Nest, the National Employment Savings Trust

Corporation annual report and accounts 2023/24



HC 466

Nest,
the National Employment Savings Trust

Corporation annual report and accounts 2023/24

For the period 1 April 2023 to 31 March 2024

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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 performance and position.

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.

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Chapter 1

Performance report

This chapter explains how Nest Corporation operates as Trustee of the Nest Scheme. It sets out our objectives for serving our customers and delivering the Scheme in our members' interests. It also describes how we have worked towards fulfilling these objectives during the 2023/24 financial year.



Performance overview

This section sets out key facts about Nest Corporation's organisation, purpose and objectives. It provides a summary of our performance during 2023/24, including principal risks and our overall financial position.



Chair's statement



Brendan McCafferty, Chair, Nest Corporation

The last year has continued to be challenging for many members. The cost of living and inflation have often meant difficult choices for people. Despite this, members have persisted with saving through automatic enrolment to their Nest pensions pot, with only 9% opting out. This persistency of saving offers peace of mind to members as they build a foundation of financial security on which to retire.

The year in review

Nest Corporation and its Board of Directors are the Trustee of the savings our members accumulate. We make decisions in the members interest, and we do that conscious of the importance of value for money in our costs and charges and the importance of delivering our investment goal of returns that are 3% higher than the Consumer Price Index (CPI) over the long term.

Nest Corporation and the Scheme entered financial year 2023/24 with a level of uncertainty. Financial markets started the year with questions over whether economies will enter recession as the impact of higher interest rates and inflation began to affect households. Internally, a key contract with our strategic scheme administration partner Tata Consultancy Services Ltd (TCS) has been re-contracted for ten years. Nest has undertaken strategic work to explore how we will best position our ways of working to meet the new challenges and opportunities facing the Scheme and Corporation as the UK pensions market, investment markets, technology and customer expectations change, in the years ahead.

Over the year we have made excellent progress in executing against our Corporate Plan. Implementation of the new scheme administration solution has started, which as well as developing our service in the years ahead, will deliver significantly lower administration costs. We have also worked closely with stakeholders to develop our thinking around retirement offerings to better support our members in later life and plan to continue to evolve our offering significantly in future years.

We have remained focused on enhancing the value of members' investments over the long term, introducing new investment mandates aimed at delivering the best retirement outcomes for our members. Diversification of our investment strategy through these new mandates offers alternative types of investments in private markets and infrastructure whilst supporting our commitment to responsible investment. Our 'default' investment approach continues to perform well, with 10-year annualised returns of 8%, outperforming our objective of 6%.

The Scheme invests at scale in the United Kingdom, more than a fifth of our investments are based here. Nest members are UK workers and through our £8 billion investment we help support their jobs, their communities and the infrastructure they use. Our members money has placed more than £900 million into infrastructure projects including renewable energy, housing and fibre networks, benefiting the local communities in which members live and work. We support major employers, investing around £2.7 billion into shares and corporate bonds of established UK companies. These investments help support a thriving UK economy, which boosts our members salaries and pension pots. We will continue to look for opportunities here in the UK and expect to have £20 billion invested by the end of the decade.[1]

This year has also marked an inflection point for Nest Corporation, as we continue to work towards operating as a self-financing, profit for members business. Our final drawdown from the government-provided loan facility was taken in March 2024, over the next 15-years we are forecasting to comfortably repay the loan in full in line with our agreement with Government. We will continue to deliver on our Public Service Obligation, accepting any employer who wants to use us to meet their auto enrolment duties.

In July 2023, we announced that Helen Dean had decided to step down as the CEO of Nest Corporation. The strong position Nest finds itself in today is in no small part down to Helen and her excellent leadership. Helen was one of the architects of the hugely successful auto enrolment policy at the Department of Work and Pensions (DWP), before moving to The Personal Accounts Delivery Authority (PADA), Nest's predecessor, with the task of building a low-cost, high-quality pension scheme from scratch. Helen's energy, expertise, and passion for the project has been an important part of our success, responsible for helping 13 million members build towards a financially secure retirement. I want to thank Helen sincerely for all her hard work and skill as Nest CEO.

Helen's departure in April 2024, after the Corporation's year end, saw the appointment of Ian Cornelius as our interim chief executive. Ian brings 25 years of experience in senior executive roles with leading financial services brands including over ten years at Skipton Building Society, a Mutually owned organisation. Ian's expertise in retail financial services and customer insight will be valuable as we build on our achievements and accelerate our purpose-driven plans that keep our low to middle income members at the heart of everything we do.

How we performed

As at 31 March 2024, we were investing pension savings for just over 13 million Scheme members, equivalent to 43% of payrolled employees in the UK.[2] Within our membership, close to 4 million members contributed into the Scheme at the year end, with an average of over £600 million in new contributions received each month. Some members have contributions going into their pot every month, some only now and then, and some have a pot from a previous employment in our safekeeping.

The large majority of Scheme members remain in our 'default' investment approach. The 2040 Nest Retirement Date Fund, for members expecting to retire in 2040, is representative of the phase when we seek growth for our members savings. Our long-term objective is to achieve investment returns of at least 3% above inflation as measured by CPI. The 2040 fund's annualised returns over one-year of 14% outperformed our objective of 6%. The positive performance of the Scheme over the last year exceeded our expectations, however as always, we remain focused on the long-term investment horizon. Our diversified investments are designed to reduce volatility and our 10-year annualised returns of 8%, continues to outperform our objective of 6% over the same period.

Over the past year interest rates and inflation have remained higher than recent history impacting household finances. Through 2023/24, we have taken great pride in knowing members continue to save with us despite squeezes on their personal finances. We recognise that members are looking to us, to help provide comfort and financial peace of mind when thinking about the future and we work hard to demonstrate to our members the importance of saving over the long-term to help them achieve better retirement outcomes.

1 Data correct at time of print; however, asset allocations are indicative only and subject to change.

2 Labour Market overview, UK – Office of National Statistics **(ons.gov.uk)**

Developing our investment strategy

As at 31 March 2024, we were managing £40.6 billion on behalf of the Scheme's members. Our evolving investment strategy allocates funds between growth-seeking, capital preservation and income-seeking assets with the aim to best meet members' different needs throughout their saving journey.

Throughout the year we have launched new investment mandates designed to offer diversification, alternative return opportunities and support for our commitment to responsible investment. In September 2023, we announced our future investment into timberland in summer 2024. This form of natural capital will allow us to invest in productive forest lands, providing diversification into an asset that has traditionally shown low correlation with traditional stocks and bonds, as well as resilience to shorter term market dynamics. In February 2024, we announced the development of our multi-thematic equity fund with Lombard Odier. Through actively investing based on key themes such as climate change mitigation, natural capital and key social issues, we aim to provide sustained investment growth opportunities across our portfolio.

These new mandates will aid progress towards our ambition to be a 'net-zero' investor by 2050 at the latest, with the shorter-term target of halving the carbon footprint of the scheme's investments by 2030. As at 31 March 2024, around half of total net assets were held in climate-aware equities. We believe that in order to fulfil our duty and to protect and enhance the value of members' investments over the long term, we must act as a responsible and vigilant asset owner and market participant.

Over this last year we escalated our engagement on managing climate risk within our portfolio. We co-filed a shareholder resolution at Barclays 2024 annual general meeting asking the company to issue a report describing how it is responding to the risk of stranded assets of planned new oil and gas infrastructure and assets. Barclays' CEO has committed to an annual meeting with the co-filing group, and we look forward to continuing the engagement. We joined new investor initiatives over the last year to help deliver on our responsible investment priorities and contribute to new industry investor frameworks. For example, we contributed to the development of the sector-specific Asset Owner guidance published in April 2024. We also participated in a thematic working group on embedding low carbon transition considerations into the framework.

Serving our customers

We build our service based on our understanding of the needs and behaviours of our customers. A core element of this commitment is delivering a reliable service which helps maintain good customer satisfaction. In 2023/24, 71% of surveyed members and employers stated we deliver a good to excellent service.

Clear communication is a critical tool in ensuring our service remains easy to use for members and employers. We've continued to improve the quality of our messaging and the number of channels in which we interact with our customers. We have increased the scope and number of our employer webinars, providing practical guidance on such things as automatic enrolment regulation updates, late payments and "how to" demonstrations. We have explored new online channels and delivered proactive direct communications designed to provide valuable information to members to help them make the most of their Nest account. These campaigns aim to help demystify pensions and build our members' understanding and trust in saving into their pension.

Delivering a reliable service during a forecasted period of growth requires us to adapt our systems and processes to manage the increased scale and complexity of the Scheme. In May 2024, we announced the appointed of Northern Trust as our new partner for fund administration. The partnership with Northern Trust provides a platform capable of managing growth across our highly diversified portfolio, enhancing the investment services available to members and supporting the implementation of our private markets programme.

Evolution of our service is vital to keep pace with growing customer expectations, advances in technology and the ever-evolving threats from fraud and cybercrime. Through our partnership with our scheme administrator, we aim to transform our service through a modern, componentised architecture that has data and insight at its heart. The service will be supported by a commercial framework that focusses on the quality of experience our customers receive. We continue to progress the transformation programme with our new service delivering enhanced value to members from summer 2025.

Our new scheme and fund administration solutions will be developed to provide the data and insight we need to understand our members and their needs. This insight will be central in the decision-making process, influencing our scheme design and investment approach.

As noted in last year's annual report and accounts, following the ending of our partnership with Atos BPS and in the interest of good practice, we appointed an independent advisor, Grant Thornton, to conduct a thorough lessons learnt exercise to review the procurement and subsequent implementation programme. Nest have reviewed how the recommendations made by Grant Thornton relate to wider change management and will make necessary changes to improve how we evolve and progress.

This has been a very valuable exercise, and the lessons learnt will be taken forward to ensure we continue with a successful transformation of the service for our customers with our strategic partner, TCS.

Looking forward

As we action our new customer strategy, we will update and improve the services we offer our customers. Following the Government's published consultation response on helping savers understand their pension choices, we will develop our customer proposition to support Government objectives on financial resilience and pensions provision. We continue to support the DWP and Money and Pensions Service (MaPs) in the delivery of the pensions dashboard programme, providing individuals with access to clear and simple information about their multiple pension savings. Through our transformation programme we will refresh the technical architecture and core journeys our customers experience. These changes will improve our services, ensuring interactions with the Scheme are as easy as possible.

Nest Insight continue to research how best we can support people to be financially secure, both today and into retirement. Recent published studies have investigated themes around pension adequacy, auto enrolment's impact on borrowing behaviours and the understanding of peoples lived financial experiences. Our findings are made available, and are valued by, policy makers and market participants. In sharing these resources we aim for as many people as possible to benefit from our work.

Governance and stewardship

Strong governance is key to ensuring good outcomes for our members. Diversity of thought and experience is vital in ensuring that strong governance. This year we have extended the Board's range of experience with three new appointments, Helen Copinger-Symes, Nina Hingorani-Crain, and Nikki Marsh. Our new members provide a wealth of knowledge and diverse skills across financial services, public sector and delivering a customer-centric culture. I would like to thank outgoing members Mutaz Qubbaj and our CEO Helen Dean for their dedication and meaningful contributions to the Board during their tenure.

Dependable access to Scheme services would not be possible without our key business partners – our Scheme administrator, TCS, and our fund administrator, State Street Bank and Trust Company (STT). Through the provision of a reliable, quality service they enable us to deliver on our purpose.

Nest is committed to being open and inclusive while remaining focussed on the low to median earners we were set up to serve; we seek to support members through propositions that meet their needs along with exemplary investment practice and good returns. The passion of the talented team at Nest Corporation and their dedicated hard work shapes the future of the pensions industry and I want to fully acknowledge their skill and dedication. As the Scheme continues to grow, we will remain singularly focused on our low to middle income earner, members' best interests, and delivering a pension they continue to have good reason to trust.

Brendan McCafferty
Chair, Nest Corporation



CEO's statement



Ian Cornelius, Chief Executive Officer (Interim), Nest Corporation

Since joining Nest, I have been struck not only by its success but by the talent, commitment and care displayed by colleagues to help our members achieve better retirement outcomes.

The scale of the Scheme, delivered under the excellent leadership of my predecessor Helen Dean, allows us to offer an easy-to-use service at low charges to all. Nest is a vital organisation in supporting low – and median-income earners in saving towards, and enjoying, a better retirement.

It is my job to build on Nest's achievements. Accelerating our purpose-driven plans and helping to deliver financial peace of mind for all. We are a Scheme open to any employer or self-employed individual and we place member focus at the centre of everything we do. Building our products and service around the needs and behaviours of our customers.

Delivering on our business plan

As the world around us evolves, with social, economic and technological change, Nest and our services must adapt to meet the needs of our customers.

We have agreed our new customer strategy, centred around investment in the products and services we offer and developing the customer experience. Ensuring we are best placed to support members as they build towards a more financially secure future. Supported by investment in our data platforms, we aim to become a much more data-driven organisation helping to better understand our customers and focus our decision making.

Over the year, we have procured new scheme and fund administration platforms. Alongside our partners, TCS and Northern Trust, we will develop customer-centric solutions to form the basis of the transformed service. These platforms will be built on modern technological architecture with data at their heart. This insight will allow us to adapt the service and focus on the quality of customer experience, all whilst keeping members assets and data secure. Implementation of the new platforms will be delivered ahead of operational commencement in 2025.

As we disclosed last year, during 2023/24 we spent time conducting a thorough lessons learnt exercise, alongside independent advisors Grant Thornton, reviewing the exited procurement and implementation programme with Atos BPS. Further details can be found on **pages 26** and **70**.

During the year, we opened new communication channels and improved the quality of our messaging, providing practical advice and valuable information to help customers maximise the benefits of their Nest account. These improvements to our easy-to-use processes aim to promote members' confidence and trust in saving with us. This has been achieved whilst maintaining our usual high standards of service. During 2023/24, the Scheme's service channels were available 99% of the time.

Our financial performance during 2023/24 remained strong, underpinned by growing levels of contributions, favourable investment performance and continued focus on delivering value for members.

Contributions into the scheme reached £7.3 billion, an 11% increase to prior year. Despite ongoing challenges on household finances, members continue to trust us to support their journey towards saving for a better retirement.

We grow assets in a way fit for the Scheme's growing membership, with an investment strategy designed to deliver long-term returns in excess of inflation. The long-term performance of the Scheme's funds has remained positive, and we remain focused on delivering returns through responsible investment. One-year returns, supported by greater optimism within the global financial markets, grew members assets by £4.7 billion. At the end of March 2024, total net assets managed by the Scheme reached £40.6 billion, an increase of 37% to prior year.

Progress towards our goal to become a self-financing, profit-for-members organisation reached a significant milestone this year. Our public service obligation to accept any employer who wants to use us to meet their auto-enrolment obligations is supported, in part, by a loan from government. This year we made the final draw down from this loan facility. During 2023/24 we concluded the year with a net expenditure of £6.2 million, from 2025/26 we expect to achieve a net income position. Further details on our financial performance can be found on **page 29**.

As a major financial services organisation, we recognise the impact the investments we make can have on the world. During the year we have evolved our strategy to include alternative return opportunities, provide diversification and support our commitment to responsible investment. Promotion of sustainability aims to improve the world in which our members live, work and retire. We use our position to support companies with sound environmental, governance and social practices, whilst challenging those companies who should be doing more.

Supporting our people

It is important the capability and culture within the organisation is right to deliver on our strategy. We must empower colleagues to drive the change required to support future growth.

Through the year we have strengthened our capability, leadership and ways of working to support our talented colleagues. We have initiated changes to the organisational structure within the customer experience and investment departments. The aim of these changes is to ensure we create a better working approach and environment. One where decision making can be nimble and fast-paced to deliver on our ambitious programme of work and support the growing Scheme.

Additional tools and training have been introduced to help staff develop. This includes greater support for wellbeing and empowering our people to control their own development. We continue to recognise the benefits of flexible working for both employees and the organisation. This year we committed to reducing the size of our office, to realise savings for our members, as well as deploying improved technology to enhance collaboration and mobile working. We are continuing to explore further changes to better support hybrid ways of working.

We remain committed to the long-term goal of ensuring Nest is a fair and equitable workplace. Latest reports highlight progress reducing the gender pay gap (**page 80**), unfortunately the ethnicity pay gap (**page 80**) has increased over the year. Movements in both the gender and ethnicity gap are due to proportional changes within senior leadership roles. Collaboration continues with our diversity, equity and inclusion working groups to deliver our targets, which remain unchanged.

Looking forward

Looking ahead, we will accelerate delivery of our new customer strategy, using the foundations created over this year. We will deliver an easy-to-use service, with customer needs and expectations at its heart. Through collaboration with our partners, we will transform the service to deliver intuitive customer journeys and flexible channels of engagement within a future ready, robust solution.

Over the coming years Nest is likely to be one of the largest UK pension schemes by both asset size and membership. We must utilise this position to promote sustainability, support diversity and inclusion and improve the world in which members live, work and retire. Our investment strategy will evolve as we progress towards the ambition of being a 'net-zero' investor by 2050 at the latest. Where appropriate, we will engage with corporations to ensure sound environmental, social and governance (ESG) practices.

To support members financial journey, we will explore the products and services we offer. Delivering market leading solutions to help low – and median-income earners maximise their retirement outcomes. This analysis will be supported by Nest Insight, our public-benefit research and innovation centre, who through using rigorous, cutting-edge research will help us identify practical, real-world solutions to improve members financial futures.

We will continue to meet our public service obligation and look forward to working with the government to support ongoing auto enrolment policy and legislation, including how best to support our members access their retirement savings.

Ian Cornelius
Interim Chief Executive Officer, Nest Corporation

About Nest Corporation

This section details who we are, how we are structured and what we aim to achieve.

What is Nest?

Nest, the National Employment Savings Trust, is a workplace pension scheme established by an Act of Parliament (the Pensions Act 2008) to help support the introduction of auto enrolment.

The Nest Scheme, or the Scheme as we refer to it in this report, is authorised as a master trust by The Pensions Regulator (TPR). A master trust is used by two or more employers to provide benefits in retirement based on the members' contributions into the Scheme and the returns after charges[3] on the investment of that money.

What is Nest Corporation?

Nest Corporation is the Trustee for the Scheme. We are a public corporation which operates at arm's length from the government (known as an arm's-length body). We are accountable to Parliament through the Department for Work and Pensions (DWP).

Our purpose

To help millions enjoy a better retirement.

What we do

We enable our members to save into a high-quality pension scheme at a low cost. Due to our scale, we are able to offer them a sophisticated investment strategy and easy-to-use services while keeping our charges low. We pride ourselves on our approach to responsible investment.

Any employer, however large or small, can use the Scheme if they want to. Self-employed individuals can also use it.

Our structure

Nest Corporation is comprised of up to 15 Board members and the corporation's employees. We refer to our Board members collectively as the Board of Nest Corporation, or simply the Board.

Further details about our structure are on **page 54**.

3 We have used the phrase 'after charges' throughout this report when referring to investment returns. The return figures are net of costs and charges including the annual management charge and transaction costs but not the member contribution charge. The transaction costs include both explicit and implicit costs, where applicable. Explicit costs are directly observable, such as broker costs. Implicit costs, such as market impact, are not as clearly visible.

Our business model

We operate a predominantly outsourced business model. We work closely with our outsourcing partners to deliver our services, including scheme and fund administration. Our key business partners are noted on **page 10**.

Our pricing structure is set out by the Secretary of State for Work and Pensions. The Board has set a contribution charge of 1.8% and an annual management charge of 0.3%. The majority of Scheme members are aged 20 to 39 and will be saving into their pension pot for an extended period, these two charges together broadly equate to an effective annual management charge of just under 0.5% over the long term.

We are funded in part by a loan from government. This will be repaid through our future income. We will, over the course of the next 15 years, become self-financing as our assets under management grow. We are committed to maintaining consistently low charges while providing high-quality investment practices and robust governance to members.

Our customers

We have three key groups of customers:

- **Members**: These are mostly workers who have been enrolled in the Scheme by their employer. They also include self-employed people who have chosen the Scheme for their retirement saving.
- **Employers**: These are organisations that have chosen the Scheme as the pension provider for their workers.
- **Intermediaries**: These act on behalf of employers to advise on or manage their workers' pension contributions. Intermediaries or Nest Connectors include advisers and payroll providers.

All three key groups collectively are referred to as our customers within this report.

Our Key Stakeholders

Nest Corporation's key stakeholders include the DWP, TPR, the Money and Pensions Service (MaPS), the Financial Conduct Authority (FCA), our scheme and fund administrators, our investment managers, and our Members' and Employers' Panels. We also engage where appropriate with other pensions and financial services providers, and we are active members of the Pensions and Lifetime Savings Association (PLSA) and the Association of British Insurers (ABI).

Performance summary

This section summarises our performance during 2023/24

Scheme members



13.0m
total members

3.8m
are contributing members*

9.2m
are non contributing members**

52%
male

48%
female

0.01% of Scheme membership did not have a gender listed on their Scheme enrolment

Scheme employers

1.1m
employers

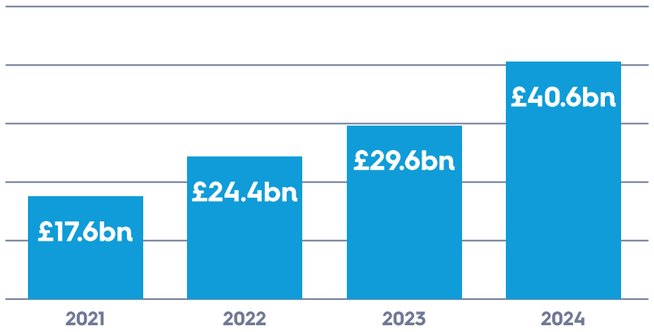
21k
self-employed members***

34k
Nest Connectors****

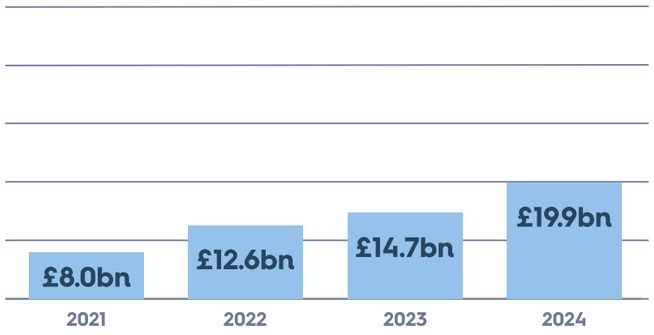
98%
of employers using the scheme that have less than 50 employees

* Contributing members are those who made contribution in March of the year under review.
** Non-contributing members are members other than Contributing members.
*** Where a member has been self-employed and has not since been enrolled by an employer. This will therefore not include members that have left all employers but still retain their self-employed enrolment.
**** These are intermediaries, such as accountants and payroll providers, using the Nest Connect service and delegated by an employer to perform some or all of the employer's Scheme account management for them.

Total net assets

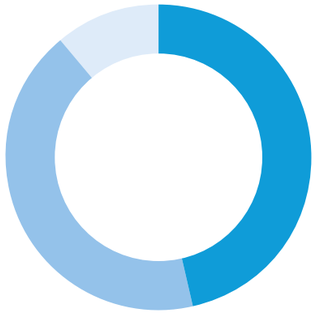


Total assets in climate-aware equities fund



49%
total assets in climate-aware equities fund

Annual contributions



£7.3bn
total annual contributions

£3.4bn
members

£3.1bn
employers

£0.8bn
tax relief

Maintain high-quality customer service

Deliver a targeted approach to member engagement

35%
of members who have registered for online account access

Grow the business in the right way

6k
net new employers joined nest each month

£605m
new contributions per month

19%
scheme income growth

£231m
scheme income

Deliver a good service to the Scheme's customers

99%
service channels were available more than 99% of the time in 2023/24

71%
member satisfaction†
(from the 'Voice of the customer' survey December 2023)

71%
employer satisfaction††
(from the 'Voice of the customer' survey March 2024)

† Satisfaction scores are based on those giving a 7–10 score on a 10-point scale and excludes those responding, 'don't know'. They are drawn from the most recent annual survey of employers or members. Quarterly surveys, with a smaller respondent base, are also conducted.

†† The annual employer survey in March 2024 was conducted using an online survey method. Before 2021 the survey was conducted by telephone.

Deliver on our investment objectives

Grow assets in a way fit for the Scheme's growing membership

8.3%
ten-year rolling annualised returns in the 2040 Nest Retirement Date Fund††† after annual management charges to 31 March 2024

Continue to build our organisational skills and culture

48%
director-level roles and above held by women

30%
of staff are from an ethnic minority background

††† The Scheme's default fund series, the Nest Retirement Date Funds, is 'lifestyled', where members' assets are managed according to their age as well as how markets are performing. There are four main phases in the lifestyled investment strategy: foundation, growth, consolidation, and post retirement. The 2040 fund, for members expected to retire in 2040, is currently representative of the growth phase, which is where most members' money is invested for the longest period of time.

Principal risks

This section summarises the principal risks in our business environment during 2023/24.

We have a duty to run the Scheme in the best interests of our members. This includes understanding and mitigating risks and uncertainties affecting our ability to achieve our strategic priorities.

At the same time, we must take risks to deliver our strategic priorities. Understanding the risks we face, and how best to control or mitigate them, is integral to this.

We have established a culture and processes designed to manage risk and uncertainties across our organisation and the Scheme in line with expectations set out by the Board. We also engage key stakeholders in these processes.

