National Employment Savings Trust Corporation annual report and accounts

2016/17

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Cautionary statement

This document contains statements that are, or may be deemed to be, 'forward-looking statements' with respect to NEST Corporation's financial condition.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'anticipates', 'aims', 'due', 'could', 'may', 'will', 'would', 'should', 'expects', 'intends', 'plans' and comparable terminology.

Forward-looking statements are not guarantees of future performance and no assurances can be given with regards to their accuracy. Forward-looking statements may not be realised due to factors including, but not limited to, changes in the economies and markets in which NEST Corporation operates; changes in the regulatory and competition frameworks in which it operates or the impact of legal or other proceedings against NEST Corporation.

All forward-looking statements, made in this document or made subsequently, which are attributable to NEST Corporation are expressly qualified in their entirety by the factors referred to above.

Nothing in this document should be regarded as a forecast of future financial performance.

"Managing NEST is so easy, it is so straightforward. It's literally just a matter of logging in, uploading information and pressing a button. It's very easy, it's very simple."

Angela Clay
Managing director, HR:4UK

1. Performance report

1.1 Chair's statement

As auto enrolment extends from large to small and micro employers, even more people are experiencing pension saving for the first time. I am honoured to be a part of that movement.

Otto Thoresen
Chair, NEST

I am now over two years into my tenure as Chair of NEST Corporation, so this is a very appropriate point to reflect both on the progress of NEST to date and also on the challenges that still lie ahead for us.

The year 2016/17 has been the busiest to date for NEST, with more than 243,000 new employers and 1.6 million new members joining the scheme. Our volumes point towards the success of the government's auto enrolment policy so far, with more people saving into a pension now than ever before, and many of them using our scheme to do so. We currently see over 1,000 employers signing up to our scheme every day. As of 31 March 2017, over 327,000 employers had set up a NEST account and we had a total of 4.5 million members. For breakdown see 1.3 Key figures.

As our membership grows and the contributions that our members make increase, we are prepared for NEST to become a multi-billion pound pension scheme, building on our current £1.7 billion assets under management. The restrictions on transfers in and out of the scheme were lifted from 1 April 2017, as was the NEST annual contribution limit. That means we are now in a position to help members consolidate their existing pension savings and maximise their retirement pots in future.

Investment performance

Despite volatile conditions this year, we are pleased to report that investment performance has remained strong. We reached our five year investing anniversary this year and the long term returns for members are comfortably on track. NEST Retirement Date Funds in the foundation and growth phases have met or exceeded their objectives.

As we grow, we continue to look with great rigour at the sophistication of our risk management and develop our position as a responsible investor. To that end, we have further diversified our investments by issuing a mandate for a high yield bond fund. We have also developed a new global equity fund with UBS, the UBS Life Climate Aware World Equity fund. Our work in this area is discussed in more detail in the principal activities section on page 18.

Governance and assurance

Strong governance is at the heart of NEST. During the course of this year, the Trustee has focused on ensuring a robust and established scheme for both employers and members. Alongside this, it has ensured the scheme fulfilled its public service obligation to allow any employer to choose NEST to meet its auto enrolment duties. The Trustee's actions during the year have included approving the *Value for Members statement*, clarifying principles on Trustee decision-making and approving new chairs for the Employers' and Members' Panels. Further detail of our governance framework is available on page 49.

"It's important that we do all we can to build and safeguard confidence in pensions for the new generation of savers that auto enrolment has created."

It's important that we do all we can to build and safeguard confidence in pensions for the new generation of savers that auto enrolment has created. Robust risk management that is clearly implemented is a key part of this goal. as is the need for the industry to obtain comprehensive assurance on the effectiveness of its operations. NEST has completed its third AAF 02/07 report under the master trust assurance framework, developed by The Institute of Chartered Accountants in England and Wales (ICAEW) and The Pensions Regulator (TPR). These reports provide an independent assessment of the continued effectiveness of the design and operation of the internal control structure of the NEST pension scheme.

We believe we are well prepared for the new Pensions Schemes Act, which is designed to bring more rigour to the master trust market as a whole. Exact details of the new regulatory regime are still emerging and we will continue to monitor developments and collaborate with government.

Looking ahead

During the year the Department for Work and Pensions (DWP) undertook a call for evidence, *NEST: evolving for the future*. This drew on the proposals detailed in the *NEST retirement income blueprint* published in 2015. NEST welcomed the response to the call for evidence which reinforced our view that more appropriate retirement income solutions need to be developed for those with modest pension pots.

We look forward to working with commercial providers to ensure that the needs of our members can be met. As a first step we now provide the option for members to withdraw multiple cash lump sums.

The next and equally big challenge for government and all of those involved in providing pensions savings is to make sure that people are not just saving into a pension, but saving enough to fund a good quality retirement. We're pleased to be contributing to the government's review of auto enrolment in 2017 and to be able to share our insights into progress of the policy so far.

We have a responsibility to continue to contribute to government and other consultations on wider debates in pensions that affect our members. Over the course of 2016/17, we responded to the following consultations:

- The Financial Conduct Authority's consultation on *Transaction costs disclosure*
- HM Treasury's consultations *Introducing a pensions advice allowance and strengthening the incentive to save: consultation on pension tax relief*
- ICAEW consultation on *Assurance reporting on master trusts*
- The DWP's call for evidence *NEST: evolving for the future*

Our responses to these can be found on our website*.

"The next and equally big challenge for government and all of those involved in providing pensions savings is to make sure that people are not just saving into a pension, but saving enough to fund a good quality retirement. "

I'd like to take this opportunity to thank all of the NEST Trustee Members, our Employers' Panel and Members' Panel for their hard work this year. I'd like to extend my gratitude to Nigel Stanley and Sharon Darcy who stepped down as Trustee Members during 2016/17, and Paul Jagger who stepped down as chair of the Employers' Panel. I was also pleased to welcome Tomas Carruthers and Ron Jarman as they took up their Trustee Member positions. I'm very grateful for the expertise and positive spirit shown by all of our Trustee Members and Panel members. I look forward to working with them as effectively in the second half of my tenure as I have through the first. The Trustee remains completely committed to helping NEST to deliver the best possible retirement outcomes for all our members.

*www.nestpensions.org.uk/schemeweb/NestWeb/public/support/contents/library.html

1.2 CEO's report

I have a real sense of pride in what NEST Corporation has achieved during 2016/17. In particular, I am delighted that we have fulfilled our public service obligation to accept every employer who signs up to use us to meet their auto enrolment duties.

Helen Dean
CEO, NEST

We have welcomed more than 243,000 new employers in this financial year, while maintaining a great service for all the employers and members who use the NEST pension scheme. We also saw our assets under management rise to £1.7 billion. Those achievements show the great work we have done to date to support employers and members, and put us in a strong position as we move into 2017/18.

Our employers

Many of the employers that set up with NEST in 2016/17 had no previous experience of workplace pensions. We supported them by making NEST intuitive and straightforward to use, and at 31 March 2017 around 85 per cent of employers managed to set up their account without needing any additional help from us. Our programme of continuous improvement, the success of NEST Connect, our online hub for intermediaries, and the development of web services that link with payroll products have all contributed to NEST's ease of use. Based on the data that we gather about how employers and members use our systems, we will further adapt and enhance our services over time.

Overall, we have a wide spread of employers using NEST in terms of size and industry sector, but our data tells us that the greatest proportion are small and medium sized employers. That shows we have remained focused on our target market. We're fulfilling our remit of enabling millions of people who were previously excluded from workplace pensions to build a pension pot for the first time.

I am also pleased to report that NEST Corporation's finances are on track. In April 2017 the Department for Work and Pensions reported that, based on current assumptions, the loan made to NEST Corporation to establish and operate the scheme would be repaid by 2038, with a breakeven point in 2026. We're doing the job we were set up for and we're set to become self-financing within the original range forecasted by government and the European Commission.

Our members

Our member numbers grew substantially in 2016/17, with 1.6 million new members joining the scheme. There have been a number of key developments this year that will ensure NEST better meets their needs. These include the removal of the contributions limit into the scheme from 1 April 2017, creating a new opportunity for members to save as they choose to. Restrictions on transfers into and out of the scheme were also lifted from that date. The key focus in delivering these changes has been on helping our members to get good outcomes for retirement.

The government encouraged us to think further about how we can support our members as they approach retirement and want to take their money out of NEST. At present, most NEST members have small pots and 97 per cent of those that have retired so far have taken their savings as a cash lump sum. In the future, as pot sizes increase, members will need access to a range of straightforward, affordable retirement products. We look forward to working with the wider pensions industry to build on our ideas to meet those needs.

NEST's assets under management continue to grow, and our investment performance over the last year shows that we are delivering good financial outcomes for our members while managing their exposure to risk and market volatility. We have received a Defaqto 5-star rating as an auto enrolment provider and won eight industry awards. This shows that others also recognise NEST's strong administration, good governance and robust investment approach. Our ISO 27001 certification for information security management and AAF 02/07 report against the master trust assurance framework offer further evidence of our resilience. NEST members can be assured that their money and data is being well looked after, and that we run the scheme in their interests.

Our future

There are still major challenges ahead both for UK pensions as a whole and for NEST Corporation. Our investment performance has been favourable but, despite our best research and our robust strategies, that may not happen every year. The first phased change in minimum contribution levels, to 2 per cent of relevant earnings for employers and 3 per cent gross of relevant earnings for members, will take effect in 2018 and we hope members will respond positively to those increases. We continue to carry out rigorous research with employers and members to understand what they need from the scheme, give clarity on future developments and ensure we remain confident of delivering over the long term.

We expect 2017/18 to be our busiest yet. According to the Pensions Regulator, up to 539,000 small and micro employers with eligible members reach their staging date. In Quarter 3 of the calendar year 2017 alone, as many as 158,000 small and micro employers with eligible staff are expected to stage, and, based on this year's experiences, we expect many of them will choose to use NEST. In Tata Consultancy Services (TCS) we have an administrator in whom we have a great deal of confidence and with whom we will work closely to build on our current experiences to meet these increasing volumes.

Our partners are part of our success story. I would like to thank TCS, State Street Bank and our fund managers who have all, through their commitment and support, risen to the challenges we've given them. I would also like to thank NEST Corporation's staff for their efforts and achievements this year. They are our most valuable asset and NEST wouldn't be the scheme it is today without them.

NEST Corporation has signed up to the Women in Finance Charter, which reflects the government's aspiration to see gender balance across financial services organisations, at all levels. We've set ourselves the target that by autumn 2019, we'll have 30 per cent of our executive and director roles held by women. We also want to improve gender diversity across all of the management roles within NEST Corporation. We've reported on our progress towards that goal on page 62.

We're proud of what we've created so far. However, we must remain fully aware of what lies ahead and respond through thorough preparation, forward-looking research and outstanding execution. That way, we will continue to provide the best pension scheme we can, both for our existing members and for those who join us in the future.

1.3 Key figures as at 31 March 2017

Active and inactive numbers

31/3/2017

2.7m active* members + **1.8m** inactive members = **4.5m** total members

31/3/2016

1.8m active* members + **1.1m** inactive members = **2.9m** total members

* Active members are either having NEST contributions managed by their employer or are self-employed. This excludes members that may have either left the employer that enrolled them, chosen to stop contributing or been transferred to a different provider by their employer.

Member numbers split by age

Age	Member numbers split by age	Opt-out rate by age
60+	5%	24%
50-59	17%	13%
40-49	20%	8%
30-39	27%	6%
22-29	30%	4%
under 22	1%	1%

Overall opt-out rate: **8%**

Member numbers by gender

54% **46%**

*0.0003% of our membership have not been assigned a gender by their employer

Changing jobs

1/3
of NEST members change jobs every year

Assests under management

£1.7bn

Member salary

£18,200
median member income

Number of employers using NEST

31/3/2017

327k

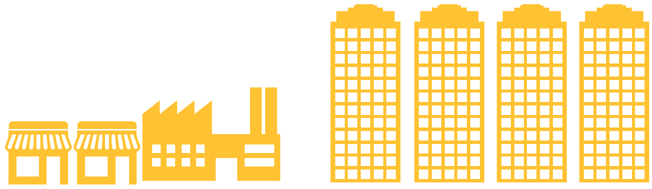
employers that have set up an account with NEST

31/3/2016

84k

employers that have set up an account with NEST

Opt-out during staging period compared to opt-out since



Small and micro employers

14% staging* opt-out

10% steady state opt-out

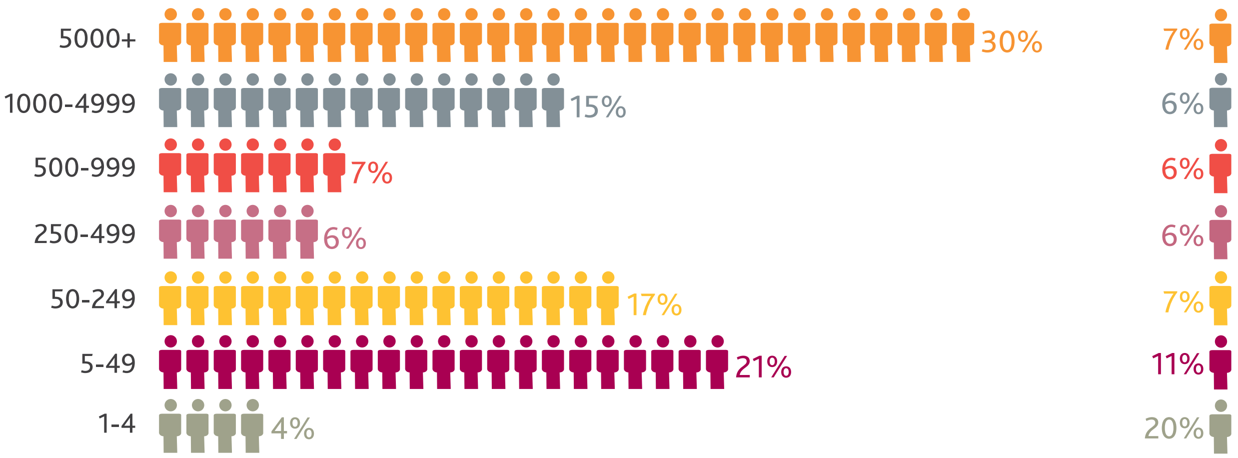
Large employers

9% staging* opt-out

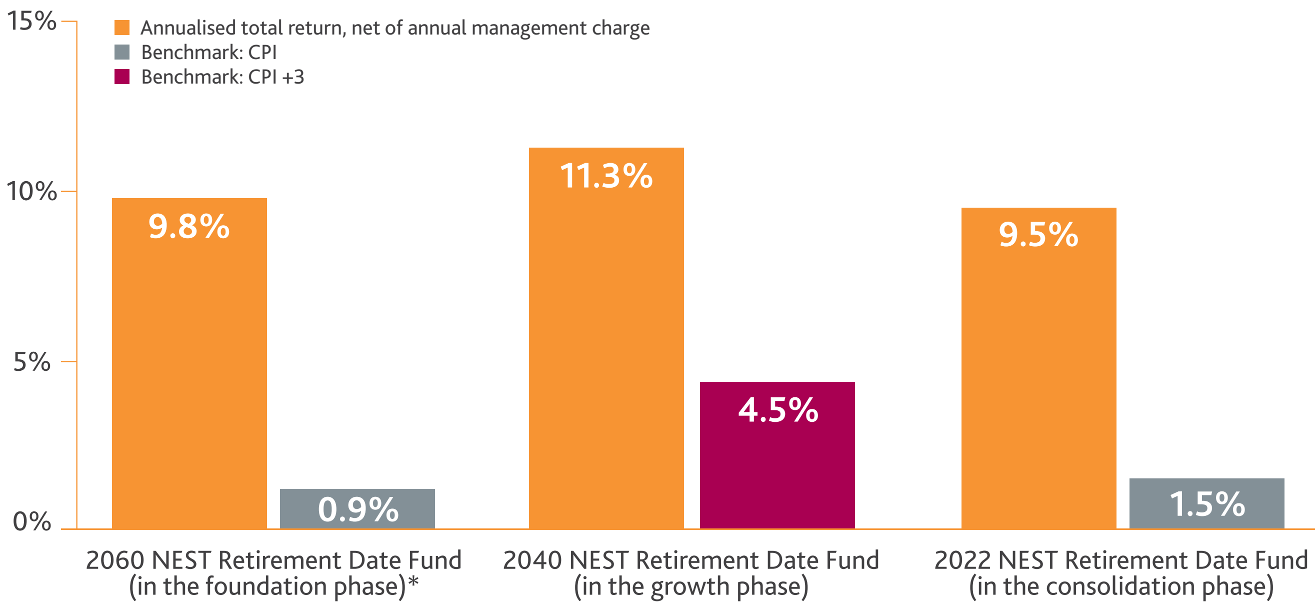
6% steady state opt-out

*The staging period for an individual employer includes the month their staging date falls due and the associated waiting period. This equals three months in total.

Members by employer size



Annualised five year fund performance to 31 March 2017



*3 Year performance

1.4 Principal activities

NEST is a multi-employer workplace pension scheme. It enables millions of members from employers across the UK to build pension savings for their later years.

NEST Corporation operates a predominantly outsourced business model and works closely with its partners including scheme administrator Tata Consultancy Services (TCS) to deliver its services.

The requirement to comply with pensions' auto enrolment has now reached small and micro employers. As a result, the volume of members and employers using NEST has grown substantially, with 2016/17 being our busiest year to date. During this period, 1.6 million new members joined NEST and by 31 March 2017 we had 327,000 employers, 4.5 million members, of whom 2.7 million are active members, and we had £1.7 billion assets under management.

We experienced our largest staging month ever during 2016/17, with 184,803 members joining NEST in February 2017 alone.

Restrictions on the annual contributions members can make into NEST were removed on 1 April 2017. We've has been able to support transfers in and out of the scheme from the same date. We have worked with TCS to add new functionality and capacity in readiness for these changes. Across all areas of our business, we continue to look for insight that will enable us to prepare for the future challenges NEST will face, both from an operational perspective and in response to future changes in the pensions industry as a whole.

Support for small and micro employers

Around 85 per cent of employers successfully enrol with NEST without ever having to contact us for support. This figure has remained high, even though the volume of employers signing up to use NEST has increased significantly in 2016/17, demonstrating the simplicity and effectiveness of our systems and processes. Many of these employers will not only be unfamiliar with NEST, they will also be providing a workplace pension for the first time.

In 2016/17 a total of 58 per cent of employers signed up with us directly. The other 42 per cent did so through an adviser, accountant, payroll provider or other third party using NEST Connect. This is NEST's online hub to support delegates acting on behalf of an employer. The capacity and scalability of NEST Connect has been a key factor in enabling NEST to enrol employers as volumes have increased. We now have over 15,000 'NEST Connectors' (third parties supporting employers) using the system.

NEST's web services, launched in 2015, offer further support for small and micro employers. These allow data to flow seamlessly from payroll software into NEST, providing a low-cost means of managing members' pensions from within payroll. This should reduce the amount of time needed to administer auto enrolment for employers, whether directly or through third parties, and minimise data errors.

Web services have been very successful to date. During March 2017 alone, 33,361 employers processed data via web services.

