NACRO

England & Wales · Charity number 226171

Details

Other names	THE NATIONAL ASSOCIATION FOR THE CARE AND RESETTLEMENT OF OFFENDERS, NACRO
Status	Registered
Legal form	Charitable company
Company number	00203583
Registered	1964-08-28
Register	View on the Charity Commission register

Contact

Address	N A C R O Walkden House 16-17 Devonshire Square London EC2M 4SQ
Phone	0300 123 1889
Email	anna.barker@nacro.org.uk
Website	www.nacro.org.uk

Activities

Objects: 1. THE CARE AND RESETTLEMENT AND REHABILITATION OF OFFENDERS, AND THOSE AT RISK OF OFFENDING, AND THEIR FAMILIES AND DEPENDANTS;2. TO FURTHER AND PROMOTE THE STUDY OF AND RESEARCH INTO ALL ASPECTS AND METHODS OF THE PREVENTION OF CRIME, SOCIAL EXCLUSION AND DELINQUENCY AND TO OBTAIN AND MAKE RECORDS OF AND DISSEMINATE INFORMATION CONCERNING THE SAME;3. TO PROVIDE, PROMOTE, SUPPORT OR ORGANISE THE RECRUITMENT AND TRAINING OF ANY OFFENDER, AND THOSE AT RISK OF OFFENDING, AND TO ASSIST THEM IN FINDING EMPLOYMENT AND ACCOMMODATION AND TO REHABILITATE THEMSELVES4. TO PROMOTE SUPPORT OR CARRY ON EITHER ALONE OR IN CO-OPERATION WITH ANY OTHER BODY AUTHORITY OR PERSON ANY PROJECT OR SCHEME IN CONNECTION WITH ANY METHODS OF THE PREVENTION OF CRIME AND SOCIAL EXCLUSION AND TO PROVIDE MONEY FOR SUCH PURPOSES WHETHER BY LOAN OR OTHERWISE.

Activities: We believe that everyone deserves a good education, a safe place to live and the chance to start again, with support from someone on their side. Our housing, education, justice and health services work

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alongside people to give them the support and skills they need to succeed. We fight for voices to be heard and campaign to create lasting change.We see your future, whatever the past.

Classification

- **How:** Provides Buildings/facilities/open Space, Provides Services, Provides Advocacy/advice/information
- **What:** Education/training, Accommodation/housing, Economic/community Development/employment
- **Who:** Children/young People, People With Disabilities, People Of A Particular Ethnic Or Racial Origin, Other Charities Or Voluntary Bodies, Other Defined Groups

Geography

- Throughout England And Wales

Finances

Period end	Income	Expenditure	Assets	Employees
2025-03-31	£90,393,000	£90,467,000	£11,303,000	873
2024-03-31	£77,060,000	£77,325,000	£10,324,000	793
2023-03-31	£68,659,000	£69,662,000	£10,079,000	752
2022-03-31	£66,817,000	£65,762,000	£11,082,000	801
2021-03-31	£60,701,000	£58,990,000	£8,684,000	799

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Trustees

Name	Role	Appointed
NICHOLAS LIONEL HARDWICK	Chair	2022-07-20
Amanda Mary Dickens		2022-03-18
Anne Frost		2020-09-23
Felicity Oswald		2023-09-27
Joanne Harper		2025-08-01
Maneer Afsar		2023-09-27
Melanie Walker		2023-09-27
Mian Langellier		2023-09-27
Neil Spence		2019-04-22
Philippa Oldmeadow		2024-03-20
Shamaila Farrah Mailk		2021-01-01

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Linked charities

- REYNOLDS FUND (226171-1)
- NEWTON FUND (226171-10)
- YORK CASTLE D P A FUND (226171-11)
- WILTSHIRE D P A FUND (226171-12)
- WORCESTERSHIRE D P A FUND (226171-13)
- NAVAL COURT-MARTIAL FUND (226171-14)
- SPECIAL PURPOSES FUND (226171-15)
- ST LEONARDS FUND (226171-16)
- NACRO CHARITY FOR PRISONERS AND FAMILIES OF SERVING AND DISCHARGED PRISONERS (226171-17)
- PENNELL (SOUTHERN RHODESIA) FUND (226171-2)
- BIRKIN TRUST (226171-3)
- LANCASTER D P A FUND (226171-4)
- FRANK FOSTER FUND (226171-5)
- JOYCE GODDARD'S PRISON CHARITY (226171-6)
- WIVES AND FAMILIES FUND (226171-7)
- PRISONERS CHILDRENS CHRISTMAS FUND (226171-8)
- HOLDING FUND (226171-9)

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NACRO

England & Wales - Charity number 226171

Accounts

Nacro

Annual Report

for the year ended 31 March 2025

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Who we are

We believe that everyone deserves a good education, a safe and secure place to live, the right to be heard, and the chance to start again, with support from someone on their side.

We provide practical help and personalised support through our education, housing, justice, and health and wellbeing services. We work closely with people to help them build independence and move forward to a better future. We're compassionate, strong, determined, and flexible. And we never give up on people.

But this isn't enough on its own. We need the barriers holding people back removed and the systems we all rely on improved to give everyone a fair chance. The voices of those most affected are often ignored, so we fight alongside them to be heard. We use the insights from our services and the experience of the people we support to campaign together for meaningful changes in society.

We are Nacro and we won't stop until everyone has the chance to succeed.

Our mission

We will work every day to give people the help they need and campaign to achieve our vision of a society where everyone has the chance to succeed.

Our vision

We want a society where everyone has the chance to succeed and the support they need to achieve their potential. Where a safe secure home, a decent education and a second chance when things go wrong are the foundations we can all build our lives on.

Our values

We are inspiring

We motivate and inspire people to reach their full potential and aspirations. We encourage people to think differently.

We are courageous

We have bold aims which we are determined to achieve. We seize opportunities and deliver results.

We are compassionate

We are focused on people, acting with compassion and supporting each other to succeed.

We are inclusive

We value the unique contribution of all our people, combining our strengths, and achieving more together.

We are reliable

We keep our promises. We provide consistent support and we stick with people.

Why our work is needed

We are living in challenging times. The cost of living crisis continues to impact people across the country and the prolonged lack of investment in our public services and a lack of empathy in some of the political and public discourse for those with the least, has long-lasting consequences for many who already do not get the help and support they need.

The people we work with are often at a point of change. Many have struggled; growing up in care; facing homelessness; failed by the education system; or caught up in the tide of the justice system. The challenges we face shape who we are, but our past shouldn't dictate our future.

It is estimated that up to 300,000 children may be missing from education.[1]

1. https://epi.org.uk/publications-and-research/children-missing-from-education/

Why our work is needed

Our criminal justice system is in crisis. England and Wales have long had one of the highest rates of imprisonment in Western Europe,[2] and the overcrowding crisis has reached critical levels, with the adult male prison estate operating at between 98% and 99.7% occupancy between October 2022 and August 2024.[3] Our prisons remain alarmingly full despite emergency measures such as the early release scheme, with almost 88,000 people in prison in March 2025.[4] With overcrowding across the system, staff are overburdened and access to support services and purposeful activity is poor. It is projected that the prison population will grow substantially over the next few years, to between 95,700 and 105,200 by March 2029.

Reoffending rates remain high, particularly for those who are given short prison sentences. Ministry of Justice data released in January 2025 showed that 37.2% of adults released from prison go on to reoffend within a year. For those with a sentence of less than 12 months, this increases significantly to 56.9% and stands at 59.5% for sentences of six months or less. The cost of reoffending is now estimated to be £23.6 billion a year.

It is clear that we need to do things differently, based on the evidence of what works to reduce offending and reoffending. The Independent Review of Sentencing, the Independent Review of the Criminal Courts and the establishment of the Women's Justice Board represent once-in-a-generation opportunities to create a fairer and more effective system.

2. https://www.prisonstudies.org/highest-to-lowest/
3. https://committees.parliament.uk/publications/46985/documents/242927/default/#:~:text=As%20a%20result%20of%20poor,and%20purposeful%20activity%20is%20poor.
4. https://www.gov.uk/government/publications/prison-population-weekly-estate-figures-2025

Almost

88,000

people in prison

March 2025

Why our work is needed

Levels of homelessness have risen substantially in the last year, with research from Shelter showing that at least 354,000 people were recorded as homeless in England in December 2024, including over 160,000 children. This is an annual increase of 14%. And the number of people sleeping rough in England has increased by 27% with an estimated 3,900 people sleeping rough on any given night.

We know that the best way to tackle homelessness is to stop it from happening in the first place. Where there are predictable routes into homelessness, like leaving prison, it is vital to ensure that everything possible is done to help people find and keep a home, with the support they need to build positive futures. Whilst we still see hundreds of people released from prison homeless every month homelessness cannot be solved.

4.3 million children are growing up in poverty in the UK[5] and the mainstream education system continues to fail many young people whose specific needs are not being met. It is estimated that up to 300,000 children may be missing from education, a 40% increase from 2017.[6] Both permanent exclusions and suspensions from school continue to increase, with suspensions rising by 31% since 2021/22 and permanent exclusions rising by 39%. Vulnerable groups of children are more likely to be excluded, with children eligible for free school meals or with special educational needs having significantly higher rates of both suspension and exclusion. For example, the suspension rate for pupils eligible for free school meals is more than four times that of those not eligible.[7]

The impact on already vulnerable children of a disrupted education can be devastating, with long-term negative consequences for their education, mental health, and overall wellbeing.

Against this background, it is clear that our work is needed more than ever. We continue to do everything we can to offer support, stability, and guidance, enabling people to open doors that were previously closed to them. We know that with the right support and guidance, people can turn their lives around and build successful futures.

"One of the best things is holding people's hands through their move on process, being a part of their support journey."

Nacro staff member

5. https://www.jrf.org.uk/uk-poverty-2025-the-essential-guide-to-understanding-poverty-in-the-uk#:~:text=2.-,Poverty%20broadly%20flat%2C%20similar%20to%20pre%2Dpandemic,and%201.9%20million%20were%20pensioners.
6. https://epi.org.uk/publications-and-research/children-missing-from-education/
7. https://explore-education-statistics.service.gov.uk/find-statistics/suspensions-and-permanent-exclusions-in-england/2022-23)

Message from the CEO and Chair

Campbell Robb
Chief Executive Officer

Nick Hardwick CBE
Chair

A review of the last year needs a book not a few paragraphs. Even by the standards of the last decade, last year was tumultuous. Elections in the UK and the US brought significant changes in government. At home, we saw summer riots tear apart many of our communities, our prisons and criminal justice system reached crisis point, and the rising cost of living continued to affect us all. One thing, however, remained constant — the dedication and focus of our staff in delivering the best possible support, advice and teaching to some of those most impacted by these unstable and uncertain times. We are immensely proud and grateful to our staff, who — despite their own families and friends being directly affected — continued to work with dedication and skill to support others.

As we entered the final year of our 2022—2025 strategy, we saw real progress being made across the organisation. First and foremost, being assessed as Good in every area by Ofsted for our education provision is a very significant achievement and reflects the brilliant work we see every day in our classrooms. We saw the organisation grow, as commissioners — both new and existing — chose Nacro to help them deliver their priorities. The expansion of CAS-2, our accommodation and support service for people leaving prison and on bail, and the launch of a new young people's service in Lewisham are just two of the ways we will be supporting even more people in the future. Our Nest services in Lincolnshire and Essex continued to provide vital services available for some of the most excluded young people in those communities. We also expanded our education centre in Chatham and worked in strong partnerships from Stockport to Hatfield, and from Flintshire to Sheffield, to deliver advice and support to people coming out of prison and struggling to find a home or facing addiction or mental health challenges.

This year, we also saw the impact of our service user-led campaign work. Our Truth About Youth report gave the young people we work with a chance to tell decision-makers and politicians not only how they feel ignored and excluded, but also how positive and engaged they are, and how much they want to contribute to their communities. The work of our Justice ExChange is at the heart of what we aim to do — giving a platform to people with real lived experience of the criminal justice system to speak about what matters to them. Their report on the shocking state of physical health in prisons highlighted the urgent need for reform.

We have also continued to invest in building a strong and sustainable organisation. We have created a secure and stable IT platform to improve our systems and enable innovation in frontline services. We are investing time and resources in our people through improved pay, alongside new approaches to management, learning and development. We are also working with trustees, staff and service users to improve diversity and inclusion across Nacro.

We close this year looking forward. We are honoured to have a new Royal Patron, Her Royal Highness, Princess Anne, and we look forward to introducing her to Nacro's work. We are also excited to celebrate our 60th anniversary in 2026 — a significant milestone that we hope will be both a celebration of our past and a symbol of hope for the future.

Our anniversary will also mark the first year of our new strategy. As this report describes, we have built strong foundations on which we can build securely for the future. We are not complacent, however; we know we must continue strengthening the organisation and responding to the growing needs of those we support.

We will not walk by. Instead, we will:

- Maintain a strong and prudent financial base.
- Continue to invest in our staff and systems, so our staff have the best possible opportunities to develop and thrive, and to improve the quality and efficiency of the services they deliver.
- Expand our education provision using new technologies to ensure our students have the best possible learning opportunities.
- Strengthen our housing and justice services, and work with regional and local commissioners and partners to respond to local needs.
- Ensure the voices of our service users — and evidence of their needs and experiences — are heard by politicians and policymakers.

Nacro's trustees have overall responsibility for the delivery of Nacro's activities and management of its resources. It is a significant voluntary responsibility, and we are extremely grateful to them. We were sad to see Andrew Hodges, our Chief Operating Officer, move on. He has been a key source of support to trustees and important member of the Executive Leadership Team, central to the transformation of the organisation over the past five years. We wish him well.

We were also sad to lose two excellent trustees. David (now Lord) Hanson accepted a post at the Home Office as a Minister in the new Government. Andrew Billany, our longest-serving trustee — who joined in 2014 — stood down at the end of his term. Both have offered enormous support to Nacro over the years.

Trustees, staff and our service users should all be proud of the achievements we describe in this report. We look forward to working with them as we write the next chapters in Nacro's history.

Board members and professional advisers

Information correct at 23 July 2025.

Trustees

Nick Hardwick CBE, Chair
Anne Frost, Vice Chair
Maneer Afsar
Andrew Billany
(resigned 25 September 2024)
Amanda Dickens
Lynn Emslie
Rt Hon Sir David Hanson
(resigned 9 July 2024)
Tabitha Kassem
Mian Langellier
Farrah Malik
Philippa Oldmeadow
Felicity Oswald OBE
Neil Spence
Melanie Walker MBE

Treasurer

Neil Spence

Chief Executive Officer

Campbell Robb
(resigned Autumn 2025)
recruitment process
underway

Company Secretary

Andrew Hodges
(resigned 31 March 2025)

Abbass Shah
(Interim 1 April–6 May 2025)

Andy Wilkinson-Sharpe
(from 6 May 2025)

Registered Office

Walkden House
16-17 Devonshire Square
London EC2M 4SQ

Charity number

226171

Regulator of Social Housing number

4781

Company number

00203583

Bankers

National Westminster Bank Plc
Cavell House
PO Box 113
2A Charing Cross Road
London WC2H 0PD

External Auditors

Crowe U.K. LLP
2nd Floor
55 Ludgate Hill
London EC4M 7JW

Internal Auditors

BDO LLP
Two Snowhill
Birmingham B4 6GA

Solicitors

Devonshires Solicitors LLP
30 Finsbury Circus
London EC2M 7DT

Pension consultants

XPS Pensions Group
Phoenix House
1 Station Hill
Reading RG1 1NB

Executive Leadership Team

Campbell Robb
Chief Executive (resigned Autumn 2025)

Peter Airey
Director of Property and Community Accommodation Services

Helen Berresford
Director of Engagement and Impact

Phil Bevan
Director of People and Culture

Helen Dyson
Director of Support and Advice Services

Andrew Hodges
Chief Operating Officer (to 31 March 2025)

Ian McKetty
Director of Technology and Data (from 22 April 2025)

Elise Temple
Principal and Director of Education and Skills

Andy Wilkinson-Sharpe
Director of Finance, Risk and Assurance (from 6 May 2025)

Trustee Attendance Record 2024/25

	1	2	3	4	5	6
Nick Hardwick CBE	4 of 4	–	–	3 of 3	–	3 of 5
Anne Frost	4 of 4	–	3 of 3	–	5 of 5	–
Maneer Afsar	3 of 4	–	–	–	–	–
Andrew Billany[1]	2 of 2	–	–	–	–	2 of 3
Amanda Dickens	3 of 4	–	3 of 3	–	2 of 2[4]	–
Lynn Emslie	3 of 4	–	–	–	5 of 5	–
Rt Hon Sir David Hanson[2]	0 of 0	–	–	1 of 1	–	1 of 1
Tabitha Kassem	3 of 4	–	3 of 3	–	–	3 of 5
Mian Langellier	3 of 4	–	–	–	–	2 of 5
Farrah Malik	3 of 4	4 of 4	2 of 2[3]	–	–	–
Philippa Oldmeadow	3 of 4	–	–	–	–	5 of 5
Felicity Oswald OBE	4 of 4	2 of 4	–	–	–	3 of 5
Neil Spence	4 of 4	4 of 4	–	–	–	–
Melanie Walker MBE	4 of 4	3 of 4	–	3 of 3	–	–

1 Board
2 Finance, Risk & Audit Committee
3 People Committee
4 Policy & Campaigns Committee
5 Education Committee
6 Housing & Criminal Justice Committee

[1] Resigned September 2024
[2] Resigned July 2024
[3] Joined People Committee in October 2024
[4] Joined Education Committee in December 2024

Our services

At Nacro, we are committed to continuous improvement and achieving even better outcomes for the people we support. We take pride in delivering a range of services, including housing and justice support and advice services, education and health and wellbeing support. Our commitment to positive change is reflected in the success stories of individuals and communities who have benefitted from our services. The pages that follow highlight the range of services we run with each one making a real difference to people's lives.

What we do

The people we work with are often at a point of change. Many have struggled; growing up in care; facing homelessness; failed by the education system or caught up in the tide of the justice system. The challenges we face shape who we are, but our past shouldn't dictate our future.

People we support through our services:

- **Young people**
- **Care leavers**
- **People with substance misuse issues**
- **People who are homeless**
- **People with mental health challenges**
- **People in the justice system**
- **Ex-service personnel**

We helped over

33,000

people last year

Justice

Our justice services aim to break the cycle of crime and disadvantage through rehabilitation. We believe the criminal justice system should be a starting point for building better futures, not a road to nowhere. Partnering with agencies, we work to reduce reoffending and operate in over 20 prisons and six probation regions across England and Wales, with almost 60 years of experience.

Our justice services include:

- **Criminal Record Support Service**
- **Accommodation support**
- **Personal wellbeing support**
- **Finance, benefit, and debt support**
- **Intensive health resettlement**
- **Prison Departure Lounge**
- **Resettlement support for ex-service personnel**

"I believe that everyone should be given a second chance and that's what Nacro does. It helps those who society shun and doing so makes a huge positive impact on its service users."

Nacro staff member

Spotlight on:

Nacro
Justice ExChange

The Justice ExChange is a national forum for Nacro service users who have had contact with the justice system and want to use their experiences to improve the system. The group meets regularly and is an informal get-together where attendees can share their experiences of the justice system; co-develop and contribute to our policy and campaigns; and have their voices heard by those in power while gaining skills and experience. They regularly talk with decision-makers, making sure they hear about the issues that matter from those with lived experience of the system.

The group works together to produce briefings and campaigns on various issues that they believe could be improved, informed by not only data but real lived experiences. Their recent Better Futures series of policy briefings includes practical and cost-effective steps to help prisons better prepare people for release, support and improve physical health and mental health, and provide people with the skills, training, knowledge and support they'll need to thrive and create better lives on the outside.

"We had been invited to the House of Lords to represent people of lived experience. Wow! We have a voice. A group of us went. I cannot tell you how important that was for us all."

Justice ExChange member

25 members

Last year, the group led on a number of research, campaigns and policy projects:

- **Mental and physical health in prison**: Our reports and communications on these issues have raised the issue with key decision makers. Members of the group have been invited to a workshop with stakeholders in Wales to discuss issues around dental health and how to improve treatment on transition from prison to the community.
- **Work and wages in prison**: Our report and campaign video pushed for fairer wages and a more meaningful working day in prison. We have recently seen a rise in prison wages of £1 per week. We also know that Government has a renewed focus on work and education in prisons, and we continue to work to influence around these issues.
- **Call to Connect**: Our campaign aims for fairer phone prices for those in prison to maintain family ties. We have met with decision-makers and continue to work to find a solution to affordable phone calls for people in prison.
- **Submissions to the House of Lords Justice and Home Affairs Committee inquiry into prison governance:** The submission shared the direct experiences and views of Justice ExChange members.

Spotlight on: Justice service user

Jo

Jo is a member of the Nacro Justice ExChange, she was housed in a Nacro property when she left prison in 2024.

Jo had a difficult upbringing. Her mother couldn't accept that Jo was gay and sent her to a psychiatric hospital aged 17 for conversion therapy. In order to escape the problems at home Jo joined the army. But despite feeling she had found her purpose her sexuality became a problem again.

In 1978, Jo was discharged from the army due to a ban on gay people serving in the armed forces, a ban that only ended in 2000. As a result, Jo ended up homeless and became involved in crime to survive. This led to a prison sentence and an introduction to people who coerced her into further criminal activity. Jo spent more than 30 years cycling between homelessness, prison and criminal activity. Just before her last prison sentence, the experience Jo had of caring for her mum brought the realisation that a big factor in why she had been committing crimes had been to gain attention after the neglect she had experienced. She was determined that things would be different. Jo signed up for courses, agreed to meet some of the people her crimes had affected and volunteered as a Listener – someone who is trained by the Samaritans to support women in prison struggling with mental health.

"I was released in January 2024. Nacro has helped me in more ways than I can count. They helped me get a house of my own through a grant so I could buy furniture. And they've also helped me with mental health too. Thanks to them I've got my confidence back. Without Nacro's help, my life would have been unimaginably harder. They've shown me I can move on, I can still make my life whatever I want it to be."

Health and Wellbeing

We support individuals with complex needs, including mental health issues, substance misuse, and personal challenges. Our tailored support helps people move forward, recognising that recovery is not always a straightforward journey. We never give up on those we serve.

Our health and wellbeing services include:

- **Community-based substance misuse services**
- **Intensive health resettlement from prison**
- **Personal wellbeing support for people on probation or leaving prison**

Where our health and wellbeing services are located:

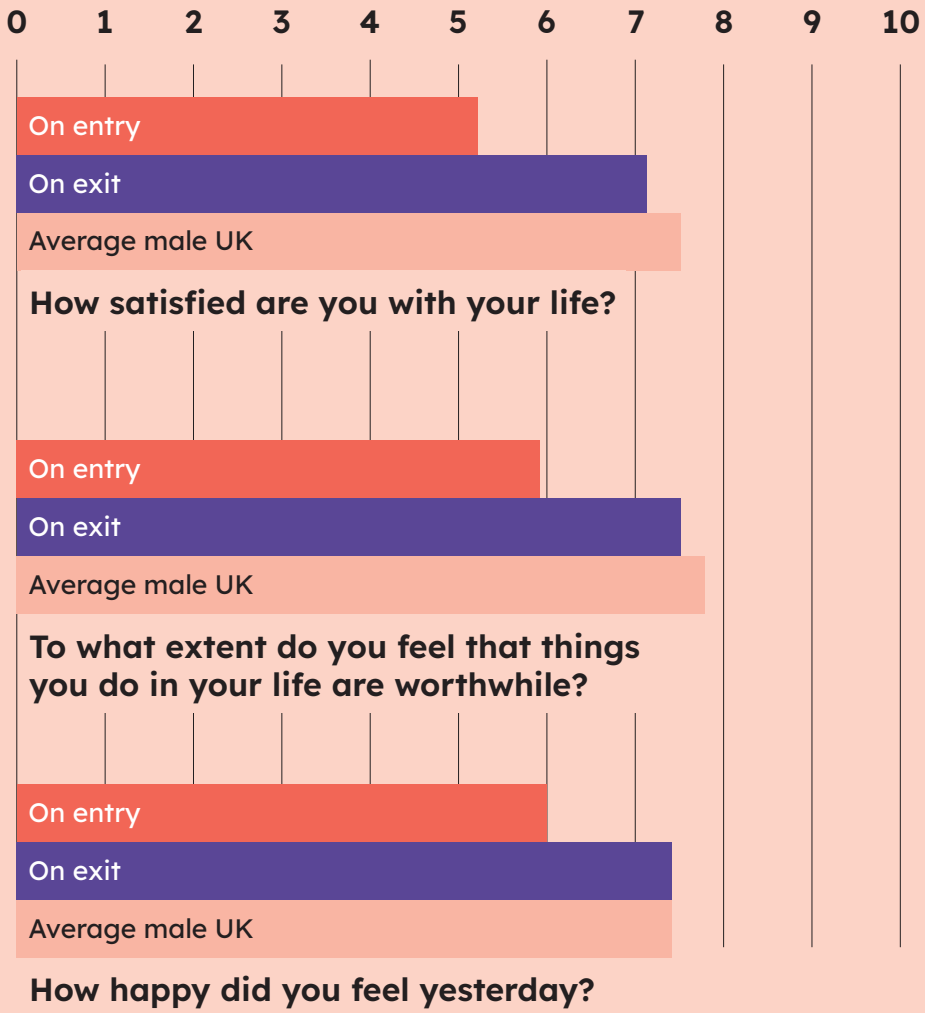
Spotlight on:

Commissioned Rehabilitative Services

Nacro delivers these services to men under the supervision of probation to address the issues holding people back from moving forward with their lives, with the ultimate aim to reduce reoffending.

The services which helped 10,500 people last year, work with the wide range of needs, including interactions and relationships with family, friends and others, finances, housing, reducing social isolation, having accountability, and moving forward towards a positive future.

Wellbeing scale comparison
From April 2024 to April 2025, we asked our service users in the personal wellbeing service the following wellbeing questions, with a scale of 0 to 10:



Spotlight on:

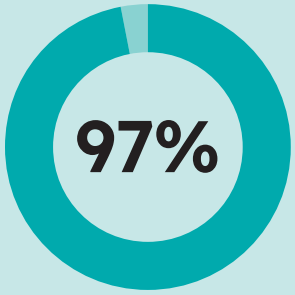
Recovery near you

Recovery Near You (RNY) works with people who have drug and alcohol problems, supporting them to improve their health and wellbeing and rebuild relationships. The service also provides medical help to prevent blood-borne viruses and runs a needle exchange scheme.

Last year (until 31 March 2025) the service helped over 2,000 people and has been instrumental in reducing the number of alcohol related deaths in Wolverhampton. A third of the 75 members of staff at the service have had lived experience and this passion and insight drives the success of the service, with 90% of staff believing that their work makes a significant difference.

Key outcomes:

of service users reported their engagement with RNY has **positively changed their life**



of service users felt the support provided by RNY **benefitted their life and recovery**

9 out of 10

rating of how likely professionals would refer/recommend people they work with to RNY for support for their drug and or alcohol use

Housing

We believe everyone deserves a safe and secure home, the foundation for building better lives. We provide supported housing and floating support services across England and Wales, partnering with individuals and agencies to promote independence. Our extensive experience includes supporting marginalised individuals and those with complex needs.

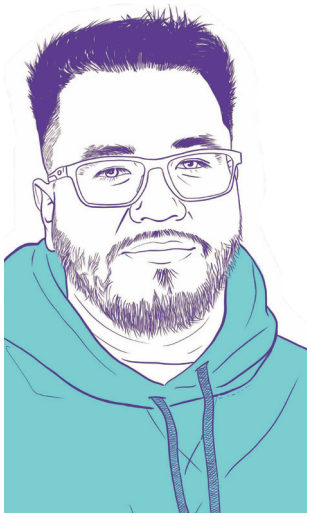
Tailored supported housing services for:

- **People coming out of prison**
- **Young people and care leavers**
- **Women**
- **Ex-service personnel**
- **People at risk of homelessness**

Our housing services include:

- **Local Authority commissioned services**
- **Step Forward Housing**
- **Community Accommodation Service Tier 2 (CAS-2)**

Spotlight on: Housing service user



Norbert

Norbert's father left his family when Norbert was 12, leaving his mother to raise two boys on her own. Norbert was 18 when he came to London to visit his father and ask him to support his family back home.

Norbert's relationship with his father was difficult and he never received the support he asked for. During his time in London, Norbert was drugged and sexually assaulted. This triggered a downward spiral.

In 2017, Norbert became homeless due his struggles with alcohol and mental health issues, he was also diagnosed with type 1 diabetes. Norbert had hit rock bottom. He says: "This was the time when I started drinking. I drank every day, although I managed to make a small career as a chef. Because I was constantly drunk, I was often fired and got into all sorts of trouble. I was beaten by strangers on the street, I had three nose surgeries, a broken cheekbone, a broken hand, and once someone tried to kill me by holding a knife to my throat."

Norbert knew things had to change, he got sober and was keen to move on with his life. He was living in a hostel when he was introduced to Nacro.

"Nacro gave me a chance and a flat of my own and I slowly started to get my life back on track. I got all the support I needed, which prepared me for an independent life. I have now been sober for almost five years, live alone and am still studying and have even written a book."

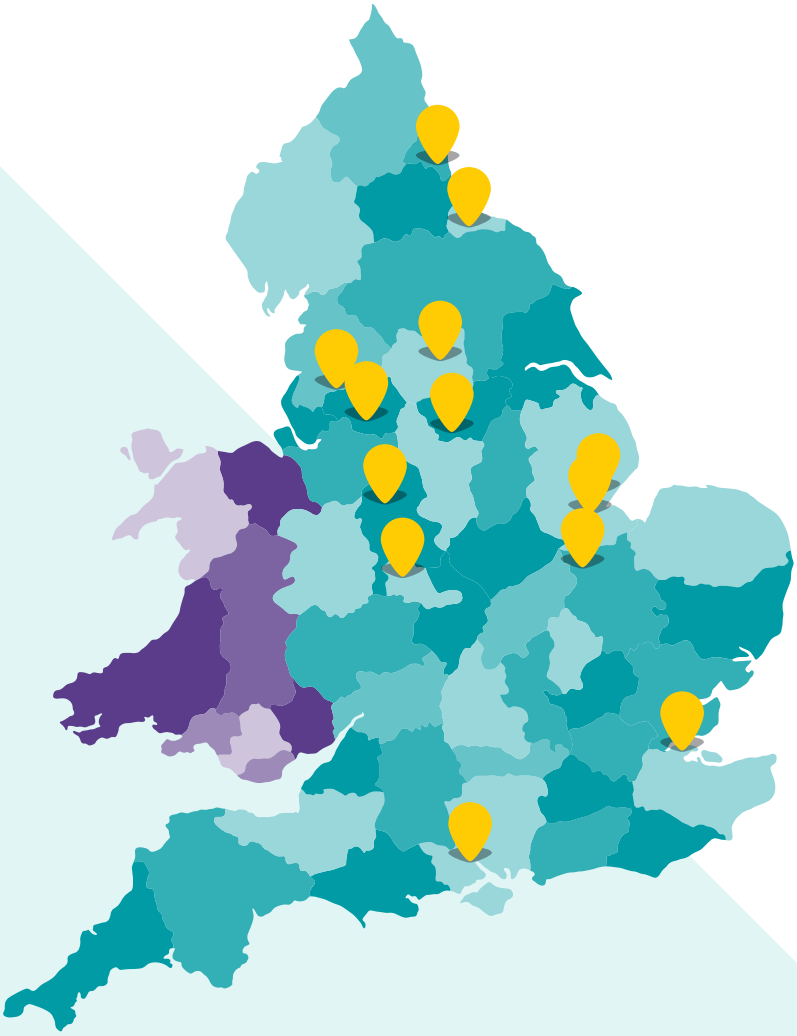
Education

At Nacro Education, we help young people realise their potential through skills, knowledge, and experience. Our Get Set! Courses offer personalised learning approaches. We operate 12 education centres across England. We also provide outside learning in Greater Manchester for schools, colleges, the voluntary sector, the community, and local authorities.

Nacro Education Centres:

- **Bolton**
- **Boston**
- **Chatham**
- **Leeds**
- **Longton**
- **Middlesbrough**
- **Newcastle**
- **Peterborough**
- **Sheffield**
- **Spalding**
- **Walsall**
- **Totton College**
- **Greater Manchester Outdoor Learning**

Where our education centres are located:



Spotlight on: Education service user

Alice

Alice came to the UK four years ago. She had just lost her mother to cancer unexpectedly and was unable to speak a word of English. Alice's confidence was low, she was very shy and when she moved house and couldn't continue at college, she came to Nacro.

Alice has been with Nacro for two years now, studying first her Level 1 Health & Social Care, and is working towards her Level 2. She has also completed her Level 2 in Maths & English after passing her Entry 1, 2 and 3. She says: "I am passionate about healthcare and dream of becoming a doctor. However, I am very shy and not very confident, this is something the Nacro teachers have been supporting me with and I have worked hard to overcome some of my anxieties."

One of the highlights of her time at Nacro was Work Experience Week. She worked at a local nursery, where she received very positive feedback with the staff saying they would have her back anytime. This really boosted Alice's confidence.

Alice has recently started a part time job in a shop and is feeling much more confident, and open to trying new things. She plans to work towards her GCSEs and then an apprenticeship. Her goal is still to go to university and become a doctor.

"My Nacro key person has helped me so much and I am thankful for her."

Strategic review of the year 2024/25

Set against a change of Government, an ongoing cost of living crisis and increasing pressure on local authority budgets, Nacro has worked hard to be flexible, nimble and creative when it comes to solutions for the people we help and our funders. Throughout this we have maintained our focus on our strategic aims, and set out below examples of progress against these aims.

1. **We will increase the positive impact we have on the people we support.**

   We are seeing an increased level of need across all our services and in our society. We have continued to work hard for our service users, giving them the support and practical help they need, being that person by their side when they are navigating periods of challenge in their lives and advocating for them with other services.

   - Over the past year, we initiated new services in our core areas, including supported housing for looked after children and care leavers in Lewisham and a Finance, Benefits and Debt service including life skills and preparation for release in HMP Ashfield. We also increased the number of people we provide housing and support to through our Community Accommodation Service Tier 2 (CAS2) service.
   - We were very pleased to retain our Ofsted Good rating across our education provision this year which was a reflection of the dedication of our teams and the hard work of our students and our staff. We are delighted that our students achieved a 94% overall pass rate in both English and Maths GCSEs in 2024.
   - Our Recovery Near You substance misuse service in Wolverhampton has started a number of new initiatives responding to local needs such as an outreach service with the police to help tackle shoplifting; targeted support for young adults; an increased family offer; and expanding our work in GP practices to support people to detox in the community.

> **"I love Nacro's values. I love seeing how we can support people to improve their lives.**
>
> Nacro staff member

2. We will campaign alongside our service users for solutions to the barriers and challenges they face.

The early part of the year was dominated by the general election in which we set out priorities for change based on what the people we support told us. We have worked hard to build relationships with new MPs, PCCs and key decision makers in Government.

- Working with young people across our education and supported housing services we launched our Truth about Youth report. This sets out young people's aspirations for the future and the challenges they face. We found high levels of loneliness and isolation; young people making their worlds smaller due to fear of crime; and high levels of disengagement from politics. But we also found hope, with many reporting a confidence that they will find a career they love and a recognition of the importance of hard work. We are using these findings to amplify the voices of the young people we support and bring them closer to the decision-makers who need to hear them.
- It has been a particularly busy year for criminal justice policy. With the prison capacity crisis, early release schemes, and probation changes, there has been much to respond to operationally as well as to influence. In addition, we have submitted responses to a range of reviews and inquiries, including the Government's Independent Sentencing review, and written and oral evidence to inquiries of the Justice Select Committee and House of Lords Home Affairs and Justice Committee.
- We also published new reports on physical health in prisons and the interface between homelessness and the criminal justice system; and we launched a campaign, Call to Connect, to reduce the cost of phone calls in prison — driven by members of our Justice ExChange.
- In celebration of the 50th anniversary of the Rehabilitation of Offenders Act which introduced disclosure periods for criminal records, we held an event in the House of Lords hosted by Lord David Blunkett to celebrate the impact of the Act and set out what we think the priorities for change are now.

Speaking with the BBC, Campbell Robb said the Government's plan should try to reduce the number of people in prison to a more manageable level:

> **"Any focus on capacity must also include the capacity to deliver effective rehabilitative support, including education and training in prisons. Currently too many people in prison miss out on critical support which could help reduce their risk of reoffending."**

3. **We will develop into a digitally inclusive organisation where our staff and service users have access to the advantages that digital technology can bring.**

   We have continued to focus our digital strategy on significant internal digital transformation to enable more efficient and effective working for colleagues, as well as increasing digital access for the people we support.

   - We have now completed a major project to move all of our ICT infrastructure to a new data centre and fully embedded ICT within our external partner. We maintained our laptop and phone upgrade programme.
   - We have agreed on a proof of concept that will enable an integrated and centralised education digital classroom to be deployed across all our Education establishments. This digital classroom enables teachers and students to access new applications and digital teaching tools.
   - We have continued to install tenant Wi-Fi facilities in our CAS-2 properties and some of our other housing properties.
   - We have started the development of a new cloud-based housing management and support system which we expect to go live in 2025/26.
   - During the year we have upgraded and moved a number of our important business application systems to cloud versions that are now supported, managed and hosted externally.
   - We retained our ISO27001 accreditation for effective information security systems.

4. We will build a sustainable future for Nacro.

The challenging external financial environment continues to impact on Nacro like all charities. However, we are pleased to have delivered financial performance that is better than the original budget we set. We are planning a deficit budget for the 2025/26 financial year, primarily as a result of the external cost pressure incurred through the change to employer National Insurance contributions.

- We continued to prioritise investment in our colleagues and we have continued to build on our leadership development programmes and facilitated more collaborative working.
- We have invested in our ICT infrastructure to create a modern platform that is able to flex with changes within the charity and support the application of more collaborative working tools in the future.
- We have continued to develop our assurance frameworks and responded to new regulatory requirements from the Housing Regulator, Ofsted and the Charity Commission.
- We have developed our next corporate strategy and strategic work programmes for the 2025/26 to 2028/29 financial years.
- We have developed and delivered against our environmental strategy and retained our Level 3 of the Green Dragon environmental accreditation.

5. We will forge a values-led culture that supports a happy, productive and diverse workforce.

Our recent people survey confirmed our understanding of the reasons that our colleagues work for Nacro. We are driven by the sense of purpose this work brings, we don't shy away from a challenge and we hold our organisational values at the heart of what we do. The survey also highlighted areas in which we have made significant improvement and where there is still more to do, and this continues to shape our future strategic priorities.

- We have continued our work to support colleagues' mental health and wellbeing – including the development of a critical incident debrief process run by internal facilitators trained in how to help colleagues process residual trauma.
- We have continued to strengthen internal communications and our learning and development offering, and to foster greater allyship and inclusion through our diversity action groups.

- We have defined our longer-term People and Culture strategy which focuses on who we are seeking to attract to work and volunteer with us, including those with lived experience, so that we can build a more sustainable and scalable workforce. We are also focused on continuing to improve the experience we offer our people and reinforcing the distinctive culture of Nacro which enables our colleagues to get the best from Nacro and give their best to Nacro and the people we support.
- Over the last year, we have embedded our values in a leadership behaviours framework and started the roll out of our new 'Progress' tool which will ensure that our colleagues are continually and consistently supported to own their performance improvement and development.
- We have undertaken a significant review of our pay framework which will inform improvements in the coming year.
- We have improved our approach to gathering a comprehensive set of Equality Diversity and Inclusion data to enable us to make data-driven improvements to inclusion and equity and to foster greater diversity.

"Everyone is here to make a difference in people's lives. The passion with which staff act, especially considering the difficult situations they work, is inspiring."

Nacro staff member

Safeguarding

Nacro continues its commitment to embedding robust safeguarding governance and processes across the organisation. Our services support children and often inherently vulnerable adults. We are continuing to see an increase in the complexity of the needs of those referred to us, given the fragility of public services, which has resulted in increased safeguarding risks and needs. Our National Safeguarding Board meets quarterly to ensure an effective governance framework is in place by reviewing safeguarding data from our incident management system and reflecting on lessons learned from safeguarding incidents that have been reported. The National Safeguarding Board regularly reports to the Board of Trustees. A nominated Trustee, along with a member of the Executive Leadership Team, are standing members of the National Safeguarding Board.

Each service delivery directorate has an appointed Designated Safeguarding Lead. These roles support colleagues in ensuring quality safeguarding interventions and outcomes are provided through local teams. Designated Safeguarding Leads are supported via a network of locally based Designated Safeguarding Officers.

Nacro has a robust recruitment and vetting process, which ensures all staff working for Nacro complete all safeguarding background checks relevant to their role. All staff undertake an Introduction to Safeguarding online course and, depending on an individual's role, further training on Safeguarding Children and Young People, Keeping Children Safe in Education, and/or Safeguarding Adults at Risk is undertaken. Additional safeguarding training is provided as needed, based on staff training needs analysis.

A suite of policies and procedures is implemented across Nacro directorates to ensure key safeguarding processes, such as professional curiosity, reporting and responding to incidents, and staff support, are communicated effectively with Nacro colleagues and service users. These policies and procedures are reviewed at least annually and more often throughout the year in response to external regulatory changes, organisational changes, or process improvement opportunities. In the last year, we have reviewed and further strengthened our safer recruitment practices.

Safeguarding

Nacro organises an annual ‘Safeguarding Week’ event to highlight the most relevant topics and themes with staff. It also provides an opportunity to engage with service users, ensuring continuous improvement of Nacro’s safeguarding processes and approach.

A centralised management system is in place to record all Nacro-related safeguarding incidents. The system is used to track and follow up on required actions after an incident has been reported. The National Safeguarding Board maintains oversight of data held on the incident management system. The National Safeguarding Board is responsible for applying lessons learned from incidents to continually improve Nacro’s safeguarding training, procedures, and practices.

Housing performance

We take our responsibilities as a landlord seriously. Below we set out our performance across a range of measures including property health and safety compliance, repairs as well as feedback on tenant satisfaction.

We are required to comply with regulations and monitor our performance against these. We also set our own performance measures and commit to sharing these openly with you.

Target	31.03.25
Gas safety **100%** properties with a valid gas safety certificate	**98%**
Electrical services **100%** properties with a fixed wire electrical safety certificate (EICR) within the past five years	**99.2%**
Fire safety — Fire Risk Assessments **100%** properties have a fire safety risk assessment carried out in the last 24 months for our larger shared properties - two beds and above and blocks of flats.	**99.6%**
Water safety **100%** properties have a Legionella risk assessment	**99.6%**
Asbestos safety **100%** properties which may have asbestos have had an asbestos survey	**100%**

Repairs*

Overall, we completed 94.5% of 6,140 repairs within the target time.

Target	April 2024—March 2025
Emergency repairs **95%** within 24 hours	**97.5%**
Urgent repairs **90%** within 7 days	**97.2%**
Routine repairs **90%** within 28 days	**97.5%**

*This repairs performance data does not currently include CAS-2.

Maintenance Budget

In the financial year, the expenditure on maintenance was £5.83m. The budget set for the year was £5.66m. Following significantly increased construction material and labour costs in 2024/25, we increased our maintenance budget to help ensure we could meet our obligations to provide safe and secure homes for our residents.