Our principal risks are reviewed on an annual basis, or more frequently if required. The following risks were approved by the Board in November 2023:

Principal Risk	Risk Description
Customer proposition	Corporation fails to maintain or develop the proposition to meet the needs of our customers and stakeholders and remain competitively positioned.
Investment performance	Scheme investments fail to perform to long term targets.
Strategy	Nest's purpose and strategy fails in relation to: a) Nest's purpose, business model, strategy or business priorities are insufficiently responsive to evolving member needs; and/or b) Nest's purpose, business model strategy or business priorities are insufficiently responsive to broader external change, and/or c) the objectives of Nest's sponsoring department/the Government are in conflict with Nest's purpose, strategy or fiduciary duty, and that conflict introduces risk that needs to be managed.
Service delivery	Significant service failure.
Scheme administration	Scheme administration programme fails to deliver the critical success factors (CSFs). Our CSFs for the programme can be found on **page 70**.
Legal and regulatory compliance	Corporation and/or its service providers fail to comply with relevant legal and regulatory requirements for pensions and investments.
Financial management and performance	Corporation fails to meet its financial objectives, including to remain self-funding within legislative income and cost caps, and compliant with applicable regulatory funding requirements.
People	Corporation does not develop and maintain the right people capabilities, capacity and culture to meet the requirements of the organisation.
Data and information management	Data quality is insufficient to enable decision making.
Cybercrime and information security	Significant loss, unavailability or compromise of data, information or assets.

These principal risks applied over the year and further detail in relation to their performance and our approach to principal risks is discussed in more detail in the 'Corporate risk statement' on **page 68**.

Going concern statement

As part of the preparation of the 'Corporation annual report and accounts', we need to be satisfied that the Corporation remains a going concern, that is, we have both the intention and the means to continue into the future.

We have assessed three key areas as part of our going concern considerations: income from the Scheme, funding from the DWP and the wider auto enrolment pensions policy landscape. Following the assessment, we believe although risks remain with regards to market and economic volatility, the Corporation is in a strong financial position. Therefore, it is appropriate to adopt a going concern basis for Nest Corporation for the reasons set out below.

Income from the Scheme

Our financial position will be affected by any changes in contribution volumes and ongoing investment volatility. However, assessments have been made on the three key areas that impact these long-range financial forecasts. These assessments concluded that we remain in a strong financial position.

We have assessed the resilience of our income from the Scheme with respect to uncertainties in the future economy. The Scheme has a very broad range of participating employers, therefore our contribution charge income is not concentrated in any one sector. Behaviours towards pension savings have remained relatively stable over uncertain times for our members, and the Corporation continues to perform competitively within the auto enrolment market. Income from the Scheme in respect of the Annual Management Charge is impacted by investment market volatility, however the Scheme has a diverse investment strategy in order to reduce the impact of market volatility on scheme returns. For these reasons, the revenue has been deemed to be resilient.

Funding from the DWP

The Corporation is financed in part through a loan agreement with the DWP. The latest forecast estimates that we will no longer require additional funding from the DWP with the loan repaid to the UK government ahead of the agreed repayment profile.

Wider auto enrolment pensions policy landscape

Auto enrolment pension policy is supported by a broad national consensus, including employers and trade unions and active support across the political spectrum. In September 2023, a private members bill received Royal Assent to provide the secretary of state with the powers to facilitate the expansion of auto enrolment. The implementation approach and timings are subject to consultation and confirmation.

Our public service obligation remains in place to provide a workplace pension scheme to any employer that requires one.

Performance analysis

This section reviews our performance in more detail. It reports on our performance against each of our strategic priorities in the context of risks and uncertainties during 2023/24. It also includes a review of our finances and information about how we operate as a responsible business.



Principal activities

This section details our key business relationships and principal activities during 2023/24. This year we were focused on evolving our customer experience, growing our customer base and developing our investment strategy to grow assets in a way fit for our membership.

The Scheme is a multi-employer workplace pension scheme. We enable millions of members across the UK to build pension savings.

We operate a predominately outsourced business model and work closely with our partners to deliver our services. Tata Consultancy Services Ltd (TCS) administer the Scheme and State Street Bank and Trust Company (STT) provide fund administration and custody services. In May 2024 we announced that, following a competitive tender process, fund administration and custody services would transition from STT to Northern Trust during 2025.

Business growth

Unlike any other occupational pension scheme trustee, we have a public service obligation to accept any employer that wishes to use the Scheme to meet its employer duties under auto enrolment. We also have a duty to accept any self-employed person who wishes to use the Scheme.

Employers need to agree to the employer terms and conditions of the Scheme and use the Scheme in line with those terms and conditions. Employer terms and conditions are reviewed at least once a year and as necessary following any changes to relevant legislation.

In 2023/24 our customer base continued to grow, with 70,000 net new employers choosing the Scheme for their workers and over 1 million net new members being enrolled.

Despite continued economic uncertainty, our analysis shows the percentage of our active members, people actively saving with Nest through an employer, having a contribution made on their behalf remained relatively stable. We currently forecast our membership to reach 18m, with £100bn of assets under management, by 2030.

Employers and intermediaries

Since our inception, we have operated the Scheme on a digital-first basis. Much of our support for our customers is delivered through our website and web services.

Employers using the Scheme total 1.1 million as at March 2024, in line with March 2023 volumes. The majority of these employers are small and micro enterprises with more than 65% using the services of one of the 34,000 Nest Connectors, such as advisers and payroll providers.

Following the success of our webinars in recent years, we have increased the scope and number held throughout the year. We invite a range of different sized employers to the webinars, which cover topics including information about our Employer Toolkit (i.e. helping employers engage their employees, how to transfer in, choices at retirement, and death benefits). We have included external speakers, such as the senior leaders at the MaPS. We have invited our Nest Connectors to technical webinars, presenting topics such as auto enrolment regulation updates, late payments and "how to" demonstrations. Webinars are recorded and hosted on Nest Views and distributed via email for circulation to colleagues and for future reference. In addition to the webinars, we send email communications to our employers and intermediaries throughout the year on topical subjects.

Investment developments

Financial markets during 2023/24 had a positive 12 months despite higher interest rates, and the fears of them triggering recessions in 2023. We had a positive start to 2024, although volatility has persisted due to the continued uncertainty about the trajectory of inflation and interest rates.

The long-term performance of the Scheme's funds has remained positive.

For the five years ending 31 March 2024, the 2040 Nest Retirement Date Fund, which currently represents the growth phase of the default strategy (see **page 35**), had annualised returns, net of members' annual management charge and transaction charges, of 7.3%. Consumer Price Index (CPI) plus 3.0% for the same five year period was 7.6%. The 2040 Nest Retirement Date Fund's 10-year annualised return to 31 March 2024 was 8.3%, compared with CPI plus 3% of 6.0% over the same period. Over a one-year period, annualised return to 31 March 2024 was 14.3%, compared with CPI plus 3% of 6.2%.

For more information on the Scheme's investments, refer to the 'Scheme annual report and accounts 2023/24.[4]

Other key initiatives

We continue to work towards our delivery plans, set out on **page 32** and in our 'Corporate plan 2023–2026'.[5] Our performance against these plans is described on **page 34**.

Key initiatives during 2023/24 included:

Lessons learnt from scheme administration services procurement exercise

As noted in last year's annual report and accounts, following the ending of our partnership with Atos BPS and in the interest of good practice, we appointed an independent advisor, Grant Thornton, to conduct a thorough lessons learnt exercise to review the procurement and subsequent implementation programme.

Nest have reviewed how the recommendations relate to wider change management and will make necessary changes to improve how we evolve and progress.

This has been a very valuable exercise, and the lessons learnt will be taken forward to ensure we continue with a successful transformation of the service for our customers with our strategic partner, TCS.

Implementing our next scheme administration services contract

Following the appointment of TCS as our long-term scheme administration service partner, we have begun a programme to transform the experience our customers have with Nest. The procurement for our next scheme administration services contract focused on our requirement to evolve our service. Ensuring we deliver the best outcomes for our members. The transformation will enable us to keep pace with customer needs, technological advancements and protect members from the ever changing threats from fraud and cybercrime.

New technical architecture will underpin the service to be delivered, alongside a refresh of all core journeys for our members, employers and Nest Connectors to support the needs of our customers over the coming years.

The new contractual arrangement with TCS, signed in June 2023, has an operational commencement date during summer 2025.

Reviewing our corporate and customer strategies

In the last year we have agreed our new customer strategy and begun putting it into action. This includes reviewing, updating and improving the services we offer our customers. For our members, this will include designing and launching an app to increase members visibility of their pensions savings and progressing our retirement solution, as well as having more regard for the member saving journey during their time with us and their wider financial situation. For our employers and intermediaries, our focus is on increasing and improving the support we offer and making the administration process as easy as possible.

4 **nestpensions.org.uk/schemeweb/nest/nestcorporation/library.html**

5 **nestpensions.org.uk/schemeweb/dam/nestlibrary/corporate-plan-23.pdf**

Progressing our people and development strategy

Our people and development strategy was updated in 2023/24. It outlines our culture and people ambitions over the next three years and it has Nest organisational performance at its heart. Our updated people strategy focuses on four core pillars, which are re-thinking our approach to attraction and retention, maximise organisational capability, value and enhance our employee experience and enable data driven decisions and become more customer centric. We recognise that D,E&I continues to play a key part and is considered in everything we do.

The learning management system, 'Futurefit' has been fully embedded in 2023/24 and we launched a new D,E&I e-learning module. The learning and development strategy, focuses on four quadrants and showcases our commitment to employees' career and personal development allowing employees to take ownership of their professional and personal development.

We want our people to be fully engaged in supporting our customers. To support this, our staff forum, 'Your Voice', has continued to provide ideas and feedback from across the organisation to our leadership and board.

Since restructuring our D,E&I working groups in 2023/24, we have been working with the chairs and members of our working groups to understand what we can do to make Nest a better place to work and a more inclusive organisation. Current active working groups are listed below:

- Disability and neurodiversity working group
- Gender working group
- Interfaith working group
- LGBTQ+ working group
- Mental health working group
- Race working group
- Social diversity working group

Our working groups have identified new priorities and have started to engage with the business. Overall, the D,E&I working groups have four objectives:

- Assist with embedding and fostering an inclusive work culture at Nest.
- Act as a critical friend and both challenge and support the business to make real change.
- Own D,E&I business policies and initiatives such as our development programmes.
- Organise and facilitate engagement activities such as presentations from external speakers, lunch and learn, publish internal communications and organise webinars to educate colleagues.

For more information on our D,E&I strategy and progress, see **page 85**.

Supporting research and innovation in pensions

Nest Insight is our public-benefit research and innovation centre. Nest Insight's mission is to find ways to support people to be financially secure, both today and into retirement. Through rigorous, cutting-edge research, we aim to understand the financial challenges facing low – and moderate-income households. These data-driven insights are then used to identify and test practical, real-world solutions. The findings are shared widely and freely so that people around the world can benefit from this work.

In 2023/4 Nest Insight advanced this mission by:

- Continuing to build on its workplace emergency savings programme. Publishing additional data and papers discussing the ways that workplace savings might integrate into future policy on pensions and savings. In March 2024, we held a reception in Westminster to further share and celebrate the findings of this work, the event focused on how to scale workplace emergency saving solutions.
- Publishing significant research outputs on the impact of auto enrolment on savers' borrowing behaviour, analysing the impact of the cost-of-living crisis on pension savings behaviours.
- Launching our landmark 'Real accounts' study. A multi-method in-depth study of the lived financial experiences of low and moderate-income households and how they manage financial challenges such as income and expense volatility.
- Publishing findings from work on 'Bridging financial gaps for workers', focusing on assessing the potential benefits of earned wage access (EWA) and payroll-based lending for workers.
- Hosting the annual Nest Insight conference in July 2023, focused on how the auto enrolment framework could evolve to better support the financial needs of low and moderate-income workers.

Financial review

This section contains an overview of our financial performance, including our income and expenditure and other key developments during 2023/24.

Overview of financial performance

Financial year 2023/24 placed several challenges on our members and our financial performance, however members have continued to save into the Scheme despite higher inflation and higher interest rates when compared to recent history. The Scheme's membership grew from 12.0 million as at March 2023 to 13.0 million as at March 2024, with contribution levels reaching £7.3 billion (compared to £6.5 billion in 2022/23). The higher level of contributions were driven by increases in membership and in the average contribution per member.

The rise in net assets under management was also supported by investment returns out-performing expectation. Strong performance of the UK and global investment markets during the financial year delivered one-year annualised returns for our 2040 fund, a fund representative of our default strategy, of 14.3%.

Growth in contribution levels and net assets under management created favourable movements in Scheme income which was £231.5 million in 2023/24 compared to £194.4 million in 2022/23. Overall net expenditure for 2023/24 totalled £6.2 million, compared to £110.2 million in 2022/23. During the prior year, 2022/23, Nest incurred one-off expenditure, of £74.0 million, in relation to the completion of the active programme of work between Nest and Atos BPS.



Looking forward, we expect our financial strength to continue to improve. Scheme income will benefit from a forecasted rise in assets under management, and our continued focus on cost control will minimise expenditure increases. As a result, our latest forecast suggests that no further drawdowns from the government loan facility is needed as we continue our journey to becoming self-financing. In 2024/25 we will start to make repayments on the loan with the aim to repay the loan facility in full over the next 14 years.

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Income					
Scheme income	107.3	127.8	164.5	194.4	231.5
Grant income	24.9	25.4	20.4	15.8	11.4
Other income	0.8	0.7	1.1	3.8	11.7
Total income	**133.0**	**153.9**	**186.0**	**214.0**	**254.6**
Expenditure					
Staff costs	(26.0)	(29.5)	(29.8)	(31.5)	(30.7)
Depreciation and amortisation	(12.3)	(15.7)	(21.3)	(18.3)	(8.9)
Scheme investment and administration costs	(95.8)	(106.6)	(123.3)	(156.4)	(170.9)
One-off scheme administration costs	–	–	–	(74.0)	(0.0)
Other expenditure	(20.2)	(23.4)	(17.3)	(17.7)	(16.3)
Interest payable	(38.6)	(38.0)	(29.4)	(26.2)	(34.0)
Total expenditure	**(192.9)**	**(213.2)**	**(221.1)**	**(324.2)**	**(260.8)**
Net expenditure after interest	**(59.9)**	**(59.3)**	**(35.1)**	**(110.2)**	**(6.2)**

Income

Total income increased by 19% compared to prior year, rising from £214.0 million in 2022/23 to £254.6 million in 2023/24. The increase was driven predominantly by Scheme income growth due to increases in membership and average contributions, although our other income also increased from £3.8 million in 2022/23 to £11.7 million in 2023/24. Other income is predominantly bank interest and this increased due to continued high interest rates on cash holdings. In comparison, grant income reduced by 28% year on year from £15.8 million in 2022/23 to £11.4 million in 2023/24. Expiry of government loans drawn down between 2016 and 2019 and the subsequent rollover of these loan amounts into a new agreement at a revised interest rate has reduced the level of public service obligation offset payment (PSOOP) received.

The Scheme's total net assets grew from £29.6 billion as at March 2023 to £40.6 billion as at March 2024. This movement was driven by growth in contributions and strong performance within the investment markets. Our investment performance across the last year is encouraging, although we remain focused on the long-term investment horizon diversifying our investments to reduce volatility over time. The ten year annualised return for our 2040 fund stands at 8.3% as at March 2024 (compared to 7.3% as at March 2023).

Expenditure

We make spending decisions carefully and with full awareness that members of the Scheme ultimately bear our expenditure. Total expenditure decreased by 20% year on year from £324.2 million in 2022/23 to £260.8 million in 2023/24. Excluding the impact of one-off expenditure incurred during 2022/23, the underlying expenditure increased 4% year on year.

Prior year, 2022/23, expenditure included a £74.0 million one-off expense associated with the completion of an active programme of work between Nest and Atos BPS.

Growth within the scheme assets and membership increases Scheme investment and administration costs. This expenditure rose from £156.4 million in 2022/23 to £170.9 million in 2023/24. We operate an outsourced business model and over 2023/24 we invested in the development of our new scheme administration solution with TCS, this investment will allow our customers to benefit from a transformed service supported by a commercial framework that focuses on quality of the customer experience and delivers value for members.

Staff costs and other expenditure decreased by 5% from £49.2 million in 2022/23 to £47.0 million in 2023/24. The revised programme for the transformation of the Scheme's administration services reduced this expenditure.

Interest payable increased year on year by £7.8 million to £34.0 million. A new draw down from the government loan facility of £63.0 million, plus the expiry of previous loans taken between 2016 and 2019 and the subsequent rollover of these loan amounts into a new agreement at a higher interest rate, increased interest payable in 2023/24.

Depreciation and amortisation cost decreased by £9.4 million, from £18.3 million in 2022/23 to £8.9 million in 2023/24. The decrease was driven by the full year impact from an increase in the useful life of assets associated with the extension to the current scheme administration service implemented from January 2023.



Delivery plans

This section sets out our current delivery plans, against which we analyse our performance.



We share more information about our forward-looking plans in our corporate plan, which is updated annually and made available on our website.[6]

During the last financial year our delivery plans were:

Our customers

- Reviewing and agreeing our new customer strategy. We will put it, and our brand strategy, into action in the coming months.
- We will continue to develop our retirement offering to better support our members in later life.
- We'll get better at measuring how well we're doing according to how much value we are creating and how prepared our members are for retirement.

Our service

- In partnership with TCS, we will put in place a new solution for scheme administration.
- We will develop ways of working that continue to put the customer first.
- We will continue our work to procure and onboard a new investment custody, fund administration, and related investment services. This work will be supported by our fund administration partner, Northern Trust.
- We will work to develop the future business model for Nest Invest.

Our governance

- We will continue to ensure that the Board, stakeholders and the DWP all support our development, purpose and goals.
- We will continue to develop our governance model for Nest Invest ensuring we continue to effectively manage our members' investments as assets under management grow.
- We will continue to review and improve the operation of our Members and Employers Panels to ensure customers are our focus.

Our organisation and culture

- We will work together in a more collaborative and smaller office space.
- We will form more inclusive, cross functional project teams and continue to progress our D,E&I strategy.
- We will evolve our business planning approach to make it more efficient and effective.
- We will explore and understand our purpose as an organisation together.

6 **nestpensions.org.uk/schemeweb/dam/nestlibrary/corporate-plan-23.pdf**

Performance against priorities

This section describes how we progressed towards our plans in 2023/24, including how the current economic and business environment affected our performance.

Our customers

Grow assets in a way fit for the Scheme's growing membership

Our overall investment objective, as set out by the Board, is to deliver the best retirement income for as many as possible, growing member savings faster than inflation (CPI) after charges during a member's working life. This overarching objective, and supporting sub-objectives, can be found in our 'Statement of investment principles' (SIP).[7]

Investment risk should be taken in varying amounts throughout a member's time saving with Nest. We have therefore adopted a series of target date funds called the Nest Retirement Date Funds to deliver the default investment strategy.

Each Nest Retirement Date Fund has an asset allocation that aims to be consistent with the expected amount of investment risk and return that is appropriate for where the member is on their savings journey. This is achieved by varying allocations between growth-seeking, capital preservation and income-seeking assets in our portfolio, as well as varying the allocations to liquid and illiquid assets.

The five portfolio building blocks which are part of our default investment strategy include: Growth, Illiquid Capital Preservation, Income, Liquid Capital Preservation, and Longevity Risk Management.

The building blocks listed above allow for the construction of four broad phases of a member journey in our default Retirement Date Fund, depending on their age: foundation phase, growth phase, consolidation phase, and a post retirement income phase.

The growth phase is where we expect younger members to spend up to 30 years of their saving's journey. We measure the long-term performance of this phase using a fund in the middle part of the growth phases for a member (the 2040 Nest Retirement Date Fund). The long-term investment objective of a fund in this phase is to outperform inflation (CPI) plus 3% after charges.

As at 31 March 2024, the 2040 Nest Retirement Date Fund had annualised returns, net of members' annual management charge and transaction charges, of 7.3% over the five years. CPI plus 3.0% for the same five year period was 7.6%. The 2040 Nest Retirement Date Fund's 10-year annualised return to 31 March 2024 was 8.3%, compared with CPI plus 3% of 6.0% over the same period. The Nest Retirement Date Funds and our other fund choices are expected to meet their investment objectives over the long term.

We receive regulated advice on investment strategy from Nest Invest, an occupational pension scheme (OPS) firm which is a wholly owned subsidiary of Nest Corporation and regulated by the FCA. Nest Invest's effectiveness is reviewed and approved by the investment committee on an annual basis.

7 **nestpensions.org.uk/schemeweb/nest/nestcorporation/investment-approach/investment-principles.html**

Key activities over 2023/24 included:

Asset allocation

- Throughout the year, the organisation made a series of changes to the strategic asset allocation to help maximise the risk adjusted returns for members.
  - The target allocation of developing market equities was moved up (towards reference weights) in the ethical foundation portfolio by reallocating from Sterling investment grade bonds.
  - Nest Invest believes the gilt market offers attractive investment returns for its members, particularly those wanting certainty of income around retirement. The Scheme met with existing Nest fund managers already helping it invest in developed market fixed income about accessing UK gilt strategies. Subsequently BlackRock and Royal London Asset Management were instructed in July 2023 to manage three gilt funds of varying maturity. The Trustee worked on gradually increasing the allocation to long-term gilts in both the Longevity and the Nest Guided Retirement Fund (NGRF) Later Life portfolios, which was financed by reducing the Scheme's exposure to cash.
  - Nest Invest continues to increase its investment into private market assets, particularly through the unlisted infrastructure equity and private equity mandates. It's expected that Nest's allocation to private markets will rise towards 30% over the coming years.

Responsible investment

- Over the last year, the Corporation escalated its engagement on managing climate risk in the portfolio – one such action was with Barclays, which is a major financer of fossil fuels in the European banking sector and lags compared to peers, such as HSBC, on its policies on financing fossil fuels. We co-filed a shareholder resolution for its 2024 annual general meeting asking the company to issue a report describing how it is responding to the risk of stranded assets of planned new oil and gas infrastructure and assets. We were able to engage with Barclays on its draft energy policy which resulted in the policy being updated to include a commitment to stop financing new oil & gas expansion. The group therefore decided to withdraw the resolution. Barclays' CEO has committed to an annual meeting with the co-filing group, and we look forward to continuing the engagement.
- The organisation joined new investor initiatives over the last year that help deliver on their responsible investment priorities and contribute to new industry investor frameworks. We continued to be vocal with a range of standard setters on issues of transition. For example, we continued to support the development of a standard for corporate transition plans through the Transition Plan Taskforce and contributed to the development of its sector-specific Asset Owner guidance published in April 2024. We also participated in a thematic working group on embedding Just Transition considerations in the framework. Through participation in the steering and delivery groups of the Taskforce, we also contributed to the development of the general disclosure framework.
- The Corporation is delighted to have its signatory status to the new 'Stewardship code' reapproved by the Financial Reporting Council. The new 'Stewardship code' continues to set a high bar for stewardship, and by remaining a signatory the Trustee can reassure Scheme members that it is fulfilling a key part of its stewardship responsibilities.

For more information on developments in our investment strategy, see 'Investment developments' on **page 26**.

Why do we refer to the 2040 fund?

About 99% of Scheme members have their pots invested in the Scheme's default strategy, the Nest Retirement Date Funds. The funds in this series are 'lifestyled', where we manage members' assets according to their age as well as how markets are performing.

There are four main phases in our lifestyled investment strategy: foundation, growth, consolidation and post retirement. The 2040 fund, for members expected to retire in 2040, is currently representative of the growth phase, which is where most members' money is invested for the longest period of time.

Our investment in the UK

Nest has around £8 billion invested in UK assets. By the end of the decade this is expected to rise to £20bn.

Forth Ports

Forth Ports is the third largest UK port operator, handling around 41 million tonnes of cargo each year. It runs eight sites across Scotland and England.

Hornsea 1 Windfarm

Located off the Lincolnshire coast in the North Sea, Hornsea 1 generates enough green energy to power over 1 million UK homes. It's comprised of 174 wind turbines, covering 407 square kilometres.

India Building, Liverpool

This Grade II building has been restored after being damaged in World War II. It's now considered one of Liverpool's heritage assets, hosting shops, offices and historic artefacts.

Pingewood Solar farm, Reading

Built on a reclaimed landfill site, the solar farm houses 60,000 solar panels covering around the same area as five football pitches. The project generates 15,000MWh of electricity, powering around 5,000 homes.

The Dolphin Shopping Centre

This community and shopping destination is home to 90 shops, flexible working and community events spaces, an NHS outpatient clinic and a curated high street for local independent retailers.

A selection of Nest's investments in UK companies and infrastructure projects



Our Service

Deliver a targeted approach to member engagement, including at retirement.

We continued to engage with our members using a combination of channels. We delivered proactive communications designed to engage and inform our members, from activating their account, updating their details or aiding the completion of any transactions.

Content improvements delivered throughout 2023/24 targeted the expansion of members understanding of pensions through challenging economic times. Our proactive communications have covered topics such as pot consolidation, benefits of nominating beneficiaries and requesting members to keep their details up to date. Our campaigns achieved higher than average engagement levels compared to industry benchmarks.

We expanded our trial of programmatic advertising, following the success of prior campaigns. Using animated banners and YouTube videos, we have been successful in reaching members and driving traffic back to the Nest website to complete outstanding transactions.

With a strong Trustpilot score of 4.0, Nest continued to invite members to leave a review on the platform. These reviews provide insight into how our services are doing and highlights areas in which our members experience could be increased. For example, the reviews have helped us identify the topic of retirement as an area in which member understanding could be improved. This insight led us to produce a FAQs document for employers who are now able to share it with their employees.

Keep members' assets and data safe.

It is essential that we have appropriate and robust internal controls in place to protect our members' assets and data. Our controls are also designed to ensure we meet, or exceed, regulatory and legislative obligations.