Self-service for employers and members will continue to be an essential element of NEST's operation in 2017/18. The number of small and micro employers auto enrolling will reach its peak during this period, and it is likely that new business for NEST will show a parallel increase. We'll continue to work with our scheme administrator to ensure that we can meet the needs of employers and members during this staging peak and beyond. The data we collect in conjunction with TCS enables us to monitor usage levels and acts as an indicator of future demand.

Diversifying investments

NEST's Retirement Date Funds continue to target investment returns in excess of the Consumer Price Index (CPI) measure of inflation over the long term, after all charges have been taken into account. In order to achieve that, NEST operates a diversified investment strategy. In 2016/17, the scheme has extended its range of asset classes to improve diversification.

The Bank of England's interest rate changed in August 2016, reducing the base rate to 0.25 per cent. Such a low interest rate means that some of the short-term investments we typically make, using money market funds, are also generating very low rates of return. In response, NEST Corporation has added two short duration bond funds to its portfolio rather than using money market funds. These are RLAM Short Dated Investment Grade Credit Fund and BlackRock Institutional Sterling Ultra Short Bond Fund. These types of fund offer some of the same characteristics as money market instruments, such as low volatility, but with improved returns.

As long-term investors, NEST believes in integrating environmental, social and governance (ESG) factors into our investment strategy. As a part of that ethos and following extensive research, we concluded that climate change and whether steps are being taken by business to tackle it, are a risk factor for members' investments. NEST has worked with our developed equities fund manager, UBS, to create the UBS Life Climate Aware World Equity Fund. This was introduced in February 2017 and is now a key part of the default strategy in our Retirement Date Fund structure. The fund addresses climate change risk by 'tilting' its investments towards companies that are working towards a low carbon economy, and reducing exposure to those that are heavy carbon emitters, have reserves of fossil fuels or are not making changes to meet emission reduction targets.

In summer 2016, we also published our first responsible investment report. This reported to members on our performance as a responsible investor as well as offering all of our stakeholders a forward look on our responsible investment and ESG priorities for the future.

In November 2016, NEST Corporation issued a mandate for a high yield bond fund. The objective of the mandate is to further diversify members' portfolios and offer attractive returns in an otherwise low-yielding fixed income environment. The new fund will be added to the building blocks that make up NEST's Retirement Date Funds.

1.5 Principal risks and uncertainties

The principal risks and uncertainties are included as part of NEST Corporation's risk statement. See section 2.1.3 corporate risk statement on pages 50 to 55.

1.6 Business review

The NEST pension scheme and NEST Corporation had another successful year in 2016/17. It delivered its key objectives, see performance against corporate plan on pages 24 to 27, while keeping within the operational and financial targets agreed with the Department for Work and Pensions (DWP) for 2016/17. Revenues have increased in line with the growth of members from £9.0 million last financial year to £15.2 million this year.

Our scheme administration costs are in line with our expectations and the growth in scheme size. NEST Corporation's costs are lower than expected due to our continued focus on targeted efficiencies.

Our business is made up of the following key areas of focus:

1. scheme administration operations and successful completion of the staging of employers throughout the remainder of the auto enrolment programme
2. investment operations
3. executive management by NEST Corporation

Our scheme operations have successfully responded to the higher volume of activity in 2016/17 as small and micro employers have staged.

NEST again completed its 02/07 AAF controls report. This report provides independent assurance that our controls are effective and that NEST is well governed.

The 2016/17 financial year has seen a number of developments that not only support the achievement of our near term objectives, but also serve to underpin more efficient service delivery in the longer term.

Performance summary

The following table provides information on past performance, the resources required to deliver business activities for 2017/18, as well as information on resource planning for the period 2018/19.

	Actual 2012/13 £'000	Actual 2013/14 £'000	Actual 2014/15 £'000	Actual 2015/16 £'000	Actual 2016/17 £'000	Forecast 2017/18 £'000	Forecast 2018/19 £'000
Expenditure							
Staff costs	21.0	22.6	20.4	18.9	18.5	24.1	28.9
Depreciation and amortisation	10.1	11.5	13.5	14.2	10.9	11.8	11.8
Other expenditure	24.9	33.4	43.0	45.1	61.4	83.7	115.2
Interest payable	13.1	17.1	21.7	25.6	29.1	32.4	34.6
Total expenditure	**69.1**	**84.6**	**98.6**	**103.8**	**119.9**	**152.0**	**190.5**
Income							
Grant income	(7.9)	(10.2)	(12.7)	(15.1)	(17.7)	(20.2)	(22.0)
Other income	(0.1)	(2.0)	(5.9)	(9.0)	(15.2)	(25.6)	(67.2)
Total income	**(8.0)**	**(12.2)**	**(18.6)**	**(24.1)**	**(32.9)**	**(45.8)**	**(89.2)**
Net expenditure after interest	**61.1**	**72.4**	**80.0**	**79.7**	**87.0**	**106.2**	**101.3**

Total net expenditure after interest for 2016/17 was higher at £87.0 million compared with £79.7 million in 2015/16. This was due to higher scheme administration costs as our membership increased and higher interest charges as our loan has grown. Income from the scheme is up £6.2 million. This reflects the 1.6 million increase in member numbers and the doubling of our assets under management (AUM) to £1.7 billion.

The increase in expenditure and interest over the next two years is due to the expected rise in the cost of running the scheme administration because of the growth in membership as the staging of small and micro employers continues. Although, annual amortisation and depreciation costs are not expected to increase significantly due to the extension of the economic lives of a number of assets following the TCS contract extension to 2023, and also revised estimates of the rate at which existing assets will be replaced.

Scheme income continues to grow as our membership base and AUM grows rapidly and in 2018/19 there is the additional impact of the increase of minimum contribution limits to 5 per cent. As a result net expenditure after interest is expected to increase to £106.2 million in 2017/18 and then fall to £101.3 million in 2018/19.

Our spending decisions are made prudently and we recognise that costs are ultimately borne by scheme members.

DWP loan and financial viability

In April 2017 the DWP wrote to the Public Accounts Committee (PAC) in respect of NEST's loan and financial viability.

In summary it stated that the latest forecast position for the breakeven position for the loan is 2026 with a maximum loan balance of £1,218 million and a loan repayment date of 2038.

As at 31 March 2017 the loan from DWP stood at £539 million, reflecting the costs of establishing and operating the NEST pension scheme to date.

The letter states that whilst there are a number of uncertainties in forecasting the evolution of the loan balance and its eventual repayment; with auto enrolment continuing to progress well, NEST's finances have now moved from a position of uncertainty to one where there is more stability in the forecast.

For further details please see: **www.parliament.uk/documents/commons-committees/public-accounts/Correspondence/2015-20-Parliament/Correspondence-dwp-National-Employment-Savings-Trust-200417.pdf**

Regularity of expenditure (subject to audit)

There have been no losses or special payments over £300,000 in 2016/17 (2015/16: nil).

Remote contingent liabilities (subject to audit)

There are no remote contingent liabilities of which Nest Corporation is aware at the time of signing.

Performance against corporate plan

We have monitored our performance against the objectives in our corporate plan 2016-19.

Actions we'll undertake	What we've done
Deliver a good service through staging	
Ensure our service is capable of meeting the demands of the high volume staging period	The overall volumes of employers choosing NEST are monitored daily and reported monthly. We have monitored the ratio of incidents per customer, which has decreased over 2016/17. Incident rates have remained fairly static, but transaction volumes have increased significantly. We have measured contact volumes. These have increased, but the number of contacts per user has decreased. These are now showing signs of stabilising at a comfortable level. The types of contact from users have remained broadly the same. These are focused on account activation, opt-out, managing contributions and setting up with NEST. We have monitored website visits. Monthly volumes have almost tripled in the last year, but performance has remained well within the expected service. The availability of the contact centre and website has remained consistently above 99 per cent. We have monitored complaint volumes. These have shown an increase, however, in relation to the volume of customers there has been a proportional decrease. Complaint themes remain the same. The top cause of complaints relates to pensions/auto enrolment legislation and not to NEST or its service. We have measured the performance of the scheme administrator against our service level agreements. The scheme administrator has consistently met and often exceeded its targets in terms of service level performance. This has been in the context of rapidly increasing customer volumes. We have also measured the performance of our fund administrator. It has been similarly consistent in meeting its service levels, despite rapidly increasing member contributions. The fund administrator has ensured that contributions are invested in a timely and controlled manner.

Implement an appropriate operational assurance framework	NEST has a robust control framework. First line assurance is provided by the accountable executives in each directorate, and the owners of key policies, through the attestation letter process run by the risk team. There is an extensive second line compliance monitoring programme as well as a third line internal audit programme. This ensures that we comply with regulations, legislation and best practice codes that apply to us. We demonstrate the quality of our control framework by obtaining an AAF 02/07 report. The AAF 02/07 report documents an assessment of the quality and effectiveness of our control framework around Master Trust governance. Our ISO 27001 certification performs a similar function for our information security management. Both the AAF 02/07 and the ISO 27001 are externally measured, against frameworks implemented, by appropriate professional bodies. Our key suppliers provide externally measured control reports either in accordance with the AAF 01/06 standard or the international ISAE 3402 standard.
Sustainably low cost	
Drive down the running costs of our scheme	We've monitored the medium and long term cost of running the scheme administration and that of NEST Corporation. We continue to target efficiency savings. NEST Corporation has produced three year plans that go through robust reviews both by NEST's chief executive officer and chief financial officer. These are reviewed and approved by the Trustee of NEST Corporation and the Department for Work and Pensions. We also maintain an ongoing drive to deliver scheme improvements that will make NEST more efficient and effective.
Get the most out of our contracts. Ensure we get what we pay for through good contract management	All contracts have been supported by a strong business case. Where appropriate, contracts have been subject to a competitive tender, supported by a central procurement function. We have worked with the contract managers of our largest 25 contracts to review their performance. For each contract, contract summaries were produced to aid better understanding of deliverables and of risks. We've created individual objectives for each contract manager. We've created a contract management assurance model. We delivered three training sessions covering: an introduction to contract management; contract law; and the contract management assurance model. These were all supported by contract surgeries.

Ensure NEST Corporation is the right shape to deliver the scheme in the post-staging world	We've monitored operating efficiencies covering all areas of the business. NEST Corporation has created and reviewed long range forecasts, leading to the three year plans outlined in *Drive down the running costs of the scheme* (see above). We've reviewed our trading management information to understand performance issues and assumptions.
Deliver successful scheme change, in agreement with the wider business, ensuring best possible value for money and improving our efficiency where possible.	We have monitored industry innovation developments as well as procurement best practice. We continue to work with the market to improve the use of web services that increase scheme efficiency and accuracy. We've built plans to evolve with industry best practice, bearing in mind the needs of our members.
Drive up scheme revenue	
Continuously evaluate our offering for the remaining small and micro employers, the large employers revisiting their scheme selection and the professionals who support them.	We have focused on maintaining and enhancing our self-service capabilities as we see more small and micro employers addressing auto enrolment. We've also been working with large employers as they conduct reviews of their pension provision and approach. This is to ensure they are aware of how the scheme has evolved and improved. As a part of this engagement, we've reviewed and refreshed our offering to ensure it's suitable for all sizes of employer as we move towards increases in minimum contribution levels.
Review our offering to members in a post-restrictions, pensions freedoms environment to ensure we're offering suitable options for our membership while they are saving and when they reach retirement.	We've made changes to how the scheme works to reflect the removal of the annual contribution limit and enable members to transfer funds in and out. Following the outcome of the call for evidence, *NEST: evolving for the future*, we are continuing to review our offering to ensure that we provide suitable options for our members in later life.

Develop retirement options for our members	
Plan and deliver retirement options that meet the needs of our members. This is applicable to both the long and short term options.	We've introduced an uncrystallised funds pensions lump sum option for scheme members aged 55 and over. This has enabled those members with a larger pot to take multiple cash withdrawals from their pension. However, given NEST scheme's demographics and current pot sizes, we've continued to see most members opt to take their pots as cash. NEST Corporation has continued to work on a definition of what suitable retirement solutions for members will look like over the coming years.
Build corporate capability	
Enable NEST Corporation to make good decisions with a clear evidence base, supported by a robust governance structure.	During the year the secretariat commissioned an external review of the processes that support NEST Corporation and its committees. It's made improvements on the basis of these recommendations. Steps include the reorganisation of the work plan to reflect the *corporate plan* and calendar and the optimisation and reformatting of the management information available to ensure effective and timely decision making. NEST Corporation has developed a broad set of decision making principles to ensure a uniform, coherent and transparent approach.
Ensure internal controls are in place to make sure NEST Corporation and scheme are run safely and the right choices are made in maintaining NEST's compliance.	NEST Corporation operates an effective enterprise risk management framework. NEST Corporation has engaged with The Pensions Regulator to develop better governance procedures. We have reviewed output from NEST's AAF 02/07 report and from TCS' AAF 01/06 report. We have reviewed output from State Street Bank, our fund administrator, and our fund managers.
Define and implement a people strategy that enables NEST Corporation to attract, retain and develop the talent and skills that we need.	We have measured staff engagement, both against our own previous staff scores and against the Aon UK benchmark in January 2017. We have used the findings from this survey to identify future career development needs for our employees and also to improve our resources to support them. NEST Corporation has committed to the Women in Finance initiative, which aims to improve gender diversity in financial services.

1.7 Our strategy for 2017/18

We will continue to work towards the strategic priorities outlined in our *Corporate plan 2016-2019** throughout 2017/18. Further information on these priorities as well as the activities and indicators that sit below them are available on the NEST website.

1.8 Key business relationships

NEST Corporation has a number of key business relationships. These include Tata Consultancy Services (TCS) which administers the scheme, and State Street Bank which provides fund administration services. We have worked in partnership with both suppliers throughout the year to ensure that the scheme operates effectively. Our initial 10-year scheme administration contract with TCS was due to finish in 2020, but in 2015 it was extended to 2023.

1.9 Pension liabilities

A description of the pension arrangements for NEST Corporation staff is given in the remuneration report in section 2.2. The accounting treatment is described in the accounting policy notes 1.6 on page 79 and 2 on page 85.

1.10 Trustee Members' register of interests

Trustee Members have registered any interests they hold that may create an actual or potential conflict with their responsibilities to the scheme. The register of interests is published on the NEST website.

Trustee Members also declare conflicts in relation to any items of business at NEST Corporation and committee meetings. The executive board also register any interests they hold that may create a potential conflict with their responsibilities to NEST Corporation**.

* nestpensions.org.uk/schemeweb/NestWeb/includes/public/docs/NEST-corporate-plan-2016-2019.pdf
** https://www.nestpensions.org.uk/schemeweb/NestWeb/public/aboutnestcorporation/contents/trustee-members.html

1.11 Financial statements

Statutory background

The financial statements for 2016/17 for NEST Corporation are prepared in accordance with the requirements of schedule 1, part 3, paragraph 20 to the Pensions Act 2008, and in the form set out in the *Accounts direction* issued by the Secretary of State for Work and Pensions. The *Accounts direction* is presented in *Appendix one*.

Statutory auditors

The Comptroller and Auditor General is the statutorily appointed auditor for NEST Corporation under the provisions of schedule 1, part 3, paragraph 20 to the Pensions Act 2008.

So far as the accounting officer is aware, there is no relevant audit information of which the entity's auditor is unaware. The accounting officer has taken all the steps that she ought to have taken to make herself aware of any relevant audit information and to establish that NEST Corporation's auditors are aware of that information.

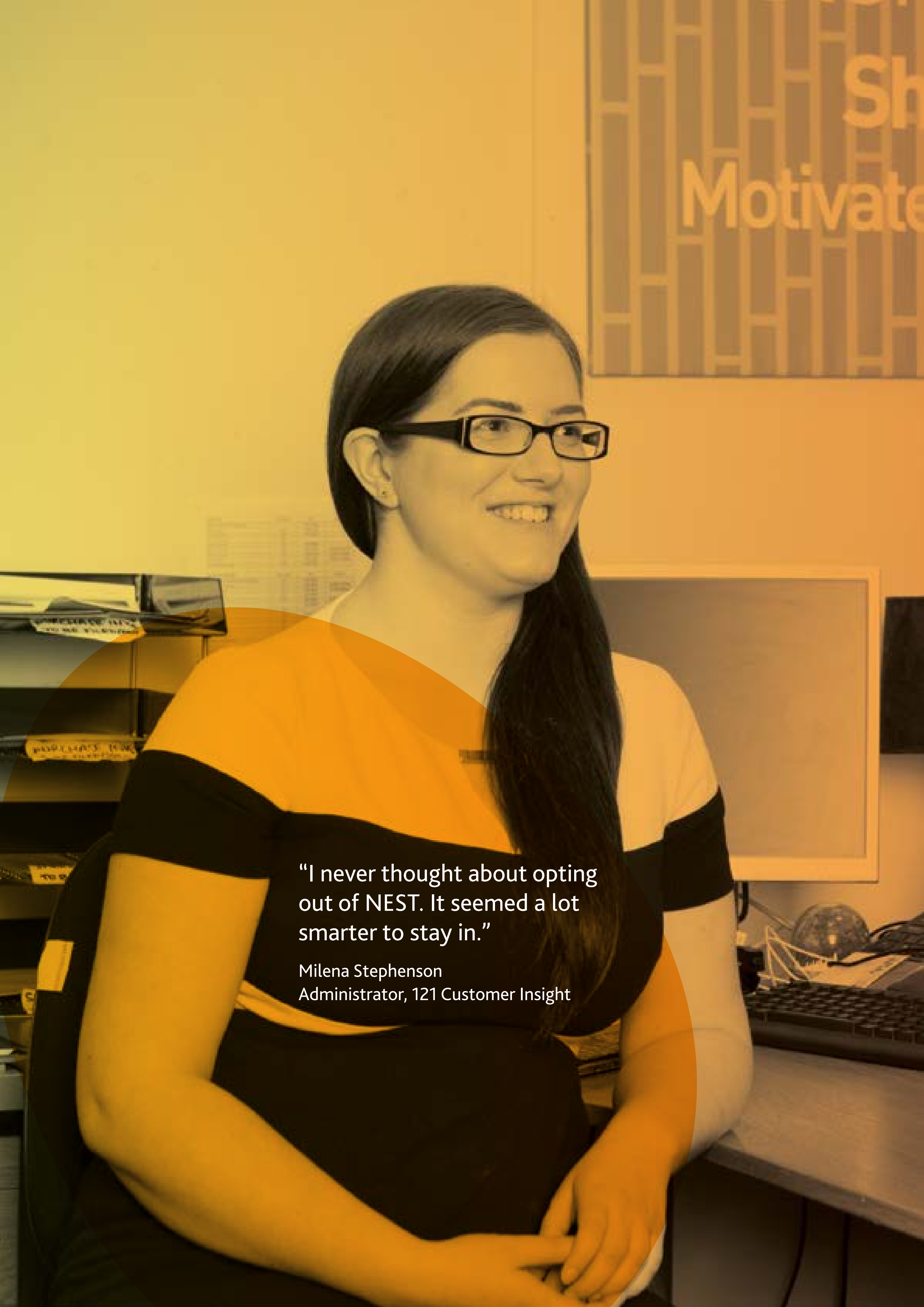
During the year NEST Corporation did not make any payments to their auditors for non-audit work.

Going concern

The statement on going concern is included in Chapter 3, Notes to the Financial Statements, section 1.2 on page 76.

Helen Dean
Chief executive and accounting officer
NEST Corporation
15 June 2017

Otto Thoresen
Chair
NEST Corporation
15 June 2017



"I never thought about opting out of NEST. It seemed a lot smarter to stay in."