Tenant satisfaction

From April 2024, the Regulator of Social Housing requires all registered providers to collect and report on Tenant Satisfaction Measures. Every two years we collect and publish the results of the 12 perception survey questions set by the regulator. We gather this information by asking tenants about their experience. We last did this in winter 2023/24 and you can find all of this information here.

Some key results from the survey:

- 75% of Nacro tenants feel their home is well maintained
- 83 % of Nacro tenants are satisfied with the time taken on their repairs
- 79% of Nacro tenants feel fairly treated by Nacro

We are working on improvement plans in all areas where tenants let us know they had some dissatisfaction with Nacro's performance. In addition, every year we publish the 10 management information measures. We will do this again this year and the information will be available on our **website**.

Complaints

We know how important it is to listen to feedback and are committed to responding promptly and efficiently where we receive complaints. The table below gives a breakdown of the complaints reported by tenants between April 2024—March 2025.

Tenant complaints	89
Property condition — including: › Quality of repairs › Timeliness of repairs	25
Service received — including: › Quality of Wi-Fi provided › Staff conduct › Storage of items after leaving the service › Quality of support received	64

We regularly review the quality and timeliness of complaint responses. We are working on a complaint improvement programme to ensure all our responses meet the standards Nacro and the Housing Ombudsman Service expect.

Throughout the year, we have responded to complaints from non-tenants, such as our neighbours or members of the public. This report does not include that data.

Nacro are on a complaint-improvement journey, with additional resources being assigned to ensure our complaint performance improves. See our **Annual Complaints Performance & Service Improvement Report** on our website for full details.

We report to our senior managers and board against our improvement plans and current performance quarterly.

Engagement with tenants

Our website features a dedicated section for tenants and service users, where we publish performance information, complaints, and self-assessment against the Housing Ombudsman's Code of Practice. We continue to consult with tenants on how we can improve our delivery and we are consulting on how they would like to receive information from us. This includes what they would like to see in the tenant section of our **website**.

Good Governance

Nacro's Board of Trustees is the governing board for the Charity. The Board is responsible for the effective strategic leadership and governance of the organisation while day-to-day management is delegated to the Executive Leadership Team (ELT).

Nacro is a registered Charity. In 2022, Trustees adopted the Charity Code of Governance to help Trustees set and maintain high standards of governance. To support continuous improvement, the Board reviews compliance against this code annually. In 2024/25, BDO LLP were commissioned to complete a review of Nacro's governance arrangements, which included an assessment of the Board's adherence to the Charity Code of Governance.

This external review identified no material compliance gaps, and the Board were compliant in all areas. It is noted that minor opportunities for improvement were highlighted by BDO, specifically more detailed succession planning for all Board members, Board papers should be more concise, and Nacro's Board training and skills matrix can be updated to include more specific skills and experience. The Board has used the code's principles and recommended practices to assist in the setting of the strategic direction and culture of the organisation for the Charity to deliver on its charitable objectives.

Risk management continues to be a priority, with Board members routinely considering and discussing the Corporate Risk Register at Board meetings as well as its five primary reporting Committees: the Finance, Risk and Audit Committee, Housing and Criminal Justice Committee, Education Committee, People Committee and Policy and Campaigns Committee. The terms of reference for each Committee have been reviewed and the terms of reference for the Housing and Criminal Justice Committee and the Finance, Risk and Audit Committee have been updated to include items previously covered within the Strategy and Performance Committee. The National Safeguarding Board now reports directly to the Board.

The Committee structure has been designed to enable more detailed scrutiny in specific areas to provide the Board with assurance that charitable objectives are being met. BDO LLP, our internal auditors, have increased the Finance, Risk and Audit Committee's focus on strategic risk issues and highlighted key areas where assurance improvements can be made. Trustee Liability Insurance is in place for both individual Trustees and the Board collectively.

Reflecting the size and complexity of our organisation, it is appropriate for Nacro's activities to be subject to independent review and challenge, specifically through the work of an internal audit function. BDO LLP has provided internal audit services to Nacro in accordance with an annually agreed Internal Audit Charter and Internal Audit Plan. The internal control framework and risk management processes are subject to regular review by Internal Audit which is responsible for providing independent assurance to the Board via the Finance, Risk and Audit Committee. The Committee reviews the Internal Audit Plan at least annually and considers whether it is aligned with the key risks of the organisation, providing the Committee with sufficient assurance for it to discharge its responsibilities. The Finance, Risk and Audit Committee is responsible for ensuring the scope of internal audit work is appropriate and that findings are considered and actioned appropriately. This Committee receives regular updates from internal audits throughout the year on the status of work and the findings arising, other Committees are invited to consider specific internal audit report findings, appropriate to their terms of reference.

There are also a number of other regular meetings that Trustees either chair or attend, including the National Safeguarding Board and the Policy and Campaigns Committee.

These areas of engagement improve the governance for specific areas and increase scrutiny and oversight of different sectors of the business. These Trustees in turn report to Nacro's Board of Trustees and sub-Committees, further strengthening our governance.

In 2024/25, Nacro continued to prioritise our service user involvement work. The team is focused on delivering the key priorities of our service user involvement strategy.

Nacro is committed to promoting equality of opportunities for everyone throughout the Charity from recruitment and selection, training and development, appraisal, and promotion to retirement. Nacro's Disability Risk Assessment and Reasonable Adjustments Policy sets out how the Charity meets its commitments to disabled people as part of their recruitment, employment, retention, and training and career development journey with us.

A full list of Trustee appointments, resignations, and attendance can be found on pages 12 and 14.

Nacro is opposed to all forms of modern slavery and is committed to acting ethically and with integrity in all its business relationships. We take steps to ensure that adequate processes and controls are in place to ensure slavery and human trafficking is not taking place anywhere in our supply chains. Nacro's modern slavery statement is published on our **website** and annually reviewed by the People Committee.

Nacro joins with others in its condemnation of the invasion of Ukraine. Nacro does not have any known links to Russia or Belarus and does not have any direct suppliers with known links to Russia or Belarus.

Section 172 Statement

Nacro exists to provide public benefit directly and indirectly to the organisation's beneficiaries. The prime aims of the organisation are captured in our vision, mission, and values statements.

When setting strategy and making decisions Trustees (Directors) will carefully consider the impact these decisions have on Nacro's beneficiaries and employees.

Employee engagement is encouraged through our effective consultative processes established with Unite the Union.

A high proportion of Nacro's income is generated through contracted services. The acquisition and renewal of these contracts is reliant on our maintaining effective customer relationships, as well as continuous innovation in our service design. We endeavour to bring maximum impact and benefit to the people we work with.

All of Nacro's work is community facing and we work hard to ensure our activities have a positive impact on the communities we reach out to. Data on the environmental impact of our activities is captured on page 56 to 58 of this report.

The activities of Nacro are regulated via the Regulator of Social Housing, Ofsted, and indirectly via the Care Quality Commission. These regulatory bodies require the organisation to establish robust governance frameworks that can be subject to external assessment and publicly rated performance levels.

Nacro has a wide range of suppliers, we have established contracts and clear contract management arrangements in place with our largest suppliers and all of our sub-contractors to help ensure our main suppliers have appropriate governance and legal compliance measures in place.

Nacro is aware of the impact of climate change and global warming and we are committed to playing our part. We have achieved Green Dragon Level 3 certification and have developed an environmental strategy. We have several work streams over the next few years to use technology, design, and innovation to make our business practices more sustainable, engaging with our stakeholders and commissioners of services.

Trustees' responsibilities

The Trustees (who are also the Directors of Nacro for the purposes of company law) are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards).

Company law requires the Trustees to prepare financial statements for each financial year. Under company law, the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of Nacro and of the incoming resources and application of resources, including the income and expenditure, of Nacro for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently; observe the methods and principles in the applicable SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- and prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain Nacro's transactions, disclose with reasonable accuracy at any time the financial position of Nacro and enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and the Accounting Direction for Private Registered Providers of Social Housing 2022. They are also responsible for safeguarding the assets of Nacro and ensuring that accounts are prepared in a proper form and present a true and fair view of the state of affairs in relation to Nacro's social housing activities and the disposition of funds and assets which are, or have been, in Nacro's hands in connection with those activities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on Nacro's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in Annual Reports may differ from legislation in other jurisdictions.

Going concern — The Trustees consider that Nacro is well positioned to manage its business risks successfully. After careful consideration and enquiry, the Trustees have an expectation that Nacro has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Trustees continue to adopt the going concern basis in preparing these financial statements.

The Board obtains assurance of financial viability through the annual budgeting, re-forecasting and longer-term financial planning exercises. As part of this, Trustees assess and stress test the availability of funding and liquidity. Nacro does not have lenders' covenants to comply with. These processes ensure the Board has a continual and rolling process of reviewing and assessing Nacro's financial strength and viability. The Board has satisfied itself that the charity complies with the Regulator of Social Housing's Governance and Financial Viability Standard during the financial year and to the date of this report.

Public benefit — The Trustees confirm that they have complied with their duty under section 17 of the Charities Act 2011 to have due regard to the Charity Commission's general guidance on public benefit.

Disclosure of information to the auditor — Each Trustee at the date of approval of this report has confirmed that as far as the Trustees are aware, there is no relevant audit information of which Nacro's auditor is unaware. The Trustees have taken all necessary steps to make themselves aware of any relevant audit information and to establish that Nacro's auditor is aware of that information.

Statement of internal control

The Nacro Board of Trustees has overall responsibility for establishing and maintaining the system of internal control and for reviewing its effectiveness. In meeting its responsibilities, the Board has adopted a risk-based approach to internal control, which is embedded within the normal management and governance processes and includes staff at all levels. This approach includes the regular evaluation of the nature and extent of risks to which Nacro is exposed. The process adopted by the Board in reviewing the effectiveness of the system of internal control comprises:

1. Identification and evaluation of key risks

Nacro has a formal risk management process to identify, assess and mitigate business risks and implement risk-based strategies. The risk register is aligned to the corporate plan and identifies the risks around achieving the objectives of the organisation. This involves identifying the types of risks that Nacro faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying mitigating actions. This process is coordinated through a regular reporting framework by the Executive Leadership Team (ELT) and the Finance, Risk and Audit Committee. The Finance, Risk and Audit Committee regularly considers reports on significant risks facing Nacro, and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks. The Board confirms that there is a process for identifying, evaluating and managing significant risks faced by Nacro. This process has been in place throughout the year and up to the signing of the Annual Report, and is reviewed regularly by the Board.

2. Monitoring and corrective action

The regular review of internal controls via line management channels and by way of the internal audit plan provides assurance to the Finance, Risk and Audit Committee and the Board that an effective control environment is maintained. Where corrective action is required, ELT provide progress reports to the Finance, Risk and Audit Committee to ensure there is effective oversight, particularly if the issues identified have a material impact on the financial statements.

3. Control environment and control procedures

The Board retains responsibility for a defined range of risks covering strategic, operational, financial, and compliance areas. Specific attention is paid to risk mitigations relating to delegated authority, segregation of duties, accounting and treasury management controls, regulatory and legislative compliance, equality, diversity and inclusion (EDI), health and safety, safeguarding, data and asset protection, resourcing and the prevention and detection of fraud. The Board, through the scheme of delegated responsibility, sets out a framework of control that applies to all Nacro employees. The scheme of delegated authorities is supported by a suite of policies that define expectations around quality, integrity and ethics. All employees, volunteers and suppliers are required to comply with these policies.

4. Independent audit and review

The internal control framework and risk management processes are subject to regular review by an internal audit function which is responsible for providing independent assurance to the Board. Nacro appointed BDO LLP to supply an independent and objective internal audit function. The Finance, Risk and Audit Committee ensures that the risk-based inspection/monitoring plan remains up-to-date. It reviews all internal audit reports. The Board has received an annual review of the system of control from the Finance, Risk and Audit Committee and has taken into account any changes needed to maintain the effectiveness of the risk management and control process.

5. Fraud reporting systems

Fraud response procedures and policy statements are reviewed and approved by the Board, via the Finance Risk and Audit Committee, as part of a comprehensive review of internal control systems. The procedures establish the respective roles and responsibilities of staff for the prevention and detection of fraud through a fraud and anti-money laundering policy which outlines preventative measures and reporting responsibilities.

Key risks

Key risk	Risk treatment
Cashflow and margins are not sufficient to meet day to day operating costs and/or balance sheet liabilities leading to the Charity falling into financial administration.	Financial performance is monitored through monthly management accounts by management and Trustees. Regular communication with commissioners regarding the security of current income streams. Building closer relationships with potential funders and developing new funding models. A Value for Money programme is in place which includes initiatives to reduce operating costs. Strategic and business planning in place and monitoring of progress against key corporate objectives. A formal agreement is in place with the Trustee of the closed defined pension scheme that sets the value of the deficit reduction payments until 31.03.26.
Death or harm caused by failure to follow internal processes and procedures, particularly in relation to health and safety and safeguarding, leading to loss of life, damaging publicity, criminal convictions, fines, and loss of business.	Executive and Trustee oversight to ensure arrangements for health and safety and safeguarding are monitored, with assurance being provided by the Health and Safety Committee and the National Safeguarding Board. An incident management system is embedded and learning from incidents is cascaded. Continued compliance and quality inspections take place. An external review of Nacro's safeguarding processes completed in 2024/25, identified improvement opportunities around completion of safeguarding risk assessments. The risk treatment plan is in place and will be tracked via the National Safeguarding Board.

Key risk	Risk treatment
Failure to embed a leadership approach that encourages diversity, innovation, efficiency, and collective responsibility. High levels of staff turnover leading to increased cost, inconsistent service quality, and service delivery challenges	The strategic plan has a clear focus on people and the charity's beneficiaries. A specific People Strategy has been developed, this underpins the Nacro Strategy. The performance of the People Strategy is overseen by the People Committee. A values based leadership development programme is running for key managers. Specific initiatives that focus on wellbeing, equality, diversity and inclusion have been implemented. Nacro's EDI Strategy and EDI Policy are implemented across the organisation, with the EDI committee meeting quarterly to ensure the EDI Strategy and Policy are being effectively delivered.
Business continuity is affected by a major internal or external event leading to an inability to provide services to service users.	Robust business continuity plans are in place, these plans were actively tested during the Coronavirus pandemic, and are regularly reviewed and tested at least annually to ensure they remain fit for purpose. Data and systems can be accessed securely from multiple locations. Specific local arrangements are in place for specific service delivery sites.

Financial narrative

Income for the year was £90.3m compared with £77.0m in 2023/24. The total comprehensive income for the year was £1.1m surplus (2023/24: £0.2m surplus). Income increased as a result of Nacro's successful expansion of existing services and new contracts commenced during the year. Operating expenditure increased as a result of additional service delivery costs incurred where services have expanded, but also as a result of inflation driving operating costs up, particularly within our Housing division and in our central overhead. A gain from a net reduction in Nacro's pension liability was also recorded. This gain enabled Nacro to record a surplus for the year.

Turnover in Housing (social and non-social housing), increased by £10.0m to £62.6m. This increase in income is related to an expansion of current service lines and continued use of the rent methodology applied in the last financial year. Overall, the housing division returned a surplus of £0.1m, the impact of lost rent from void properties, increased staff costs and significantly increased housing unit costs adversely affected margins.

Turnover in our Education division income increased from £14.0m to £15.5m. The Education division recorded a £0.3m loss for the year. Year-on-year financial performance within the Education division has improved due to the growth in year. Nacro had budgeted for the Education division to operate at a loss in the 2024/25 financial year.

Turnover in our Justice division increased from £4.9m to £6.0m. Profitability increased from £0.3m to £0.6m as a result of efficiencies made which positively impacted margins in the division.

Turnover in our Health division increased from £5.5m to £6.1m. Overall, the division returned a profit of £0.1m, an improvement on the very small loss made in 2023/24.

The Total Comprehensive Income for the year amounted to a surplus of £1.0m (2023/24: £0.2m). The operating surplus of £0.5m (2023/24: £0.3m) and the deficit for the year of £0.1m (2023/24: £0.3m) have benefitted from a gain of £1.1m (2023/24: £0.5m) arising from a reduction in the valuation of Nacro's pension scheme's net liabilities.

The Balance Sheet shows net assets at £11.3m (2023/24: £10.3m). This is represented by unrestricted funds of £11.1m (2023/24: £10.1m) and restricted funds of £0.2m (2023/24: £0.2m). The defined benefit pension liability stands at £11.9m (2023/24: £13.1m).

The full results for the year are shown in the Statement of Comprehensive Income and the Statement of Financial Position plus accompanying accounts and notes on pages 69 to 98.

Value for money statement

To comply with the Regulator of Social Housing's latest Code of Practice on value for money, as a registered provider we are required to publish our performance against a given set of key indicators which is shown below:

	Nacro 2024/25	Nacro 2023/24	Global Accounts 2024 Supported Housing Provider Metrics*	2024/25 Comment
1. Reinvestment %	3.7%	4.8%	6.2%	During the year Nacro continued to prioritise the refurbishment of housing stock to ensure properties are ready to let or in a reasonable condition for hand back to the landlord.
2. New supply delivered %	0.0%	0.0%	1.2%	Nacro did not build or acquire any new housing units during the year.
3. Gearing %	0.0%	0.0%	11.8%	Nacro does not have any loan financing facilities in place. At this point Nacro does not intend to enter into any new loan financing arrangements.
4. EBITDA MRI Interest Cover %	161.7%	171.2%	221.6%	Nacro recorded a surplus during the year. The interest expenditure values recorded in Nacro's financial statements solely relate to accounting disclosures required for Nacro's defined benefit pension scheme.

5. Headline social housing cost per unit	£12.41k	£11.08k	£12.03k	Nacro's housing service provision is primarily focused on supporting tenants who typically have high support needs who stay in their homes for shorter timeframes. This increased level of support and more frequent letting turnover does increase unit operating costs.
6. Operating Margin A) Social Housing Letting %	5.7%	8.2%	12.1%	Nacro's social housing stock operated at a surplus.
B) Overall %	0.5%	0.4%	6.9%	Overall, Nacro's Housing division operated at a surplus during the financial year.
7. Return on capital employed %	1.7%	1.2%	2.2%	Nacro operated at a surplus for the financial year.

*Global Accounts 2024 is an annual report produced by the Regulator of Social Housing to provide a summary of the financial status of social housing providers who own or manage at least 1,000 homes. The comparative data used for Nacro was taken from the Supported Housing Provider dataset, this is because Nacro primarily provides supporting housing services.

Nacro has fewer than 1,000 owned homes so we are classed as a "small provider". Nacro provides homes with additional support for housing vulnerable people and people leaving the criminal justice system on assured shorthold tenancies or licenses. Many of the above metrics are designed to enable comparisons between large social housing providers with significant loan book commitments and a high level of general needs social rented homes. Income from Nacro's social housing provision makes up just over 10% of Nacro's total turnover. As a consequence, some benchmarking comparative figures for Nacro will not always align with registered provider averages.

Noting the imperfections in the comparative benchmarking data, the Board is satisfied the Nacro is in compliance with requirements set out by the Regulator of Social Housing in respect of Nacro's Social Housing activities. The Board believes that overall the Charity is delivering reasonable value for money to beneficiaries.

Value for money statement

The Board have encouraged a number of activities during the year that support Nacro's value for money requirements, for example:

- **Governance** — We are further embedding our person-centred approach by investing resources in service user and learner engagement initiatives. A number of engagement initiatives are detailed in our strategic plan. We fully recognise the benefits that arise from using service user and learner feedback. We use this information to inform the development of our governance arrangements, decision making approaches and service design. This helps us to continue to deliver better quality services at a reasonable price, in line with regulatory and commissioner expectations.
- **Co-production** — We actively engage with the people we support and our workforce, this enables us to capitalise on ideas and innovations to lead to improvements in the quality of the services we provide, through the re-shaping of delivery models and/or through investment in specific initiatives that are detailed in our strategic plan.
- **Actively pursuing a sustainability agenda** — We have continued to embrace flexible working, and through actions from our Environmental Strategy, have reduced Nacro's carbon footprint. We have focused efforts on reducing staff turnover and vacancy rates to increase sustainability.
- **Business development** — We continue to engage with a range of partners to enable us to deliver a wider range of services to service users and commissioners, and to help specific infrastructure developments within the organisation. During the year we have successfully expanded and retained the contracts we wanted to keep.

The Housing division and the Charity overall operated at a surplus for the year. All metrics shown in the value for money table indicate positive results for the 2024/25 financial year. Work has taken place during the financial year to drive improvements in value for money across the following areas:

1. Put in further cost control mechanisms and planned our property maintenance spend better to ensure budget expectations are met.
2. Reviewing Nacro's rental charges and aligning these closely with updated operating cost estimates.
3. Focusing on optimising value from Nacro's housing stock through reduced voids or property handbacks.

4. Reviewing the operating cost of Nacro's service delivery models to take account of inflation related costs that cannot be recovered from commissioner approved contract uplifts.
5. Reviewing the overall operating cost of the Charity to enable service to be delivered within the income envelopes that the Charity has to work within.

Return on assets and investments and use of reserves

We are focusing on setting appropriate rent charges and maximising the occupancy of our owned housing stock. This includes disposing of properties that are no longer fit-for-purpose. We are continuing to modernise our ICT infrastructure to support efficient working practices and to deliver more flexible working options to enable staff to better deliver for the needs of those using our services.

Our physical asset base across the Charity is free from debt and we are able to internally fund investment programmes from existing cash reserves. We balance the return generated from holding cash balances against making carefully selected investments in our infrastructure and strategic projects that are designed to enable the Charity to remain sustainable in the longer term. We assess each investment against our strategic aims and undertake a cost/benefit review that combines an assessment of financial returns with the potential benefits that will accrue for our service user and learner communities.

Our approach to our social and environmental responsibilities is developed in partnership with our services users, learners and colleagues.

We have established procedures in place that support the central procurement of ICT related equipment, stationery, and furniture from single supplier contracts where purchasing benefits arising from economies of scale are achieved.

Reserves and liquidity policy

There has been an increase of £1.0m in the overall value of the balance sheet during the year to 31 March 2025, the value of the balance sheet now stands at £11.3m.

Nacro's reserves policy was reset during the 2021/22 financial year to align reserve holding more closely to operating activity. Contract income makes up around 75% of Nacro's income profile. If a contract ends then a high proportion of expenditure commitments required to deliver that contract end almost immediately. To reflect this in the reserves policy, Trustees have taken account of known and potential balance sheet liabilities arising from the pension fund deficit, known lease commitments, expected housing repair costs, an estimate of the Charity's short term working capital commitments and overhead commitments. These factors are now used to determine reserve and liquidity targets. The Finance and Audit Committee have reviewed the workings in detail and recommended that a reserves target of £12.3m +/- a range of 10% is appropriate for the Charity as at 31 March 2025.

As at 31 March 2025, reserves stood at £11.3m. Reserves are therefore within the target.

The Charity holds £11.1m in general reserves and £0.2m in restricted reserves.

It is the Charity's policy to hold all reserves in liquid assets.

A deficit budget of £0.47m has been set for the 2025/26 financial year. The current financial plan indicates surpluses of c.£1.9m for the 2026/27 and 2027/28 financial years.

As at 31 March 2025, Nacro's cash and cash equivalent balances stood at £10.9m. Nacro's policy is to hold all free cash reserves in immediately available liquid assets or short term deposits.

Environmental Impact Statement

Streamlined Energy & Carbon Report (SECR)

Financial Year	1 April 2024 to 31 March 2025
Client Name	Nacro
Company No	203583
Registered Office	Walkden House, 16–17 Devonshire Square London EC2M 4SQ
Current Financial Year tCO2e	2,583
Current Financial Year kWh	13,262,190
Previous Financial Year tCO2e	2,638
Previous Financial Year kWh	13,640,255
Intensity Ratio (IR) used	28.59
Intensity Metric Current Financial Year	90.33
Intensity Metric Previous Financial Year	77.03
Emissions Factors Used	DEFRA 2024
Methodology Used	GHG Protocol
Emissions Scope	Scope 1 & 2
Emissions Included	Electricity, Natural Gas, Direct Mileage
Exclusion Statement	Some gas and electricity use has been estimated based on previous years consumption and pro-rata methods where it was not available through billing.

Energy Efficiency Statement	Nacro provides Housing, Education, Health and Justice services to beneficiaries across England and Wales. Nacro leases the majority of its 1,440 residential properties and require any existing properties that are E rated to be increased to a minimum of a D rating when the lease is renewed. We work with landlords, agents and developers, during the leasing and acquisition stages, to assess whether any improvements can be made (such as to the heating systems or insulation) to improve energy efficiency measures. Our core electricity contract is procured through partially renewable sources. There was a significant carbon reduction in 2024/25, across our energy (gas and electricity) usage as well as transport emissions. This is encouraging and demonstrates that behaviour change is possible and can attract support from our staff and service users. Only by working together will Nacro achieve its sustainability objectives, and we will seek suitable engagement to make the step change needed to address the climate crisis and play our part in delivering a better future. Nacro's Intensity Ratio for 2024-25 has decreased from 34.25 the previous year to 28.59, most likely due to total energy consumption decreasing from 13,640,255 kWh to 13,262,190 kWh. This is encouraging and demonstrates that, through the activities driven by Nacro Environmental Working Group, behaviour change is possible and can attract support from our staff and service users. Only by working together will Nacro achieve its sustainability objectives, and we will seek suitable engagement to make the step change needed to address the climate crisis and play our part in delivering a better future. Nacro's Environmental Strategy sets out our environmental vision and goals and enables action plans and various workstreams that are delivering measurable environmental improvements. Furthermore, Nacro is certified Green Dragon Level 3, which is testament to our commitment to reducing our environmental impact and maintain a strong sustainability risk and control environment. We will continue to meet our legal obligations, develop sustainable services and help stem the depletion of finite natural resources.

Report completed by	Abbass Shah, Head of Performance and Assurance
SECR Report completed by	(EIC) Energy Intelligence Centre Limited

Thanks and acknowledgements

With thanks to our funders and partners including:

A B Charitable Trust

Assetz Exchange

Barrow Cadbury Trust

Berkshire NHS Foundation Trust

Birmingham City Council

Carmarthenshire County Council/ Cyngor Sir Gaerfyrddin

Capita E-Source

Cleveland Police and Crime Commissioner

Clinks

Conwy County Borough Council/ Cyngor Bwrdeistref Sirol Conwy

Delta E-Source

Department for Education

Department of Health

Denbighshire County Council/ Cyngor Sir Ddinbych

Dudley Council

East Riding of Yorkshire Council & Two Ridings Community Foundation

Essex County Council

European Social Fund

Flintshire County Council/Cyngor Sir Y Ffint

Forces in Mind Trust

The Forward Trust

Gwynedd Council/Cyngor Gwynedd

GamCare

James Teather and Teather Property Investments Ltd

LandAid

Lincolnshire County Council

Lincolnshire Police & Crime Commissioner

Liverpool City Council

London Borough of Lambeth

London Borough of Lewisham

London Borough of Wandsworth

London Borough of Westminster

Thanks and acknowledgements

Manchester City Council
Ministry of Justice
NHS England
Northamptonshire Police & Crime Commissioner
Nottingham City Council
Ormiston Families
Oxleas NHS Trust
People Plus
PACT
Peabody
Pembrokeshire County Council
Resonance – Social Investment
Rothschild Foundation
Sheffield City Council
Shelter
Stockport Alliance
The Bridge (East Midlands)
The Privy Purse Charitable Fund Transform Foundation
Together for Mental Well-being
Wandsworth Borough Council
Waythrough (Aquarius)
West Midlands Combined Authority
Welsh Assembly
Wolverhampton City Council
Wrexham County Council
YMCA Liverpool
YSS

Approved by the Trustees on 23 July 2025 and signed on their behalf by:

Nick Hardwick
Chair

Anne Frost
Vice-Chair

Independent Auditor's Report to the Members of Nacro

Opinion

We have audited the financial statements of Nacro for the year ended 31 March 2025 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Reserves, Statement of Cashflows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of Nacro's affairs as at 31 March 2025 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of Nacro in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Nacro'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.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The trustees are responsible for the other information contained within the Annual Report. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the trustees' report, which includes the directors' report and the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the trustees' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of Nacro and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included within the trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- Nacro has not kept adequate accounting records; or
- Nacro's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 43, the trustees (who are also the directors of Nacro for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing Nacro'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 trustees either intend to liquidate Nacro or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our 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 an auditor's report that includes our 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.

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

We obtained an understanding of the legal and regulatory frameworks within which Nacro operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006, the Charities Act 2011, the Housing and Regeneration Act 2008, together with the Housing SORP. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to Nacro's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within Nacro for fraud. The laws and regulations we considered in this context for the UK operations were requirements imposed by the Regulator of Social Housing, Ofsted, building safety compliance, health and safety, taxation and employment legislation.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of grant and contract income and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management, internal audit and the Finance, Risk and Audit Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence, designing and performing audit procedures over the timing of grant and contract income and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing noncompliance and cannot be expected to detect non-compliance with all laws and regulations.

A further description of our 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 our auditor's report.

Use of our report

This report is made solely to Nacro's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to Nacro's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Nacro and Nacro's members as a body, for our audit work, for this report, or for the opinions we have formed.

Julia Poulter
Senior Statutory Auditor

For and on behalf of
Crowe U.K. LLP
Statutory Auditor
55 Ludgate Hill
London EC4M 7JW

Date: 30 July 2025

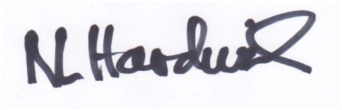
Financial statements

Nacro - Statement of Comprehensive Income for the year ended 31 March 2025

	Note	2025 £'000	2024 £'000
Turnover	3	90,328	77,032
Operating expenditure	3	(89,851)	(76,693)
Operating surplus		477	339
(Loss) on disposal of property, plant and equipment	4	(2)	(17)
Interest and similar receivables	6	65	28
Interest and financing costs	7	(616)	(632)
(Deficit) before tax	5	(76)	(282)
Taxation	10	-	-
(Deficit) for the year		(76)	(282)
Actuarial gain in respect of pension schemes	19	1,055	527
Total comprehensive income for the year		979	245

All amounts relate to continuing activities.

The financial statements were approved by the Board on 23rd July 2025 and were signed on its behalf by:

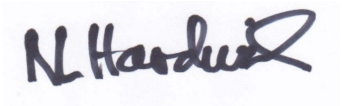
Chair  Trustee

The notes on pages 73 to 98 form part of these financial statements.

Nacro - Statement of Financial Position as at 31 March 2025

	Note	2025 £'000	2024 £'000
Non Current Assets			
Intangible assets	11	-	2
Housing properties	12	6,756	6,905
Other property, plant and equipment	13	13,929	14,291
		20,685	21,198
Current Assets			
Debtors	14	10,642	8,500
Cash and cash equivalents		10,933	9,215
		21,575	17,715
Creditors: Amounts falling due within one year	15	14,497	11,166
Net current assets		7,078	6,549
Total assets less current liabilities		27,763	27,747
Creditors: Amounts falling due after more than one year	16	3,420	3,593
Provisions			
Defined benefit obligations	19	11,912	13,051
Other provisions	18	1,128	779
Total net assets		11,303	10,324
Capital and reserves			
Revenue reserve		11,099	10,120
Restricted reserve		204	204
Total reserves		11,303	10,324

The financial statements were approved by the Board on 23rd July 2025 and were signed on its behalf by:

Chair 

Trustee

The notes on pages 73 to 98 form part of these financial statements.

Nacro Company number 00203583.

Nacro - Statement of changes in reserves for the year ended 31 March 2025

	Revenue reserve £'000	Restricted reserve £'000	Total £'000
Balance as at 1 April 2024	10,120	204	10,324
Deficit for the year	(76)	-	(76)
Other comprehensive income for the year	1,055	-	1,055
Total comprehensive income for the year	979	-	979
Balance at 31 March 2025	11,099	204	11,303

	Revenue reserve £'000	Restricted reserve £'000	Total £'000
Balance as at 1 April 2023	9,875	204	10,079
Deficit for the year	(282)	-	(282)
Other comprehensive income for the year	527	-	527
Total comprehensive income for the year	245	-	245
Balance at 31 March 2024	10,120	204	10,324

The notes on pages 73 to 98 form part of these financial statements.

Nacro - Statement of Cashflows for the year ended 31 March 2025

	Note	2025 £'000	2024 £'000
Net cash generated from operating activities	20	1,846	(351)
Cash flows from investing activities			
Purchase of housing property components		-	-
Purchase of other property, plant and equipment		(193)	(389)
Proceeds from sale of housing properties		-	-
Interest received		65	28
Total cash utilised in investing activities		(128)	(361)
Net change in cash and cash equivalents		1,718	(712)
Cash and cash equivalents at beginning of year		9,215	9,927
Cash and cash equivalents at end of year		10,933	9,215

The notes on pages 73 to 98 form part of these financial statements.

Nacro – NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2025

1. Legal Status

Nacro is a private company limited by guarantee under the Companies Act 2006, incorporated in England and is a registered housing provider and a registered charity. The address of its registered office is as disclosed on page 12 of the Annual Report.

2. Accounting policies

The principal accounting policies are recognised below. They have been applied consistently throughout the year and to the preceding year.

Basis of accounting

The financial statements have been prepared under the historical cost convention on an accruals basis, modified to include certain items at fair value, in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing. Nacro is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs prefixed 'PBE' in FRS 102.

The financial statements are presented in sterling (£).

Going Concern

Nacro's business activities, its current financial position and factors likely to affect its future development are set out within the Annual Report.

The Trustees consider that Nacro is well positioned to manage its business risks successfully. After careful consideration and enquiry, the Trustees have an expectation that Nacro has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Trustees continue to adopt the going concern basis in preparing these financial statements.

The Board obtains assurance of financial viability through the annual budgeting, re-forecasting and longer-term financial planning exercises. As part of this, Trustees assess and stress test the availability of funding and liquidity. Nacro does not have lenders' covenants to comply with. These processes ensure the Board has a continual and rolling process of reviewing and assessing Nacro's financial strength and viability. The Board has satisfied itself that the charity complies with the Regulator of Social Housing's Governance and Financial Viability Standard during the financial year and to the date of this report.

Turnover

Turnover represents rent and service charges receivable (net of rent and service charge losses from voids), grants from central Government departments and local authorities and charitable fees and donations.

Rental income is recognised on an accruals basis and recognised when the property is available for let, net of voids. Service charge income is recognised when expenditure is incurred as this is considered to be the point at which the service has been performed and the revenue recognition criteria met.

Grant income is recognised in the financial statements when the conditions for receipt of the grants have been fulfilled and Nacro becomes entitled to payment. Where a grant is received relating to a future accounting period, the Statement of Comprehensive Income shows the gross amount receivable reduced by the movement in the amount deferred to future accounting periods. Deferred grant income at the year end is included in creditors.

Donations

Donations are credited as income in the year in which the cash is received.

Financial instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historic cost model.

Basic financial instruments are recognised at amortised historical cost.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Where deferral of payment terms has been agreed at below market rate, and where material, the balance is shown at the present value, discounted at a market rate.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Employee Benefits

Defined contribution scheme

Nacro participates in a defined contribution stakeholder scheme. Employer contributions payable to the scheme are charged to the Statement of Comprehensive Income during the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

Defined benefit scheme

The Nacro Staff Benefits Plan closed to new entrants from 1 December 1998 and for future accruals from 31 March 2006. The net interest cost on the net defined benefit liability is charged to revenue and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained triennially and are updated at each Statement of Financial Position date.

Termination Benefits

Redundancy costs (termination benefits) are recognised as an immediate cost and charged to the Statement of Comprehensive Income on a demonstrable commitment to termination, with provision for future redundancy costs measured at a best estimate of the expenditure that would be required to settle the obligation at the reporting date.

Housing properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the cost of acquiring land, buildings and directly attributable development costs during the development period.

Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value, on a straight line basis, over their useful economic lives. Depreciation is charged in the year of acquisition. Freehold land is not depreciated.

Major components of housing properties, which have significantly different patterns of consumption of economic benefits, are treated as separate assets and depreciated over their expected useful economic lives at the following annual rates:

Structure	80 years
Roofs	50 years
Windows	25 years
Kitchens	20 years
Bathrooms	30 years
Boilers	15 years
Heating systems	30 years
Electrics	30 years

Properties held on long leases are depreciated over their estimated useful economic lives or the lease duration if shorter.

Improvements
Where there are improvements to housing properties that are expected to provide incremental future benefits, these are recognised and added to the carrying amount of the property. Any works to housing properties which neither replace a component nor result in an incremental future benefit are charged as expenditure in the Statement of Comprehensive Income.

Donation or acquisition of land or other asset at below market value

Where a donation of land and/or other assets is received or land and/or other assets are acquired at below market value from a government source, this is accounted for as a non- monetary government grant. The difference between the fair value of the asset donated or acquired and the consideration paid for the asset is recognised as a government grant and included in the Statement of Financial Position as a liability.

Where Nacro receives a donation of land and/or other assets or acquires such assets below their market value from a third party that does not meet the definition of a government source as set out in FRS 102, then the transaction is accounted for as a non-exchange transaction. The assets acquired are recognised in the Statement of Financial Position at fair value. The income, equivalent to the difference between any amounts paid or payable for the assets and the fair value of the assets, is recognised in the Statement of Comprehensive Income as a donation when future performance-related conditions are met.

Social Housing Grant and other Government grants

Government grants include grants receivable from government agencies such as Homes England, local authorities, devolved government agencies, health authorities and the European Commission. Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model.

Grants relating to revenue are recognised in income on a systematic basis over the period in which related costs for which the grant is intended to compensate are recognised. Where a grant is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs, it is recognised as revenue in the period in which it becomes receivable.

Grants due from government organisations or received in advance are included as current assets or liabilities.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with Homes England. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the Statement of Financial Position in creditors.

Other Grants

Grants received from non-government sources are recognised as revenue using the performance model.

Recycling of grants

Where there is a requirement to either repay or recycle a grant received for an asset that has been disposed of, a provision is included in the Statement of Financial Position to recognise this obligation as a liability. When approval is received from the funding body to use the grant for a specific development, the amount previously recognised as a provision for the recycling of the grant is reclassified as a creditor in the Statement of Financial Position.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, any unamortised grant remaining within liabilities in the Statement of Financial Position related to this asset is recognised as revenue in the Statement of Comprehensive Income.

Impairment assessment of a cash-generating unit

Where there are indicators of impairment of tangible assets; factors taken into consideration in reaching such a decision include the economic viability and expected future performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Impairment of social housing properties

An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the Statement of Comprehensive Income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measurement model.

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and included in the Statement of Comprehensive Income.

Other property, plant and equipment

Other property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Depreciation is charged on all non-housing property, plant and equipment, other than investment properties and freehold land so as to write down the net book value to their residual value, on a straight line basis, over their useful economic lives, as follows:

Other Freehold premises	34 – 60 years
Freehold premises components	4 – 30 years
Leasehold land and buildings	5 years
Furniture, fixtures & fittings	4 years
Other equipment	4 years
Vehicles	4 – 10 years
Computer hardware	2 – 4 years

Other freehold premises are treated as housing properties which have different patterns of consumption of economic benefit and treated as separate assets. The same asset lives are used as for housing properties.

Intangible assets

Intangible assets are stated at historic cost or valuation, less accumulated amortisation recognised and any provision for impairment. Amortisation is charged to operating expenditure in the Statement of Comprehensive Income. Amortisation is provided on all intangible assets at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life, as follows:

Computer software	2 – 4 years

Leases

An assessment is made at inception of an agreement that transfers the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

Payments under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Provisions for liabilities

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event; it is probable the obligation will have to be settled; and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the Statement of Comprehensive Income in the period it arises.

Financial provision is made for the cost of annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

Restricted reserves

Where reserves are subject to an external restriction they are separately recognised within reserves as a restricted reserve. Revenue and expenditure are included in the Statement of Comprehensive Income and a transfer is made from the general reserve to the restricted reserve.

Significant management judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the Nacro circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant management judgements

The following are management judgements in applying the accounting policies of Nacro that have the most significant effect on the amounts recognised in the financial statements.

Impairment of social housing properties

The Trustees have to make an assessment as to whether an indicator of impairment in value of social housing properties exists. In making the judgement, management consider the detailed criteria set out in the SORP. The conclusion of the Trustees is that there are no indicators of impairment.

Estimation uncertainty

Estimates and assumptions are made concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Provisions

Provision is made for dilapidations. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

Recoverability of rent arrears

Nacro makes an estimate of the recoverable value of rent arrears. When assessing impairment of rent arrears, management consider factors including the ageing profile of the rental debtors and historical experience.

Defined benefit pension scheme
Nacro has obligations to pay pension benefits to certain employees and former employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Based on advice received from Actuaries, management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

Useful lives of depreciable assets
Management reviews its estimates of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components.

3A. Particulars of turnover, operating costs and operating surplus.

		2025		
		Turnover	Operating costs	Operating surplus/ (deficit)
Social housing activity		£'000	£'000	£'000
Social housing lettings (Note 3B)		7,527	(7,099)	428
Other social housing activities				
Charges for support services		15,015	(13,111)	1,904
	Sub-total	22,542	(20,210)	2,332
Activities other than social housing				
Non-social housing and related support services		40,052	(42,251)	(2,199)
Education centre services		15,543	(15,873)	(330)
Justice services		6,043	(5,424)	619
Health services		6,148	(6,093)	55
	Sub-total	67,786	(69,641)	(1,855)
	Total	90,328	(89,851)	477

		2024		
		Turnover	Operating costs	Operating surplus/ (deficit)
Social housing activity		£'000	£'000	£'000
Social housing lettings (Note 3B)		7,215	(6,623)	592
Other social housing activities				
Charges for support services		13,054	(11,726)	1,328
	Sub-total	20,269	(18,349)	1,920
Activities other than social housing				
Non-social housing and related support services		32,337	(33,191)	(854)
Education centre services		13,958	(14,995)	(1,037)
Justice services		4,931	(4,610)	321
Health services		5,537	(5,548)	(11)
	Sub-total	56,763	(58,344)	(1,581)
	Total	77,032	(76,693)	339

3B. Social Housing Lettings

Income	General Needs Housing	Supported Housing	2025 Total	2024 Total
	£'000	£'000	£'000	£'000
Rents receivable net of identifiable service charges	869	1,575	2,444	2,377
Service charge income	1,089	3,809	4,898	4,652
Amortised government grants	50	135	185	186
Turnover from social housing lettings	2,008	5,519	7,527	7,215
Operating expenditure				
Management	(70)	(440)	(510)	(159)
Service charge costs	(908)	(3,396)	(4,304)	(3,799)
Lease expenditure	(463)	(813)	(1,276)	(1,506)
Property costs	(49)	(248)	(297)	(280)
Routine maintenance	(96)	(322)	(418)	(549)
Bad debts	(28)	(117)	(145)	(180)
Depreciation of housing properties	(50)	(99)	(149)	(150)
Expenditure from social housing lettings	(1,664)	(5,435)	(7,099)	(6,623)
Operating surplus social housing lettings	344	84	428	592
Total void losses including service charges	165	942	1,107	1,013

4. (Loss) on disposal of property and equipment

	2025	2024
	£'000	£'000
(Loss) on disposal of property and equipment	(2)	(17)
	(2)	(17)

5. Deficit for the year before taxation

Deficit for the year before taxation is stated after charging/(crediting):

	2025	2024
	£'000	£'000
Depreciation of housing properties	149	150
Depreciation of other property, plant and equipment	553	582
Amortisation of intangible assets	2	201
Amortisation of Government grants	(185)	(190)
Loss on disposal of fixed assets	2	17
Audit fees:		
- External statutory audit	55	51
- Internal audit-related assurance services	89	97
Operating lease rentals	15,525	13,237
Education Tuition Fund	(120)	(199)

6. Interest receivable

	2025	2024
	£'000	£'000
Bank interest receivable	65	28
	65	28

7. Interest and financing costs

	2025	2024
	£'000	£'000
Net interest payable on defined benefit pension liability	(616)	(632)
	(616)	(632)

8. Staff costs

	2025	2024
	£'000	£'000
Wages and salaries	27,815	23,894
Social security costs	2,571	2,174
Other pension costs	779	692
Redundancy Costs	82	204
Agency Costs	5,891	3,365
	37,138	30,329

The number of staff who received emoluments, including pension contribution, in excess of £60,000 is as shown below:

Salary Band	2025	2024
60,000 – 69,999	10	11
70,000 – 79,999	11	7
80,000 – 89,999	–	2
90,000 – 99,999	2	2
100,000 – 109,999	2	1
110,000 – 119,999	2	–
120,000 – 129,999	–	1
130,000 – 139,999	1	–
180,000 – 189,999	1	1

The average full time equivalent number of employees over the 12-month period was:

	2025	2024
Service delivery	741	676
Management and administration	132	117
	873	793

Full Time equivalents are calculated on the basis of a 40-hour standard week.

