FRAMEWORK DOCUMENT

March 2015
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Introduction

This framework document has been drawn up by the Department for Work and Pensions (“DWP”) in conjunction with the Board of the Pension Protection Fund (the “Board”). This document sets out the broad framework within which the Pension Protection Fund (the “PPF”) will operate. The document does not convey any legal powers or responsibilities and does not in any way limit the functions of and powers granted to the Board by the Pensions Act 2004, as amended, and associated legislation made under the Act (“the legislation”).

The DWP will respect the operational independence of the Board and its independent statutory status. The Board shall, to the extent it is consistent with its statutory status, have due regard to the principles, rules and advice contained in guidance documents referred to in this Framework Document.

Copies of the document and any subsequent amendments have been placed in the Libraries of both Houses of Parliament and are made available to members of the public on the PPF website.

1.0 Purpose of the Board of the PPF

1.1 The PPF has been set up under the legislation to ensure that members of underfunded defined benefit pension schemes where the sponsoring employer became insolvent after 5 April 2005 receive a minimum level of income on retirement.

1.2 Its main duties under the legislation are to:

- Hold, manage and apply the PPF and the Fraud Compensation Fund (the “FCF”)
- Impose levies on pension schemes eligible for PPF protection
- Assume responsibility for schemes assessed to be underfunded after the insolvency of their sponsoring employer
- Pay compensation to eligible members
- Act as scheme manager for the Financial Assistance Scheme (FAS) which provides financial assistance to members of certain defined benefit pension schemes ineligible for compensation from the PPF.
2.0 Governance and Accountability

The Board’s legal origins of power and duties

2.1 The Board’s powers and duties are contained in legislation and nothing in this Framework Document shall override those powers and duties.

3.0 Ministerial responsibility

3.1 The Secretary of State for Work and Pensions, or the Minister for Pensions, will account to Parliament for the PPF’s activities.

4.0 DWP Accounting Officer’s specific accountabilities and responsibilities

4.1 The Principal Accounting Officer (PAO) of DWP has designated the Chief Executive as the PPF’s Accounting Officer. (The respective responsibilities of the PAO and Accounting Officers for ALBs are set out in Chapter 3 of Managing Public Money which is sent separately to the Accounting Officer on appointment.)

4.2 The PAO is accountable to Parliament for the issue of any grant-in-aid to the PPF. The PAO is also responsible for advising the responsible minister:

- on an appropriate framework of objectives and targets for the PPF in the light of the Board’s statutory duties and DWP’s responsibility to promote savings for retirement and ensure that saving for retirement pays;
- on an appropriate budget for the PPF in the light of the Board’s forecast workloads and DWP’s overall public expenditure priorities; and
- how well the PPF is achieving its strategic objectives and whether it is delivering value for money.

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

- monitor the PPF’s activities;
- address significant problems in the PPF, making such interventions as are judged necessary;
- periodically carry out an assessment of the risks which impact both the DWP’s and the PPF’s objectives and activities;
- inform the Board of relevant government policy in a timely manner; and
- bring concerns about the discharge of its functions to Board requiring explanations and assurances that appropriate action has been taken, and, if appropriate, to bring those concerns to the Departmental Board.

4.4 The senior Departmental steward for the PPF is the Director-General, Strategy, Policy and Analysis Group. The Stewardship Team in DWP is the primary point of contact. It is the main source of advice to the responsible minister on the discharge of his or her responsibilities in respect of the PPF. It also supports the PAO on his or her responsibilities in respect of the PPF.
5.0 Responsibilities of the PPF’s Chief Executive as Accounting Officer

General

5.1 The Chief Executive as Accounting Officer (AO) is personally responsible for safeguarding the public funds for which he or she has charge whether these funds arise from grant in aid from the Department or from the operation of any of the Board’s other powers under the legislation; for ensuring propriety, regularity, value for money and feasibility in the handling of those public funds; and for the day-to-day operations and management of PPF. In addition, he or she should ensure that the PPF 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 of Managing Public Money.

