they arise

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. Responsibilities of the NEST Trustee**

8.1 The Trustee is specifically responsible for:

- establishing and taking forward the strategic aims and objectives of NEST Corporation and the Pension Scheme to meet the Public Service Obligation
- ensuring that the Secretary of State, through the Departmental Steward, is informed of any changes that are likely to impact on NEST Corporation's strategic direction and/or on the attainability of its targets relating to the Automatic Enrolment Programme's critical success factors, and determining the steps needed to deal with such changes
- ensuring that any statutory or administrative requirements for the use of public funds (including the loan from the Department) are complied with. The Trustee must also comply with any delegated authority limits set by the Department
- ensuring that it receives and reviews regularly financial and non-financial information concerning the management of NEST Corporation; that it is informed of any specific concerns about the activities of the NEST Corporation in a timely manner; and, where relevant, that the Department is assured that action is taken on any concerns
- demonstrating high standards of governance at all times including providing assurance that NEST Corporation is identifying, mitigating and managing key financial and other risks
- ensuring that effective arrangements are in place to provide assurance on risk management, governance and internal control. The Trustee 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

8.2 NEST Trustee Members should also:

- comply at all times with 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; and
- act in good faith and in the interests of Scheme members and beneficiaries.

## **9. Responsibilities of NEST Corporation's Chief Executive Officer as Accounting Officer**

### *General*

9.1 The Chief Executive Officer as Accounting Officer is personally responsible for:

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

9.2 In addition, he or 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*.

9.3 The accountabilities of the NEST Corporation Accounting Officer include:

- ensuring that the various sources of funds to NEST Corporation (through the loan, Public Service Obligation Offset Payment, and grant-in-aid) are appropriately accounted for and reported on, supported by good governance arrangements and proper records management
- signing 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
- signing the Statement of Accounting Officer responsibilities for inclusion in NEST Corporation's Annual Report and Accounts
- signing a Statement on Internal Control regarding the system of internal

control for inclusion in NEST Corporation's Annual Report and Accounts

- preparing and signing (along with the Chair) 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 Department, the Cabinet Office and HM Treasury
- giving evidence, normally with the PAO, when summoned before the Public Accounts Committee on NEST Corporation's stewardship of public funds

9.4 The Accounting Officer will consult with the Department to resolve any conflict where Trustee Members conclude that acting in accordance with the terms set out above would lead to a breach in their fiduciary duty.

9.5 The Accounting Officer has the following responsibilities to Trustee Members:

- advising the Trustee Members of their responsibilities as set out in this document, the loan agreement, in applicable legislation and in any other guidance that may be issued from time to time
- advising the Trustee Members on NEST Corporation's and the Scheme's performance compared with its aims and objectives (including the Public Service Obligation)
- ensuring that financial considerations are fully taken into account by the Trustee Members 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 Accounting 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
- providing information and advice in the event the Trustee Members are concerned that a course of action may breach their fiduciary duties.

## **10. Other responsibilities of NEST Corporation's Chief Executive Officer (CEO)**

10.1 The CEO has the following responsibilities to the Department:

- reporting on NEST Corporation's Corporate and Business Plans, supported by the provision of agreed monthly management information
- informing the Department of the progress made in helping to achieve the Department's wider strategic policy objectives as part of the Automatic Enrolment Programme
- regularly demonstrating how NEST Corporation's resources are being used to achieve value for money in setting up, managing and administering the Scheme
- discussing any risks to NEST Corporation that would seriously impact on its ability to meet the overall policy objective or may attract negative media attention for NEST Corporation and/or the Department
- ensuring that the terms and conditions set out in any agreements between the Department and NEST Corporation are adhered to

## **11. Annual report and accounts**

NEST Corporation must publish an annual report together with its audited accounts in accordance with the provisions set out in the Pensions Act 2008.<sup>5</sup>

11.1 NEST Corporation must provide the Department with its annual report and accounts after the end of the financial year.