The average headcount in 2025 was 1,013 (2024: 925).

9. Directors' remuneration and transactions

	2025	2024
Directors who are executive staff members	£'000	£'000
Wages and salaries (including social security costs)	899	791
Other pension costs	24	21
	923	812

Directors are defined as the members of the Board, the Chief Executive and members of the Executive Leadership Team.

The number of directors in the defined contribution scheme as at the end of March 2025 was 7 (2024:7).

Remuneration of the highest paid director

	2025	2024
	£'000	£'000
Emoluments	181	176
Pension contributions	5	5

The Chief Executive is an ordinary member of the pension scheme. No enhanced or special terms apply.

No Board member or person related or connected to them received any remuneration from Nacro during the year. During the year expenses relating to travel were reimbursed or paid on behalf of Board members amounting to £12,729 for 14 members (2024: £5,142 for 14 members).

There were no related party transactions in the 2024-25 financial year.

10. Taxation status

Nacro has charitable status and its sources of income are exempt from income and corporation tax provided that they are applied for charitable purposes.

11. Intangible fixed assets

	Computer software
Cost	£'000
At 1 April 2024	706
Additions	-
Disposals	(132)
As at 31 March 2025	574
Amortisation	
At 1 April 2024	(704)
Charge for the year	(2)
Eliminated on disposal	132
As at 31 March 2025	(574)
Net book value	
As at 31 March 2025	-
As at 31 March 2024	2

12. Housing properties

	General Needs	Supported Housing	Total
Cost	£'000	£'000	£'000
At 1 April 2024	263	11,134	11,397
Additions	-	-	-
Disposals	-	-	-
At 31 March 2025	263	11,134	11,397
Depreciation			
At 1 April 2024	(70)	(4,422)	(4,492)
Charge for the year	(5)	(144)	(149)
Eliminated on disposals	-	-	-
At 31 March 2025	(75)	(4,566)	(4,641)
Net book value			
As at 31 March 2025	188	6,568	6,756
As at 31 March 2024	193	6,712	6,905

13. Other property, plant and equipment

	Freehold	Long/ short leasehold	Equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 April 2024	17,106	716	427	11	18,260
Additions	97	83	-	13	193
Disposals	(5)	(43)	(95)	-	(143)
As at 31 March 2025	17,198	756	332	24	18,310
Depreciation					
At 1 April 2024	(3,227)	(368)	(363)	(11)	(3,969)
Charge for the year	(409)	(117)	(26)	(1)	(553)
Eliminated on disposal	3	43	95	-	141
As at 31 March 2025	(3,633)	(442)	(294)	(12)	(4,381)
Net book value					
As at 31 March 2025	13,565	314	38	12	13,929
As at 31 March 2024	13,879	348	64	-	14,291

14. Debtors

	2025	2024
Amounts falling due within one year:	£'000	£'000
Rent arrears	3,699	2,970
Provision for bad debts	(956)	(791)
Net Rent Arrears	2,743	2,179
Trade debtors	3,241	3,164
Other debtors	178	172
Prepayments and accrued income	4,480	2,985
	10,642	8,500

15. Creditors

	2025	2024
Amounts falling due within one year:	£'000	£'000
Trade creditors	3,098	1,757
Other taxation and social security	1,474	1,047
Other creditors	186	160
Pension creditors	34	32
Deferred income, grants and grants repayable	3,361	2,198
Accruals	6,166	5,782
SHG under 1 year deferred grant (note 17)	178	190
	14,497	11,166

16. Creditors

	2025	2024
Amounts falling due after more than one year:	£'000	£'000
Financial assistance - deferred grants (note 17)	3,414	3,587
Financial assistance - recycled capital grant fund	6	6
	3,420	3,593

17. Financial assistance and other government grants (Deferred income grant)

Deferred income - government grants

	2025	2024
	£'000	£'000
As at 1 April 2024	3,777	3,967
Amortisation to Statement of Comprehensive Income	(185)	(190)
Grant addition	-	-
As at 31 March 2025	3,592	3,777
Amounts to be released within one year	178	190
Amounts due to be released in more than one year	3,414	3,587
	3,592	3,777

The total value of grants received by Nacro is £8,795,258 (2024: £8,795,258).

Recycled Capital Grant Fund

	2025	2024
	£'000	£'000
As at 1 April 2024	6	6
Recycling of grant	-	-
As at 31 March 2025	6	6

The recycled capital grant is in respect of 2 housing property disposals in 2017/18 and is shown in note 16.

18. Provisions

	Provisions	Total
	£'000	£'000
As at 1 April 2024	779	779
Released	(69)	(69)
Increase	418	418
As at 31 March 2025	1,128	1,128

19. Retirement benefit schemes

Defined contribution scheme
Nacro operates defined contribution retirement benefit schemes for qualifying employees. The total expense charged to the Statement of Comprehensive Income in the period ended 31 March 2025 was £779,211 (2024: £691,644).

Defined benefit scheme

Characteristics and risks associated with the Plan

Nacro operates the Nacro Staff Benefits Plan ("the Plan"). The Plan provides pensions in retirement and death benefits to members. Pension benefits are linked to a member's final salary at retirement and their length of service. Since 31 March 2006 the Plan has been closed to future accrual.

The Plan is a registered scheme under UK legislation and was contracted out of the State Second Pension until its closure.

The Plan is subject to the scheme funding requirements outlined in UK legislation.

The Plan was established from 31 May 1986 under trust and is governed by the Plan's third definitive deed and rules dated 23 May 2011. The Pension Trustees are responsible for the operation and the governance of the Plan, including making decisions regarding the Plan's funding and investment strategy in conjunction with the Company.

Under clause 21 of the Plan's third definitive deed and rules dated 23 May 2011, the Company does not have an unconditional right to a refund of any surplus in the Plan if the Plan winds up. The Plan, however, is in deficit and this deficit exceeds the value of future contributions due under the current recovery plan, there is no additional liability recognised on the balance sheet as a result of the Plan's recovery plan.

The Plan exposes the Company to actuarial risks such as; market (investment) risk, interest rate risk, inflation risk, currency risk and longevity risk.

The Plan does not expose the Company to any unusual Plan-specific or Company-specific risks.

No allowance has been made for any curtailment or settlement during the accounting period.

Amount, timing and uncertainty of future cashflows.
The Pension Trustees hold a proportion of the Plan's assets in gilts and index-linked gilts to provide some degree of matching with the Plan's liabilities (with the latter providing a degree of price inflation matching with the Plan's liabilities).

The Plan also holds annuity contracts in respect of the majority of pensions in payment which provide protection against future changes in respect of post retirement market risk, inflation risk and longevity risk in respect of these members.

The Plan's investment strategy is to invest broadly 80% of non-annuity investments in return seeking assets and the remaining 20% in matching assets (mainly government bonds). This strategy reflects the Plan's liability profile and the Pension Trustees' and Company's attitude to risk.

The Plan's non-annuity investments include interest rate and inflation hedging.

The last scheme funding valuation of the Plan was as at 31 March 2023 ("the 2023 valuation") and revealed a funding deficit of £14.0m. Under the current schedule of contributions, the Company has agreed to pay deficit reduction contributions. These deficit reduction contributions are set out in the payment schedule agreed as part of each tri-annual valuation. The expenses of running the Plan, as well as statutory levies, are to be met directly by the Company.

The Company has paid £700,000 in deficit reduction contributions in respect of the current accounting period.

The liabilities of the Plan are based on the current value of expected benefit payment cash-flows to members of the Plan over the next 50 years. The average duration of the liabilities is approximately 14 years.

The value of the liabilities at the reporting date have been estimated by updating the results of the 2023 valuation to allow for the passage of time, benefits paid out of the Plan and changes in actuarial assumptions over the period from 31 March 2023 to 31 March 2026. Allowance has also been made for actual inflation experience and known transfers out and trivial commutations over the period. Such an approach is common for the purposes of accounting disclosures. It is not expected that these projections will be materially different from a summation of individual calculations at the accounting date, although there may be some discrepancy between the actual liabilities for the Plan at the accounting date and those included in the disclosures.

Principal Actuarial Assumptions
A full actuarial valuation of the Plan was carried out as at 31 March 2023 and has been updated to 31 March 2025 by a qualified actuary. The major assumptions used by the actuary were (in nominal terms) as follows

	2025	2024
Discount rate	5.80%	4.85%
Inflation assumption (RPI)	3.25%	3.30%
Inflation assumption (CPI)	2.95%	2.90%
Future revaluation of pensions in deferment	2.95%	2.90%
Pension increases in payment (liabilities):		
CPI max 5%	2.90%	2.85%
CPI max 3%	2.40%	2.35%
CPI max 2.5%	2.10%	2.10%
Pension increases in payment (insured asset):		
RPI max 5%	3.15%	3.20%
RPI max 3%	2.45%	2.50%
RPI max 2.5%	2.15%	2.15%

Assumed life expectancies on retirement at age 65

	2025	2024
Retiring today – Females	22.9	22.8
Retiring today – Males	20.3	20.3
Retiring in 20 years: Females	24.0	23.9
Retiring in 20 years: Males	21.3	21.3

The assets in the plan were

	2025	2024
	£'000	£'000
Equity, property and other	23,928	25,679
Gilts and other government debt	(630)	(404)
Annuities	5,517	6,166
Cash and net current assets	416	600
Fair value of Plan assets	29,231	32,041
The actual return on assets over the period was:	(579)	1,445
Present value of funded obligations	(41,143)	(45,092)
Fair value of Plan assets	29,231	32,041
Deficit in funded scheme	(11,912)	(13,051)
Present value of unfunded obligations	-	-
Unrecognised actuarial gains / (losses)	-	-
(Irrecoverable surplus)	-	-
Net liability in Statement of Financial Position	(11,912)	(13,051)

Reconciliation of opening and closing balances of the present value of the deferred benefit obligation

	2025 £'000	2024 £'000
Benefit obligation at beginning of year	45,092	46,387
Plan administration cost	-	-
Interest cost	2,117	2,137
Contributions by plan participants	-	-
Actuarial (gains)	(3,135)	(587)
Benefits paid	(2,931)	(2,845)
Past service cost	-	-
Benefit obligation at end of year	41,143	45,092

Reconciliation of opening and closing balances of the fair value of Plan assets

	2025	2024
	£'000	£'000
Fair value of Plan assets at beginning of year	32,041	32,756
Interest income on Plan assets	1,501	1,505
Return on assets, excluding interest income	(2,080)	(60)
Contributions by employer	700	685
Contributions by Plan participants	-	-
Benefits paid	(2,931)	(2,845)
Plan administration cost	-	-
Fair value of Plan assets at end of year	29,231	32,041

The amounts recognised in Statement of Comprehensive Income

	2025	2024
	£'000	£'000
Service cost - including current and past service costs and Settlements		
Plan administrative costs	-	-
Net interest on the net defined liability	616	632
	616	632

Remeasurements of the net defined benefit liability (asset) shown in the Statement of Comprehensive Income

	2025	2024
	£'000	£'000
Actuarial (gains) on the liabilities	(3,135)	(587)
Return on assets, excluding interest income	2,080	60
Total remeasurement of the net defined (asset)	(1,055)	(527)

Estimation of next period's profit or loss	2026
	£'000
Service cost - including current and past service costs and settlements	-
Plan administrative costs	-
Net interest on the net defined liability	671
Total expense	671

20. Cashflow from operating activities

	2025	2024
	£'000	£'000
(Deficit) for the year	(76)	(282)
Adjustment for:		
Depreciation of housing properties	149	150
Depreciation of other property, plant and equipment	553	582
Amortisation of intangible assets	2	201
Loss on disposal of assets	2	17
(Increase) in debtors	(2,142)	(879)
Increase in creditors	3,343	93
Increase in provisions	349	38
Interest received	(65)	(28)
Pension costs less contributions payable	(700)	(685)
Amortisation of SHG	(185)	(190)
Interest payable	616	632
Net cash used in operating activities	1,846	(351)

21. Capital commitments

Capital commitments at the 2024/25 year-end were £12,866 (2024: £103,864).

22. Leasing Commitments

Total future minimum lease payments under non-cancellable operating leases are as follows.

	2025	2024
	£'000	£'000
Leases expiring:-		
- within one year	7,309	4,198
- between one and five years	4,999	3,336
- after five years	461	1,723
	12,769	9,257

23. Financial assets and liabilities

Financial assets

	2025	2024
	£'000	£'000
Financial assets measured at undiscounted amount receivable	6,162	5,515
Bank deposits	10,933	9,215
Total	17,095	14,730

Financial Instruments on which no interest is earned include short-term rent, trade and other debtors. No investments were held by the company during the year. No interest or gains are recognised on financial assets recognised at undiscounted amounts receivable.

Financial liabilities	2025	2024
	£'000	£'000
Financial liabilities measured at undiscounted amount payable	3,318	1,949

The company's financial liabilities are sterling denominated and consist of trade and other creditors. There is no exposure to interest rate risk.

24. Accommodation in management and development

	2025	2024
Owned units	223	225
Units under management	2,158	1,995
Total units	2,381	2,220

There have been no disposals in the year, the reconfiguration of an owned property has seen it change from 3 units as at 31 March 2024 to 1 unit as at 31 March 2025.

Within the total units, 572 units met the regulated definition of social housing (2024: 598) and 1,809 units were outside the regulated definition (2024: 1,622).

NACRO

England & Wales - Charity number 226171

Accounts

Nacro

Annual Report

for the year ended 31 March 2024

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Who we are

We believe that everyone deserves a good education, a safe and secure place to live, the right to be heard, and the chance to start again, with support from someone on their side.

We provide practical help and personalised support through our education, housing, justice, and health and wellbeing services. We work closely with people to help them build independence and move forward to a better future. We're compassionate, strong, determined, and flexible. And we never give up on people.

But this isn't enough on its own. We need the barriers holding people back removed and the systems we all rely on improved to give everyone a fair chance. The voices of those most affected are often ignored, so we fight alongside them to be heard. We use the insights from our services and the experience of the people we support to campaign together for meaningful changes in society.

We are Nacro and we won't stop until everyone has the chance to succeed.

Our mission

We will work every day to give people the help they need and campaign to achieve our vision of a society where everyone has the chance to succeed.

Our vision

We want a society where everyone has the chance to succeed and the support they need to achieve their potential. Where a safe secure home, a decent education and a second chance when things go wrong are the foundations we can all build our lives on.

Our values

We are inspiring

We motivate and inspire people to reach their full potential and aspirations. We encourage people to think differently.

We are courageous

We have bold aims which we are determined to achieve. We seize opportunities and deliver results.

We are compassionate

We are focused on people, acting with compassion and supporting each other to succeed.

We are inclusive

We value the unique contribution of all our people, combining our strengths, and achieving more together.

We are reliable

We keep our promises. We provide consistent support and we stick with people.

Why our work is needed

The cost of living crisis continues to impact people across the country and we know that the poorest and most vulnerable members of society will experience the worst effects. This has potentially dire long-term consequences for many people who already do not get the help and support they need. And as inequality widens, economic and social needs in the UK are only likely to grow.

Income inequality continued to grow in Britain in 2022, and we continue to have lower social mobility rates than many other European and OECD countries. The poorest fifth of our society has only 8% of the total income, whereas the top fifth has 36%. Educational performance also varies significantly based on socioeconomic background. Against this background, it is clear that our work is needed more than ever before, to fight not only to stop these gaps widening further but to close the gaps and to create opportunity and hope for the people we support.

England and Wales have one of the highest rates of imprisonment in Western Europe, with almost 88,000 people held in prisons and young offender institutions in March 2024. It is projected that the prison population will grow substantially over the next few years, to between 94,600 and 114,800 by March 2028. Reoffending rates remain high, particularly for those sentenced to a prison term. Ministry of Justice reoffending data released in January 2024 showed that 36.8% of adults released from prison go on to reoffend within a year. For those who served a sentence of less than 12 months, this increases significantly to 55.5% and sits at 58.3% for sentences of six months or less.

Levels of homelessness are rising, with research from Shelter showing that at least 309,000 people were recorded as homeless in England in December 2023, including almost 140,000 children. This is an annual increase of 14%. And the number of people sleeping rough in England has more than doubled since 2010, with an estimated 3,898 people having slept rough in 2023, an annual increase of 27%.

We know that the best way to tackle homelessness is to stop it from happening in the first place. Where there are predictable routes into homelessness, like leaving prison, it is vital to ensure that everything possible is done to help people find and keep a home, with the support they need.

The mainstream education system continues to fail many young people whose specific needs are not being met. The most recent figures show that both permanent exclusions and suspensions from school continue to increase, and vulnerable groups of children are more likely to be excluded. Children who are eligible for free school meals are more than four times as likely to be suspended from school than those who do not receive free school meals, and five times more likely to be permanently excluded.

Children with special educational needs are up to five times more likely to be excluded from school. The impact on already vulnerable children of a disrupted education can be devastating, and the knock-on effect on adult life has wide-ranging and long-lasting consequences.

The people we work with are often at a point of change. Many have struggled; growing up in care; facing homelessness; failed by the education system; or caught up in the tide of the justice system. The challenges we face shape who we are, but our past shouldn't dictate our future.

We continue to do everything we can to offer support, stability, and guidance, enabling people to open doors that were previously closed to them. We know that with the right support and guidance, people can turn their lives around and move onto a future of success.

Message from the Chair

Despite the very tough environment we were operating in, I ended my introduction to last year's annual report on an optimistic note. I believed we were well placed to meet the challenges of the future, and we had the strategy, culture, and people to support the people who used our services in making real changes for the better of their lives.

So it has proved. It has indeed been another very challenging year, but as this report shows, we have been able to improve the quality and scale of our services while stabilising our financial position.

I do not want that broadly positive picture of the organisation to detract from an understanding of how difficult things were for the people who used our services last year.

I try to meet as many of the people we support as I can, and of course, they all have a wide range of different needs: young people who have been struggling at school or who have left care; veterans still traumatised by their experiences; those finding relief in drugs and alcohol; men leaving prison without anywhere to stay. But what they all have in common is a truly shocking level of poverty, both in absolute financial terms and poverty of the most basic services they could surely expect to support them: a safe place to live, mental health support, a place at school or college, functioning probation, and social services.

The work our staff does in these circumstances is truly extraordinary. For part of the year, I acted as the Board's safeguarding lead. This required me to understand in detail some of the risks and vulnerabilities our service users faced - young people, for instance, whose lack of resources and other vulnerabilities potentially made them easy prey to 'county lines' (the drug trafficking networks that exploit young people as carriers). I saw how our staff were continually vigilant and worked with skill and dedication to pull together a picture that identified a young person at risk and then galvanised sometimes reluctant agencies to work together to keep the young people safe.

Our staff have faced their own economic pressures, and they too have sometimes struggled because they could not access the services they needed. We have worked hard to improve the way Nacro's own systems and organisation supports them. We have a lot more to do to get this right but we are making progress, and I am extremely grateful to all our staff for their service and commitment.

It has been important to use the experience of the people we support and our staff to influence the national and local policies that impact them, and we have had some real success with this, ending the Friday release of prisoners, for instance, which made it even more difficult for them to access the services they need. These successes have been based on good, constructive relationships. We have been fortunate in the support we have had from our organisational partners and funders. We recognise the pressures they are under, but we have been able to find common ground with the Ministry of Justice, other national government departments and agencies, health services, and local authorities to make the best use of resources to support some of the most vulnerable people they are responsible for.

Nacro is a complex organisation, and pulling all this together and providing the leadership the organisation needs is no easy task. Once again, I thank Nacro's Board and senior management team for the leadership they provide. Board members are unpaid, and I recognise the heavy responsibilities they carry. Katie Martin resigned from the Board during the year, and I want to record my thanks to her. We were joined by five new Board members: Mian Langellier, Philippa Oldmeadow, Felicity Oswald, Melanie Walker and Maneer Asfar, and they joined a strong team of established Board members. I look forward to working with them all. We have many challenges ahead, but I believe we can face them with confidence.

Nick Hardwick
Chair

Message from the CEO

Being the Chief Executive of Nacro is a privilege and a constant reminder of the difference that good people can make. 2023/24 was a very difficult year in many ways, but no more so than for the thousands of people we help every year.

In all of the areas we work there were even greater challenges for people to keep their head above water, let alone get ahead and get on. The housing crisis worsened, prisons were even more full, local authorities went bankrupt, social services stretched further, and the need for special educational support grew.

Through all of this, our staff are the point of calm, the reliable presence, the helping hand, the kind words and good advice, and the push to take on the next challenge. Every day in so many ways they keep hope alive, even when it is at its most challenging.

We have tried our best to provide our staff with the support they need. Despite the very real financial challenges we face we are investing in pay, in ICT, in new buildings and learning and development. We have tried to include them and involve them in the difficult choices we need to make, through our excellent EDI committee or our positive and constructive relationship with Unite, our recognised trade union.

We have put the people we support at the heart of the organisation, our Justice ExChange has been driving our policy and campaigning work, they came to our Board and told them what they wanted to see Nacro do.

We have built real and genuine partnerships across all sectors, whether with the many brilliant businesses that support our education centres, the charities working to deliver outstanding services or our commissioners such as the Ministry of Justice or Lincolnshire Council who work with us to adapt and change to the needs of the people we support.

I know that 2024/25 will be just as hard, or harder, but I also know that with the colleagues and board members we have we are set for the challenge.

Campbell Robb
Chief Executive Officer

Board members and professional advisers

Trustees

Nick Hardwick CBE, Chair

Anne Frost, Vice Chair

Maneer Afsar (appointed 27 September 2023)

Andrew Billany

Amanda Dickens

Lynn Emslie

Rt Hon Sir David Hanson

Tabitha Kassem

Mian Langellier (appointed 27 September 2023)

Farrah Malik

Katie Martin (resigned 26 September 2023)

Philippa Oldmeadow (appointed 20 March 2024)

Felicity Oswald (appointed 27 September 2023)

Neil Spence

Melanie Walker (appointed 27 September 2023)

Treasurer

Neil Spence

Chief Executive Officer

Campbell Robb

Company Secretary

Andrew Hodges

Registered Office

Walkden House
16-17 Devonshire Square
London EC2M 4SQ

Charity number

226171

Regulator of Social Housing number

4781

Company number

00203583

Bankers

National Westminster Bank Plc
Cavell House
PO Box 113
2A Charing Cross Road
London WC2H 0PD

External Auditors

Crowe U.K. LLP
2nd Floor
55 Ludgate Hill
London EC4M 7JW

Internal Auditors

BDO LLP
Two Snowhill,
Birmingham B4 6GA

Solicitors

Devonshires Solicitors LLP
30 Finsbury Circus
London EC2M 7DT

Pension consultants

XPS Pensions Group
Phoenix House
1 Station Hill
Reading RG1 1NB

Information correct at 19 July 2024.

Trustee Attendance Record 2023/24

	1	2	3	4	5	6	7
Nick Hardwick CBE	4 of 4	–	–	–	3 of 3	–	–
Anne Frost	4 of 4	0 of 1	–	3 of 3	–	3 of 3	–
Maneer Afsar[1]	2 of 3	–	–	–	–	–	–
Andrew Billany	3 of 4	1 of 1	–	–	–	–	2 of 3
Amanda Dickens	4 of 4	–	–	3 of 3	–	–	–
Lynn Emslie	4 of 4	1 of 1	–	–	–	2 of 3	–
Rt Hon Sir David Hanson	4 of 4	–	1 of 1	–	3 of 3	–	2 of 3
Tabitha Kassem	3 of 4	1 of 1	–	3 of 3	–	–	3 of 3
Mian Langellier[1]	2 of 3	–	–	–	–	–	2 of 3
Farrah Malik	4 of 4	–	3 of 4	–	–	–	–
Katie Martin[2]	0 of 1	–	–	–	0 of 1	–	–
Philippa Oldmeadow[3]	1 of 1	–	–	–	–	–	–
Felicity Oswald[1]	3 of 3	–	1 of 3	–	–	–	2 of 3
Neil Spence	4 of 4	–	4 of 4	–	–	–	–
Melanie Walker[1]	1 of 3	–	2 of 3	–	0 of 2	–	–

1 Board
2 Strategy & Performance Committee*
3 Finance & Audit Committee/Finance, Risk & Audit Committee*
4 People Committee
5 Policy & Campaigns Committee
6 Education Committee/Education Scrutiny Group*
7 Housing & Criminal Justice Committee*

[1] Appointed September 2023
[2] Resigned September 2023
[3] Appointed March 2024

*In September 2023 new committee structures were agreed which included:

- disbanding Strategy & Performance Committee
- Finance & Audit Committee being renamed to Finance, Risk and Audit Committee
- creating a new Housing & Criminal Justice Committee (formerly Housing Group) and a new Education Committee (formerly Education Scrutiny Group)

Our services

At Nacro, we are dedicated to continuous improvement and achieving even better outcomes for the people we support. We are proud to provide a variety of services from housing and education to rehabilitation and health and wellbeing support. Our commitment to positive change is reflected in the success stories of individuals and communities who have benefited from our services. The pages that follow highlight the range of services we run with each one making a real difference to people's lives.

What we do

The people we work with are often at a point of change. Many have struggled; growing up in care; facing homelessness; failed by the education system or caught up in the tide of the justice system. The challenges we face shape who we are, but our past shouldn't dictate our future.

People we support through our services:

- Young people
- Care leavers
- People with substance misuse issues
- Homeless
- People with mental health challenges
- People in the justice system
- Ex service personnel

Justice

Our justice services aim to break the cycle of crime and disadvantage through rehabilitation. We believe the criminal justice system should be a starting point for building better futures, not a dead end. Partnering with agencies, we work to reduce reoffending and operate in over 40 prisons and six probation regions across England and Wales, with over 50 years of experience.

Our justice services include:

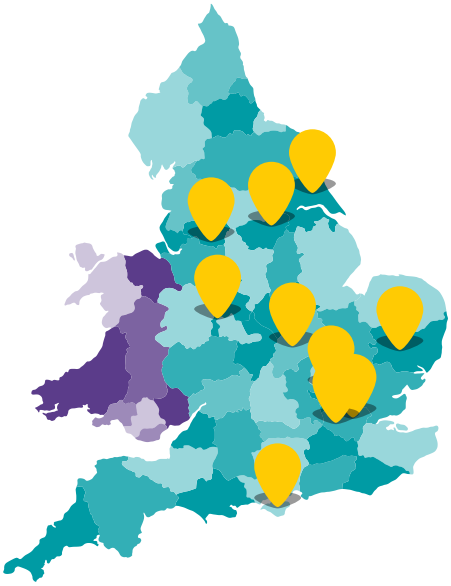
- Criminal Record Support Service
- Accommodation support for people (on probation or in prison)
- Personal wellbeing support for people (on probation or in prison)
- Finance, benefit, and debt support for people (on probation or in prison)
- Intensive health resettlement
- Prison Departure Lounge
- Liaison and Diversion with other agencies
- Support for ex-service personnel

Health and Wellbeing

We support individuals with complex needs, including mental health issues, substance misuse, and personal challenges. Our tailored support helps people move forward, recognising that recovery is not always straightforward. We never give up on those we serve.

Our health and wellbeing services include:

- Community-based substance misuse services
- Intensive health resettlement (including dual diagnosis for people leaving prison)
- Liaison and Diversion (working with individuals with mental health needs in police custody suites)



Housing

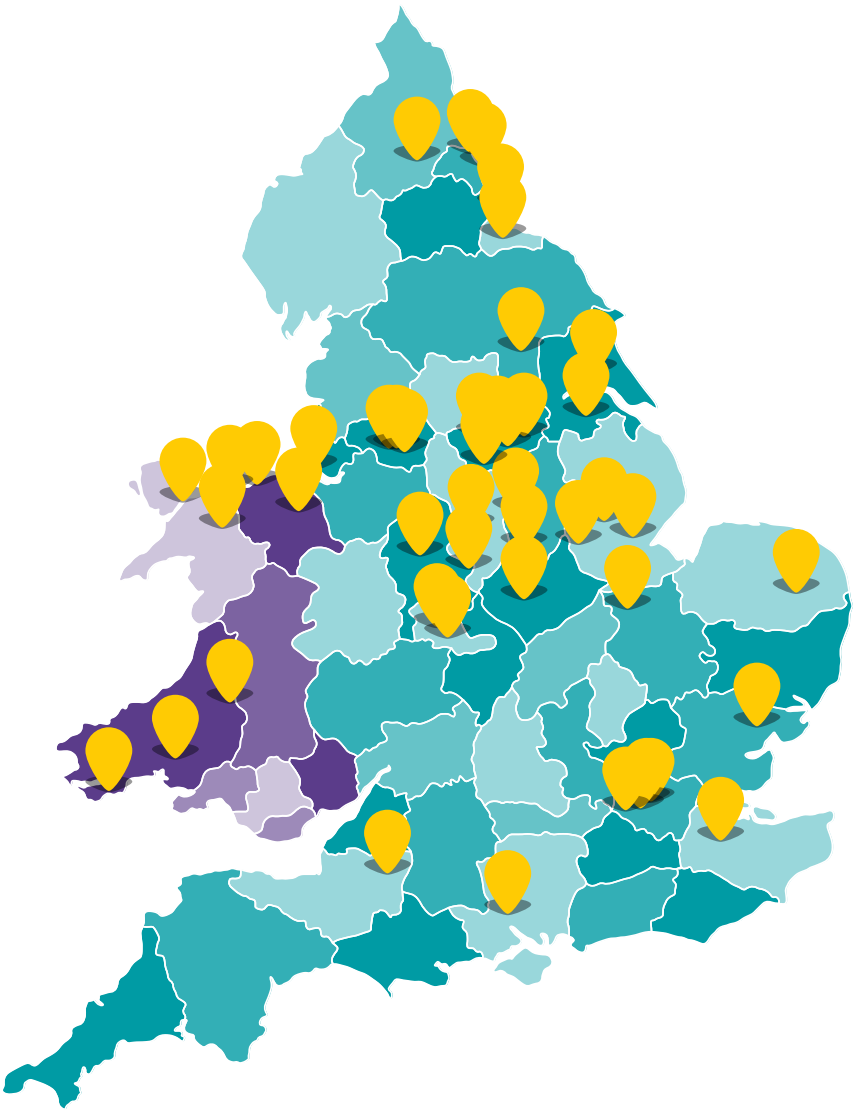
We believe everyone deserves a safe and secure home, the foundation for building better lives. We provide supported housing and floating support services across England and Wales, partnering with individuals and agencies to promote independence. Our extensive experience includes supporting marginalised individuals and those with complex needs.

Tailored housing services for:

- People coming out of prison
- Young people and care leavers
- Women
- Ex-service personnel
- People at risk of homelessness

Our housing services include:

- Commissioned services
- Step Forward Housing
- Community Accommodation Service Tier 2 (CAS-2)

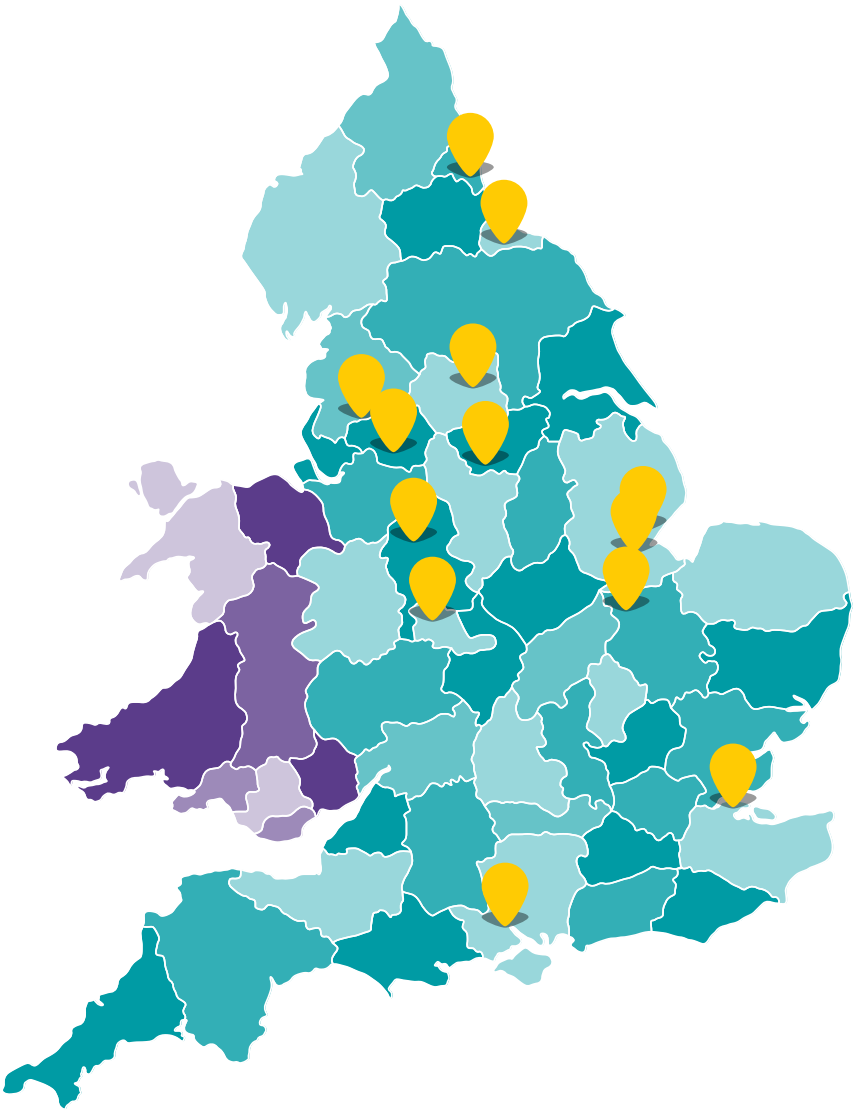


Education

At Nacro Education, we help individuals realise their potential through skills, knowledge, and experience. Our Get Set! Courses offer personalised learning approaches. We operate 12 education centres across England and provide education in prisons and secure training centres. We also provide outside learning for schools, colleges, the voluntary sector, the community, and local authorities.

Nacro Education Centres:

- Bolton
- Boston
- Chatham
- Leeds
- Longton
- Middlesbrough
- Newcastle
- Peterborough
- Sheffield
- Spalding
- Walsall
- Totton College
- Greater Manchester Outdoor Learning



Strategic review of the year 2023/24

1. We will increase the positive impact we have on the people we support.

We have continued delivering and developing our work in our core areas, responding to the needs of the people we support:

- A number of our services have expanded over the last year:
  - Our Recovery Near You service in Wolverhampton has expanded in various areas including basing alcohol nurses in GP surgeries; embedding an assistant psychologist to develop a culture of trauma-informed practice; and further development of our women and maternity pathway.
  - Our London rough sleepers service funded by the GLA has expanded to house more people in need.
  - Our Accommodation for Ex-Offenders scheme in Stoke has increased the level of accommodation and support it provides.
- We continue to deliver our existing services in an ever more challenging environment, including:
  - Our NEST young people's services which provide supported housing for young people, including care leavers, who would otherwise be homeless or at risk of homelessness.
  - Rehabilitative services through personal wellbeing and accommodation advice and support services to over 9,000 people on probation.
  - Our CAS-2 service providing accommodation and support to people across England and Wales on bail or released from prison on licence to help them move onto independent crime-free lives.
- Our education services continue to support young people to achieve their potential:
  - 91% of our students pass their GCSE in maths and English.
  - 96% of young people pass the technical or vocational qualification that they are working towards with us.
  - 91% of students report that their confidence has improved as a result of learning with us.
  - 91% of students report that they have been supported to identify and make progress towards their next steps.
  - We are proud that there are no achievement gaps in our provision on the basis of gender, ethnicity or disability.

2. We will campaign alongside our service users for solutions to the barriers and challenges they face.

- Following our successful campaign to end Friday prison releases, Parliament passed legislation meaning that people leaving prison are no longer set up to fail by being released on a Friday, without access to services over the weekend.
- We continued our focus on removing the barriers to learning for 16-19 years olds in our Learn without Limits campaign, hosting a joint event alongside the Princes Trust with the Minister for Skills & Apprenticeships.
- We started a project with young people across our education and housing services to listen to their challenges and hopes for the future with the aim of influencing local and national priorities.
- Our Justice ExChange, a network of people who have been in touch with the criminal justice system and received support from Nacro, has been central to shaping our justice influencing priorities. Following the publication of a briefing on work and wages in prison last year, we worked together to develop a new campaign, 'Wasting Time', calling for action on a real working day in prison, increased use of release on temporary licence, and fairer wages and reward. We jointly produced a new film highlighting the challenges of work in prison.
- We published a further briefing with the Justice ExChange highlighting the level of mental health need in prison, the impact of the prison environment on mental health, the support available, and what we believe could make a difference.
- We published the final report from our research project looking at the barriers to identification and take up of support by ex-service personnel in the justice system. Funded by Forces in Mind Trust and delivered in partnership with the University of Northampton, we launched the report at a stakeholder event in Birmingham and continue to work to take forward the findings and recommendations.

3. We will develop into a digitally inclusive organisation where our staff and service users have access to the advantages that digital technology can bring.

With the additional pressures the challenging external environment has brought, we took a strategic decision last year to focus on this objective at a later point in the strategy period. As these external pressures continued this year, we focused our resources on supporting significant internal digital transformation in our ICT infrastructure.

- We have moved our ICT infrastructure to a new data centre and built a new remote access Citrix environment to help provide much more effective access to our internal systems.
- We have installed a brand-new Wi-Fi network in all our Education Centres as well as a number of our larger housing offices and service sites. The new Wi-Fi circuits at Education centres provide better access to online learning environments for students. We have continued to install tenant Wi-Fi facilities in our CAS-2 properties and some of our other housing properties.
- We have replaced hundreds of laptops with more up-to-date versions, issued hundreds of new mobile phones, and replaced printers in Education centres and larger housing sites.
- We retained our ISO27001 accreditation for effective information security systems.

4. We will build a sustainable future for Nacro.

- We have developed and delivered against our environmental strategy and achieved Level 3 of the Green Dragon environmental accreditation.
- The challenging external financial environment continues to impact on Nacro like all charities. However, we are pleased to have delivered financial performance that is within budget, and we are planning a breakeven budget for the 2024/25 financial year.
- We continued to prioritise investment in our colleagues ensuring that pay scales were all uplifted as a result of the increase in the national living wage.
- We have continued to build on our leadership development programmes and facilitated more collaborative working.
- We have invested in our ICT infrastructure to create a modern platform that is able to flex with changes within the charity and support the application of more collaborative working tools in the future.
- We have continued to develop our assurance frameworks and responded to new regulatory requirements from the Housing Regulator and Ofsted.

5. We will forge a values-led culture that supports a happy, productive and diverse workforce.

- With colleagues under sustained financial pressures, and the complexity and intensity of the needs of our service users, we have continued to enhance support for wellbeing through our Mental Health First Aider network, training for 'critical incident' debrief facilitators, and a focus on increased frequency of supervisions and performance and development conversations.
- We have continued work to ensure that Nacro is an inclusive organisation to work for, and can attract, retain, and develop a diverse workforce through our EDI strategy. A number of employee-led diversity action groups are active, providing both allyship and voice for people who may feel in a minority within Nacro, and starting to drive real change in our policies and practices.
- We strengthened the performance and development planning process, yielding a significant improvement in the responses on our annual staff survey regarding employees receiving regular feedback, clear expectations and the opportunity to discuss their development opportunities with their manager.
- Like many charities, we continue to face challenges in recruiting and retaining staff within a tight labour market during a cost-of-living crisis. A new Director of People and Culture was appointed, with a particular focus on assessing the root causes of these challenges and helping us to find the right creative solutions.

Safeguarding

Nacro continues its commitment to embedding robust safeguarding governance and processes across the organisation. Our National Safeguarding Board meets quarterly to ensure an effective governance framework is in place by reviewing safeguarding data from our incident management system and reflecting on lessons learned from safeguarding incidents that have been reported. The National Safeguarding Board reports to the Board of Trustees. A nominated Trustee and a member of the Executive Leadership Team are standing members of the National Safeguarding Board.

Each service delivery directorate has an appointed Designated Safeguarding Lead. These roles support colleagues to ensure quality safeguarding interventions and outcomes are provided through local teams. Designated Safeguarding Leads are supported via a network of locally based Designated Safeguarding Officers.

Nacro has a robust recruitment and vetting process, which ensures all staff working for Nacro complete all safeguarding background checks relevant to their role. All staff undertake an Introduction to Safeguarding online course and depending on an individual's role further training on Safeguarding Children and Young People, and/or Safeguarding Adults at Risk is undertaken. Further safeguarding training is also provided where required, based on staff training needs analysis.

A suite of policies and procedures are implemented across Nacro directorates, to ensure key safeguarding processes such as professional curiosity, reporting and responding to incidents, and staff support are communicated with Nacro colleagues and service users effectively. These policies and procedures are reviewed at least annually, and more often throughout the year in response to external regulatory changes, organisational changes, or process improvement opportunities.

Nacro organises an annual 'Safeguarding Week' event to highlight the most relevant topics and themes with staff, while also providing an opportunity to engage with service users to ensure continuous improvement of Nacro's safeguarding processes and approach.

A centralised management system is in place to record all Nacro related safeguarding incidents. The system is used to track and follow up actions required after an incident has been reported. The National Safeguarding Board maintains oversight of data held on the incident management system. The National Safeguarding Board is responsible for applying learning from incidents that have occurred to continually improve Nacro's safeguarding training, procedures, and practice.

What our people have to say

"When I arrive for work, I can normally say hello, good morning to around 20 people before I reach my desk. We are great at pulling together and getting the job done. We have good working relationships with our students, we invest lots of time into them, get to know them, are proud of them in all their achievements. We keep them safe and as an organisation we really are trying to make improvements everywhere.