In 2023/24 we did this by:

- Continuing to enhance and mature the Corporation's and the Scheme's cybersecurity capabilities and controls and aligning these capabilities and controls to the US National Institute of Standards and Technology (NIST) Cybersecurity Framework. These controls have been independently audited and we were found to be operating to a good degree of maturity across all NIST cybersecurity framework domains. The organisation achieved the year end targets set by the risk committee and will continue to measure its cybersecurity controls against a benchmark of financial services.
- Receiving independent audits of the information security management systems operated by us, as well as by our IT managed services provider, and scheme administrator. These continue to be externally validated and certified to the International Organisation for Standardisation (ISO) 27001 standard.
- We continue to fight fraud and improve our processes to protect our members' savings against the evolving threat.
- Receiving and reviewing an AAF 01/20 assurance report from the scheme administrator on the design and compliance of its key controls. This report was based on an annual review commissioned by TCS and conducted by EY in accordance with guidelines issued by the Audit and Assurance Faculty (AAF). This report had no adverse findings, giving us significant assurance regarding TCS's controls environment.
- Receiving and reviewing the Scheme's Tech 05/20 AAF report performed by Grant Thornton. This report provides guidance on the governance control procedures established by trustees of master trusts. This report showed two minor findings, none of which constituted a control failure or qualification of the audit opinion, giving us reasonable assurance regarding our governance control procedures.
- Receiving and reviewing independently tested controls reports in accordance with either the AAF 01/20 standard or the International Standard on Assurance Engagements (ISAE) 3402 standard from our key suppliers of fund management and fund administration services. The fund administration team reviewed these controls reports, ensuring all audit matters raised in relation to fund managers controls were appropriately addressed and delivered a report on them to the audit committee.

During 2023/24 the Scheme notified the Information Commissioner's Office (ICO) of one personal data related incident. The breach was the result of 'unauthorised access'. The ICO decided to take no further action due to the particular facts of the case and the remedial measures being taken.

Category	Number of breaches reported to the ICO		
	2023/24	2022/23	2021/22
Other non-cyber incident	–	–	1
Unauthorised access	1	2	1
Total	**1**	**2**	**2**

Research and policy work to support membersa' needs

We carry out a range of public affairs work and research to benefit of our members.

We provide evidence to Parliament, government and industry to help inform pensions policy development.

Our 'Voice of the customer' research programme analyses how our customers – whether our Scheme members, employers using the Nest Scheme for their workers or intermediaries such as advisers and payroll providers – utilise the Scheme's services. This helps us to identify future directions for engagement based on our customers' priorities and needs. In addition, we invite members to provide feedback by participating in our online member community, 'Your way'.

Because we have a public service obligation, our research and policy work also has the aim of benefiting the wider population of people who are or will be reliant on defined contribution (DC) savings to fund their retirement.

Highlights of our policy work in 2023/24 included:

- Representing the views of Scheme members to the PLSA.
- Working closely with the government and other pension providers to consider how to solve the issue of the proliferation of small and dormant pension pots in the market.
- Continuing to work with the DWP and the MaPS to support the pensions dashboards programme.
- Responding to government and regulatory consultations on subjects such as helping savers understand their pension choices, small pension pots and pension trustee skills.

Separately, our research and innovation centre, Nest Insight, carries out a continuous work programme, collaborating with other pension and financial services providers and academics from around the world on ways to improve people's retirement saving and overall financial resilience. The centre and its programmes are supported by a range of funders.

All of Nest Insight's research findings are made publicly available at **nestinsight.org.uk**.

Deliver a good service to the Scheme's customers

We have three key customer groups: members, employers and intermediaries such as advisers and payroll providers.

In partnership with our scheme administrator, TCS, we delivered a good quality service to all three groups in 2023/24, as measured by our key performance indicators:

- Service channels remained available and accessible to members, employers and intermediaries more than 99% of the time.
- We have set clear standards for service levels for our online and telephone services. Service level agreements were met more than 98% of the time. Customer service calls were answered in 69 seconds on average.

We also measure the quality of our service through our 'Voice of the customer' annual customer satisfaction surveys:[8]

- 71% member satisfaction (December 2023, compared with 71% in December 2022).
- 71% employer satisfaction (March 2024, compared with 73% in March 2023).
- 73% Nest Connector satisfaction (March 2024 survey, compared with 75% in March 2023). A Nest Connector is an intermediary, such as an accountant or payroll provider, delegated by an employer to perform some or all of their pension account management on their behalf using the Nest Connect service.

8 Satisfaction scores are based on those giving a 7–10 score on a 10-point scale and excludes those responding 'don't know'.

Grow the business, in the right way

To ensure our continued growth, we are focused on retaining the business of employers who have chosen the Scheme and making the Scheme attractive to employers who are considering consolidation of legacy pension arrangements. We also aim to make it easy for members to transfer funds from other pensions into their pension pot with the Scheme.

Our customer base grew in 2023/24 as follows:

- Over 1.1 million employers were registered with the Scheme as at 31 March 2024, a 7% increase over the previous year.
- On average 5,800 net new employers registered with the Scheme each month. New employers enrolled workers from across all income groups.

We have significantly increased the number of webinars we've hosted for different segments of our employers and Nest Connectors. We've held webinars almost every month through the year, including topics such as the 'Quarterly investment report', how to avoid late payments, how to run your Nest account, understanding auto enrolment regulations, as well as joint presentations with MaPS. Feedback has been excellent on the subjects selected and the speakers.

Our Governance

It's essential that the decisions we make lead to better outcomes for our customers; our members, and also our employers and the organisations which support them. In 2023/24 we worked to define the capabilities Nest will need to do this in a changing, challenging external environment. The new scheme solution we are delivering with TCS, and our new fund administration platform partners Northern Trust, will ensure we have the data and insight we need to understand customers evolving needs.

This insight, and a deep understanding of the members we serve, needs to be central to how we make all of our decisions. This year we have done work to understand how our approach needs to evolve, building on the foundation we have already established for applying insight to our scheme design and investment approach.

As the scale of the Scheme continues to grow, it's important we evolve how our governance works. During the year we have reviewed the governance model for Nest Invest, aimed at protecting the quality of our investment function as assets under management increase.

Our organisational skills and culture

The goal of our people and development strategy is to ensure that we have the organisational capability, leadership, skills and agile operating models to drive the right culture and deliver competitive, high-quality services to our customers.

We must be able to drive the future development of the Scheme by employing the right number of staff with the right skills and building an appropriate skills base through staff training and career development, supplemented by external recruitment where required. We continue to foster and develop a positive working culture where our employees are motivated, empowered and treated with respect.

In 2023/24 we have focused on several initiatives to:

Support our peoples' health

We have continued to ensure that wellbeing is a priority at Nest, and we have done this in several ways:

- We launched our mental health training for line managers training to support our line managers, colleagues as the focus on wellbeing remains a priority at Nest.
- We have a trained a number of mental first aiders from diverse backgrounds across the organisation to provide in-person or virtual support if needed.
- Across the year we ran organisation-wide events and published a series of articles on several health-related topics.
- We have reviewed our benefits and introduced income protection which provides cover to all our employees.
- We held virtual sessions (for colleagues and specific sessions for line managers) with Health Assured to raise awareness of our employee assistance programme to ensure that colleagues are aware of the support that is on offer and how best line managers can utilise the service to support their colleagues.
- We launched our Wellbeing Charter to ensure everyone plays their part in supporting wellbeing. This is a set of working practices laid out with the intention of diminishing sources of workplace stress and promoting better mental health and ways of working amongst people at Nest.

Help our people develop

- The learning management system called 'Futurefit' is well embedded in the business and we recently launched a new e-learning module for D,E&I. The e-learning portal supports personal and professional development journey at Nest including managing compliance and learning account budgets for our colleagues.
- We carried out talent and succession reviews across the organisation to support development discussions and have identified any succession gaps and shared these with the executive committee so they can work with directors and managers in their business units on addressing these gaps.
- Staff have continued to make use of their personal learning accounts giving employees the control to identify and apply for specific training to support their professional development. We also gave our employees access to the LinkedIn learning platform. The platform gives them access to thousands of online courses, giving them more ownership in developing skills related to their roles.

Support a diverse and inclusive environment

We continue to progress our D,E&I strategy and have a focus on attracting and retaining diverse talent at Nest. We use our data to understand and address the barriers faced by our applicants and colleagues across the employee lifecycle. Our applicant tracking system, Eploy, allows us to collect data and to understand the outcomes of different groups across the organisation during the recruitment process, for example the social diversity of our applicants. We use this data to understand whether there are any barriers faced by specific groups and take the necessary action to ensure we recruit the best diverse talent.

Support an engaged workforce and manage change

- We worked collaboratively with our staff forum, 'Your Voice' to gather employee insights and shape policy. Made up of staff representatives from across the organisation, the forum provides feedback into organisation-wide initiatives. In 2023/24 the forum met several times and held regular meetings with the then CEO, Helen Dean, and the Director of People and Engagement covering a wide range of topics. Additionally the forum operated as a formal collective consultation body in respect of a number of redundancies due to the decision not to progress with the transition from TCS to Atos.
- We delivered a programme of events, policies and communications that drive engagement and pride in working at Nest. We have maintained and evolved our communications approach, including maintaining our regular live video executive updates that allows two-way open dialogue between our leadership team and our people

Our people

We want to ensure that we improve the feeling of inclusion at Nest and ensure that our colleagues from all backgrounds feel valued, included and as if they belong.

80% of our staff say that people here maintain a healthy blend between work and personal life

80% of our staff believe that employee wellbeing is a priority at Nest

76% of our staff believe that Nest values diversity

71% of our staff think Nest keeps people informed about what is happening

77% of our staff say Nest is committed to ensuring an inclusive workplace for its employees

55% of our staff think the executive team at Nest demonstrate that people are important to the company's success

81% of our staff say they have access to the learning and development they need to do their job well

We continue to progress our action plan to improve inclusion at Nest, over 2023/24 this has involved the roll-out of mandatory D,E&I training for all colleagues, additional educational resources for line managers and improved consideration of inclusivity within our recruitment process for senior leadership roles.

Operating responsibly

As a major financial services organisation, we recognise the broader impact we make – at a global, national and local community level. In this section we review how we promote sustainability, support diversity and inclusion, and engage with our wider community.

Our goal is to deliver a bigger pension in a better world. Many of our business decisions also have a broader positive impact that we are proud of.

Our commitment to responsible investment is part of this. Evidence shows that well-run organisations and markets with sound environmental, governance and social (ESG) practices have a better chance of long-term success and profitability. Responsible investment is the right thing to do for our members, financially.

Investing responsibly can also improve the places where our members live and work and the wider world around them. We engage with companies in which the Scheme is invested, asking them to pay their workers more fairly, make their workplaces safer and put more people from different backgrounds on their boards. We support companies that are cutting carbon emissions, and challenge those that aren't. In each of these areas we have considered how the Scheme's investments are shaping the world into which our members will retire. More information about how we invest responsibly can be found in the 'Responsible Investment section' (see **page 35**) and the 'Scheme annual report and accounts'.[9]

Here we focus on how we create value in other ways – as a corporation, as an employer, and through our corporate social responsibility (CSR) programme.

Sustainability

We respect the environment in which we operate and aim to make efficient use of natural resources. We continue to adopt more environmentally sustainable ways of working with the aim of reducing our carbon footprint.

We report on the Scheme's performance against the Task Force on Climate-related Financial Disclosures (TCFD). The TCFD recommends that organisations, including those in the financial sector, provide climate-related financial disclosures. The most recent TCFD report is made available to Scheme members and other stakeholders on our website.[10]

This detailed TCFD disclosure, highlighting the Scheme's performance provides sufficient details beyond current government guidance applicable to Nest Corporation. We acknowledge the importance of effective climate-related disclosures and will continue to evolve our reporting and conforming to latest applicable guidance.

Our office is in a modern, energy-efficient building which houses several government bodies. The building's management company controls energy use. The management company employs a dedicated technical manager with responsibility for energy reduction and has a building-wide policy to support effective energy management.

Over 30% of the building's waste is recycled or reused (2022/23: 70% recycled or reused). The reduction in our recycling rate is driven by a 57% reduction in overall waste, with paper waste representing the largest decrease year on year. The remainder is sent to an energy-from-waste facility for incineration. Our carbon dioxide equivalent (CO_2e) emissions from business travel totalled 52.4 tonnes for 2023/24 (2022/23: 27.2 tonnes of CO_2e). Our people have undertaken an increased level of necessary journeys to support our customers and outsourcing partners when compared to recent years.

However, the level of business travel remains low compared to pre-Covid pandemic levels, with 2023/24 emissions equivalent to 19% of emissions produced from our 2017/18 travels.

Going forward, we will focus on maintaining environmentally sustainable working practices as part of our continuing commitment to reduce our carbon footprint.

For further details, see Appendix 2 on **page 128**.

Diversity, equity and inclusion

As we grow and evolve as an organisation, we want to create an accessible, inclusive workplace with the right culture, capability and capacity to run and steer the Scheme as it grows in the future.

Re-think our approach to attraction retention and recruitment

To be a high-performing organisation, we need a clear employer brand to attract candidates with the right skills mix and cultural fit to enable the transformation of the organisation. To achieve this, we are:

- Advertising our roles on a wider range of job boards to attract the most diverse range of candidates.
- Including wording around diversity, flexibility and inclusion on all our job adverts, highlighting our disability confident status.
- Developing our employees value proposition to ensure we are offering an attractive, well-rounded package focussed not only on pay but also our flexible working offering and other benefits.
- Monitoring feedback on the recruitment process from hiring managers and candidates to ensure we are inclusive in our approach to hiring.
- Reviewing and updating our D,E&I and Recruitment training to ensure it provides users with the right skills to be able to hire and retain the right people for roles across the organisation.
- Measuring and reviewing diversity data collected as part of the application and interview process so we can make changes to ensure we are inclusive at every stage.
- We updated our careers webpage and created a D,E&I page. We have also added diversity and inclusion logos to our job adverts to attract diverse talent and show our commitment to inclusion.
- Reviewing our diversity data collected internally as part of the staff survey results and exit interview process to understand the experiences of our colleagues and ensuring we take the appropriate actions to address the findings.

Fostering greater diversity and inclusion will help make Nest a great place to work for all our people, allowing us to continue to attract a broad range of candidates and retain diverse talent whilst improving organisational performance.

We consider flexible working for all our roles, including during recruitment interviews. We also advertise roles that offer flexible working, such as part time and job sharing, to ensure we attract the best people.

Voluntary turnover for staff who have been with us for less than one year was 18.2% (compared with 13.6% in 2022/23). Of staff who leave within the first 12 months 50% leave due to personal reasons and others for wider career progress. Nest has a career working group with several initiatives such as reviewing onboarding to support employee experience within the first 12 months.

We report on our gender pay gap. We also voluntarily report on our ethnicity pay gap. For a summary of this year's reports see **page 80**. We believe that reporting our pay gaps will help us to address them. We have already seen this since we started reporting our gender pay gap in 2017.

9 **nestpensions.org.uk/schemeweb/nest/nestcorporation/library.html**

10 **nestpensions.org.uk/schemeweb/nest/nestcorporation/library.html**

Maximise Organisational Capability

In order to remain competitive and respond to the external market challenges and constant change, it is key to create a high performing culture. We encourage continuous learning and growth of our people through individuals being empowered to build their capabilities and develop their skills. This requires a learning culture that is inclusive by design, accessible to all and tailored to me the needs of the individual.

We have continued to invest in learning and development at Nest and in 2023 launched a new learning management system. We will be moving towards offering more internally delivered workshops for our leadership development and soft skills development. This will give us more control over the delivery frequency, content and outcomes.

To enable user-choice we provide all our people secondment opportunities, mentorships, work shadowing, volunteering leave and personal learning accounts. We have taken a targeted approach to raise awareness of the learning and development offer available at Nest and this includes a strategic business partnering services and liaising with our six diversity and inclusion working groups (see **page 27**) to make colleagues aware of the opportunities available. Our D,E& I strategy outlines how we will continue to support our colleagues from underrepresented groups.

Our commitments to learning and development for our people are outlined on **page 39**.

Value and enhance our employee experience

We strive to create a work environment that fosters engagement and inclusivity, to retain talent and get the best out of our people.

Following feedback through our staff survey programme, we have implemented workshops and focus groups to co-design, with our colleagues, improvements around career development and performance management.

As part of our efforts of being an inclusive company, we strive to have a diverse workforce. It's important for us to recruit and retain talent from all different backgrounds. To do this we must continue to use our data to understand the experiences of our colleagues and work towards enhancing it. In our 2024 staff survey, 80% of our people agreed that employee wellbeing is a priority at Nest, which is a 4% increase from last year. In the same report, 77% of our people agreed that Nest is committed to ensuring an inclusive workplace for its employees. We have memberships with the Business Disability Forum and LGBTQ+. This helps us to support colleagues with disabilities, long-term conditions and our LGBTQ+ colleagues.

Our working groups are key to ensuring that our colleagues have a positive experience at Nest. We will listen to their feedback and work with them to understand and improve our colleagues experiences. We aim to be flexible and inclusive by instinct and create a culture where everyone can thrive. We want our people to feel they can bring their authentic selves to work.

Our Organisation

30%



of our workforce are from an ethnic minority background



Disability Confident (level 2) employer

76%



of our new starters in the last year were directly hired from external sources, saving an estimated £164k in recruitment fees (inc VAT)



An accredited Living Wage employer

51%



of our workforce are women

48%



Director-level roles and above held by women



We encourage an environment where staff feel able to declare their disability status

Figures as at 31 March 2024. See **page 85** for further information on Nest Corporation's disability policies.

Corporate social responsibility

Our corporate social responsibility (CSR) programme is focused on supporting charities whose missions resonate with our employees, and on making an impact in communities local to our office in Canary Wharf. We provide our staff with up to four days' leave for volunteering each year. Our staff provided approximately 417.25 hours of service to charities or other not-for-profit organisations during 2023/24 through our volunteer leave programme.

Helping Nest's immediate community

Nest's charity of the year

The 2023/24 charity of the year, as voted for by staff, is Battersea Cats and Dogs Home. The charity was nominated by an employee with a profound love of animals and her own rescue cat. She became part of the working group along with nine other volunteer colleagues who meet monthly. Since September 2023, we have undertaken various fundraising and support activities, including dog toy making at the Christmas party, where the toys were donated to Battersea; pet food donation bins in the office; and a group volunteer day at the home.

The process to elect the next charity of the year will begin in July 2024.

Laptop donation

During 2023/24, we donated 342 laptops no longer in use to the Good Things Foundation's National Device Bank. In donating the laptops, the aim was to reduce e-waste whilst empowering people to connect to the online world. Through refurbishing the laptops, it is hoped digitally excluded individuals will be empowered to use the internet or digital technologies with confidence.



Anti-discrimination, anti-bribery and human rights statement

We respect human rights for all our employees, members and business partners.

We aim to treat everyone fairly, regardless of any protected characteristics.

Any business that we conduct must comply with the anti-bribery provisions in the Bribery Act 2010. We adhere to all regulations and meet all necessary criteria to avoid corruption.

We ask potential suppliers if they are a relevant commercial organisation as defined by section 54 of the Modern Slavery Act (MSA) 2015. If so, we ask them to assure that they are compliant with the annual reporting requirements contained within that section.

Our contractual terms and conditions state that suppliers shall adhere to the UK's anti-slavery requirements. These requirements are defined as encompassing the MSA 2015 and any subordinate legislation made under that Act, in each case, as amended, superseded or replaced.

We also require suppliers and their subcontractors to notify us in writing of any actual or suspected breaches of anti-slavery requirements within seven days of becoming aware of the breach.

See **page 76** for details of how we adhere to the MSA.

Preparation of the financial statements

Statutory background

The financial statements for 2023/24 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 1.

Statutory auditors

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

I have taken all the steps that I ought to take to make myself aware of any relevant audit information and to establish that our auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the entity's auditor is unaware. During the year we did not make any payments to our external auditors for non-audit work.

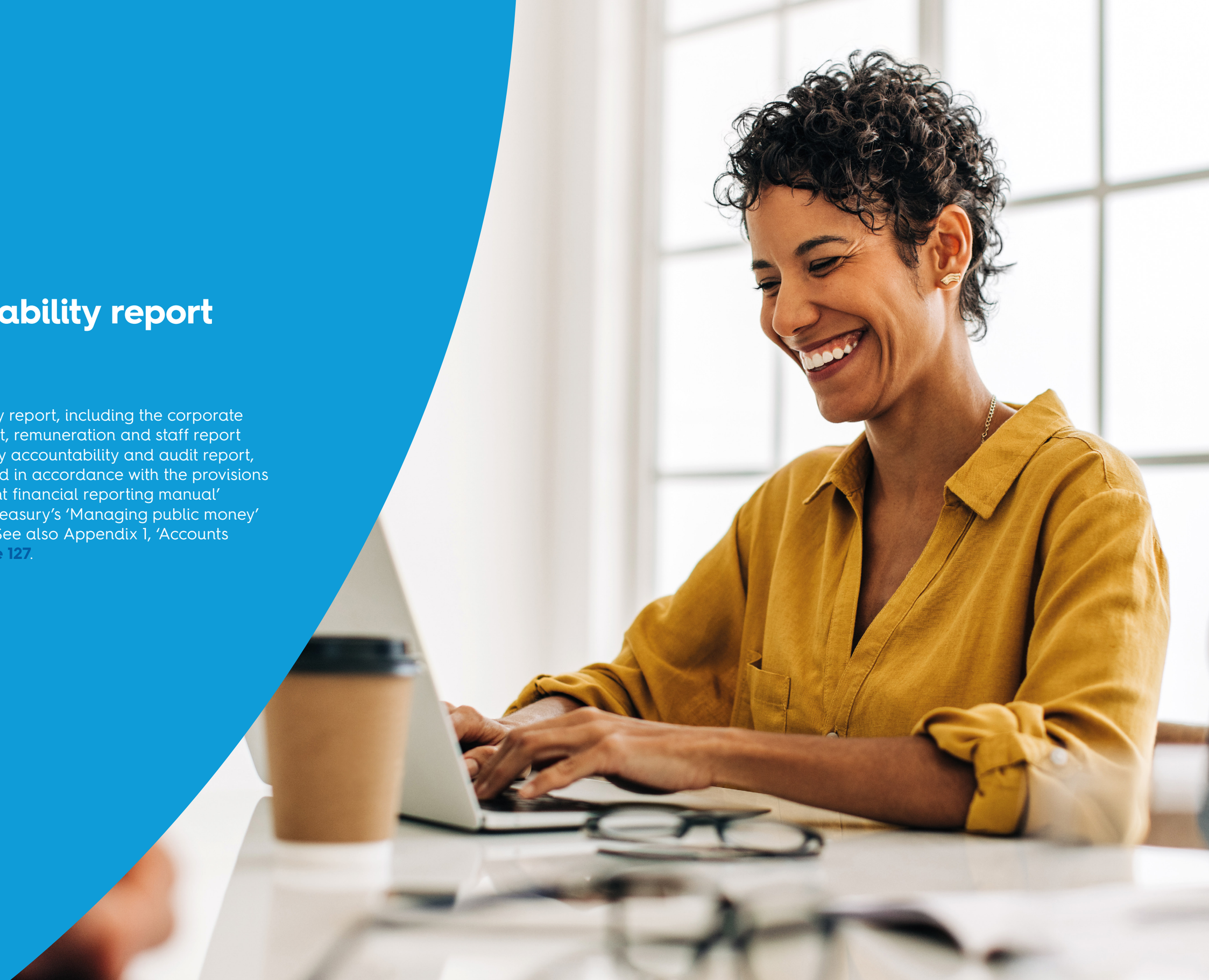
Ian Cornelius
Interim CEO, Nest Corporation

28 November 2024

Chapter 2

Accountability report

This accountability report, including the corporate governance report, remuneration and staff 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' (MPM) annex 3.1. See also Appendix 1, 'Accounts direction' on **page 127**.



Corporate governance report

This section includes our directors' report, statement of our Interim CEO's responsibilities and governance statement. Our Interim CEO is our Accounting Officer for FReM purposes.



Directors' report

This section describes our Board, committee and panel structure, including the membership of the Board of Nest Corporation and the Board's activities during 2023/24.

The Scheme is a trust-based occupational pension scheme. It was set up as part of the government's workplace pension reforms so that all employers had a pension provider they could use to meet their duties under the auto enrolment system. It was designed for workers who had not previously had access to a high-quality, low-cost pension scheme through their work.

The Scheme is a master trust scheme as defined by the Pension Schemes Act 2017. It is subject to TPR's authorisation and supervisory regime and obtained master trust authorisation from TPR in 2019.

The Scheme has one trustee: Nest Corporation. The Trustee is a public corporation.

Nest Corporation comprises between nine and fifteen Board members, including the Chair, and the employees of Nest Corporation. The Board members are the directors of the Trustee and are collectively referred to as the Board of Nest Corporation, or simply the Board. The Board has responsibility for the overall direction of the Trustee.

Given the complexity of running Nest Corporation and the Scheme, the Trustee has established various committees with clearly defined remits and delegated authorities (see **page 64**). In addition, the Interim CEO has been given a broad delegated authority.

Under the National Employment Savings Trust Order 2010 (the Nest Order)[11] the Board receives assistance and advice from a panel that represents members' perspectives of the Scheme (the Members' Panel) (see **page 67**) and a panel that represents participating employers, connectors and intermediaries (the Employers' Panel) (see **page 67**).

The Board consults these panels on matters to do with the operation, development or amendment of the Scheme. It also consults them when specifically required to do so by legislation, for example when making changes to the Nest Rules, the document which sets out how the Scheme is designed and operates.

11 **nestpensions.org.uk/schemeweb/nest/nestcorporation/how-nest-is-run/order-and-rules.html**

The Board

As at 31 March 2024, there were eleven Board members, including the Chair. Three new, non-affiliated Board members were welcomed to the Nest Board during the 2023/24 financial year and one Board member's term ended during the period.

























Board member's term ended during the period.
Biographies of Board members are available online at **nestpensions.org.uk/schemeweb/nest/nestcorporation/who-runs-nest/trustee-members.html**

1. Brendan McCafferty

Chair, Nest Corporation from 1 February 2022

Brendan was appointed Chair of the Board of Nest Corporation by the Secretary of State for Work and Pensions effective 1 February 2022. He has had a long career in financial services, as CEO of large insurance companies and brokers, including for AXA, Brightside and Willis Towers Watson. In addition, Brendan was the founding CEO of Flood Re, a public body and a 'world first' solution to a market failure in flood insurance. He now also sits on the board of a specialist insurance company and is Chair of a private equity backed insurance broker.