Milena Stephenson
Administrator, 121 Customer Insight

2. Accountability report

2.1 Corporate governance report

This accountability report, including the *Directors' report*, the *Statement of Accounting Officer's responsibilities*, *Governance statement*, *Remuneration report* and *Parliamentary accountability and audit report* has been prepared in accordance with the provisions of the government Financial Reporting Manual (FReM) and HM Treasury's Managing Public Money, Annex 3.1. See also Appendix one – Accounts direction.

2.1.1 Directors' report

About NEST Corporation

NEST is a trust-based occupational pension scheme set up in 2010 to support the government's pension reforms. Designed to make auto enrolment easier for employers and their workers, NEST offers easy online access, clear communications, high quality governance and an award-winning investment strategy.

NEST Corporation is the Trustee of the NEST pension scheme. As Trustee, NEST Corporation has a duty to run the scheme in the best interests of its members. Under the *National Employment Savings Trust Order 2010 (NEST Order)* the Trustee receives assistance and advice from a Members' Panel that represents the member's perspective of the scheme, and an Employers' Panel that represents participating employers. The Trustee consults the panels on matters to do with the operation, development or amendment of the scheme. It also consults the panels when specifically required to do so by legislation, for example when making changes to the NEST rules.

Unlike any other occupational pension scheme trustee, NEST's Trustee has a public service obligation to accept any employer who wishes to use NEST to meet its employer duties. Such an employer needs to agree to the employer terms and conditions of the scheme and use the scheme in line with these terms and conditions. Employer terms and conditions are reviewed at least once a year and as necessary following a change to relevant legislation.

Members enrolled into the scheme have access to their own individual, secure online member account. Once logged in, they can review their personal details, make additional contributions, change their investment fund and stop contributions. A member can continue using NEST throughout their working life, regardless of a change of employment or personal circumstances.

Organisational structure

The organisational structure of NEST Corporation is described in section 2.1.3. See page 41 for further details.

Trustee Members

Otto Thoresen

Chair, NEST Corporation (from 1 February 2015)
Chair, nominations and governance committee (from 1 February 2015)
Chair, determinations committee (from 1 February 2015 to 24 March 2016)

Otto has extensive experience in pensions, insurance and consumer roles across a range of private and public sector organisations including Royal Insurance, AEGON and charities StepChange and St Mungo's. Otto became chair of NEST Corporation on 1 February 2015.

Tom Boardman

Trustee Member (from 1 April 2010)
Deputy Chair (from 1 June 2014)

Tom's 40 years' experience in pensions and insurance includes executive roles at Prudential and Nationwide. He's a senior advisor at the Financial Conduct Authority, a fellow of the Institute and Faculty of Actuaries, honorary visiting professor at the Cass Business School and a governor of the Pensions Policy Institute.

Iraj Amiri

Trustee Member (from 20 June 2011)
Chair, audit committee (from 1 April 2014)

Iraj led the National Internal Audit Group at Deloitte LLP, where he was a partner. He is a non-executive director and chair of the Audit Committee at Finance Wales, and a member of the Regulatory Decisions Committee of the Financial Conduct Authority, as well as chair of the audit and risk committee for the Institute and Faculty of Actuaries.

Ian Armfield

Trustee Member (from 1 April 2014)

Ian has worked in the investment and pensions sector for more than 25 years, principally as an audit and risk assurance partner with PricewaterhouseCoopers LLP until 2011. His other non-executive roles include being a director of Keystone Investment Trust plc and Managed Pension Funds Limited.

Graham Berville

Trustee Member (from 1 June 2014)
Chair, propositions committee (from 20 July 2015)

Graham held executive roles with the Automobile Association (AA), Aviva plc and Police Mutual. He also worked with the Association of British Insurers and was chair of the Association of Financial Mutuals. Graham is chair of the LV= With-Profits Committee, a trustee of Yorkshire Cancer Research and a senior independent advisor for BDO LLP.

Sally Bridgeland

Trustee Member (from 1 April 2015)

Sally is a non-executive director of Royal London Group, Impax Asset Management and the Local Pensions Partnership, a senior adviser with Aviva International and a pension scheme trustee at Lloyds Banking Group. She was formerly the chief executive officer and trustee of the BP Pension Fund. Sally is the founder of Executive Shift, a charity supporting senior-level flexible working.

Tomas Carruthers

Trustee Member (from 1 July 2016)

Tomas is chief executive officer of the Social Stock Exchange. He was previously chief executive officer of Interactive Investor plc, which he founded and managing director of Moneywise and Moneyobserver Publishing Ltd. He was treasurer and trustee of the Institute for War and Peace Reporting and is an ambassador for the children's charity Home-Start as well as a Trustee of the Tom Bowdidge Foundation.

Carolan Dobson

Trustee Member (from 1 April 2014)
Chair, investment committee (from 26 April 2014)

Carolan is an experienced Trustee and non-executive director with a background in asset management. She's chair of Blackrock Latin American Trust plc, Brunner Investment Trust plc, JP Morgan European Smaller Companies Trust plc and chairs the ISC at the London CIV. She also works as an adviser to the Competition and Markets Authority.

Ron Jarman

Trustee Member (from 1 July 2016)

Ron is a senior member of Proxima's Consulting practice, where he specialises in process and performance improvements including supplier risk management. Ron is a board Trustee for World at Play, a charity that enriches the lives of marginalised and refugee children through sport and play, and is part of the Kashmir Fellowship.

Caroline Rookes

Trustee Member (from 1 April 2015)
Chair, remuneration committee (from 19 June 2016)

Caroline has recently retired as chief executive officer of the Money Advice Service. Her previous positions include director of Private Pensions at the Department for Work and Pensions where she led a landmark reform of the UK's private pension regime introducing auto enrolment, and director of Savings Pensions and Share Schemes at HMRC, where she was responsible for a reform of the pensions tax regime.

Karen Silcock

Trustee Member (from 1 April 2014)
Chair, risk committee (from 15 April 2016)

Karen worked for Deloitte LLP, advising on insolvency and restructuring, and as a partner in the firm's risk management team. She also held the position of joint chief risk officer. Karen's portfolio has included non-executive director roles at the Office for Legal Complaints (OLC); a regional Wildlife Trust and advisory work with The High Street Fund.

Jill Youds

Trustee Member (from 1 April 2015)
Chair, determinations committee (from 24 March 2016)

Jill is chair of the Judicial Pensions Board for the Ministry of Justice and also of the Northern Ireland Judicial Pensions Board. She is chair of the Trustee board for the National Assembly for Wales Assembly Members' pension scheme and also chair of Trustees for the Legal Services Commission pension scheme.

Sharon Darcy

Trustee Member (from 20 June 2011 to 19 June 2016)
Chair, risk committee (from 25 April 2013 to 15 April 2016)

Sharon is a qualified accountant with a background in the consumer movement. She has held board positions with energywatch and the Hyde Group. She was also a consumer director of TrustMark, and a non-executive director of Sutton and Merton Primary Care Trust and Consumer Focus.

Nigel Stanley

Trustee Member (from 20 June 2011 to 19 June 2016)
Chair, remuneration committee (from 1 April 2015 to 19 June 2016)

Nigel is now chair of NEST’s Members’ Panel. He was head of campaigns and communications at the Trades Union Congress (TUC) from 1997 to 2016, where he led much of the TUC’s work on pensions reforms.

For more information about our Trustee Members, visit the NEST website.

Register of interests

The register of Trustee Members’ interests is detailed in section 1.10 (see page 28). Further details are also available on the NEST website.

Restrictions

The Pensions Act 2008 and NEST Order placed certain restrictions on the scheme. One of these was an annual contribution limit. This has been reviewed each year and updated in line with the average earnings index following a formula set out in the NEST rules. The limit was removed completely from 1 April 2017. Restrictions on transfers in and out of the scheme were also removed in April 2017.

Charges

There is no charge for employers to set up or use NEST. There is also no charge for delegates who are acting on behalf of an employer, for example a third party that the employer has asked to administer the scheme for them. NEST has the same charge for all members, no matter who their employer is, what their level of contributions is or which retirement fund they invest in. This charge is made up of two parts:

- contribution charge of 1.8 per cent on the value of each new contribution into a member's pension pot
- annual management charge (AMC) of 0.3 per cent on the total value of a member's pension pot each year, which is reflected in the unit price.

Following the lifting of the restrictions on transfers in and out of NEST, there will be no specific charge applied to transfers in or out. Any funds transferred in will be subject to the 0.3 per cent annual management charge.

The Trustee also produces a *value for members* report in each year. This brings together information from investment reports and market data to assess the quality of service provided against the costs and charges applied to members.

2.1.2 Statement of accounting officer's responsibilities

Under schedule 1, part 3, paragraph 20 to the Pensions Act 2008, the Secretary of State has directed NEST Corporation to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts direction, see Appendix one. The Accounts direction requires that the accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of NEST Corporation and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the financial statements, the accounting officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements
- prepare the financial statements on a going concern basis.

The accounting officer confirms that the annual report and accounts as a whole is fair, balanced and understandable and takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

The principal accounting officer for the DWP has designated the chief executive officer as accounting officer of NEST Corporation.

The responsibilities of an accounting officer, including responsibility for the propriety and regularity of the public finances for which the accounting officer is answerable, for keeping proper records and for safeguarding NEST Corporation's assets, are set out in Managing Public Money, published by HM Treasury.

Helen Dean
Chief executive and accounting officer
NEST Corporation
15 June 2017

2.1.3 Governance statement

Corporate governance

NEST Corporation subscribes to high standards of corporate governance in order to serve the best interests of scheme members and to fulfil its obligations as a non-departmental public body.

NEST Corporation complies with the Code of Good Practice issued by the Cabinet Office on Corporate Governance in Central Government Departments on a 'comply or explain' basis. This governance statement sets out how NEST Corporation addresses the requirements of the code on accountability, effectiveness and risk management.

Accountability

NEST Corporation is accountable to Parliament. The reporting lines of accountability are through the Chair to the Secretary of State, and through the accounting officer to the principal accounting officer in the DWP. The chief executive officer reports to the NEST Corporation chair on all matters, except those directly related to her role as accounting officer.

Trustee effectiveness

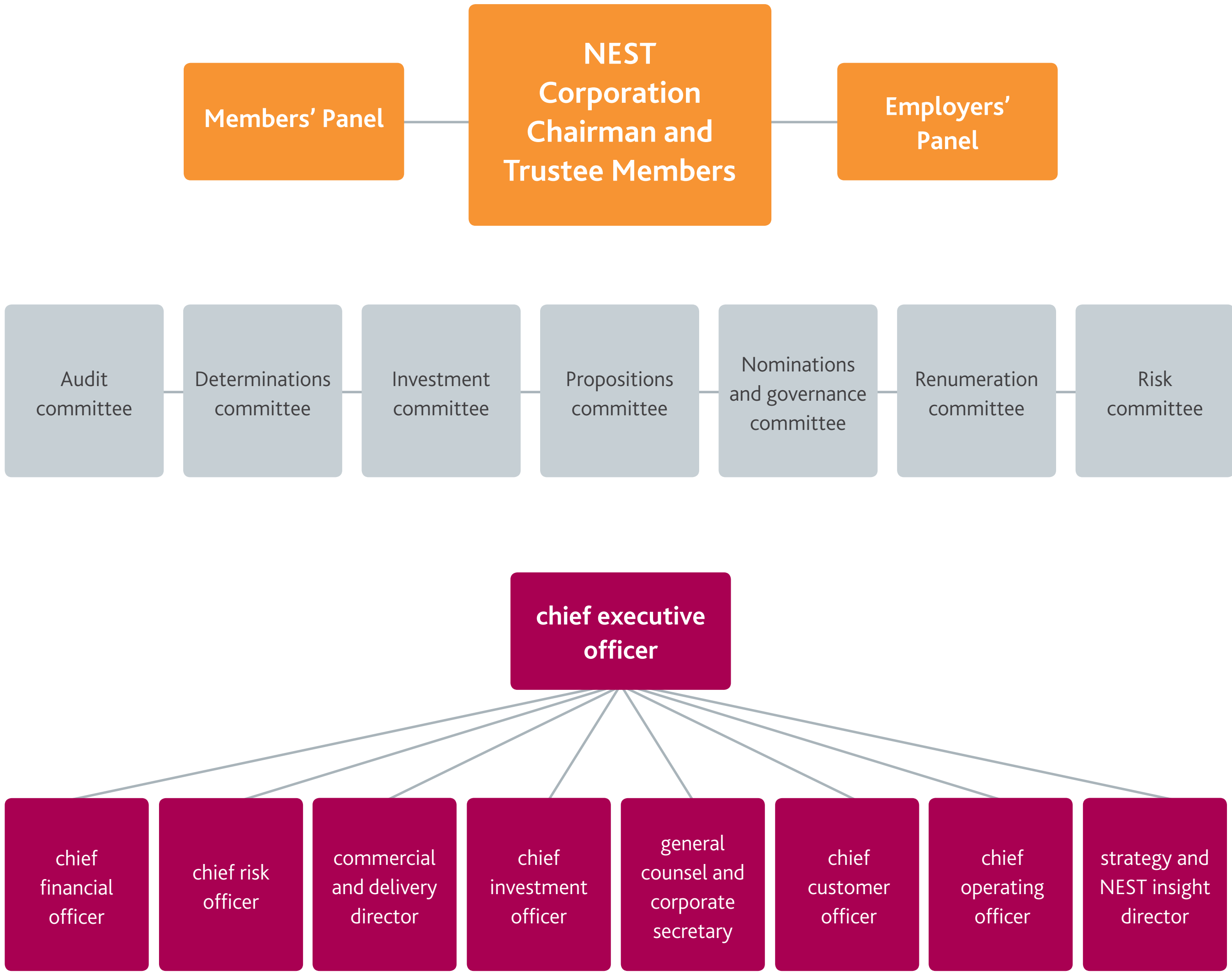
Effectiveness reviews for the Trustee and its committees take place annually and aspects covered include: the quality of information received, Trustee dynamics and oversight of risk. An external facilitator is used to carry out the review every third year.

New Trustee Members receive tailored induction training and materials. Within six months of being in office all new Trustee Members completed the trustee toolkit training for Trustees of defined contribution schemes produced by The Pensions Regulator.

Risk management

The Trustee is responsible for ensuring that any material risks faced by the organisation are continuously identified and evaluated. The Trustee is also responsible for ensuring that risk is effectively managed. In order to assist it in carrying out its responsibilities, the Trustee has established a risk committee in line with best practice corporate governance. The report from the risk committee is in section 2.1.3.

Organisation structure



Executive board

Biographies of the executive board are available on the NEST website at **www.nestpensions.org.uk/schemeweb/NestWeb/public/aboutnestcorporation/contents/executive-team.html**

NEST Corporation Trustee Board

Members and committees

As at 31 March 2017, the Trustee had 12 members, consisting of a Chair, a Deputy Chair and 10 other Trustee Members. Collectively they are responsible for setting the strategic direction and objectives for NEST Corporation.

Trustee Members are appointed by the Secretary of State for Work and Pensions in line with public appointments guidance that promotes selection on the basis of merit, fairness and openness. A broad range of skills, experience and knowledge are required collectively on the Trustee Board. Appointments are made in line with the Commissioner for Public Appointments' Code of Practice and Cabinet Office guidance.

All Trustee Members were independent at appointment having no current or previous material relationship with the organisation as an employee, officer or contractor.

Every Trustee Member has completed The Pensions Regulator's Trustee Toolkit, an online learning programme. Their continuing requirement for knowledge and understanding is met through briefing sessions on relevant topics and an individual commitment to ongoing education and training.

The combined knowledge and understanding of the Trustee Members, together with the advice which is available to them, enables them collectively to exercise their responsibilities as Trustee by providing experience of investment, pension fund management, member representation, finance, audit, governance, and business management.

The Trustee and its committees take decisions that affect the scheme and ensure that the Corporation fulfils its obligations as a non-departmental public body. The terms of reference for the Trustee and its committees are published on the NEST website*.

In addition, the NEST Order 2010, article 8 set out the remit for the Employers' Panel and a Members' Panel, in accordance with the requirements on the Trustee under the Pensions Act 2008. As requested by the Trustee these panels must give assistance and advice about the operation, development or amendment of the scheme. For further information on the panels, see page 46.

A schedule of reserved powers and delegations gives authority and responsibility to the chief executive officer for the day-to-day operations and management of NEST Corporation and the NEST pension scheme as well as setting out the delegations to its committees. The chief executive officer

*www.nestpensions.org.uk/schemeweb/NestWeb/public/aboutnestcorporation/contents/trustee-committees.html in turn delegates authority to each member of the executive team and holds them accountable for delivery in their areas of responsibility. Regular meetings of the executive board are chaired by the chief executive officer to oversee the operation of the Corporation and the scheme.

Every committee makes recommendations for approval by the Trustee.

Audit committee

The audit committee is responsible for overseeing the integrity of the financial statements for NEST Corporation and the scheme, and the validity of the assurance given on them. It approves and monitors the internal control framework and the effectiveness of audit and compliance functions. During the year it:

- reviewed the annual report and accounts for both NEST Corporation and the scheme
- considered and challenged the consistency of, and any changes to, significant accounting policies, judgments and estimates
- reviewed the plans of the external auditors for their audit of the annual accounts and oversaw the delivery and effectiveness of external audits
- approved the internal audit plan and oversaw its delivery
- approved the compliance plan and oversaw its delivery
- reviewed the system of internal controls within NEST Corporation and implemented changes as required
- reviewed the master trust assurance report for the scheme.

Determinations committee

The determinations committee is responsible for decision-making on disputes received about the scheme at Stage 2 of the internal dispute resolution procedure (IDRP)*. The committee makes recommendations to the executive on learning outcomes from the Stage 2 IDRP disputes to help improve the effectiveness of the scheme and member experience.

During the year it considered 16 cases.

- four were upheld
- 10 were not upheld
- two were partially upheld

The committee also received information on four cases which had been withdrawn by the complainant before consideration by the committee.

Investment committee

The investment committee is responsible for overseeing the scheme's overall investment strategy and any changes to the investment

* www.nestpensions.org.uk/schemeweb/NestWeb/includes/public/docs/NEST-how-we-handle-complaints,PDF.pdf

approach or the funds made available to members. The committee also monitors investment performance and operational investment risks. During the year it:

- reviewed the scheme's investment approach and confirmed that it is correctly aligned with the *Statement of investment principles* (SIP)*
- maintained oversight of the investment performance and risk management of all NEST retirement funds, including the approval of changes in asset allocation as required
- reviewed the development and delivery of the responsible investment policies
- gave ongoing consideration to the development of the NEST investment approach including appointment and termination of investment managers
- considered the results of the external Investment Governance Review and oversaw the implementation of its recommendations
- considered the results of NEST Corporation's first responsible investment report.

Propositions committee

The propositions committee is responsible for overseeing the current proposition offered by the scheme and ensuring that it meets the needs of our members, employers and target market. The committee also oversees the key drivers for changes to the proposition. During the year it:

- considered changes in the proposition that may arise from market developments
- considered the development of NEST Corporation's approach to raising awareness of the scheme amongst larger employers
- considered the development of proposals to support our members at retirement in a changed environment for pension saving
- reviewed the results of detailed market research into the behaviours and attitudes of employers, members and potential members.