"I enjoy the feeling at the end of each day, of doing something that is of value and worthwhile to both myself, my colleagues, and the students.

"Nacro is a very open employer. Senior management are easy to reach out to.

"I enjoy the challenge. The job is very rewarding.

"Nacro makes me feel like I am working towards a goal and making a difference.

"I enjoy working at Nacro as I like the supportive work environment. I feel respected and valued for what I bring to the team and Nacro.

"The best thing about working here are the staff and the service users.

"Nacro has a wealth of fantastic, hardworking committed people who go the extra mile on a daily basis to support service users and colleagues.

"I feel very joyful doing my job. I am happy when our tenants are making progress.

"I have worked for Nacro for nearly 5 years and have thoroughly enjoyed my time here. I started in 2019 as a volunteer and I have worked my way up the ladder to a service lead level. One of the great things about working for Nacro is that there's opportunity to progress, and line managers support you progressing.

Housing performance

We take our responsibilities as landlords seriously. Below, we set out our performance across a range of measures, including property health and safety compliance, repairs, and feedback on tenant satisfaction.

We are required to comply with regulations and monitor our performance against them. We also set our own performance measures and commit to sharing them openly.

In addition, in 2023/24, we have:

- Continued to review fire and gas safety policies, ensuring more robust processes are in place and meeting new requirements in legislation.
- Further increased resources in our compliance team to maintain a good level of performance and to support the development of improved centralised monitoring systems for compliance.

	Target	31.03.24
Gas safety	**100%** properties with a valid gas safety certificate	**98.9%**
Electrical services	**100%** properties with a fixed wire electrical safety certificate (EICR) within the past 5 years	**99.2%**
Water services	**100%** properties with water tank facilities have a current and valid Legionella risk assessment	**100%**
Fire Risk Assessment	**100%** properties have a fire safety risk assessment carried out in the last 24 months for our larger shared properties - 2 beds and above and blocks of flats. (This is beyond the legal minimum which does not specify a frequency)	**100%**
Asbestos	**100%** properties which may have asbestos have had an asbestos survey	**100%**

Repairs*

Overall, we completed 93.2% of 5,515 repairs within the target time.

	Target	April 2023 – March 2024
Emergency repairs	**95%** within 24 hours	**94.8%**
Urgent repairs	**90%** within 7 days	**92.3%**
Routine repairs	**90%** within 28 days	**94.8%**

*This repairs performance data does not currently include data from our Ministry of Justice CAS-2 contract.

Maintenance Budget

In the financial year, the expenditure on maintenance was £4.38m. The budget set for the year was £4.15m.

Following significantly increased construction material and labour costs in 2023/24, we increased our maintenance budget to help ensure we could meet our obligations to provide safe and secure homes for our residents.

Tenant satisfaction

From April 2024, the Regulator of Social Housing requires all registered providers to collect and report on Tenant Satisfaction Measures.

We collect the 22 Tenant Satisfaction Measures in two forms: 12 perception survey questions and 10 pieces of management information.

Survey

We undertook our tenant satisfaction survey throughout the winter of 2023. All housing tenants were contacted by phone, online and via post. The full results of our Tenant Satisfaction Measures will be published on our website in Summer 2024. A summary of the results is below.

Results

- Three quarters (75%) of tenants were satisfied with the overall service from us.
- Of those who had a repair in the last 12 months, more than 8 in 10 (82%) tenants were satisfied with the repair service and the time it took to complete the repair (83%).
- Nearly 8 in 10 (79%) agreed that Nacro treated them fairly and with respect.
- Over three quarters (77%) of tenants were satisfied that their home was safe and 75% said their home was well maintained.
- 7 in 10 (70%) tenants were satisfied that Nacro listened to their views and acted on them.
- Nearly 7 in 10 (69%) were satisfied with Nacro's approach to anti-social behaviour.

Complaints

We know how important it is to listen to feedback and are committed to responding promptly and efficiently where we receive complaints. The table below gives a breakdown of the complaints reported by tenants between 1 April 2023 to 31 March 2024.

Tenant complaints	56
Property condition – includes: Quality of repairs Quality of furniture Timeliness of repairs	15
Service received – Staff behaviour	12
Service received – includes: Tenure management Rent management Support received	29

We routinely review complaint responses and timeframes and are working to improve the pace of successful responses.

Throughout the year, we have responded to complaints from non-tenants, such as our neighbours or members of the public. The table above does not include this data.

Overall, complaints were dealt with adequately with complainants either satisfied with the way their complaint had been dealt with or complaints not escalated to the next stage. However, there were areas and opportunities for services to learn and ensure continuous improvements are put in place. We identify areas of improvement from the complaint information and set out actions as a result. Senior management receive a quarterly report on complaints and actions taken.

We completed the updated self-assessment against the Housing Ombudsman's Code of Practice. This is published and available on our website.

During the year Philippa Oldmeadow was appointed as the Trustee with lead responsibility for complaints.

Engagement with tenants

Our website features a dedicated section for tenants and service users, where we publish performance information, complaints, and self-assessment against the Housing Ombudsman's Code of Practice. We continue to consult with tenants on how we can improve our delivery and we are consulting on how they would like to receive information from us. This includes what they would like to see in the tenant section of our website.

Good Governance

Nacro's Board of Trustees is the governing board for the Charity. The Board is responsible for the effective strategic leadership and governance of the organisation while day-to-day management is delegated to the Executive Leadership Team (ELT).

Nacro is a registered Charity. In 2022, Trustees adopted the Charity Code of Governance to help Trustees set and maintain high standards of governance. To support continuous improvement, the Board reviews compliance against this code annually. The latest review identified the Board were complaint in almost every area; however, it has been identified that feedback from the review of complaints could be improved and that there could be more focused discussions about equality, diversity, and inclusion metrics at the Board. Plans to embed improvements in these areas are being implemented. The Board has used the code's principles and recommended practices to assist in the setting of the strategic direction and culture of the organisation for the Charity to deliver on its charitable objectives.

Risk management continues to be a priority, with Board members routinely considering and discussing the Corporate Risk Register at Board meetings as well as its five primary reporting Committees: the Finance, Risk and Audit Committee, Housing and Criminal Justice Committee, Education Committee, People Committee, and Policy and Campaigns Committee. Nacro's committee structure was revised during the 2023/24 financial year. The revisions included the creation of the Housing and Criminal Justice Committee, establishing formal Committee status for the Education Committee, and the disbanding of the Strategy and Performance Committee. The terms of reference for each Committee have been reviewed and the terms of reference for the Housing and Criminal Justice Committee and the Finance, Risk and Audit Committee have been updated to include items previously covered within the Strategy and Performance Committee. The National Safeguarding Board now reports directly to the Board.

The Committee structure has been designed to enable more detailed scrutiny in specific areas to provide the Board with assurance that charitable objectives are being met. BDO LLP, our internal auditors, have increased the Finance, Risk and Audit Committee's focus on strategic risk issues and highlighted key areas where assurance improvements can be made. Trustee Liability Insurance for individual Trustees and the Board of Trustees collectively is in place.

Reflecting the size and complexity of our organisation, it is appropriate for Nacro's activities to be subject to independent review and challenge, specifically through the work of an internal audit function. BDO LLP has provided internal audit services to Nacro following an annually agreed Internal Audit Charter and Internal Audit Plan. The internal control framework and risk management processes are subject to regular review by Internal Audit which is responsible for providing independent assurance to the Board via the Finance, Risk and Audit Committee. The Committee reviews the Internal Audit Plan at least annually and considers whether it is aligned with the key risks of the organisation, providing the Committee with sufficient assurance for it to discharge its responsibilities. The Finance, Risk and Audit Committee is responsible for ensuring the scope of internal audit work is appropriate and that findings are considered and actioned appropriately. This Committee receives regular updates from internal audits throughout the year on the status of work and the findings arising, other Committees are invited to consider specific internal audit report findings, appropriate to their terms of reference.

In 2023/24 Nacro continued to prioritise our service user involvement work. The team is focused on delivering the key priorities of our service user involvement strategy. Nacro is committed to promoting equality of opportunities for everyone throughout the Charity from recruitment and selection, training and development, appraisal, and promotion to retirement. Nacro's Disability Risk Assessment and Reasonable Adjustments Policy sets out how the Charity meets its commitments to disabled people as part of their recruitment, employment, retention, training and career development journey with us.

A full list of Trustee appointments, resignations, and attendance can be found on pages 11 and 12.

Nacro is opposed to all forms of modern slavery and is committed to acting ethically and with integrity in all its business relationships. We take steps to ensure that adequate processes and controls are in place to ensure slavery and human trafficking are not taking place anywhere in our supply chains. Nacro's modern slavery statement is published on our website and annually reviewed by the People Committee.

Nacro joins with others in its condemnation of the invasion of Ukraine. Nacro does not have any known links to Russia or Belarus and does not have any direct suppliers with known links to Russia or Belarus.

Section 172 Statement

Nacro exists to provide public benefit directly and indirectly to the organisation's beneficiaries. The prime aims of the organisation are captured in our vision, mission, and values statements.

When setting strategy and making decisions Trustees (Directors) will carefully consider the impact these decisions have on Nacro's beneficiaries and employees.

Employee engagement is encouraged through our effective consultative processes established with Unite the Union.

A high proportion of Nacro's income is generated through contracted services. The acquisition and renewal of these contracts is reliant on our maintaining effective customer relationships, as well as continuous innovation in our service design. We endeavour to bring maximum impact and benefit to the people we work with.

All of Nacro's work is community facing and we work hard to ensure the impact of our activities have a positive impact on the communities we reach out to. Data on the environmental impact of our activities is captured on pages 44 and 45 of this report.

The activities of Nacro are regulated via the Regulator of Social Housing, Ofsted, and indirectly via the Care Quality Commission. These regulatory bodies require the organisation to establish robust governance frameworks that can be subject to external assessment and publicly rated performance levels.

Nacro has a wide range of suppliers, we have established contracts and clear contract management arrangements in place with our largest suppliers and all of our sub-contractors to help ensure our main suppliers have appropriate governance and legal compliance measures in place.

Nacro is aware of the impact of climate change and global warming and we are committed to playing our part. We have achieved Green Dragon Level 3 certification, have an environmental strategy, and are starting several work streams over the next few years to use technology, design, and innovation to make our business practices more sustainable, engaging with our stakeholders and commissioners of services.

Trustees' responsibilities

The Trustees (who are also the Directors of Nacro for the purposes of company law) are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards).

Company law requires the Trustees to prepare financial statements for each financial year. Under company law, the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of Nacro and of the incoming resources and application of resources, including the income and expenditure, of Nacro for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently; observe the methods and principles in the applicable SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- and prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain Nacro's transactions, disclose with reasonable accuracy at any time the financial position of Nacro and enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and the Accounting Direction for Private Registered Providers of Social Housing 2022. They are also responsible for safeguarding the assets of Nacro and ensuring that accounts are prepared in a proper form and present a true and fair view of the state of affairs in relation to Nacro's social housing activities and the disposition of funds and assets which are, or have been, in Nacro's hands in connection with those activities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on Nacro's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Going concern - The Trustees consider that Nacro is well positioned to manage its business risks successfully. After careful consideration and enquiry, the Trustees have a reasonable expectation that Nacro has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Trustees continue to adopt the going concern basis in preparing these financial statements.

The Board obtains assurance of financial viability through the annual budgeting, re-forecasting and longer-term financial planning exercises. As part of this, Trustees assess and stress test the availability of funding and liquidity. Nacro does not have lenders' covenants to comply with. These processes ensure the Board has a continual and rolling process of reviewing and assessing Nacro's financial strength and viability. The Board has satisfied itself that the charity complies with the Regulator of Social Housing's Governance and Financial Viability Standard during the financial year.

Public benefit - The Trustees confirm that they have complied with their duty under section 17 of the Charities Act 2011 to have due regard to the Charity Commission's general guidance on public benefit.

Disclosure of information to the auditor - Each Trustee at the date of approval of this report has confirmed that as far as the Trustees are aware, there is no relevant audit information of which Nacro's auditor is unaware. The Trustees have taken all necessary steps to make themselves aware of any relevant audit information and to establish that Nacro's auditor is aware of that information.

Statement of internal control

The Nacro Board of Trustees has overall responsibility for establishing and maintaining the system of internal control and for reviewing its effectiveness. In meeting its responsibilities, the Board has adopted a risk-based approach to internal control, which is embedded within the normal management and governance processes and includes staff at all levels. This approach includes the regular evaluation of the nature and extent of risks to which Nacro is exposed. The process adopted by the Board in reviewing the effectiveness of the system of internal control comprises:

1. Identification and evaluation of key risks

Nacro has a formal risk management process to identify, assess, and mitigate business risks while implementing risk-based strategies. The risk register is aligned with the corporate plan and identifies the risks around achieving the objectives of the organisation. This involves identifying the types of risks that Nacro faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying mitigating actions. This process is coordinated through a regular reporting framework by the Executive Leadership Team (ELT) and the Finance, Risk and Audit Committee. The Finance, Risk and Audit Committee regularly considers reports on significant risks facing Nacro, and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks. The Board confirms that there is a process for identifying, evaluating, and managing significant risks faced by Nacro, including new and emerging risks. This process has been in place throughout the year and up to the signing of the annual report and is reviewed regularly by the Board.

2. Monitoring and corrective action

The regular review of internal controls via line management channels and by way of Nacro's internal audit plan assures the Finance, Risk and Audit Committee and the Board that an effective control environment is maintained. Where corrective action is required, ELT provides progress reports to the Finance, Risk and Audit Committee to ensure there is effective oversight, particularly if the issues identified have a material impact on the financial statements.

3. Control environment and control procedures

The Board retains responsibility for a defined range of risks covering strategic, operational, financial, and compliance areas. Specific attention is paid to risk mitigations relating to delegated authority, segregation of duties, accounting and treasury management controls, regulatory and legislative compliance, EDI, health and safety, safeguarding, data and asset protection, resourcing, and the prevention and detection of fraud. The Board, through the scheme of delegated responsibility, sets out a framework of control

that applies to all Nacro employees. The scheme of delegated authorities is supported by a suite of policies that define expectations around quality, integrity and ethics. All employees, volunteers, and suppliers must comply as required with these policies.

4. Independent audit and review

The internal control framework and risk management processes are subject to regular review by an internal audit function which is responsible for providing independent assurance to the Board. Nacro appointed BDO LLP to supply an independent and objective internal audit function. The Finance, Risk and Audit Committee ensures that the risk-based inspection/ monitoring plan remains up-to-date, reviewing all internal audit reports and ensuring any recommendations identified within internal audit reports are effectively implemented. The Board has received an annual review of the system of control from the Finance, Risk and Audit Committee and has taken into account any changes needed to maintain the effectiveness of the risk management and control process.

5. Fraud reporting systems

Fraud response procedures and policy statements are reviewed and approved by the Board, via the Finance, Risk and Audit Committee, as part of a comprehensive review of internal control systems. The procedures establish the respective roles and responsibilities of staff for the prevention and detection of fraud through a fraud and anti-money laundering policy.

Key risks

Key risk	Risk treatment
Cashflow and margins are not sufficient to meet day-to-day operating costs and/or balance sheet liabilities leading to the Charity falling into financial administration.	Financial performance is monitored through monthly management accounts by management and Trustees. Regular communication with commissioners regarding the security of current income streams. Building closer relationships with potential funders and developing new funding models. A Value for Money programme is in place which includes initiatives to reduce operating costs. Strategic and business planning in place and monitoring of progress against key corporate objectives. A formal agreement is in place with the Trustee of the closed defined pension scheme that sets the value of the deficit reduction payments until 31.03.26.

Death or harm caused by failure to follow internal processes and procedures, particularly in relation to health and safety and safeguarding, leading to loss of life, damaging publicity, criminal convictions, fines, and loss of business.	Executive and Trustee oversight to ensure arrangements for health and safety and safeguarding are monitored, with assurance being provided by the Health and Safety Committee and the National Safeguarding Board. An incident management system is embedded and learning from incidents is cascaded. Continued compliance and quality inspections take place. An external review of Nacro's safeguarding processes is being commissioned in 2024/25, to identify any improvement opportunities and provide further assurance around Nacro's safeguarding control environment.
Failure to embed a leadership approach that encourages diversity, innovation, efficiency, and collective responsibility. High levels of staff turnover lead to increased costs, inconsistent service quality, and service delivery challenges.	The strategic plan has a clear focus on people and the charity's beneficiaries. A specific People Strategy has been developed, this underpins the Nacro Strategy. The performance of the People Strategy is overseen by the People Committee. A values-based leadership development programme is running for key managers. Specific initiatives that focus on wellbeing, equality, diversity, and inclusion have been implemented. Nacro's EDI Strategy and EDI Policy are implemented across the organisation, with the EDI committee meeting at least quarterly to ensure the EDI Strategy and Policy are being effectively delivered.

Business continuity is affected by a major internal or external event leading to an inability to provide services to service users.	Robust business continuity plans are in place, these plans were actively tested during the Coronavirus pandemic and are regularly tested on an annual basis to ensure they remain fit for purpose. Data and systems can be accessed securely from multiple locations. Specific local arrangements are in place for specific service delivery sites.

Financial narrative

Income for the year was £77.0m compared with £68.7m in 2022/23. The total comprehensive income for the year was £0.2m surplus. (2022/23 : £1.0m deficit). Income increased as a result of Nacro's successful expansion of existing services and a material review of rental income during the 2023/24 financial year. Operating expenditure increased as a result of additional service delivery costs incurred where services have expanded but also as a result of inflation driving operating costs up. A gain from a net reduction in Nacro's pension liability was also recorded, this gain enabled Nacro to report a small surplus for the year.

Turnover in Housing (social and non-social housing), increased by £7.4m to £52.6m. This increase in income is related to an expansion of current service lines and revisions to rent setting methodology. Overall, the Housing division returned a surplus of £1.1m for the year compared to a loss of £0.3m for the 2022/23 financial year.

Turnover in our Education division income increased from £13.5m to £14.0m. The Education division recorded a £1.0m loss for the year. Year-on-year financial performance within the Education division has improved. Nacro had budgeted for the Education division to operate at a loss during the 2023/24 financial year.

Turnover in our Justice division increased from £4.6m to £4.9m. Profitability reduced from £0.4m to £0.3m, inflation related cost pressures have had a negative impact on margins within this division.

Turnover in our Health division increased from £5.3m to £5.5m. Overall, the division returned a very small loss, which is a reduction from a profit of £0.1m achieved in 2022/23.

The Total Comprehensive Income for the year amounted to a surplus of £0.2m (2022/23: £1.0m deficit). The operating surplus of £0.3m (2022/23: £1.3m loss) and the deficit for the year of £0.3m (2022/23: £1.7m deficit) have benefited from a gain of £0.5m (2022/23: £0.7m gain) arising from a reduction in the valuation of Nacro's pension scheme's net liabilities.

The Balance Sheet shows net assets at £10.3m (2022/23 : £10.1m). This is represented by unrestricted funds of £10.1m (2022/23: £9.9m) and restricted funds of £0.2m (2022/23: £0.2m). The defined benefit pension liability stands at £13.1m (2022/23: £13.6m).

The full results for the year are shown in the Statement of Comprehensive Income and the Statement of Financial Position plus accompanying accounts and notes on pages 54 to 84.

Value for money statement

To comply with the Regulator of Social Housing's latest Code of Practice on value for money, as a registered provider we are required to publish our performance against a given set of key indicators which is shown below:

	Nacro 2023/24	Nacro 2022/23	Global Accounts 23 – Supported Housing Provider Metrics*	2023/24 Comment
1. Reinvestment %	6.9%	9.1%	6.3%	During the year Nacro continued to prioritise the refurbishment of housing stock to ensure properties are ready to let or in a reasonable condition for hand back to the landlord.
2. New supply delivered %	0.0%	0.0%	0.7%	Nacro did not build or acquire any new housing units during the year.
3. Gearing %	0.0%	0.0%	12.6%	Nacro does not have any loan financing facilities in place. At this point Nacro does not intend to enter into any new loan financing arrangements.
4. EBITDA MRI Interest Cover %	171.2%	-94.7%	187.5%	Nacro recorded a surplus during the year, recovering from a deficit in 2022/23. The interest expenditure values recorded in Nacro's financial statements solely relate to accounting disclosures required for Nacro's defined benefit pension scheme.

5. Headline social housing cost per unit	£11.08k	£10.34k	£9.22k	Nacro's housing service provision is primarily focused on supporting tenants who typically have high support needs who stay in their homes for shorter timeframes. This increased level of support and more frequent letting turnover does increase unit operating costs.
6. Operating Margin A) Social Housing Letting % B) Overall %	8.2% 0.4%	-4.8% -1.9%	8.4% 5.0%	Nacro's social housing stock operated at a surplus, recovering from a deficit in 2022/23. Overall Nacro's Housing division operated at a surplus during the financial year, recovering from a loss made in 2022/23.
7. Return on capital employed %	1.2%	-4.7%	2.1%	Nacro operated at a surplus for the financial year, recovering from a loss in 2022/23.

*Global Accounts 23 is an annual report produced by the Regulator of Social Housing to provide a summary of the financial status of social housing providers who own or manage at least 1,000 homes. The comparative data used for Nacro was taken from the Supported Housing Provider dataset, this is because Nacro primarily provides supporting housing services.

Nacro has fewer than 1,000 owned homes so we are classed as a "small provider". Nacro provides homes with additional support for housing vulnerable people and people leaving the criminal justice system on assured shorthold tenancies or licences. Many of the above metrics are designed to enable comparisons between large social housing providers with significant loan book commitments and a high level of general needs social rented homes. Income from Nacro's social housing lettings makes up just under 10% of Nacro's total turnover. As a consequence, some benchmarking comparative figures for Nacro will not always align with other registered provider averages.

Noting the imperfections in the comparative benchmarking data, the Board is satisfied that Nacro is in compliance with requirements set out by the Regulator of Social Housing in respect of Nacro's Social Housing activities. The Board believes that overall the Charity is delivering reasonable value for money to beneficiaries. The Board recognise the Charity's overall financial performance has improved during the year and the Board is expecting the in year improvement in financial performance to continue in to the 2024/25 financial year.

The Board have encouraged a number of activities during the year that support Nacro's value for money requirements, for example

- **Governance –** We are further embedding our person-centred approach by investing more resources in service user and learner engagement initiatives. A number of engagement initiatives are detailed in our strategic plan. We fully recognise the benefits that arise from using service user and learner feedback. We use this information to inform the development of our governance arrangements, decision making approaches and service design. This helps us to continue to deliver better quality services at a reasonable price, in line with regulatory and commissioner expectations.
- **Co-production –** We actively engage with the people we support and our workforce, this enables us to capitalise on ideas and innovations to lead to improvements in the quality of the services we provided, through the re-shaping of delivery models and/or through investment in specific initiatives that are detailed in our strategic plan.
- **Actively pursuing a sustainability agenda and staff wellbeing agenda –** We have continued to embrace flexible working arrangements and realise the benefits from increased staff wellbeing and a lower carbon footprint. We have an Environmental Strategy and we have strengthened our support and wellbeing offer to staff.
- **Business development –** We have increased the range of partners we work with to enable us to deliver a wider range of services to service users and commissioners, and to help specific infrastructure developments within the organisation. During the year we have successfully expanded and retained the contracts we wanted to keep.

The Housing division and the Charity overall operated at a surplus for the year, recovering from a loss in the previous year. All metrics shown in the value for money table indicate positive results for the 2023/24 financial year. A significant amount of work has taken place during the financial year to deliver improvements in value for money across the following areas:

1. Securing better value for money from all property maintenance work that is undertaken.
2. Reviewing Nacro's rental charges and aligning these closely with updated operating cost estimates.
3. Focusing on optimising value from Nacro's housing stock through reduced voids or property handbacks.
4. Reviewing the operating cost of Nacro's service delivery models to take account of inflation related costs that cannot be recovered from commissioner approved contract uplifts.
5. Reviewing the overall operating cost of the Charity to enable service to be delivered within the income envelopes that the Charity has to work within.

Return on assets and investments and use of reserves

We are focusing on setting appropriate rent charges and maximising the occupancy of our owned housing stock. This includes disposing of properties that are no longer fit-for-purpose and consolidating office bases to optimise the potential of the premises we operate from. We are continuing to modernise our ICT infrastructure to support efficient working practices and to deliver more flexible working options to enable staff to better deliver for the needs of those using our services.

Our physical asset base across the Charity is free from debt and we are able to internally fund investment programmes from existing cash reserves. We balance the return generated from holding cash balances against making carefully selected investments in our infrastructure and strategic projects that are designed to enable the Charity to remain sustainable in the longer term. We assess each investment against our strategic aims and undertake a cost/benefit review that combines an assessment of financial returns with the potential benefits that will accrue for our service user and learner communities.

Our approach to our social and environmental responsibilities is developed in partnership with our services users, learners and colleagues.

We have established procedures in place that support the central procurement of ICT related equipment, stationery, and furniture from single supplier contracts where purchasing benefits arising from economies of scale are achieved.

Reserves and liquidity policy

There has been an increase of £0.2m in the overall value of the balance sheet during the year to 31 March 2024, the value of the balance sheet now stands at £10.3m.

Nacro's reserves policy was reset during the 2021/22 financial year to align reserve holdings more closely to operating activity. Contract income makes up around 75% of Nacro's income profile. If a contract ends then a high proportion of expenditure commitments required to deliver that contract end almost immediately. To reflect this in the reserves policy, Trustees have taken account of known and potential balance sheet liabilities arising from the pension fund deficit, known lease commitments, expected housing repair costs, an estimate of the Charity's short term working capital commitments and overhead commitments. These factors are now used to determine reserve and liquidity targets. The Finance and Audit Committee have reviewed the workings in detail and recommended that a reserves target of £9.4m is appropriate for the Charity as at 31 March 2024.

As at 31 March 2024, reserves stood at £10.3m. Reserves are therefore £0.9m in excess of the target.

The Charity holds £10.1m in general reserves and £0.2m in restricted reserves.

It is the Charity's policy to hold all reserves in liquid assets.

A breakeven budget has been set for the 2024/25 financial year. The current financial plan indicates the charity will continue to operate at breakeven and above for the 2025/26 financial year.

As at 31 March 2024, Nacro's cash and cash equivalent balances stood at £9.2m. Nacro's policy is to hold all free cash reserves in immediately available liquid assets or short term deposits.

Environmental Impact Statement

Streamlined Energy & Carbon Report (SECR)

Financial Year	1 April 2023 to 31 March 2024
Client Name	Nacro
Company No	203583
Registered Office	Walkden House, 16–17 Devonshire Square London EC2M 4SQ
Current Financial Year tCO2e	2,638
Current Financial Year kWh	13,640,255
Previous Financial Year tCO2e	2,911
Previous Financial Year kWh	15,300,691
Intensity Ratio (IR) used	34.25
Intensity Metric Current Financial Year	77.03
Intensity Metric Previous Financial Year	65.59
Emissions Factors Used	DEFRA 2023
Methodology Used	GHG Protocol
Emissions Scope	Scope 1 & 2
Emissions Included	Electricity, Natural Gas, Direct Mileage
Exclusion Statement	No mandatory emissions have been excluded from this report.

Energy Efficiency Statement	Nacro provides Housing, Education, Health and Justice services to beneficiaries across England and Wales. Nacro leases the majority of its 1,000 residential properties. We ensure that any new properties added to our portfolio has a minimum EPC rating of D and have plans to ensure that our existing properties also reach that rating. We work with landlords, agents and developers, during the leasing and acquisition stages, to assess whether any improvements can be made (such as to the heating systems or insulation) to improve energy efficiency measures. Our core electricity contract is procured through renewable/ greener sources. COVID-19 has shown the resilience of Nacro rising to the challenge caused by the pandemic and our ability to adapt to new ways of working. There was a significant carbon reduction in 2020/21, particularly in travel, as a result of lockdown restrictions and, whilst travel has recovered in following years, it remains significantly below pre-pandemic levels. This is encouraging and demonstrates that behaviour change is possible and can attract support from our staff and service users. Only by working together will Nacro achieve its sustainability objectives, and we will seek suitable engagement to make the step change needed to address the climate crisis and play our part in delivering a better future. Nacro achieved Green Dragon Level 3 certification in 2023/24, this involved the implementation of a pollution prevention plan, the development of an environmental aspects register and the development of a continuous improvement plan. This achievement further demonstrates Nacro's commitment to environmental and sustainability objectives. Nacro's Environmental Strategy sets out our environmental vision and goals, and enables action plans and various workstreams that are delivering measurable environmental improvements. We will continue to meet our legal obligations, develop sustainable and environmentally friendly services, and help stem the depletion of finite natural resources.
SECR Report completed by	(EIC) Energy Intelligence Centre Limited

Thanks and acknowledgements

With thanks to our funders and partners including:

Assetz Exchange

Barrow Cadbury Trust

Berkshire NHS Foundation Trust

Birmingham City Council

Carmarthenshire County Council/ Cyngor Sir Gaerfyrddin

Capita E-Source

Cleveland Police and Crime Commissioner

Clinks

Conwy County Borough Council/ Cyngor Bwrdeistref Sirol Conwy

Delta E-Source

Department of Health

Denbighshire County Council/ Cyngor Sir Ddinbych

Dudley Council

Education and Skills Funding Agency

East Riding of Yorkshire Council & Two Ridings Community Foundation

Education & Skills Funding Agency

Essex County Council

European Social Fund

Flintshire County Council/Cyngor Sir Y Ffint

Forces in Mind Trust

The Forward Trust

Gwynedd Council/Cyngor Gwynedd GamCare

James Teather and Teather property Investments Ltd

LandAid

Lincolnshire County Council

Liverpool City Council

London Borough of Lambeth

London Borough of Wandsworth

London Borough of Westminster

Manchester City Council

Ministry of Justice

NHS England

Northamptonshire Police & Crime Commissioner
Nottingham City Council
Ormiston Families
Oxleas NHS Trust
People Plus
PACT
Peabody
Pembrokeshire County Council
Resonance – Social Investment
Rothschild Foundation
Sheffield City Council
Shelter
Stockport Alliance
The Bridge (East Midlands)
The Privy Purse Charitable Fund
Transform Foundation
Together for Mental Well-being
Wandsworth Borough Council
West Midlands Combined Authority
Welsh Assembly
Wolverhampton City Council
Wrexham County Council
YMCA Liverpool
YSS

Approved by the Trustees on 24th July 2024 and signed on their behalf by:

Nick Hardwick

Chair

Anne Frost

Vice-Chair

Independent Auditor's Report to the Members of Nacro

Opinion

We have audited the financial statements of Nacro for the year ended 31 March 2024 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Reserves, Statement of Cashflow and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of Nacro's affairs as at 31 March 2024 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of Nacro in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Nacro'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.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The trustees are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit

- the information given in the trustees' report, which includes the directors' report and the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the trustees' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of Nacro and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included within the trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- Nacro has not kept adequate accounting records; or
- Nacro's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 31, the trustees (who are also the directors of Nacro for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing Nacro'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 trustees either intend to liquidate Nacro or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our 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 an auditor's report that includes our 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.

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

We obtained an understanding of the legal and regulatory frameworks within which Nacro operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006, the Charities Act 2011, the Housing and Regeneration Act 2008, together with the Housing SORP. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to Nacro's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within Nacro for fraud. The laws and regulations we considered in this context for the UK operations were requirements imposed by the Regulator of Social Housing, Ofsted and CQC standards, building safety compliance, health and safety, taxation and employment legislation.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of grant and contract income and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management, internal audit and the Finance, Risk and Audit Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence, designing audit procedures over the timing of grant and contract income and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-

detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing noncompliance and cannot be expected to detect non-compliance with all laws and regulations.

A further description of our 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 our auditor's report.

Use of our report

This report is made solely to Nacro's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to Nacro's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Nacro and Nacro's members as a body, for our audit work, for this report, or for the opinions we have formed.

Julia Poulter
Senior Statutory Auditor

For and on behalf of
Crowe U.K. LLP
Statutory Auditor
55 Ludgate Hill
London EC4M 7JW

26 July 2024

Financial statements

Nacro - Statement of Comprehensive Income for the year ended 31 March 2024

	Note	2024 £'000	2023 £'000
Turnover	3	77,032	68,659
Operating expenditure	3	(76,693)	(69,971)
Operating surplus / (deficit)		339	(1,312)
Equalisation of guaranteed minimum pension scheme (GMP)		-	-
Operating surplus / (deficit) (including GMP)		339	(1,312)
(Loss) on disposal of property, plant and equipment	4	(17)	(9)
Interest and similar receivables	6	28	-
Interest and financing costs	7	(632)	(377)
(Deficit) before tax	5	(282)	(1,698)
Taxation	10	-	-
(Deficit) for the year		(282)	(1,698)
Actuarial gain in respect of pension schemes	19	527	695
Total comprehensive income for the year		245	(1,003)

All amounts relate to continuing activities.

The financial statements were approved by the Board on 24th July 2024 and were signed on its behalf by:

Chair

Anne Frost (Jul 25, 2024 17:47 GMT+1)

Trustee

The notes on pages 59 to 84 form part of these financial statements.

Nacro - Statement of Financial Position as at 31 March 2024

	Note	2024 £'000	2023 £'000
Non Current Assets			
Intangible assets	11	2	203
Housing properties	12	6,905	7,055
Other property, plant and equipment	13	14,291	14,501
		21,198	21,759
Current Assets			
Debtors	14	8,500	7,621
Cash and cash equivalents		9,215	9,927
		17,715	17,548
Creditors: Amounts falling due within one year	15	11,166	11,073
Net current assets		6,549	6,475
Total assets less current liabilities		27,747	28,234
Creditors: Amounts falling due after more than one year	16	3,593	3,783
Provisions			
Defined benefit obligations	19	13,051	13,631
Other provisions	18	779	741
Total net assets		10,324	10,079
Capital and reserves			
Revenue reserve		10,120	9,875
Restricted reserve		204	204
Total reserves		10,324	10,079

The financial statements were approved by the Board on 24th July 2024 and were signed on its behalf by:

Anne Frost (Jul 25, 2024 17:47 GMT+1)

Chair

Trustee

The notes on pages 59 to 84 form part of these financial statements.

Nacro Company number 00203583.

Nacro - Statement of changes in reserves for the year ended 31 March 2024

	Revenue reserve £'000	Restricted reserve £'000	Total £'000
Balance as at 1 April 2023	9,875	204	10,079
Deficit for the year	(282)	-	(282)
Other comprehensive income for the year	527	-	527
Total comprehensive income for the year	245	-	245
Balance at 31 March 2024	10,120	204	10,324

	Revenue reserve £'000	Restricted reserve £'000	Total £'000
Balance as at 1 April 2022	10,878	204	11,082
Deficit for the year	(1,698)	-	(1,698)
Other comprehensive income for the year	695	-	695
Total comprehensive income for the year	(1,003)	-	(1,003)
Balance at 31 March 2023	9,875	204	10,079

The notes on pages 59 to 84 form part of these financial statements.

Nacro - Statement of Cashflow for the year ended 31 March 2024

	Note	2024 £'000	2023 £'000
Net cash generated from operating activities	20	(351)	(1,277)
Cash flows from investing activities			
Purchase of housing property components		-	-
Purchase of other property, plant and equipment		(389)	(311)
Proceeds from sale of housing properties		-	-
Interest received		28	-
Total cash utilised in investing activities		(361)	(311)
Net change in cash and cash equivalents		(712)	(1,588)
Cash and cash equivalents at beginning of year		9,927	11,515
Cash and cash equivalents at end of year		9,215	9,927

The notes on pages 59 to 84 form part of these financial statements.

Nacro – NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2024

1. Legal Status

Nacro is a private company limited by guarantee under the Companies Act 2006, incorporated in England and is a registered housing provider and a registered charity. The address of its registered office is as disclosed on page 11 of the annual report.

2. Accounting policies

The principal accounting policies are recognised below. They have been applied consistently throughout the year and to the preceding year.

Basis of accounting

The financial statements have been prepared under the historical cost convention on an accruals basis, modified to include certain items at fair value, in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing. Nacro is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs prefixed 'PBE' in FRS 102.

The financial statements are presented in sterling (£).

Going Concern

Nacro's business activities, its current financial position and factors likely to affect its future development are set out within the Annual Report.

The Trustees have a reasonable expectation that Nacro has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Turnover

Turnover represents rent and service charges receivable (net of rent and service charge losses from voids), grants from central Government departments and local authorities and charitable fees and donations.

Rental income is recognised on an accruals basis and recognised when the property is available for let, net of voids. Service charge income is recognised when expenditure is incurred as this is considered to be the point at which the service has been performed and the revenue recognition criteria met.

Grant income is recognised in the financial statements when the conditions for receipt of the grants have been fulfilled and Nacro becomes entitled to payment. Where a grant is received relating to a future accounting period, the Statement of Comprehensive Income shows the gross amount receivable reduced by the movement in the amount deferred to future accounting periods. Deferred grant income at the year end is included in creditors.

Charitable fees and donations are credited as income in the year in which they were receivable.

Financial instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historic cost model.

Basic financial instruments are recognised at amortised historical cost.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Where deferral of payment terms has been agreed at below market rate, and where material, the balance is shown at the present value, discounted at a market rate.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Employee Benefits

Defined contribution scheme

Nacro participates in a defined contribution stakeholder scheme. Employer contributions payable to the scheme are charged to the Statement of Comprehensive Income during the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

Defined benefit scheme
The Nacro Staff Benefits Plan closed to new entrants from 1 December 1998 and for future accruals from 31 March 2006. The net interest cost on the net defined benefit liability is charged to revenue and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained triennially and are updated at each Statement of Financial Position date.

Housing properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the cost of acquiring land and buildings, directly attributable development costs and interest charges incurred during the development period.

Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value, on a straight line basis, over their useful economic lives. Depreciation is charged in the year of acquisition. Freehold land is not depreciated.

Major components of housing properties, which have significantly different patterns of consumption of economic benefits, are treated as separate assets and depreciated over their expected useful economic lives at the following annual rates:

Structure	80 years
Roofs	50 years
Windows	25 years
Kitchens	20 years
Bathrooms	30 years
Boilers	15 years
Heating systems	30 years
Electrics	30 years

Properties held on long leases are depreciated over their estimated useful economic lives or the lease duration if shorter.

Improvements
Where there are improvements to housing properties that are expected to provide incremental future benefits, these are recognised and added to the carrying amount of the property. Any works to housing properties which neither replace a component nor result in an incremental future benefit are charged as expenditure in the Statement of Comprehensive Income.

Leaseholders
Where the rights and obligations for improving a housing property reside with the leaseholder or tenant, any works to improve such properties incurred by Nacro is recharged to the leaseholder and recognised in the Statement of Comprehensive Income along with the corresponding income from the leaseholder or tenant.

Donation or acquisition of land or other asset at below market value

Where a donation of land and/or other assets is received or land and/or other assets are acquired at below market value from a government source, this is accounted for as a non- monetary government grant. The difference between the fair value of the asset donated or acquired and the consideration paid for the asset is recognised as a government grant and included in the Statement of Financial Position as a liability.

Where Nacro receives a donation of land and/or other assets or acquires such assets below their market value from a third party that does not meet the definition of a government source as set out in the Housing SORP, then the transaction is accounted for as a non-exchange transaction. The assets acquired are recognised in the Statement of Financial Position at fair value. The income, equivalent to the difference between any amounts paid or payable for the assets and the fair value of the assets, is recognised in the Statement of Comprehensive Income as a donation when future performance-related conditions are met.

Assets held for sale

Assets held for sale consists of properties or other assets that are surplus to the requirement of the business and not held for use in the business.

Property assets held for sale are subject to a charity valuation by a qualified and experienced external surveyor and held at this value, any change in valuation is recognised in the Statement of Comprehensive Income.

Social Housing Grant and other Government grants

Government grants include grants receivable from government agencies such as Homes England, local authorities, devolved government agencies, health authorities and the European Commission. Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model.

Grants relating to revenue are recognised in income on a systematic basis over the period in which related costs for which the grant is intended to compensate are recognised. Where a grant is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs, it is recognised as revenue in the period in which it becomes receivable.

Grants due from government organisations or received in advance are included as current assets or liabilities.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with Homes England. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the Statement of Financial Position in creditors.

Other Grants

Grants received from non-government sources are recognised as revenue using the performance model.

Recycling of grants

Where there is a requirement to either repay or recycle a grant received for an asset that has been disposed of, a provision is included in the Statement of Financial Position to recognised this obligation as a liability. When approval is received from the funding body to use the grant for a specific development, the amount previously recognised as a provision for the recycling of the grant is reclassified as a creditor in the Statement of Financial Position.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, any unamortised grant remaining within liabilities in the Statement of Financial Position related to this asset is recognised as revenue in the Statement of Comprehensive Income.

Impairment assessment of a cash-generating unit

Where there are indicators of impairment of tangible assets; factors taken into consideration in reaching such a decision include the economic viability and expected future performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Impairment of social housing properties

An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the Statement of Comprehensive Income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measurement model.

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and included in the Statement of Comprehensive Income.

Other property, plant and equipment

Other property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Depreciation is charged on all non-housing property, plant and equipment, other than investment properties and freehold land so as to write down the net book value to their residual value, on a straight line basis, over their useful economic lives, as follows:

Other Freehold premises	34 – 60 years
Freehold premises components	4 – 30 years
Leasehold land and buildings	5 years
Furniture, fixtures & fittings	4 years
Other equipment	4 years
Vehicles	4 – 10 years
Computer hardware	2 – 4 years

Other freehold premises are treated as housing properties which have different patterns of consumption of economic benefit and treated as separate assets. The same asset lives are used as for housing properties.

Intangible assets

Intangible assets are stated at historic cost or valuation, less accumulated amortisation recognised and any provision for impairment. Amortisation is charged to operating expenditure in the Statement of Comprehensive Income. Amortisation is provided on all intangible assets at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life, as follows:

Computer software	2 – 4 years

Leases

An assessment is made at inception of an agreement that transfers the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

Payments under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Provisions for liabilities

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event; it is probable the obligation will have to be settled; and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the Statement of Comprehensive Income in the period it arises.

Financial provision is made for the cost of annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

Restricted reserves

Where reserves are subject to an external restriction they are separately recognised within reserves as a restricted reserve. Revenue and expenditure are included in the Statement of Comprehensive Income and a transfer is made from the general reserve to the restricted reserve.

Termination Benefits

Redundancy costs (termination benefits) are recognised as an immediate cost and charged to the Statement of Comprehensive Income on a demonstrable commitment to termination, with provision for future redundancy costs measured at a best estimate of the expenditure that would be required to settle the obligation at the reporting date.

Significant management judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the Nacro circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant management judgements

The following are management judgements in applying the accounting policies of Nacro that have the most significant effect on the amounts recognised in the financial statements.

Impairment of social housing properties

The Trustees have to make an assessment as to whether an indicator of impairment in value of social housing properties exists. In making the judgement, management consider the detailed criteria set out in the SORP. The conclusion of the Trustees is that there are no indicators of impairment.

Estimation uncertainty

Estimates and assumptions are made concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Provisions
Provision is made for dilapidations. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

Recoverability of rent arrears
Nacro makes an estimate of the recoverable value of rent arrears. When assessing impairment of rent arrears, management consider factors including the ageing profile of the rental debtors and historical experience.