Brendan lives in the northwest of England and is a qualified accountant. He has also been a trustee of two registered charities for many years – Blueprint for Better Business, which encourages businesses to define their purpose and be a force for good in society, and of the Catholic Diocese of Salford. He also sits on the Professional Standards committee of the Chartered Insurance Institute.

2. Myfanwy Barrett, CB

Board Member from 1 July 2021

Chair, Audit committee from 1 February 2023

Myfanwy has served as a non-executive director at The Pensions Ombudsman (TPO) since 2021. She is a qualified accountant (Chartered Public Finance Accountant), and her executive career was in public finance. She was Corporate Director of Finance at Harrow Council and Managing Director of Corporate Services at the House of Commons. She has experience leading a wide range of services, including the Member of Parliaments' Pension Scheme and the Local Government Pension Scheme (LGPS), as well as strategic planning, people, and portfolio management.

Myfanwy is currently also a Director of Plumbing Pensions (UK) Administration Ltd, Senior Independent Board Member at Ocean Housing Group, Trustee and Treasurer of Morrab Library and a Trustee Director of Newlyn Art Gallery & The Exchange, the Whitechapel Gallery and Shelter. She was previously a member of two Tate Committees.

3. Karen Cham

Board Member from 1 July 2019

Karen is Professor of Augmented Intelligence, Digital Transformation Design at Kingston Business School. Here she heads up 'The BRAINS Lab' with behavioural scientist, Professor Gaelle Vallee Tourangeau, an interdisciplinary unit dedicated to an inclusive, ethical and sustainable digital future. Her previous role at the University of Brighton was professorial lead for the Connected Futures research and enterprise programme, which included digital economy, digital health, complex systems and immersive, simulation and virtualisation. As part of this, she is also academic lead of the Digital Catapult Centre 5G Brighton project, part of the government's 5G strategy.

Karen is an expert in user experience design and designing for behaviour change. Her research concerns designing for persuasion, emotion and trust, and she specialises in the digital transformation of values at scale and ethical practice. She has worked in e-commerce, fintech, health and care, arts and heritage, games, e-learning, military and defence. In her 28-year career in human-centred design and build her clients have included PlayStation, Diesel, ITV, Topshop, Which?, EY and ?What If! Innovation.

She is a fellow of RSA The royal society for arts, manufactures and commerce.

4. Helen Copinger-Symes

Board Member from 1 June 2023

Helen has over 30 years' experience in the pensions and investment industry, initially in fixed income capital markets, followed by an extensive career in institutional asset management focusing on UK pension funds.

She has worked for several global investment firms including Deutsche Asset Management, Invesco Perpetual, AllianceBernstein and State Street Global Advisors, in addition to a boutique equity hedge fund. Helen has considerable experience working with defined contribution pension plans, their underlying investment structures and development with a strong member focus. Helen currently serves as Chair of the Pension SuperFund (PSF) Holdings and PSF Sponsor boards.

She is also a Trustee and Chair of the investment committee for DHL (UK) Foundation, overseeing the Foundation's portfolio of assets. Helen previously served as a Trustee for the Rifles Museum Regimental Trust.

5. Helen Dean, CBE

Board Member from 1 June 2018 to 30 April 2024

CEO, Nest Corporation

Helen has been a leading player in delivering pension reform, having worked at the DWP to design a solution to the UK's problem of chronic under-saving in pensions. She has worked in pensions for 20 years, firstly from inside government as a policy maker.

She led the product marketing and operations arms of Nest Corporation before becoming CEO in September 2016. She is a mentor to women in the pensions industry and has established a senior leadership programme to cultivate the next generation of diverse leaders for Nest Corporation's future.

Helen is also a non-executive trustee director of the debt charity StepChange, a member of HM Treasury's Asset Management Taskforce and a governor of the Pensions Policy Institute. Since January 2024 she has also taken on a new role as an Independent Chair of the Governance committee of Your Island Pension Scheme, Guernsey.

6. Nina Hingorani-Crain

Board Member from 1 June 2023

Nina has had a diverse 25-year career with leadership roles in the public, regulatory, corporate and charity sectors. Her executive career was largely in financial services and includes ten years advising UK and global financial services organisations, followed by ten years in senior roles at the UK's financial regulator, including as Chief of Staff and Principal Private Secretary to the Chair of the Financial Services/ Conduct Authority during the global financial crisis.

After leading the establishment of the Financial Conduct Authority, Nina undertook a six-month secondment to Age UK to inform the strategy of placing consumer needs at the heart of the new regulatory mandate, which laid the groundwork for the regulatory focus on vulnerable customers.

Since 2015, Nina has focused on a non-executive career and has sat on several boards in the public and private sectors. She currently serves on the boards of National Savings & Investments, and an NHS Foundation Trust.

7. Chris Hitchen

Board Member from 1 June 2018 (reappointed for second term from 1 June 2023)

Chair, Investment committee from 28 May 2019

Chris re-joined the Board in 2018, having previously served as a Board member from 2010 to 2015. He has over 30 years' experience in investment and pensions.

He is Chair of the Border to Coast Pensions Partnership, investing money for 11 Local Government Pension Scheme (LGPS) pension funds with assets under management totalling £60 billion, and Chair of the £20 billion Nuclear Liabilities Fund, helping to protect future generations from the costs of decommissioning nuclear power stations. Chris also sits on the Board of the Scott Trust Endowment Limited, which backs the Guardian and Observer newspapers, and on the Finance and Investment Board of the Institute and Faculty of Actuaries.

For almost twenty years Chris led Railpen, the 350,000-member UK Railways pension system, first as Chief Investment Officer and then as CEO. He also chaired the Pensions and Lifetime Savings Association (PLSA) and was the inaugural Chair of the Pensions Quality Mark, raising standards in defined contribution (DC) pensions.

With a strong interest in corporate and institutional governance, Chris has served as a board member for the Toronto-based International Centre for Pensions Management and for the UK's Investor Forum, which promotes strategic dialogue between companies and investors.

Chris is an actuary and an honorary fellow of the CFA Society of the UK.

8. Sarah Laessig

Board Member from 1 September 2021

Senior Independent Director from 28 July 2022

Chair, Nominations and Remuneration committee from 28 July 2022

Sarah Laessig has 25 years experience in financial services across banking, asset management and pensions. She is a non-executive board member of Local Pensions Partnership Investments (LPPI), which manages £24.2 billion of pension fund assets, United Trust Bank, a specialist lender with a loan book of over £3 billion, and JP Morgan Global Growth and Income Investment Trust (JGGI), a FTSE250 listed investment trust. Sarah's executive banking career at Citigroup included managing businesses across developed and developing markets. She has worked around the world in Eastern Europe, Latin America, Asia and Africa. Sarah has previously been a Commonwealth Scholarship Commissioner and a Civil Service Commissioner. She is an Ambassador of Women on Boards UK.

9. Richard Lockwood

Board Member from 1 September 2018

CFO and Deputy CEO, Nest Corporation

Richard has been part of Nest Corporation's executive team since 2014. From the controls environment to the culture, he has been involved in helping us to mature from a start-up to one of the UK's biggest workplace pension providers. He initially managed the finance and procurement teams. Over time, he has added six other support teams to his broader remit, while also becoming Deputy CEO.

As executive champion for diversity, equity and inclusion, Richard has led a programme of work that is helping to increase staff awareness of, and openly discuss and tackle, biases and barriers. He is a member of the Advisory Board of the Diversity Project, a cross-company initiative working to create a more inclusive culture in the financial sector.

Richard is a chartered management accountant. His career over the last 30 years includes roles in a number of blue-chip UK retail and consumer product companies including Home Retail Group plc, BAA plc, Kingfisher plc, Whitbread plc and BP plc. He is currently a non-executive director of British Skydiving.

10. Nikki Marsh

Board Member from 1 June 2023

Focusing on driving customer-centric culture in organisations, Nikki has had a successful leadership career in financial services spanning thirteen years, including ten years in the mutual sector, interspersed with seven years as a senior civil servant in the public sector. She has covered a broad range of roles within her career including marketing, digital transformation, and communications, alongside customer centric culture change.

She also spent several years as a trustee for a not-for-profit organisation dedicated to improving the way people are cared for and supporting staff who deliver care and is currently a non-executive director at Penrith Building Society and a qualified executive coach.

11. Mutaz Qubbaj

Board Member from 1 June 2018 to 31 May 2023

Mutaz is an accomplished entrepreneur and financial expert with a passion for empowering individuals to take control of their finances and has deep understanding of both technology and finance. He is currently the UK Head of Business Development & Sales for NowCM and is committed to making financial services more accessible and transparent for all. More recently, he was the Commercial Lead at Nivaura, a primary debt issuance digitisation FinTech, and was part of the exit team in a sale to NowCM, a leading European FinTech helping the transition of debt capital markets to digital platforms.

He previously spent several years developing cutting-edge technology at the Massachusetts Institute of Technology's Media Lab and working as a trader and strategist at Morgan Stanley, Credit Suisse, and PIMCO. After which he founded Squirrel Ltd, a Barclays Techstars company, to find a solution to the problem of predatory lending practices. Squirrel has gained industry recognition for its innovative approach and has won awards at the WIRED Startup and Pitch@Palace competition, which is sponsored by the British Royal Family. He is a leading voice within the FinTech industry with features in FT, Bloomberg, CNBC, CNN, City AM, and WIRED.

12. Martin Turner

Board Member from 1 June 2018 (reappointed for second term from 1 June 2023)

Chair, Risk committee from 21 February 2019

Martin has 37 years' experience working within the financial services industry in companies such as Barclays plc and Lloyds Banking Group plc. He has had a broad range of roles, both in the UK and overseas, ranging from front-line customer service and relationship management through to strategy and transformation and IT and operational service delivery.

More recently, he has had group-level accountabilities in the second-line risk function including operational risk, regulatory compliance, internal risk reporting and external risk disclosures. This has included overseeing significant structural reform programmes driven by regulatory and legislative requirements.

Martin retired from full-time executive roles at the end of 2016. He is currently a non-executive director and trustee with AQA Education, where he chairs the audit, risk, and compliance committee.

Register of interests

Board members have registered any interests they hold that may create an actual or potential conflict with their responsibilities to us or the Scheme. Each Board member's register of interests is published on our website.[12]

Board members also declare conflicts in relation to any items of business at our Board or committee meetings. The executive team also register any interests they hold that may create a potential conflict with their responsibilities.

12 **nestpensions.org.uk/schemeweb/nest/nestcorporation/who-runs-nest/trustee-members.html**

Statement of Interim CEO's responsibilities

Under schedule 1, part 3, paragraph 20 to the Pensions Act 2008, the Secretary of State for Work and Pensions has directed us 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 1, **page 127**). This 'Accounts direction' requires that the accounts are prepared on an accruals basis and must give a true and fair view of our state of affairs and of our income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the financial statements, the Interim CEO is required to comply with the requirements of the 'Government financial reporting manual' (FReM) 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 FReM have been followed and disclose and explain any material departures in the financial statements.
- Prepare the financial statements on a going concern basis.

The Interim CEO confirms that our annual report and accounts as a whole is fair, balanced and understandable. He takes personal responsibility for the 'Corporation annual report and accounts' and the judgements required for determining that it is fair, balanced and understandable:

- The Interim CEO confirms that as far as he is aware, there is no relevant audit information of which the entity's auditors are unaware.
- The Interim CEO has taken all the steps that he should take to make himself aware of any relevant audit information, and to establish that the auditors are aware of that information.

The Principal Accounting Officer for the DWP has designated the Interim CEO as having responsibility for the propriety and regularity of the public finances for which the Interim CEO is answerable for keeping proper records and for safeguarding our assets, as set out in 'Managing public money' published by HM Treasury.

Ian Cornelius
Interim CEO, Nest Corporation

28 November 2024

Governance statement

Governance framework

We subscribe to high standards of corporate governance in order to serve the best interests of the Scheme's members and fulfil our obligations as a public corporation.

We have considered the Cabinet Office's 'Corporate governance in central government departments: code of good practice' within our governance framework. In respect of those principles of the code which apply to us, there have been no departures.

Accountability

We are accountable to Parliament.

The reporting lines of accountability are through the chair of Nest Corporation to the Secretary of State for Work and Pensions, and through the Interim CEO to the Principal Accounting Officer in the DWP. The Interim CEO reports to the chair of Nest Corporation on all matters with the exception of those directly related to government fiscal controls, for which he reports to the DWP.

Trustee effectiveness

Effectiveness reviews for the Board and its committees take place on an annual basis. In line with best practice, we engage an external facilitator to conduct an effectiveness review once every three years.

During 2023/24, Board Alchemy conducted an external effectiveness review as well as a Board member skills and experience review. The results were reported to the Board on 21 March 2024. This review provided assurance that the Trustee's governance framework continues to operate effectively, and no material failings or weaknesses were found in reviewing the effectiveness of risk management and internal control systems. The report outlined some recommendations for the future to further enhance the governance framework as Nest continues to evolve. The nominations and remuneration committee will oversee the implementation, where appropriate, of key actions arising from the recommendations.

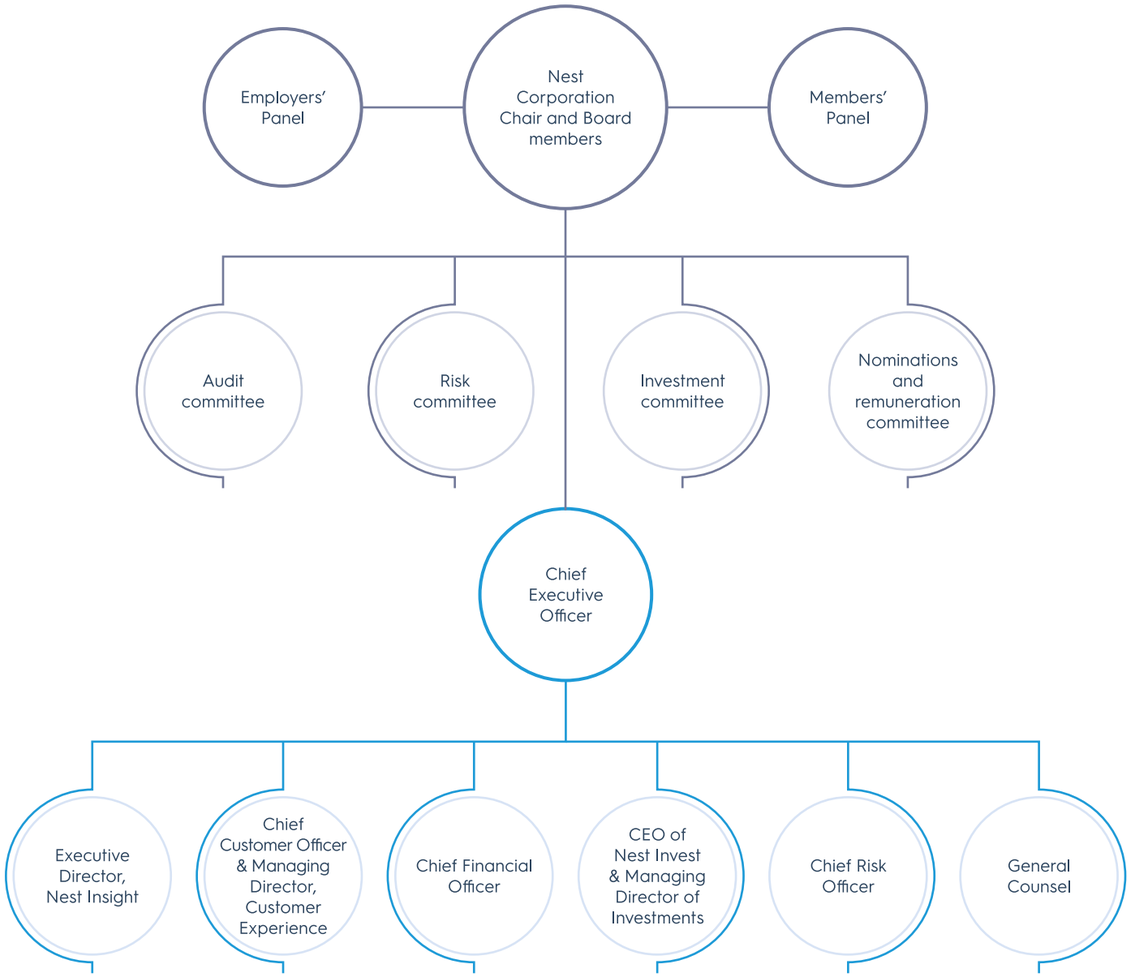
Risk management and internal controls

The Board is responsible for demonstrating high standards of governance at all times, including ensuring that effective risk management and internal control systems are in place. These systems have been in place for the year under review and up to the date of the annual report and accounts. As part of effective risk management, the Board is also responsible for ensuring that any material risks faced by us are regularly identified, evaluated and effectively managed.

To assist it in carrying out its responsibilities, the Board has established a risk committee and an audit committee in line with corporate governance best practice.

Organisational chart

Organisational structure as at 31 March 2024



Executive team

Biographies of Nest Corporation's executive team are available online at **nestpensions.org.uk/schemeweb/nest/nestcorporation/who-runs-nest/executive-team.html**

Board members and committees

As at 31 March 2024, the Board had 11 members, consisting of the Chair of Nest Corporation and ten other Board members, two of whom have day-to-day executive responsibilities. The Board is responsible for setting the strategic direction and objectives for Nest Corporation as Trustee of the Scheme and for representing members' interests.

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

All Board members, including the Chair, were non-affiliated at the time of appointment. This means they have had no current or previous material relationship with Nest Corporation or the Scheme as an employee, officer or contractor and have no connection to a service provider in respect of the Scheme. This is with the exception of the then CEO and CFO, who are employees, and Chris Hitchen, who previously served as a Board member from 2010 until 2015.

Board members bring a range of experience and skills. Collectively these include investment, pensions, risk, member representation, finance, audit, supply, digital transformation, governance and business management. Biographies of all individuals who were Board members at any point during 2023/24 can be found on **page 54**.

Every Board member completes TPR's trustee toolkit, an online learning programme. New Board members must complete this within their first six months, in addition to a detailed induction programme tailored to their requirements, skills, qualifications and experience. As at 31 March 2024, all Board members had completed the trustee toolkit.

Each year we carry out a full skills and experience analysis of Board members. This is used to inform and support their future requirements for knowledge and understanding. Once identified, these requirements are met through briefing sessions and individual commitment to ongoing education and training. During 2023/24, Board members received briefings or training on a number of topics including approaches to risk culture and member segmentation, and supporting workers to save (see **page 66**).

To support effective and robust decision-making, the Board had four committees as at 31 March 2024 (see **page 62**). The Board and its committees take decisions that affect the Scheme and ensure that we fulfil our obligations as a public corporation. The terms of reference for the Board and its committees are published on our website.[13]

In addition, article 8 of the Nest Order 2010 sets out the remit for the Employers' Panel and the Members' Panel in accordance with the requirements of the Board under the Pensions Act 2008. As requested by the Board, these panels must give assistance and advice about the operation, development or amendment of the Scheme. For further information on the panels, see **page 67**.

A scheme of reserved matters and delegations outlines the matters reserved to the Board as well as delegations to each of the four committees. This document is reviewed on an annual basis by the Board to ensure that decisions are made at the right level and within the right governance forum, and to reflect any new reserved matters relating to new processes. Decisions which are not reserved to the Board or a committee are within the authority of the Interim CEO, who is responsible for the day-to-day operations and management of the Corporation and the Scheme.

The Interim CEO delegates authority to each member of our executive committee and holds them accountable for delivery in their remit. To provide oversight of our operations and those of the Scheme, and to provide advice to the Interim CEO on key issues within the Interim CEO's delegated authority, the executive committee meets at least monthly and the Interim CEO provides formal reports at Board meetings.

13 **nestpensions.org.uk/schemeweb/nest/nestcorporation/how-nest-is-run/policy-and-procedures.html**

Audit committee

The audit committee is responsible for monitoring the integrity of the financial statements for Nest Corporation and the Scheme, and the validity of the assurance given on them. It monitors the internal controls framework and the effectiveness of audit and compliance functions.

During 2023/24, members of the audit committee met seven times. The committee's work included:

- Reviewing the annual report and accounts for Nest Corporation, the Scheme and Nest Invest, recommending their approval to the Board.
- Reviewing the plans of the internal audit plan and the external auditors plan for the annual accounts. Overseeing the delivery and effectiveness of the external audit, as well as the implementation of internal audit recommendations.
- Appointing Deloitte as internal auditors for Nest Corporation and the Scheme with effect from 1 April 2024. Reappointing KPMG as the external auditor for the Scheme. Reappointing Grant Thornton as auditors for the Scheme's Tech 05/20 AAF report.
- Approving the annual compliance assurance plan and receiving regular updates on delivery and findings.
- Reviewing the effectiveness of the system for monitoring compliance with laws and regulations. Approving the annual Nest Corporation Second Line Assurance Plan, including any recommended changes.
- Reviewing both Nest Corporation's and the Scheme's system of internal controls via our controls report following the Audit and Assurance Faculty's guidance for assurance reporting on master trusts, TECH 05/20 AAF, and recommending their approval to the Board.
- Recommending approval of the statement and compliance process for Nest Corporation's obligations under the MSA to the Board.
- Providing oversight of our arrangements for raising concerns relating to possible wrongdoing in the organisation, including protecting against fraud, approving our breach reporting policy and approving our whistleblowing policy and procedure.
- Recommending and approving changes to the committee's terms of reference.

Risk committee

The risk committee is responsible for advising on overall risk strategy. It considers all aspects of risk, and the management of those risks, which could affect Nest Corporation and the Scheme as well as Scheme customers.

During 2023/24, members of the risk committee met four times and had one training session. The committee's work included:

- Reviewing and challenging key areas of risk with respect to our activities including increasingly sophisticated cyber threats.
- Providing oversight of the principal risks and risk appetite levels and recommending both the principal risks and risk appetite levels to the Board for approval.
- Providing oversight of our risks in relation to the programme to deliver the next scheme administration platform (see **page 26**).
- Reviewing our risk management and policy frameworks and recommending their approval to the Board.
- Approving policies with respect to financial crime and anti-money laundering, anti-bribery and corruption, information security, data protection, records management and business continuity.
- Recommending and approving changes to the committee's terms of reference.

Investment committee

Maintaining oversight of the investment performance and risk management of the Scheme's funds, including approving changes in asset allocations as required.

During 2023/24, members of the investment committee met five times. The committee also met for three workshops and had one training session. The committee's work included:

- Undertaking the triennial review of the SIP and the manager selection and manager monitoring frameworks.
- Approving the responsible investment annual report 'Securities lending policy' and accepting the Section 36 advice provided by Nest Invest.
- Reviewing and recommending the stewardship conflicts of interest policy to the Board
- Reviewing the strategic asset allocation building blocks
- Reviewing and recommending to the Board the annual TCFD report and the SIP implementation statement for the Scheme.
- Reviewing the investment management agreement (IMA) between Nest Corporation and Nest Invest Ltd, the FCA-regulated subsidiary of Nest Corporation.

Nominations and remuneration committee

The nominations and remuneration committee is responsible for overseeing our remuneration strategies and organisational culture to enable us to attract and retain talented staff with the right capabilities. It also provides oversight of the corporate governance processes by assessing whether governance arrangements are adequate, appropriate and operating effectively.

During 2023/24, members of the nominations and remuneration committee met six times. The committee's work included:

- Reviewing the results of the externally facilitated skills and experience analysis of Board members. Approving recommendations with respect to Board training requirements, succession planning and implications for recruitment of new Board members.
- Reviewing the results of the externally facilitated Board and committee effectiveness review and considering recommendations arising from the review.
- Approving the induction programme for three new Board members and the new Interim CEO.
- Providing oversight of the recruitment processes of a new Interim CEO and approving the remuneration package for the new Interim CEO.
- Recommending to the Board certain committee membership changes, including the appointment of Katrina Shenton as a special committee member of the investment committee and Carol Young as a special committee member of the nominations and remuneration committee.
- Receiving regular reports from the Director of people and development on people and remuneration matters, including the results of the staff surveys, culture dashboard and progress towards our D,E&I strategy. Approving the People & Development strategy.
- Reviewing the performance and approving changes in remuneration of our executive committee (including the then CEO). Reviewing talent management and succession planning for Nest staff.
- Approving the then CEO's recommended approach to employee remuneration including pay awards, pay ranges and performance related pay. Approving changes in remuneration for Panel members.
- Reviewing the annual skills and experience analysis of Panel members and approving the re-appointment of seven members of the Members' Panel and six members of the Employers' Panel.
- Recommending to the Board certain changes to the Nest Scheme rules, the scheme of reserved matters and delegations and the committee's terms of reference.

Committee membership as at 31 March 2024

Audit committee

Myfanwy Barrett	Chair
Nina Hingorani-Crain	Member (from 1 September 2023)
Martin Turner	Member

Risk committee

Martin Turner	Chair
Myfanwy Barrett	Member
Karen Cham	Member
Helen Copinger-Symes	Member (from 1 November 2023)
Chris Hitchen	Member
Nikki Marsh	Member (from 1 September 2023)

Investment committee

Chris Hitchen	Chair
Helen Copinger-Symes	Member (from 1 September 2023)
Sarah Laessig	Member
Jennie Austin	Special committee member
Katrina Shenton	Special committee member (from 1 September 2023)
Jaap van Dam	Special committee member

Nominations and remuneration committee

Sarah Laessig	Chair
Karen Cham	Member
Nina Hingorani-Crain	Member (from 1 January 2024)
Brendan McCafferty	Member
Carol Young	Special committee member (from 1 January 2024)

Details of meetings attended by Board and committee members

No. of meetings	The Board	Audit committee	Risk committee	Investment committee	Nominations and Remuneration committee
Brendan McCafferty	11/11	3/3	–	–	6/6
Myfanwy Barrett	11/11	7/7	4/4	–	–
Karen Cham	11/11	–	4/4 (one meeting attended in part)	–	6/6
Helen Copinger-Symes	8/8	–	2/2	6/6	–
Helen Dean	10/11	–	–	–	–
Nina Hingorani-Crain	7/8	4/4	–	–	2/3
Chris Hitchen	11/11	–	3/4	9/9	–
Sarah Laessig	11/11	–	–	6/6	6/6
Richard Lockwood	10/11	–	–	–	–
Nikki Marsh	8/8	–	2/3	–	–
Mutaz Qubbaj	2/3	–	–	–	–
Martin Turner	10/11	7/7	4/4	–	–
Jennie Austin	–	–	–	8/9	–
Jaap van Dam	–	–	–	9/9	–
Katrina Shenton	–	–	–	6/6 (one meeting attended in part)	–
Carol Young	–	–	–	–	2/2

Notes

The Board

Mutaz Qubbaj stepped down as a Board member at the end of his 5 year term with effect from 31 May 2023.