Remuneration committee

The remuneration committee is responsible for setting the remuneration of the chief executive officer of NEST Corporation and establishing criteria for monitoring the chief executive officer's performance. The committee also provides advice on setting the remuneration of other employees of NEST Corporation and oversees external appointments for the executive team. During the year it:

- agreed the pay and reward proposals for 2016/17, including the performance review for the chief executive officer

* www.nestpensions.org.uk/schemeweb/NestWeb/includes/public/docs/statement-of-investment-principles,PDF.pdf

- considered senior salary remuneration and succession planning issues at executive level
- considered the results of the 2016 staff survey
- discussed the targets NEST Corporation has set following signing up to HM Treasury's 'Women in Finance' Charter in July 2016, which aspires to see gender balance at all levels across financial services firms
- reviewed NEST Corporation's policies on diversity and inclusion, gifts and hospitality policies, and external appointments for the executive team.

Risk committee

The risk committee is responsible for advising on overall risk strategy and considering all aspects of risk, and the management of those risks that could affect NEST Corporation and the scheme. During the year it:

- reviewed and approved NEST Corporation's risk management framework
- reviewed and challenged key areas of risk
- reviewed and confirmed the organisations principal risks
- oversaw the development of the principal risk dashboard
- provided challenge to and approval of risk appetite levels set in relation to key principal risk indicators
- reviewed and approved financial crime prevention, information security, business continuity management and crisis management policies.

Nominations and governance committee

The nominations and governance committee is responsible for leading recruitment for the appointment of the chief executive officer of NEST Corporation, supporting and assisting with recruitment of Trustee Members by the Secretary of State, overseeing appointments to and functioning of the Employers' and Members' panels and ensuring sound corporate governance within NEST Corporation. During the year it:

- considered the appointment of Nigel Stanley as Chair of the Members' Panel and Jamie Goodfellow as Chair Elect of the Employers' Panel until 27 April 2017 and appointment of new members to both panels
- consulted on and reviewed changes to the Scheme Rules, which took effect from 1 April 2017
- considered the general counsel and company secretary's review of the fitness and proprietary questionnaires completed by the Trustee Members

- considered the general counsel and company secretary's review of the Trustee Members' register of interests and conflicts of interest
- considered the recommendations of the external governance review
- considered committee membership
- considered changes to the Trustee handbook.

Employers' Panel

The Employers' Panel was set up in accordance with the Pensions Act 2008 and NEST Order 2010 to represent participating employers by providing advice on the operation, development and amendment of the scheme. The panel now has 12 members. During the year it:

- engaged with NEST on a number of issues, including the development of the NEST product in the medium term, digitally excluded employers and understanding the challenges for employers when the phasing of contributions increases begins in 2018
- participated in the recruitment of the panel chair and two additional members to enhance the size and diversity of the panel
- responded to the DWP call for evidence on *NEST: evolving for the future* consultation.

Members' Panel

The Members' Panel was set up in accordance with the Pensions Act 2008 and NEST Order 2010 to represent scheme members by providing advice on the operation, development and amendment of the scheme. The panel now has 11 members. During the year it:

- prepared and published the *Members' Panel annual report*
- engaged with NEST on a number of issues including the development of the NEST product in the medium term, member research and member complaints
- participated in the recruitment of the panel chair and three additional panel members to enhance the size and diversity of the panel
- consulted on NEST's approach for charging for transfers allowed in and out of NEST from April 2017
- responded to the DWP call for evidence on the *NEST: evolving for the future* consultation.

Committee membership
as at 31 March 2017

Audit committee	Determinations committee	Investment committee
Iraj Amiri – Chair Ian Armfield Caroline Rookes Karen Silcock	Jill Youds – Chair Iraj Amiri Caroline Rookes Otto Thoresen	Carolan Dobson – Chair Ian Armfield Graham Berville Sally Bridgeland

Nominations and governance committee	Propositions committee	Renumeration committee	Risk committee
Otto Thoresen – Chair Ian Armfield Tom Boardman Carolan Dobson	Graham Berville – Chair Sally Bridgeland Tomas Carruthers Karen Silcock Jill Youds	Caroline Rookes - Chair Ron Jarman Jill Youds	Karen Silcock - Chair Iraj Amiri Graham Berville Sally Bridgeland* Ron Jarman

* From September 2016

Details of meetings attended by the Trustee Members appointed to each committee during the year

	Trustee board	Audit committee	Risk committee	Investment committee	Nominations and governance committee	Renumeration committee	Determinations committee	Propositions committee
No. of meetings	10	6	6	4	5	4	9	6
Otto Thoresen	10				5		6	
Iraj Amiri	10	6	6				9	
Ian Armfield	9	6		3	4			
Graham Berville	9		6	4				6
Tom Boardman	10				5			
Sally Bridgeland	8		4/4	4				5
**Tomas Carruthers	7/7							1/1
*Sharon Darcy	2/4	1/1	1/2					
Carolan Dobson	7			4	4			
**Ron Jarman	7/7		1/1			1/1		
Caroline Rookes	9	5				4	9	
Karen Silcock	9	5	6					4
*Nigel Stanley	2/2			1/1		1/1	1/1	
Jill Youds	9					3	9	6

*Nigel Stanley and Sharon Darcy served for part of the year **Ron Jarman and Tomas Carruthers joined partway through the year

Governance framework

Trustee meetings

The Trustee met 10 times during the year, with two meetings focused exclusively on strategy. The audit, determinations, investment, nominations and governance, propositions, remuneration and risk committees met on a regular basis and reported back on their work during meetings. Details of the meetings and attendance can be found on page 48 and committee membership is set out on page 47.

The priority is to provide a strong and stable scheme which operates in the best interests of its members. It focuses on delivering a good service to members and employers and meeting its public service obligation to enable any employer to choose NEST to meet their auto enrolment duties. This drives the agenda.

Information on strategy, scheme administration, member and transaction volumes, investment performance, risk management, internal controls, operational activities and financial performance is received and scrutinised. The chief executive officer provides an update at each meeting on the key issues on her agenda. Committee chairs report back on issues discussed, decisions taken and recommendations.

As part of the normal business cycle, NEST Corporation:

- approved the *corporate plan 2016-2019*
- approved the Corporation budget
- approved the *Annual report and accounts* for the scheme and for NEST Corporation
- received the annual health and safety report for NEST Corporation
- approved the master trust assurance report *AAF 02/07*
- appointed new chairs to the Members' and Employers' Panels
- appointed three members to the Members' Panel and two members to the Employers' Panel.

In addition it:

- monitored the first year's work of the propositions committee, and approved NEST Corporation's *Value for members statement*
- consulted on and approved changes to the scheme rules
- responded to the DWP call for evidence *NEST: evolving for the future* consultation
- approved the Trustee Member training schedule
- clarified principles on Trustee Member decision making

- carried out investment governance review.

Significant control issues

There are no significant internal control issues that merit inclusion in the annual report and accounts for the accounting period 1 April 2016 to 31 March 2017. To evidence this the Trustee Members and NEST Corporation's executive team engaged and have made appropriate additional enquiries. Where control weaknesses are identified, appropriate actions have been taken or are planned to effect reasonable management of risks within acceptable periods of time.

Corporate risk statement

Overview

The culture and processes we have established in NEST Corporation are designed to enable us to manage risk in line with the expectations of our Trustee Members, who have the legal responsibility to act in the interests of members of the scheme in accordance with their powers and duties. NEST Corporation is also a Non Departmental Public Body and as such we are also accountable to Parliament. NEST Corporation's dual accountabilities have the potential to give rise to a risk of conflicting duties. We keep this risk under review to ensure appropriate mitigating actions can be taken.

This statement addresses both NEST Corporation as the Trustee of the scheme and as a public organisation. It is appropriate to address the risks and uncertainties in this combined manner since the sole function of NEST Corporation is to be the Trustee.

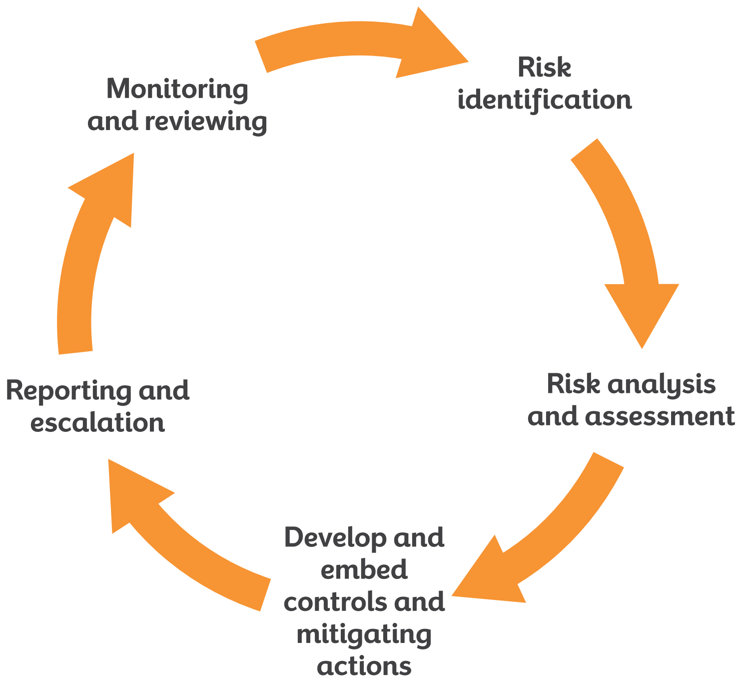
We must take risks in order to deliver our strategic priorities, but integral to this is to understand the risks we face and how best to control or mitigate them. We don't do this alone. We engage with key stakeholders to understand and manage risk.

Our close working relationships with our scheme and fund administrators help us manage operational risk. This is both at a day-to-day level, and looking forward at the risks and opportunities presented by the roll out of auto enrolment duties to more employers.

We operate in a maturing policy and legislative environment. Through our strong relationships with the Department for Work and Pensions and The Pensions Regulator we collectively manage risks to the successful implementation of the auto enrolment programme.

NEST's risk management framework

NEST Corporation's risk management framework is reviewed annually to ensure it remains fit for purpose and to take into account developments in industry practice. At the core of our framework is the risk management process:



Each business area across NEST maintains a log of their key risks which is reviewed regularly. Our principal risk dashboard is used to report critical, principal and other significant risks to the executive board, risk committee and the Trustee.

NEST's principal risks

NEST has identified principal risks in relation to the delivery of our strategic priorities. NEST defines a principal risk as:

> A risk that is considered material to the development, performance, position or future prospects of NEST

In 2016/17 we have been developing a new methodology for how we report risk to the executive board, risk committee and the Trustee. This methodology is being developed under the stewardship of the risk committee.

For each of our principal risks we have identified a number of key indicators and data points. These are monitored to help us understand the changing profile of the risk. The executive risk owner and the risk committee consider our appetite for each risk and sets acceptable limits or tolerances for each indicator. When an indicator breaches these limits we consider whether further control or mitigation activities are required. We also track our readiness for the risk should it crystallise, the activities undertaken to provide us with assurance over the risk and other risks in the risk log that are linked to the principal risk.

The following section explores our principal risks, outlining key controls and mitigating actions that are in place to manage them. The risk committee has oversight of all principal risks and is supported in this by other committees as appropriate to each risk. There is a close link between the audit and risk committees with the chairs of each attending both committees. Key papers of interest are also shared between both committees.

All risk reports and papers that were received by risk committee or other committees were reviewed and approved by the executive board in advance of the committee meeting.

Outsourcing risk

Outsourcing risk is the risk that NEST could be adversely affected by the actions and decisions of our outsourced providers. As NEST uses a predominantly outsourced business model, this is one of our most significant risks.

Outsourced providers deliver the majority of the resource required to operate the NEST pension scheme, and in particular our scheme administrator, Tata Consultancy Services (TCS). This reliance on third party providers means that NEST could be left in a position where it is adversely affected by their actions and decisions.

Our relationship with our outsourced providers must be strong. This is important for our mutual success. We have contracts that set out NEST's requirements and service level standards, and contract management procedures to track adherence to these contracts.

Investment risk

Investment risk is the risk that NEST's members, stakeholders and commentators lose trust in NEST's investment performance. NEST's approach to investment is underpinned by our investment beliefs which provide our Trustee Members with a transparent framework for consistent and good quality decision making.

Our *statement of investment principles*, which includes our investment beliefs and default investment strategy, is reviewed every three years by our investment committee to ensure they continue to be appropriate. Our funds are diversified across a number of different asset classes and fund managers. We continually monitor our investment performance and risk, and where appropriate make changes to our investment portfolio. Oversight of investment risk is primarily the responsibility of the investment committee.

Member data and assets risk

Member data and assets risk is the risk that NEST fails to keep members' data and money safe.

In an environment where cyber-crime and fraud is continually evolving, the challenge of keeping ahead of new developments has never been greater. We are committed to safeguarding our members' data and assets from this very real threat.

The information security management systems operated by NEST Corporation, our scheme administrator and our IT managed services provider are all independently certified to the ISO 27001 standard. This gives us assurance that our systems and processes are robust, and helps protect members' data.

Our scheme administrator has strict operational procedures in place to safeguard our members' data and assets. On an annual basis an independent reporting accountant reviews the design of and compliance to key controls and provides NEST Corporation with an assurance report. NEST follows up on any exceptions identified within the report.

Operational capacity risk

Operational capacity risk is the risk that NEST and its key outsourced providers don't have sufficient levels of operational capacity to meet the demands of our business-as-usual operations, as well as on-boarding all employers who wish to use us to meet their auto enrolment duties in line with our public service obligation.

Insufficient levels of resource and system performance could result in the failure of the continued roll-out of auto enrolment and poor service standards for our employers and members.

Our processes and systems are designed to be as straightforward as possible to use. We undertake analysis of likely volumes of employers and members who aim to use NEST and the behaviours they will exhibit. This allows us to plan and build capacity into our systems and administrative functions to deal with potential demand and manage the risk.

Revenues and funding risk

Revenues and funding risk is the risk that NEST Corporation is unable to achieve sufficient revenue income and control outgoing expenditure to enable it to operate within the terms of the loan agreement with the Department of Work and Pensions (DWP) and repay the loan within the terms of the state aid agreement.

NEST generates revenue from its 1.8 per cent contribution charge and 0.3 per cent annual management charge. Our public service obligation requires us to accept all employers that wish to use us to meet their auto enrolment obligations. This means we have to accept business that generates a loss.

NEST Corporation continually strives to deliver value for money for members by investing in improvements to our service and keeping our costs as low as possible. We have a three-year plan, and have an annual budget-setting process where every department outlines their budgetary requirements for the forthcoming year. These are challenged by the chief financial officer and the chief executive officer and approved by the Trustee. A funding requirement is then submitted to the DWP which provides additional scrutiny and challenge. NEST's finance team meet with DWP colleagues on a monthly basis to provide them with oversight of NEST's finances.

Skills and culture risk

Skills and culture risk is the risk that NEST fails to recruit and retain appropriately skilled, motivated and engaged staff needed to deliver its strategy.

NEST operates with the financial constraint of being a non-departmental public body, but has still been able to attract talented individuals who want to work with NEST to help millions enjoy a better retirement. We need to recruit the right people, nurture the right organisational culture, and design and implement effective processes and systems. If we fail to do so, we could face higher operating costs, increases in mistakes, errors and losses and the associated reputational consequences.

NEST Corporation's code of conduct sets out the behaviours and standards we expect from all of our employees. We have an induction process to ensure these expectations are understood at the outset of employment and they are reinforced through the performance management and appraisal process. We have a staff handbook which provides details of the core policies and procedures that our staff should follow. The handbook is supported by a line manager's toolkit and mandatory training on how the handbook should be applied. An annual staff survey is conducted to gauge feeling across our workforce. We hold an annual staff conference and quarterly 'town hall' staff events to ensure core messages are communicated and understood by everyone at NEST.

Legislative and regulatory compliance risk

Legislative and regulatory compliance risk is the risk that NEST does not comply with its regulatory and legal obligations.

NEST Corporation and the scheme is required to comply with pension specific legislation including the Pensions Act 2008 and The Pensions Regulator's Codes of Practice. NEST Corporation has a compliance and assurance function who undertake an annual plan of assurance activity to monitor compliance with pensions legislation. The function also undertakes assurance activities over compliance with the Data Protection Act and financial crime legislation.

Legislative and regulatory change risk

Legislative and regulatory change risk is the risk that legislative and regulatory changes impact on NEST's business model and require us to make changes to our processes and systems in an unplanned and ineffective way. Our status as a non-departmental public body with a public service obligation may increase this risk.

Our ability to manage and respond effectively to change will prevent changes from impacting on our members and minimise associated costs.

NEST continually scans the legislative, regulatory or policy landscape for potential change. This allows us to identify change early and plan ahead as far as we possibly can to manage and incorporate it into our systems and processes.

Changes to the external environment are primarily incorporated into the NEST product via a service release. These are carried out twice a year. We have a product roadmap which sets out the changes that we are likely to make over the next three years. This incorporates legal and regulatory change, including General Data Protection Regulations, the Pension Schemes Act 2017, phasing increases in minimum contribution levels and the Scottish rate of income tax. We work alongside our scheme administrator to plan, design and build these changes into our software systems and processes.

Decumulation proposition risk

Decumulation proposition risk is the risk that, following the ‘freedom and choice’ budget changes made in 2015, NEST fails to deliver a decumulation proposition that meets the needs of our members, in line with one of NEST’s strategic priorities.

NEST developed its *retirement blueprint*, which outlined a retirement product that from extensive research we believe meets the needs of our members. The recent DWP consultation, NEST: evolving for the future, sought evidence on how NEST’s product proposition could evolve to respond to the changing pension landscape. Following the outcome of that consultation, we are looking to work with the wider pensions industry to understand the delivery options that will provide our members with an evolving proposition to meet their needs today and over the longer term.

Whistle blowing

NEST has a whistleblowing policy which is published on our intranet. The audit committee has reviewed the policy and procedures and is satisfied with the plan and the approach taken.

An external whistleblowing hotline service enables employees to report concerns anonymously.

Whistleblowing concerns are reported to the audit committee. No such concerns have been raised during 2016/17.

Internal audit

Ernst & Young LLP (EY) provides independent assurance on internal control to NEST Corporation and report to the audit committee. EY also provides an annual opinion on governance, risk management and internal controls required to fulfil NEST Corporation's obligations as a non departmental public body.

EY agrees its annual internal audit programme with NEST Corporation's audit committee and reports on progress against the plan on a quarterly basis. The programme covers NEST Corporation as both a non-departmental public body and the Trustee of an occupational pension scheme. EY has provided the head of internal audit opinion for the period 2016/17.

Head of internal audit opinion

In the opinion of the head of internal audit at NEST, there is reasonable assurance NEST Corporation has adequate and effective systems of governance, risk management and internal control.

Compliance and assurance

The compliance monitoring and assurance team (CMA) is responsible for monitoring compliance. It also provides ongoing assurance to the chief executive officer and Trustee that NEST Corporation is compliant with internal controls, and with statutory and regulatory requirements for pension schemes.

CMA activity follows a compliance plan that is agreed annually with the audit committee. CMA collaborates with other assurance functions, such as the information security team, the financial crime prevention team and with the internal audit function to develop that plan. It ensures that key activities are identified and sufficient monitoring is undertaken by the most appropriate team. The service management teams ensure that we receive adequate assurance from external providers where tasks are outsourced.