Defined benefit pension scheme
Nacro has obligations to pay pension benefits to certain employees and former employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Based on advice received from Actuaries, management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

Useful lives of depreciable assets
Management reviews its estimates of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components.

3A. Particulars of turnover, operating costs and operating surplus.

	2024		
	Turnover	Operating costs	Operating surplus/ (deficit)
Social housing activity	£'000	£'000	£'000
Social housing lettings (Note 3B)	7,215	(6,623)	592
Other social housing activities			
Charges for support services	13,054	(11,726)	1,328
Sub-total	20,269	(18,349)	1,920
Activities other than social housing			
Non-social housing and related support services	32,337	(33,191)	(854)
Education centre provision	13,958	(14,995)	(1,037)
Justice services	4,931	(4,610)	321
Health services	5,537	(5,548)	(11)
Sub-total	56,763	(58,344)	(1,581)
Total	77,032	(76,693)	339

	2023		
	Turnover	Operating costs	Operating surplus/ (deficit)
Social housing activity	£'000	£'000	£'000
Social housing lettings (Note 3B)	6,385	(6,689)	(304)
Other social housing activities			
Charges for support services	12,075	(11,030)	1,045
Sub-total	18,460	(17,719)	741
Activities other than social housing			
Non-social housing and related support services	26,754	(27,822)	(1,068)
Education centre provision	13,539	(15,097)	(1,558)
Justice services	4,640	(4,194)	446
Health services	5,266	(5,139)	127
Sub-total	50,199	(52,252)	(2,053)
Total	68,659	(69,971)	(1,312)

3B. Social Housing Lettings

Income	General Needs Housing	Supported Housing	2024 Total	2023 Total
	£'000	£'000	£'000	£'000
Rents receivable net of identifiable service charges	830	1,547	2,377	2,320
Service charge income	1,087	3,565	4,652	3,869
Amortised government grants	33	153	186	196
Turnover from social housing lettings	1,950	5,265	7,215	6,385
Operating expenditure				
Management	(716)	(1,758)	(2,474)	(2,494)
Service charge costs	(217)	(1,026)	(1,243)	(1,172)
Lease expenditure	(556)	(950)	(1,506)	(1,464)
Property costs	(44)	(236)	(280)	(252)
Routine maintenance	(140)	(650)	(790)	(1,014)
Bad debts	(42)	(138)	(180)	(136)
Depreciation of housing properties	(34)	(116)	(150)	(157)
Expenditure from social housing lettings	(1,749)	(4,874)	(6,623)	(6,689)
Operating surplus/(deficit) social housing lettings	201	391	592	(304)
Total void losses including service charges	164	849	1,013	834

4. (Loss) on disposal of property and equipment

	2024	2023
	£'000	£'000
(Loss) on disposal of property and equipment	(17)	(9)
	(17)	(9)

5. Deficit for the year before taxation

Deficit for the year before taxation is stated after charging/ (crediting):

	2024	2023
	£'000	£'000
Depreciation of housing properties	150	141
Depreciation of other property, plant and equipment	582	613
Amortisation of intangible assets	201	237
Amortisation of Government grants	(190)	(199)
Loss on disposal of fixed assets	17	9
Audit fees:		
- statutory audit	59	51
- audit-related assurance services	97	91
Operating lease rentals	13,237	12,317
Education Tuition Fund	(199)	(68)

6. Interest receivable

	2024	2023
	£'000	
Bank interest receivable	28	-
	28	-

7. Interest and financing costs

	2024	2023
	£'000	£'000
Net interest payable on defined benefit pension liability	(632)	(377)
	(632)	(377)

8. Staff costs

	2024	2023
	£'000	£'000
Wages and salaries	23,894	22,447
Social security costs	2,174	2,121
Other pension costs	692	662
Redundancy Costs	204	150
Agency Costs	3,365	3,373
	30,329	28,753

The number of staff who received emoluments, including pension contribution, in excess of £60,000 is as shown below:

Salary Band	2024	2023
60,000 – 69,999	11	12
70,000 – 79,999	7	7
80,000 – 89,999	2	2
90,000 – 99,999	2	0
100,000 – 109,999	1	0
120,000 – 129,999	1	1
170,000 – 179,999	0	1
180,000 – 189,999	1	0

The average full time equivalent number of employees over the 12-month period was:

	2024	2023
Service delivery	676	655
Management and administration	117	100
	793	755

Full Time equivalents are calculated on the basis of a 40-hour standard week.

9. Directors' remuneration and transactions

	2024	2023
Directors who are executive staff members	£'000	£'000
Wages and salaries (including social security costs)	791	733
Other pension costs	21	19
	812	752

Directors are defined as the members of the Board, the Chief Executive and members of the Executive Leadership Team.

The number of directors in the defined contribution scheme as at the end of March 2024 was 7 (2023:7).

Remuneration of the highest paid director

	2024	2023
	£'000	£'000
Emoluments	176	172
Pension contributions	5	5

The Chief Executive is an ordinary member of the pension scheme. No enhanced or special terms apply.

No Board member or person related or connected to them received any remuneration from Nacro during the year. During the year expenses relating to travel were reimbursed or paid on behalf of Board members amounting to £5,142 for 14 members (2023: £4,554 to 10 members).

10. Taxation status

Nacro has charitable status and its sources of income are exempt from income and corporation tax provided that they are applied for charitable purposes.

11. Intangible fixed assets

	Computer software
Cost	£'000
At 1 April 2023	727
Additions	-
Disposals	(21)
As at 31 March 2024	706
Amortisation	
At 1 April 2023	(524)
Charge for the year	(201)
Eliminated on disposal	21
As at 31 March 2024	(704)
Net book value	
As at 31 March 2024	2
As at 31 March 2023	203

12. Housing properties

	General Needs	Supported Housing	Total
Cost	£'000	£'000	£'000
At 1 April 2023	263	11,134	11,397
Additions	-	-	-
Disposals	-	-	-
At 31 March 2024	263	11,134	11,397
Depreciation			
At 1 April 2023	(65)	(4,277)	(4,342)
Charge for the year	(5)	(145)	(150)
Eliminated on disposals	-	-	-
At 31 March 2024	(70)	(4,422)	(4,492)
Net book value			
As at 31 March 2024	193	6,712	6,905
As at 31 March 2023	198	6,857	7,055

13. Other property, plant and equipment

	Freehold	Long/ short leasehold	Equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 April 2023	16,796	706	906	178	18,586
Additions	310	79	-	-	389
Disposals	-	(69)	(479)	(167)	(715)
As at 31 March 2024	17,106	716	427	11	18,260
Depreciation					
At 1 April 2023	(2,827)	(331)	(749)	(178)	(4,085)
Charge for the year	(400)	(104)	(78)	-	(582)
Eliminated on disposal	-	67	464	167	698
As at 31 March 2024	(3,227)	(368)	(363)	(11)	(3,969)
Net book value					
As at 31 March 2024	13,879	348	64	-	14,291
As at 31 March 2023	13,969	375	157	-	14,501

14. Debtors

	2024	2023
Amounts falling due within one year:	£'000	£'000
Rent arrears	2,970	2,390
Provision for bad debts	(791)	(450)
Net Rent Arrears	2,179	1,940
Trade debtors	3,164	1,518
Other debtors	172	190
Prepayments and accrued income	2,985	3,973
	8,500	7,621

15. Creditors

	2024	2023
Amounts falling due within one year:	£'000	£'000
Trade creditors	1,757	2,714
Other taxation and social security	1,047	1,026
Other creditors	160	171
Pension creditors	32	31
Deferred income, grants and grants repayable	2,198	2,831
Accruals	5,782	4,110
SHG under 1 year deferred grant (note 17)	190	190
	11,166	11,073

16. Creditors

	2024	2023
Amounts falling due after more than one year:	£'000	£'000
Financial assistance - deferred grants (note 17)	3,587	3,777
Financial assistance - recycled capital grant fund	6	6
	3,593	3,783

17. Financial assistance and other government grants (Deferred income grant)

Deferred income - government grants

	2024	2023
	£'000	£'000
As at 1 April 2023	3,967	4,166
Amortisation to Statement of Comprehensive Income	(190)	(199)
Grant addition	-	-
As at 31 March 2024	3,777	3,967
Amounts to be released within one year	190	190
Amounts due to be released in more than one year	3,587	3,777
	3,777	3,967

The total value of grants received by Nacro is £8,795,258 (2023: £8,795,258).

Recycled Capital Grant Fund

	2024	2023
	£'000	£'000
As at 1 April 2023	6	6
Recycling of grant	-	-
As at 31 March 2024	6	6

The recycled capital grant is in respect of 2 housing property disposals in 2017/18 and is shown in note 16.

18. Provisions

	Dilapidations	Total
	£'000	£'000
As at 1 April 2023	741	741
Released	(193)	(193)
Increase	231	231
As at 31 March 2024	779	779

19. Retirement benefit schemes

Defined contribution scheme
Nacro operates defined contribution retirement benefit schemes for qualifying employees. The total expense charged to the Statement of Comprehensive Income in the period ended 31 March 2024 was £691,644 (2023: £662,384).

Defined benefit scheme

Characteristics and risks associated with the Plan

Nacro operates the Nacro Staff Benefits Plan ("the Plan"). The Plan provides pensions in retirement and death benefits to members. Pension benefits are linked to a member's final salary at retirement and their length of service. Since 31 March 2006 the Plan has been closed to future accrual.

The Plan is a registered scheme under UK legislation and was contracted out of the State Second Pension until its closure.

The Plan is subject to the scheme funding requirements outlined in UK legislation.

The Plan was established from 31 May 1986 under trust and is governed by the Plan's third definitive deed and rules dated 23 May 2011. The Pension Trustees are responsible for the operation and the governance of the Plan, including making decisions regarding the Plan's funding and investment strategy in conjunction with the Company.

Under clause 21 of the Plan's third definitive deed and rules dated 23 May 2011, the Company does not have an unconditional right to a refund of any surplus in the Plan if the Plan winds up. The Plan, however, is in deficit and this deficit exceeds the value of future contributions due under the current recovery plan, there is no additional liability recognised on the balance sheet as a result of the Plan's recovery plan.

The Plan exposes the Company to actuarial risks such as; market (investment) risk, interest rate risk, inflation risk, currency risk and longevity risk.

The Plan does not expose the Company to any unusual Plan-specific or Company-specific risks.

No allowance has been made for any curtailment or settlement during the accounting period.

Amount, timing and uncertainty of future cashflows.
The Pension Trustees hold a proportion of the Plan's assets in gilts and index-linked gilts to provide some degree of matching with the Plan's liabilities (with the latter providing a degree of price inflation matching with the Plan's liabilities).

The Plan also holds annuity contracts in respect of the majority of pensions in payment which provide protection against future changes in respect of post retirement market risk, inflation risk and longevity risk in respect of these members.

The Plan's investment strategy is to invest broadly 80% of non-annuity investments in return seeking assets and the remaining 20% in matching assets (mainly government bonds). This strategy reflects the Plan's liability profile and the Pension Trustees' and Company's attitude to risk.

The Plan's non-annuity investments include interest rate and inflation hedging.

The last scheme funding valuation of the Plan was as at 31 March 2023 ("the 2023 valuation") and revealed a funding deficit of £14.0m. Under the current schedule of contributions, the Company has agreed to pay deficit reduction contributions. These deficit reduction contributions are set out in the payment schedule agreed as part of each tri-annual valuation. The expenses of running the Plan, as well as statutory levies, are to be met directly by the Company.

The Company has paid £685,000 in deficit reduction contributions in respect of the current accounting period.

The liabilities of the Plan are based on the current value of expected benefit payment cash-flows to members of the Plan over the next 50 years. The average duration of the liabilities is approximately 14 years.

The value of the liabilities at the reporting date have been estimated by updating the results of the 2023 valuation to allow for the passage of time, benefits paid out of the Plan and changes in actuarial assumptions over the period from 31 March 2023 to 31 March 2024. Allowance has also been made for actual inflation experience and known transfers out and trivial commutations over the period. Such an approach is common for the purposes of accounting disclosures. It is not expected that these projections will be materially different from a summation of individual calculations at the accounting date, although there may be some discrepancy between the actual liabilities for the Plan at the accounting date and those included in the disclosures.

Principal Actuarial Assumptions
A full actuarial valuation of the Plan was carried out as at 31 March 2023 and has been updated to 31 March 2024 by a qualified actuary. The major assumptions used by the actuary were (in nominal terms) as follows

	2024	2023
Discount rate	4.85%	4.75%
Inflation assumption (RPI)	3.30%	3.35%
Inflation assumption (CPI)	2.90%	2.85%
Future revaluation of pensions in deferment	2.90%	2.85%
Pension increases in payment (liabilities):		
CPI max 5%	2.85%	2.80%
CPI max 3%	2.35%	2.40%
CPI max 2.5%	2.10%	2.15%
Pension increases in payment (insured asset):		
RPI max 5%	3.20%	3.25%
RPI max 3%	2.50%	2.60%
RPI max 2.5%	2.15%	2.30%

Assumed life expectancies on retirement at age 65

	2024	2023
Retiring today – Females	22.8	23.3
Retiring today – Males	20.3	20.9
Retiring in 20 years: Females	23.9	24.4
Retiring in 20 years: Males	21.3	21.8

The assets in the plan were

	2024	2023
	£'000	£'000
Equity, property and other	25,679	23,833
Gilts and other government debt	(404)	1,590
Annuities	6,166	6,839
Cash and net current assets	600	494
Fair value of Plan assets	32,041	32,756
The actual return on assets over the period was:	1,445	(11,229)
Present value of funded obligations	(45,092)	(46,387)
Fair value of Plan assets	32,041	32,756
Deficit in funded scheme	(13,051)	(13,631)
Present value of unfunded obligations	-	-
Unrecognised actuarial gains / (losses)	-	-
(Irrecoverable surplus)	-	-
Net liability in Statement of Financial Position	(13,051)	(13,631)

Reconciliation of opening and closing balances of the present value of the deferred benefit obligation

	2024 £'000	2023 £'000
Benefit obligation at beginning of year	46,387	60,778
Plan administration cost	-	-
Interest cost	2,137	1,573
Contributions by plan participants	-	-
Actuarial (gains) / losses	(587)	(13,120)
Benefits paid	(2,845)	(2,844)
Past service cost	-	-
Benefit obligation at end of year	45,092	46,387

Reconciliation of opening and closing balances of the fair value of Plan assets

	2024	2023
	£'000	£'000
Fair value of Plan assets at beginning of year	32,756	46,279
Interest income on Plan assets	1,505	1,196
Return on assets, excluding interest income	(60)	(12,425)
Contributions by employer	685	550
Contributions by Plan participants	-	-
Benefits paid	(2,845)	(2,844)
Plan administration cost	-	-
Fair value of Plan assets at end of year	32,041	32,756

The amounts recognised in Statement of Comprehensive Income

	2024	2023
	£'000	£'000
Service cost - including current and past service costs and Settlements		
Plan administrative costs	-	-
Net interest on the net defined liability	632	377
	632	377

Remeasurements of the net defined benefit liability (asset) shown in the Statement of Comprehensive Income

	2024	2024
	£'000	£'000
Actuarial (gains) / losses on the liabilities	(587)	(13,120)
Return on assets, excluding interest income	60	12,425
Total remeasurement of the net defined liability (asset)	(527)	(695)

Estimation of next period's profit or loss	2025
	£'000
Service cost - including current and past service costs and settlements	-
Plan administrative costs	-
Net interest on the net defined liability	616
Total expense	616

20. Cashflow from operating activities

	2024	2023
	£'000	£'000
(Deficit) for the year	(282)	(1,698)
Adjustment for:		
Depreciation of housing properties	150	141
Depreciation of other property, plant and equipment	582	613
Amortisation of intangible assets	201	237
Loss on disposal of assets	17	9
(Increase) in debtors	(879)	(762)
Increase in creditors	93	467
Increase in provisions	38	57
Interest received	(28)	-
Pension costs less contributions payable	(685)	(550)
Accrued pension payment	-	31
Amortisation of SHG	(190)	(199)
Interest payable	632	377
Net cash used in operating activities	(351)	(1,277)

21. Capital commitments

Capital commitments at the 2023/24 year-end were £103,864 (2023: nil).

22. Leasing Commitments

Total future minimum lease payments under non-cancellable operating leases are as follows.

	2024	2023
	£'000	£'000
Leases expiring:-		
- within one year	4,198	4,088
- between one and five years	3,336	3,159
- after five years	1,723	2,186
	9,257	9,433

23. Financial assets and liabilities

Financial assets

	2024	2023
	£'000	£'000
Financial assets measured at undiscounted amount receivable	5,515	3,648
Bank deposits	9,215	9,927
Total	14,730	13,575

Financial Instruments on which no interest is earned include short-term debtors. No investments were held by the company during the year. No interest or gains are recognised on financial assets recognised at undiscounted amounts receivable.

Financial liabilities	2024	2023
	£'000	£'000
Financial liabilities measured at undiscounted amount payable	1,949	2,916

The company's financial liabilities are sterling denominated. There is no exposure to interest rate risk.

24. Accommodation in management and development

	2024	2023
Owned units	225	225
Units under management	1,995	2,000
Total units	2,220	2,225

Within the total units, 598 units met the regulated definition of social housing (2023 - 608) and 1,622 units were outside the regulated definition (2023 - 1,617).

NACRO

England & Wales - Charity number 226171

Accounts

Nacro

Annual Report

for the year ended 31 March 2023

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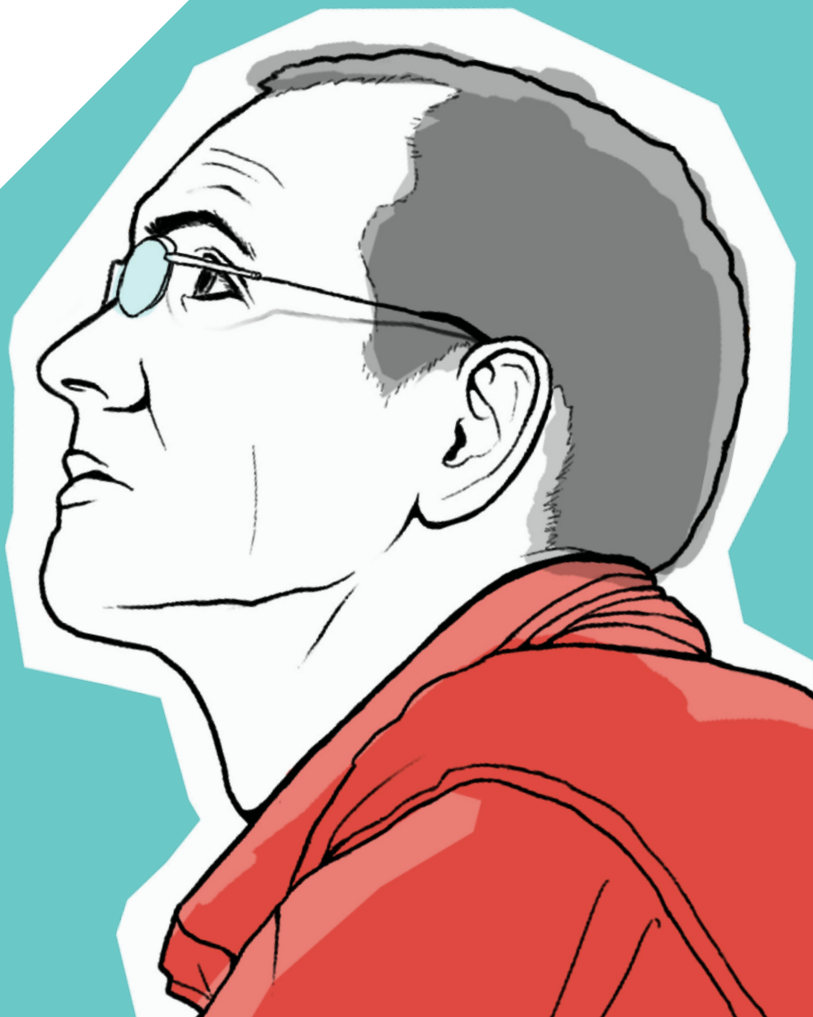
Who we are

We believe that everyone deserves a good education, a safe and secure place to live, the right to be heard, and the chance to start again, with support from someone on their side.

We provide practical help and personalised support through our education, housing, justice, and health and wellbeing services. We work closely with people to help them build independence and to move forward to a better future. We're compassionate and strong, determined and flexible. And we never give up on people.

But this isn't enough on its own. We need the barriers holding people back removed, and systems we all rely on improved, to give everyone a fair chance. The voices of those most affected are often ignored, so we fight alongside them to be heard. We use the insights from our services and the experience of the people we support to campaign together for meaningful changes in society.

We are Nacro and we won't stop until everyone has the chance to succeed.



Our mission

We will work every day to give people the help they need and campaign to achieve our vision of a society where everyone has the chance to succeed.

Our vision

We want a society where everyone has the chance to succeed and the support they need to achieve their potential. Where a safe secure home, a decent education and a second chance when things go wrong are the foundations we can all build our lives on.

Our values

We are inspiring

We motivate and inspire people to reach their full potential and aspirations. We encourage people to think differently.

We are courageous

We have bold aims which we are determined to achieve. We seize opportunities and deliver results.

We are compassionate

We are focused on people, acting with compassion and supporting each other to succeed.

We are inclusive

We value the unique contribution of all our people, combining our strengths, and achieving more together.

We are reliable

We keep our promises. We provide consistent support and we stick with people.

Why our work is needed

The cost of living crisis is impacting people across the country. Inevitably, however, the worst effects will be experienced by the poorest and most vulnerable members of society. This has potentially dire consequences when we know that some of the most vulnerable members of our society already do not get the help and support they need. The long term impact of the pandemic together with the cost of living crisis is likely to create a widening of inequalities, and as a consequence, the economic and social need in the UK is only likely to grow.

Income inequality continued to grow in Britain in 2021, and we continue to have lower social mobility rates than many other European and OECD countries. The wealthiest ten per cent of households owned 43% of all the wealth in Britain between April 2018 to March 2020, when the bottom half of the population held only nine per cent. Educational performance also varies significantly based on socioeconomic background. Against this background, it is clear that our work is needed more than ever before, to fight not only to stop these gaps widening further but to close the gaps and to create opportunity and hope for the people we support.

England and Wales has one of the highest rates of imprisonment in Western Europe, with 79,744 people held in prisons and young offender institutions at the end of March 2022. It is projected that the prison population will grow substantially over the next few years, with official figures suggesting that 93,000 people will be held in our prisons by the end of 2024. Reoffending rates remain high, particularly for those sentenced to a prison term. Data released in January 2023 showed that 36.7% of adults released from prison go on to reoffend within a year, and for those who served a sentence of less than 12 months this increases significantly to 53.9%, and sits at 57% for sentences of six months or less.

Levels of homelessness continue to be high, with research from Shelter showing at least 271,000 people are recorded as homeless in England, including 123,000 children. We know that the best way to tackle homelessness is to stop it happening in the first place. Where there are predictable routes into homelessness, like leaving prison, it is vital to ensure that everything possible is done to help people find and keep a home, with the support they need.

The mainstream education system continues to fail many young people whose specific needs are not being met. The most recent figures show that both permanent exclusions and suspensions from school continue to increase, and vulnerable groups of children are more likely to be excluded. Seventy-eight per cent of children who are permanently excluded have special educational needs or are eligible for free school meals. The knock-on effect into adult life can be damaging and long-lasting.

The people we work with are often at a point of change. Many have struggled; growing up in care, facing homelessness, failed by the education system, or caught up in the tide of the justice system. The challenges we face shape who we are, but our past shouldn't dictate our future.

"I missed a lot of school due to my diabetes. I lacked confidence and left school with few GCSEs. Since receiving support at Nacro, I've achieved a grade 7 in English and a 5 in maths GCSEs. I'm hoping to go into nursing, inspired by those who've cared for me."

We continue to do everything we can to offer support, stability, and guidance, enabling people to open doors that were previously closed to them. We know that with the right support and guidance people can turn their lives around and move onto a future of success.

Message from the Chair

It's good to be back.

I started work in 1980 working for Nacro on a project in South London for young people leaving Borstals - as youth custody was then called. That job made a profound impression that has stayed with me for the rest of my career. I learnt how the odds were stacked against the young people I worked with by poverty, unemployment, racism and education, and criminal justice systems that just saw them as a problem, never with potential. I can quote to this day what one of those young people, John, told me: "The only thing school ever taught me was that I am stupid". He wasn't - and the injustice of how he was treated - and far too many young people since - stays with me still. But I also learnt that with encouragement, practical support, and education and training tailored to their needs, they could defy the odds and realise their potential. As Nacro prides itself in doing today, I hope we saw our young people's futures, whatever the past. Nacro was a great place to work then. I remember how motivating it was to work for an organisation that used our front-line experience to challenge the policies and organisations that so badly let down the young people we worked with.

Returning to Nacro forty years later as Chair, of course, things have changed. Nacro has grown and works with people of every age facing a range of challenges. I have spent as much of this year as possible visiting Nacro projects across England and Wales and have found much that is familiar. I have found service users who, regardless of their specific needs, face systems and organisations that continue to deny them basic social justice. I have found an organisation that still recognises the racism, sexism and other forms of discrimination that many of the people it supports face, and is committed to tackling it and building a genuinely inclusive culture. I have found staff who are as skilful and committed as ever in helping those they work with overcome these challenges and realise their potential. I am very pleased that Nacro is just as effective as it was in the past in using the front-line experience of its service users and staff to argue for the wider policy changes that would create the social justice its service users are denied.

Despite those familiar themes, 2022/23 had been an exceptionally challenging year for Nacro, its staff and the people it works with. I have seen at first-hand how the spiralling costs of everyday essentials and the cutbacks and dysfunctionality of so many public services impacts disproportionately on the people we support: veterans struggling to move into their own housing because they can't pay the bills, prison leavers left stranded without the help they need to get somewhere to live, learners in our education centres who need us to provide breakfast before they start their day, young people with acute mental health needs unable to access the specialist support they need.

Many of these issues have impacted directly on our staff too and of course this affects our ability to recruit and retain, but I have seen how our staff continue to provide the same high-quality service despite the pressure they themselves face to make ends meet as inflation rises. I thank them for it.

It has been an exceptionally challenging year for Nacro as an organisation too. Like almost every organisation, we have faced rising costs combined with static or reducing income. We know that our funders and partners also face many of the same pressures, and we are grateful for the constructive relationships we have with them which enable us to work together to create common solutions to joint problems. We have however been better placed than some organisations to weather these storms. My predecessor Nigel Chapman and his colleagues on the Board left Nacro in good financial health that has provided us with the resilience to get through this period. I pay tribute to Nigel and thank him for all he did for Nacro.

This annual report describes the work of Nacro throughout the year, the range of services it provides and the impact it has. Nacro is a complex organisation with a £68.7m turnover in a highly regulated environment. Not the least of Nigel's achievements was to create a very strong Board and I have been fortunate to join such an experienced and wise group of colleagues and the report describes the Board's prime responsibility for the careful stewardship of those resources and accountabilities.

Despite the challenges, the report describes an organisation that is well-placed to face the challenges of the future. The needs that Nacro meets today are not going to go away quickly, but as I hope this report shows, I believe we have the strategy, culture, people and partnerships to both strengthen our services that meet those needs today, and to use that experience to help shape the polices that might reduce those needs tomorrow. It's a privilege to be able to play a part in doing so.

Nick Hardwick
Chair

"Nacro has done some really effective campaigning."

Simon Fell, Conservative MP for Barrow and Furness, and sponsor of the Private Members Bill to reduce Friday releases.

Message from the CEO

I am very lucky to be the Chief Executive of Nacro. Even in this most challenging of years, the staff, service users and learners provide a constant reminder of what a difference we can make as an organisation. Every day I see that change can happen, that resilience, support, advocacy and friendship matter. Our work with some of the most excluded people and in some of the most deprived communities shows that people helping people, believing in them, giving them another chance makes a real difference, sometimes for just a day but also for a lifetime.

In the last year we have focused our attention on some key themes in order to deliver our new strategy.

We have sought to engage, listen, and learn from our staff, our service users and learners and to become an even more inclusive and diverse organisation. Our staff-led EDI committee is driving real and lasting change in all aspects of our work. Our Justice ExChange, a network of people who have been in touch with the criminal justice service and received support from Nacro, has been central to shaping our influencing priorities. We win awards for the films we make that tell the real story of homelessness. Our new website is inclusive, open, and accessible.

We have focused on the real outcomes that the people we work with need. Nine out of ten of the young people who study with us pass their GCSE maths or English. Our long-running campaign to stop the stress of a Friday release from prison will become a reality with a law passing through Parliament. We have won new services delivering essential support across the country from resettling ex-service personnel in London to a new homelessness service in Pembrokeshire, Wales.

It has also been a challenging year. The financial headwinds have had an impact on our staff, our service users and the organisation itself. We have tried to support our staff with wellbeing initiatives, our largest pay award in years, and regular check-ins. We are providing access to welfare and benefit support to service users across the organisation and our staff continue to go above and beyond on a daily basis. We have worked hard over the last few years to create a strong financial base, but the next two years will be very difficult if we don't see more support from those who commission our services.

We are also very lucky to have an excellent trustee board to guide us through these times. We have seen a change in our leadership with the excellent Nigel Chapman and Ron Crank standing down as Chair and Vice-Chair to be replaced by the equally talented Nick Hardwick and Anne Frost.

Campbell Robb

Board members and professional advisers

Trustees

Nick Hardwick CBE, Chair (appointed July 2022)

Nigel Chapman CMG, Chair (resigned July 2022)

Anne Frost, Vice Chair (appointed as Vice Chair December 2022)

Ron Crank MBE, Vice Chair (resigned December 2022)

Andrew Billany

Amanda Dickens

Lynn Emslie

Rt Hon Sir David Hanson

Tabitha Kassem

Farrah Malik

Katie Martin

Victor Olisa (resigned January 2023)

Neil Spence

Treasurer

Neil Spence

Chief Executive Officer

Campbell Robb

Company Secretary

Andrew Hodges (appointed October 2022)

Rocco Zitola (resigned October 2022)

Registered Office

Walkden House
16-17 Devonshire Square
London EC2M 4SQ

Charity number

226171

Regulator of Social Housing number

4781

Company number

00203583

Bankers

National Westminster Bank Plc
Cavell House
PO Box 113
2A Charing Cross Road
London WC2H 0PD

External Auditors

Crowe U.K. LLP
2nd Floor
55 Ludgate Hill
London EC4M 7JW

Internal Auditors

BDO LLP
Two Snowhill,
Birmingham B4 6GA

Solicitors

Devonshires Solicitors LLP
30 Finsbury Circus
London EC2M 7DT

Pension consultants

XPS Pensions Group
Phoenix House
1 Station Hill
Reading RG1 1NB

Information correct at 19th July 2023.

Trustee Attendance Record 2022/23

	1	2	3	4
Nick Hardwick CBE[1]	2 of 3	–	–	–
Nigel Chapman CMG[2]	1 of 1	–	–	–
Andrew Billany	3 of 4	3 of 4	–	–
Ron Crank MBE[3]	2 of 3	2 of 3	2 of 3	2 of 2
Lynn Emslie	3 of 4	4 of 4	–	–
Anne Frost	2 of 4	3 of 4	–	–
Rt Hon Sir David Hanson	4 of 4	–	4 of 5	–
Tabitha Kassem	2 of 4	4 of 4	–	3 of 3
Farrah Malik	2 of 4	–	4 of 5	–
Katie Martin	3 of 4	–	–	0 of 3
Victor Olisa[4]	2 of 3	–	–	–
Neil Spence	4 of 4	–	5 of 5	–
Amanda Dickens	4 of 4	1 of 4	–	1 of 3

1 Council/Board*
2 Strategy & Performance Committee
3 Finance & Audit Committee
4 People Committee

1 Appointed July 2022
2 Resigned July 2022
3 Resigned December 2022
4 Resigned January 2023

*Renamed Board in December 2022

Strategic review of the year 2022/23

1. We will increase the positive impact we have on the people we support.

- We have continued developing our work in our core areas:
  - We mobilised our expanded CAS-2 service across England and Wales.
  - We started delivery of our new resettlement service for ex-service personnel in London.
- In Wales, we were successful and are now running a new homelessness service in Pembrokeshire and a community preventative service in Carmarthenshire.
- Our education services continue to support young people to achieve:
  - 90% of young people studying with us pass their GCSE English/maths.
  - 90% of our learners would recommend us to friends or family.
  - 90% of young people learning with us pass their qualifications.
- We prioritised our commitment to listening to and involving the people we support in everything we do. Service user involvement is at the heart of our strategy and our expanded central service user involvement team, which includes former service users, is supporting delivery teams to ensure this is embedded across all our work.
- We refreshed our safeguarding policy framework and introduced improved risk management processes across all our service delivery directorates.

2. We will campaign alongside our service users for solutions to the barriers and challenges they face.

- Our campaign on Friday prison releases saw success with the Government agreeing to our call. The Government have supported a Private Members' Bill in Parliament sponsored by Simon Fell MP which will allow Prison Governors to release someone with high resettlement needs who is due for release on a Friday up to two days early.
- We saw progress on a number of the calls we have been making over recent years to tackle the barriers to resettlement. As well as our focus on Friday releases and homelessness on release, we have called for action to ensure people leave prison with valid ID and bank accounts, both critical to allow access to a range of services. Over the last year we have seen progress with the expansion and rolling out of an ID and bank accounts programme.

- Our Justice ExChange, a network of people who have been in touch with the criminal justice service and received support from Nacro, has been central to shaping our influencing priorities. We released the first briefing from the group focused on ways to improve work and wages in prison to better prepare people for release. We continue to make sure our policy and campaigns are informed by the people we support and we work alongside each other to influence change.
- Our work to share the real stories of the people we help in different and engaging ways was recognised at the Charity Film Awards where we won Gold for our 'Cell Street Repeat at Christmas' film. The film highlighted the challenge of homelessness on release from prison.

3. We will develop into a digitally inclusive organisation where our staff and service users have access to the advantages that digital technology can bring.

- With the additional pressures the challenging external environment has brought this year, we took a strategic decision to focus on this objective at a later point in the strategy period.
- Nevertheless, this year we have been laying the groundwork to support significant internal digital transformation in our ICT infrastructure over the next year. The first step of this was implementing a new IT environment for our CAS-2 service.
- We launched a new website with improved accessibility and user experience to increase and improve our engagement with our key audiences.
- We retained our two ISO27001 accreditations for effective information security systems.

4. We will build a sustainable future for Nacro.

- We have put in place a new environmental strategy which recognises our responsibilities and commitments to protecting the environment. We also achieved the Green Dragon Environmental Standard.
- The extremely challenging external financial environment has had an impact on Nacro like all charities. High inflation, challenges in recruitment, and other external influences have all impacted on our financial outturn for this year. However, we have continued to prioritise investment in our people and we are planning measures to make the charity financially sustainable in this new external operating environment.

- Investing in our colleagues remains a priority to build our sustainability and we have increased our focus on recruitment and training. This includes continuing to roll out our new in-house leadership development programme and starting to roll out a new management development training programme.
- In recognition of the impact of the external financial environment on colleagues, we awarded the largest pay award in many years, with the biggest percentage increases for those on lower salaries.

5. We will forge a values-led culture that supports a happy, productive and diverse workforce.

- With increased financial pressures on colleagues and the growing level of need in our services, we have continued to ensure a visible focus on wellbeing. This included holding a wellbeing month to give focused time for colleagues to take a step back with their teams, and trial a number of different wellbeing support services.
- Our commitment to equality diversity and inclusion is a core theme through our strategy. We have a new EDI strategy in place with involvement and commitment at every level of Nacro from our Trustee Board, Senior Leadership Team through to our frontline colleagues. Our EDI Staff Advisory Committee continue to lead the way in setting up forums for colleagues to come together, connect and identify areas for action, as well as driving action across the organisation. These include Diversity Action Groups on Race and Ethnicity, LGBTQ+, and Disability, as well as a new Menopause Health Group and Men's Mental Health Group.
- We ran a pulse staff survey to hear from colleagues as to what was going well and where we could improve. We were pleased to see progress in many areas we had previously identified and have put in an action plan on those areas which need further improvement.
- We consulted on and launched a set of refreshed Nacro values. Our values drive all of our work across our different service areas and are an important part of our Nacro culture and identity.

Safeguarding

Nacro continues to take its commitment to embedding robust safeguarding governance and practice very seriously. Our National Safeguarding Board meets quarterly to ensure an effective governance framework is in place by reviewing safeguarding data from our incident recording system and reflecting on lessons learnt from safeguarding incidents that have been reported. The National Safeguarding Board reports to the Strategy and Performance Committee. A nominated Trustee and a member of the Executive Leadership Team are standing members of the National Safeguarding Board.

Each service delivery directorate has an appointed Designated Safeguarding Lead. These roles support colleagues to ensure quality safeguarding interventions and outcomes are provided through local teams. Designated Safeguarding Leads are supported via a network of locally based Designated Safeguarding Officers.

All staff undertake an Introduction to Safeguarding online course and depending on an individual's role further training on Safeguarding Children and Young People, and/or Safeguarding Adults at Risk is undertaken.

A centralised management system is in place to record all Nacro related safeguarding incidents. The system is used to track and follow up actions required after an incident has been reported. The National Safeguarding Board maintains oversight of data held on the incident management system. The National Safeguarding Board is responsible for applying learning from incidents that have occurred to continually improve Nacro's safeguarding training, procedures and practice.

During 2022/23 we streamlined and republished our Safeguarding Policy Framework and reviewed our key safeguarding procedures to ensure the relevant requirements set out in the 'Keeping Children Safe In Education' 2022 were taken in to account.

What our people say

"Nacro is a fantastic place filled with so many warm and passionate people. My role is about as challenging and stimulating as jobs get. It is a very humbling and rewarding experience."

"I started working for Nacro 15 years ago as a support worker in our project helping men with complex or high needs. Many had been homeless, have an offending history, an addiction or mental health problems. We help vulnerable people as they rebuild their lives. Across all my years, the one thing that has remained the same is how rewarding this job is. It can be hard, but when you see how far someone's come and is ready to move on and live independently, there's nothing better."

"My journey with Nacro began as an apprentice at our Boston Education centre. Nacro has allowed me to grow, I have witnessed the development of our education provision and worked my way up to Assistant Principal of Nacro Education."

"I didn't see a future for myself or a life at all. All the support and the help I have from the team is incredible. They gave me an opportunity to really turn my life around. I've secured a tenancy for myself. My own tenancy. I went to rehab for six months. Now, I volunteer for Nacro. It's changed my life around."

"My support worker helped me settle into the local area. We walked around and found where the shops were, and the groups which were running that I could go to. She even came with me to the first few so I didn't have to walk in on my own."

Housing performance

We take our responsibilities as a landlord seriously. Below we set out our performance across a range of measures including property health and safety compliance, repairs as well as feedback on tenant satisfaction.

We are required to comply with regulations and monitor our performance against these. We also set our own performance measures and commit to sharing these openly with you.

In addition, in 2022/23 we have:

- Reviewed fire and gas safety policies, ensuring more robust processes are in place.
- Increased resources in our compliance team to maintain a good level of performance and to support the development of improved centralised monitoring systems for compliance.
- Increased physical post inspections of compliance checks and remedial works.
- Developed new bespoke fire safety check training for all frontline staff.

	Target	31.03.23
Gas safety	**100%** properties with a valid gas safety certificate	**98.1%**
Electrical services	**100%** properties with a fixed wire electrical safety certificate (EICR) within the past 5 years	**98.2%**
Water services	**100%** properties with water tank facilities have a current and valid Legionella risk assessment	**100%**
Fire Risk Assessment	**100%** properties have a fire safety risk assessment carried out in the last 12 months for our larger shared properties - 3 beds and above and blocks of flats. (This is beyond the legal minimum which does not specify a frequency)	**100%**
Asbestos	**100%** properties have an asbestos survey	**100%**

Repairs*

Overall, we completed 94.5% of 6,140 repairs within the target time.

	Target	April 2022 – March 2023
Emergency repairs	**95%** within 24 hours	**97.4%**
Urgent repairs	**90%** within 7 days	**93%**
Routine repairs	**90%** within 28 days	**96.1%**

*This repairs performance data does not currently include CAS-2.

Maintenance Budget

2022/23 expenditure on routine maintenance was £1.0m. The budget set for the year was £509k.

Throughout 2022/23, Nacro faced unprecedented cost inflation affecting all areas of repairs spend. Extensive cost control measures have been deployed to ensure we receive best value from contractors whilst maintaining standards.

Tenant satisfaction

Our last all tenant survey was carried out between November 2021-January 2022. Below is a summary of the main findings:

- More than 8 in 10 (84%) tenants were satisfied with the service from Nacro.
- Almost three quarters (73%) of tenants were satisfied with the quality of their home.
- More than 7 in 10 (72%) tenants were satisfied with their neighbourhood as a place to live.
- 6 in 10 (60%) tenants were satisfied with value for money of the rent.
- More than 8 in 10 (82%) tenants were satisfied that Nacro are easy to deal with.
- Almost three quarters (74%) of tenants were satisfied with the repairs service provided by Nacro.
- Over three quarters (76%) of tenants were satisfied that Nacro listens to their views and acts on them.
- Almost 6 in 10 (59%) tenants who submitted a complaint about antisocial behaviour were satisfied with the handling of the complaint.

Feedback is vitally important to informing our areas of focus. This is reflected in increased maintenance spend and high completion of works last year.

"It was tough. I'm really thankful that Nacro picked me up. It's a very supportive living accommodation, which I think is really good thing. Being able to see a friendly face every day, to have a little chat it was a big thing. That's what I mean by the amazing support."

Complaints

We know how important it is to listen to feedback and are committed to responding promptly and efficiently where we receive complaints. The table below gives a breakdown of the complaints reported by tenants between April 2022-March 2023.

Tenant complaints	76
Property condition – includes: Repairs Failure to respond	24
Member of staff - service received	20
Service received – includes: Tenure management Rent management Support received	14
Reports of antisocial behaviour	18

We routinely review complaint responses and timeframes and are working to improve the pace of successful responses. Of the 76 complaints received 74% were acknowledged within five working days, 95% were able to be resolved at stage 1 of our complaints response and 0 were referred to the Housing Ombudsman.

Overall, complaints were dealt with adequately with complainants either satisfied with the way their complaint had been dealt with or complaints not escalated to the next stage. However, there were areas and opportunities for services to learn and ensure continuous improvements are put in place. We identify areas of improvement from the complaint information and set out actions as a result. For example, we are currently reviewing our Antisocial Behaviour Policy and will be rolling out the updated policy in the first quarter of 2023/24.

We will continue to work with teams to improve compliance and ensure that areas are recording, acknowledging, and responding to complaints in line with policy and procedure.

In addition, we completed the required self assessment against the Housing Ombudsman's Code of Practice, which was audited by our internal auditors BDO with a positive outcome. This is published and available on our website.

Engagement with tenants

We have recently launched a new website with a dedicated section for tenants and service users. In this section we publish information on our performance including complaints and our self assessment against the Housing Ombudsman's Code of Practice. We continue to consult with tenants on how we can improve our delivery and we are consulting on how they would like to receive information from us. This includes what they would like to see in the tenant section of our new website.