11.2 The annual report must:

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

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

11.4 The report and accounts shall be laid in Parliament and published on the

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<sup>5</sup> Pensions Act 2008, Schedule 1, paragraphs 17 and 20

NEST Corporation's website, in accordance with the guidance in the FReM.

- 11.5 A final draft of the report should be submitted to the Department at least two weeks before the proposed publication date.

## **12. NEST Scheme Accounts**

- 12.1 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 the Trustee along with the Statement of Assets.
- 12.2 The Scheme Accounts and NEST Corporation Accounts should, where possible, be published together.

## **13. Internal Audit**

- 13.1 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
- forward the Annual Audit Plan, together with the Head of Internal Audit Opinion to the Department; as soon as possible after the end of the financial year
- keep records of fraud and theft (if any) and report annually to the Department
- notify the Department of any unusual or major incidents as soon as possible

## **14. External audit**

- 14.1 The Comptroller and Auditor General (C&AG) audits NEST Corporation's Annual Report and Accounts, but not the NEST Scheme Accounts (see para 12 above).

The C&AG:

- will consult the Department 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 the Department 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 the Department's responsibilities in relation to financial systems within NEST Corporation
- will, where asked, provide the Department 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.

14.2 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.

14.3 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 endeavors to secure access for the C&AG to any other documents required for the audit which are held by other bodies.

### ***Right of access***

14.4 The Department has the right of access to all NEST Corporation's records and personnel only 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. This does not include access to members' records.

## **15. Information security**

15.1 NEST Corporation must meet government standards in the safe handling, processing, storing and transferring of personal/sensitive information (regardless of the media used). The Department 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 the Department on compliance with the Framework.

- 15.2 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.
- 15.3 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).
- 15.4 The Department must be alerted as soon as NEST Corporation becomes aware if a serious breach of information security by NEST Corporation (or anyone working on its behalf) occurs so that appropriate briefing can be prepared and shared. This should apply reciprocally if the breach has occurred in the Department in relation to information security.
- 15.5 NEST Corporation will have a documented, risk-based approach to ensure that all information is protected appropriately. The risk management framework for NEST Corporation will include reference to all elements of information security. Senior managers will be appointed to specific roles (Senior Information Risk Owner, Information Asset Owners) with regular status reports being delivered to the Audit or Risk Committees.
- 15.6 The Department will not release any commercial or personal /sensitive data relating to NEST Corporation, its contractors or employees without prior agreement from NEST Corporation.

## **16. Management and financial responsibilities**

*Managing Public Money and other government-wide corporate guidance and instructions*

- 16.1 Unless agreed by the Department, 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 Accounting Officer will consult with the Department to resolve any conflict.
- 16.2 NEST Corporation is initially funded by:
  - a loan – provided by the Department for the purposes of setting up and administering the Scheme. It will be repaid through revenues raised through charges to Scheme members and will be governed through the separate loan agreement

- grant in aid – provided by the Department to cover costs that NEST Corporation will incur from their activities as an NDPB that cannot be charged to Scheme members, for example dealing with Freedom of Information requests and providing answers to Parliamentary Questions
- a Public Service Obligation Offset Payment – this takes the form of grant payments to reduce NEST borrowing costs from the commercial rate of interest to the Government cost of borrowing.

16.3 NEST Corporation will have authority to incur expenditure without further reference to the Department 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 the Department.
- 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.
- NEST Corporation shall provide the Department with such information about its operations, performance, or individual projects or other expenditure as the Department may reasonably require.

## 17. Corporate governance

### *Board appointments*

- 17.1 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*.
- 17.2 In line with the government's Code of Good Practice, the Trustee Board will consist of a Chair and Trustee Members that together have a balance of skills and experience appropriate to directing NEST Corporation's business. The Secretary of State for Work and Pensions and NEST Corporation must aim to ensure there are not fewer than 9 and not more than 15 members at any time.