NEST Corporation will publish its third assurance report, for the period 1 April 2016 to 31 March 2017 against the AAF 02/07 master trust assurance framework in parallel with the publication of this document. This framework, established by The Pensions Regulator and the Institute of Chartered Accountants of England and Wales (ICAEW), sets out a series of control objectives relating to governance and administration of master trust schemes. Trustees should be able to demonstrate that their schemes meet these objectives.

The ICAEW consulted on changes to the framework in 2016. The finalised changes must be adopted for any review period commencing after December 2016. We believe that the revised framework adds value to our reporting, so we have chosen to adopt the revisions early. Our third report demonstrates that our internal controls meet this revised framework.

Members of the executive team provide an annual personal assurance statement to the chief executive officer relating to risk, governance and internal controls within their area of responsibility. This is in addition to external assurance reporting.

Owners of key policies also report on regulatory requirements, compliance obligations, monitoring processes and the management of key risks addressed in their policies. These statements are designed to highlight any significant internal control issues. In 2016/17 there were none.

The Pension Schemes Act 2017 introduces significant changes to the governance requirements of master trust pension schemes. We look forward to the implementation of regulation designed to protect the members of these schemes and to demonstrating that we meet the requirements.

Information security and data protection

NEST Corporation is committed to supporting a secure electronic environment to conduct its business. We have a comprehensive information security management system (ISMS) that is certified against the International Standards Organisation (ISO) 27001:2013.

NEST Corporation also has a data protection policy, which sets out our approach to the protection of personal data and associated training. The policy complies with the Data Protection Act 1998 and other regulations designed to ensure the security and use of personal data.

As a non-departmental public body, NEST Corporation has provided information on our management of information risk and compliance to the DWP *Information Security and Assurance Report* for the DWP senior information risk owner.

Business continuity

NEST Corporation maintains a cost-effective business continuity capability. This allows management to respond to and recover from any major incidents that affect business operations. Our business continuity management programme is appropriate to the size and complexity of NEST Corporation and is aligned with industry standards. Business continuity arrangements are tested, reviewed and renewed as appropriate.

2.2 Remuneration and staff report

2.2.1 Remuneration policy

This report has been prepared in accordance with relevant *Employer Pensions Notice* (EPN); Treasury guidance and chapter 6 of the Companies Act 2006 and schedule 8 of SI 2008 No. 410 as interpreted for the public sector.

These disclosures relate to NEST Corporation Trustee Members and the chief executive officer. Those are only individuals that make decisions spanning the entire organisation.

Otto Thoresen was appointed Chair of NEST Corporation by the Secretary of State for Work and Pensions. His appointment began on 1 February 2015. Under his terms of appointment he is required to commit to work 2.5 days a week for NEST. Tom Boardman was appointed deputy chair of NEST Corporation on 1 June 2014. Under his terms of appointment he is required to commit to 40 days a year.

All other NEST Corporation Trustee Members are required to commit to working for NEST for 30 days a year. Trustee Members are appointed by the Secretary of State for a period of between four to five years. In accordance with paragraph 7 of schedule 1 to the Pensions Act 2008, the remuneration of Trustee Members is determined by the Secretary of State. The terms of appointment allow for extra days to be remunerated on a pro-rata basis.

Up to 31 March 2017 NEST Corporation's remuneration committee was made up of three Trustee Members: Caroline Rookes, from 14 May 2015 and chair from 19 June 2016, Jill Youds, and Ron Jarman. Nigel Stanley also served on the committee as Chair until 19 June 2016. It provided oversight, review and advice to the Trustee Members on remuneration of senior executives and staff. A report on the activities of the committee can be found in section 2.1.3.

NEST Corporation's remuneration approach applies to all directly employed staff and consists of:

- a job architecture and pay policy
- pension arrangements
- other benefits.

Performance-related pay

The chief executive officer approves the performance-based approach to reward. This recognises staff who perform well and contribute more.

For 2016/17 consolidated pay awards, we used 1 per cent of our overall salary bill to provide consolidated pay awards to our staff on a performance-related basis.

For 2016/17 non-consolidated pay, we allocated 2 per cent of our overall salary bill to provide non-consolidated awards to our staff. Additional caps in line with the DWP's approach to senior civil service pay bands or equivalents were applied.

Compensation

There have been no compensation payments made in respect of early contract termination or loss of office to any former senior managers of NEST Corporation.

Internal comparisons

The ratio between the median remuneration of NEST Corporation's staff and that of the chief executive officer, being the highest paid director, is 4.2 to 1 for 2016/17. In 2015/16 it was 3.9 to 1. For this comparison, total remuneration includes salary and benefits in kind. It does not include severance pay. It does not include employer pension contributions or the cash equivalent transfer value of pensions.

Pensions

NEST Corporation's active defined contribution (DC) pension arrangements comprise two schemes:

- NEST pension scheme
- top-up arrangements with Aviva for employees contributing above the NEST annual contribution limit.

During the course of 2016/17 NEST reviewed its pension arrangements in preparation for the lifting of the annual NEST contributions limit in April 2017.

NEST Corporation renewed the Pension Quality Mark (PQM) Plus standard accreditation in March 2017. This means that NEST Corporation offers increased employer contributions for increased employee contributions.

Our default contribution levels are 5 per cent gross employee contributions with NEST Corporation paying an 8 per cent employer contribution.

Employees can increase their contributions as follows:

- a 6 per cent gross employee contribution is matched by a 9 per cent employer contribution from NEST Corporation
- a 7 per cent gross employee contribution is matched by a 10 per cent employer contribution.

The chief executive officer is the only individual included in the remuneration disclosures to be a member of NEST Corporation's pension schemes.

Exit packages

There was one redundancy payment in 2016/17, totalling £1,437 (2015/16: nil).

Off payroll engagements

For all off-payroll engagements as of 31 March 2017, for more than £220 per day and that last for more than six months:

Number of existing engagements as at 31 March 2017	3
of which	
less than one year at time of reporting	2
between 1 and 2 years at time of reporting	0
between 2 and 3 years at time of reporting	1

For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017, for more than £220 per day and that last for longer than six months:

Number of new engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017	5
of which	
number contractual clauses giving NEST the right to request assurance in relation to income tax and national insurance obligations	0
number for whom assurance has been requested	5

Summary of staff costs for 2016/17

The information in the tables below has been audited.

NEST Corporation is staffed by a combination of direct employees, staff seconded from other bodies and interim staff employed through third party organisations.

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Directly employed Staff		
Wages and salaries	14,412	14,657
Social security costs	1,680	1,755
Pension costs	1,067	1,098
Subtotal	**17,159**	**17,510**
Secondees	140	183
Interim Staff	1,241	1,184
Total	**18,540**	**18,877**

This information is also included in note 2 in the financial statements, page 85.

	Year ended 31 March 2017	Year ended 31 March 2016
	Average full time equivalents	Average full time equivalents
Directly employed staff	233	238
Secondees	2	2
Interim staff	8	9
Total average number of staff	**243**	**249**

2.2.2 Other

Staff composition and gender analysis

The following table shows the total number and gender breakdown of the Trustees, executive team and all other staff at NEST as at 31 March 2017:

Title	Male	Female	Total
Trustees (inc Chairman)	7	5	12
Executive board (inc CEO)	6	3	9
All other staff (excluding executive board)	127	105	232
Total	140	113	253

Sickness absence

The average amount of time lost to sickness per employee in 2016/17 was 7.0 days compared to 5.9 days in 2015/16. This increase reflects that we have tightened and improved our recording processes both by individuals and by line managers. NEST now has triggers in place in relation to sickness absence. Managers are undergoing further training using our line manager's toolkit and are receiving additional support from HR on handling sickness.

Staff policies

Staff policies are documented in the staff handbook and are available to all staff via NEST Corporation's intranet.

Women in Finance

NEST is committed to the government's *Women in finance charter*. Its aim is to improve gender balance across financial services.

Further details or our involvement are available on NEST's website*.

As stated, we have until autumn 2019 to achieve our target of 30 per cent of executive and director roles held by women. As at 31 March 2017, we have achieved 29 per cent. This shows our conviction and determination in ensuring that even before signing the Women in Finance charter in October 2016, NEST has made great strides in addressing gender balance within senior roles.

nestpensions.org.uk/schemeweb/NestWeb/public/aboutnestcorporation/contents/policy-and-procedures.html

- NEST Corporation has introduced a staff handbook that outlines our flexible working policies, and these will be reviewed on an ongoing basis to ensure consistency across the organisation.

We successfully launched an Equality in Gender Group (EGG) in March 2017. This aims to:

- raise awareness of the network
- build a community of men and women through events, meetings and communications
- understand what it is like to work at NEST Corporation in terms of policy and culture, from different perspectives
- identify and initiate improvement projects to enhance working at NEST Corporation for under-represented groups.

2.2.3 Remuneration tables

The information in the tables below has been audited.

	Contract details			2016/17						2015/16					
Name and Position	Contract start date	Unexpired term as at 31 March 2017	Notice period	Full-year equivalent salary and allowances (£000)	Salary and allowances paid (£000)[1]	Performance related payments (£000)[2]	Pension benefits (to nearest £1000)[6]	Taxable expenses (to nearest £100)[3]	Total (£'000)	Full-year equivalent salary and allowances (£000)	Salary and allowances paid (£000)	Performance related payments (£)	Pension benefits (to nearest £1000)	Taxable expenses (to nearest £100)	Total (£'000)
Otto Thoresen Chair	01-Feb-15	2 years 10 months	6 months	90-95	90-95	-	-	4,900	95-100	90-95	90-95	-	-	16,200	105-110
Tom Boardman Deputy Chairman	01-Jun-14	2 months	3 months	25-30	25-30	-	-	0	25-30	25-30	25-30	-	-	1,500	25-30
Iraj Amiri Trustee Member	20-Jun-11	2 years 3 months	3 months	15-20	15-20	-	-	5,200	20-25	20-25	20-25	-	-	11,900	30-35
Ian Armfield Trustee Member	01-Apr-14	1 years 3 months	3 months	20-25	20-25	-	-	0	20-25	20-25	20-25	-	-	0	20-25
Graham Berville Trustee Member	01-Jun-14	1 years 3 months	3 months	20-25	20-25	-	-	5,800	25-30	20-25	20-25	-	-	10,000	30-35
Sally Bridgeland Trustee Member	01-Apr-15	2 years 3 months	3 months	15-20	15-20	-	-	0	15-20	15-20	15-20	-	-	0	15-20
Tomas Carruthers Trustee Member	01-Jul-16	4 years 3 months	3 months	15-20	10-15	-	-	0	10-15	n/a	n/a	-	-	n/a	n/a
Sharon Darcy Trustee Member	20-Jun-11	0	3 months	20-25	0-5	-	-	0	0-5	20-25	20-25	-	-	0	20-25
Carolan Dobson Trustee Member	01-Apr-14	1 years 3 months	3 months	20-25	20-25	-	-	4,600	20-25	20-25	20-25	-	-	12,400	30-35
Ron Jarman Trustee Member	01-Jul-16	4 years 3 months	3 months	15-20	10-15	-	-	0	10-15	n/a	n/a	-	-	n/a	n/a
Caroline Rookes Trustee Member	01-Apr-15	2 years 3 months	3 months	15-20	15-20	-	-	0	15-20	15-20	15-20	-	-	0	15-20
Karen Silcock Trustee Member	01-Apr-14	1 years 3 months	3 months	20-25	20-25	-	-	1,800	20-25	20-25	20-25	-	-	1,600	20-25
Nigel Stanley Trustee Member	20-Jun-11	0	3 months	20-25	0-5	-	-	0	0-5	20-25	20-25	-	-	0	20-25
Jill Youds Trustee Member	01-Apr-15	2 years 3 months	3 months	15-20	15-20	-	-	4,900	20-25	15-20	15-20	-	-	4,200	20-25
Helen Dean Chief executive	21-Sep-15	Permanent contract	6 months	210-215	210-215	10-15	21,000	0	240-245	210-215	110-115	-	11,000	300	120-125

	2016/17	2015/16
Midpoint of banding of highest paid director's total remuneration excluding pension benefits (£)	222,500	212,500
Median total remuneration (£)	52,500	54,000
Ratio[4]	4.2	3.9

Helen Dean
Chief executive and accounting officer
NEST Corporation
15 June 2017

1. Trustee Members' terms of engagement allows them to claim for time in excess of their contractual obligation. Trustees did not claim for any overtime in 2016/17
2. The trustee members do not receive any performance related payments.
3. Taxable expenses relate to travel and subsistence
4. The ratio has increased slightly by 0.3 per cent, compared to 2015/16, primarily due the CEO's performance related pay of £10.5k
5. In 2016-17, 2 (2015-16, 2) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £25,000 to £245,000 (2015-16, £23,000-£249,000).
6. Pension benefits comprise employer contributions into two defined contribution schemes.

"A good retirement for me would be being comfortable in my own home, eating good food and being around the people I love… maybe a holiday every now and again."

Perry Goodwin
Veterinary care assistant,
Spring Lodge Veterinary Hospital

2.3 Parliamentary accountability and audit report

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of the National Employment Savings Trust Corporation for the year ended 31 March 2017 under the Pensions Act 2008. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and the Parliamentary accountability disclosures in the Business Review that is described in that report as having been audited.

Respective responsibilities of the Corporation, Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Corporation and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Pensions Act 2008. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the National Employment Savings Trust Corporation's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the National Employment Savings Trust Corporation; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the National Employment Savings Trust Corporation's affairs as at 31 March 2017 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Pensions Act 2008 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and the Parliamentary accountability disclosures in the Business Review to be audited have been properly prepared in accordance with Secretary of State directions made under the Pensions Act 2008; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of Remuneration and Staff Report and the Parliamentary accountability disclosures in the Business Review to be audited are not in agreement with the accounting records and returns; or

- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

27 June 2017

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

"'We love eating out. We love travelling. So (our retirement) will be as much of that as we can sensibly afford."

Adrian Towers
General manager, Guiseley football club

3. Financial statements

3.1 NEST Corporation financial statements

National Employment Savings Trust Corporation Statement of comprehensive net expenditure

for the year ended 31 March 2017

	Note	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Expenditure			
Staff costs	2a	18,540	18,877
Depreciation and amortisation	3	10,886	14,192
Other expenditure	3	61,362	45,124
		90,788	**78,193**
Income			
Grant income	4	(17,700)	(15,066)
Other income	5	(15,197)	(9,021)
Net expenditure		**57,891**	**54,106**
Interest payable	6	29,087	25,556
Net expenditure after interest deducted from general reserve		**86,978**	**79,662**
Other comprehensive net expenditure			
Net (gain) on revaluation of non-current intangible assets	8	(1,581)	(297)
Total comprehensive expenditure for the period		**85,397**	**79,365**

All income and expenditure is derived from continuing operations.
The accounting policies and notes on pages 76 to 101 form part of these financial statements.

National Employment Savings Trust Corporation Statement of financial position

as at 31 March 2017

	Note	As at 31 March 2017 £000	As at 31 March 2016 £000
Non-current assets			
Property, plant and equipment	7	6,809	8,550
Intangible assets	8	39,139	39,995
Prepayments: amounts falling due over one year	9a	6,627	6,395
Total non-current assets		**52,575**	**54,940**
Current assets			
Trade and other receivables	9b	14,367	14,597
Other current assets	9c	63	75
Cash and cash equivalents	10	5,346	7,636
Total current assets		**19,776**	**22,308**
Total assets		**72,351**	**77,248**
Current liabilities			
Interest payable	11a	(13,337)	(11,856)
Trade and other payables	11b	(8,519)	(6,465)
Other liabilities	11c	(1,614)	(2,173)
Total current liabilities		**(23,470)**	**(20,494)**
Non-current assets plus net current assets		**48,881**	**56,754**
Non-current liabilities			
DWP loan	12	(539,147)	(459,647)
Other liabilities	12	(8,327)	(10,530)
Provisions for liabilities and charges	13	(883)	(583)
Total non-current liabilities		**(548,357)**	**(470,760)**
Assets less liabilities		**(499,476)**	**(414,006)**
Taxpayers' equity			
General reserve		(502,501)	(415,523)
Revaluation reserve		2,916	1,335
Lease incentive reserve		109	182
Total taxpayers' equity		**(499,476)**	**(414,006)**

The financial statements, including the accounting policies and notes, on pages 76 to 101 were approved by the Trustee on 15 June 2017.

Helen Dean
chief executive officer & accounting officer
15 June 2017
The accounting policies and notes on pages 76 to 101 form part of these financial statements.

National Employment Savings Trust Corporation Statement of cash flows

for the year ended 31 March 2017

	Note	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Cash flows from operating activities			
Net expenditure after interest		(86,978)	(79,662)
Adjustment for non-cash items	21	13,347	11,557
Increase in trade and other receivables	9	(1,422)	(1,050)
Increase in trade and other payables	11	3,038	2,643
Increase in provisions	13	300	300
Net cash outflow from operating activities		**(71,715)**	**(66,212)**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	21	(30)	(10)
Advance payments	21	(10,045)	(8,926)
Net cash outflow from investing activities		**(10,075)**	**(8,936)**
Cash flows from financing activities			
Loan received from parent department	12	79,500	72,500
Net cash inflow from financing activities		**79,500**	**72,500**
Net (decrease) in cash and cash equivalents in the period	10	(2,290)	(2,648)
Cash and cash equivalents at the beginning of the period	10	7,636	10,284
Cash and cash equivalents at the end of the period		**5,346**	**7,636**

The accounting policies and notes on pages 76 to 101 form part of these financial statements.

National Employment Savings Trust Corporation
Statement of changes in taxpayers' equity

for the year ended 31 March 2017

	Lease incentive reserve £000	Revaluation reserve £000	General fund £000	Total reserves £000
Total taxpayers' equity as at 1 April 2015	255	1,038	(335,861)	(334,568)
Changes in taxpayers' equity 2015/2016				
Release of reserves to the statement of comprehensive net expenditure	(73)	-	-	(73)
Net gain on revaluation of non-current assets	-	297	-	297
Net expenditure after interest	-	-	(79,662)	(79,662)
Total charges for 2015/16	**(73)**	**297**	**(79,662)**	**(79,438)**
Total taxpayers' equity as at 31 March 2016	**182**	**1,335**	**(415,523)**	**(414,006)**
Changes in taxpayers' equity 2016/17				
Release of reserves to the statement of comprehensive net expenditure	(73)	-	-	(73)
Net gain on revaluation of non-current assets	-	1,581	-	1,581
Net expenditure after interest	-	-	(86,978)	(86,978)
Total charges for 2016/17	**(73)**	**1,581**	**(86,978)**	**(85,470)**
Total taxpayers' equity as at 31 March 2017	**109**	**2,916**	**(502,501)**	**(499,476)**

The accounting policies and notes on pages 76 to 101 form part of these financial statements.

Notes to the financial statements

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2016/17 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of NEST Corporation for the purpose of giving a true and fair view has been selected. The particular policies adopted by NEST Corporation are described below. They have been applied consistently in dealing with items that are considered material to the accounts. NEST Corporation is required, under the Pensions Act 2008, to prepare its accounts for the year ended 31 March 2017, in accordance with the directions made by the Secretary of State with the consent of HM Treasury. The Secretary of State has required NEST Corporation to comply with the requirements of the FReM.