Good Governance

Nacro's Board of Trustees is the governing board for the Charity. The Board is responsible for the effective strategic leadership and governance of the organisation while day-to-day management is delegated to the Executive Leadership Team (ELT).

Nacro is a registered Charity and since April 2022 the Charity has worked to the Charity Code of Governance in place of the NHF 2020 Code of Governance. During the year the Board has assessed its compliance against the Charity Code of Governance. The Board has identified a greater level of reporting and subsequent discussion of equality, diversity, and inclusion metrics could be introduced. Plans to deliver this are now being considered by the People Committee. The Board has used the code's principles and recommended practice to assist in the setting of the strategic direction and culture of the organisation in order for the Charity to deliver on its charitable objectives. Plans are in place to collect and publish tenant satisfaction measures during the 2023/24 financial year.

Risk management continues to be a priority, with Board members routinely considering and discussing the Corporate Risk Register at Board meetings as well as its three primary reporting Committees: the Finance and Audit Committee, Strategy and Performance Committee, and People Committee. Nacro's committee structure, designed to enable more detailed scrutiny in specific areas, provides the Board with assurance that charitable objectives are being met. BDO LLP, our internal auditors, have increased the Finance and Audit Committee's focus on strategic risk issues and highlighted key areas where assurance improvements can be made. Trustee Liability Insurance for individual Trustees and the Board of Trustees collectively is in place.

Reflecting the size and complexity of our organisation, it is appropriate for Nacro's activities to be subject to independent review and challenge, specifically through the work of an internal audit function. BDO LLP has provided internal audit services to Nacro in accordance with an annually agreed Internal Audit Charter and Internal Audit Plan. The internal control framework and risk management processes are subject to regular review by Internal Audit which is responsible for providing independent assurance to the Board via the Finance and Audit Committee. The Committee reviews the Internal Audit Plan at least annually and considers whether it is aligned to the key risks of the organisation, providing the Committee with sufficient assurance for it to discharge its responsibilities. The Committee is responsible for ensuring the scope of internal audit work is appropriate and that findings are considered and actioned appropriately. The Committee receives regular updates from internal audit throughout the year on the status of work and the findings arising.

There are also a number of other regular meetings that Trustees either chair or attend, including the Education Scrutiny Group, National Safeguarding Board, and the Policy and Campaigns Committee.

These areas of engagement improve the governance for specific areas and increase scrutiny and oversight of different sectors of the business. These Trustees in turn report into Nacro's Board of Trustees and sub-Committees, further strengthening our governance.

In 2022/23 Nacro continued to prioritise our service user involvement work. During 2022/23 we invested more resources to support this through a larger team. The team is focused on delivering the key priorities of our service user involvement strategy. Nacro is committed to promoting equality of opportunities for everyone throughout the Charity from recruitment and selection, training and development, appraisal, and promotion to retirement. Nacro's Disability Risk Assessment and Reasonable Adjustments Policy sets out how the Charity meets it's commitments to disabled people as part of their recruitment, employment, retention, and training and career development journey with us.

A full list of Trustee appointments, resignations, and attendance can be found on page 11.

Nacro is opposed to all forms of modern slavery and is committed to acting ethically and with integrity in all its business relationships. We take steps to ensure that adequate processes and controls are in place to ensure slavery and human trafficking is not taking place anywhere in our supply chains. Nacro's modern slavery statement is published on our website and annually reviewed by the People Committee.

The Charity has not experienced an adverse financial impact as a direct result of the Coronavirus pandemic. The long term financial impact of the pandemic on the Charity's finances is currently unknown as it is very difficult to predict how funding for statutory services will be affected in the longer run. Inflationary pressures have increased significantly and these pressures are not matched by automatic increases to our contracted income funding streams. Across the Charity staff turnover has continued to increase during the 2022/23 financial year and we have found it increasingly difficult to fill vacancies. In the immediate future, and where possible, the Charity will continue to embed flexibility within its operating models, to enable the services to be adapted to meet local and commissioner needs.

As part of management of risk, consideration has been given to the impact of the UK leaving the European Union. This includes any potential impact on operations and supply, staffing and financial planning. Our supply chain is diverse and we haven't experienced significant operational issues as a result of supply chain disruption. EU nationals make up a relatively low proportion of our workforce and we therefore do not anticipate risk in this area. Overall, the Charity has a relatively low exposure to direct Brexit risk.

Nacro joins with others in its condemnation of the invasion of Ukraine. Nacro does not have any known links to Russia or Belarus and does not have any direct suppliers with known links to Russia or Belarus.

Section 172 Statement

Nacro exists to provide public benefit directly and indirectly to the organisation's beneficiaries. The prime aims of the organisation are captured in our vision, mission, and values statements.

When setting strategy and making decisions Trustees (Directors) will carefully consider the impact these decisions have on Nacro's beneficiaries and employees.

Employee engagement is encouraged through our effective consultative processes established with Unite the Union. A high proportion of Nacro's income is generated through contracted services. The acquisition and renewal of these contracts is reliant on our maintaining effective customer relationships, as well as continuous innovation in our service design. We endeavour to bring maximum impact and benefit to the people we work with.

All of Nacro's work is community facing and we work hard to ensure the impact of our activities have a positive impact on the communities we reach out to. Data on the environmental impact of our activities is captured on page 39 of this report.

The activities of Nacro are regulated via the Regulator of Social Housing, Ofsted, and indirectly via the Care Quality Commission. These regulatory bodies require the organisation to establish robust governance frameworks that can be subject to external assessment and publicly rated performance levels.

Nacro has a wide range of suppliers, we have established contracts and clear contract management arrangements in place with our largest suppliers and all of our sub contractors to help ensure our main suppliers have appropriate governance and legal compliance measures in place.

Nacro is aware of the impact of climate change and global warming and we are committed to playing our part. We have an environmental strategy and are starting a number of work streams over the next few years to use technology, design, and innovation to make our business practices more sustainable, engaging with our stakeholders and commissioners of services.

Trustees' responsibilities

The Trustees (who are also the Directors of Nacro for the purposes of company law) are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards).

Company law requires the Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of Nacro and of the incoming resources and application of resources, including the income and expenditure, of Nacro for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently; observe the methods and principles in the applicable SORP
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- and prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain Nacro's transactions, disclose with reasonable accuracy at any time the financial position of Nacro and enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and the Accounting Direction for Private Registered Providers of Social Housing 2022. They are also responsible for safeguarding the assets of Nacro and ensuring that accounts are prepared in a proper form and present a true and fair view of the state of affairs in relation to Nacro's social housing activities and the disposition of funds and assets which are, or have been, in Nacro's hands in connection with those activities.

Going concern – The Trustees consider that Nacro is well positioned to manage its business risks successfully. After careful consideration and enquiry, the Trustees have a reasonable expectation that Nacro has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Trustees continue to adopt the going concern basis in preparing these financial statements.

The Board obtains assurance of financial viability through the annual budgeting, re-forecasting and longer-term financial planning exercises. As part of this, Trustees assess and stress test the availability of funding and

liquidity. Nacro does not have lenders covenants to comply with. These processes ensure the Board has a continual and rolling process of reviewing and assessing Nacro's financial strength and viability. The Board has satisfied itself that the charity complies with the Regulator of Social Housing's Governance and Financial Viability Standard during the financial year and to the date of this report.

Public benefit - The Trustees confirm that they have complied with their duty under section 17 of the Charities Act 2011 to have due regard to the Charity Commission's general guidance on public benefit.

Disclosure of information to the auditor - Each Trustee at the date of approval of this report has confirmed that as far as the Trustees are aware, there is no relevant audit information of which Nacro's auditor is unaware. The Trustees have taken all necessary steps in order to make themselves aware of any relevant audit information and to establish that Nacro's auditor is aware of that information.

Statement of internal control

The Nacro Board of Trustees has overall responsibility for establishing and maintaining the system of internal control and for reviewing its effectiveness. In meeting its responsibilities, the Board has adopted a risk-based approach to internal control, which is embedded within the normal management and governance processes and includes staff at all levels. This approach includes the regular evaluation of the nature and extent of risks to which Nacro is exposed. The process adopted by the Board in reviewing the effectiveness of the system of internal control comprises:

1. Identification and evaluation of key risks

Nacro has a formal risk management process to assess business risks and implement risk-based strategies. The risk register is aligned to the corporate plan, and identifies the risks around achieving the objectives of the organisation. This involves identifying the types of risks that Nacro faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying mitigating actions. This process is coordinated through a regular reporting framework by the Executive Leadership Team (ELT) and the Finance and Audit Committee. The Finance and Audit Committee regularly considers reports on significant risks facing Nacro, and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks. The Board confirms that there is a process for identifying, evaluating and managing significant risks faced by Nacro. This process has been in place throughout the year and up to the signing of the annual report and is reviewed regularly by the Board.

2. Monitoring and corrective action

The regular review of internal controls via line management channels and by way of the internal audit plan provides assurance to the Finance and Audit Committee and the Board that an effective control environment is maintained. Where corrective action is required, ELT provide progress reports to the Finance and Audit Committee to ensure there is effective oversight, particularly if the issues identified have a material impact on the financial statements.

3. Control environment and control procedures

The Board retains responsibility for a defined range of risks covering strategic, operational, financial, and compliance areas. Specific attention is paid to risk mitigations relating to delegated authority, segregation of duties, accounting and treasury management controls, health and safety, safeguarding, data and asset protection, and the prevention and detection of fraud. The Board, through the scheme of delegated responsibility, sets out a framework of control that applies to all Nacro employees. The scheme of delegated authorities is supported by a suite of policies that define

expectations around quality, integrity and ethics. All employees, volunteers, and suppliers must comply as required with these policies.

4. Independent audit and review

The internal control framework and risk management processes are subject to regular review by an internal audit function which is responsible for providing independent assurance to the Board. Nacro appointed BDO LLP to supply an independent and objective internal audit function. The Finance and Audit Committee ensures that the risk-based inspection/monitoring plan remains up-to-date. It reviews all internal audit reports. The Board has received an annual review of the system of control from the Finance and Audit Committee and has taken into account any changes needed to maintain effectiveness of the risk management and control process.

5. Fraud reporting systems

Fraud response procedures and policy statements are reviewed and approved by the Board, via the Finance and Audit Committee, as part of a comprehensive review of internal control systems. The procedures establish the respective roles and responsibilities of staff for the prevention and detection of fraud through a fraud and anti-money laundering policy.

Key risks

Key risk	Risk treatment
Cashflow and margins are not sufficient to meet day to day operating costs and/or balance sheet liabilities leading to the Charity falling into financial administration.	Financial performance is monitored through monthly management accounts by management and Trustees. Regular communication with commissioners regarding security of current income streams. Building closer relationships with potential funders and developing new funding models. A Value for Money programme is in place which includes initiatives to reduce operating costs. Strategic and business planning in place and monitoring of progress against key corporate objectives.
Death or harm caused by failure to follow internal processes and procedures, particularly in relation to health and safety and safeguarding, leading to loss of life, damaging publicity, criminal convictions, fines, and loss of business.	Executive and Trustee oversight to ensure arrangements for health and safety and safeguarding are monitored, with assurance being provided by the Health and Safety Committee and the National Safeguarding Board. An incident management system is embedded and learning from incidents is cascaded. Continued compliance and quality inspections take place.

Failure to embed a leadership approach that encourages diversity, innovation, efficiency, and collective responsibility. High levels of staff turnover leading to increased cost, inconsistent service quality, and service delivery challenges.	The strategic plan has a clear focus on people and the charity's beneficiaries. A specific People Strategy has been developed, this underpins the Nacro Strategy. The performance of the People Strategy is overseen by the People Committee. A values based leadership development programme is running for key managers. Specific initiatives that focus on wellbeing, equality, diversity and inclusion have been implemented.
Business continuity is affected by a major internal or external event leading to an inability to provide services to service users.	Robust business continuity plans are in place, these plans were actively tested during the Coronavirus pandemic. Data and systems can be accessed securely from multiple locations. Specific local arrangements in place for specific service delivery sites.

Financial narrative

Income for the year was £68.7m compared with £66.8m in 2021/22. The total comprehensive income for the year was £1.0m deficit. (2021/22 : £2.4m surplus). Income increased as a result of Nacro's successful expansion of existing services and successful retendering of a number of contracts during the 2022/23 financial year. Operating expenditure increased as a result of additional service delivery costs incurred where services have expanded but also as a result of inflation driving operating costs up, particularly within our Housing division and in our central overhead. A gain from a net reduction in Nacro's pension liability was also recorded. Overall, the increase in operating costs, offset in part by the gain from the pension scheme, are the main reasons why total comprehensive income has decreased from a £2.4m surplus to £1.0m deficit over the year.

Turnover in Housing (social and non-social housing), increased by £3.0m to £45.2m. This increase in income is related to an expansion of current service lines, however, the impact of lost rent from void properties, increased staff costs and significantly increased housing unit costs have adversely affected margins. Overall, the Housing division returned a loss of £0.3m for the year compared to a profit of £1.5m for the 2021/22 financial year. In preparation for the 2023/24 financial year a major review of rent charges has been completed, these changes will come into effect from April 2023. During 2023/24, a review of service operating models will be undertaken for all contracts that are not achieving target profitability thresholds.

Turnover in our Education division income decreased from £14.6m to £13.5m. The Education division recorded a £1.6m loss for the year. Year-on-year financial performance within the Education division has remained static. Nacro had budgeted for the Education division to operate at a loss.

Turnover in our Justice division remained static at £4.6m. Profitability reduced from £0.9m to £0.4m, again inflation related cost pressures have had a negative impact on margins within this division.

Turnover in our Health division remained static at £5.3m. Overall, the division returned a profit of £0.1m, a slight reduction from a £0.2m profit in 2021/22.

The Total Comprehensive Income for the year amounted to a loss of £1.0m (2021/22: £2.4m surplus). The operating loss of £1.7m (2021/22: £0.5m profit) has been offset by a reduction in the valuation of Nacro's pension scheme's net liabilities of £0.7m.

The Balance Sheet shows net assets at £10.1m (2021/22 : £11.1m). This is represented by unrestricted funds of £9.9m (2021/22: £10.9m) and restricted funds of £0.2m (2021/22: £0.2m). The defined benefit pension liability stands at £13.6m (2020/21: £14.5m).

The full results for the year are shown in the Statement of Comprehensive Income and the Statement of Financial Position plus accompanying accounts and notes on pages 50 to 75.

Value for money statement

To comply with the Regulator of Social Housing's latest Code of Practice on value for money, as a registered provider we are required to publish our performance against a given set of key indicators which is shown below:

	Nacro 2022/23	Nacro 2021/22	Global Accounts 22 – Supported Housing Provider Metrics*	2022/23 Comment
1. Reinvestment %	9.1%	0.3%	6.1%	During the year the Charity prioritised the refurbishment of housing stock to ensure properties are ready to let or in a reasonable condition for hand back to the landlord.
2. New supply delivered %	0.0%	0.0%	1.2%	Nacro did not build or acquire any new housing units during the year.
3. Gearing %	0.0%	0.0%	12.5%	Nacro does not have any loan financing facilities in place. At this point Nacro does not intend to enter into any new loan financing arrangements.
4. EBITDA MRI Interest Cover %	-94.7%	778.0%	203%	Nacro recorded a loss for the financial year. The interest value recorded in Nacro's financial statements solely relates to accounting disclosures required for Nacro's defined benefit pension scheme.

5. Headline social housing cost per unit	£10.34	£10.96	£8.40	Nacro's housing service provision is primarily focused on supporting tenants who typically have high support needs who stay in their homes for shorter timeframes. This increased level of support and more frequent letting turnover does increase unit operating costs.
6. Operating Margin A) Social Housing Letting % B) Overall %	-4.8% -1.9%	-3.1% 1.9%	10.0% 5.2%	Nacro's social housing stock operated at a loss during the financial year, the loss slightly increased during the year. Overall Nacro's Housing division operated at a loss during the financial year.
7. Return on capital employed %	-4.7%	2.8%	2.9%	Nacro operated at a loss for the financial year. The overall value of the loss was slightly higher than planned and forecast at the start of the year.

*Global Accounts 22 is an annual report produced by the Regulator of Social Housing to provide a summary of the financial status of social housing providers who own or manage at least 1,000 homes. The comparative data used for Nacro was taken from the Supported Housing Provider dataset, this is because Nacro primarily provides supporting housing services.

Nacro has fewer than 1,000 owned homes so we are classed as a "small provider". Nacro provides homes with additional support for housing vulnerable people and people leaving the criminal justice system on assured shorthold tenancies or licences. Many of the above metrics are designed to enable comparisons between large social housing providers with significant loan book commitments and a high level of general needs social rented homes. Income from Nacro's social housing provision makes up just over 10% of Nacro's total turnover. As a consequence, some benchmarking comparative figures for Nacro will not always align with registered provider averages.

Nacro's Board has considered the benchmarking data and the Board is satisfied that Nacro is in compliance with the Code issued by the Regulator of Social Housing in respect of Nacro's housing related activities. The Board believes that overall the Charity is delivering good value for money to beneficiaries, however, the Board recognise there is a requirement to improve the financial performance of the Charity's Housing division. Value for money is delivered throughout the Charity, for example:

- **Governance –** We are further embedding our person-centred approach by investing more resources in service user and learner engagement initiatives. A number of engagement initiatives are detailed in our strategic plan. We fully recognise the benefits that arise from using service user and learner feedback to inform the development of our governance arrangements, decision making and service design to help us to continue to deliver better quality services at a reasonable price, in line with regulatory and commissioner expectations.
- **Co-production –** We actively engage with the people we support and our workforce, this enables us to capitalise on their ideas and innovations for business improvement through consideration of re-shaping of delivery models and/or through investment in specific initiatives that are detailed in our strategic plan.
- **Actively pursuing a sustainability agenda and staff wellbeing agenda –** We have continued to embrace flexible working arrangements and realise the benefits from increased staff wellbeing and a lower carbon footprint. During the year we have launched an Environmental Strategy and we have strengthened our support and wellbeing offer to staff.
- **Business development –** We have increased the range of partners we work with to enable us to deliver a wider range of services to service users and commissioners, and to help specific infrastructure developments within the organisation. During the year we have successfully expanded and retained the contracts we wanted to keep.

The Housing division and the Charity overall operated at a loss for the year. As a result indicators 6, 7 and 8 in the value for money table show negative results. To address our ambition to raise our performance against these indicators our internal indicators to improve value for money include:

1. Securing better value for money from all property maintenance work that is undertaken
2. Reviewing Nacro's rental charges and aligning these closely with updated operating cost estimates
3. Ensuring optimum value is generated from Nacro's housing stock through reduced voids or property handbacks
4. Reviewing the operating cost of Nacro's service delivery models to take account of inflation related costs that cannot be recovered from commissioner approved contract uplifts
5. Reviewing the overall operating cost of the Charity to enable service to be delivered within the income envelopes that the Charity has to work within.

Return on assets and investments and use of reserves

We are focusing on setting appropriate rent charges and maximising the occupancy of our owned housing stock. This includes disposing of properties that are no longer fit-for-purpose and consolidating office bases to optimise the potential of the premises we operate from. We are continuing to modernise our ICT infrastructure to support efficient working practices and to deliver more flexible working options to enable staff to better deliver for the needs of those using our services.

Our physical asset base across the Charity is free from debt and we are able to internally fund investment programmes from existing cash reserves. Holding significant cash balances offers a limited yield so making carefully selected investments in our infrastructure and strategic projects give us a potential yield that will ensure the Charity remains sustainable in the longer term. We assess each investment against our strategic aims and undertake a cost/benefit review that combines an assessment of financial returns with the potential benefits that will accrue for our service user and learner communities.

Our approach to our social and environmental responsibilities is developed with those we support, as well as staff.

We have established procedures in place that support the central procurement of ICT related equipment, stationery, and furniture from single supplier contracts where purchasing benefits arising from economies of scale are achieved.

Reserves and liquidity policy

There has been a reduction of £1.0m in the overall value of the balance sheet during the year to 31 March 2023, the value of the balance sheet now stands at £10.1m.

Nacro's reserves policy was reset during the 2021/22 financial year to align reserve holding more closely to operating activity. Contract income makes up around 75% of Nacro's income profile. If a contract ends then a high proportion of expenditure commitments required to deliver that contract end almost immediately. To reflect this in the reserves policy, Trustees have taken account of known and potential balance sheet liabilities arising from the pension fund deficit, known lease commitments, expected housing repair costs, an estimate of the Charity's short term working capital commitments and overhead commitments. These factors are now used to determine reserve and liquidity targets. The Finance and Audit Committee have reviewed the workings in detail and recommended that a reserves target of £9.4m is appropriate for the Charity as at 31 March 2023.

As at 31 March 2023, reserves stood at £10.1m. Reserves are therefore £0.7m in excess of the target.

The Charity holds £9.9m in general reserves and £0.2m in restricted reserves.

It is the Charity's policy to hold all reserves in liquid assets. A deficit budget of £1.0m has been set for the 2023/24 financial year. The current financial plan indicates a breakeven position will be delivered during the 2025/26 financial year.

As at 31 March 2023, Nacro's cash and cash equivalent balances stood at £9.6m. Nacro's policy is to hold all free cash reserves in immediately available liquid assets.

Environmental Impact Statement

Streamlined Energy & Carbon Report (SECR)

Financial Year	1 April 2022 to 31 March 2023
Client Name	Nacro
Company No	203583
Registered Office	Walkden House, 16–17 Devonshire Square London EC2M 4SQ
Current Financial Year tCO2e	2,911
Current Financial Year kWh	15,300,691
Previous Financial Year tCO2e	3,114.00
Previous Financial Year kWh	16,235,851.28
Intensity Ratio (IR) used	42.39
Intensity Metric Current Financial Year	65.59
Intensity Metric Previous Financial Year	65.98
Emissions Factors Used	DEFRA 2021
Methodology Used	GHG Protocol
Emissions Scope	Scope 1 & 2
Emissions Included	Electricity, Natural Gas, Direct Mileage
Exclusion Statement	Some gas and electricity use has been estimated based on previous years consumption and pro-rata methods where it was not available through billing.

Energy Efficiency Statement	Nacro provides Housing, Education, Health and Justice services to beneficiaries across England and Wales. Nacro leases the majority of its 1,000 residential properties. We ensure that any new properties added to our portfolio has a minimum EPC rating of D and have plans to ensure that our existing properties also reach that rating. We work with landlords, agents and developers, during the leasing and acquisition stages, to assess whether any improvements can be made (such as to the heating systems or insulation) to improve energy efficiency measures. Our core electricity contract is procured through renewable/greener sources. COVID-19 has shown the resilience of Nacro rising to the challenge caused by the pandemic and our ability to adapt to new ways of working. There was a significant carbon reduction in 2020/21, particularly in travel, as a result of lockdowns and restrictions and, whilst travel has recovered in 2022/23, it is nowhere near the pre-pandemic levels. This is encouraging and demonstrates that behaviour change is possible and can attract support from our staff and service users. Only by working together will Nacro achieve its sustainability objectives, and we will seek suitable engagement to make the step change needed to address the climate crisis and play our part in delivering a better future. Nacro's Environmental Strategy sets out our environmental vision and goals, and enables action plans and various workstreams that are delivering measurable environmental improvements. We will continue to meet our legal obligations, develop sustainable and environmentally friendly services, and help stem the depletion of finite natural resources.
Report completed by	Sophie Adams
Quality Audit completed by	(EIC) Energy Intelligence Centre Limited, Company No 11899462
SECR Report completed by	(EIC) Energy Intelligence Centre Limited

Thanks and acknowledgements

With thanks to our funders and partners including:
Assetz Exchange
Barrow Cadbury Trust
BeNCH CRC
Berkshire NHS Foundation Trust
Big Lottery Fund
Birmingham City Council
Cambridgeshire & Peterborough Combined Authority
Carmarthenshire County Council/ Cyngor Sir Gaerfyrddin
Capita E-Source
Cleveland Police and Crime Commissioner
Clinks
Conwy County Borough Council/ Cyngor Bwrdeistref Sirol Conwy
Delta E-Source
Department of Health
Denbighshire County Council/ Cyngor Sir Ddinbych
Dudley Council
Education and Skills Funding Agency
East Riding of Yorkshire Council & Two Ridings Community Foundation
Education & Skills Funding Agency
Essex County Council
Essex CRC
European Social Fund
Flintshire County Council/Cyngor Sir Y Ffint
Forces in Mind Trust
The Forward Trust
Gwynedd Council/Cyngor Gwynedd GamCare
James Teather and Teather property Investments Ltd
LandAid
Lincolnshire County Council
Liverpool City Council
London Borough of Lambeth

London Borough of Wandsworth
London Borough of Westminster
Manchester City Council
Ministry of Justice
MTC Ltd
NHS England
Northamptonshire Police & Crime Commissioner
Nottingham City Council
Ormiston Families
Oxleas NHS Trust
People Plus
PACT
Peabody
Pembrokeshire County Council
Resonance – Social Investment
Sheffield City Council
Shelter
Sodexo
South Yorkshire CRC
St Mungo's
Staffordshire Police & Crime Commissioner
Stephen Lawrence Trust
Stockport Alliance
The Bridge (East Midlands)
The Privy Purse Charitable Fund
The Royal British Legion
Transform Foundation
Together for Mental Well-being
Wandsworth Borough Council
West Midlands Combined Authority
Welsh Assembly
Wolverhampton City Council
Wrexham County Council
YMCA Liverpool
YSS

Approved by the Trustees on 19th July 2023 and signed on their behalf by:

Nick Hardwick

Chair

Anne Frost

Vice-Chair

Independent auditor's report

Opinion

We have audited the financial statements of Nacro for the year ended 31 March 2023 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Reserves, Statement of Cashflow and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of Nacro's affairs as at 31 March 2023 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of Nacro in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Nacro'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.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The trustees are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the trustees' report, which includes the directors' report and the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the trustees' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of Nacro and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included within the trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- Nacro has not kept adequate accounting records; or
- Nacro's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Trustees

As explained more fully in the trustees' responsibilities statement set out on page 26, the trustees (who are also the directors of Nacro for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing Nacro'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 trustees either intend to liquidate Nacro or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our 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 an auditor's report that includes our 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.

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

We obtained an understanding of the legal and regulatory frameworks within which Nacro operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006, the Charities Act 2011, the Housing and Regeneration Act 2008, together with the Housing SORP. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to Nacro's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within Nacro for fraud. The laws and regulations we considered in this context for the UK operations were requirements imposed by the Regulator of Social Housing, health and safety, taxation and employment legislation.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of income and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management, internal audit and the Finance and Audit Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence, designing audit procedures over the timing of income and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify

it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

A further description of our 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 our auditor's report.

Use of our report

This report is made solely to Nacro's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to Nacro's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Nacro and Nacro's members as a body, for our audit work, for this report, or for the opinions we have formed.

Julia Poulter
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
55 Ludgate Hill
London EC4M 7JW

Date: 26th July 2023

Financial statements

Nacro - Statement of Comprehensive Income for the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Turnover	3	68,659	66,817
Operating expenditure	3	(69,971)	(65,762)
Operating (deficit) / surplus		(1,312)	1,055
Equalisation of guaranteed minimum pension scheme (GMP)	19	-	-
Operating (deficit) / surplus (including GMP)		(1,312)	1,055
(Loss) on disposal of property, plant and equipment	4	(9)	(216)
Interest and similar receivables	6	-	-
Interest and financing costs	7	(377)	(322)
(Deficit) / Surplus before tax	5	(1,698)	517
Taxation	10	-	-
(Deficit) / Surplus for the year		(1,698)	517
Actuarial gain in respect of pension schemes	19	695	1,881
Total comprehensive income for the year		(1,003)	2,398

All amounts relate to continuing activities.

The financial statements were approved by the Board on 19th July 2023 and were signed on its behalf by:

Chair NL Hardwick

Nick Hardwick (Jul 22, 2023, 11:36am)

Trustee Anne Frost

Anne Frost (Jul 23, 2023, 9:34am)

The notes on pages 54 to 75 form part of these financial statements.

Nacro Statement of Financial Position as at 31 March 2023

	Note	2023 £'000	2022 £'000
Non Current Assets			
Intangible assets	11	203	449
Housing properties	12	7,055	7,196
Other property, plant and equipment	13	14,501	14,803
		21,759	22,448
Current Assets			
Debtors	14	7,621	6,859
Cash and cash equivalents		9,927	11,515
		17,548	18,374
Creditors: Amounts falling due within one year	15	11,073	10,606
Net current assets		6,475	7,768
Total assets less current liabilities		28,234	30,216
Creditors: Amounts falling due after more than one year	16	3,783	3,951
Provisions			
Defined benefit obligations	19	13,631	14,499
Other provisions	18	741	684
Total net assets		10,079	11,082
Capital and reserves			
Revenue reserve		9,875	10,878
Restricted reserve		204	204
Total reserves		10,079	11,082

The financial statements were approved by the Board on 19th July 2023 and were signed on its behalf by:

Chair NL Hardwick

Nick Hardwick (Jul 22, 2023, 11:36am)

Trustee Anne Frost

Anne Frost (Jul 23, 2023, 9:34am)

The notes on pages 54 to 75 form part of these financial statements.

Nacro Company number 00203583.

Nacro - Statement of changes in reserves for the year ended 31 March 2023

	Revenue reserve £'000	Restricted reserve £'000	Total £'000
Balance as at 1 April 2022	10,878	204	11,082
Surplus for the year	(1,698)	-	(1,698)
Other comprehensive income for the year	695	-	695
Total comprehensive income for the year	(1,003)	-	(1,003)
Balance at 31 March 2023	9,875	204	10,079

	Revenue reserve £'000	Restricted reserve £'000	Total £'000
Balance as at 1 April 2021	8,480	204	8,684
Surplus for the year	517	-	517
Other comprehensive income for the year	1,881	-	1,881
Total comprehensive income for the year	2,398	-	2,398
Balance at 31 March 2022	10,878	204	11,082

The notes on pages 54 to 75 form part of these financial statements.

Nacro - Statement of Cashflow
for the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Net cash generated from operating activities	20	(1,277)	1,152
Cash flows from investing activities			
Purchase of housing property components		-	(213)
Purchase of other property, plant and equipment		(311)	(198)
Purchase of intangible assets		-	(392)
Proceeds from sale of housing properties		-	223
Interest received		-	-
Total cash utilised in investing activities		(311)	(580)
Net change in cash and cash equivalents		(1,588)	572
Cash and cash equivalents at beginning of year		11,515	10,943
Cash and cash equivalents at end of year		9,927	11,515

The notes on pages 54 to 75 form part of these financial statements.

Nacro – NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2023

1 Legal Status

Nacro is a private company limited by guarantee under the Companies Act 2006, incorporated in England and is a registered housing provider and a registered charity. The address of its registered office is as disclosed on page 11 of the annual report.

2 Accounting policies

The principal accounting policies are recognised below. They have been applied consistently throughout the year and to the preceding year.

Basis of accounting
The financial statements have been prepared under the historical cost convention on an accruals basis, modified to include certain items at fair value, in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing. Nacro is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs prefixed 'PBE' in FRS 102.

The financial statements are presented in sterling (£).

Going Concern
Nacro's business activities, its current financial position and factors likely to affect its future development are set out within the Annual Report.

The Trustees have a reasonable expectation that Nacro has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Turnover
Turnover represents rent and service charges receivable (net of rent and service charge losses from voids), grants from local authorities and charitable fees and donations.

Rental income is recognised on an accruals basis and recognised when the property is available for let, net of voids. Service charge income is recognised when expenditure is incurred as this is considered to be the point at which the service has been performed and the revenue recognition criteria met.

Grant income is recognised in the financial statements when the conditions for receipt of the grants have been fulfilled and Nacro becomes entitled to payment. Where a grant is received relating to a future accounting period, the Statement of Comprehensive Income shows the gross amount receivable reduced by the movement in the amount deferred to future accounting periods. Deferred grant income at the year end is included in creditors.

Charitable fees and donations are credited as income in the year in which they were receivable.

Financial instruments
Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historic cost model.

Basic financial instruments are recognised at amortised historical cost.

Debtors
Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Where deferral of payment terms has been agreed at below market rate, and where material, the balance is shown at the present value, discounted at a market rate.

Creditors
Short term trade creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Employee Benefits
Defined contribution scheme
Nacro participates in a defined contribution stakeholder scheme. Employer contributions payable to the scheme are charged to the Statement of Comprehensive Income during the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

Defined benefit scheme.
The Nacro Staff Benefits Plan closed to new entrants from 1 December 1998 and for future accruals from 31 March 2006. The net interest cost on the net defined benefit liability is charged to revenue and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the company, in separate Pension Trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained triennially and are updated at each Statement of Financial Position date.

Housing properties
Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the cost of acquiring land and buildings, directly attributable development costs and interest charges incurred during the development period.

Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value, on a straight line basis, over their useful economic lives. Depreciation is charged in the year of acquisition. Freehold land is not depreciated.

Major components of housing properties, which have significantly different patterns of consumption of economic benefits, are treated as separate assets and depreciated over their expected useful economic lives at the following annual rates:

Structure	80 years
Roofs	50 years
Windows	25 years
Kitchens	20 years
Bathrooms	30 years
Boilers	15 years
Heating systems	30 years
Electrics	30 years

Properties held on long leases are depreciated over their estimated useful economic lives or the lease duration if shorter.

Improvements
Where there are improvements to housing properties that are expected to provide incremental future benefits, these are recognised and added to the carrying amount of the property. Any works to housing properties which neither replace a component nor result in an incremental future benefit are charged as expenditure in the Statement of Comprehensive Income.

Leaseholders
Where the rights and obligations for improving a housing property reside with the leaseholder or tenant, any works to improve such properties incurred by Nacro is recharged to the leaseholder and recognised in the Statement of Comprehensive Income along with the corresponding income from the leaseholder or tenant.

Donation or acquisition of land or other asset at below market value
Where a donation of land and/or other assets is received or land and/or other assets are acquired at below market value from a government source, this is accounted for as a non-monetary government grant. The difference between the fair value of the asset donated or acquired and the consideration paid for the asset is recognised as a government grant and included in the Statement of Financial Position as a liability.

Where Nacro receives a donation of land and/or other assets or acquires such assets below their market value from a third party that does not meet the definition of a government source as set out in the Housing SORP, then the transaction is accounted for as a non-exchange transaction. The assets acquired are recognised in the statement of financial position at fair value. The income, equivalent to the difference between any amounts paid or payable for the assets and the fair value of the assets, is recognised in the statement of comprehensive income as a donation when future performance-related conditions are met.

Assets held for sale
Assets held for sale consists of properties or other assets that are surplus to the requirement of the business and not held for use in the business.

Property assets held for sale are subject to a charity valuation by a qualified and experienced external surveyor and held at this value, any change in valuation is recognised in the Statement of Comprehensive Income.

Social Housing Grant and other Government grants
Government grants include grants receivable from government agencies such as Homes England, local authorities, devolved government agencies, health authorities and the European Commission. Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model.

Grants relating to revenue are recognised in income on a systematic basis over the period in which related costs for which the grant is intended to compensate are recognised. Where a grant is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs, it is recognised as revenue in the period in which it becomes receivable.

Grants due from government organisations or received in advance are included as current assets or liabilities.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with Homes England. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors.

Other Grants
Grants received from non-government sources are recognised as revenue using the performance model.

Recycling of grants
Where there is a requirement to either repay or recycle a grant received for an asset that has been disposed of, a provision is included in the Statement of Financial Position to recognise this obligation as a liability. When approval is received from the funding body to use the grant for a specific development, the amount previously recognised as a provision for the recycling of the grant is reclassified as a creditor in the Statement of Financial Position.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, any unamortised grant remaining within liabilities in the Statement of Financial Position related to this asset is recognised as a liability and recognised as revenue in the Statement of Comprehensive Income.

Impairment assessment of a cash-generating unit
Where there are indicators of impairment of tangible assets; factors taken into consideration in reaching such a decision include the economic viability and expected future performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Impairment of social housing properties
An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the Statement of Comprehensive Income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measurement model.

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and included in the Statement of Comprehensive Income.

Other property, plant and equipment
Other property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Depreciation is charged on all non-housing property, plant and equipment, other than investment properties and freehold land so as to write down the net book value to their residual value, on a straight line basis, over their useful economic lives, as follows:

Other Freehold premises	34 – 60 years
Freehold premises components	4 – 30 years
Leasehold land and buildings	5 years
Furniture, fixtures & fittings	4 years
Other equipment	4 years
Vehicles	4 – 10 years
Computer hardware	2 – 4 years

Other freehold premises are treated as housing properties which have different patterns of consumption of economic benefit and treated as separate assets. The same asset lives are used as for housing properties.

Intangible assets
Intangible assets are stated at historic cost or valuation, less accumulated recognised and any provision for impairment. Amortisation is charged to operating expenditure in the Statement of Comprehensive Income. Amortisation is provided on all intangible assets at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life, as follows:

Computer software	2 – 4 years

Leases
An assessment is made at inception of an agreement that transfers the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Operating leased assets
Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

Payments under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Provisions for liabilities
Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event; it is probable the obligation will have to be settled; and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the Statement of Comprehensive Income in the period it arises.

Financial provision is made for the cost of annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

Restricted reserves
Where reserves are subject to an external restriction they are separately recognised within reserves as a restricted reserve. Revenue and expenditure is included in the Statement of Comprehensive Income and a transfer is made from the general reserve to the restricted reserve.

Significant management judgements and key sources of estimation uncertainty
The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the

circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant management judgements
The following are management judgements in applying the accounting policies of Nacro that have the most significant effect on the amounts recognised in the financial statements.

Impairment of social housing properties
The Trustees have to make an assessment as to whether an indicator of impairment in value of social housing properties exists. In making the judgement, management consider the detailed criteria set out in the SORP. The conclusion of the Trustees is that there are no indicators of impairment.

Estimation uncertainty
Estimates and assumptions are made concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Provisions
Provision is made for dilapidations. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

Recoverability of rent arrears
Nacro makes an estimate of the recoverable value of rent arrears. When assessing impairment of rent arrears, management consider factors including the ageing profile of the rental debtors and historical experience.

Defined benefit pension scheme
Nacro has obligations to pay pension benefits to certain employees and former employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Based on advice received from Actuaries, management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

Useful lives of depreciable assets
Management reviews its estimates of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components.

Termination Benefits
Redundancy costs (termination benefits) are recognised as an immediate cost and charged to the SOFA on a demonstrable commitment to termination, with provision for future redundancy costs measured at a best estimate of the expenditure that would be required to settle the obligation at the reporting date.

3A Particulars of turnover, operating costs and operating surplus.

	2023		
	Turnover	Operating costs	Operating surplus/ (deficit)
Social housing activity	£'000	£'000	£'000
Social housing lettings (Note 3B)	6,385	(6,689)	(304)
Other social housing activities			
Charges for support services	12,075	(11,030)	1,045
Sub-total	18,460	(17,719)	741
Activities other than social housing			
Non-social housing and related support services	26,754	(27,822)	(1,068)
Education centre provision	13,539	(15,097)	(1,558)
Justice services	4,640	(4,194)	446
Health services	5,266	(5,139)	127
Sub-total	50,199	(52,252)	(2,053)
Total	68,659	(69,971)	(1,312)

	2022		
	Turnover	Operating costs	Operating surplus/ (deficit)
Social housing activity	£'000	£'000	£'000
Social housing lettings (Note 3B)	6,877	(7,092)	(215)
Other social housing activities			
Charges for support services	6,974	(5,624)	1,350
Sub-total	13,851	(12,716)	1,135
Activities other than social housing			
Non-social housing and related support services	28,387	(28,003)	384
Education centre provision	14,609	(16,221)	(1,612)
Justice services	4,642	(3,701)	941
Health services	5,328	(5,121)	207
Sub-total	52,966	(53,046)	(80)
Total	66,817	(65,762)	1,055

3B Social Housing Lettings

Income	General Needs Housing	Supported Housing	2023 Total	2022 Total
	£'000	£'000	£'000	£'000
Rents receivable net of identifiable service charges	879	1,441	2,320	2,810
Service charge income	970	2,899	3,869	3,491
Amortised government grants	67	129	196	576
Turnover from social housing lettings	1,916	4,469	6,385	6,877
Operating expenditure				
Management	(818)	(1,676)	(2,494)	(2,862)
Service charge costs	(148)	(1,024)	(1,172)	(1,420)
Lease expenditure	(500)	(964)	(1,464)	(1,638)
Property costs	(161)	(91)	(252)	(856)
Routine maintenance	(286)	(728)	(1,014)	(32)
Bad debts	(23)	(113)	(136)	(128)
Depreciation of housing properties	(78)	(79)	(157)	(156)
Expenditure from social housing lettings	(2,014)	(4,675)	(6,689)	(7,092)
Operating deficit housing lettings	(98)	(206)	(304)	(215)
Total void losses including service charges	158	676	834	1,044

4 Gain/(Loss) on disposal of property and equipment

	2023 £'000	2022 £'000
(Loss)/Gain on disposal of property and equipment	(9)	(216)
	(9)	(216)

5 Surplus for the year before taxation

Surplus for the year before taxation is stated after charging/(crediting):

	2023 £'000	2022 £'000
Depreciation of housing properties	141	164
Depreciation of other property, plant and equipment	613	686
Amortisation of intangible assets	237	115
Amortisation of Government grants	(199)	(594)
Loss on disposal of fixed assets	9	216
Audit fees:		
- statutory audit	51	42
- audit-related assurance services	91	48
Operating lease rentals	12,317	11,806
Education Tuition Fund	(68)	(344)

6 Interest receivable

	2023 £'000	2022 £'000
Bank interest receivable	-	-
	-	-

7 Interest and financing costs

	2023 £'000	2022 £'000
Net interest payable on defined benefit pension liability	(377)	(322)

8 Staff costs

	2023 £'000	2022 £'000
Wages and salaries	22,447	21,874
Social security costs	2,121	1,971
Other pension costs	662	748
Redundancy Costs	150	206
Agency Costs	3,373	2,978
	28,753	27,777

The number of staff who received emoluments, including pension contribution, in excess of £60,000 is as shown below:

Salary Band	2023	2022
60,000 – 69,999	12	10
70,000 – 79,999	7	6
80,000 – 89,999	2	1
90,000 – 99,999	0	1
100,000 – 109,999	0	0
110,000 – 119,999	0	1
120,000 – 129,999	1	0
130,000 – 139,999	0	0
140,000 – 149,999	0	0
150,000 – 159,999	0	0
160,000 – 169,999	0	1
170,000 – 179,999	1	0

The average full-time equivalent number of employees over the 12-month period was:
(calculated based on standard working week of 40 hours)

	2023	2022
Service delivery	655	707
Management and administration	100	94
	755	801

9 Executive remuneration

	2023 £'000	2022 £'000
Wages and salaries (including social security costs)	733	684
Pension costs	19	18
	752	702

Executive remuneration is defined as being for members of the Board, the Chief Executive and the Executive Leadership Team.

The number of Executive Management in the defined contribution scheme as at the end of March 2023 was 7 (2022:6)

Remuneration of the Chief Executive

	2023 £'000	2022 £'000
Emoluments	172	160
Pension contributions	5	5

The Chief Executive is an ordinary member of the pension scheme. No enhanced or special terms apply.