Responsibilities for accounting to Parliament

5.2 The accountabilities 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 Secretary of State;
- preparing and signing a Governance Statement covering corporate governance, risk management and oversight of any local responsibilities, for inclusion in the annual report and accounts;
- ensuring that effective procedures for handling complaints about the body are established and made widely known within the PPF;
- acting in accordance with the terms of this document, with regard to Managing Public Money and, as appropriate, with other instructions and guidance issued from time to time by the Department, the Treasury and the Cabinet Office;
- giving evidence, normally with the PAO of the sponsor Department, when summoned before the Public Accounts Committee on the PPF’s stewardship of public funds.

Responsibilities of DWP

5.3 The Department will consult the Board on proposals to amend legislation that affects the PPF. Such consultation will be on going during the process of policy formation, including early involvement prior to the matter being either put to Ministers or made the subject of a consultation exercise. The Department will provide papers and give the Board a reasonable amount of time to consider papers and proposals and will give due regard to the comments or representations that the Board may make. The Department will, in timely fashion, consider and give due regard to suggestions for legislative amendments that the Board considers are essential or beneficial to the discharge of the Board’s statutory functions.

5.4 The steward is a senior official designated by the Secretary of State as being responsible for the day to day stewardship of the Board. The steward is
responsible for managing, in particular, decision making processes concerning new legislation, approval of the PPF’s Strategic Plan, requests for grant in aid, the structure of the PPF Administration Levy and for the Administration Levy rates that are imposed. DWP will give the PPF reasonable notice of any information requests that it makes. It will give due regard to the availability of relevant data, administrative burden and cost of such requests.

Responsibilities in relation to DWP

5.5 The Chief Executive’s particular responsibilities include:

- establishing, in agreement with the Department, the PPF’s corporate and business plans, giving due regard to the Department’s strategic aim of increasing the confidence of pension scheme members in the security of their pension savings;
- informing the Department of progress in the delivery of the PPF’s statutory objectives and its performance targets;
- ensuring that for the purpose of quarterly update meetings forecasts and monitoring, information on performance and finance are provided to the Department in timely fashion; that the Department is notified promptly if over or under spends in respect of grant in aid are likely and that, where appropriate, corrective action is taken; and that any significant problems, whether financial or otherwise which would detrimentally affect the PPF’s ability to meet its statutory duties or to have due regard to the duties specified in Managing Public Money, and whether detected by internal audit or by other means are notified to the Department in timely fashion.

Responsibilities in relation to the Board of the PPF

5.6 The Chief Executive is responsible for:

- advising the Board on the discharge of its functions;
- ensuring that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that financial appraisal techniques are followed;
- taking action as set out in paragraph 3.8.6 of Managing Public Money if the Board or its Chairman is contemplating a course of action involving a transaction which the Chief Executive 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.

6.0 The PPF’s Board

6.1 The Board should ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control. The board must maintain an Audit Committee chaired by an independent non-executive member to provide independent advice. The Board is expected to
assure itself of the effectiveness of internal control and risk management systems.

6.2 The Board is specifically responsible for:

- establishing and taking forward the strategic aims and objectives of the PPF consistent with its statutory functions and the resources that the Secretary of State makes available to the Board;
- ensuring that the responsible minister is kept informed of any changes which are likely to impact on the strategic direction of the PPF or on the attainability of its targets, and determining the steps needed to deal with such changes;
- ensuring that any statutory 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 and in accordance with other conditions relating to the use of public funds; and that, in reaching decisions, the Board gives due regard to relevant guidance issued by DWP, Cabinet Office and HMT;
- ensuring that it receives and reviews regular financial information concerning the management of the PPF; is informed in a timely manner about any concerns about the activities of PPF; and 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 committee to help the Board to address key financial and other risks;
- appointing, with the responsible minister’s approval, a Chief Executive.

The Chairman’s personal responsibilities

6.3 The Chairman is responsible to the named ministers. Communications between the PPF’s Board and the responsible minister should normally be through the Chairman. He or she is responsible for ensuring that the Board’s policies and actions support its statutory functions and purpose and give due regard to DWP’s wider strategic aim specified in 5.5 and that the PPF’s affairs are conducted with probity. Where appropriate wider Government policies and guidance should be clearly communicated and disseminated throughout the PPF.