These financial statements relate to NEST Corporation and the Trustee of NEST; NEST's Pension Scheme accounts are prepared separately.

1.1 Basis of preparation

These financial statements have been prepared on an accrual basis under the historical cost convention, modified to account for the revaluation of non-current assets where material. Figures are presented in pounds sterling and are rounded to the nearest £1,000.

1.2 Going concern

NEST Corporation was established in 2010 to ensure the smooth running of the NEST Pension Scheme. The financing of the corporation is met through a combination of loan and grant income funding supplied through the Department for Work and Pensions (DWP), which is approved annually by Parliament. In November 2010, the corporation signed a loan agreement with DWP that provides assurance that future funding will be provided to NEST Corporation until income from scheme charges is sufficient to meet future costs and settle the loan liability. Therefore, in accordance with FReM 2.2.3, it has been concluded as appropriate to adopt a going concern basis of preparation for these accounts.

1.3 Changes in accounting policy and disclosures

a) Changes in accounting policies

There have been no changes to accounting policies.

b) New and amended standards adopted

There have been no new nor amended standards adopted from 1 April 2016 to 31 March 2017.

c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2017 and not early adopted

The following new standards, interpretations and amendments, which are not yet effective, may have an effect on the corporation's future financial statements.

IFRS 9: Financial instruments

Effective 1 January 2019: IFRS 9 (replaces IAS 39) aims to simplify financial instrument accounting and more closely align accounting and practices with how instruments are used in the business specifically around classification, measurement and impairments.

IFRS 15: Revenue from contracts with customers

Effective 1 January 2018: IFRS 15 aims to replace a significant amount of existing guidance and reduce inconsistencies by setting a new principles-based Standard. The step by step process in IFRS 15 involves identifying contractual performance obligations, allocating the transaction price to those obligations, and recognising revenue only when those obligations are satisfied.

IFRS 16: Leases

Effective 1 January 2019: IFRS 16 eliminates the operating/finance lease distinction and imposes a single model geared towards the recognition of all but low-value or short term (<£12m) leases. These will now be recognised on the Statement of financial position (SoFP) as a 'right of use' asset and lease liability. The lease liability will be measured at initial recognition as the value of future lease payments, with the asset additionally including any initial direct costs incurred by the lessee, plus an estimate of any dismantling/restoration costs. Subsequent measurement of both asset and liability will need to respond to any changes in lease terms, and the accounting for the asset can be on a cost less depreciation and impairment model or a revaluation (fair value) model.

The above standards to be adopted are not expected to have a material impact on the financial statements.

1.4 Accounting estimates and judgements

The development, selection and disclosure of significant accounting estimates and judgements and the application of these judgements and estimates has been discussed and agreed with NEST's Audit Committee. Below are the significant accounting estimates and judgements:

1.4a Critical judgements in applying NEST Corporation's policies

Service Concession Arrangement

The accounting treatment of assets used by TATA Consultancy Services (TCS) to administer the scheme involves judgements about the degree to which the Corporation controls both the services and any significant residual interest. The contract assets are reflected in the SoFP as the Corporation controls both elements.

1.4b Critical accounting estimates and assumptions

Revaluation of intangible assets

The FReM interpretation of IAS 38 requires NEST Corporation to revalue its intangible assets to depreciated replacement cost as a proxy for fair value. As suggested in the FReM, NEST Corporation applies an appropriate index to revalue software licence and software development assets at year end if the impact is over 1% of the net book value of the relevant asset class. The most suitable proxy for NEST Corporation's software licences and software development is JV5 (a): Computers and peripheral equipment.

Scheme software and Corporation software licences

Management believe there is no accurate currently available software licences index or trend information on the specific licences held by NEST Corporation. As the next best alternative, the index seen as most appropriate in achieving the requirement of IAS 38 and the FReM to establish a suitable proxy for fair value is JV5(a): Computers and peripheral equipment, as although it includes movements in IT hardware as well as licence prices, it adequately reflects the movements in the costs of licences during changing market conditions experienced over the reporting period.

Software development

Management's conclusion is that the most appropriate index to use for software development is also JV5 (a) as the best available proxy to establish fair value for IT-related assets.

Asset refresh prepayment

The asset refresh prepayment is an estimate of the value of assets to be refreshed over the remainder of the scheme administration services contract, to June 2023, based on the latest available information provided by TCS.

NEST has adopted the 'prepayment lifecycle approach', which means that a portion of the monthly scheme administration charge paid to TCS is set aside as a prepayment, to fund future replacement assets within the life of the scheme administration services contract. The rate at which the assets are replaced is assessed annually and where the carrying amount of the prepayment is greater than the estimated total of the future assets to be refreshed, the prepayment is impaired. Conversely where the carrying amount is lower, the prospective amounts set aside in future years are adjusted to reflect the changes in estimate.

1.5 Employee benefits

In accordance with IAS 19 Employee Benefits, all short-term staff costs are accounted for on an accrual basis over the period for which employees have provided services in the year. These short-term benefits largely relate to salaries, bonuses announced but not yet paid and accrued leave. Directors' bonuses are disclosed in the remuneration report when payments to individuals have been determined by the remuneration committee.

1.6 Pension costs

All eligible employees are auto enrolled into the NEST pension scheme, a Defined Contribution (DC) Retirement Date Fund scheme with employer contributions matched at various rates. For employees wishing to contribute more than NEST's annual contribution limit, NEST operates a top-up DC scheme with Aviva.

NEST Corporation recognises the employer costs for each relevant scheme in the period in which they are incurred.

The pension cost of civil servants on secondment to NEST Corporation is reimbursed as part of the employment costs. There is no residual pension liability for NEST Corporation.

1.7 Value Added Tax (VAT)

In 2014 the European Court of Justice ruling in the ATP case concluded that for VAT purposes DC pension schemes with certain characteristics should be treated as a 'Special Investment Fund' and therefore all costs associated with the management of those funds should be exempt from VAT. Consequently NEST Corporation should be treated as a Special Investment Fund and all UK based scheme administration Services (provided by TCS), investment funds administrator (provided by State Street) and fund managers fees are now treated as exempt from VAT. A contingent asset is reported at Note 18 in line with IAS 37, relating to a claim for the re-imbursement of historic VAT paid to TCS under the scheme administration contract.

1.8 Insurance

NEST Corporation has appropriate commercial insurance. Any uninsured losses are charged directly to the Statement of Comprehensive Net Expenditure as incurred.

1.9 Income

Income is reflected in the Statement of Comprehensive Net Expenditure and is recognised when it is probable that future economic benefits will flow to NEST Corporation and those benefits can be measured reliably. Deductions made from NEST's member contributions go towards the general costs of the setting up, administration and management of the scheme. Charges are 1.8 per cent of contributions received and 0.3 per cent of assets under management. This income to NEST Corporation is accounted for on an accruals basis.

Costs associated with the functions of government are not chargeable to NEST members and are met through grant funding. The amount of grant funding is determined by management estimates of the time spent and costs involved in non-chargeable activities. This estimate is subsequently agreed with DWP.

Following NEST's classification as a public corporation, the grant received from DWP is treated as income, rather than financing.

Those costs not associated with functions of government and not met by deductions from contributions from members are funded by means of loans from DWP, which will subsequently be repayable from the deductions made from the contributions made by scheme members. The loans are recognised as a liability within the statement of financial position.

NEST Corporation pays a commercial rate of interest on the loans to DWP. It also receives from DWP a grant sufficient, in effect, to reduce the interest payable on the loans from the commercial rate to the government rate of borrowing. This grant income is allowable under a ruling from the European Commission in July 2010. The grant is treated as income and accounted for when received and known as the Public Service Obligation Offset Payment.

1.10 Property, plant and equipment

Property, plant and equipment are stated at fair value. All assets under property, plant and equipment are deemed to be short-life or low value and, as permitted by the FReM, have been valued on the basis of depreciated historic cost as a proxy for fair value. Assets are capitalised where they have an expected useful life of more than one year and where the original cost of the item exceeds NEST Corporation's capitalisation threshold of £1,000. Individual items costing less than the capitalisation limit, but forming an integral part of a package or pool of items whose total value is greater than £1,000, are also capitalised.

On initial recognition, assets are measured at cost, including costs directly attributable to bringing them into working condition. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset only when it is probable that future economic benefits associated with the item will flow to NEST Corporation and the cost of the item can be measured reliably.

1.11 Intangible assets

Intangible assets are initially recognised at cost with subsequent measurement at fair value. Where an active market exists for the asset, it is carried at a revalued amount based on fair value at the end of the annual reporting period. Where no active market exists, assets are revalued using appropriate indices to indicate depreciated replacement cost as a proxy for fair value.

Purchased software licences and applications covering a period of more than one year and above the capitalisation threshold of £1,000 are capitalised at cost as intangible assets and subsequently revalued.

Individual items costing less than the capitalisation limit, but forming an integral part of a package or pool of items whose total value is greater than £1,000 are also capitalised. If software licences don't meet either criteria, then expenditure is recognised in the Statement of Comprehensive Net Expenditure.

Software development costs are capitalised when the criteria for recognition per IAS 38 are met. NEST Corporation capitalises 85% of gross software development costs incurred by the outsourced administration service provider, TCS, the reduction of 15% being a proxy for project management costs.

1.12 Depreciation

Depreciation is charged on property, plant and equipment using the straight-line method as this reflects the expected pattern of consumption of economic benefits. The rates used are calculated to write down each asset to its estimated residual value over its expected useful life, as follows:

- furniture and fittings: 2 to 5 years
- information technology and telecoms equipment: 3 to 5 years
- scheme administration IT hardware assets are expected to be replaced after 5 years.

Depreciation commences once an asset is available for use and continues until the asset is derecognised, categorised as held for sale or written down to nil value. Depreciation is calculated from the month following that of acquisition or, if later, from the month in which the asset is available for use. No depreciation is charged in the month of disposal.

Residual values and estimated useful economic lives of non-current assets are reviewed annually and adjusted if appropriate at the end of the reporting period. The financial impact is recognised in the Statement of Comprehensive Net Expenditure over the remaining life of the asset.

1.13 Amortisation

Amortisation is calculated on intangible assets using the straight-line method as this reflects the expected pattern of consumption of economic benefits. The rates used are calculated to write down each asset to its estimated residual value over its expected useful life, as follows:

- software licences: 3 years or period remaining on licence if less than 3 years
- scheme software licences used by TCS for the scheme administration contract: 5 years, on the grounds that hardware asset refresh is likely to be accompanied by upgrading of software licences
- scheme developed software costs incurred by TCS in developing the software used to administer the scheme have been amortised over the life of the contract on the grounds that the coding involved will be required to support scheme administration throughout the duration of the contract.

Amortisation commences once an asset is available for use and continues until the asset is derecognised, categorised as held for sale or written down to nil value. Amortisation is calculated from the month following that of acquisition or, if later, from the month in which the asset is available for use. No amortisation is charged in the month of disposal.

Residual values and estimated useful economic lives of non-current intangible assets are reviewed annually and adjusted if appropriate at the end of the reporting period. The financial impact is recognised in the Statement of Comprehensive Net Expenditure over the remaining life of the asset.

1.14 Revaluation and impairment of non-current assets

NEST Corporation carries out an annual valuation review of its non-current intangible assets. Increases in value are credited to a revaluation reserve. Downwards revaluations of revalued assets that do not result from a clear consumption of economic benefits are debited to the revaluation reserve up to the level of depreciated historical cost. Any excess downwards revaluation is charged to the Statement of Comprehensive Net Expenditure.

Impairment losses that result from a clear consumption of economic benefit are taken directly to the Statement of Comprehensive Net Expenditure. Where the impairment relates to a revalued asset, the balance on the revaluation reserve to which the impairment would have been charged is transferred to the general reserve to ensure consistency with IAS 36: Impairment of Assets.

On disposal of a revalued asset, the balance on the revaluation reserve in respect of that asset becomes fully realised and is transferred to the general reserve. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Net Expenditure.

All non-current assets are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1.15 Financial instruments

Recognition

Financial assets and financial liabilities which arise from contracts for the purchase and sale of non-financial items (such as goods or services), which are entered into in accordance with NEST Corporation's normal purchase, sale or usage requirement, are recognised when, and to the extent to which, performance occurs. All other financial assets and liabilities are recognised when NEST Corporation becomes party to the contractual provisions to receive or make cash payments.

De-recognition

A financial asset is considered for de-recognition when the contractual rights to the cash flows from the financial asset expire, or NEST Corporation has either transferred the contractual right to receive the cash flows from the asset, or has assumed an obligation to pay those cash flows to one or more recipients, subject to certain criteria. NEST Corporation de-recognises a transferred financial asset if it transfers substantially all the risks and rewards of ownership.

Classification and measurement – financial assets

In addition to cash and cash equivalents, NEST Corporation has one category of financial assets:

- **Loans and receivables**
  Loans and receivables comprise trade receivables, other receivables and loans that have fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value and are subsequently measured at amortised cost.

- **Impairment of financial assets**
  At the end of each reporting period, NEST Corporation assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if there is:

  - objective evidence of impairment as a result of a loss event that occurred after the initial recognition of the asset and up to the end of the reporting period;
  - the loss event had an impact on the estimated future cash flows of the financial asset or the group of financial assets; and

- a reliable estimate of the amount can be made.

Classification and measurement – financial liabilities

NEST Corporation has one category of financial liability:

Other financial liabilities

Other financial liabilities comprise trade payables and loans. All financial liabilities are recognised initially at fair value, net of any transaction costs incurred, and then measured at amortised cost using the effective interest rate method. Interest on financial liabilities carried at amortised cost is calculated using the effective interest rate method and is charged to the Statement of Comprehensive Net Expenditure.

1.16 Provisions for liabilities and charges

In accordance with IAS 37, NEST Corporation provides for legal or constructive obligations, where the transfer of economic benefit is probable but which are of uncertain timing or amount at the end of the reporting period. The provision is calculated on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated cash flows are discounted using NEST Corporation's weighted average cost of capital (see note 6).

1.17 Leases

Payments in relation to operating leases are charged to the Statement of Comprehensive Net Expenditure on the basis of rentals payable in the year.

NEST Corporation has one finance lease as set out under Service Concession Arrangements, note 1.20 below.

1.18 Lease incentives

Assets received from third parties which are regarded as falling within the SIC 15 Operating Lease Incentives definition are capitalised and credited to a lease incentive reserve where appropriate. The lease incentive reserve is amortised on a straight-line basis over the remaining term of the lease and credited to the Statement of Comprehensive Net Expenditure.

1.19 Operating segments

Although IFRS 8 Operating Segments applies in full to NEST Corporation, the organisation does not have separate operating segments as defined by the standard.

1.20 Service concession arrangements

Service concession arrangements are accounted for in accordance with IFRIC 12, as adapted for the public sector context by FReM. Where NEST Corporation controls the services provided and retains a significant residual interest in the asset, the asset is recognised on NEST Corporation's Statement of Financial Position.

The scheme administration contract with TCS meets these conditions and is recognised in the financial statements as service concession arrangements. The assets comprise of hardware, software licences and developed software.

2 Staff numbers and related costs

a) Staff costs

NEST Corporation is staffed by a combination of direct employees, staff seconded from other bodies and interim staff employed through third party organisations.

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Directly employed staff		
Wages and salaries	14,412	14,657
Social security costs	1,680	1,755
Pension costs	1,067	1,098
Subtotal	**17,159**	**17,510**
Secondees	140	183
Interim staff	1,241	1,184
Total	**18,540**	**18,877**

b) Pension arrangements

NEST Corporation operates two active defined contribution pension schemes for its directly employed staff. There were 215 workers in these pension schemes as at 31 March 2017 (31 March 2016: 215).

NEST Corporation recognises the employer's costs in the period to which they relate. At 31 March 2017 there was one month's contributions outstanding amounting to £137k (31 March 2016: £138k).

The pension cost of civil servants on secondment to NEST Corporation is reimbursed as part of the employment costs above. There is no residual pension liability for NEST Corporation.

3 Depreciation, amortisation and other expenditure

	Note	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Depreciation and amortisation	7,8	**10,886**	**14,192**
Other Expenditure			
Scheme administration expenses		43,545	31,449
Research, marketing and communications		3,440	2,862
Information technology and telecoms equipment		3,213	2,710
Impairment of scheme assets		3,157	-
Scheme investment costs		1,579	913
Rentals under operating leases		1,565	1,956
Professional fees and advice		1,307	1,485
Accommodation		1,178	1,465
Recruitment and other staff costs		946	795
Legal fees and expenses		453	520
Movements in property repair provisions in the year	13	300	300
Business Travel		214	248
Industry Engagement		102	77
Auditor’s remuneration - statutory audit - corporation		83	93
Insurance		73	67
Auditor’s remuneration - statutory audit - scheme		72	72
Loss on disposal of non-current assets	7,8	63	48
Release of lease incentive reserve		(73)	(73)
Other running costs		145	137
Sub total		**61,362**	**45,124**
Total		**72,248**	**59,316**

Of the £83k corporation audit remuneration, the cost for the work performed by the NAO external auditors for the period ended 31 March 2017 is £80k (2015/16: £90k). £3k (2015/16: £3k) relates to an audit of the Corporation’s Information Security Management System.

The impairment of scheme assets is as a result of the change in the VAT status of scheme administration services for Special Investment Funds. The assets & liabilities attached to these services are now VAT exempt. The £3.2m impairment is the net impact of the change in status being a reduction in the net book value of £1.0m scheme hardware, £0.8m scheme software licenses, £2.0m scheme developed software and a £0.2m reduction in advanced payments to TCS, offset by a £0.8m reduction in the TCS lease liability.

Scheme administration expenses shown here are exclusive of £0.4m (2015/16: £1.2m) set aside for asset refresh prepayment in 2016-17, and include £1.3m expensed from the asset refresh prepayment as a result of the change in VAT status.

All services provided by TCS for scheme administration from December 2016 are treated as exempt of VAT.

4 Grant income

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Grant income for non-chargeable costs	450	409
Public service obligation offset payment	17,250	14,657
Total	**17,700**	**15,066**

Costs associated with the functions of government are not chargeable to NEST members and are met through grant income funding from DWP.

Following the European Commission's ruling in July 2010 and NEST's taking on of members from July 2011, a public service obligation offset payment is due from DWP which has the effect of reducing the cost of servicing the loan to the government cost of borrowing. This offset payment is received on the date of the first loan interest payment.

5 Other income

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Interest received and receivable	10	11
Members' contribution and annual management charge	15,187	9,010
Total	**15,197**	**9,021**

Interest received and receivable on cash balances NEST Corporation held on deposit with the Government Banking Service relating to the period is treated as income. Contribution charges relate to the 1.8 per cent deduction on invested contributions from members of NEST pension scheme and the 0.3 per cent annual management charge on the value of NEST pension scheme investments under management.

6 Interest Payable

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Loan interest paid and payable	29,087	25,556
Total	**29,087**	**25,556**

Interest payable relates to interest charged on balances outstanding on the loan from DWP (see note 12). NEST's weighted average cost of capital (WACC) is the effective cumulative interest rate on the loan from DWP. Under the terms of the loan agreement, NEST borrows at a fixed commercial rate of interest prevailing at the time of each drawdown. NEST receives a grant from DWP (Public Service Offset Payment) which effectively reduces the rate to the government borrowing rate. The cumulative WACC up to 31 March 2017, net of the grant, is 2.73 per cent (2015/16: 2.85 per cent).