No Board member or person related or connected to them received any remuneration from Nacro during the year. During the year expenses relating to travel were reimbursed or paid on behalf of Board members amounting to £4,554 for 10 members (2022: £1,687 to 4 members).

10 Taxation status

Nacro has charitable status and its sources of income are exempt from income and corporation tax provided that they are applied for charitable purposes.

11 Intangible fixed assets

	Computer software
Cost	£'000
At 1 April 2022	851
Additions	-
Disposals	(124)
As at 31 March 2023	727
Amortisation	
At 1 April 2022	(402)
Charge for the year	(237)
Eliminated on disposal	115
As at 31 March 2023	(524)
Net book value	
As at 31 March 2023	203
As at 31 March 2022	449

12 Housing properties

	General Needs	Supported Housing	Total
Cost	£'000	£'000	£'000
At 1 April 2022	263	11,134	11,397
Additions	-	-	-
Disposals	-	-	-
At 31 March 2023	263	11,134	11,397
Depreciation			
At 1 April 2022	(60)	(4,141)	(4,201)
Charge for the year	(5)	(136)	(141)
Eliminated on disposals	-	-	-
At 31 March 2023	(65)	(4,277)	(4,342)
Net book value			
As at 31 March 2023	198	6,857	7,055
As at 31 March 2022	203	6,993	7,196

13 Other property, plant and equipment

	Freehold	Long/short leasehold	Equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 April 2022	16,796	547	1,241	178	18,762
Additions	-	228	83	-	311
Disposals	-	(69)	(418)	-	(487)
As at 31 March 2023	16,796	706	906	178	18,586
Depreciation					
At 1 April 2022	(2,429)	(317)	(1,035)	(178)	(3,959)
Charge for the year	(398)	(83)	(132)	-	(613)
Eliminated on disposal	-	69	418	-	487
As at 31 March 2023	(2,827)	(331)	(749)	(178)	(4,085)
Net book value					
As at 31 March 2023	13,969	375	157	-	14,501
As at 31 March 2022	14,367	230	206	-	14,803

14 Debtors

Amounts falling due within one year:	2023 £'000	2022 £'000
Rent arrears	2,390	1,833
Provision for bad debts	(450)	(407)
Net Rent Arrears	1,940	1,426
Trade debtors	1,518	2,252
Other Debtors	190	212
Prepayments and accrued income	3,973	2,969
	7,621	6,859

15 Creditors

Amounts falling due within one year:	2023 £'000	2022 £'000
Trade creditors	2,714	2,099
Corporation tax	-	-
Other taxation and social security	1,026	961
Other creditors	202	693
Deferred income, grants and grants repayable	2,831	3,746
Accruals	4,110	2,886
SHG under 1 year deferred grant (note 17)	190	221
	11,073	10,606

16 Creditors

Amounts falling due after more than one year:	2023 £'000	2022 £'000
Financial assistance - deferred grants (note 17)	3,777	3,945
Financial assistance - recycled capital grant fund	6	6
	3,783	3,951

17 Financial assistance and other government grants (Deferred income grant)

Deferred income - government grants	2023 £'000	2022 £'000
As at 1 April 2022	4,166	4,579
Amortisation to Statement of Comprehensive Income	(199)	(594)
Grant addition	-	181
As at 31 March 2023	3,967	4,166
Amounts to be released within one year	190	221
Amounts due to be released in more than one year	3,777	3,945
	3,967	4,166

The total value of grants received by Nacro is £8,795,258 (2022: £8,795,258).

Recycled Capital Grant Fund

	2023 £'000	2022 £'000
As at 1 April 2022	6	6
Recycling of grant	-	-
As at 31 March 2023	6	6

The recycled capital grant is in respect of 2 housing property disposals in 2017/18 and is shown in note 16.

18 Provisions

	Dilapidations £'000	Total £'000
As at 1 April 2022	684	684
Released	(97)	(97)
Increase	154	154
As at 31 March 2023	741	741

19 Retirement benefit schemes

Defined contribution scheme

Nacro operates defined contribution retirement benefit schemes for qualifying employees. The total expense charged to the Statement of Comprehensive Income in the period ended 31 March 2023 was £662,384 (2022: £748,363).

Defined benefit scheme

Characteristics and risks associated with the Plan

Nacro operates the Nacro Staff Benefits Plan ("the Plan"). The Plan provides pensions in retirement and death benefits to members. Pension benefits are linked to a member's final salary at retirement and their length of service. Since 31 March 2006 the Plan has been closed to future accrual.

The Plan is a registered scheme under UK legislation and was contracted out of the State Second Pension until its closure.

The Plan is subject to the scheme funding requirements outlined in UK legislation.

The Plan was established from 31 May 1986 under trust and is governed by the Plan's third definitive deed and rules dated 23 May 2011. The Pension Trustees are responsible for the operation and the governance of the Plan, including making decisions regarding the Plan's funding and investment strategy in conjunction with the Company.

Under clause 21 of the Plan's third definitive deed and rules dated 23 May 2011, the Company does not have an unconditional right to a refund of any surplus in the Plan if the Plan winds up. However, since the Plan is in deficit, and this deficit exceeds the value of future contributions due under the current recovery plan, there is no additional liability recognised on the balance sheet as a result of the Plan's recovery plan.

The Plan exposes the Company to actuarial risks such as; market (investment) risk, interest rate risk, inflation risks, currency risk and longevity risk.

The Plan does not expose the Company to any unusual Plan-specific or Company-specific risks.

No allowance has been made for any curtailment or settlement during the accounting period.

Amount, timing and uncertainty of future cashflows.

The Pension Trustees hold a proportion of the Plan's assets in gilts and index-linked gilts to provide some degree of matching with the Plan's liabilities (with the latter providing a degree of price inflation matching with the Plan's liabilities).

The Plan also holds annuity contracts in respect of the majority of pensions in payment which provide protection against future changes in respect of post retirement market risk, inflation risk and longevity risk in respect of these members.

19 Retirement benefit schemes - cont

The Plan's investment strategy is to invest broadly 90% of non-annuity investments in return seeking assets and the remaining 10% in matching assets (mainly government bonds). This strategy reflects the Plan's liability profile and the Pension Trustees' and Company's attitude to risk.

The Plan's non-annuity investments include interest rate and inflation hedging. The Plan also holds a number of annuity policies which approximately match the majority of the pensions in payment.

The last scheme funding valuation of the Plan was as at 31 March 2020 ("the 2020 valuation") and revealed a funding deficit of £16.0m. Under the current schedule of contributions, the Company has agreed to pay deficit reduction contributions. These deficit reduction contributions are set out in the payment schedule agreed as part of each tri-annual valuation. The expenses of running the Plan, as well as statutory levies, are to be met directly by the Company.

The Company has paid £550,000 in deficit reduction contributions in respect of the current accounting period.

The liabilities of the Plan are based on the current value of expected benefit payment cash-flows to members of the Plan over the next 50 years. The average duration of the liabilities is approximately 14 years.

The value of the liabilities at the reporting date have been estimated by updating the results of the 2020 valuation to allow for the passage of time, benefits paid out of the Plan and changes in actuarial assumptions over the period from 31 March 2020 to 31 March 2023. Allowance has also been made for actual inflation experience and known transfers out and trivial commutations over the period. Such an approach is common for the purposes of accounting disclosures. It is not expected that these projections will be materially different from a summation of individual calculations at the accounting date, although there may be some discrepancy between the actual liabilities for the Plan at the accounting date and those included in the disclosures.

Principal Actuarial Assumptions

A full actuarial valuation of the Plan was carried out as at 31 March 2020 and has been updated to 31 March 2023 by a qualified actuary. The major assumptions used by the actuary were (in nominal terms) as follows

	2023	2022
Discount rate	4.75%	2.65%
Inflation assumption (RPI)	3.35%	4.05%
Inflation assumption (CPI)	2.85%	3.15%
Future revaluation of pensions in deferment	2.85%	3.15%
Pension increases in payment (liabilities) :		
CPI max 5%	2.80%	3.05%
CPI max 3%	2.40%	2.45%
CPI max 2.5%	2.15%	2.15%
Pension increases in payment (insured asset) :		
RPI max 5%	3.25%	3.80%
RPI max 3%	2.60%	2.75%
RPI max 2.5%	2.30%	2.35%

19 Retirement benefit schemes - cont

Assumed life expectancies on retirement at age 65

	2023	2022
Retiring today – Females	23.3	22.9
Retiring today – Males	20.9	20.4
Retiring in 20 years: Females	24.4	24.1
Retiring in 20 years: Males	21.8	21.3

The assets in the plan were

	2023 £'000	2022 £'000
Equity, property and other	23,833	21,211
Gilts and other government debt	1,590	14,206
Annuities	6,839	8,148
Cash and net current assets	494	2,714
Fair value of Plan assets	32,756	46,279
The actual return on assets over the period was:	(11,229)	(393)
Present value of funded obligations	(46,387)	(60,778)
Fair value of Plan assets	32,756	46,279
Deficit in funded scheme	(13,631)	(14,499)
Present value of unfunded obligations	-	-
Unrecognised actuarial gains / (losses)	-	-
(Irrecoverable surplus)	-	-
Net liability in Statement of Financial Position	(13,631)	(14,499)

19 Retirement benefit schemes - cont

Reconciliation of opening and closing balances of the present value of the deferred benefit obligation

	2023 £'000	2022 £'000
Benefit obligation at beginning of year	60,778	65,536
Plan administration cost	-	-
Interest cost	1,573	1,251
Contributions by plan participants	-	-
Actuarial (gains) / losses	(13,120)	(3,203)
Benefits paid	(2,844)	(2,806)
Past service cost	-	-
Benefit obligation at end of year	46,387	60,778

Reconciliation of opening and closing balances of the fair value of Plan assets

	2023 £'000	2022 £'000
Fair value of Plan assets at beginning of year	46,279	48,578
Interest income on Plan assets	1,196	929
Return on assets, excluding interest income	(12,425)	(1,322)
Contributions by employer	550	900
Contributions by Plan participants	-	-
Benefits paid	(2,844)	(2,806)
Plan administration cost	-	-
Fair value of Plan assets at end of year	32,756	46,279

The amounts recognised in Statement of Comprehensive Income

	2023 £'000	2022 £'000
Service cost - including current and past service costs and Settlements	-	-
Plan administrative costs	-	-
Net interest on the net defined liability	377	322
	377	322

19 Retirement benefit schemes - cont

Remeasurement of the net defined benefit liability (asset) shown in the Statement of Comprehensive Income

	2023 £'000	2022 £'000
Actuarial (gains) / losses on the liabilities	(13,120)	(3,203)
Return on assets, excluding interest income	12,425	1,322
Total remeasurement of the net defined liability (asset)	(695)	(1,881)

Estimation of next period's profit or loss	2024 £'000
Service cost - including current and past service costs and settlements	-
Plan administrative costs	-
Net interest on the net defined liability	631
Total expense	631

20 Cashflow from operating activities

	2023 £'000	2022 £'000
(Deficit) / Surplus for the year	(1,698)	517
Adjustment for non-cash items:		
Depreciation of housing properties	141	164
Depreciation of other property, plant and equipment	613	686
Amortisation of intangible assets	237	115
Loss on disposal of assets	9	216
(Increase) / Decrease in debtors	(762)	(1,259)
Increase / (Decrease) in creditors	467	1,726
Increase / (Decrease) in provisions	57	59
Intangible asset prior periods corrections	-	-
Pension costs less contributions payable	(550)	(900)
Accrued pension payment	31	100
Amortisation of SHG	(199)	(594)
Interest payable	377	322
Net cash generated from operating activities	(1,277)	1,152

21 Capital commitments

There were no capital commitments at the year-end (2022: £112k).

22 Leasing Commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2023 £'000	2022 £'000
Leases expiring:-		
- within one year	4,088	1,369
- between one and five years	3,159	1,605
- after five years	2,186	3,823
	9,433	6,797

23 Financial assets and liabilities

Financial assets

	2023	2022
	£'000	£'000
Financial assets measured at undiscounted amount receivable	3,648	3,890
Bank deposits	9,927	11,515
Total	13,575	15,405

Financial Instruments on which no interest is earned include short-term debtors. No investments were held by the company during the year. No interest or gains are recognised on financial assets recognised at undiscounted amounts receivable.

Financial liabilities

	2023	2022
	£'000	£'000
Financial liabilities measured at undiscounted amount payable	2,916	2,792

The company's financial liabilities are sterling denominated. There is no exposure to interest rate risk.

24 Accommodation in management and development

	2023	2022
Owned units	225	225
Units under management	2,000	2,145
Total units	2,225	2,370

Within the total units, 608 units met the regulated definition of social housing (2022 - 647) and 1,617 units were outside the regulated definition (2022 - 1,723).

NACRO

England & Wales - Charity number 226171

Accounts

Nacro

ANNUAL REPORT

for the year ended 31 March 2022

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Who we are

We are a national social justice charity with more than 50 years' experience of changing lives, building stronger communities and reducing crime.

We house, we educate, we support, we advise and we speak out for and with disadvantaged young people and adults.

We are passionate about changing lives.

We never give up.

Our vision

A socially just country where people feel safe, are supported to reach their aspirations and communities are crime free.

Our mission

We deliver social justice by positively changing lives, strengthening communities and preventing crime.

Our values

We focus on outcomes

We work effectively to deliver the right results. We support people to achieve meaningful outcomes.

We are courageous

We have bold aims which we are determined to achieve. We seize opportunities and deliver results.

We are inspiring

We motivate and inspire people to reach their full potential and aspirations. We encourage people to think differently.

We are reliable

We keep our promises. We provide consistent support and we stick with people.

We are proud

We celebrate the collective strength that our diversity brings.

We promote, celebrate and share the achievements of our team ahead of our own.

Why our work is needed

It is clear that the long-term impact of the pandemic is likely to create a widening of social and economic inequalities, impacting hardest those who are already the most disadvantaged. Increased food costs and energy bills will inevitably push more individuals and families into poverty, which makes it that much harder for people to achieve their full potential. We already know that some of the most vulnerable members of our society do not get the help and support they need in order to thrive, and so our work is more vital than ever before.

England and Wales has one of the highest rates of imprisonment in Western Europe, with **79,744** people held in prisons and young offender institutions at the end of March 2022. As court backlogs are tackled and the impact of the legislative changes which will send more people to prison for longer are felt, the prison population is likely to increase significantly, and is predicted to reach **98,700** by September 2026. And yet we know that imprisonment has little deterrent effect and reoffending rates remain stubbornly high, with 57.5% of adults released from custodial sentences of less than 12 months going on to reoffend within a year. Overcrowding, self-harm and suicides and assault remain a significant issue, and the impact of the extended periods of isolation and inactivity resulting from the ongoing restricted regimes in prisons will be felt for years to come. We know that imprisonment often strips away those things which are most likely to support people to move on with their lives and away from crime: a job, somewhere to live, and support from family and community. And yet successive governments continue to imprison more people for longer periods, at enormous financial and societal cost.

Homelessness continues to be high. According to Shelter, **273,000** people were living in temporary accommodation, sleeping rough or in a hostel in England in December 2021. That figure includes **126,000** children. We know that a lot of homelessness goes undocumented, including sofa-surfing and some rough sleeping, which means the true level of homelessness is even higher.

The Government's 'Everyone In' scheme, the eviction ban, and the boost to Universal Credit played a vital role in reducing homelessness and keeping people in their homes during the pandemic. Now these protections have gone and living costs are spiralling, there is a risk that thousands of people will lose their homes. We need to move from constant crisis control and ensure that long-term and sustainable solutions are provided that prevent homelessness in the first place as well as provide solutions when homeless occurs.

The mainstream education system continues to fail too many young people whose specific needs are not being met. Too many young people are being held back from achieving their potential, unable to gain the skills that they need to achieve what they want with their lives – a situation that the pandemic has further exposed and exacerbated.

Much debate about education policy and post-COVID recovery has been focused on school-age children. Less emphasis has been placed on the needs of 16–19 year olds and the final years of compulsory participation in education. For this age group, there is a clear and significant attainment gap between those from disadvantaged backgrounds when compared with their better-off peers.

The knock-on effect of poor educational attainment is really damaging – people with no qualifications are far more likely to spend time not in employment, education or training.

We know that poor mental health, inadequate education, drug and alcohol addiction, a low income, and a lack of affordable and secure housing all contribute to a life of hardship and, sometimes, chaos that can be very hard to change.

We continue to do everything we can to offer support, stability and guidance, enabling people to open doors that were previously closed to them. We know that most people who come to us for help have a range of issues, not just one. We also know that, with the right support and guidance, people can be empowered to turn their lives around and move on to a future of success and independence.

Message from the Chair

This has been another year of change, of challenges and unprecedented social upheaval for many of the most vulnerable in our society. One of the vitally important sources of assistance has been regular and friendly contact with a Nacro support worker or tutor, who have been focused on ensuring that they did everything they could to nourish and encourage them through the dark times, and to focus on the opportunities that can arise as things begin to change for the better. On behalf of all of the Trustees, I wish to thank the staff for everything they have, and continue to do. They are the essence of Nacro and the reason for its continuing success.

In the past year, the Nacro Council and the senior management have worked closely with staff, service users and partners to develop and agree a new Three Year Strategy for the organisation, which will be launched in the summer of 2022. It is a strategy which makes a clear choice to prioritise those we help and those that work for us. It has a clear focus on building on our strengths, delivering better outcomes for our service users and learners, making the case for change in the wider world and building a truly diverse and inclusive organisation with its service users and learners at the heart of everything it does.

The strategy is built on the solid financial foundations that we have been able to develop in recent times. We are proud to have retained significant housing contracts in Essex and Lincoln and the new Community Accommodation Service Tier-2 (CAS-2) contract from the Ministry of Justice in the face of strong competition. These are testament to the strong management and excellent outcomes that Nacro can deliver.

We have also made a real impact with our campaigning work, winning an increase in the discharge grant for people leaving prison and putting forward a powerful case to remove the barriers to learning many young people from disadvantaged backgrounds face, including the need to protect Level 2 qualifications which are vital for so many. We are taking what we learn every day and using it bring about lasting change, thus making a real difference to the lives of those we support. We are pleased to be able to invest in a pay award at a time of financial strain for our staff and in new systems and equipment in our offices and the homes we provide for our tenants.

After seven years, I have reached the end of my term as Chair of the Nacro Council of Trustees. It has been a real pleasure and an honour to serve some of the most disadvantaged people in our society through Nacro and to see how it enables them to have a second chance and to flourish as a result of their efforts and our work. It is a sign of a good and decent society when everyone can reach their potential, and an ambition never to be forgotten. The support of a talented and committed Board has also been invaluable and a personally enriching experience working with so many talents.

I am delighted to welcome Professor Nick Hardwick as my replacement. We also welcome Amanda Dickens to the Council. It has been a privilege to be part of the Nacro family since 2015 and I know that I am leaving it with a clear strategy, a diverse and strong governing Council, excellent management and brilliant staff and a healthy financial position. I am confident that it will continue to go from strength to strength, working alongside those who really do deserve that second chance.

Nigel Chapman.

Nigel Chapman CMG

Message from our CEO

“If you are still breathing” says Oprah Winfrey, “you have a second chance”. I can’t think of a better way to describe what I have seen across our services and in our staff in the last year. A relentless belief that people should not be judged, that corners can be turned, relationships repaired, homes and jobs found and kept, failed exams passed and that happiness should be available to all. Despite the ongoing turmoil caused by COVID, we have continued to deliver support and learning to some of the most vulnerable and excluded people in society and supported thousands of people to put their lives back on track.

We don’t stop there though. We have taken what we learned from these experiences and campaigned for real change, from an increase to the discharge grant for prisoners, to a major campaign to close the education disadvantage gap and in support of Level 2 qualifications. We have put the voices of those we work with into the national debate. We are also building stronger foundations for Nacro’s future, investing in our staff and systems, putting equality and diversity at the heart of everything we do and putting environmental sustainability at the core of our thinking. We are proud that this work is being recognised by partners and commissioners and we are delighted to have retained significant contracts, such as our partnership in Essex as well as new work in the reformed probation service.

As well as thanking our volunteers, staff and partners I want to pay a special thank you to our outgoing Chair, Nigel Chapman. He has guided the Council and the organisation through some very challenging times with a focus, perspective and humour that leaves the organisation in a very much better place than when he joined.

Campbell Robb

Council members and professional advisers

Trustees
Nigel Chapman CMG, Chair
Ron Crank MBE, Vice Chair
Andrew Billany
Jenni Douglas Todd
(Resigned October 2021)
Lynn Emslie
Anne Frost
David Hanson
Tabitha Kasseem
Farrah Malik
Katie Martin
Victor Olisa
Neil Spence

Treasurer
Neil Spence

Chief Executive Officer
Campbell Robb

Company Secretary
Rocco Zitola

Registered Office
Walkden House
16-17 Devonshire Square
London EC2M 4SQ

Charity number
226171

Regulator of Social Housing number
4781

Company number
00203583

Bankers
National Westminster Bank Plc
Cavell House
PO Box 113
2A Charing Cross Road
London WC2H 0PD

Auditors
Crowe U.K. LLP
2nd Floor
55 Ludgate Hill
London EC4M 7JW

Solicitors
Devonshires Solicitors LLP
30 Finsbury Circus
London EC2M 7DT

Pension consultants
XPS Pensions Group
Phoenix House
1 Station Hill
Reading RG1 1NB

Information correct at 20th July 2022.

Trustee Attendance Record 2021/22

	1	2	3	4
Nigel Chapman CMG	**4** of **4**	**4** of **4**	**4** of **5**	**4** of **5**
Andrew Billany	**4** of **4**	**4** of **4**	-	-
Ron Crank MBE	**4** of **4**	**4** of **4**	**4** of **5**	**5** of **5**
Lynn Emslie	**4** of **4**	**4** of **4**	-	-
Anne Frost	**4** of **4**	**4** of **4**	-	-
David Hanson	**4** of **4**	-	**3** of **5**	-
Tabitha Kasseem	**4** of **4**	**4** of **4**	-	**5** of **5**
Farrah Malik	**3** of **4**	-	**4** of **5**	-
Katie Martin	**2** of **4**	-	**1** of **5**	**1** of **5**
Victor Olisa	**2** of **4**	**1** of **4**	-	-
Neil Spence	**4** of **4**	-	**5** of **5**	-
Amanda Dickens[1]	-	-	-	-
Jenni Douglas-Todd[2]	**1** of **2**	-	-	**1** of **3**

1 Council
2 Strategy & Performance Committee
3 Finance & Audit Committee
4 People Committee

1. Appointed 18 March 2022
2. Resigned 1 October 2021

Strategic review of the year

Year in review

Our key delivery milestones during 2021/22 are shown below:

1. Grow Nacro's outcome-focused delivery – deliver joined up, high outcome and expert services and products meeting their respective regulatory and funding standards.

In 2021/22, we:

- Were successful in our bid to run the new CAS-2 service across England and Wales for the next five years, which is the new name for the Bail Accommodation and Support Service (BASS) which we have been delivering since June 2018 on behalf of the Ministry of Justice. The CAS-2 service houses people on bail or released from prison under licence conditions and will include enhanced and tailored support for service users delivered by frontline staff trained to support people with a wider range of needs.
- Also successfully retained our Young People's Housing and Support service in Essex providing support to 280 young people across Essex.
- Successfully retained our matrix Standard accreditation - an international standard which demonstrates the quality of Information, Advice & Guidance services we provide across all services.
- Continued to support high achievement rates across our education provision with 16 to 18-year-olds on Study Programmes achieving above national rates, despite the low starting points of many learners, the personal challenges they face and challenges brought on by COVID. Three quarters of learners progressed onto a positive destination and English and maths GCSE outcomes for adults and young people remained high and above national rates.

2. Make a strategic contribution in priority places and communities - support commissioners to offer local/regional services and solutions; form strategic partnerships in communities; be recognised as a key player in identified priority areas.

In 2021/22, we:

- Have continued to focus on increasing our delivery and impact in target areas. We mobilised our new Ministry of Justice Dynamic Framework contracts providing accommodation and wellbeing support to people as they leave prison in the East and West Midlands and South Yorkshire. These complement our existing delivery in these areas helping increase our impact, such as our Birmingham and Nottingham offender housing services, adult vocational prison education in the West Midlands, substance misuse services and wider housing and education services.
- Have continued to bring our expertise to support the joining up of local services around individuals and their needs. In Doncaster where we deliver accommodation resettlement support we worked with Serco who run Doncaster prison to identify gaps in local resettlement services and solutions. As a result we now run the Doncaster Departure Lounge offering innovative and joined up solutions for people on release from prison and ensuring they can access the support they need immediately on release.

- In Wolverhampton, where we deliver the Recovery Near You substance misuse service, we worked with commissioners to identify gaps between criminal justice and health systems and proposed solutions. This has led to a focus on engaging specific groups including Prison Link Workers, a Pregnant Women's Worker, and a Youth Participation Worker. Our joined up delivery in this area has also been strengthened by our new accommodation resettlement contracts across the West Midlands, where we are beginning to establish joint working to jointly case manage individuals who are on probation and needing accommodation alongside being in treatment.

3. Influence policy and practice – develop long-term plans to address the needs of disadvantaged young people and adults in communities, promoting our social justice voice and that of our service users to influence policy and practice in order to improve the lives of people we help.

In 2021/22, we:

- Continued to raise our voice on issues directly affecting our service users. We launched a new campaign, Learn without Limits, highlighting the attainment gap between young people aged 16-19 from disadvantaged backgrounds and their better off peers. We held events in Parliament and at the political party conferences to take this message for action to the Government.
- Continued our series of online events bringing together influential speakers such as the Secretary of State for Justice highlighting the barriers people face on release from prison through the experiences of our service users and frontline staff.
- Saw significant progress on a number of issues we have been campaigning on over recent years: The Government increased the Prison Discharge Grant for the first time in over 20 years from £46 to £76, giving people leaving prison better immediate access to money to get them through the initial release. The Government also committed to rolling out their new Community Accommodation Service Tier 3 which will provide 12 weeks accommodation for people leaving prison at risk of homelessness. These changes are positive steps forward and a recognition of the need to support people on release to reduce the risk of reoffending and give them the best chance of a second chance. But we know there is far more to do and we are committed to continuing to raise our campaigning voice over the coming years.
- Also saw some movement on our Friday release campaign with the Government's Prisons Strategy White Paper recognising the additional challenges Friday prison releases bring and committing to explore releasing people on a different day.
- Continue to be involved in policy discussions at a senior strategic level through our representation on groups such as the Third Sector Reducing Reoffending Advisory Group, The MoJ/HMPPS Third Sector Strategic Partnership Board and the cross-government Prison Leavers Project Strategy Steering Group.

4. Build a proud, expert and engaged workforce – build and sustain a high-performing professional workforce with the skills, knowledge and attitudes to deliver the best outcomes for service users.

In 2021/22, we:

- Ran a staff survey and were pleased to see overall improvements across many areas. In areas identified as needing improvement, we have undertaken further work to better understand how we do this and this has informed priority focus areas for our People and organisational strategies.
- Our EDI Staff Advisory Group has been leading the way on introducing and improving our policies, encouraging learning and development opportunities and providing a space and platform for ideas and to advocate for positive and lasting change inside and outside Nacro. We have introduced a dedicated role to support our ambitions on equality, diversity and inclusion and we will be launching a new strategy in the coming year.
- Have continued to prioritise wellbeing of our staff including through mental health first aid training and we have been working with staff to identify what more we can do to support wellbeing.
- Have been involving staff across Nacro in the development of a new People strategy which will be launched in 2022/23.
- Have focused on strengthening our team culture and have been developing a new behaviours framework which will support our commitment to a values-led culture.
- Started a whole scale review of our employee journey and recruitment processes.
- Have increased and strengthened the role and involvement of our Senior Leadership Group and have invested in leadership training to support their development.

5. Create a financially sustainable organisation – in an uncertain economic climate, develop the organisation to ensure efficient processes in order to meet our reserves and liquidity targets as well as funding capital investment and discharging pensions obligations.

In 2021/22, we:

- Put in place building blocks to ensure longer-term financial stability, and ended the year with a positive financial return, enabling us to focus investment where needed in coming years.
- Retained two of our largest contracts at retender during the year and mobilised a range of new contracts.
- Continued to improve our internal processes as a result of recommendations agreed from a structured internal audit programme.
- Continued to build and refine our corporate dashboard to help Trustees monitor key organisational metrics.
- Refreshed our ICT strategy and have been preparing to move our systems and applications to Microsoft Azure to improve the efficiency and accessibility of our systems. We have changed the way we manage the different digital devices staff need to use and also consolidated these so staff will be able to access information effectively and use devices which operate in the same way.
- Retained our ISO27001 information security accreditation.
- Developed a new organisational Environmental Strategy driven through our Environmental Committee.

Our Plans for 2022/23

We are excited to be launching a new three year strategy in 2022 following the 2021/22 foundation year. The strategy has five aims, with a number of cross-organisational initiatives to support their delivery. At the core of the strategy are two underpinning themes embedded throughout: how we can engage with our service users to ensure their voices are heard and acted upon by us and by those around them and how we make ourselves as inclusive and representative of those we work with as we can, and build a truly diverse organisation.

Our Aims

1. We will increase the positive impact we have on the people we support
2. We will campaign alongside our service users for solutions to the barriers and challenges they face
3. We will develop into a digitally inclusive organisation where our staff and service users have access to the advantages that digital technology can bring
4. We will build a sustainable future for Nacro
5. We will forge a values-led culture that supports a happy, productive, diverse workforce

Safeguarding

This year, Nacro has further developed its safeguarding policy and practice across the organisation and embedded a strengthened culture of safeguarding at all levels.

As we are emerging from the pandemic, we have continued to ensure that guidance and procedures support our ways of working to ensure that safeguarding arrangements, analysis and actions remain a priority. Our safeguarding governance, structures, roles and meeting arrangements at Directorate and national level remain strong and is overseen by our Board of Trustees – offering challenge and support.

Our National Safeguarding Board continues to ensure an effective framework is in place, through the close monitoring and review of trends and best practice. Our policies are reviewed annually, with our Young People and Child Protection policy reflecting the requirements in the statutory guidance 'Keeping Children Safe In Education' 2021. Directorates each have recruited a Designated Safeguarding Lead, to provide resource supporting business requirements, and ensuring quality safeguarding interventions and outcomes are provided through local teams. Safeguarding Leads are supported by a number of regionally based Designated Safeguarding Officers who provide localised support where required. All staff undertake an Introduction to Safeguarding online course and, on a role basis, enrolled onto Safeguarding Children and Young People, and/or Safeguarding Adults at Risk courses. Designated Safeguarding Officers are required to pass a Level 3 safeguarding course.

A centralised management system is in place to record all Nacro related safeguarding incidents. The system is used to track and follow up actions required after an incident has been reported. The National Safeguarding Board maintains oversight of data held on the incident management system. The National Safeguarding Board is responsible for applying learning from incidents that have occurred to continually improve the Charity's safeguarding training, procedures and practice.

What our people say

"Throughout my journey with Nacro, my role has allowed me to persevere, learn and grow from each obstacle."

"I love that every day is different, every day has its challenge, and everyone is unique, which I relish and value."

"What drew me to Nacro was seeing the great work our organisation does to champion and ensure we are a strong presence for the people we represent."

"Nacro has been one of the best employer's that I've worked for with regards to inclusivity. Because of our service users, the type of work we do and what we stand for, we all carry our understanding and empathy with pride."

"I was refreshed to find that Nacro was different than where else I had worked – people listened to me, no one judged me, I was nurtured and developed, my ideas were listened to like an equal."

"It's a genuine privilege to work with so many colleagues who, like me, believe that the work we do is the key to changing someone's life for the better."

Good governance – Trustees' report

Nacro's Council is the governing board for the Charity. The Council is responsible for the effective strategic leadership and governance of the organisation while day-to-day management is delegated to the Executive Leadership Team (ELT).

Nacro is a registered Charity and as a provider of social housing the Charity's prime regulator is the Regulator of Social Housing. Trustees are aware of their duty to protect social housing assets. Council has identified further work that needs to be done to be able to confirm compliance with the chosen NHF 2020 Code of Governance for the reporting period. In this review, Council has determined that the NHF 2020 Code of Governance is not the most appropriate fit for the Charity as the Charity does not prioritise residents over other the Charity's beneficiaries within the Charity's Education, Health and Justice service delivery portfolio. Council has therefore resolved to adopt the Charity Code of Governance from 01 April 2022 on the basis this Code of Governance more appropriately sets out a Governance framework that fits the Charity's full breadth of activities. Council has used the code's principles and recommended practice to assist in the setting of the strategic direction and culture of the organisation in order for the Charity to deliver on its charitable objectives. Council has identified that further work is required to demonstrate consistent compliance with the Tenant Involvement and Empowerment Standard 2017, for example further work is required to improve the consistency of published performance information for tenants in a way that is accessible and relevant to them. Plans are being developed to introduce consistent reporting in the 2022/23 financial year.

Risk management continues to be a priority, with Council members regularly considering and discussing the Corporate Risk Register at Council meetings as well as its three primary reporting Committees, the Finance and Audit Committee, Strategy and Performance Committee and the People Committee. Nacro's committee structure, designed to enable more detailed scrutiny in specific areas, provides the Council with high levels of assurance that charitable objectives are being met. Nacro have appointed BDO as internal auditors, the appointment of BDO has increased the Finance and Audit Committee's focus on strategic risk issues and highlighted key areas where assurance improvements can be made.

Reflecting the size and complexity of our organisation, it is appropriate for Nacro's activities to be subject to independent review and challenge, specifically through the work of an internal audit function. BDO LLP has provided internal audit services to Nacro in accordance with an annually agreed Internal Audit Charter and Internal Audit Plan. The internal control framework and risk management processes are subject to regular review by Internal Audit which is responsible for providing independent assurance to the Council via the Finance and Audit Committee. The Committee reviews the Internal Audit Plan at least annually and considers whether it is aligned to the key risks of the organisation, providing the Committee with sufficient assurance for it to discharge its responsibilities. The Committee is responsible for ensuring the scope of internal audit work is appropriate and that findings are considered and actioned appropriately. The Committee receives regular updates from internal audit throughout the year on the status of work and the findings arising.

There are also a number of other regular meetings that Trustees either chair or attend, such as the Education Scrutiny Group and National Safeguarding Board. These areas of engagement improve the governance for specific areas and increases scrutiny and oversight of different sectors of the business. These Trustees in turn report into Nacro Council and sub-Committees, further strengthening our governance.

In 2021/22 Nacro further embedded our service user involvement charter implementing recommendations from our involvement review carried out in 2020/21. Through this work we have increased our focus on supporting the capacity and skills of our service users and learners, standardising our models and practices, and formed a new user advisory group.

A full list of Trustee appointments, resignations and attendance can be found on page 10.

Nacro is opposed to all forms of modern slavery and is committed to acting ethically and with integrity in all its business relationships. We take steps to ensure that adequate processes and controls are in place to ensure slavery and human trafficking is not taking place anywhere in our supply chains. Nacro's modern slavery statement is published on our website and annual reviewed by People Committee.

The Charity has not experienced an adverse financial impact as a direct result of the Coronavirus pandemic. The long term financial impact of the pandemic on the Charity's finances is currently unknown as it is very difficult to predict how funding for statutory services will be affected in the longer run. We have noted that the number of new learners recruited to our Education based activity has been lower than expected, however, service levels within Housing, Health and Justice have been maintained with adjustments to our previous operating models. Across the Charity staff turnover has increased as lockdown measures have eased and we have found it increasingly difficult to fill vacancies. In the immediate future, and where possible, the Charity will continue to embed flexibility within its operating models, to enable the services to be adapted to meet local and national public safety guidelines. As we move in to the 2022/23 financial year inflation is becoming an increasing risk.

As part of management of risk, consideration has been given to the impact of the UK leaving the European Union. This includes any potential impact on operations and supply, staffing and financial planning. Our supply chain is diverse and we haven't experienced significant operational issues as a result of supply chain disruption. EU nationals make up a relatively low proportion of our workforce and we therefore do not anticipate risk in this area. Overall, the charity has a relatively low exposure to direct Brexit risk.

Nacro joins with others in its condemnation of the invasion of Ukraine. Nacro does not have any known links to Russia or Belarus and does not have any direct suppliers with known links to Russia or Belarus.

Section 172 Statement

Nacro exists to provide public benefit directly and indirectly to the organisation's beneficiaries. The prime aims of the organisation are captured in our vision, mission and values statements.

When setting strategy and making decisions Trustees (Directors) will carefully consider the impact these decisions have on Nacro's beneficiaries and employees.

Employee engagement is encouraged through our effective consultative processes established with the Unite Union.

A high proportion of Nacro's income is generated from contracts where the maintenance of effective customer relationships are key to facilitating the renewal of contracting arrangements as well as the innovation of service design that helps enable maximum impact and benefit to be received from the people who engage with Nacro's services.

All of Nacro's work is community facing and we work hard to ensure the impact of our activities have a positive impact on the communities we reach out to. Data on the environmental impact of our activities is captured on page 28 of this report.

The activities of Nacro are regulated via the Regulator of Social Housing, OFSTED and indirectly via the

Care Quality Commission. These regulatory bodies require the organisation to establish robust governance frameworks that can be subject to external assessment and publicly rated performance levels.

Nacro has a wide range of suppliers, we have established contracts and clear contract management arrangements in place with our largest suppliers and all of our sub contractors to help ensure our main suppliers have appropriate governance and legal compliance measures in place.

Nacro is aware of the impact of climate change and global warming and are committed to playing our part. We have developed a new environmental strategy and are starting a number of work streams over the next few years to use technology, design and innovation to make our business practices more sustainable, engaging with our stakeholders and commissioners of services.

Trustees' responsibilities

The Trustees (who are also the Directors of Nacro for the purposes of company law) are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards).

Company law requires the Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of Nacro and of the incoming resources and application of resources, including the income and expenditure, of Nacro for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the applicable SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain Nacro's transactions, disclose with reasonable accuracy at any time the financial position of Nacro and enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019. They are also responsible for safeguarding the assets of Nacro and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going concern – The Trustees consider that Nacro is well positioned to manage its business risks successfully. After careful consideration and enquiry, the Trustees have a reasonable expectation that Nacro has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Trustees continue to adopt the going concern basis in preparing these financial statements.

Council obtains assurance of financial viability through the annual budgeting, re-forecasting and longer-term financial planning exercises. As part of this, Trustees assess and stress test the availability of funding and liquidity. Nacro does not have lenders covenants to comply with. These processes ensure Council has a

continual and rolling process of reviewing and assessing Nacro's financial strength and viability. Nacro Council has satisfied itself that the charity complies with the Regulator of Social Housing's Governance and Financial Viability Standard during the financial year and to the date of this report.

Public benefit – The Trustees confirm that they have complied with their duty under section 17 of the Charities Act 2011 to have due regard to the Charity Commission's general guidance on public benefit.

Disclosure of information to the auditor – Each Trustee at the date of approval of this report has confirmed that as far as the Trustees are aware, there is no relevant audit information of which Nacro's auditor is unaware. The Trustees have taken all necessary steps in order to make themselves aware of any relevant audit information and to establish that Nacro's auditor is aware of that information.

Approved by the Trustees on 20th July 2022 and signed on their behalf by:

Nigel Chapman (Aug 8, 2022, 9:54am)
N Chapman CMG
Chair

Ron Crank (Aug 8, 2022, 11:15am)
R Crank MBE
Vice-Chair

Statement of internal control

The Nacro Council has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. In meeting its responsibilities, the Council has adopted a risk-based approach to internal control, which is embedded within the normal management and governance processes and includes staff at all levels. This approach includes the regular evaluation of the nature and extent of risks to which Nacro is exposed. The process adopted by the Council in reviewing the effectiveness of the system of internal control comprises:

1. Identification and evaluation of key risks

Nacro has a formal risk management process to assess business risks and implement risk-based strategies. The risk register is aligned to the corporate plan, and identifies the risks around achieving the objectives of the organisation. This involves identifying the types of risks that Nacro faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying mitigating actions. This process is coordinated through a regular reporting framework by the Executive Leadership Team (ELT) and the Finance and Audit Committee. The Finance and Audit Committee regularly considers reports on significant risks facing Nacro, and the Chief Executive is responsible for reporting to the Council any significant changes affecting key risks. The Council confirms that there is a process for identifying, evaluating and managing significant risks faced by Nacro. This process has been in place throughout the year and up to the signing of the annual report and is reviewed regularly by the Council.

2. Monitoring and corrective action

The regular review of internal controls via line management channels and by way of the internal audit plan provides assurance to the Finance and Audit Committee and the Council that an effective control environment is maintained. Where corrective action is required, ELT provide progress reports to Finance and Audit Committee to ensure there is effective oversight, particularly if the issues identified have a material impact on the financial statements.

3. Control environment and control procedures

The Council retains responsibility for a defined range of risks covering strategic, operational, financial, and compliance areas. Specific attention is paid to risk mitigations relating to delegated authority, segregation of duties, accounting and treasury management controls, health and safety, safeguarding, data and asset protection, and the prevention and detection of fraud. The Council, through the scheme of delegated responsibility, sets out a framework of control that applies to all Nacro employees. The scheme of delegated authorities is supported by a suite of policies that define expectations around quality, integrity and ethics. All employees, volunteers and suppliers must comply as required with these policies.

4. Independent audit and review

The internal control framework and risk management processes are subject to regular review by an internal audit function which is responsible for providing independent assurance to the Council. Nacro appointed BDO LLP to supply an independent and objective internal audit function. The Finance and Audit Committee ensures that the risk-based inspection/monitoring plan remains up-to-date. It reviews all internal audit reports. Council has received an annual review of the system of control from the Finance and Audit Committee and has taken into account any changes needed to maintain effectiveness of the risk management and control process.

5. Fraud reporting systems

Fraud response procedures and policy statements are reviewed and approved by the Council, via the Finance and Audit Committee, as part of a comprehensive review of internal control systems. The procedures establish the respective roles and responsibilities of staff for the prevention and detection of fraud through a fraud and anti money laundering policy.

Key risks

Key risk	Risk treatment
Cashflows and margins are not sufficient to meet day to day operating costs and / or balance sheet liabilities leading to the Charity falling into financial administration	Strategic and business planning in place and monitoring of progress against key corporate objectives Regular communication with commissioners regarding security of current income streams Building closer relationships with potential funders and developing new funding models Financial performance is monitored through monthly management accounts by management and Trustees A Value for Money programme is in place which includes initiatives to reduce operating costs
Death or harm caused by failure to follow internal processes and procedures, particularly in relation to health and safety and safeguarding, leading to loss of life, damaging publicity, criminal convictions, fines and loss of business	Executive and Trustee oversight to ensure arrangements for health and safety and safeguarding are monitored An incident management system is embedded and learning from incidents is cascaded Continued compliance and quality inspections take place
Failure to embed a leadership approach that encourages active engagement, diversity, innovation, efficiency, synergy and collective responsibility	The strategic plan has a clear focus on people and the charity's beneficiaries A specific People Strategy has been developed, this underpins the Nacro Strategy. The performance of People Strategy is overseen by the People Committee. A values based leadership development programme is running for key managers. Specific initiatives that focus on wellbeing, equality, diversity and inclusion have been implemented
Business continuity is affected by a major internal or external event leading to an inability to provide services to service users	Robust business continuity plans are in place, these plans were actively tested during the Coronavirus pandemic Data and systems can be accessed securely from multiple locations Specific local arrangements in place for specific service delivery sites

Financial narrative

Income for the year was £66.8m compared with £60.7m in 2020/21. The total comprehensive income for the year was £2.4m (2020/21 : £1.4m). Nacro won a number of new contracts during the 2021/22 financial year, these contracts win have resulted in turnover increasing. Operating expenditure increased at a slightly higher rate compared to turnover mainly as a result of increased staffing and travel costs. A significant gain arising from a net reduction in Nacro's pension liability is the main reason why total comprehensive income has increased from £1.4m to £2.4m during the year.