6.4 In addition, the Chairman has the following leadership responsibilities:

- formulating the Board’s strategy;
- ensuring that the Board, to the extent it is consistent with its statutory duties, in reaching decisions, takes appropriate account of guidance provided by the responsible minister or the Department;
- promoting the efficient and effective use of staff and other resources;
- delivering high standards of regularity and propriety; and
- representing the views of the Board to the general public.

1 See Appendix 2
6.5 The Chairman also has an obligation to ensure that:

- the work of the Board and its members is reviewed and is working effectively;
- the Board has a balance of skills appropriate to directing the PPF’s statutory functions as set out in the Government Code of Good Practice on Corporate Governance;
- Board members are fully briefed on terms of appointment, duties, rights and responsibilities;
- he or she, together with the other Board members, receives appropriate training on financial management and reporting requirements and on any differences that might exist between private and public sector practice;
- the responsible minister is advised of the PPF’s needs when Board vacancies arise;
- he or she assesses the performance of individual Board members;
- there is a Board Operating Framework in place setting out the role and responsibilities of the Board, consistent with the Government Code of Good Practice for Corporate Governance; and
- there is a code of practice for Board members in place consistent with the Cabinet Office Code of Conduct for Board Members of Public Bodies.

**Individual Board members’ responsibilities**

6.6 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;
- act in good faith and in the best interests of the PPF.

**7.0 Annual report and accounts**

7.1 The PPF must publish an annual report of its activities together with its audited accounts in accordance with the legislation.

7.2 The annual report must:
- cover any corporate, subsidiary or joint ventures under its control;
- comply with the Treasury’s Financial Reporting Manual (FReM);
- outline main activities and performance during the previous financial year and set out in summary form the PPF’s forward plans.
7.3 Information on performance against key financial targets is included in the Annual Report and Accounts and is within the scope of the audit insofar as they are and should be included in the notes to the accounts. The report and accounts shall be laid in Parliament and made available on the PPF website, in accordance with the guidance in the FReM. The accounts should be prepared in accordance with any relevant statutes and specific accounts direction issued by the Department as well as the FReM. The PPF shall consult DWP and agree a timetable for laying PPF accounts.

8.0 Internal audit

8.1 The Board of the PPF shall:

- establish and maintain arrangements for internal audit that are appropriate to the PPF's business, considering, as appropriate, the Treasury’s Public Sector Internal Audit Standards (PSIAS) (https://www.gov.uk/government/publications/public-sector-internal-audit-standards)
- brief DWP at agreed intervals on the audit strategy, audit plans and key issues arising from audit reports, including the audit opinion on risk management, control and governance; and
- keep records of, and prepare and forward to the Department an annual report on, fraud and theft suffered by PPF and notify DWP of any unusual or major incidents as soon as possible.

9.0 External audit

9.1 The Comptroller & Auditor General (C&AG) as the Board’s external auditor under the legislation will share with DWP information identified during the audit process to the extent that the information impacts the Department’s responsibilities in relation to the Board of the PPF.

9.2 The C&AG may carry out examinations into the economy, efficiency and effectiveness with which the PPF has used its resources in discharging its functions. For the purpose of these examinations the C&AG has statutory access to documents as provided for under section 8 of the National Audit Act 1983. In addition, the PPF shall provide, in conditions to grants and contracts, for the C&AG to exercise such access to documents held by grant recipients and contractors and sub-contractors as may be required for these examinations; and shall use its best endeavours to secure access for the C&AG to any other documents required by the C&AG which are held by other bodies.

9.3 In the event that the PPF has set up and controls subsidiary companies, the PPF will ensure that audit arrangements appropriate to the nature of the subsidiary and its jurisdiction are put in place.
Right of Access

9.4 The Department has the right of access to all PPF records and personnel only for the purposes relevant to the Department's responsibilities under the legislation, Managing Public Money, or this Framework Document. DWP will give reasonable advance notice of any records it requires access to. In addition, DWP will discuss with the Board any matter giving rise to a right of access before exercising its right to do so.