Notes to table 7 Property, plant and equipment

* Information technology includes telecoms equipment.

The annual review of all property, plant and equipment verified that the carrying value approximated to the fair value of the assets. Consequently there were no revaluations..

The impairment of scheme hardware is as a result of the change in the VAT status of scheme administration services for special investment funds. Associated VAT has been deducted from the value of these assets.

7 Property, plant and equipment

NEST Corporation's property, plant and equipment assets comprise of furniture and fittings, and information technology as used directly by NEST employees. Purchased scheme hardware is used by TCS for scheme administration.

2016/17	Furniture & fittings £000	Information technology* £000	Scheme hardware £000	Total £000
Cost				
As at 1 April 2016	280	2,962	21,544	24,786
Additions	-	30	2,791	2,821
Impairments	-	-	(3,436)	(3,436)
Disposals	(4)	(548)	(930)	(1,482)
As at 31 March 2017	**276**	**2,444**	**19,969**	**22,689**
Depreciation				
As at 1 April 2016	(148)	(2,108)	(13,980)	(16,236)
Charged in period	(49)	(352)	(3,126)	(3,527)
Impairments	-	-	2,438	2,438
Disposals	3	512	930	1,445
As at 31 March 2017	**(194)**	**(1,948)**	**(13,738)**	**(15,880)**
Net book value at 31 March 2017	**82**	**496**	**6,231**	**6,809**
Net book value at 31 March 2016	**132**	**854**	**7,564**	**8,550**
Asset financing:				
Owned	82	496	6,231	6,809
Net book value at 31 March 2017	**82**	**496**	**6,231**	**6,809**

2015/16	Furniture & fittings £000	Information technology* £000	Scheme hardware £000	Total £000
Cost				
As at 1 April 2015	306	3,009	17,789	21,104
Additions	2	3	3,848	3,853
Disposals	(28)	(50)	(93)	(171)
As at 31 March 2016	**280**	**2,962**	**21,544**	**24,786**
Depreciation				
As at 1 April 2015	(105)	(1,702)	(10,109)	(11,916)
Charged in period	(56)	(454)	(3,958)	(4,468)
Disposals	13	48	87	148
As at 31 March 2016	**(148)**	**(2,108)**	**(13,980)**	**(16,236)**
Net book value at 31 March 2016	**132**	**854**	**7,564**	**8,550**
Net book value at 31 March 2015	**201**	**1,307**	**7,680**	**9,188**
Asset financing:				
Owned	132	854	7,564	8,550
Net book value at 31 March 2016	**132**	**854**	**7,564**	**8,550**

8 Intangible assets

NEST Corporation's intangible assets comprise of purchased software licences used directly by NEST employees, purchased software licences used by TCS for scheme administration and software developed by TCS for scheme administration.

2016/17	Note	Corporation software licenses £000	Scheme software licenses £000	Scheme developed software £000	Total £000
Cost					
As at 1 April 2016		1,216	28,817	50,192	80,225
Additions		-	2,593	5,138	7,731
Impairments		-	(3,220)	(3,956)	(7,176)
Disposals		(109)	(788)	-	(897)
Revaluation	a	68	1,289	2,842	4,199
As at 31 March 2017		**1,175**	**28,691**	**54,216**	**84,082**
Amortisation					
As at 1 April 2016		(1,156)	(19,781)	(19,293)	(40,230)
Charged in period		(47)	(2,930)	(4,382)	(7,359)
Impairments		-	2,458	1,935	4,393
Disposals		109	762	-	871
Revaluation	a	(68)	(1,132)	(1,418)	(2,618)
As at 31 March 2017		**(1,162)**	**(20,623)**	**(23,158)**	**(44,943)**
Net book value at 31 March 2017		**13**	**8,068**	**31,058**	**39,139**
Net book value at 31 March 2016		**60**	**9,036**	**30,899**	**39,995**

2015/16	Note	Corporation software licenses £000	Scheme software sicenses £000	Scheme developed software £000	Total £000
Cost					
As at 1 April 2015		1,193	26,557	44,025	71,775
Additions		5	2,330	5,441	7,776
Disposals		-	(480)	-	(480)
Revaluation	a	18	410	726	1,154
As at 31 March 2016		**1,216**	**28,817**	**50,192**	**80,225**
Amortisation					
As at 1 April 2015		(1,004)	(15,277)	(13,824)	(30,105)
Charged in period		(128)	(4,525)	(5,071)	(9,724)
Disposals		-	456	-	456
Revaluation	a	(24)	(435)	(398)	(857)
As at 31 March 2016		**(1,156)**	**(19,781)**	**(19,293)**	**(40,230)**
Net book value at 31 March 2016		**60**	**9,036**	**30,899**	**39,995**
Net book value at 31 March 2015		**189**	**11,280**	**30,201**	**41,670**

9 Prepayments, trade and other receivables, and other current assets

	As at 31 March 2017 £000	As at 31 March 2016 £000
a) Amounts falling due over one year		
Advance payments to TCS	-	2,202
Prepayments in respect of asset refresh	6,611	4,146
Prepayments	16	47
	6,627	**6,395**
b) Amounts falling due within one year		
Advance payments to TCS	2,000	-
Accrued income public sector obligation offset payment	7,988	6,850
Accrued grant income for non-chargeable costs	215	409
Prepayments in respect of asset refresh	2,766	6,461
Other prepayments and accrued income	1,398	877
	14,367	**14,597**
c) Other current assets		
Staff loans	63	75
	63	**75**
Total	**21,057**	**21,067**

Included in the prepayments is £11.4m (2015/16: £12.8m) of prepayments for scheme administration services made up of £2.0m (2015/16: £2.2m) for advance payments to TCS relating to the scheme build and £9.4m (2015/16: £10.6m) for amounts set aside from service charges to fund future asset replacement. It is estimated that £12.6m of scheme replacement hardware and software will be funded out of this prepayment and an additional amount to be set aside from future scheme administration services payments between April 2017 and June 2023. As this is a management estimate, reassessed annually, the set aside is not built up evenly over the life of the scheme administration services contract and amounts to be set aside in future years are expected to be smaller than in previous years.

Notes to table 8 Intangible assets

a. Intangible assets were revalued to fair value by applying an appropriate ONS index. The revaluation or devaluation gain or charge reflects movements in the index since the date the licences were purchased or the software development recognised as an intangible asset.

The impairment of scheme software and developed software is as a result of the change in the VAT status of scheme administration services for special investment funds. Associated VAT has been deducted from the value of these assets.

10 Cash and cash equivalents

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Opening balance	7,636	10,284
Net change in cash balances	(2,290)	(2,648)
Balance at end of year	**5,346**	**7,636**

11 Current liabilities

	As at 31 March 2017 £000	As at 31 March 2016 £000
a) Interest payable		
Accrued interest payable to DWP	13,337	11,856
	13,337	**11,856**
b) Trade and other payables		
Trade payables	219	843
Accruals	8,300	5,622
	8,519	**6,465**
c) Other liabilities		
Other taxation and social security	22	518
Pension costs liability	137	138
Imputed finance lease element of TCS assets	1,455	1,517
	1,614	**2,173**
Total	**23,470**	**20,494**

12 Non-current liabilities

	As at 31 March 2017 £000	As at 31 March 2016 £000
DWP loan	539,147	459,647
Imputed finance lease element of TCS assets	8,327	10,530
Total	**547,474**	**470,177**

Loan funding from DWP is provided to meet the scheme implementation and running costs and will subsequently be repaid from charges levied on scheme members. The interest rate on each loan drawdown is determined by the interest rate prevailing at the time of taking out the loan. At 31 March 2017, the weighted average interest rate on loan funding was 2.73 per cent (31 March 2016: 2.85 per cent) (see note 6). Interest on loans is payable on April and October each year. The loan principals fall due for settlement on a series of repayment dates commencing 21 October 2020.

In total, an imputed finance lease of £9.8m (2015/16: £12.0m) has been recognised, mainly reflecting the shortfall between the scheme administration assets recognised and cash payments made to TCS.

a) Liabilities: analysis by amounts owing to central government

The following table identifies balances with other types of public sector organisation included within liabilities:

	As at 31 March 2017 £000	As at 31 March 2016 £000
Current liabilities:		
Balances with other central government bodies:	13,374	12,716
Amounts owing to bodies external to government	10,096	7,778
Subtotal	**23,470**	**20,494**
Non-current liabilities:		
Balances with other central government bodies:	539,147	459,647
Amounts owing to bodies external to government	8,327	10,530
	547,474	**470,177**
Total	**570,944**	**490,671**

13 Provisions for liabilities and charges

	Note	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Balance at 1 April 2016		583	283
Provided in the year	3	300	300
Balance as at 31 March 2017		**883**	**583**
Classified as:			
Amounts falling due within one year		-	-
Amounts falling due over one year		883	583
		883	**583**

The provision of £883k (2015/16: £583k) relates to property repairing liabilities for Riverside House, the lease of which expires in 2022/23 with a right to break the lease in 2018/19.

14 Capital and other financial commitments

a) Capital and other financial commitments

	As at 31 March 2017 £000	As at 31 March 2016 £000
Contracted financial commitments at 31 March 2017 not otherwise included in these financial statements	670	1,148
Balance as at 31 March 2017	**670**	**1,148**

The contracted commitment relates to a 5 year contract for banking services ending in December 2018.

The contract with TCS for the provision of scheme administration services has been recognised as a service concession arrangement and the commitments involved are shown below.

b) Commitments under service concession arrangements reflected in the Statement of Financial Position

NEST Corporation has a contract with TCS for scheme administration which has been assessed under IFRIC 12 and recognised as a service concession arrangement. As a result, assets used for the contract have been recognised as non-current assets in the Statement of Financial Position and the liability to pay for these assets has been accounted for as a finance lease. The commitments analysed below reflect advance payments towards milestones, investment decision points, service charges and the imputed interest element.

In December 2015 NEST Corporation signed a three year contract extension with TCS for scheme administration, extending the commitment from 2020 to 2023.

Total obligations under service concession arrangements reflected in the SoFP for the following periods comprise:	As at 31 March 2017 £000	As at 31 March 2016[a] £000
Not later than one year	56,783	45,971
Later than one year and not later than five years	318,671	298,895
Later than five years	122,376	225,198
Total gross obligation	**497,830**	**570,064**
Less interest element discount	(37,395)	(54,626)
Present value of obligations	**460,435**	**515,438**

Present value of obligations under service concession arrangements refected in the SoFP for the following periods comprise:	As at 31 March 2017 £000	As at 31 March 2016[a] £000
Not later than one year	56,783	45,971
Later than one year and not later than five years	297,250	277,607
Later than five years	106,402	191,860
Total present value of obligations	**460,435**	**515,438**

c) Charge to the Statement of comprehensive net expenditure and future commitments

The total amount charged to the Statement of comprehensive net expenditure in 2016/17 in respect of the service element of this service concession was £43.5m (2015/16: £31.4m) and the payments to which NEST Corporation is committed (subject to the conditions of the contract, particularly volume levels) is as follows:

	As at 31 March 2017 £000	As at 31 March 2016[a] £000
Not later than one year	47,984	39,616
Later than one year and not later than five years	302,971	276,558
Later than five years	120,245	221,055
Total	**471,200**	**537,229**

[a] The analysis of committments at 31 March 2016 falling due “Not later than one year”, ”Later than one year and not later than five years” and “Later than five years” have been reclassified and total value of obligations has changed from £515,452k to £515,438k and the total charge from £538,461k to £537,229k.

15 Commitments under leases

Operating leases

	As at 31 March 2017 £000	As at 31 March 2016 £000
Future minimum lease payments comprise:		
Buildings:		
Within one year	2,450	2,419
Between one year and five years	1,253	3,767
Total	**3,703**	**6,186**

The future minimum lease payments represent a lease for NEST Corporation’s offices at Riverside House. The building is occupied under a memorandum of terms of occupation (MOTO) with DWP (the prime contract being between The Secretary of State for Work and Pensions and Telereal Trillium). Rent includes a property charge and facilities management charge which are fixed in the lease, based on normal market rates. The agreement imposes no restrictions on NEST Corporation on how it conducts its business. The prescribed term concludes in September 2022 and there is a break clause in September 2018; there is no renewal clause. The future minimum lease payments disclosed are up to September 2018 break clause only. In February 2016 NEST Corporation signed a new MOTO with DWP reducing its floor space.

16 Financial instruments

	Note	As at 31 March 2017 £000	As at 31 March 2016 £000
Financial assets			
Cash and cash equivalents	10	5,346	7,636
Staff loans	9	63	75
Total		**5,409**	**7,711**

The above figures exclude statutory receivables and prepayments and imputed finance lease elements.

	Note	As at 31 March 2017 £000	As at 31 March 2016 £000
Financial liabilities			
Trade payables	11	219	843
Accruals	11	21,637	17,478
Total		**21,856**	**18,321**

The above figures exclude statutory payables and imputed finance lease elements. It is, and has been, NEST Corporation's policy that no trading in financial instruments is undertaken, nor are they held to change risk.

NEST Corporation has no exposure to foreign currency risk at the period-end date (2015/16: nil).

NEST Corporation has no exposure to interest rate risk for current loans as the rates are fixed.

The net book value of NEST Corporation's financial assets and liabilities as at 31 March 2017 and 31 March 2016 are not materially different from their fair values.

17 Contingent liabilities disclosed under IAS 37

There are no contingent liabilities to disclose.

18 Contingent assets disclosed under IAS 37

In 2014 the European Court of Justice ruling in the ATP case concluded that for VAT purposes DC pension schemes with certain characteristics should be treated as a 'Special Investment Fund' and therefore all costs associated with the management of those funds should be exempt from VAT. NEST Corporation concluded it should be treated as a Special Investment Fund and all UK based Scheme administration services provided by TCS be treated as exempt from VAT.

Consequently TCS is entitled to recover from HMRC all VAT paid in respect of services provided to NEST for the period commencing four years prior to the submission of the first claim in October 2014 (i.e. from October 2010) to the date TCS ceased charging VAT (i.e. to 30 November 2016). All monies recovered by TCS must be passed over to NEST.

TCS and HMRC are in on-going dialogue and while HMRC have agreed to NEST's status as a Special Investment Fund the reclaim is subject to HMRC's due diligence process and the exact amount will not be known until such process is completed. Management's best estimate of the amount receivable is between £15m to £20m with the most likely settlement being £16.9m. The matter is expected to be finalised in the 2017/18 financial year with two payments receivable to cover the periods from October 2010 to September 2014 and October 2014 to November 2016.

19 Losses and special payments

There are neither losses nor special payments to disclose for 2016/17 nor 2015/16.

20 Related-party transactions

NEST Corporation is a non-departmental public body accountable to the Secretary of State for Work and Pensions and is classified as a public corporation. DWP is NEST Corporation's sponsoring department and the two bodies are regarded as related parties. During the year, NEST Corporation had a number of material transactions with DWP. These are detailed in the table below:

	Note	Year ended 31 March 2017 £000		Year ended 31 March 2016 £000	
		Income	Expenditure	Income	Expenditure
Loan funding and repayment	12	79,500	-	72,500	-
Loan interest	6	-	29,087	-	25,556
Other transactions	4	17,700	2,931	15,066	3,050
Total		**97,200**	**32,018**	**87,566**	**28,606**

At 31 March 2017 excluding the liability to repay the loan which does not come into effect for more than 12 months, NEST Corporation had £13.4m outstanding liability with DWP (2015/16: £12.2m).

This relationship with DWP includes provision to NEST Corporation of:
a) loan funding
b) public service obligation offset payments and grant income, and
c) property operating lease and secondees.

In addition, NEST Corporation has had a small number of relatively low-value transactions with other government departments and other central government bodies.

During the period NEST Corporation received income from the NEST pension scheme of £15.2m (2015/16: £9.0m), see note 5 for details.

NEST Corporation is a participating employer in the scheme. Contributions of £926k (2015/16: £904k) were payable by NEST Corporation to the scheme during the period.

No board members, senior managers or other related parties have undertaken any material transactions with NEST Corporation during the period.

21 Cashflow analysis

	Note	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Non Cash items			
Depreciation and amortisation incl. non-TCS	3	10,886	14,192
Impairment of scheme assets	3	3,157	-
(Release) of lease incentive reserve	3	(73)	(73)
Loss on disposal of assets	3	63	48
Prepayment asset refresh		(386)	(1,208)
Reduction of asset refresh prepayment due to change in VAT status		1,276	-
Offset for lease liability		(1,881)	(1,711)
Finance credit charge		305	309
Total non cash items		**13,347**	**11,557**
Purchase of PPE and intangible assets			
Purchase of software licences	8	-	(5)
Purchase of furniture and fittings	7	-	(2)
Purchase of IT	7	(30)	(3)
Total PPE and intangible assets		**(30)**	**(10)**
Advance payments			
Total advance payments made in the year		**(10,045)**	**(8,926)**

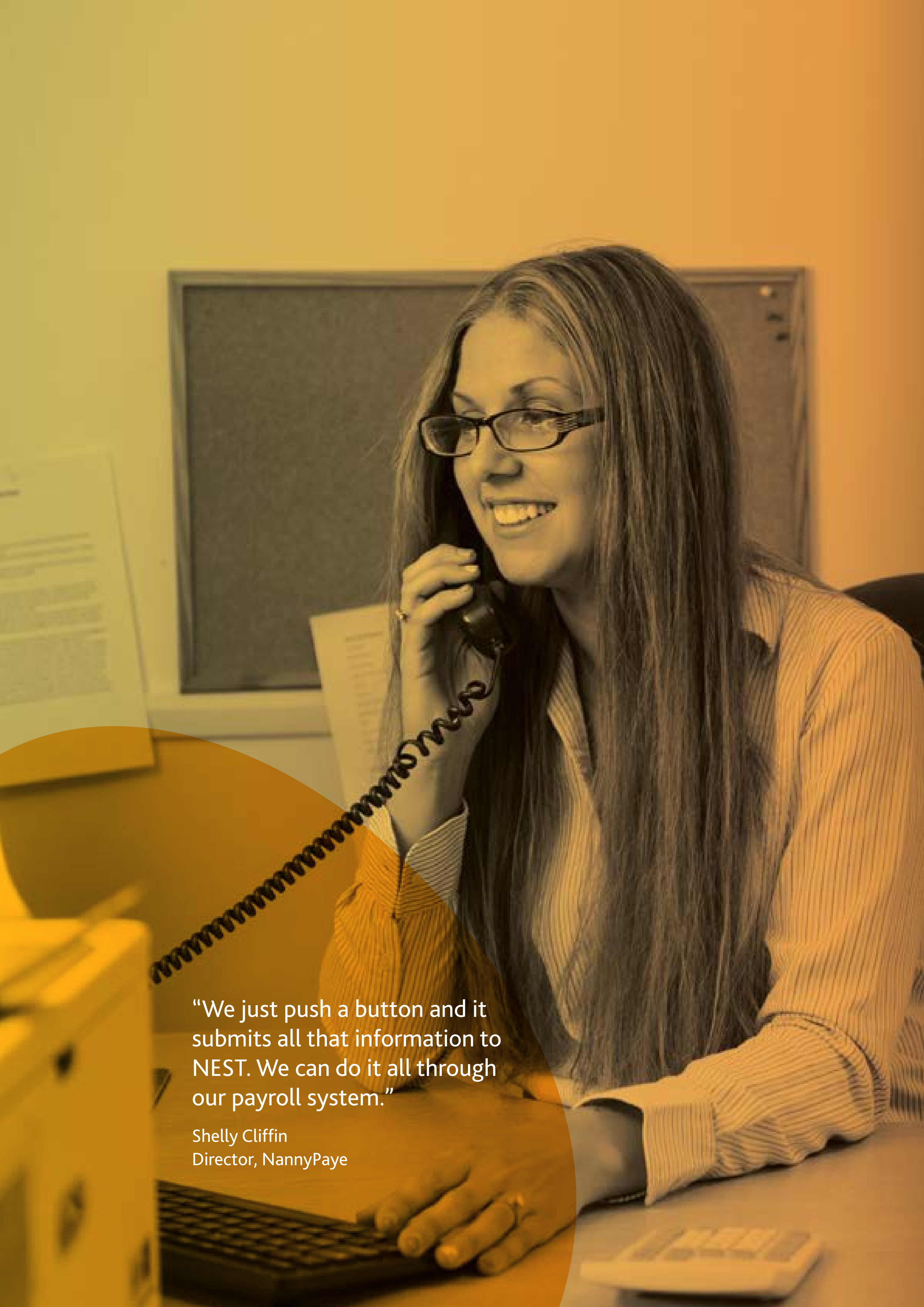
22 Political and charitable donations

NEST Corporation made no political or charitable donations in the year.