Helen Copinger-Symes joined the Board with effect from 1 June 2023.

Nina Hingorani-Crain joined the Board with effect from 1 June 2023.

Nikki Marsh joined the Board with effect from 1 June 2023.

Helen Dean resigned as CEO and as a Board member with effect from 30 April 2024.

Audit committee

Brendan McCafferty stepped down from the committee on 1 September 2023.

Nina Hingorani-Crain joined the committee with effect from 1 September 2023.

Risk committee

Mutaz Qubbaj stepped down from the committee at the end of his 5 year term with effect from 31 May 2023.

Nikki Marsh joined the committee with effect 1 September 2023.

Helen Copinger-Symes joined the committee with effect from 1 November 2023.

Investment committee

Jennie Austin, Jaap van Dam and Katrina Shenton are members of the investment committee but are not Board members.

Helen Copinger-Symes joined the committee with effect from 1 September 2023.

Katrina Shenton joined the committee with effect from 1 September 2023 but is not a Board member.

Nominations and remuneration committee

Carol Young is a member of the nominations and remuneration committee but is not a Board member.

Nina Hingorani-Crain joined the committee with effect from 1 November 2023.

Carol Young joined the committee with effect from 1 January 2024.

Board meetings

The Board met 12 times during 2023/24. Members of the Board also convened for a number of workshops on a range of topics, including two strategy days.

At each Board meeting the chair of the audit, risk, investment and nominations and remuneration committees reported on their committee's work since the Board's previous meeting. Details of Board and committee meetings and attendance can be found on **page 65**. Committee membership as at 31 March 2024 is set out on **page 64**.

The Board is responsible for agreeing our strategy. It holds the Interim CEO to account for the implementation of our strategy, providing support and challenge as appropriate.

The Board's priority is to provide a robust, stable pension scheme which operates in the best interests of members. It focuses on delivering a good service to members, employers and intermediaries such as advisers and payroll providers, and meeting our public service obligation to enable any employer to choose the Scheme to meet their auto enrolment duties, as well as to accept self-employed people into the Scheme.

Information on strategy, scheme administration, member volumes and service, investment performance, risk management, internal controls, operational activities and financial performance is received and challenged by the Board during the course of each year. The then CEO provided an update at each Board meeting on the key issues on her agenda and significant decisions made within her authority since the Board's previous meeting.

The quality of the information used by the Board to oversee Nest Corporation and the Scheme is reviewed as part of the annual Board effectiveness review. This review helps to ensure that data continues to be appropriate and supports the Board in robust decision-making.

As part of the normal business cycle in 2023/24, members of the Board:

- Approved our long-term financial projections, three-year business plan, annual budget and all associated funding plans.
- Approved the annual report and accounts for both Nest Corporation and the Scheme.
- Approved the master trust controls assurance report, TECH 05/20 AAF, for the Scheme.
- Approved The Pension Regulator's annual supervisory return.
- Approved the risk appetite, principal risks and risk management framework.
- Reviewed and approved our Modern Slavery Act (MSA) statement.
- Reviewed the annual reports of the Members' Panel and the Employers' Panel.

In addition, during 2023/24 the Board's work included:

- Providing governance and oversight of the appointment of TCS as Nest's scheme administrator (see **page 26**) following the termination of the scheme administration agreement with Atos BPS signed in February 2021.
- Approving new investment objectives, changes to the SIP and the SIP implementation statement.
- Approving the annual TCFD report for the Scheme.
- Approving the annual assessment of the Scheme's value for members and the conclusions of this report.
- Reviewing and providing oversight of Nest's purpose-led transformation programme, and approving Nest's customer strategy and business priorities.
- Reviewing plans in relation to the implementation of the pensions dashboard.
- Approving changes to the budgeting approach and governance model for Nest Invest.
- Approving the role specification and appointment of a new Interim Chief Executive Officer, following the resignation of the incumbent CEO.
- Reviewing results of the externally facilitated Board and committee effectiveness review. Considering recommendations arising from the review.
- Approving changes to committee membership.
- Approving the initiation of a consultation on certain changes to the Nest Rules.
- Approving certain changes to the scheme of reserved matters and delegations and the terms of reference for the board and its committees.

Employers' Panel

(Chair – Ron Jarman)

The Employers' Panel was set up in accordance with the Pensions Act 2008 and Nest Order 2010. It represents participating employers by providing advice on the operation, development, and amendment of the Scheme. The panel had 12 members as at 31 March 2024.

During 2023/24 the panel met four times. Its work included:

- Preparing and presenting the Employers' Panel annual report to the Board.
- Completing a programme of work on topics relevant to employers and useful to the Trustee in developing the Scheme's services. For example, this year's programme focused on the relationship between employers and connectors, measures put to in place to combat cybercrime, investment fund choices, responsible investment, Nest's new value proposition, the redefining of Nest's purpose and the new corporate strategies of Nest.
- Providing input on proposed changes to the 'Statement of investment principles' and changes to the scheme rules.
- Attending a joint meeting with members of the Members' Panel, the Board, and the executive committee. The meeting explored Nest's current purpose and vision work aimed at making Nest a more purpose-led and customer-centric organisation.

Members' Panel

(Chair – Catherine Walker)

The Members' Panel was set up in accordance with the Pensions Act 2008 and Nest Order 2010 to represent the Scheme members and allow them to provide advice on the operation, development, and amendment of the Scheme. The panel had 9 members as at 31 March 2024.

During 2023/24 the panel met four times. Its work included:

- Fulfilling its formal governance functions through consultation on changes to the scheme rules and by submitting its annual report to the Board and the Secretary of State for Work and Pensions.
- Providing its input to the call for evidence on the Introduction of a lifetime provider model.
- Considering issues relevant to members in order to provide advice and feedback to the Board and the executive team, including on the relationship between employers and connectors, investment fund choices, Nest's new value proposition, the redefining of Nest's purpose and the new corporate strategies of Nest.
- Attending a joint meeting with members of the Employers' Panel, the Board, and the executive committee. The meeting explored Nest Corporation's current purpose and vision work aimed at making Nest Corporation a more purpose-led and customer-centric organisation.

Determination of disputes

The executive is responsible for adjudicating disputes related to the Scheme that have reached stage 2 of the internal dispute resolution (IDR) procedure. Stage 2 is the final stage of the complaints process for Scheme members.

During 2023/24 the executive considered 66 cases (compared with 30 cases which were considered in 2022/23).

- 15 cases were upheld (8 cases in 2022/23).
- 35 cases were partially upheld (9 cases in 2022/23).
- 16 cases were not upheld (13 cases in 2022/23).

In 2023/24, the executive received information on 1 case which had been withdrawn by the complainant before consideration (compared with 2 cases in 2022/23).

The Pensions Ombudsman reported to us that 4 cases reviewed during the year had been escalated to it after stage 2 (compared with 1 case in 2022/23).

Significant control issues

During 2024/25, no significant internal control issues resulting in a material impact on the Corporation annual report and accounts for the year ended 31 March 2024 occurred. Our internal audit and compliance assurance functions prepare reports for the audit committee and the Board which provide evidence of this. We do this in line with annual internal audit and assurance plans approved by the audit committee.

There were however two internal control issues which had no material impact on our accounts. For further details see the compliance and assurance section of the corporate governance report on **page 77**.

Corporate risk statement

As Trustee of the Scheme, the Corporation must consider risks, uncertainties and opportunities to ensure that we can deliver our strategic priorities each year. We have an agreed risk appetite statement and have established robust processes to understand, mitigate and manage risks and, in light of economic and other uncertainties, we plan for a range of scenarios.

We also have detailed business continuity and disaster recovery (BCDR) plans in place which have helped ensure robust delivery of services, including during the coronavirus pandemic.

The risk committee is responsible for oversight and challenge of the approach to risk management (see **page 62**). Collectively, the members make recommendations to the Board on our enterprise risk management framework, risk appetite and principal risks.

We engage key stakeholders, such as the DWP, TPR, our scheme and fund administrators and our investment managers, in understanding, mitigating and managing risks.

Enterprise risk management framework

Our enterprise risk management framework is reviewed on an annual basis to ensure it remains fit for purpose and takes developments in industry practice into account. It articulates individual and collective accountabilities for risk management, controls management, risk oversight and risk assurance.

Controls management framework

The controls management framework which sits within the overarching enterprise risk management framework was approved in December 2023 and will be reviewed annually to ensure it remains fit for purpose.

Risk appetite

Taking either too much or too little risk could reduce our ability to deliver our strategic objectives and potentially result in failure to deliver them. We have put robust management controls in place and defined our risk appetite across categories to inform our decision-making. Our risk appetite framework allows us to prioritise and choose the actions that we have ascertained are most appropriate in response to risks, with the goal of driving better member outcomes.

Our current risk appetite statement is reviewed annually and was approved by the Board in January 2024.

Principal risks

We take a holistic approach to risk. We define a principal risk as a risk that is considered material to the development, performance, position or future prospects of Nest Corporation or the Scheme.

We review our principal risks, detailed on **page 22**, every year to ensure that they remain appropriate and include newly identified potential and emerging risks. The most recent review was approved by the Board in November 2023.

Risk monitoring

Risk exposures, performance against risk appetite and principal risks are monitored on a continuous basis. Each business area maintains and regularly reviews an 'Active risk and opportunities' document which contains key risks and opportunities.

Changes in principal risks are reported to the executive committee and risk committee. Additionally, the Board receives regular information on these risks.

Enterprise risk management framework

The Board

Executive team

The Board and the executive team set the tone from the top and ensure responsibility for risk management is delegated throughout the organisation.

Risk appetite

Expresses the level and type of risk Nest Corporation is willing to accept in delivering our strategic objectives.

Documented in a risk appetite table and accompanying appetite statements.

Policy framework

Outlines the structures and approval levels of Nest Corporation's polices and the supporting governance.

Three lines of defence model

Ensures lines 1, 2 and 3 are aware of their risk responsibilities to the business.

Risk identification, measurement and control

Categorisation and assessment of risks.

Risk monitoring and reporting

A suite of risk metrics and information to support effective decision-making at all levels.

Culture

Embedded within Nest staff, promoting a risk-aware culture by considering actions and behaviours.

Resources and capabilities

Skilled, motivated resources able to support risk management responsibilities.

Key controls and mitigating actions

For each of our principal risks in 2023/24, we have put in place key controls and mitigating actions. These have been in place for the year and up to the date of approval of the annual report and accounts.

Annual risk trend

Risk decreased | Stayed the same | Risk increased

Risk	Link to delivery plans	Description	Key developments	Our key control and mitigating activities
Scheme administration 	Our service	There is a risk that the scheme administration programme fails to deliver the critical success factors. The critical success factors established for the programme are: – Managing our risks – Enabling a commercially sustainable Nest – Improving customer outcomes – Securing value for money – Delivering services consistent with our values and future capabilities	Following the appointment of TCS as our long-term scheme administration service partner in 2023, we have begun a programme to transform the experience our customers have with Nest. Operations under the new contract will commence during summer 2025, following the conclusion of an implementation programme. Although we are at an early stage of the programme, and some uncertainty remains, more information on the solution, ways of working and delivery approach is now understood. This progress, coupled with progress made against the programme plan, have improved the risk. Further information on the implementation of the scheme administration service can be found on **page 26**.	– Programme principles have been set and agreed between Nest and TCS. They align with the critical success factors. – Joint solutions teams have been established to deliver high-quality service design consistent with our critical success factors. – We monitor the critical success factors and report progress against these on a regular basis. – Appropriate governance is in place to manage the programme and we continually review these governance arrangements to ensure they remain appropriate. – New technical architecture will underpin the service to be delivered, alongside a refresh of all core journeys for our members, employers and Nest Connectors to support the needs of our customers over the coming years. – Additional key controls and mitigating activities to be implemented following the lessons learnt exercise with Grant Thornton, these additional controls will be included within our outsourcing and procurement policies.
Service delivery 	Our service	There is a risk of significant service failure.	We have seen a rise in customers contacting the scheme leading to increased wait times in Q4 of this reporting period. We are working with our outsourced provider to increase recruitment across contact teams to be able to provide the level of service that our customers expect. Further Information about how the service to our customers performed is discussed on **page 37**.	– We deliver the Scheme through an outsourced business model. Our contracts with key outsourced providers specify service levels that must be maintained to underpin the timely and effective delivery of the Scheme. – We undertake a monthly capacity review with our scheme administrator TCS, to ensure there is sufficient IT and headcount capacity to cope with the Scheme's predicted growth. – We review independent assurance reports on the controls our key providers have in place to assure delivery of our customer services.
Cybercrime and information security 	Our service	There is a risk of significant loss, unavailability or compromise of data, information or assets.	Cyber criminals and fraudsters are developing ever more advanced means to commit crimes. We must protect against and try to anticipate these developments, to prevent our customers from suffering a significant loss of data or assets. As a digital-first pension provider, we are heavily reliant on information and data to be able to serve the Scheme's members. Ensuring members' data security is key to keeping them safe in retirement and confident in saving with us. Further, a loss of data or assets would damage our reputation in the market and could be subject to fines or sanctions from regulators. Information relating to the key developments in relation to this risk is available on **page 37**.	– We have a compliance assurance team which conducts exercises to ensure our compliance with the Data Protection Act 2018, Data Protection, Privacy and Electronic Communications (Amendments etc) (EU Exit) Regulations 2019, other amendments and financial crime legislation. – This team also conducts exercises to ensure our compliance with the International Organization for Standardization (ISO) 27001:2017 standard. – Both our own information security management systems and those of our key outsourced providers are scrutinised by an independent auditor to ensure they meet ISO 27001:2017. – To support cyber resilience, we and our scheme administrator TCS regularly conduct penetration testing to assess how robust operations are. Where necessary, additional safeguards against emerging and potential threats are put in place. – All our staff are required to complete annual e-learning modules relating to risk, information security and data protection.

Risk	Link to delivery plans	Description	Key developments	Our key control and mitigating activities
Data and information management	Our governance	There is a risk that data quality is insufficient to enable Nest's decision making.	During 2023/24, risk associated with data and information management reduced. Data and information underpin all our work. Ensuring it is appropriately managed results in improved member outcomes through better decision-making and insights. Implementation of our new scheme administration solution, with TCS, and procurement of our new fund administration platform, will ensure we have the data and insight we need to understand evolving needs of our customers.	– We have a compliance assurance team which conducts exercises to ensure our compliance with the Data Protection Act 2018, Data Protection, Privacy and Electronic Communications (Amendments etc) (EU Exit) Regulations 2019. – The roles and responsibilities for data owners are clearly set out in the data governance framework which sets out clear accountability and processes. – A number of learning and development opportunities have taken place of the year to improve data literacy across the whole of the organisation.
Legal and regulatory compliance	Our governance	There is a risk that Nest and/or its service providers fail to comply with relevant legal and regulatory requirements for pensions and investments.	The legal, regulatory and policy landscape for pensions and investments is continuously evolving. In 2019, we were accepted into the new master trust supervisory regime overseen by TPR. In 2020, we received approval for our application to the FCA to authorise Nest Invest, our investment advisory subsidiary. This subsidiary is subject to FCA regulation. If we do not meet legal and regulatory requirements, we could face fines or sanctions. Further information in relation to the performance of this principal risk is included on **page 77**.	– We identify proposed changes in laws, regulations and policy as early as possible and plan ahead as far as possible. Our aim is to prevent such changes from adversely impacting our customers and minimise any associated costs. – Our compliance management team continuously monitors government pensions legislation, and regulation from TPR and the FCA. – All our staff are required to complete annual e-learning modules relating to financial crime and competition law as well as risk, information security and data protection.
Financial management and performance	Our organisation and culture	There is a risk that Nest fails to meet its financial objectives, including to remain: – self-funding within legislative income and cost caps. – compliant with applicable regulatory funding requirements.	Over 2023/24, uncertainty in Nest's income and expenditure has reduced improving certainty in long-range financial forecasts and the loan repayment schedule. Key outsourcing contracts for our scheme and fund administration platforms have been procured. These two contracts form a sizeable proportion of our scheme costs which account for two-thirds of our 2023/24 expenditure. Long-term certainty reduces risk within our long-term financial forecasts. However, variability in expenditure still exists with changes in scheme membership and asset size, although these movements will be mitigated through income changes. Commercial changes within the new scheme administration contract realigns expenditure to our income streams. These changes reduce the risk of expenditure, at a member level, exceeding income generated. We are funded in part by a loan from government. During the year Nest made a final draw down from the facility. Nest now enters a period in which the loan will be repaid. Further detail of our financial management and performance over the year is included within the "Financial review" section on **page 28**.	– We generate revenue from our member contribution charges and annual management charges. We aim to be able to meet our obligations under the loan agreement by maintaining a diverse customer base and striving for cost efficiencies. – Our strategic plan, rolling three-year business plan and annual budgets are reviewed and challenged by members of the Board, which then approves the submission to the DWP. The DWP subjects our plans to additional scrutiny. – Senior members of our management team meet regularly with the DWP colleagues to provide them with information about our finances and continuing value for money for taxpayers. This affords additional oversight.

Risk	Link to delivery plans	Description	Key developments
Investment performance 	Our service	There is a risk that Nest's investments fail to perform to long term targets.	Further information on how the investments performed over the year is discussed on **page 34**. For more information on the Scheme's investments, refer to the 'Scheme annual report and accounts 2023/24':[14]
People 	Our organisation and culture	There is a risk that Nest does not develop and maintain the right people capabilities, capacity and culture to meet the requirements of the organisation.	A summary of key developments in relation to this principal risk can be found on **page 39**.
Customer Proposition 	Our customer	There is a risk Nest fails to maintain or develop the proposition to meet the needs of our customers and stakeholders and remain competitively positioned.	We continue to meet our public service obligation requiring us to accept all employers that wish to use the Scheme to meet their auto enrolment obligations. We could fail to keep our proposition and service aligned to regulatory requirements, or to the changing needs or expectations of our customers. Product innovations have allowed us to create a simple and accessible service that matches the Scheme's processes to the way people work. Further information relating to the performance of this risk over the year is available on **page 34**.
Strategy 	Our organisation and culture	There is a risk in relation to Nest's purpose and strategy that: a) Nest's purpose, business model, strategy or business priorities are insufficiently responsive to evolving member needs; and/or b) Nest's purpose, business model strategy or business priorities are insufficiently responsive to broader external change. c) The objectives of Nest's sponsoring department/the government are in conflict with Nest's purpose, strategy or fiduciary duty, and that conflict introduces risk that needs to be managed.	The DWP has a wide pensions policy agenda and the government has an even broader interest in promoting the general health of the UK economy. In contrast, our sole function is to be Trustee of a workplace pension scheme and act in the interests of our members. These differing remits and interests could cause conflicts. As government policy develops, we will continue to fulfil our public service obligation and act in Scheme members' interests. We have been discussing our long-term purpose, which sets the direction of our aspirations and ambitions. The recent general election and change of government could cause some uncertainty in relation to this risk. We continue to maintain our key relationships to help manage this uncertainty.

14 **nestpensions.org.uk/schemeweb/nest/nestcorporation/library.html**

Our key control and mitigating activities

- The investment committee oversees the Scheme's investment risks.
- Our SIP is reviewed annually by the investment committee and at least every three years by the Board, or whenever we make a change to our overall investment strategy. The most recent review was conducted in July 2023.
- Our investment funds are diversified across different managers, asset classes and geographic territories. We continually monitor both investment manager and investment portfolio performance and, when and where appropriate, make changes to the Scheme's investment portfolio.
- Climate change will have a material impact on the performance of the Scheme's investments over the longer term. In 2020 we announced our new climate change policy and our ambition and approach to halving emissions across our portfolio by 2030 and being net zero by 2050.
- The nominations and remuneration committee oversees our people and development strategy, which focuses on attracting and retaining the people and skills we need.
- Our wellbeing strategy continues to be developed to support our people. Mental health first aiders are trained from among our staff. They are available as a resource to colleagues.
- Our D,E&I strategy includes ambitious targets for increasing the diversity of our staff. These were published in our 'Corporate plan 2023–2026'. All staff are required to attend training about D,E&I.
- All our staff are required to complete annual e-learning modules relating to risk, financial crime, competition law, information security, data protection and health, safety and wellbeing. We also encourage and support our people to receive training for professional and leadership development.
- Additional key controls and mitigating activities to be implemented following the lessons learnt exercise with Grant Thornton, these additional controls will be included within our outsourcing and procurement policies.
- We perform regular horizon-scanning activities to monitor market trends and potential competitive challenges. We engage with the wider pensions market and participate in government consultations, industry groups and our six diversity and inclusion working groups to maintain positive relationships with key stakeholders.
- We work closely with payroll providers to be aware of software changes well in advance so that our web services remain both functional and simple to use.
- We have a product roadmap which sets out the changes we are likely to make over the next three years to ensure that change is managed in line with our strategic priorities. We work alongside our scheme administrator to plan, design and build these changes into software systems and processes.
- We work with policymakers, regulators and the wider pensions industry to engage on and contribute to the development of legislative and regulatory changes.
- We systematically assess and monitor our customer's needs through our customer insight programme, which includes regular surveys. These surveys cover various groups, including members, employers and intermediaries. Our goal is to capture and address the requirements and expectations of all key customer segments.
- We monitor the ongoing roll-out of new or recently launched products.
- We have an agreement with the DWP setting out our operating framework and accountabilities.
- We have a governance structure in place designed to ensure that appropriate decisions can be made, and that the Board acts in Scheme members' interests.

Business continuity

We maintain an effective business continuity and disaster recovery (BCDR) 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 our size and complexity and is aligned with industry standards. Business continuity arrangements are tested, reviewed by the CFO and the risk committee, and renewed as appropriate.

Whistleblowing

We have a whistleblowing procedure which is published on our intranet.

In line with best practice, we also have a whistleblowing hotline service which is run externally. This provides employees with the ability to report any concerns anonymously.

The audit committee reviews and approves our whistleblowing procedures annually. It is satisfied with the approach taken and the effectiveness of our arrangements.

Any whistleblowing concerns are reported and discussed with the audit committee. During 2023/24, one whistleblowing event was raised, this compares to two in 2022/23.

Modern Slavery Act

We do not condone any activity which constitutes modern slavery or human trafficking under the Modern Slavery Act (MSA) 2015.

Any commercial organisation in the UK with a turnover in excess of £36 million is required to produce a slavery and human trafficking statement under section 54(9) of the Act.

We have a staff handbook which sets out all the key policies and organisational standards that employees are expected to follow and uphold. Its corporate responsibility statement reflects our commitment to acting ethically and with integrity in all our business relationships. Further information can be found on our website.[15]

We have carried out a risk-based assessment across the organisation to identify the impact of the MSA on our activities and supply chain, as well as potential exposure to modern slavery and human trafficking activity. Our due diligence exercises include contacting our main suppliers to monitor their compliance with section 54 of the MSA by requesting, where applicable, a copy of their published MSA statement. The supplier is asked to notify us of any actual or suspected breaches of modern slavery that have occurred within their organisation in the last 12 months.

As a public corporation, we undertake due diligence when considering taking on new suppliers in accordance with the Public Contracts Regulations 2015.

Internal audit

EY provided independent assurance on our internal controls and reported to the audit committee. EY also provided an annual opinion on governance, risk management and internal controls which are required to ensure we fulfil our obligations as a public corporation.

EY agreed its annual internal audit plan with the audit committee and reported on progress against the plan on a quarterly basis. The internal audit plan covers us as both a public corporation and as the Trustee of an occupational pension scheme.

EY provided the Head of Internal Audit opinion for the period 2023/24.

Following the conclusion of our internal audit procurement process, Deloitte were appointed as our internal auditors in March 2024 and they will provide independent assurance via the agreed annual internal audit plan.

Head of Internal Audit opinion

Based on the work carried out, in the opinion of the Head of Internal Audit at Nest Corporation, there is reasonable assurance that Nest Corporation has adequate and effective systems of governance, risk management and internal control.

15 **nestpensions.org.uk**

Compliance and assurance

The Pension Schemes Act 2017 and the supporting master trust Regulations 2018 introduced significant changes to the regulation of master trust pension schemes. TPR supervises authorised master trusts through an annual supervisory meeting, the review of regular data submissions and the provision of an annual supervisory return.

We became an authorised master trust in September 2019. As part of the authorisation process, we demonstrated to TPR that our internal controls and processes met or exceeded the required standard.

Our compliance assurance team is responsible for monitoring compliance against relevant legislative and regulatory requirements. It provides ongoing assurance to the Interim CEO and the Board that Nest Corporation as trustee of the Scheme, as well as our FCA-authorised occupational pension scheme (OPS) firm subsidiary, Nest Invest, are compliant with our documented internal controls and statutory and regulatory requirements for pension schemes, and that we maintain controls to govern information security and financial crime prevention.

The compliance assurance team follows an annual plan that is agreed with the audit committee. This plan covers provision of assurance against our internal controls framework, regulation and legislation. It is risk-based and focuses on monitoring our key areas of risk. The service delivery, scheme assurance and fund administration teams ensure that we receive adequate assurance from external providers where tasks are outsourced.