10.0 Management and financial responsibilities

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

10.1 Unless agreed by the Department and, as necessary, HM Treasury, the PPF shall have due regard to the principles, rules, guidance and advice in Managing Public Money, referring any difficulties or potential bids for exceptions to the Stewardship Team in DWP in the first instance. A list of guidance and instructions is in Appendix 1.

10.2 Once the grant in aid budget has been approved by DWP the PPF shall have authority, in accordance with the legislation, to incur any approved expenditure without further reference to the sponsor Department, on the following conditions:

- the PPF shall exercise its authority in a manner that is consistent with its statutory duties;
- the PPF shall 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 requirement to seek formal Departmental approval where any proposed expenditure is outside the approval limit or is for purposes not previously agreed;
- the PPF shall provide DWP with such information about its operations, performance, individual projects or other expenditure as the Department may reasonably require.

11.0 Corporate governance

Board appointments - the Chairman and Board members

11.1 Provisions for the membership of the Board, the appointment of Board members, their tenure, remuneration and other associated matters are set out in the legislation.

12.0 Risk Management

12.1 The PPF 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, taking account of relevant Treasury Guidance in the Orange Book: Management of Risk - Principles and Concepts
http://www.hm-treasury.gov.uk/orange_book.htm
It shall adopt and implement policies and practices to safeguard itself against fraud and theft, in line with the Treasury's guidance on tackling 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.

Strategic and business plans

12.2 On such dates as are agreed from time to time the PPF shall submit annually to the Stewardship Team a draft of the strategic and business plan covering three years ahead. The PPF shall agree with DWP the issues to be addressed in the plans and the timetable for preparation. The plans shall reflect the PPF's statutory duties. The PPF undertakes to consider and give due regard to the DWP's strategic aim to increase the confidence of pension scheme members in the security of their pension savings.

12.3 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 the Department. Subject to any commercial considerations, the corporate and business plans should be published by the PPF on its website and made available to staff.

12.4 The following matters should be included in the plans:

- key objectives and associated key performance targets for the forward years, and the strategy for achieving those objectives;
- key non-financial performance targets;
- a review of performance in the preceding financial year and an estimate of performance in the current year;
- 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 the PPF.

13.0 Budgeting procedures

13.1 Each year, in the light of decisions by DWP on the draft strategic plan, the Department will send to the PPF, by a date agreed in advance, a formal statement of the annual budgetary provision for the grant in aid allocated by the Department in the light of the Board’s forecast requirements, competing priorities across the Department and of any forecast income approved by the Department.
The approved annual business plan will take account both of approved funding provision for expenditure out of grant in aid and any forecast receipts, and will include a budget of estimated payments and receipts together with a profile of expected expenditure and of draw-down of grant in aid over the year. These elements will form part of the approved business plan for the year in question.

14.0 Grant in aid

14.1 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.

14.2 The grant-in-aid will normally be paid in quarterly instalments (or at other frequencies agreed between the Department and the Board) on the basis of written applications from the PPF showing evidence of need. The PPF 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 PPF. Grant-in-aid 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 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.

14.3 In the event that DWP provides the PPF with separate grants for specific ring-fenced purposes, it will issue the grant as and when PPF needs it on the basis of a written request. The PPF will provide evidence that the grant was used for the purposes authorised by DWP. The PPF shall not have uncommitted grant funds in hand, nor carry grant funds over to another financial year.

15.0 Reporting performance to DWP

15.1 The PPF shall operate management, information and accounting systems that enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in the corporate and business plans. The PPF shall inform DWP of any changes that make achievement of objectives materially more or less difficult. It shall report financial and non-financial performance, and the achievement of key objectives at quarterly meetings. DWP will take the opportunity to explain wider policy developments that might have an impact on the PPF. The PPF’s performance shall be formally reviewed by the Department from time to time. The responsible minister will meet the Chairman and Chief Executive at least once a year.
Providing monitoring information to the Department

15.2 The PPF shall provide the Department with information at agreed intervals that will enable the Department satisfactorily to monitor:

- the PPF’s cash management of funds provided by grant in aid;
- its drawdown of grant-in-aid;
- forecast outturn by resource headings;
- other data required for the Online System for Central Accounting and Reporting (OSCAR).