23 Events after the reporting period

There were no events after the reporting period.

IAS 10 Events after the Reporting Period requires NEST Corporation to disclose the date on which the financial statements are authorised for issue. This is the date of the certificate and report of the Comptroller and Auditor General.



"We just push a button and it submits all that information to NEST. We can do it all through our payroll system."

Shelly Cliffin
Director, NannyPaye

Appendices

Appendix one

Direction in relation to the annual report and accounts of the National Employment Savings Trust Corporation.

Given by the Secretary of State for Work and Pensions, Under Schedule 1 to the Pensions Act 2008.

1. In exercise of the powers conferred by paragraphs 17(2)(b) and 20(2) of Schedule 1 to the Pensions Act 2008 (c.30), the Secretary of State hereby directs the National Employment Savings Trust Corporation (NEST Corporation), as follows:

2. NEST Corporation shall prepare accounts for the 12 month Year ended 31 March 2012, and subsequent financial years, in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by HM Treasury (FReM) which is in force for the financial year for which the accounts are being prepared.

3.These accounts shall be prepared so as to:

a. give a true and fair view of the state of affairs of NEST Corporation at 31 March 2012 and subsequent financial year-ends, and of the income and expenditure, changes in taxpayers' equity and cash flows for the financial year then ended, and

b. provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

4. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be agreed with the Department for Work and Pensions and HM Treasury.

5. NEST Corporation must disclose in its accounts:

a. the loan from the DWP and any other loans for which NEST Corporation is responsible for and on behalf of NEST, together with interest charges related to those loans

b. contracts for scheme services, for example scheme administration, entered into for and on behalf of NEST

c. receipt of deductions made from members' accounts to contribute to the general costs of the setting up, administration and management of NEST.

6. NEST Corporation's accounts will not consolidate the accounts of the NEST pension scheme.

7. In its annual report, referred to in paragraph 17 of Schedule 1 to the Pensions Act 2008, NEST Corporation is to include the report on NEST Corporation's proceedings during the year.

8. In accordance with paragraph 20 of Schedule 1 to the Pensions Act 2008, NEST Corporation is to prepare an annual statement of accounts for NEST Corporation. The accounts will include the certificate and report of the Comptroller and Auditor General on the NEST Corporation Accounts. NEST Corporation came into force on 5 July 2010, and simultaneously its predecessor body, The Personal Accounts Delivery Authority (PADA), was wound up. For the financial year 1 April 2010 to 31 March 2011 only, the Annual Report and Accounts, referred to in paragraphs 7 and 8 above, will cover the full financial year, incorporating the period relating to PADA. The financial statements will also clearly show a separate wind-up account for PADA for the period 1 April 2010 to 4 July 2010. However, there is no need to prepare a separate SIC or management commentary as these items can be included in the overall accounts and report for NEST Corporation.

9. This Direction revokes and supersedes the Accounts direction issued to PADA on 29 April 2009. This Direction is signed by the authority of the Secretary of State for Work and Pensions.

Jos Joures
3 March 2011
Report and Accounts of the National Employment Savings Trust Corporation

Appendix two

Delivering sustainable value for members – NEST Corporation's corporate responsibility.

Values and behaviours

NEST Corporation is committed to the continued development of NEST's culture. We work hard to understand staff engagement and how we can improve as an employer.

- Our performance management framework reinforces NEST's values and behaviours.
- The NEST Code of conduct sets out standards and ethical principles that all of our employees are required to uphold.
- We have refocused our strategic priorities to enable NEST Corporation to attract, retain and develop the talent and skills we need.

Governance

The NEST Trustee has continued to oversee the running of the NEST scheme and its capacity to develop employer and member propositions. It has assisted growing volumes of employers and members as they join the scheme.

People

We conducted our latest staff survey in January 2017. Our engagement index from this survey went from 50 per cent in January 2016 to 47 per cent, which is 4 per cent less than the Aon UK average of 51 per cent.

Our staff's strength of purpose at NEST is a major benefit, with all staff understanding why NEST exists, and 88 per cent understanding what the organisation wants to achieve. A total of 81 per cent of staff are willing to go the extra mile to achieve that, well above Aon's UK benchmark for that measure. We've seen positive progress in clarifying individuals' roles and how these contribute to the overall success of NEST, and we continue to work on developing management skills and promoting a positive work/life balance.

NEST Corporation continues to be a London Living Wage employer. We ensure that our staff and those that service our building also receive this level of pay or above.

NEST Corporation has also renewed its Pension Quality Mark (PQM Plus) status in March 2016, in line with our commitment to ensuring our staff are remunerated fairly and receive high quality pension provision.

We continue to maintain an annual review cycle of our internal policies to ensure they remain fit for purpose. We also support our people in 'doing the right thing'.

NEST is an equal opportunity employer and is committed to a policy of treating all of its employees and job applicants equally. As part of this, NEST reviews data on the diversity of its workforce, as well as the effect of pay and other decisions on NEST Corporation staff.

Role in the community

NEST Corporation enables its staff to take up to four volunteering days each year. Our people have supported a range of projects and organisations in the local community.

NEST members

We continue to research our membership to understand their interests as well as we can. From our latest 2016 customer experience research, via our 'voice of the customer' programme, we have found that members remain generally satisfied with NEST, with an increase in satisfaction levels compared to 2015. Most NEST key customer metrics are improving compared to the previous year. Members who have logged in to their online account are still more satisfied and positive on a number of different factors compared to those who have not.

Employers

From the same research programme, our annual employer benchmarking survey of 2016 shows NEST employers have a slightly more positive view of NEST than in the previous year, with the majority strongly satisfied. An increased proportion find set up easy and NEST straightforward and hassle-free.

Environment

Our sustainability reporting aims to conform to the Greening Government Commitments.

NEST Corporation is located at Riverside House, a modern, multi-tenanted building in central London. The building management has control of energy usage for example through:

- an onsite technical manager with responsibility for energy management and reduction
- ensuring that the building management system is running efficiently and correctly with monthly meetings held to review energy management progress
- use of energy meters on the large pieces of equipment to monitor usage

- an energy policy designed to guide energy related decision making and to support an effective energy management strategy
- use of motion activated low energy LED lighting.

Tenants are not provided with accurate energy usage data, as a part of the multi-tenant arrangement. The data we are provided with is for the building as a whole. As a result, the level of detail that we can report on scope 2 emissions is reduced. We have based our calculations on the amount of space we occupy within the building.

Up to March 2016 NEST occupied 21 per cent of the building, so our data for 2015/16 shows that percentage of the overall data for the building for this period. From March 2016, NEST Corporation gave back a small portion of its premises to DWP. The new overall percentage of space occupied is 17.95 per cent and this has been used for the relevant 2016/17 calculations, to provide an indicator of our environmental impact.

As tenants NEST will work with building management to participate in sustainability plans for the building.

Summary

There has been an overall reduction in emissions from last year. Most of this reduction will be due to the handover of 3 per cent of the total building space (equates to 14 per cent reduction of our used space) back to DWP and a 11 per cent reduction in the conversion factors. There has also been a reduction in business travel driven by the necessity of all travel, however this is likely to fluctuate from year to year given the relatively low consumption levels.

Increases compared to the last reporting period include private vehicle use and paper usage. Private vehicle usage has increased slightly and is primarily used by the team who visit customers and potential customers. We have initiatives in place to try and reduce the use of paper including wider use of laptops.

Overview of performance

Summary of 2016/17 year performance		
Area	Actual performance	Normalising data (per FTE)
Average annual full-time equivalent staffing figure: 243[2]		
Estate energy and emissions		
GHG emissions from offices	256 tonnes CO_2e	1.06 tonnes CO_2e
Total organisation energy consumption	732,552kWh	3,015 kWh
Total energy expenditure	£74,263	£305.61
Travel emissions[3]		
CO2e emissions from business travel	160 tonnes CO_2e	0.66 tonnes CO_2e
Total expenditure on business travel	£189,646	£780.44
Waste		
Total waste produced	19.3 tonnes	0.08 tonnes
Total recycled/reused	7.9 tonnes	0.03 tonnes
Total incinerated	11.4 tonnes	0.05 tonnes
Total to landfill	Nil	Nil
Total waste expenditure	£4,750*	£19.55*
Paper		
Total paper usage	5 tonnes CO_2e	0.02 tonnes CO_2e
Total paper expenditure	£3,483	£14.33
Water		
Total water consumption	2,125 m^3	8.7 m^3
Total water expenditure	£4,985	£20.51

[2]This figure includes employees, interims, secondees and consultants.

[2]Does not include bus/metro/tube/tram for official business travel as data collection and robust estimate not currently possible.

* Total waste expenditure does not include cost of confidential waste recycling. We are issued with an overall service charge by our facilities management provider and it is not possible to disaggregate this cost.

Greenhouse gas emissions

The data for the scope 1 and 2 emissions for 2016/17 are taken as a percentage of the overall data for the building as a whole based on our 17.95 per cent occupancy to provide us with an indication of performance.

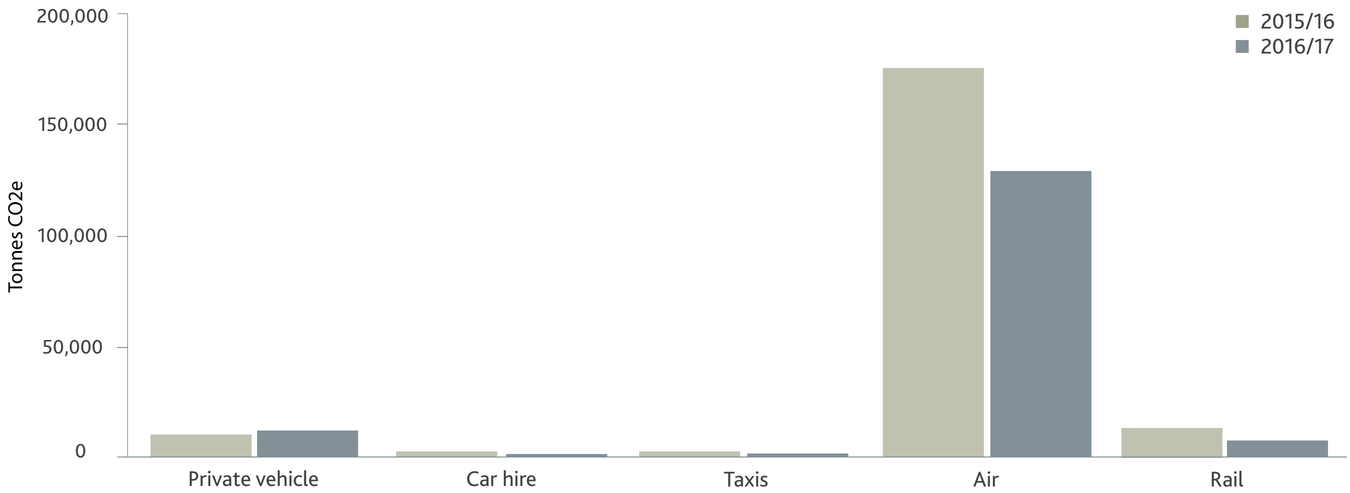
The scope 3 data is captured directly from expense claims and/or contract costs/reporting. We have only reported on paper purchased directly through our stationery suppliers.

Greenhouse gas emissions		2014/15	2015/16	2016/17
Non-financial indicators (tonnes CO2e)	Scope 1 – Gas			
	Gas	39.3	46.4	36.6
	Total scope 1	**39.3**	**46.4**	**36.6**
	Scope 2 – Electricity			
	Electricity: brown	234.0	244.9	164.9
	Electricity: green	31.2	32.7	22.0
	Electricity: CHP	46.8	49.0	33.0
	Total scope 2	**312.0**	**326.6**	**219.9**
	Scope 3 – Business travel			
	Private vehicle	5.8	13.7	14.3
	Car hire	7.0	1.1	0.4
	Taxis[3]	0.9	2.1	1.0
	Air	246.0	183.0	134.0
	Rail	16.0	18.2	10.3
	Total scope 3	**275.7**	**218.1**	**160.0**
	Total emissions	**627.0**	**591.1**	**416.5**
	Scope 3 – Paper			
	Paper	6.8	4.7	5.0

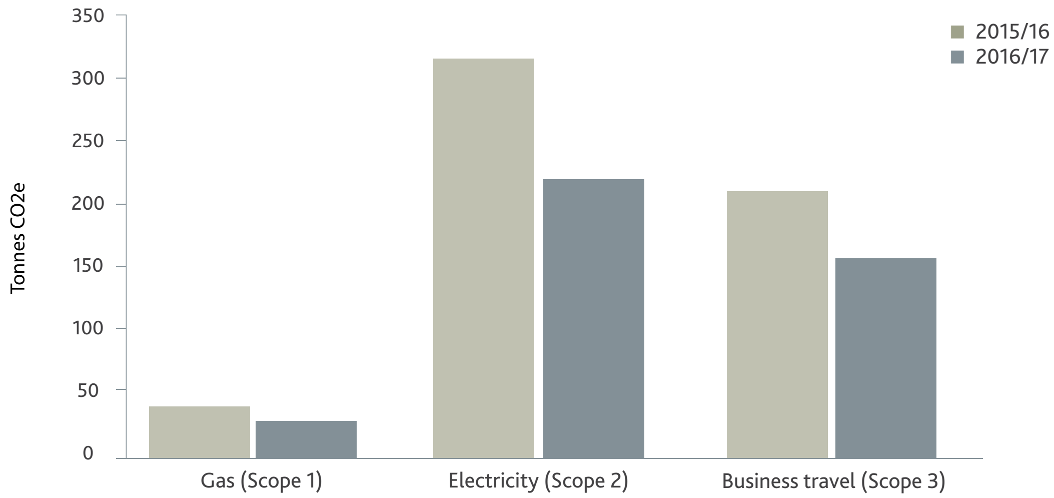
Greenhouse gas emissions		2014/15	2015/16	2016/17
Related energy consumption (kWh)	Scope 1 - Gas			
	Gas	212,690	251,447	199,020
	Scope 2 – Electricity			
	Electricity: brown	473,431	529,816	400,150
	Electricity: green	63,124	70,642	53,353
	Electricity: CHP	94,686	105,963	80,029
	Total electricity	**631,242**	**706,421**	**533,532**
Financial indicators (£)	Scope 1 and 2 – Gas and electricity			
	Gas	8,649	7,857	4,544
	Electricity: brown	64,953	n/a	52,289
	Electricity: green	8,660	n/a	6,972
	Electricity: CHP	12,991	n/a	10,458
	Scope 3 – Business travel			
	Private vehicle	8,077	19,897	21,592
	Car hire	4,400	1,588	561
	Taxis	6,136	8,448	7,612
	Air	185,615	94,407	84,147
	Rail	105,615	69,525	75,734
	Scope 3 – Paper			
	Paper	3,157	3,298	3,483
Volume of paper in reams	Scope 3 – Paper			
	A4	1,230	1,150	1,290
	A3	30	65	40

[3] Assumption that 50 per cent black cab, 50 per cent regular taxi.

Business travel emissions



Greenhouse gas emissions



GHG performance commentary including target

NEST Corporation is located in a well maintained, energy efficient building. It has shown a reduction of both electricity CO2e and gas CO2e use, reflecting the reduced floor space NEST now occupies. Although we do not have any direct influence on building management we will continue to work with our landlord on any energy management initiatives. Due to this we feel that a scope 1 and 2 emissions reduction target is currently unachievable.

The largest emissions decrease for 2016/17 has been due to reduced office space occupancy and decrease in emission factors. Business travel has reduced with the largest being for air and rail travel. Although there wasn't an official policy to reduce business travel, this has been the trend within the business with all travel being scrutinised for its necessity.

There was a slight increase in private vehicle use. This reflects a change in the NEST driving policy and an increase in staff numbers for the team that are required to use private vehicles as part of the job function.

There has been an increase in A4 paper consumption. An existing initiative is scanning of invoices instead of copying and keeping hard copies and we also have an Electronic Documents & Records Management specialist working with us to manage our overall document and data requirements. Part of this initiative is to reduce physical storage of paper documents. The deployment of laptops to the majority of staff should also reduce print requirements for meeting papers.

Use of finite resources

Water consumption (scope 2)		2014/15	2015/16	2016/17
Non-financial indicators (m^3)	Water consumption	3,187	2,055	2,125
Financial indicators (£)	Total water costs	6,468	Unknown	4,985

Performance commentary

Greening Government Commitments states that typical usage for an organisation of our size and structure is 4-6m^3 per person. Our current usage is 8.7m^3 per person which is a 5 per cent increase from the previous year. This amount is an approximation as the building landlord has supplied us with the total consumption for the whole building and we have used 17.95 per cent of those totals as that is the amount of space we occupy.

Waste management

Waste		2014/15	2015/16	2016/17
Non-financial indicators (tonnes)	Waste to landfill	0	0	0
	Waste recycled/ reused	10.7	11.4	7.9
	Waste incinerated[4]	11.9	12.9	11.4
	Total waste	22.6	24.3	19.3
Financial indicators (£)	Total waste costs[5]	Unknown	Unknown	4,750

Performance commentary

NEST Corporation can recycle all of its waste streams and we have a one waste bin system to aid the recycling rates. Non-recyclable waste is incinerated for energy recovery.

There were some missing data for confidential waste recycling. The data for the missing months has been scaled up to account for it.

The figure for recycled/reused and incinerated waste is an approximation based on our 17.95 per cent occupancy. There has been 12 per cent decrease in waste for incineration. Incinerated waste is part of a “waste to energy” system whereby the process of incinerating waste produces energy (electricity).

[4]Waste is incinerated by waste contractor with energy recovery.

[5]Financial data for previous years’ individual waste categories is not currently available.

Total waste costs do not include cost of confidential waste recycling. We are charged an overall service charge by our facilities management provider and it is not possible to disaggregate this cost.

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