Our annual controls assurance report against the TECH 05/20 AAF master trust controls assurance report for the period 1 April 2023 to 31 March 2024 has been completed. This framework, updated in 2020 by TPR and the Audit and Assurance Faculty (AAF) of the Institute of Chartered Accountants in England and Wales (ICAEW), sets out control objectives for the governance and administration of master trust schemes. Trustees of master trust schemes should be able to demonstrate that their schemes meet these objectives.

Our control owners provide a quarterly attestation to the design and operating effectiveness of all documented controls in their areas of responsibility. The output of the controls attestation is analysed by the enterprise risk team for any further action, if needed, and summarised for the risk committee on a quarterly basis to monitor any thematic control issues. Two internal control issues, relating to the reporting period of 1 April 2023 to 31 March 2024, were identified. These issues, outlined below, did not have a material impact on the Corporation report and accounts or outcomes for our members.

During the year, a departing member of staff was issued a payment in line with Nest's redundancy policy, plus pay in lieu of notice (PILON). In line with Nest's framework document, relevant internal approvals were provided for the payment. However, following subsequent review of this payment it was recognised it was not a typical redundancy payment, but a settlement agreement, and therefore required additional approval from the DWP, as our sponsoring department. Nest subsequently submitted an approval request which was approved by the DWP, acknowledging that Nest did not make payment beyond the amount that would have been permissible within Nest's delegated authority if it were a redundancy payment.

At the end of financial year 2023/24, a member of staff carried forward 15 days of unused leave into financial year 2024/25 without the required documented approval. The member of staff then left Nest within quarter one of financial year 2024/25. On leaving, payment was made for all unused annual leave. This payment was made in error as the leave carried forward had not been approved and was, in addition, contrary to specific contractual provisions. On identifying the payment, Nest recovered the overpaid amount.

A review into both instances identified actions to; implement additional controls and training throughout the corporation with regards to MPM; expedite work to agree a revised Framework Document with the DWP; review and update Nest's leave policy and enhance control systems for leave approvals.

The Trustee is confident that our internal controls and processes continue to demonstrate TPR's required standards.

Complaints to the Parliamentary Ombudsman

There have been zero (0) complaints to the Parliamentary Ombudsman in 2023/24 (also no complaints in 2022/23).

Ian Cornelius
Interim CEO, Nest Corporation

28 November 2024

Remuneration and staff report

The remuneration and staff report sets out the pay and reward policy for our executive team, how the policy was implemented and the amounts awarded to the Board directors. It also details the composition of our staff and our measures relating to fair pay.

Remuneration report

Remuneration policy

This report has been prepared in accordance with the relevant Employer Pension Notices (EPN), HM Treasury guidance and chapter 6 of the Companies Act 2006, and schedule 8 of Statutory Instrument 2008 No. 410 as interpreted for the public sector.

Our remuneration approach applies to all directly employed staff and consists of:

- A pay and reward policy
- Pension arrangements
- Other benefits

Our pay and reward policy was reviewed in January 2023 in line with civil service guidelines and a review of current market data supplied by external providers Mercer LLC and McLagan Data & Analytics. Our pay and reward proposition includes how we approach our annual pay awards, our performance related pay and our performance reviews and staff benefits and recognition.

We continue to evolve our reward and pay proposition with a focus on how we support career and therefore pay progression. We are currently focused on salary benchmarking all roles in Nest to enable Nest to make more data-led decision around remuneration and develop a clear framework for pay progression. The pay and reward policy does not apply to Board directors.

The disclosures in this section relate to Board directors. These are the only individuals who make decisions spanning the entire organisation.

- Brendan McCafferty was appointed Chair of Nest Corporation by the Secretary of State for Work and Pensions. His appointment began on 1 February 2022. Under his terms of appointment, he is required to commit to work two days a week for us.
- Most other non-executive Board directors are required to commit to working for us for 30 days a year. Board directors are appointed by the Secretary of State for a period of initially between four and five years. In accordance with paragraph 7 of schedule 1 to the Pensions Act 2008, the remuneration of Board directors is determined by the Secretary of State. The terms of appointment allow for extra days to be remunerated on a pro-rata basis.
- The nominations and remuneration committee is responsible for advising on the appropriateness of remuneration strategies and sets the remuneration of the CEO. A report on the activities of the committee can be found on **page 63** of the 'Governance statement'.

Performance-related pay

The CEO or Interim CEO oversees a balanced approach to reward. Every year we aim, subject to affordability, to run a pay review and a discretionary performance related pay scheme to reflect CPI and organisational performance. Alongside this, line managers have the freedom to put employees forward for a one-off pay increase based on factors such as performance, growth in role or to reflect market movements in pay.

In 2023/24 the civil service and arm's-length bodies were offered a pay increase of 4.5% with departments having flexibility to pay an additional 0.5% for those in the lower pay bands. In line with our pay policy, Nest choose to pay a CPI increase (6% as of January 2023) to all staff with effect from 1 July 2023. Nest provided a clear business rationale supported by evidence to the DWP.

Performance related pay for colleagues below CEO level are recommended to nominations and remuneration committee by the CEO or Interim CEO based on their view of overall organisational performance. There are two levels of performance related pay, one for the director and above, including the CFO, and one for all other levels. The payments reflect organisational performance and the 'performance related pay pot', as a percentage of annual gross salary cost, is determined by the CEO's recommendation based on:

- 2% being for organisational objectives being "partially met";
- 3% for "met"; and
- 4% for "exceeded".

The CEO performance related pay is awarded by the nominations and remuneration committee following a review of the previous year's performance and is a combination of individual and organisational performance as set out in the CEOs performance objectives agreed at the start of each year.

The performance related pay was £4,000 for executive team members and senior leaders and £1,750 for all other staff. Additional caps in line with the DWP's approach to senior civil service pay bands or equivalents were applied.

Compensation (subject to audit)

There has been one settlement agreement payment made in respect of loss of office to a former staff member.

Total payment was £54,000 relating to redundancy payment, payment in lieu of notice and accrued leave.

No payments have been made during the year to past Board directors.

Women's compensation[16]

	Mean			Median		
	As at 31 March 2024	As at 31 March 2023	As at 31 March 2022	As at 31 March 2024	As at 31 March 2023	As at 31 March 2022
Hourly pay gap	12.7%	14.8%	13.9%	12.0%	11.0%	9.5%
Performance related pay gap	1%	11.0%	7.4%	0%	0%	0%

Gender pay gap

We voluntarily report on hourly and performance related pay gender gaps. A summary of our most recent report can be found in the table above.

Our average hourly gender pay gap has decreased by 2% in comparison to last year. The overall number of women has remained the same as last year, however, the proportion of women in senior leadership roles has increased which has contributed to the pay gap decrease. For our pay gap reporting we define senior leadership roles as members of our executive committee and roles in our top two pay bands, encompassing director-level roles as well as 'head of' roles and technical leads.

The mean performance related pay gap has also decreased by 10% in 2024 compared to 2023.

Ethnicity pay gap

We voluntarily publish our ethnicity pay gaps as we feel it is important to be transparent about our performance and show our commitment to addressing any disparity. These reports are necessary to identify the scope of work needed, take action, measure progress and drive forward meaningful change.

Our D,E&I strategy aims to reduce our ethnicity pay gaps. However, unfortunately we have seen a slight increase in our ethnicity pay gap of 2%. Employees from an ethnically diverse background still earn less than white employees and we will continue to work hard to address this.

We know the areas that we must focus on in the near to longer term to address this and we are determined to increase the number of people from ethnically diverse backgrounds in higher salary roles and our senior leadership. Although we have not made the progress that we had hoped for, our targets remain unchanged. We will continue to work closely with our race working group, our diversity and inclusion business partner and the senior leaders to work towards our targets.

16 Reported on compensation received from 1 January to 31 December.

Compensation[17] of employees from ethnic minority background[18]

	Mean			Median		
	As at 31 March 2024	As at 31 March 2023	As at 31 March 2022	As at 31 March 2024	As at 31 March 2023	As at 31 March 2022
Hourly pay gap	22.9%	21.0%[19]	19.2%	22.0%	18.0%	11.9%
Performance related pay gap	14.4%	21.9%	21.4%	0%	0%	0%

Sickness absence

The average amount of time lost to sickness per employee in 2023/24 was 3.6 days (compared with 3.5 days in 2022/23). Mental health related sickness increased by 32% compared to 2022/23 and there continues to be a focus in this area with dedicated mental health first aiders.

Pensions

Our staff are offered a DC pension arrangement in the Scheme.

We hold the Pension Quality Mark (PQM) Plus standard. This demonstrates that we offer increased employer contributions for increased employee contributions.

Our default contribution levels are 5.0% gross employee contribution on earnings, with us paying an 8.0% employer contribution.

Employees can increase their contributions as follows:

- 6.0% gross employee contribution is matched by a 9.0% employer contribution from us.
- 7.0% or more gross employee contribution is matched by a 10.0% employer contribution.

The then CEO and CFO are the only individuals included in the remuneration disclosures who are members of the Scheme.

17 Reported on compensation received from 1 January to 31 December.
18 The Office for National Statistics (ONS) includes White minority populations in its reports on ethnic minority groups. In our analysis of ethnicity pay gaps and representation, we include White British and White minorities in the same, broader category. We believe this will better focus our efforts to improve diversity and inclusion and understand the experiences of people of colour.
19 Prior year mean hourly pay gap has been restated following a review of the hourly rate calculation. Stated mean pay gap in 2022/23 was 23.8%.

Remuneration tables (subject to audit)

The information in the table below has been audited.

	Contract details		2023/24						2022/23					
Name and Position	Contract start date	Unexpired term as at 31 March 2024	Full-year equivalent salary and allowances (£000)	Salary and allowances paid (£000)[1]	Perform-ance related payments (£000)[2]	Pension benefits (to nearest £100)[3]	Taxable expenses (to nearest £100)[5]	Total (£000)	Full-year equivalent salary and allowances (£000)	Salary and allowances paid (£000)[1]	Perform-ance related payments (£000)[2]	Pension benefits (to nearest £100)[3]	Taxable expenses (to nearest £100)[5]	Total (£000)
Brendan McCafferty Chair	1 February 2022	34 months	90–95	90–95	–	–	37,400	125–130	90–95	90–95	–	–	33,500	120–125
Chris Hitchen Board Member	1 June 2018	2 months	35–40	35–40[6]	–	–	1,000	35–40	15–20	15–20	–	–	1,900	20–25
Helen Copinger-Symes Board Member	1 June 2023	50 months	25–30	20–25	–	–	1,400	20–25	–	–	–	–	–	–
Helen Dean Chief Executive Officer[4]	1 June 2018	1 month	290–295	280–285	10–15	22,800	400	315–320	265–270	260–265	10–15	21,100	1,300	295–300
Karen Cham Board Member	1 July 2019	39 months	25–30	25–30	–	–	2,800[8]	30–35	25–30	25–30[7]	–	–	1,400	25–30
Martin Turner Board Member	1 June 2018	26 months	25–30	25–30	–	–	300[8]	25–30	25–30	20–25[7]	–	–	300	25–30
Mutaz Qubbaj Board Member	1 June 2018	Left Nest on 31/05/2023	10–15	0–5	–	–	–	0–5	10–15	10–15	–	–	–	10–15
Myfanwy Barrett Board Member	1 July 2021	27 months	25–30	25–30	–	–	1,200	30–35	25–30	25–30	–	–	2,000	30–35
Nicola Marsh Board Member	1 June 2023	38 months	20–25	20–25	–	–	6,800	25–30	–	–	–	–	–	–
Nina Hingorani-Crain Board Member	1 June 2023	50 months	20–25	20–25	–	–	–	20–25	–	–	–	–	–	–
Richard Lockwood Chief Financial Officer[4]	1 September 2018	53 months	255–260	250–255	0–5	25,400	5,300	285–290	240–245	240–245	0–5	–	3,700	245–250
Sarah Laessig Board Member	1 September 2021	29 months	25–30	25–30	–	–	–	25–30	25–30	25–30	–	–	–	25–30

Notes

1. Board directors' terms of engagement allows them to claim for time in excess of their contractual obligation. The 2023/24 figures include overtime worked that was paid after year end.
2. With the exception of the the then CEO and CFO, Board directors do not receive any performance related payments.
3. Pension benefits comprise of employer contributions into the scheme.
4. Helen Dean and Richard Lockwood were both Board directors as at 31 March 2024. The remuneration disclosed is mainly in respect of their positions as CEO and CFO.
5. Taxable expenses relate to the sum of travel and subsistence claims inclusive.
6. Figures include overtime worked in 2022/23 which was paid in 2023/24.
7. Figures include overtime worked in 2021/22 which was paid in 2022/23.
8. Figure includes expenses related to 2022/23 paid in 2023/24.

Remuneration and staff report

Staff report

Summary of staff costs for 2023/24

The information in this table has been audited.

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Directly employed Staff		
Wages and salaries	24,820	25,051
Social security costs	3,224	3,203
Pension costs	2,069	2,025
Subtotal	**30,113**	**30,279**
Secondees and interim staff	611	1,260
Total staff costs	**30,724**	**31,539**

We were staffed in 2023/24 by a combination of direct employees and interim staff employed through third-party organisations. Staff consultancy expenditure for 2023/24 was £1,072k (2022/23: £65k). Consultancy services were utilised to provide specialised support for enhancement projects to systems, risk assessments and product development.

The information in the FTE average table has been audited.

	Average FTE over 2023/24	Average FTE over 2022/23
Directly employed staff	321	347
Panel and Committee Members	1	1
Secondees and interim staff*	3	7
Average number of FTE	**325**	**355**

* Due to low values, we've consolidated the secondees and interim staff disclosure.

Senior Civil Service Equivalent pay band	Senior Civil Service Equivalent pay ranges	Headcount
1	£75,000 – £117,800	68
2	£97,000 – £162,500	26
3*	£127,000 – £208,100	29

* Includes six members of staff whose pay is in excess of £208,100.

Staff composition and gender analysis

The following table shows the total number and gender breakdown of the Board, executive committee and all other staff as at 31 March 2024.

Title	Men	Women	Total
Board director (excl. CEO and CFO)	3	6	9
Panel and committee members	11	14	25
Executive team (incl. CEO and CFO)	6	1	7
All other staff	159	172	331
Total	**179**	**193**	**372**

Other

Staff policies

Staff policies are available to all staff via our intranet and, during the onboarding period, through our applicant tracking system.

Health, safety and wellbeing

We respect all of our employees and want to ensure they are safe at work and treated fairly.

We have a health, safety and wellbeing policy that defines staff's responsibilities in this area. Our minimum requirement is to meet standards set out in appropriate health and safety legislation. We aim to exceed these where possible.

Employment practices

Our staff policies and line managers' hub document our approach to employment issues including recruitment practices, employee participation and consultation with staff. We have several policies that provide information about people management, such as pay policies, standards of staff behaviour and career management. We also have a recruitment and redundancy policy which is made available to all our staff through the intranet.

Although we do not recognise any trade unions, we have established our workforce advisory forum, 'Your Voice'. The forum provided input on matters such as our pay and performance related pay principles, working practices in the office and wellbeing initiatives.

Flexible working

We recognise that flexible working can provide benefits to both members of staff and the organisation, so we aim to support our employees where possible to manage the balance between work and home life. Our flexible working policy supports employees' needs, taking into account that they may need to work flexible hours or days on an ad hoc, temporary basis or a regular, formal basis.

Our ability to accommodate flexible working practices enables our people to work in an agile way which supports our hybrid working model.

Diversity, equity and inclusion

Our D,E&I strategy remains key to helping us create an inclusive environment. The plans support us to attract, recruit, develop and retain diverse talent and future potential.

We continue to work with our D,E&I working groups to ensure that we understand the experiences of different groups across the organisation. This is important as it identifies appropriate action to help make the organisation a better place to work, creating an environment where colleagues feel valued and as if they belong. Each group has a programme of initiatives to help them engage with the business (see **page 27**).

Our D,E&I strategy includes ambitious but achievable targets for more inclusive representation across senior leadership roles, director-level roles and our executive team.

By 2025 we want:

- At least one of our executive team to identify as being from an ethnically diverse background.
- A minimum of one of our Board directors to identify as black or black mixed heritage.
- A minimum of three of our executive team to be women or gender non-conforming.
- A minimum of 50% of our executive and senior leadership roles to be women or gender non-conforming.
- At least four of our executive and senior leadership roles to be held by people with disabilities.

These targets are based on the working-age population demographics of the UK.

During 2023/24 there were no individuals from an ethnically diverse background on our executive team, with no Board directors identifying as black or black mixed heritage. As at 31 March 2024, the proportion of women in our executive and senior leadership roles was 48%, with one member of the executive committee a women.

We remain committed to improving the diversity of our senior leadership teams and our D,E&I strategy will support us in achieving that.

The executive committee comprises our executive team. See the organisational chart on **page 60** for details of the roles in this committee. Our executive committee members do not sit within our pay grades. Our top pay grade encompasses director-level roles. Senior leadership roles are those in our top two pay bands, including director-level roles as well as 'head of' roles and technical leads. Appointments to the Board are made by the Secretary of State for Work and Pensions.

Disability Confident Employer

We are a Disability Confident (level 2) employer in the DWP scheme and we're working towards becoming a disability confident leader. We recognise the benefits that people with disabilities bring to the workplace, and we will continue to support applicants and employees with disabilities and long-term conditions to thrive at Nest.

We continue to advertise on job boards aimed specifically at people with disabilities and guarantee those that apply and meet the essential criteria for a role will be shortlisted for interview. If candidates need adjustments during the interview process, then we work with them to ensure that we move the barriers they may face during the recruitment process as we want to ensure that candidates are able to provide their best interview.

If an employee acquires a disability while working for us, we will work with their occupational health provider to assess the employee's needs and make reasonable adjustments.

The organisation works closely with the colleagues in our disability and neurodiversity working group. One of our priorities is to foster an environment where colleagues feel comfortable declaring that they have a disability or long-term condition. We encourage our colleagues to share this data so that we can better support them in their work.

This recognises our drive to be an inclusive employer.

Staff Turnover

Overall turnover for 2023/24 was 14%, (compared with 24% in 2022/23). The 10% decrease in due in part to the restructure program and redundancies in 2022/23. Additionally, the voluntary turnover was 7% higher last year, which has reduced throughout the current year due to changes in the economic landscape.

Off-payroll engagements

For all off-payroll engagements as at 31 March 2024, amounting to more than £245 per day and that last for longer than six months:

Number of existing engagements as at 31 March 2024	**1**
of which	
Number that have existed for less than one year at time of reporting	0
Number that have existed for between one year and two years at time of reporting	0
Number that have existed for between two years and three years at time of reporting	1
Number that have existed for between three years and four years at time of reporting	0
Number that have existed for four or more years at time of reporting	0

For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2023 and 31 March 2024, amounting to more than £245 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 2023 and 31 March 2024	**3**
of which	
Not subject to off-payroll legislation	0
Subject to off-payroll legislation and determined as in-scope of IR35	3
Subject to off-payroll legislation and determined as out-of-scope of IR35	0
Number of engagements reassessed for compliance or assurance purposes during the year	0
of which	
Number of engagements that saw a change to IR35 status following review.	0

For any off-payroll engagements of board members with significant financial responsibility between 1 April 2023 and 31 March 2024.

Number of off-payroll engagement of board members	
Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	0
Total no. of individuals on payroll and off-payroll that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year.	11

Exit packages (subject to audit)

Exit packages paid during 2023/24 totalled £761,000. This includes redundancy pay in line with our policy and, where applicable, payment in lieu of notice. In total there twenty eight leavers during the year who were all made redundant. There were also one other departure who received a PILON payment.

Redundancy and other departure costs are paid in accordance with our redundancy policy. Exit costs are accounted for in full in the year of departure.

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23
<£10,000	4	1	1	2	5	3
£10,000–£25,000	13	–	–	3	13	3
£25,000–£50,000	8	1	–	–	8	1
£50,000–£100,000	3	–	–	–	3	–
£100,000–£150,000	–	–	–	–	–	–
£150,000–£200,000	–	–	–	–	–	–
Total number of exit packages	**28**	**2**	**1**	**5**	**29**	**7**
Total cost*	**£760,000**	**£34,000**	**£1,000**	**£56,000**	**£761,000**	**£90,000**

* Figures are rounded to the nearest thousand.

The table above refers to exit packages paid out during 2023/24. In 2022/23 we had a collective redundancy consultation process which concluded with 26 roles made redundant. The payment for all of these redundancies was paid in 2023/24 as reflected in the table above. There were two additional departures that were not part of the consultation.

Highest pay Board director's pay ratio (subject to audit)

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid Board directors in their organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce.

In 2023/24 one employee received remuneration in excess of the highest-paid Board director (also one in 2022/23).

Panel and investment committee members dedicate a small period of time each year to their duties. To avoid distortion to our pay data and ratio's, remuneration related to these colleagues have been excluded from the disclosures.

Remuneration ranged from £27,000 to £381,000 (2022/23: £23,000 to £359,000).

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

	25th percentile ratio	50th percentile ratio	75th percentile ratio
Year ended 31 March 2024	5.5:1	4.6:1	3.5:1
Year ended 31 March 2023	5.8:1	4.5:1	3.5:1

Alongside our annual pay award and performance related pay, we continue to review our pay ranges annually, including external benchmarking. During 2023/24, we saw colleagues at the bottom of our pay ranges receive a higher increase in their remuneration than our highest paid Board director, reducing the a ratio for the 25th percentile. Remuneration for the median and 75th percentile colleagues grew broadly in line with our highest paid Board director.

Pay data (subject to audit)

	Year ended 31 March 2024		Year ended 31 March 2023	
	Salary	Total pay and benefits	Salary	Total pay and benefits
	£000	£000	£000	£000
Highest pay director's remuneration	290	302	269	280
25th percentile FTE	52	55	47	49
50th percentile FTE	65	66	61	63
75th percentile FTE	84	86	79	81

We believe that pay ratios are consistent with the pay, reward and progression policy that we have in place. The external climate has meant that in prior years we have seen an increase in staff turnover and in some instances we have had to review the remuneration of staff within 2023/24 to keep in line with the external market.

	Percentage change 2022/23 to 2023/24	
	Salary	Performance related pay
Highest paid director	9%	0%
Year on year increase/(decrease) of average	7%	22%



Parliamentary accountability and audit report

The 'Parliamentary accountability and audit report' brings together the key documents demonstrating our accountability to Parliament in relation to this annual report and accounts. It comprises of:

1. Regularity of expenditure
2. Remote contingent liabilities
3. Fees and charges
4. Certificate and report of the Comptroller and Auditor General to the Houses of Parliament

Regularity of expenditure (subject to audit)

HM Treasury's publication `Managing public money' (MPM) prescribes any losses or special payments in excess of £300,000 should be disclosed.

There have been no individual losses or special payments over £300,000 in 2023/24.

There have been no gifts exceeding £300,000 in 2023/24 (2022/23: none).

During 2022/23, we recognised one-off expenditure totalling £74 million related to the completion of the active programme of work between Nest and Atos BPS in transforming the future scheme administration service.

Remote contingent liabilities (subject to audit)

There are no remote contingent liabilities that we are aware of at the time of signing of the annual report and accounts.

Fees and charges (subject to audit)

There is no charge for employers to set up or use the Scheme. There is also no charge for delegates who are acting on behalf of an employer, for example an intermediary such as a payroll provider that the employer has asked to administer the Scheme for them. The Scheme 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: a contribution charge of 1.8% on the value of each new contribution into the member's pension pot and an annual management charge of 0.3% on the total value of the member's pension pot each year which is calculated on a daily basis and reflected in the unit price.

The Board also assesses value for members 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.

For further information on our financial objectives and performance against them, as well as costs, charges and scheme income, please see the `Financial review' on **page 28**.

Ian Cornelius
Interim CEO, Nest Corporation

28 November 2024

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

Opinion on financial statements

I certify that I have audited the financial statements of the National Employment Savings Trust Corporation for the year ended 31 March 2024 under the Pensions Act 2008.

The financial statements comprise the National Employment Savings Trust Corporation's:

- Statement of Financial Position as at 31 March 2024;
- Statement of Comprehensive Net Income, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Accounting Standards.

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 2024 and its net comprehensive income for the year then ended; and
- have been properly prepared in accordance with the Pensions Act 2008 and Secretary of State directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure 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.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I am independent of the National Employment Savings Trust Corporation in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the National Employment Savings Trust Corporation's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the National Employment Savings Trust Corporation's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Chief Executive Officer with respect to going concern are described in the relevant sections of this certificate.

Other Information

The other information comprises information included in the Annual Report, but does not include the financial statements and my auditor's certificate thereon. The Chief Executive Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Pensions Act 2008.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with Secretary of State directions made under the Pensions Act 2008; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the National Employment Savings Trust Corporation and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

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 by the National Employment Savings Trust Corporation or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Trustee Corporation and Chief Executive Officer for the financial statements

As explained more fully in the Statement of Interim CEO's Responsibilities, the Chief Executive Officer on behalf of the Trustee Corporation is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the National Employment Savings Trust Corporation from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements which give a true and fair view in accordance with Secretary of State directions issued under the Pensions Act 2008;
- preparing the annual report, which includes the Remuneration and Staff Report, in accordance with Secretary of State directions issued under the Pensions Act 2008; and
- assessing the National Employment Savings Trust Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Executive Officer either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Pensions Act 2008.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the National Employment Savings Trust Corporation's accounting policies, key performance indicators and performance incentives.
- inquired of management, the National Employment Savings Trust Corporation's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the National Employment Savings Trust Corporation's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the National Employment Savings Trust Corporation's controls relating to the National Employment Savings Trust Corporation's compliance with the Pensions Act 2008 and Managing Public Money;
- inquired of management, the National Employment Savings Trust Corporation's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within National Employment Savings Trust Corporation for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the National Employment Savings Trust Corporation's framework of authority and other legal and regulatory frameworks in which the National Employment Savings Trust Corporation operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the National Employment Savings Trust Corporation. The key laws and regulations I considered in this context included the Pensions Act 2008, Managing Public Money, employment law, pensions legislation and tax Legislation.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management and the Audit Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments, assessing whether the judgements on estimates are indicative of potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain sufficient appropriate audit evidence 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.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies, 4 December 2024
Comptroller and Auditor General

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

Chapter 3

Financial statements

This chapter includes our statement of comprehensive net income, statement of financial position, statement of cash flows, statement of changes in taxpayers' equity for 2023/24 and notes to these statements.