## 18. Risk management

- 18.1 NEST Corporation will:

- ensure that the risks that it faces are identified and dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and taking account its responsibilities as a Trustee in this regard
- develop a risk management strategy, taking account of relevant Treasury guidance in *Management of Risk: Principles and Concepts*
- adopt and implement policies and practices to safeguard itself against fraud and theft, in line with the Treasury's *Guidance on Tackling Fraud*
- 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.

## **19. Business Continuity Management**

- 19.1 NEST Corporation will develop a business continuity programme which will include a business impact analysis and the preparation of robust business continuity plans. This programme will include regular testing of both the plan and the arrangements for dealing with a major event (for example, disaster recovery) to ensure that disruption to the delivery of services and operations are minimised. Regular reports shall be delivered to NEST Corporation Executive Team and the Trustee Audit Committee.

## **20. Corporate and business plans**

- 20.1 NEST Corporation will be responsible for developing and setting its strategic and operational plans within the funding envelope agreed with the Department.
- 20.2 NEST Corporation will send its draft Corporate and Business Plans to the Department for discussion in reasonable time ahead of the intended publication date.
- 20.3 NEST Corporation will use its Corporate and Business Plans as an opportunity to inform the Department, and interested parties, of progress against its plans.

## **21. Grant-in-aid**

- 21.1 Any grant-in-aid provided by the Department for the year in question will be voted in the Department's Supply Estimate and be subject to Parliamentary control.
- 21.2 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.

- 21.3 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, the Department 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.

## **22. Reporting performance to the Department**

- 22.1 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 Department as soon as possible of any significant changes that make the achievement of its objectives more or less difficult.
- 22.2 The performance of NEST Corporation will be formally reviewed by the Department twice a year as part of the bi-annual meeting between the Steward and the NEST Corporation Chair.

### *Providing monitoring information to the department*

- 22.3 NEST Corporation will provide the Department with sufficient information to enable it to:
- monitor, administer and understand the cost drivers behind the loan arrangements, grant in aid and Public Service Obligation Offset arrangements
  - support the Department's interest in NEST Corporation, including understanding and evaluating policy outcomes
  - ensure NEST Corporation is meeting its obligations as an NDPB
  - calculate payment of grant in aid, agree loan draw down and repayment schedules and decide the appropriate level of the Public Service Obligation Offset Payment
  - carry out programme reporting for the Automatic Enrolment Programme

### *Department working level liaison arrangements*

- 22.4 The NEST Stewardship Team will liaise regularly with NEST Corporation to review both financial and non-financial performance 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.

22.5 The NEST Stewardship Team will also explain wider policy and financial developments that might have an impact on NEST Corporation, including guidance in relation to NDPBs as issued by HM Government.

### 23. Delegated Authorities

23.1 NEST Corporation will seek the written authority of the Department 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
- carrying out policies that go against the principles, rules, guidance and advice in *Managing Public Money*

23.2 NEST Corporation will notify the Department in advance if it believes it will be unable to adhere to the principles, rules and guidance set out in *Managing Public Money* and the requirements *Reforming Arm's Length Bodies (Annex B)* and any other guidance issued by the Department, HM Treasury and the Cabinet Office, because to do so would conflict with the Trustee's fiduciary duty, including providing rationale.

### 24. Staff

#### *Broad Responsibilities*

24.1 NEST Corporation will have responsibility for the recruitment, retention and motivation of its staff subject to the arrangements set out in **Annex A**. NEST Corporation's policies and procedures with regard to staffing will be consistent with legislation, and it will be consistent with the best practice principles and standards set out in Departmental, HM Treasury and Cabinet Office guidance.

#### *Staff Costs*

24.2 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.

### *Pay and Conditions of Service*

- 24.3 NEST Corporation will have flexibility for determining the remuneration and terms and conditions of its staff (including pensions) within the general pay structure approved by the Department.
- 24.4 Any proposal by NEST Corporation to move from the existing pension arrangements<sup>6</sup>, or to pay any redundancy or compensation for loss of office, requires the prior approval of the Department. Proposals on severance must comply with the rules in *Managing Public Money*.
- 24.5 Staff terms and conditions should be set out in an Employee Handbook or other appropriate document(s), which should be provided to the Department together with subsequent amendments.
- 24.6 NEST Corporation shall comply with the EU Directive on contract workers – the Fixed-Term Employees (Prevention of Less Favourable Treatment) Regulations.