PPF /DWP working level liaison arrangements

15.3 Officials of the Stewardship Team and the Finance Business Partner in DWP will liaise regularly with PPF officials to review financial performance against plans, achievement against targets and expenditure against its grant in aid allocation.

16.0 Prior approvals required

16.1 The PPF shall obtain the Department’s prior written approval before:

- entering into any undertaking to incur any expenditure covered by grant in aid or which is not provided for in the PPF’s annual budget for grant in aid expenditure as approved by the Department;
- incurring expenditure for any grant in aid that is or might be considered novel or contentious, or which has or could have significant future cost implications;
- making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the Department;
- 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; or
- carrying out policies that go against the principles, rules, guidance and advice in Managing Public Money.

17.0 Staff

17.1 Subject to the responsible minister’s approval of the number of staff to be employed by the PPF, the PPF will have responsibility for the recruitment, retention and motivation of its staff. The PPF will engage staff on key issues affecting its responsibilities.

17.2 All of the PPF’s people management policies, processes and procedures will adhere to the strongly held principles of fairness and open communication underpinned by a commitment to equality and diversity. Overall, the PPF will continue to build and maintain a culture that values meritocracy, openness, fairness and transparency and that has whistle-blowing procedures in place that are consistent with the Public Interest Disclosure Act and a code of
conduct for staff. The PPF’s Board and managers recognise that to manage
diversity there is a need to value everyone as a unique individual.

17.3 The PPF will continue to have robust procedures in place to monitor the
effectiveness of all its people management activity, ensuring compliance with
legislation and best practice and that all staff and managers are aware of their
responsibilities. Similarly, it will continue to have clear processes in place to
change and correct the procedures and behaviours when things go wrong.

Staff costs

17.4 The PPF shall ensure that the appointment of employees complies with
its legislative requirements and that the creation of any additional posts do not
exceed the numbers approved by the Secretary of State.

17.5 The Board’s staff shall be eligible for a pension provided by membership
of the Principal Civil Service Pension Scheme (PCSPS).

Signed: ________________

Date 18.03.2015
(On behalf of the Department)

Signed: ________________

Date 18.03.2015
(On behalf of PPF )

LIST OF APPENDICES TO THE SPECIMEN DOCUMENT

Appendix 1 - List of government-wide corporate guidance instructions
Appendix 2 - List of delegated authorities
APPENDIX 1
Compliance with government-wide corporate guidance and instructions

Subject to its statutory functions and duties, the Board shall have due regard to the following general guidance documents and instructions:

- this document;
- appropriate adaptations of sections of *Corporate Governance in Central Government Departments: Code of Good Practice*

- *Code of Conduct for Board Members of Public Bodies*

- *Code of Practice for Ministerial Appointments to Public Bodies*

- *Managing Public Money*

- Public Sector Internal Audit Standards

- Management of Risk: Principles and Concepts

- HM Treasury Guidance on Tackling Fraud

- Government Financial Reporting Manual (FReM)

- relevant Dear Accounting Officer letters;

- Regularity, Propriety and Value for Money

- The Parliamentary and Health Service Ombudsman’s Principles of Good Administration
• relevant Freedom of Information Act guidance and instructions (Ministry of Justice);

• Model Code for Staff of Executive Non-Departmental Public Bodies (Cabinet Office)

• 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 DWP;
• recommendations made by the Public Accounts Committee, or by other Parliamentary authority that have been accepted by the Government and are relevant to the Board.
APPENDIX 2
Delegated Powers

The delegated powers of the PPF in respect of grant in aid are set out below.

The PPF’s Chief Executive has personal authority to write off individual losses under £2,500 without prior consultation with the Department and within an overall limit of £10,000 in any financial year. The Board of the PPF shall consult the Department before writing off any amount that exceeds these limits. 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. The requirement to consult does not apply to investment losses in relation to the Pension Protection Fund or Fraud Compensation Fund, losses arising from the disposal of fixed assets that are disposed of through the normal course of business, or losses from debts arising from the non-collection of levy payments but does include losses arising from the theft or loss of fixed assets.