Nest Corporation financial statements

Statement of comprehensive net income (SOCNI) for the year ended 31 March 2024

	Note	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Income			
Members' contribution and annual management charge	2	231,476	194,384
Grant income	3	11,410	15,779
Other income	4	11,742	3,835
Total operating income		**254,628**	**213,998**
Expenditure			
Staff costs	5a	(30,724)	(31,539)
Scheme investment and administration costs	6b	(170,916)	(230,405)
Depreciation and amortisation	6a	(8,883)	(18,324)
Other expenditure	6c	(16,289)	(17,667)[1]
Total operating expenditure		**(226,812)**	**(297,935)**
Net financing expenditure			
Interest payable	7	(33,854)	(26,024)
Interest paid on leasing liabilities	7	(203)	(223)[1]
Total financing expenditure		**(34,057)**	**(26,247)**
Net comprehensive income for the year		**(6,241)**	**(110,184)**
Other comprehensive net income			
Net gain on revaluation of non-current intangible assets	9	52	173
Total comprehensive income for the period		**(6,189)**	**(110,011)**

Note
1. Interest paid on leasing liabilities has been reclassified from operating expenditure to financing expenditure.

Statement of financial position (SOFP) as at 31 March 2024

	Note	As at 31 March 2024 £000	As at 31 March 2023 £000
Non-current assets			
Property, plant and equipment	8	4,364	3,529
Intangible assets	9	4,771	7,319
Right-of-Use - Property	8	15,176	15,777
PPE assets under construction	8	–	604
Prepayments	10a	1,737	439
Total non-current assets		**26,048**	**27,668**
Current assets			
Trade and other receivables	10b	17,193	16,020
Other current assets	10c	238	12
Cash and cash equivalents	11	293,314	228,452
Total current assets		**310,745**	**244,484**
Total assets		**336,793**	**272,152**
Current liabilities			
Interest payable	12	(15,066)	(12,022)
Trade and other payables	13	(36,897)	(29,870)
Lease liabilities <1 year	14a	(1,395)	(1,924)
Other liabilities <1 year	15a	(1,304)	(1,232)
Provisions for liabilities and charges <1 year	16	–	(744)
Total current liabilities		**(54,662)**	**(45,792)**
Total assets less current liabilities		**282,131**	**226,360**
Non-current liabilities			
Lease liabilities >1 year	14b	(10,830)	(11,518)
DWP loan	15b	(1,195,047)	(1,132,047)
Provisions for liabilities and charges >1 year	16	(831)	(1,183)
Total non-current liabilities		**(1,206,708)**	**(1,144,748)**
Total assets less total liabilities		**(924,577)**	**(918,388)**
Taxpayers' equity and other reserves			
General reserve		(928,571)	(922,517)
Revaluation reserve		3,994	4,129
Total equity		**(924,577)**	**(918,388)**

The accounting policies and notes, on **page 102 to 124** form part of these financial statements. The financial statements on **page 98 to 101**, including the accounting policies and notes on **page 102 to 124**, were approved by the Board on 28 November 2024.

Ian Cornelius
Interim CEO, Nest Corporation

28 November 2024

Statement of cash flows (SoCF) for the year ended 31 March 2024

	Note	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Cash flows from operating activities			
Total operating expenditure	5a,6	(226,812)	(297,935)
Members' contribution and annual management charge	2	231,476	194,384
Public service obligation offset	3	11,111	15,307
Other Income	4	11,742	3,835
Grant Income for non-chargeable costs	3	299	472
Adjustment for non-cash items	20	7,962	71,542
(Increase) in trade and other receivables	10	(1,618)	(531)
Increase in trade and other payables	13,15a	7,099	3,266
(Decrease)/Increase in redundancy provisions utilised in year	16	(690)	744
Net cash in/(out)flow from operating activities		**40,569**	**(8,916)**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	20	–	(606)
Payments towards imputed lease liability of TCS assets	20	(4,655)	(2,180)
Prepayments in respect of future scheme administration contract	20	(1,704)	–
Net cash outflow from investing activities		**(6,359)**	**(2,786)**
Cash flows from financing activities			
Loan interest	7,12	(30,810)	(26,117)
Repayment of leasing liabilities		(1,335)	(1,225)
Interest paid on leasing liabilities	7	(203)	(223)
Loan received from DWP	15b	63,000	138,000
Net cash inflow from financing activities		**30,652**	**110,435**
Net Increase in cash and cash equivalents in the period	11	**64,862**	**98,733**
Cash and cash equivalents at the beginning of the period	11	228,452	129,719
Cash and cash equivalents at the end of the period		**293,314**	**228,452**

The accounting policies and notes on **page 102 to 124** form part of these financial statements.

The structure of the statement of cash flows has been revised for 2023/24 to more accurately reflect the classification of operating and financing cash flows. The 2022/23 comparators have also been reclassified.

- Interest paid on leasing liabilities now forms part of cash flows from financing activities (previously included within total operating expenditure under operating activities). For year ended 31 March 2023 total operating expenditure is restated from £298,158k to £297,935k with £223k interest paid on leasing liabilities now shown within financing activities.
- Grant income from public service obligation offset now forms part of cash flows from operating activities (previously presented under financing activities).
- Movements in dilapidation provision has been consolidated into adjustments for non-cash items, as shown in note 20 (previously included under cash flows from operating activities). For year ended 31 March 2023 the adjustment for non-cash items is restated from £71,458k to £71,542k, with £84k increase in dilapidations provisions now consolidated with adjustment for non-cash items.

Statement of changes in taxpayers' equity (SoCTE) for the year ended 31 March 2024

	Revaluation reserve £000	General fund £000	Total reserves £000
Total taxpayers' equity as at 1 April 2023	**4,129**	**(922,517)**	**(918,388)**
Changes in taxpayers' equity 2023/24			
Release of reserves to the SOCNI	–	–	–
Revaluation transfer of disposed assets	(187)	187	–
Net gain on revaluation of non-current assets	52	–	52
Net expenditure after interest	–	(6,241)	(6,241)
Total changes for 2023/24	**(135)**	**(6,054)**	**(6,189)**
Total taxpayers' equity as at 31 March 2024	**3,994**	**(928,571)**	**(924,577)**
Total taxpayers' equity as at 1 April 2022	**3,956**	**(812,333)**	**(808,377)**
Changes in taxpayers' equity 2022/23			
Release of reserves to the SOCNI	–	–	–
Net gain on revaluation of non-current assets	173	–	173
Net expenditure after interest	–	(110,184)	(110,184)
Total changes for 2022/23	**173**	**(110,184)**	**(110,011)**
Total taxpayers' equity as at 31 March 2023	**4,129**	**(922,517)**	**(918,388)**

The accounting policies and notes on **page 102 to 124** 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 2023/24 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. 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 us are described below. They have been applied consistently in dealing with items that are considered material to the accounts. We are required, under the Pensions Act 2008, to prepare its accounts for the year ended 31 March 2024, in accordance with the directions made by the Secretary of State for Work and Pensions with the consent of HM Treasury. The Secretary of State has required us to comply with the requirements of the FReM.

These financial statements relate to Nest Corporation as Trustee of the Scheme. The Scheme's 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

We were established in 2010 to serve as Trustee of the Scheme. Our financing is met mainly through Scheme income, generated through charges to our members, this is supported by a combination of loan and grant income funding supplied through the DWP, which is approved annually by Parliament. In accordance with FReM 2.2.3, we have explained why we have adopted a going concern basis in preparation of these accounts. This can be found in the 'Going concern statement' on **page 23**.

1.3 Changes in accounting policy and disclosures

a) Changes in accounting policies and standards

There have been no changes to accounting policies and no new standards have been adopted during the financial year 2023/24.

A new accounting policy has been applied to a new contract introduced during the financial year. Our new scheme administration contract, with TCS, is considered a service contract and will be recognised in line with IFRS 15.

There have been no further changes to accounting policies and no other standards have been adopted during the financial year 2023/24.

b) New standards, amendments and interpretations issued but not effective for the financial year 2023/24 and not adopted early

IFRS 17 Insurance Contracts is to be adopted by HM Treasury from 1 April 2025, replacing IFRS 4 (with limited options for early adoption). Where appropriate IFRS 17 will be applied within our 2025/26 annual report and accounts onwards.

No new accounting standards have been adopted early during 2023/24. We will monitor for any new accounting standards or interpretations and apply these when they are effective.

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 have been discussed and agreed with the audit committee.

Below are the significant accounting estimates and judgements:

1.4 a) Critical judgements in applying Nest Corporation's policies

Following the conclusion of our procurement for the long-term scheme administration contract in June 2023, and subsequent award to TCS, we currently have two ongoing contracts with TCS in relation to scheme administration services.

Contract 1 – The current scheme administration contract is currently in operation, with services due to cease in June 2025. The arrangement with TCS will end once operation services cease.

Contract 2 – The new scheme administration contract, currently under development with operational services due to commence in summer 2025 with an initial operational period to summer 2033.

For contract 1 – Service concession arrangement

The accounting treatment of assets used by TCS to administer the current scheme administration contract, involves judgements about the degree to which we control the services and any significant residual interest. We have interpreted our scheme administration contract with TCS as a service concession arrangement, it is accounted for under IFRIC 12 as interpreted by the FReM. As a result, assets exclusively associated with the contract are reflected in the 'Statement of financial position'.

For contract 2 – Service contract

The new scheme administration contract, awarded to TCS with an operational commencement from summer 2025, is considered a service contract. Unlike the existing contract, management has concluded no intangible asset is recognisable, as long-term control of the asset has not yet been evidenced. Therefore, the arrangement is considered as a service contract, with milestone payments made in advance of service operational commencement treated as prepayments where appropriate. Operational expenses will be recognised as expenditure in the periods in which the service is received.

As the implementation of the new scheme administration contract progresses, our accounting policy and judgements in relation to the new scheme administration contract will be continually reviewed.

1.4 b) Critical accounting estimates and assumptions

Revaluation of intangible assets

The FReM interpretation of IAS 38: revaluation of intangible assets requires us to revalue intangible assets to a depreciated replacement cost as a proxy for fair value. As suggested in the FReM, we apply 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 our software licences and software development is EWJS: Computers and peripheral equipment.

Software development, Scheme software and software licences

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

Asset refresh prepayment

We have 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 change in estimate. The value of assets to be refreshed over the remainder of the current scheme administration services contract is an estimate, based on the latest available, reliable information provided by TCS.

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, performance related pay earnt and not yet paid and accrued leave. Directors' performance related pay is disclosed in the remuneration report when payments to individuals have been determined by the nominations and remuneration committee.

1.6 Pension costs

All eligible employees are auto enrolled in the Scheme, a defined contribution (DC) pension scheme with employer contributions matched at various rates. We recognise the employer costs for the Scheme in the period in which they are incurred.

1.7 Value added tax (VAT)

We are treated as a special investment fund and all UK-based scheme administration services (provided by TCS), investment funds administration services (provided by STT) and investment manager fees are treated as exempt from VAT. The revenue and expenses related to pension's research carried out by Nest Insight, are vatable. However, the rest of our revenue, Scheme income and cost activities are classified as either exempt of VAT or out of scope of VAT.

1.8 Income

In 2023/24 we had three material revenue streams:

a) Scheme income

Scheme income is reflected in the 'Statement of comprehensive net income' (SoCNI) in line with IFRS 15: contracts with customers as adapted for the public sector by HM Treasury's FReM guidance.

Nest's relationship with its members is governed by trust law. Through engaging with the scheme, both parties are committed to perform obligations as outlined within the Nest Order.

Nest Order and Rules identify two overarching obligations, for which a transaction price can be allocated:

1. Investing contributions made into the scheme on behalf of members. Contribution charge of 1.8% is deducted once the contribution is invested.
2. Administering members pension pots. Annual management charge of 0.3% is deducted based on the value of a members pension pot.

Contribution charge revenue is recognised once Nest's obligation to invest the contribution is complete. This charge is non-refundable, post member opt-out period.

Annual management charge is calculated and recognised daily to reflect the ongoing day-to-day administration of members' pension pot.

b) Public service obligation offset payment

Costs not met by income from members are funded by means of loans from the DWP which will subsequently be repayable from the future income from Scheme members. The loans are recognised as a liability within the 'Statement of financial position' (SoFP), and we pay a commercial rate of interest on these loans.

We receive a grant from the DWP to reduce the interest payable on those loans from the commercial rate to the government rate of borrowing. In line with FReM interpretation of IAS 20, the grant is treated as income. We have a public service obligation to provide a pension service to any employer at a standard charge regardless of the employer's size. The grant income, known as the public service obligation offset payment, is recognised on a monthly basis following the ongoing fulfilment of our public service obligation.

c) Sponsorship and research revenue

Revenue generated by our in-house research unit, Nest Insight, is recognised once the event stated in the contract or the performance obligation(s) has been satisfied, in line with IFRS 15. With general funding that is not linked to a specific event or deliverable, the revenue will be recognised on a straight-line basis over the period that it has been provided for. Any payment received in advance of the recognition criteria is held as deferred revenue.

Income outside the scope of IFRS 15

Costs associated with the functions of government are not chargeable to Scheme members and are met through grant funding. For 2023/24, the amount of grant funding provided is a fixed amount, with the grant value based on management estimates of the expected time spent and costs involved in non-chargeable activities. This estimate has been agreed with the DWP.

The grant income is recognised within each reporting period on fulfilment of our obligation to efficiently conduct any non-chargeable activity, in line with FReM interpretation of IAS 20.

1.9 Loan funding from the DWP

Loan funding was provided by the DWP to meet the Scheme's implementation and running costs until the Scheme reached a suitable scale to be self-funding. Interest is charged at a commercial rate and is determined by the interest rate prevailing at the time of each drawdown. Interest payments are made twice a year, in April and October, and the principal will be repaid in a series of repayments in line with the amortisation schedule in the amended and restated loan agreement signed in March 2019. Loan funding from the DWP is initially recognised at fair value and subsequently measured at amortised cost.

1.10 Property, plant and equipment

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 our 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 us and the cost of the item can be measured reliably.

The above treatment doesn't apply to the Right of Use Assets (see section 1.17).

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 do not meet either criteria, then expenditure is recognised in the SoCNI.

Internally generated software development costs are capitalised when they meet the criteria for recognition set out in IAS 38: intangible assets. We also capitalise software development costs incurred by the current (contract 1) scheme administration contract.

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. The useful economic lives of assets are as follows:

- Furniture and fittings: two to five years or end of lease agreement.
- Information technology and telecoms equipment: three to five years.
- Scheme administration IT hardware assets: seven years or to the end of the current administration contract if shorter.
- Building leases: end of the lease agreement.

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 SoCNI over the remaining life of the asset.

For any lease recognised under IFRS 16, the right of use asset is depreciated on a straight-line basis from the lease commencement date to the earlier of the useful economic life or the end of the lease term.

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. The useful economic lives of assets are 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: 7 years or until the end of the contract term.
- 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 SoCNI over the remaining life of the asset.

For any lease recognised under IFRS 16, the right of use asset is amortised on a straight-line basis from the lease commencement date to the earlier of the useful economic life or the end of the lease term.

1.14 Revaluation and impairment of non-current assets

We carry out an annual valuation review of our 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 SoCNI.

Impairment losses that result from a clear consumption of economic benefit are taken directly to the SoCNI. 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 SoCNI.

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 our 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 we become party to the contractual provisions to receive or make cash payments.

Derecognition

A financial asset is considered for derecognition when the contractual rights to the cash flows from the financial asset expire, or we have either transferred the contractual right to receive the cash flows from the asset or have assumed an obligation to pay those cash flows to one or more recipients, subject to certain criteria. We derecognise a transferred financial asset if we transfer substantially all the risks and rewards of ownership.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and cash held within a Government Banking Service bank account.

Staff loans

Staff loans are loans that have fixed or determinable payments that are not quoted in an active market. Staff loans are initially recognised at fair value and are subsequently measured at amortised cost.

Impairment of financial assets

At the end of each reporting period, we assess whether there is impairment to a financial asset or a group of financial assets. This assessment is done using the forward-looking expected credit loss model as prescribed in IFRS 9: financial instruments. The model contains a three-stage approach based on the change in credit quality of financial assets since initial recognition.

1.16 Provisions for liabilities and charges

In accordance with IAS 37: provisions, we provide for legal or constructive obligations where the transfer of economic benefit is probable but the timing or amount of the transfer at the end of the reporting period is uncertain. The provision is calculated on the basis of the best estimate of the expenditure required to settle the obligation.

1.17 Leases

For any new contracts entered we consider whether a contract is, or contains, a lease. Where IFRS 16 is to be applied, a right-of-use asset is recognised on the lease commencement date. The right-of-use asset is measured at cost, which is made up of:

- the initial measurement of the lease liability.
- any initial direct costs incurred.
- an estimate of costs to dismantle and remove the asset at the end of the lease.
- any lease payments made in advance of the lease commencement date (net of any incentives received).

The lease liability is measured at the present value of the lease payments that are not paid. The discount rate used will be the interest rate implicit in the lease. If the rate cannot be readily determined our incremental borrowing rate is used.

All potential future leases, with the exception of any short-term or low-value leases, would be reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments are excluded from the initial measurement of the lease liability and asset.

IFRS 16 is not applied to one pre-existing finance lease as set out under service concession arrangements in note 1.18.

1.18 Service concession arrangements

Service concession arrangements are accounted for in accordance with International Financial Reporting Interpretations Committee (IFRIC) 12, as adapted for the public sector context by the FReM. Where we control the services provided and retain a significant residual interest in the asset, the asset is recognised in our 'Statement of financial position' SoFP. Contract 1, the current scheme administration contract (expiring summer 2025) with TCS meets these conditions and is recognised in the financial statements as a service concession arrangement. The assets comprise of hardware, software licences and developed software.

An IFRIC 12 liability is also recognised reflecting the shortfall between the scheme administration assets we recognise as grantor and cash payments made to TCS.

Over the course of 2023/24, the IFRIC 12 liability in relation to the current scheme administration contract expired with full payments made for assets associated with the existing scheme administration assets.

1.19 Operating segments

Although IFRS 8: operating segments applies in full, we do not have separate operating segments as defined by the standard.

1.20 Subsidiaries and controlled entities

Nest Invest is a wholly owned subsidiary of Nest Corporation and is registered at 1st Floor, 10 South Colonnade, Canary Wharf, London, E14 4PU.

Nest Invest is not consolidated into these financial statements by virtue of 'IAS 8: accounting policies, changes in accounting estimates and errors' which only requires the application of relevant accounting standards when the effect of applying them is material. Nest Invest is not material to the group and therefore IFRS 10, 'Consolidated financial statements', has not been applied.

The separate financial statements of Nest Invest are filed with Companies House.

2. Members' contribution and annual management charges

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Members' annual management charge	101,615	77,098
Members' contribution charge	129,861	117,286
Total	**231,476**	**194,384**

Contribution charges relate to the 1.8% deduction on invested contributions from members of the Scheme and the 0.3% annual management charge on the value of the Scheme investments under management.

3. Grant income

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Grant income for non-chargeable costs	299	472
Public service obligation offset payment	11,111	15,307
Total	**11,410**	**15,779**

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

Following the European Commission's ruling in July 2010 and subsequently enrolment of members in the Scheme from July 2011, a public service obligation offset payment is due from the DWP. This offset payment has the effect of reducing the cost of servicing the loan to the government cost of borrowing.

4. Other income

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Interest received and receivable	10,819	2,671
Sponsorship and research revenue	844	1,052
Sponsorship and research revenue from DWP	79	112
Total	**11,742**	**3,835**

Interest received and receivable on cash balances we held on deposit with the Government Banking Service relating to the period is treated as income.

The sponsorship and research revenue is to fund our in-house research and innovation centre, Nest Insight.

Additionally, Nest Insight received a research grant of £79k in 2023/24 (compared with £112k in 2022/23) from the DWP. The grant is not classified as state aid.

5. Staff numbers and related costs

a) Staff costs

In 2023/24 we were staffed by a combination of direct employees and interim staff employed through third-party organisations. More detailed disclosures in relation to staff is provided on **page 84**.

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Directly employed Staff		
Wages and salaries	24,820	25,051
Social security costs	3,224	3,203
Pension costs	2,069	2,025
Subtotal	**30,113**	**30,279**
Secondees and interim staff	611	1,260
Total staff costs*	**30,724**	**31,539**

* Due to low values, we've consolidated expenditure disclosures for secondees and interim staff.

b) Pension arrangements

We operate one active defined contribution (DC) workplace pension scheme for our directly employed staff. The corporation contributed into the pensions of 319 colleagues in March 2024 (compared with 358 in 2023), total number of colleagues in position as at 31 March 2024 equalled 372.

We recognise the employer's costs in the period to which they relate. At 31 March 2024 there was one month's contributions outstanding amounting to £284k (compared with £440k as at 31 March 2023).

6. Depreciation, amortisation and other expenditure

	Note	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
a) Depreciation and amortisation			
Depreciation and amortisation	8,9	8,883	18,324
Total		**8,883**	**18,324**
b) Scheme investment and administration costs			
Scheme administration expenses		127,692	124,794
Scheme investment costs		43,206	31,574
Scheme administration disposal		18	14,624
Loss on disposal of scheme non-current assets		–	59,413
Total		**170,916**	**230,405**
c) Other Expenditure			
Professional fees and advice		3,633	5,900
Information technology and telecoms equipment		3,810	3,454
Legal fees and expenses		2,871	2,116
Accommodation		1,335	1,984
Research, marketing and communications		989	1,189
Recruitment and training		914	940
Movements in property repair provisions in the year	16	(352)	84
Insurance		928	792
Loss on disposal of non-current assets	8,9	460	138
Industry engagement		811	282
Travel and subsistence		279	178
Auditor's remuneration – corporation		165	126
Auditor's remuneration – scheme		188	195
Other running costs		258	289
Total		**16,289**	**17,667**

Scheme administration disposal expenditure of £18k relates to the completion of the active programme of work between Nest and Atos BPS.

Scheme administration expenses shown here are exclusive of £91k (compared with £715k in 2022/23) set aside for asset refresh prepayment in 2023/24.

Interest paid on leasing liabilities has been reclassified from operating expenditure to financing expenditure. For year ended 31 March 2023 other expenditure is restated from £17,890k to £17,667k

7. Interest payable

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Loan interest paid and payable	33,854	26,024
Interest paid on leasing liabilities	203	223
Total	**34,057**	**26,247**

Interest payable relates to interest charged on balances outstanding on the loan from DWP (see note 15b) and interest paid on our lease liability associated with our property right-to-use asset (see note 14).

Our weighted average cost of capital (WACC) is the effective cumulative interest rate on the loan from the DWP. Under the terms of the loan agreement, we borrow at a fixed commercial rate of interest prevailing at the time of each drawdown. We receive a grant from the DWP (public service obligation offset payment) which effectively reduces the commercial rate to the government borrowing rate. The cumulative WACC at 31 March 2024, net of the grant, is 3.18% (compared with 2.95% at 31 March 2023).

The interest rate applied to the lease liability is the incremental borrowing rate of 1.63%, based on the five year National Loans Fund rate as at lease inception date (1 April 2022).

8. Property, plant and equipment

Our property, plant and equipment assets comprise of furniture and fittings, information technology. These are used directly by our employees. Purchased scheme hardware is used by TCS for scheme administration, as per our service concessions arrangement.

2023/24	Note	Information technology assets under construction £000	Property – office building (right-of-use asset) £000	Furniture and fittings £000	Information technology £000	Scheme hardware £000	Total £000
Cost							
As at 1 April 2023		604	17,483	504	951	21,025	40,567
Remeasurement	a	–	1,115	–	–	–	1,115
Assets placed into use	b	(601)	–	–	–	–	(601)
Additions		–	–	–	601	3,218	3,819
Disposals		–	–	–	(512)	(2,852)	(3,364)
Written Off		(3)	–	–	–	–	(3)
As at 31 March 2024		**–**	**18,598**	**504**	**1,040**	**21,391**	**41,533**
Depreciation							
As at 1 April 2023		–	(1,706)	(342)	(838)	(17,771)	(20,657)
Opening balance adjustment		–	–	–	–	–	–
Charged in period		–	(1,716)	(26)	(156)	(2,564)	(4,462)
Disposals		–	–	–	482	2,644	3,126
Written Off		–	–	–	–	–	–
As at 31 March 2024		**–**	**(3,422)**	**(368)**	**(512)**	**(17,691)**	**(21,993)**
Net book value at 31 March 2024		**–**	**15,176**	**136**	**528**	**3,700**	**19,540**
Net book value at 31 March 2023		**604**	**15,777**	**162**	**113**	**3,254**	**19,910**
Asset financing:							
Owned		–	15,176	136	528	3,700	19,540
Net book value at 31 March 2024		**–**	**15,176**	**136**	**528**	**3,700**	**19,540**

a) The property right of use asset associated with our office building was remeasured following contractual inflationary increases to future rental payments.

b) Within our 2022/23 accounts, IT equipment was held as an asset under construction on the statement of financial position. Assets were put in use during 2023/24 and are included in current year Information Technology additions.

2022/23	Note	Information technology assets under construction £000	Property – office building (right-of-use asset) £000	Furniture and fittings £000	Information technology £000	Scheme hardware £000	Total £000
Cost							
As at 1 April 2022		–	–	513	917	20,978	22,408
Opening balance adjustment		–	17,483	(9)	32	–	17,506
Additions		604	–	–	2	987	1,593
Disposals		–	–	–	–	(940)	(940)
As at 31 March 2023		**604**	**17,483**	**504**	**951**	**21,025**	**40,567**
Depreciation							
As at 1 April 2022		–	–	(281)	(713)	(13,716)	(14,710)
Opening balance adjustment		–	–	9	(34)	–	(25)
Charged in period		–	(1,706)	(70)	(91)	(4,919)	(6,786)
Disposals		–	–	–	–	864	864
As at 31 March 2023		**–**	**(1,706)**	**(342)**	**(838)**	**(17,771)**	**(20,657)**
Net book value at 31 March 2023		**604**	**15,777**	**162**	**113**	**3,254**	**19,910**

9. Intangible assets

Our intangible assets comprise of purchased software licences used directly by our employees, purchased software licences used by TCS for scheme administration and software developed by TCS for scheme administration.