### *Trustee Members*

- 24.7 The pay, allowances and gratuities payable to Trustee Members are determined by the Secretary of State or a Departmental Minister.
- 24.8 The travel expenses of Trustee Members should be tied to the rates allowed to senior staff of NEST Corporation. Only reasonable actual costs should be reimbursed.

## **25. Review of NEST Corporation's status**

- 25.1 NEST Corporation will be reviewed in line with Cabinet Office guidance. The next review will be in 2017.

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<sup>6</sup> A change to pension arrangements would not include a change of pension provider, or a change whereby the overall financial burden on NEST does not increase

Signed..... *R. L. Decker* .....

Date..... *22 February 2016* .....

On behalf of the Department for Work  
and Pensions

Signed..... *[Signature]* .....

Date..... *22. 2. 16* .....

On behalf of NEST Corporation

## **Annex A**

### **NON-DELEGATED EXPENDITURE**

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

#### ***Contracts***

All new contracts or extensions with a value over £2 million per annum (including consultancy, professional services, ICT, but excluding investment) are subject to Ministerial approval until further notification from the Permanent Secretary.

#### ***Recruitment***

External recruitment (including temporary and interim staff) is frozen, except for business critical posts which are subject to approval by the Permanent Secretary within a three month rolling target.

#### ***Capital expenditure***

Any material (above £2 million per annum) capital expenditure for the purchase of assets, capital projects, lease agreements or contracts is subject to prior written authorisation of the Department.

#### ***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 Department 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 Department. 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

### REFORMING ARM'S LENGTH BODIES 2010

The *Review of Arm's Length Bodies* (ALB), which was published in March 2010, requires framework documents to address certain presumptions on a 'comply or explain' basis and for arm's length bodies to comply with specified prohibitions.

Tables 1 and 2 below demonstrate how this applies to NEST Corporation.

#### Table 1

*NEST Corporation must not use public funds to employ external public affairs or other consultants to lobby Parliament or Government with the principal aim of altering government policy or to obtain increased funding.*

*NEST Corporation should not provide sponsorship of commercial events.*

*NEST Corporation must comply with Government conventions on publicity and advertising.*

*NEST Corporation must not use PR consultants without the specific approval of the Department.*

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#### Table 2

No duplication of policy functions between ALB and department	<i>Comply.</i>
Shared back office functions with other organisations or government department	<i>A small HR function transferred across from the Personal Accounts Delivery Authority in order to help establish NEST Corporation and set up their HR policies and practices.</i>
Not based in London/South East, except for face to-face services and unless there is a VfM case through sharing estates	<i>A case for being located in central London until 2018 in order to help facilitate the set-up of the NEST Corporation and Scheme was approved by HM Treasury.</i>
Property should be held in the name of the sponsoring department and should allow use for any government activity	<i>Comply.</i>

All e-channels should be organised via direct.gov or business.gov

*NEST Corporation has chosen a .org domain to help underline to members that the scheme is being run independent of government.*

*This received Departmental approval.*

Expenditure on organisational brand and marketing to be set out in ALBs' business plans and accounts, and outcomes indicated

*Comply.*

No organisations should require primary legislation to be abolished, although their functions may be set out in primary legislation

*NEST Corporation was set up through primary legislation (Pensions Act 2008).*

*At the present time, legislation will be required to abolish NEST Corporation.*

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## Annex C

### 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](http://www.civilservice.gov.uk/wp-content/uploads/2011/09/code-ofconduct_tcm6-38901.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](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](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)
- Model Code for Staff of Executive Non-departmental Public Bodies (Cabinet Office)  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/80082/PublicBodiesGuide2006\\_5\\_public\\_body\\_staffv2\\_0.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/80082/PublicBodiesGuide2006_5_public_body_staffv2_0.pdf)
- 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