2023/24	Note	Scheme intangible assets in development £000	Corporation software licenses £000	Scheme software licenses £000	Scheme developed software £000	Total £000
Cost						
As at 1 April 2023		–	691	32,198	79,593	112,482
Additions		–	–	2,043	–	2,043
Disposals		–	(303)	(1,256)	–	(1,559)
Revaluation	a	–	(9)	371	842	1,204
As at 31 March 2024		**–**	**379**	**33,356**	**80,435**	**114,170**
Amortisation						
As at 1 April 2023		–	(677)	(29,654)	(74,832)	(105,163)
Charged in period		–	(7)	(2,217)	(2,197)	(4,421)
Disposals		–	304	1,033	–	1,337
Revaluation	a	–	1	(338)	(815)	(1,152)
As at 31 March 2024		**–**	**(379)**	**(31,176)**	**(77,844)**	**(109,399)**
Net book value at 31 March 2024		**–**	**–**	**2,180**	**2,591**	**4,771**
Net book value at 31 March 2023		**–**	**14**	**2,544**	**4,761**	**7,319**

2022/23	Note	Scheme intangible assets in development £000	Corporation software licenses £000	Scheme software licenses £000	Scheme developed software £000	Total £000
Cost						
As at 1 April 2022		53,889	724	30,373	77,425	162,411
Opening balance adjustment		–	(42)	4	–	(38)
Additions		5,524	–	1,682	–	7,206
Impairments		(59,413)	–	–	–	(59,413)
Disposals		–	–	(706)	–	(706)
Revaluation	a	–	9	845	2,168	3,022
As at 31 March 2023		**–**	**691**	**32,198**	**79,593**	**112,482**
Amortisation						
As at 1 April 2022		–	(704)	(25,579)	(65,177)	(91,460)
Opening balance adjustment		–	41	(3)	–	38
Charged in period		–	(6)	(3,916)	(7,616)	(11,538)
Disposals		–	–	644	–	644
Revaluation	a	–	(8)	(800)	(2,039)	(2,847)
As at 31 March 2023		**–**	**(677)**	**(29,654)**	**(74,832)**	**(105,163)**
Net book value at 31 March 2023		**–**	**14**	**2,544**	**4,761**	**7,319**

a) Intangible assets were revalued to fair value by applying an appropriate Office of National Statistics index. The revaluation or devaluation gain or charge reflects movements in the index since 1 April 2023.

The prior year, 2022/23, net gain on revaluation of non-current intangible assets presented within the Statement of Comprehensive Net Income of £173k is inclusive of the intangible asset revaluation applied in 2022/23, £175k, less an opening balance adjustment, £2k.

10. Prepayments, trade and other receivables, and other current assets

	As at 31 March 2024 £000	As at 31 March 2023 £000
a) Amounts falling due over one year		
Prepayments in respect of asset refresh	–	439
Prepayments	33	–
Prepayments in respect of future scheme administration contract	1,704	–
	1,737	439
b) Amounts falling due within one year		
Accrued Annual Management Charge	10,013	7,255
Accrued income public sector obligation offset payment	4,907	6,388
Accrued grant income for non-chargeable costs	–	232
Prepayments in respect of asset refresh <1 year	91	277
Other trade receivables	806	424
Other prepayments and accrued income	1,376	1,444
	17,193	16,020
c) Other current assets		
Staff loans	3	6
Other Receivables	235	6
	238	12
Total	**19,168**	**16,471**

Prepayment in respect of future scheme administration contract, £1.7m, has been recognised following completion of initial milestone within the programme of work.

Included in the prepayments is £91k (compared with £716k in 2022/23, £439k falling due over one year and £277k falling due within one year) for amounts set aside from service charges to fund future scheme asset replacement. It is estimated that part of the £91k 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 2024 and June 2025. As this is a management estimate, reassessed annually, the amount set aside is not built up evenly over the life of the scheme administration services contract.

The structure of note 10 has been revised for 2023/24, with accrued annual management charge separated from other prepayments and accrued income. The 2022/23 comparators have also been reclassified.

11. Cash

Cash consists of cash held within a Government Banking Service bank account.

	As at 31 March 2024 £000	As at 31 March 2023 £000
Opening balance	228,452	129,719
Net change in cash balances	64,862	98,733
Balance at end of year	**293,314**	**228,452**

12. Interest Payable

	As at 31 March 2024 £000	As at 31 March 2023 £000
Interest payable		
Accrued interest payable to DWP	15,066	12,022
	15,066	**12,022**

13. Trade and other payables

	As at 31 March 2024 £000	As at 31 March 2023 £000
Trade and other payables		
Trade payables	357	183
Accruals	36,481	29,642
Deferred Revenue	59	45
	36,897	**29,870**

14. Leases

During 2023/24, two lease liabilities were in operation. A property lease for our office facility, 10 South Colonnade, and an imputed IFRIC 12 liability recognised to reflect the shortfall between the scheme administration assets realised and cash payments made to TCS. The accounting treatment for the IFRIC 12 liability is similar to that of a finance lease, so is disclosed within this note to provide a complete picture of lease-like liabilities.

Over the course of 2023/24, the IFRIC 12 liability expired with full payments made for assets associated with the existing scheme administration assets. These assets will continue to be utilised until expiry of the current contract in June 2025.

The property lease liability for our office facility was initially measured as the present value of future lease payments, with the right-of-use asset additionally including advanced payments made to the landlord.

The lease liability is measured at the present value of the lease payments that are not paid. The discount rate applied is the incremental borrowing rate of 1.63%, based on the five year National Loans Fund rate as at the 1 April 2022.

Information on the associated right-of-use assets can be found in notes 8 and 9.

No short-term leases or leases of low-value are currently in operation. Expenses relating to payments not included within the measurement of the lease can be found within note 6 (accommodation). Variable lease payments not recognised in the related lease liability are expensed as incurred and include costs associated with usage such as utilities.

Restrictions imposed on leases held include:

- Both the property and imputed finance leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee.
- The imputed finance lease contains clauses allowing the purchase of the underlying asset outright at the end of the lease.
- For the property lease relating to our office building, the property must be kept in a good state of repair and returned to its original state at the end of the lease.

The lease liabilities reflect the full term available under their current contracts, no further extension options exist for any recognised leases.

No commitments to leases yet to commence have been made.

Minimum payment obligations under finance leases. £000s	Not later than one year	Later than one year and not later than five years	Later than five years
As at 31 March 2024			
Principal	1,395	5,816	5,014
Interest	200	566	173
Minimum payment obligation	**1,595**	**6,382**	**5,187**
Present value of Payment	**1,568**	**6,024**	**4,619**
As at 31 March 2023			
Principal	1,925	5,573	5,945
Interest	218	610	254
Minimum payment obligation	**2,143**	**6,183**	**6,199**
Present value of Payment	**2,143**	**5,941**	**5,568**

14 a) Current lease liability

	As at 31 March 2024 £000	As at 31 March 2023 £000
Lease liabilities – Property <1 year	1,395	1,267
Imputed finance lease element of TCS assets <1 year	–	657
Total	**1,395**	**1,924**

14 b) Non-current lease liability

	As at 31 March 2024 £000	As at 31 March 2023 £000
Lease liabilities – Property >1 year	10,830	11,177
Imputed finance lease element of TCS assets	–	341
Total	**10,830**	**11,518**

15. Other liabilities

15 a) Current other liabilities

	As at 31 March 2024 £000	As at 31 March 2023 £000
Other taxation and social security	1,020	964
Pension costs liability	284	268
	1,304	**1,232**

15 b) Non-current other liabilities

	As at 31 March 2024 £000	As at 31 March 2023 £000
DWP Loan	1,195,047	1,132,047
Total	**1,195,047**	**1,132,047**

Loan funding from the DWP is provided to meet the Scheme's 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 2024, the weighted cost of capital on loan funding was 3.18% (compared with 2.95% at 31 March 2023), see note 7. Interest on loans is payable in April and October each year.

16. Provisions for liabilities and charges

	Note	As at 31 March 2024 £000	As at 31 March 2023 £000
Balance at 1 April		**1,927**	**1,099**
Due within one year			
Provided in the year		–	744
Utilised in the year		(690)	–
Released in the year		(54)	–
		(744)	**744**
Due over one year			
Provided in the year		–	–
Utilised in the year		–	–
Released in the year	6	(352)	84
		(352)	**84**
Balance as at 31 March		**831**	**1,927**
Classified as:			
Amounts falling due within one year		–	744
Amounts falling due over one year		831	1,183
		831	**1,927**

A provision of £831k, compared with £1,183k in 2022/23, relates to a dilapidation liability for 10 South Colonnade.

This is based upon our share of the dilapidation costs which are due at the end of the tenancy in 2032/2033.

Prior year comparison, 2022/23, contains a provision of £744k (nil in 2023/24) related to redundancy costs which were unpaid, in the prior year, following a restructuring programme. During 2023/24 we utilised £690k of the provision made, releasing the remaining £54k.

17. Capital and other financial commitments

a) Capital and other financial commitments

	As at 31 March 2024 £000	As at 31 March 2023 £000
<1 Year	35,230	53
1-5 Years	313,308	47
>5 Years	390,667	–
Balance as at 31 March 2024	**739,205**	**100**

The contracted commitment relates to a contracts associated within key scheme administration services and for banking services.

b) Commitments under service concession arrangements reflected in the 'Statement of financial position'

We have a contract with TCS for administration of the Scheme which has been assessed under IFRIC 12 and recognised as a service concession. 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.

The obligations under service concession arrangements presented in this note relate to the current scheme administration contract expiring in June 2025.

The long-term contract in relation to the provision of future scheme administration services is considered in note 17a.

Total commitments under service concession arrangements reflected in the SoFP for the following periods comprise:	**As at 31 March 2024 £000**	**As at 31 March 2023 £000**
Not later than one year	94,410	98,311
Later than one year and not later than five years	27,104	117,195
Total gross obligation	**121,514**	**215,506**
Less interest element discount	(836)	(4,012)
Present value of obligations	**120,678**	**211,494**

Present value of commitments under service concession arrangements reflected in the SOFP for the following periods comprise:	**As at 31 March 2024 £000**	**As at 31 March 2023 £000**
Not later than one year	94,410	98,311
Later than one year and not later than five years	26,268	113,183
Total present value of obligations	**120,678**	**211,494**

c) Charge to the statement of comprehensive net income and future commitments

The total amount charged to the statement of comprehensive net income in 2023/24 in respect of the service element of this service concession was £127.7 million (compared with £124.8 million in 2022/23) and the payments to which we are committed (subject to the conditions of the contract, particularly volume levels) are as follows:

	As at 31 March 2024 £000	As at 31 March 2023 £000
Not later than one year	91,087	92,244
Later than one year and not later than five years	24,152	113,108
Total	**115,239**	**205,352**

18. Financial instruments

	Note	As at 31 March 2024 £000	As at 31 March 2023 £000
Financial assets			
Cash and cash equivalents	11	293,314	228,452
Other receivables	10c	235	6
Staff loans	10c	3	6
Total		**293,552**	**228,464**

The above figures exclude statutory receivables and prepayments and imputed IFRIC 12 liability elements.

	Note	As at 31 March 2024 £000	As at 31 March 2023 £000
Financial liabilities			
DWP loan	15b	1,195,047	1,132,047
Trade payables and deferred revenue	13	416	228
Accruals	13	36,481	29,642
Accrued interest payable to DWP	12	15,066	12,022
Total		**1,247,010**	**1,173,939**

It is, and has been, our policy that no trading in financial instruments is undertaken, nor are they held to change risk.

We have limited exposure to interest rate risk for our loans as the rates are set and fixed on drawdown or rollover for a period of five years.

The book value of our financial assets and liabilities as at 31 March 2024 and 31 March 2023 are not materially different from their fair values.

19. Related-party transactions

We are accountable to the Secretary of State for Work and Pensions and classified as a public corporation. DWP is our sponsoring department, and the two bodies are regarded as related parties. During the year, we had a number of material transactions with DWP. These are detailed in the table below:

		Year ended 31 March 2024		Year ended 31 March 2023	
	Note	Income £000	Expenditure £000	Income £000	Expenditure £000
Loan funding and repayment	15b	63,000	–	138,000	–
Sponsorship and Research revenue	4	79	–	112	–
Loan interest	7	–	33,854	–	26,024
Public service obligation offset payment	3	11,111	–	15,307	–
Grant income for non-chargeable costs	3	299	–	472	–
Premium for letter of credit		–	330	–	330
Total		**74,489**	**34,184**	**153,891**	**26,354**

As at 31 March 2024, accrued interest payable to DWP totalled £15.1 million, compared with £12.0 million in 2022/23.

This relationship with the DWP includes the provision of:

- Loan funding
- Public service obligation offset payments and grant income
- Grant to fund pension research (through our in-house research and innovation centre, Nest Insight)

During 2023/24 we received income from the Scheme of £231.5 million (compared with £194.4 million in 2022/23). See **page 108** for details.

Nest Corporation is a participating employer in the Scheme. Contributions of £3.3 million (compared with £3.2 million in 2022/23) were payable by us to the Scheme during the period.

No Board directors have undertaken any material transactions with Nest Corporation during the period.

Board directors pay into the Scheme on general terms.

Disclosure of compensation paid to Board directors, expense allowances and similar items paid in the ordinary course of operations are presented within the Remuneration and staff report.

20. Cashflow analysis

	Note	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Non Cash items			
Depreciation and amortisation incl. non-TCS	6a	8,883	18,324
Expenditure related to conclusion of future scheme administration contract		–	74,037
Net cash movement in relation to conclusion of future scheme administration contract		–	(20,113)
Loss on disposal of non-current assets	6c	460	138
Prepayment Asset refresh		(1,051)	(199)
Offset for Lease Liability		2,446	(711)
Finance credit charge		98	(18)
Movement in Dilapidations provision	6c	(352)	84
Increase in trade and other payables related to Scheme Assets		(2,475)	-
Other non-cash items		(47)	-
Total Non Cash Items		**7,962**	**71,542**
Purchase of Intangible Assets			
Purchase of IT	8	–	(606)
Total of Intangible Assets		**–**	**(606)**
Payments towards imputed lease liability of TCS assets			
Total lease liability payments made in the year		**(4,655)**	**(2,180)**
Prepayments in respect of future scheme administration contract		**(1,704)**	**–**

21. Political and charitable donations

During 2023/24, we donated 342 laptops no longer in use to the Good Things Foundation's National Device Bank. In donating the laptops, the aim was to reduce e-waste whilst empowering people to connect to the online world. The donated laptops had an approximate net book value of £30,000, no monetary donation was made to the foundation.

We made no political or charitable donations in 2022/23.

22. Contingent liabilities

An employment tribunal matter relating to claims made during financial year 2023/24 is ongoing, with a hearing scheduled during 2025/26. Our legal counsel's view is that we are unlikely to be found liable. However, the outcome of the hearing is subject to future events outside of our control. If unsuccessful in our case, we estimate damages payable of £43,000. This matter represents a contingent liability.

23. Events after the reporting period

IAS 10: events after the reporting period requires us to disclose the date on which the accounts are authorised for issue. There were no reportable events after the reporting period. The 'Corporation annual report and accounts' were authorised by the Interim CEO for issue on the date of the Comptroller and Auditor General's audit certificate.



Appendices

Appendix 1

(not subject to audit)

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 2

(not subject to audit)

Overview of environmental performance

Our office is in a modern, energy-efficient building which houses several government bodies. The building's management company controls energy use, recycling plus food and catering services. The management company employs a dedicated Low Carbon & Sustainability Manager with responsibility for energy reduction and recycling. There is a building-wide policy to support effective energy management. Tenants are not provided with detailed energy data usage as part of the multi-tenant arrangement. The data captured is for the building as a whole, reducing the level of detail we can report on. Our scope 2 emissions are estimated based on the proportion of occupied space Nest Corporation is utilising.

During 2023/24, Nest occupied 7.7% of the building for the first 6-months of the year, reducing to 5.8% for the final 6-months. The reduction in space occupied is a result of other tenants moving into office facilities within the building. The prior year occupation comparison is 6.5% for first 9-months and 7.7% for the final 3-months. Energy data in this report is based on meter readings and the rates provided by the building management company.

Working with the building management company, we are supporting their sustainability action plan. During the year plans have progressed to identify net zero initiatives as part of the energy reduction plan, eliminate single use plastics and reduce water usage.

Our scope 3 reported emissions data is captured directly from expense claims and contract reporting.

Summary

We continue to progress towards our headline and sub-targets for mitigating climate change, these targets align to the Greening Government Commitments (GGC) targets to reduce greenhouse gas emissions, minimise waste, promote resource efficiency and reduce finite resource consumption.

Greenhouse gas emissions

The number of weekly visits by staff into the office increased by 21% during 2023/24 when compared to prior year, despite a reduction in the average number of FTE over the same period. In comparison, reported scope 2 emissions increased by only 1% compared to 2022/23. Analysis by building management suggest that overall electricity usage is relatively independent to the number of staff and visitors within the building, other resources like waste and water usage have a clearer correlation with the numbers attending the office.

Compared to the 2017/18 benchmark, scope 2 emissions have reduced by 44%. Although we do not have direct influence over the building's energy use, we will continue to work with the building management company on any energy management initiatives that are undertaken. With the current limitations in place, we believe that a target to reduces scope 2 emissions is currently not viable.

There has been an increase in scope 3 emissions due to higher levels of business-related travel, compared to prior year business travel emissions increased by 93% in 2023/24. Nest's travel policy requires staff to consider lower carbon options and we actively seek to reduce international business travel. Staff only undertake journeys when necessary and unavoidable. Due to business requirements, the number of air travel journeys increased as we collaborated with our outsourcing partners. However, overall business travel emissions remain significantly below pre-pandemic levels with emissions 81% lower than in 2017/18.

Overall our total greenhouse gas emissions are 68% below the 2017/18 benchmark, putting us in a strong position to achieve our headline target to reduce overall greenhouse gas emissions from our 2017/18 baseline. Whilst overall business travel emissions have lowered significantly since 2017/18, our domestic air travel remains above our benchmark (0.3 tonnes CO_2e v. 0.0 tonnes CO_2e). We continue to work with colleagues reminding them of our travel policy to prioritise lower carbon options of travel and improve system processes to increase reporting on international air travel. We remain confident in meeting our sub-targets over the longer term.

Minimising waste

We have joined a wider building initiative to change behaviours of staff and visitors aimed at reducing waste and energy usage. Specific campaigns were launched through the year to increase waste recycling rates diverting more items away from general waste.

The total amount of waste produced has reduced by 57% when compared to prior year, despite an increase in office attendance. Around 30% of total waste has been recycled, this is down from 70% in 2022/23 and below are sub-target of 70%, reduction in recycling rate is driven by material reduction in confidential paper waste, impacting the recycling percentage. We continue to work with building management to identify opportunities to increase our recycling rates in the future.

Overall waste generation has fallen by 78% compared to the 2017/18 benchmark, ahead of our headline target of a 15% reduction. Building management continues to send zero waste to landfill. The building management company has confirmed that the waste incinerated was sent to an energy from waste facility to produce refuse derived fuel and therefore had an element of energy recovery. The building restaurant continues to use VegWare, plant based compostable utensils, as alternatives to single use plastics. Corporation paper use, during 2023/24, reduced 73% compared to the 2017/18 benchmark. Reduction in paper usage is ahead of the sub-target reduction of 50%.

Sustainable procurement

Nest does not currently have a sustainable procurement policy, but we do use the Government Framework for most contracts. For building wide procurement we are reliant on the building management procurement policies.

Climate change adaptions

Nest has provided a 2017/18 baseline data and continues to provide quarterly data to the DWP Central Assurance Greening Government Commitment team as we work towards Net Zero by 2050 and mitigating climate change.

Use of finite resources

During 2023/24, water use fell slightly, 2%, to prior year despite a rise in office attendance, reduction is likely driven by changing occupation across the whole building.

Water use in 2023/24 was down by 44% from the 2017/18 levels, ahead of our headline target to reduce water consumption by 8%. The building's management continue to progress the water reduction assessment and strategy.

Scope 2 – Water consumption		2017/18 Benchmark	2020/21	2021/22	2022/23	2023/24
Non-financial indicators (m3)	Water consumption	2,722.0	600.6	856.1	1,539.5	1,513.0
Financial indicators (£)	Total water costs[1]	5,089	1,442	1,575	4,173	3,873

Our current water usage of 4.7m³ per FTE represents a 4% increase compared to the prior year. This increase is driven mainly by a 21% increase in total visits to the office. None of our products or services contribute to additional water usage.

Note

1. The utility figures are cost estimates provided by the building management company to support intergovernmental department reporting against Greening Government Commitments or for departmental or agency sustainability reporting. These reported costs may not reflect the way the costs are attributed in any tenancy or other contractual agreement.

Environment performance 2023/24

Area	Actual performance	Normalising data (per FTE)
Average annual full-time equivalent staffing figure: 325[1]		
Estate energy and emissions		
Greenhouse Gas (GHG) emissions from offices	130 tonnes CO_2e	0.40 tonnes CO_2e
Total organisation energy consumption	639,281 kWh	1,967 kWh
Total energy expenditure	£157,417	£484.36
Travel emissions		
CO_2e emissions from business travel[2]	52.4 tonnes CO_2e	0 tonnes CO_2e
Total expenditure on business travel	£91,878	£282.70
Waste		
Total waste produced[3]	5.9 tonnes	0.02 tonnes
Total recycled/reused	1.8 tonnes	0.01 tonnes
Total incinerated	4.1 tonnes	0.01 tonnes
Total to landfill[4]	0.0 tonnes	0.00 tonnes
Total waste expenditure[5]	£5,700	£17.54
Consumer Single Use Plastics (CSUP)	0.0 tonnes	0.00 tonnes
Paper		
Total paper usage	1 tonnes CO_2e	0 tonnes CO_2e
Total paper expenditure	£275	£0.84
Water		
Total water consumption	1,513 m3	4.7 m3
Total water expenditure	£4,100	£12.62

Notes
1. This figure includes employees, Board Members, interims, secondees and panel members.
2. CO_2e means carbon dioxide equivalent, which is a widely accepted standard for measuring emissions from all greenhouse gases.
3. Zero waste associated with ICT and consumer single use plastics.
4. Zero waste was incinerated without energy recovery.
5. Estimated full year expenditure based on Q1-3 actuals.

Greenhouse gas emissions (GHG)

The data for scope 2 emissions for 2023/24 is taken as a percentage of overall data for the building based on our 7.7% occupancy (for six months) and 5.8% (for six months) occupancy. This provides us with an indication of performance.

Greenhouse gas emissions		2017/18 Benchmark	2020/21	2021/22	2022/23	2023/24
Non-financial indicators (tonnes CO_2e)	**Scope 2 – Gas and electricity**					
	Gas	54.3	3.7	3.6	3.0	4.2
	Electricity - total[1]	241.9	199.7	154.1	126.0	130.6
	Total scope 2	296.2	203.4	157.7	129.0	134.8
	Scope 3 – Business travel					
	Private vehicle	16.9	0.6	1.2	2.9	1.7
	Car hire	–	–	–	–	–
	Taxis	0.9	–	0.2	–	0.1
	Air - International	243.2	–	–	12.2	45.0
	Air - Domestic	–	1.4	0.3	6.1	0.3
	Rail	9.0	0.1	0.4	6.0	5.3
	Total scope 3	270.0	2.1	2.1	27.2	52.4
	Total emissions	566.2	205.4	159.8	156.2	187.2
	Scope 3 – Paper					
	Paper	2.2	0.1	–	0.4	0.6

Note
1. The building management company is unable to allocate the electricity costs and usage to green and brown electricity based on the information supplied to them from the electricity suppliers.

Greenhouse gas emissions		2017/18 benchmark	2020/21	2021/22	2022/23	2023/24
Related energy consumption in kilowatt hours (kWh)	**Scope 2 – Gas and electricity[1]**					
	Gas	294,854	20,054	19,535	18,532	20,732
	Electricity - total[2]	586,885	788,580	725,656	597,022	618,549
	Total scope 2	**881,739**	**808,634**	**745,191**	**615,554**	**639,281**
Financial indicators (£)	**Scope 2 – Gas and Electricity[2]**					
	Gas	8,311	802	1,515	1,070	936
	Electricity - total	76,691	95,416	113,671	156,347	136,205
	Total scope 2	**85,002**	**96,219**	**115,186**	**157,417**	**137,141**
	Scope 3 – Business Travel					
	Private vehicle	29,075	1,103	2,243	6,909	8,796
	Car hire	85	-	-	-	-
	Taxis	7,962	5	960	272	1,131
	Air - International	109,252	-	-	33,509	36,703
	Air - Domestic	-	1,902	789	9,137	394
	Rail	81,501	944	5,518	28,814	44,854
	Total scope 3	**227,875**	**3,954**	**9,511**	**78,641**	**91,878**
	Scope 3 – Paper					
	Paper	3,483	67	25	284	275
Volumes of paper in reams	**Scope 3 – Paper**					
	A4	945	15	15	65	80
	A3	30	5	-	10	-

Notes

1. The utility figures are cost estimates provided by the building management company to support intergovernmental department reporting against Greening Government Commitments or for departmental or agency sustainability reporting. These reported costs may not reflect the way the costs are attributed in any tenancy or other contractual agreement.
2. The building management company is unable to allocate the electricity costs and usage to green and brown electricity based on the information supplied to them from the electricity suppliers. Full year financial costs are estimated based on actual usage to November 2023.

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Data may be obtained from third-party weblinks, but these may not be error free and cannot be verified.

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