Turnover in Housing (social and non social housing), increased by over £1.1 to £42.2m. The profitability of the Housing division decreased from £2.6m to £1.5m. During the year voids and increased staff costs have impacted on the level of profit that is generated from the Housing division.

Turnover in our Education division income increased from £14.2m to £14.6m, overall the Education division recorded a £1.6m loss for the year. Nacro found it more difficult than initially expected to attract learners during the year and the net impact of this is shown in the overall result for the division. Nacro is not expecting to see a significant improvement in the Education division's financial performance during the 2022/23 financial year, however, an improvement is expected as we move in to the 2023/24 financial year.

Turnover in our Justice division increased by £2.4m during the year to £4.6m. Profitability increased by £0.6m from £0.3m to £0.9m. A number of Justice new contracts have been won and this is the reason for the increase in turnover and profit.

Turnover in our Health division increased by £0.6m to £5.3m. Overall, the division returned a modest surplus of just under £0.2m.

The Total Comprehensive Income for the year amounted to a surplus of £2.4m (2021: £1.4m). The operating result of £1.0m profit (2021: £1.7m profit) has been enhanced by a reduction in the valuation of Nacro's pension scheme's net liabilities of £1.9m. Pension scheme interest charges of £0.3m were incurred and a loss of £0.2m arose from asset disposals.

The Balance Sheet shows net assets at £11.1m (2020/21 : £8.9m). This is represented by unrestricted funds of £10.9m (2020/21: £8.5m) and restricted funds of £0.2m (2020/21: £0.2m).

The defined benefit pension liability stands at £14.5m (2020/21: £17.0m).

The full results for the year are shown in the Statement of Comprehensive Income and the Statement of Financial Position plus accompanying accounts and notes on pages 36 to 59.

Value for money statement

To comply with the Regulator of Social Housing's latest code of practice on value for money, as a registered provider we are required to publish our performance against a given set of key indicators which is shown below:

	Nacro 2021/22	Nacro 2020/21	Global Accounts 21 – Supported Housing Provider Metrics*	2021/22 Comment
1. Reinvestment %	0.2%	0.2%	4.4%	Less than 10% of Nacro's housing units are owned by the Charity, therefore landlords bear the bulk of the cost of making improvements to existing stock. For the stock Nacro does own a regular pattern of maintenance is followed
2. New supply delivered %	0.0%	0.0%	0.4%	Nacro did not build or acquire any new housing units during the year
3. Gearing %	0.0%	0.0%	14.2%	Nacro does not have any loan financing facilities in place. At this point Nacro does not intend to enter into any new loan financing arrangements
4. EBITDA MRI Interest Cover %	406.8%	689.4%	259%	A surplus was recorded for the charity as a whole. The interest value recorded in Nacro's financial statements solely relates to accounting disclosures required for Nacro's defined benefit pension scheme
5. Headline social housing cost per unit	£10.96	£10.53	£9.90	Nacro provides over 500 very short term, typically less than 8 weeks stay, units to provide accommodation to people on bail and to people who are leaving prison. Specific staff support arrangements are in place and typically more frequent repairs are carried out to keep units in a lettable condition
6. Operating Margin A) Social Housing Letting %	-3.1%	1.6%	10.4%	Most of Nacro's social and non social housing units are used to provide enhanced and contractual support services. During the 21/22 financial year, a higher level of property voids were experience and this is the reason for negative operating margin within the Charity's social housing stock
B) Overall %	1.9%	2.8%	6.5%	
7. Return on capital employed %	2.8%	5.5%	3.1%	A relatively strong surplus was recorded during the financial year

*the Global Accounts 21 is an annual report produced by the Regulator of Social Housing to provide a summary of the financial status of social housing providers who own or manage at least 1,000 homes. The comparative data used for Nacro was taken from the Supported Housing Provider dataset, this is because Nacro primarily provides supporting housing services.

Nacro has fewer than 1,000 owned homes so we are classed as a “small provider”. Nacro provides homes with additional support for housing vulnerable people and people leaving the criminal justice system on assured shorthold tenancies or licences. Many of the above metrics are designed to enable comparisons between large social housing providers with significant loan book commitments and a high level of general needs social rented homes. Income from Nacro’s social housing provision makes up just over 10% of Nacro’s total turnover. As a consequence, some benchmarking comparative figures for Nacro will not always align with registered provider averages.

Nacro’s performance against its own expectations in relation to housing activities is slightly better than our initial planning assumptions for the financial year. We delivered a better than budget surplus for the financial year, we have won a number of new contracts and we have continued to realise savings from reduced travel and reduced use of our offices.

Nacro’s Council has considered the benchmarking data and the Council is satisfied that Nacro is in compliance with the Code issued by the Regulator of Social Housing in respect of Nacro’s housing related activities. The Council believes that overall the Charity is delivering good value for money to beneficiaries. Value for money is delivered throughout the Charity, for example:

- Governance. We are further embedding our person-centred approach by investing more resources in service user and learner engagement initiatives. A number of engagement initiatives are detailed in our strategic plan. We fully recognise the benefits that arise from using service user and learner feedback to inform the development of our governance arrangements, decision making and service design to help us to continue to deliver better quality services at a reasonable price, in line with regulatory and commissioner expectations.
- Co-production. We actively engage with the people we support and our workforce, this enables us to capitalise on their ideas and innovations for business improvement through consideration of re-shaping of delivery models and/or through investment in specific initiatives that are detailed in our strategic plan.
- Actively pursuing a sustainability agenda and staff wellbeing agenda. We have continued to embrace flexible working arrangements and realise the benefits from increased staff wellbeing and a lower carbon footprint. During the year we have launched an Environmental Strategy and we have strengthened our support and wellbeing offer to staff.
- Business development. We have increased the range of partners we work with to enable us to deliver a wider range of services to service users and commissioners, and to help specific infrastructure developments within the organisation. During the year we have successfully re-tendered some of our largest service contracts and we are very pleased that commissioners have the confidence to continue working with us.

To address our ambition to raise our performance against regulatory indicators 6 and 7 above, our internal indicators for the year to improve value for money, were as follows:

1. We have won new contracts and successfully retendered some of our largest contracts.
2. We have developed specific focus groups that focus on reducing margin lost through voids and the use of agency staff.
3. We have continued to invest in our ICT infrastructure, we have issued new equipment to staff working on new contracts and we have moved a significant part of our ICT infrastructure into the cloud. The initiatives have created a more efficient and more flexible ICT offer that staff have appreciated.
4. We have invested in our housing management team to enable more resources to be dedicated to reducing rent debt and we have improved our systems for managing contractual income receipts to ensure work done is invoiced promptly and settled in line with expectations.

Return on assets and investments and use of reserves

We are working continuously to get the most out of our fixed assets, primarily our properties. This includes reviewing our properties that are no longer fit-for-purpose, re- and co-locating some operational and "back office" teams and upgrading our ICT infrastructure that supports more flexible working to enable staff to better deliver for the needs of those using our services.

Our investment resources are allocated according to current corporate priorities, risks, most urgent need and best return. Users of our services are our main focus in evaluating our investment pipeline.

Our physical asset base across the Charity remains fully unsecured and we continue to be able to internally fund investment programmes from existing cash reserves. Holding significant cash balances offers a poor yield so selected investments in our infrastructure and strategic projects give us a potential long-term yield that will ensure our business remains sustainable in the longer term. We assess each investment against our strategic aims and undertake a cost/benefit review, and where the advantages to those we support are clear, we invest to improve. We have focused on disposing of properties that do not fit with our current and likely needs.

Our approach to our social and environmental responsibilities is developed with those we support as well as staff.

We are able to procure ICT related equipment, stationery and furniture at scale to maximise economies of scale of operating single supplier contracts.

Reserves and liquidity policies

There has been an increase of £2.4m in the overall value of the balance sheet during the year to 31 March 2022, the value of the balance sheet now stands at £11.1m.

During the 2021/22 financial year, Council, via Finance and Audit Committee, reviewed the Charity's reserves policy. The previous reserves policy, which was based on retaining 3 months of operating costs, was not considered to be sufficiently aligned to Nacro's exposure to financial risk arising from a loss of contract income. Contract income makes up 80% of Nacro's income profile. If a contract ends then a high proportion of expenditure commitments required to deliver that contract end almost immediately. To reflect this in the reserves policy, Council has taken account of known and potential balance sheet liabilities arising from the pension fund deficit, known lease commitments, expected housing repair costs, an estimate of the Charity's short term working capital commitments and overhead commitments. These factors are now used to determine reserve and liquidity targets. Finance and Audit Committee have reviewed the workings in detail and recommended that a reserves target of £9.4m is appropriate for the Charity as at 31 March 2022.

As at 31 March 2022 reserves stood at £11.1m, there is therefore an excess of £1.7m over the target. The Charity holds £10.9m in revenue reserves and £0.2m in restricted reserves. It is Charity's policy to hold all reserves in liquid assets. A deficit budget for the 2022/23 financial year has been set, the value of the deficit budget is within the £1.7m headroom that exists. The current financial plan indicates a surplus will be delivered during the 2023/24 financial year.

As at 31 March 2022, Nacro's cash and cash equivalent balances stood at £11.5m. Nacro's policy is to hold all free cash reserves in immediately available liquid assets.

Environmental impact statement

Streamlined Energy & Carbon Report (SECR)

Financial Year	1 April 2021 to 31 March 2022
Client Name	Nacro
Company No	203583
Registered Office	Walkden House, 16–17 Devonshire Square London EC2M 4SQ
Current Financial Year tCO2e	3,114.00
Current Financial Year kWh	16,235,851.28
Previous Financial Year tCO2e	3,083.31
Previous Financial Year kWh	15,240,398.70
Intensity Ratio (IR) used	tCO2e/£m
Intensity Metric Current Financial Year	65.98
Intensity Metric Previous Financial Year	60.70
Emissions Factors Used	DEFRA 2021
Methodology Used	GHG Protocol
Emissions Scope	Scope 1 & 2
Emissions Included	Electricity, Natural Gas, Direct Mileage
Exclusion Statement	Some gas and electricity use has been estimated based on previous years consumption and pro-rata methods where it was not available through billing.

Energy Efficiency Statement	Nacro provides Housing, Education, Health and Justice services to beneficiaries across England and Wales. Nacro leases the majority of its 1000 residential properties. We ensure that any new properties added to our portfolio has a minimum EPC rating of D and have plans to ensure that our existing properties also reach that rating. We work with landlords, agents and developers, during the leasing and acquisition stages, to assess whether any improvements can be made (such as to the heating systems, insulation) to improve energy efficiency measures. Our core electricity contract is procured through 100% renewal/greener sources. COVID-19 has shown the resilience of Nacro rising to the challenge caused by the pandemic and our ability to adapt to new ways of working. There was a significant carbon reduction in 2020/21, particular in travel, as a result of lockdowns and restrictions and whilst travel has recovered in 2021/22, it is nowhere near the pre-pandemic levels experienced. This is encouraging and demonstrates that behaviour change is possible and can attract support from our staff and service users. Only by working together will Nacro achieve its sustainability objectives, and we will seek suitable engagement to make the step change needed to address the climate crisis and play our part in delivering a better future. Nacro's Environmental Strategy sets out our environmental vision and goals and enables action plans and various workstreams that are delivering measurable environmental improvements. We will continue to meet our legal obligations, develop sustainable and environmentally friendly services, and help stem the depletion of finite natural resources.
Report completed by	Sophie Adams
Quality Audit completed by	20th July 2022
SECR Report completed by	(EIC) Energy Intelligence Centre Limited

Thanks and acknowledgements

With thanks to our funders and partners including:

Assetz Exchange
Barrow Cadbury Trust
BeNCH CRC
Berkshire NHS Foundation Trust
Big Lottery Fund
Birmingham City Council
Cambridgeshire & Peterborough Combined Authority
Carmarthenshire County Council/ Cyngor Sir Gaerfyrddin
Capita E-Source
Cleveland Police and Crime Commissioner
Clinks
Conwy County Borough Council/ Cyngor Bwrdeistref Sirol Conwy
Delta E-Source
Department of Health
Denbighshire County Council/ Cyngor Sir Ddinbych
Dudley Council
Education and Skills Funding Agency
East Riding of Yorkshire Council & Two Ridings Community Foundation
Education & Skills Funding Agency
Essex County Council
Essex CRC
European Social Fund
Flintshire County Council/Cyngor Sir Y Fflint
The Forward Trust
Gwynedd Council/Cyngor Gwynedd
GamCare
James Teather and Teather property Investments Ltd
LandAid
Lincolnshire County Council
Liverpool City Council
London Borough of Lambeth
London Borough of Wandsworth
London Borough of Westminster
Manchester City Council
Ministry of Justice
MTC Ltd
NHS England
Northamptonshire Police & Crime Commissioner
Nottingham City Council
Ormiston Families
Oxleas NHS Trust
People Plus
PACT
Peabody
Resonance – Social Investment
Sheffield City Council
Shelter
Sodexo
South Yorkshire CRC
St Mungos
Staffordshire Police & Crime Commissioner
Stephen Lawrence Trust
Stockport Alliance
The Bridge (East Midlands)
The Privy Purse Charitable Fund
The Royal British Legion
Transform Foundation
Together for Mental Well-being
Wandsworth Borough Council
Welsh Assembly
Wolverhampton City Council
Wrexham County Council
YMCA Liverpool
YSS

Independent auditor's report

Opinion

We have audited the financial statements of Nacro for the year ended 31 March 2022 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Reserves, Statement of Cashflow and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of Nacro's affairs as at 31 March 2022 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 200,6 the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of Nacro in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Nacro'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.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The trustees are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the trustees' report, which includes the directors' report and the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the trustees' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of Nacro and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included within the trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- Nacro has not kept adequate accounting records; or
- Nacro's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Trustees

As explained more fully in the trustees' responsibilities statement set out on page 19, the trustees (who are also the directors of Nacro for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing Nacro'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 trustees either intend to liquidate Nacro or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our 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 an auditor's report that includes our 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.

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

We obtained an understanding of the legal and regulatory frameworks within which Nacro operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006, the Charities Act 2011, the Housing and Regeneration Act 2008, together with the Housing SORP. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to Nacro's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within Nacro for fraud. The laws and regulations we considered in this context for the UK operations were requirements imposed by the Regulator of Social Housing, health and safety, taxation and employment legislation.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of income and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management, internal audit and the Finance and Audit Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence, designing audit procedures over the timing of income and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing noncompliance and cannot be expected to detect non-compliance with all laws and regulations.

A further description of our 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 our auditor's report.

Use of our report

This report is made solely to Nacro's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to Nacro's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Nacro and Nacro's members as a body, for our audit work, for this report, or for the opinions we have formed.

Julia Poulter
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
55 Ludgate Hill
London EC4M 7JW

Date: 5 August 2022

Financial statements

Nacro - Statement of Comprehensive Income
for the year ended 31 March 2022

	Note	2022 £'000	2021 £'000
Turnover	3	66,817	60,701
Operating expenditure	3	(65,762)	(58,990)
Operating surplus		1,055	1,711
Equalisation of guaranteed minimum pension scheme (GMP)	19	-	-
Operating surplus (including GMP)		1,055	1,711
Loss on disposal of property, plant and equipment	4	(216)	(10)
Interest and similar receivables	6	-	3
Interest and financing costs	7	(322)	(396)
Surplus before tax	5	517	1,308
Taxation	10	-	-
Surplus for the year		517	1,308
Actuarial gain in respect of pension schemes	19	1,881	91
Total comprehensive income for the year		2,398	1,399

All amounts relate to continuing activities.

The notes on pages 40 to 63 form part of these financial statements.

Nacro Statement of Financial Position as at 31 March 2022

	Note	2022 £'000	2021 £'000
Non Current Assets			
Intangible assets	11	449	172
Housing properties	12	7,196	7,577
Other property, plant and equipment	13	14,803	15,291
		22,448	23,040
Current Assets			
Debtors	14	6,859	5,600
Cash and cash equivalents		11,515	10,943
		18,374	16,543
Creditors: Amounts falling due within one year	15	10,606	8,880
Net current assets		7,768	7,663
Total assets less current liabilities		30,216	30,703
Creditors: Amounts falling due after more than one year	16	3,951	4,436
Provisions			
Defined benefit obligations	19	14,499	16,958
Other provisions	18	684	625
Total net assets		11,082	8,684
Capital and reserves			
Revenue reserve		10,878	8,480
Restricted reserve		204	204
Total reserves		11,082	8,684

The financial statements were approved by the Board on 20th July 2022 and were signed on its behalf by:

N C Chapman

Nigel Chapman (Aug 8, 2022, 9:54am)

Chair

Ron Crank

Ron Crank (Aug 8, 2022, 11:15am)

Trustee

The notes on pages 40 to 63 form part of these financial statements.

Nacro Company number 00203583.

Nacro - Statement of changes in reserves for the year ended 31 March 2022

	Revenue reserve £'000	Restricted reserve £'000	Total £'000
Balance as at 1 April 2021	8,480	204	8,684
Surplus for the year	517	-	517
Other comprehensive income for the year	1,881	-	1,881
Total comprehensive income for the year	2,398	-	2,398
Balance at 31 March 2022	10,878	204	11,082

	Revenue reserve £'000	Restricted reserve £'000	Total £'000
Balance as at 1 April 2020	7,101	184	7,285
Surplus for the year	1,288	20	1,308
Other comprehensive income for the year	91	-	91
Total comprehensive income for the year	1,379	20	1,399
Balance at 31 March 2021	8,480	204	8,684

The notes on pages 40 to 63 form part of these financial statements.

Nacro - Statement of Cashflow
for the year ended 31 March 2022

	Note	2022	2021
		£'000	£'000
Net cash generated from operating activities	20	1,152	3,696
Cash flows from investing activities			
Purchase of housing property components		(213)	(24)
Purchase of other property, plant and equipment		(198)	(32)
Purchase of intangible assets		(392)	-
Proceeds from sale of housing properties		223	
Interest received		-	3
Total cash utilised in investing activities		(580)	(53)
Net change in cash and cash equivalents		572	3,643
Cash and cash equivalents at beginning of year		10,943	7,300
Cash and cash equivalents at end of year		11,515	10,943

The notes on pages 40 to 63 form part of these financial statements.

1 Legal Status

Nacro is a private company limited by guarantee under the Companies Act 2006, incorporated in England and is a registered housing provider and a registered charity. The address of its registered office is as disclosed on page 9 of the annual report.

2 Accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the year and to the preceding year.

Basis of accounting

The financial statements have been prepared under the historical cost convention on an accruals basis, modified to include certain items at fair value, in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing. Nacro is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs prefixed 'PBE' in FRS 102.

The financial statements are presented in Sterling (£).

Going Concern

Nacro's business activities, its current financial position and factors likely to affect its future development are set out within the Annual Report.

The Trustees have a reasonable expectation that Nacro has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Turnover

Turnover represents rent and service charges receivable (net of rent and service charge losses from voids), grants from local authorities and charitable fees and donations.

Rental income is recognised on an accruals basis and recognised when the property is available for let, net of voids. Service charge income is recognised when expenditure is incurred as this is considered to be the point at which the service has been performed and the revenue recognition criteria met.

Grant income is recognised in the financial statements when the conditions for receipt of the grants have been fulfilled and Nacro becomes entitled to payment. Where a grant is received relating to a future accounting period, the Statement of Comprehensive Income shows the gross amount receivable reduced by the movement in the amount deferred to future accounting periods. Deferred grant income at the year end is included in creditors.

Charitable fees and donations are credited as income in the year in which they were receivable.

Financial instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historic cost model.

Basic financial instruments are recognised at amortised historical cost.

Debtors
Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Where deferral of payment terms has been agreed at below market rate, and where material, the balance is shown at the present value, discounted at a market rate.

Creditors
Short term trade creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Employee Benefits
Defined contribution scheme
Nacro participates in a defined contribution stakeholder scheme. Employer contributions payable to the scheme are charged to the Statement of Comprehensive Income during the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

Defined benefit scheme.
The Nacro Staff Benefits Plan closed to new entrants from 1 December 1998 and for future accruals from 31 March 2006. The net interest cost on the net defined benefit liability is charged to revenue and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained triennially and are updated at each Statement of Financial Position date.

Housing properties
Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the cost of acquiring land and buildings, directly attributable development costs and interest charges incurred during the development period.

Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value, on a straight line basis, over their useful economic lives. Depreciation is charged in the year of acquisition. Freehold land is not depreciated.

Major components of housing properties, which have significantly different patterns of consumption of economic benefits, are treated as separate assets and depreciated over their expected useful economic lives at the following annual rates:

Structure	80 years
Roofs	50 years
Windows	25 years
Kitchens	20 years
Bathrooms	30 years
Boilers	15 years
Heating systems	30 years
Electrics	30 years

Properties held on long leases are depreciated over their estimated useful economic lives or the lease duration if shorter.

Improvements
Where there are improvements to housing properties that are expected to provide incremental future benefits, these are capitalised and added to the carrying amount of the property. Any works to housing properties which neither replace a component nor result in an incremental future benefit are charged as expenditure in the Statement of Comprehensive Income.

Leaseholders
Where the rights and obligations for improving a housing property reside with the leaseholder or tenant, any works to improve such properties incurred by Nacro is recharged to the leaseholder and recognised in the Statement of Comprehensive Income along with the corresponding income from the leaseholder or tenant.

Donation or acquisition of land or other asset at below market value
Where a donation of land and/or other assets is received or land and/or other assets are acquired at below market value from a government source, this is accounted for as a non-monetary government grant. The difference between the fair value of the asset donated or acquired and the consideration paid for the asset is recognised as a government grant and included in the Statement of Financial Position as a liability.

Where Nacro receives a donation of land and/or other assets or acquires such assets below their market value from a third party that does not meet the definition of a government source as set out in the Housing SORP, then the transaction is accounted for as a non-exchange transaction. The assets acquired are recognised in the statement of financial position at fair value. The income, equivalent to the difference between any amounts paid or payable for the assets and the fair value of the assets, is recognised in the statement of comprehensive income as a donation when future performance-related conditions are met.

Assets held for sale
Assets held for sale consists of properties or other assets that are surplus to the requirement of the business and not held for use in the business.

Property assets held for sale are subject to a charity valuation by a qualified and experienced external surveyor and held at this value, any change in valuation is recognised in the Statement of Comprehensive Income.

Social Housing Grant and other Government grants
Government grants include grants receivable from government agencies such as Homes England, local authorities, devolved government agencies, health authorities and the European Commission. Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model.

Grants relating to revenue are recognised in income on a systematic basis over the period in which related costs for which the grant is intended to compensate are recognised. Where a grant is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs, it is recognised as revenue in the period in which it becomes receivable.

Grants due from government organisations or received in advance are included as current assets or liabilities.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with Homes England. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors.

Other Grants
Grants received from non-government sources are recognised as revenue using the performance model.

Recycling of grants
Where there is a requirement to either repay or recycle a grant received for an asset that has been disposed of, a provision is included in the Statement of Financial Position to recognise this obligation as a liability. When approval is received from the funding body to use the grant for a specific development, the amount previously recognised as a provision for the recycling of the grant is reclassified as a creditor in the Statement of Financial Position.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, any unamortised grant remaining within liabilities in the Statement of Financial Position related to this asset is derecognised as a liability and recognised as revenue in the Statement of Comprehensive Income.

Impairment of social housing properties
An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the Statement of Comprehensive Income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measurement model.

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and included in the Statement of Comprehensive Income.

Other property, plant and equipment
Other property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Depreciation is charged on all non-housing property, plant and equipment, other than investment properties and freehold land so as to write down the net book value to their residual value, on a straight line basis, over their useful economic lives, as follows:

Other Freehold premises	34 - 60 years
Freehold premises components	4 – 30 years
Leasehold land and buildings	5 years
Furniture, fixtures & fittings	4 years
Other equipment	4 years
Vehicles	4 - 10 years
Computer hardware	2 - 4 years

Other freehold premises are treated as housing properties which have different patterns of consumption of economic benefit and treated as separate assets. The same asset lives are used as for housing properties.

Intangible assets
Intangible assets are stated at historic cost or valuation, less accumulated amortisation and any provision for impairment. Amortisation is charged to operating expenditure in the Statement of Comprehensive Income. Amortisation is provided on all intangible assets at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life, as follows:

Computer software	3 - 4 years

Leases
An assessment is made at inception of an agreement that transfers the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Operating leased assets
Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

Payments under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Provisions for liabilities
Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event; it is probable the obligation will have to be settled; and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the Statement of Comprehensive Income in the period it arises.

Financial provision is made for the cost of annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

Restricted reserves
Where reserves are subject to an external restriction they are separately recognised within reserves as a restricted reserve. Revenue and expenditure is included in the Statement of Comprehensive Income and a transfer is made from the general reserve to the restricted reserve.

Significant management judgements and key sources of estimation uncertainty
The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant management judgements
The following are management judgements in applying the accounting policies of Nacro that have the most significant effect on the amounts recognised in the financial statements.

Impairment of social housing properties
The Trustees have to make an assessment as to whether an indicator of impairment in value of social housing properties exists. In making the judgement, management consider the detailed criteria set out in the SORP. The conclusion of the Trustees is that there are no indicators of impairment.

Estimation uncertainty
Estimates and assumptions are made concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Provisions
Provision is made for dilapidations. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

Recoverability of rent arrears
Nacro makes an estimate of the recoverable value of rent arrears. When assessing impairment of rent arrears, management consider factors including the ageing profile of the rental debtors and historical experience.

Defined benefit pension scheme
Nacro has obligations to pay pension benefits to certain employees and former employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Based on advice received from Actuaries, management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

Useful lives of depreciable assets
Management reviews its estimates of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components.

3A Particulars of turnover, operating costs and operating surplus.

	2022		
	Turnover	Operating costs	Operating surplus/ (deficit)
Social housing activity	£'000	£'000	£'000
Social housing lettings (Note 3B)	6,877	(7,092)	(215)
Other social housing activities			
Charges for support services	6,974	(5,624)	1,350
Sub-total	13,851	(12,716)	1,135
Activities other than social housing			
Non-social housing and related support services	28,387	(28,003)	384
Education centre provision	14,609	(16,221)	(1,612)
Justice services	4,642	(3,701)	941
Health services	5,328	(5,121)	207
Sub-total	52,966	(53,046)	(80)
Total	66,817	(65,762)	1,055

	2021		
	Turnover	Operating costs	Operating surplus/ (deficit)
Social housing activity	£'000	£'000	£'000
Social housing lettings (Note 3B)	7,128	(7,011)	117
Other social housing activities			
Charges for support services	7,482	(6,747)	735
Sub-total	14,610	(13,758)	852
Activities other than social housing			
Non-social housing and related support services	26,489	(24,724)	1,765
Education centre provision	12,699	(13,999)	(1,300)
Justice services	2,224	(1,901)	323
Health services	4,679	(4,608)	71
Sub-total	46,091	(45,232)	859
Total	60,701	(58,990)	1,711

3B Social Housing Lettings

Income	General Needs Housing £'000	Supported Housing £'000	2022 Total £'000	2021 Total £'000
Rents receivable net of identifiable service charges	151	2,659	2,810	3,834
Service charge income	29	3,462	3,491	3,144
Amortised government grants	17	559	576	150
Turnover from social housing lettings	197	6,680	6,877	7,128
Operating expenditure				
Management	(7)	(2,855)	(2,862)	(2,166)
Service charge costs	(13)	(1,407)	(1,420)	(1,092)
Rents payable and property costs	(17)	(2,477)	(2,494)	(3,262)
Routine maintenance	-	(32)	(32)	(27)
Bad debts	(8)	(120)	(128)	(289)
Depreciation of housing properties	(20)	(136)	(156)	(175)
Expenditure from social housing lettings	(65)	(7,027)	(7,092)	(7,011)
Operating surplus social housing lettings	132	(347)	(215)	117
Total void losses including service charges	-	1,044	1,044	583

4 Loss on disposal of property and equipment

	2022 £'000	2021 £'000
Loss on disposal of property and equipment	(216)	(10)
	(216)	(10)

5 Surplus for the year before taxation

Surplus for the year before taxation is stated after charging/(crediting):

	2022 £'000	2021 £'000
Depreciation of housing properties	164	198
Depreciation of other property, plant and equipment	686	837
Amortisation of intangible assets	115	127
Amortisation of Government grants	(594)	(149)
Loss on disposal of fixed assets	216	10
Audit fees:		
- statutory audit	42	38
- audit-related assurance services	48	-
Operating lease rentals	11,806	11,279

6 Interest receivable

	2022 £'000	2021 £'000
Bank interest receivable	-	3
	-	3

7 Interest and financing costs

	2022 £'000	2021 £'000
Net interest payable on defined benefit pension liability	(322)	(396)

8 Staff costs

	2022	2021
	£'000	£'000
Wages and salaries	21,874	19,900
Social security costs	1,971	1,789
Other pension costs	748	591
Redundancy Costs	206	224
Agency Costs	2,978	2,642
	27,777	25,146

The number of staff who received emoluments, including pension contribution, in excess of £60,000 is as shown below:

Salary Band	2022	2021
60,000 - 69,999	10	9
70,000 - 79,999	6	0
80,000 - 89,999	1	2
90,000 - 99,999	1	0
100,000 - 109,999	0	1
110,000 - 119,999	1	1
120,000 - 129,999	0	0
130,000 - 139,999	0	0
140,000 - 149,999	0	0
150,000 - 159,999	0	1
160,000 – 169,999	1	0

The average full time equivalent number of employees over the 12-month period was:

	2022	2021
Service delivery	707	720
Management and administration	94	79
	801	799

Full Time equivalents are calculated on the basis of a 40-hour standard week.

9 Directors' remuneration and transactions

Directors who are executive staff members	2022 £'000	2021 £'000
Wages and salaries (including social security costs)	684	728
Other pension costs	18	19
Compensation for loss of office	-	41
	702	788

Directors are defined as the members of the Board, the Chief Executive and any other person who is a member of the Executive Leadership Team.

The number of directors in the defined contribution scheme as at the end of March 2022 was 6 (2021:6)

Remuneration of the highest paid director

	2022 £'000	2021 £'000
Emoluments	160	150
Pension contributions	5	5

The Chief Executive is an ordinary member of the pension scheme. No enhanced or special terms apply.

No Council member or person related or connected to them received any remuneration from Nacro during the year. During the year expenses relating to travel were reimbursed or paid on behalf of Council members amounting to £1,687 for 4 members (2021: £361 to 3 members).

10 Taxation status

Nacro has charitable status and its sources of income are exempt from income and corporation tax provided that they are applied for charitable purposes.

11 Intangible fixed assets

	Computer software
Cost	£'000
At 1 April 2021	929
Additions	392
Disposals	(470)
As at 31 March 2022	851
Amortisation	
At 1 April 2021	(757)
Charge for the year	(115)
Eliminated on disposal	470
As at 31 March 2022	(402)
Net book value	
As at 31 March 2022	449
As at 31 March 2021	172

12 Housing properties

	General Needs	Supported Housing	Total
Cost	£'000	£'000	£'000
At 1 April 2021	281	11,419	11,700
Additions	-	213	213
Disposals	(18)	(498)	(516)
At 31 March 2022	263	11,134	11,397
Depreciation			
At 1 April 2021	(56)	(4,067)	(4,123)
Charge for the year	(6)	(158)	(164)
Eliminated on disposals	2	84	86
At 31 March 2022	(60)	(4,141)	(4,201)
Net book value			
As at 31 March 2022	203	6,993	7,196
As at 31 March 2021	225	7,352	7,577

13 Other property, plant and equipment

	Freehold	Long/short leasehold	Equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 April 2021	16,796	904	4,774	178	22,652
Additions	-	165	33	-	198
Disposals	-	(522)	(3,566)	-	(4,088)
As at 31 March 2022	16,796	547	1,241	178	18,762
Depreciation					
At 1 April 2021	(2,031)	(798)	(4,354)	(178)	(7,361)
Charge for the year	(398)	(41)	(247)	-	(686)
Eliminated on disposal	-	522	3,566	-	4,088
As at 31 March 2022	(2,429)	(317)	(1,035)	(178)	(3,959)
Net book value					
As at 31 March 2022	14,367	230	206	-	14,803
As at 31 March 2021	14,765	106	420	-	15,291

14 Debtors

Amounts falling due within one year:	2022 £'000	2021 £'000
Rent arrears	1,833	3,346
Provision for bad debts	(407)	(1,932)
Net Rent Arrears	1,426	1,414
Trade debtors	2,252	1,530
Other Debtors	212	270
Prepayments and accrued income	2,969	2,386
	6,859	5,600

15 Creditors

Amounts falling due within one year:	2022 £'000	2021 £'000
Trade creditors	2,099	2,134
Corporation tax	-	-
Other taxation and social security	961	723
Other creditors	693	743
Deferred income, grants and grants repayable	3,746	2,336
Accruals	2,886	2,795
SHG under 1 year deferred grant (note 17)	221	149
	10,606	8,880

16 Creditors

Amounts falling due after more than one year:	2022 £'000	2021 £'000
Financial assistance - deferred grants (note 17)	3,945	4,430
Financial assistance - recycled capital grant fund	6	6
	3,951	4,436

17 Financial assistance and other government grants (Deferred income grant)

Deferred income - government grants	2022 £'000	2021 £'000
As at 1 April	4,579	4,728
Amortisation to Statement of Comprehensive Income	(594)	(149)
Grant addition	181	-
As at 31 March	4,166	4,579
Amounts to be released within one year	221	149
Amounts due to be released in more than one year	3,945	4,430
	4,166	4,579

The total value of grants received by Nacro is £8,795,258 (2021 £8,795,258).

Recycled Capital Grant Fund

	2022 £'000	2021 £'000
As at 1 April	6	6
Recycling of grant	-	-
As at 31 March	6	6

The recycled capital grant is in respect of 2 housing property disposals in 2017/18 and is shown in note 16.

18 Provisions

	Dilapidations £'000	Total £'000
As at 1 April 2021	625	625
Released	(102)	(102)
Increase	161	161
As at 31 March 2022	684	684

19 Retirement benefit schemes

Defined contribution scheme

Nacro operates defined contribution retirement benefit schemes for qualifying employees. The total expense charged to the Statement of Comprehensive Income in the period ended 31 March 2022 was £748,363 (2021: £590,880).

Defined benefit scheme

Characteristics and risks associated with the Plan

Nacro operates the Nacro Staff Benefits Plan ("the Plan"). The Plan provides pensions in retirement and death benefits to members. Pension benefits are linked to a member's final salary at retirement and their length of service. Since 31 March 2006 the Plan has been closed to future accrual.

The Plan is a registered scheme under UK legislation and was contracted out of the State Second Pension until its closure.

The Plan is subject to the scheme funding requirements outlined in UK legislation.

The Plan was established from 31 May 1986 under trust and is governed by the Plan's third definitive deed and rules dated 23 May 2011. The Trustees are responsible for the operation and the governance of the Plan, including making decisions regarding the Plan's funding and investment strategy in conjunction with the Company.

Under clause 21 of the Plan's third definitive deed and rules dated 23 May 2011, the Company does not have an unconditional right to a refund of any surplus in the Plan if the Plan winds up. However, since the Plan is in deficit, and this deficit exceeds the value of future contributions due under the current recovery plan, there is no additional liability recognised on the balance sheet as a result of the Plan's recovery plan.

The Plan exposes the Company to actuarial risks such as; market (investment) risk, interest rate risk, inflation risks, currency risk and longevity risk.

The Plan does not expose the Company to any unusual Plan-specific or Company-specific risks.

No allowance has been made for any curtailment or settlement during the accounting period.

Amount, timing and uncertainty of future cashflows.

The Trustees hold a proportion of the Plan's assets in gilts and index-linked gilts to provide some degree of matching with the Plan's liabilities (with the latter providing a degree of price inflation matching with the Plan's liabilities).

The Plan also holds annuity contracts in respect of the majority of pensions in payment which provide protection against future changes in respect of post retirement market risk, inflation risk and longevity risk in respect of these members.

19 Retirement benefit schemes - cont

The Plan's investment strategy is to invest broadly 90% of non-annuity investments in return seeking assets and the remaining 10% in matching assets (mainly government bonds). This strategy reflects the Plan's liability profile and the Trustees' and Company's attitude to risk.

The Plan's non-annuity investments include interest rate and inflation hedging. The Plan also holds a number of annuity policies which approximately match the majority of the pensions in payment.

The last scheme funding valuation of the Plan was as at 31 March 2017 ("the 2017 valuation") and revealed a funding deficit of £16.0m. Under the current schedule of contributions, the Company has agreed to pay deficit reduction contributions of £300,000 per annum increasing to £543,000 per annum on 1 April 2022 and thereafter increasing each 1 April by £150,000 per annum. The expenses of running the Plan, as well as statutory levies, are to be met directly by the Company. The Company has paid £900,000 in contributions in respect of the current accounting period.

The liabilities of the Plan are based on the current value of expected benefit payment cash-flows to members of the Plan over the next 50 years. The average duration of the liabilities is approximately 14 years.

The value of the liabilities at the reporting date have been estimated by updating the results of the 2017 valuation to allow for the passage of time, benefits paid out of the Plan and changes in actuarial assumptions over the period from 31 March 2017 to 31 March 2022. Allowance has also been made for actual inflation experience and known transfers out and trivial commutations over the period. Such an approach is common for the purposes of accounting disclosures. It is not expected that these projections will be materially different from a summation of individual calculations at the accounting date, although there may be some discrepancy between the actual liabilities for the Plan at the accounting date and those included in the disclosures.

Principal Actuarial Assumptions

A full actuarial valuation of the Plan was carried out as at 31 March 2017 and has been updated to 31 March 2022 by a qualified actuary. The major assumptions used by the actuary were (in nominal terms) as follows

	2022	2021
Discount rate	2.65%	1.95%
Inflation assumption (RPI)	4.05%	3.45%
Inflation assumption (CPI)	3.15%	2.55%
Future revaluation of pensions in deferment	3.15%	2.55%
Pension increases in payment (liabilities) :		
CPI max 5%	3.05%	2.55%
CPI max 3%	2.45%	2.15%
CPI max 2.5%	2.15%	1.95%
Pension increases in payment (insured asset) :		
RPI max 5%	3.80%	3.30%
RPI max 3%	2.75%	2.60%
RPI max 2.5%	2.35%	2.25%

19 Retirement benefit schemes - cont

Assumed life expectancies on retirement at age 65

	2022	2021
Retiring today – Females	22.9	23.2
Retiring today – Males	20.4	20.9
Retiring in 20 years: Females	24.1	24.4
Retiring in 20 years: Males	21.3	21.8

The assets in the plan were

	2022 £'000	2021 £'000
Equity, property and other	21,211	25,983
Gilts and other government debt	14,206	11,964
Annuities	8,148	9,180
Cash and net current assets	2,714	1,451
Fair value of Plan assets	46,279	48,578
The actual return on assets over the period was:	(393)	5,389
Present value of funded obligations	(60,778)	(65,536)
Fair value of Plan assets	46,279	48,578
Deficit in funded scheme	(14,499)	(16,958)
Present value of unfunded obligations	-	-
Unrecognised actuarial gains / (losses)	-	-
(Irrecoverable surplus)	-	-
Net liability in Statement of Financial Position	(14,499)	(16,958)

19 Retirement benefit schemes - cont

Reconciliation of opening and closing balances of the present value of the deferred benefit obligation

	2022 £'000	2021 £'000
Benefit obligation at beginning of year	65,536	62,584
Plan administration cost	-	-
Interest cost	1,251	1,439
Contributions by plan participants	-	-
Actuarial (gains) / losses	(3,203)	4,255
Benefits paid	(2,806)	(2,742)
Past service cost	-	-
Benefit obligation at end of year	60,778	65,536

Reconciliation of opening and closing balances of the fair value of Plan assets

	2022 £'000	2021 £'000
Fair value of Plan assets at beginning of year	48,578	45,631
Interest income on Plan assets	929	1,043
Return on assets, excluding interest income	(1,322)	4,346
Contributions by employer	900	300
Contributions by Plan participants	-	-
Benefits paid	(2,806)	(2,742)
Plan administration cost	-	-
Fair value of Plan assets at end of year	46,279	48,578

The amounts recognised in Statement of Comprehensive Income

	2022 £'000	2021 £'000
Service cost - including current and past service costs and Settlements	-	-
Plan administrative costs	-	-
Net interest on the net defined liability	322	396
	322	396

19 Retirement benefit schemes - cont

Remeasurements of the net defined benefit liability (asset) shown in the Statement of Comprehensive Income

	2022 £'000	2021 £'000
Actuarial (gains) / losses on the liabilities	(3,203)	4,255
Return on assets, excluding interest income	1,322	(4,346)
Total remeasurement of the net defined liability (asset)	(1,881)	(91)

Estimation of next period's profit or loss	2023 £'000
Service cost - including current and past service costs and settlements	-
Plan administrative costs	-
Net interest on the net defined liability	378
Total expense	378

20 Cashflow from operating activities

	2022 £'000	2021 £'000
Surplus for the year	517	1,308
Adjustment for non-cash items:		
Depreciation of housing properties	164	198
Depreciation of other property, plant and equipment	686	837
Amortisation of intangible assets	115	127
Loss on disposal of assets	216	10
(Increase) / Decrease in debtors	(1,259)	2,530
Increase / (Decrease) in creditors	1,726	(1,027)
Increase / (Decrease) in provisions	59	(234)
Pension costs less contributions payable	(900)	(300)
Accrued pension payment	100	-
Amortisation of SHG	(594)	(149)
Amortisation of SHG prior year reclassification	-	3
Interest payable	322	396
Interest received	-	(3)
Net cash generated from operating activities	1,152	3,696

21 Capital commitments

Capital commitments amounted to £112k at the year-end (2021: £nil).

22 Leasing Commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2022 £'000	2021 £'000
Leases expiring:-		
- within one year	1,369	2,780
- between one and five years	1,605	632
- after five years	3,823	-
	6,797	3,412

23 Financial assets and liabilities

Financial assets

	2022	2021
	£'000	£'000
Financial assets measured at undiscounted amount receivable	3,890	3,214
Bank deposits	11,515	10,943
Total	15,405	14,157

Financial Instruments on which no interest is earned include short-term debtors. No investments were held by the company during the year. No interest or gains are recognised on financial assets recognised at undiscounted amounts receivable.

Financial liabilities

	2022	2021
	£'000	£'000
Financial liabilities measured at undiscounted amount payable	2,792	2,877

The company's financial liabilities are sterling denominated. There is no exposure to interest rate risk.

24 Accommodation in management and development

	2022	2021
Owned units	225	225
Units under management	2,145	2,227
Total units	2,370	2,452

Within the total units, 647 units met the regulated definition of social housing (2021 - 666) and 1,723 units were outside the regulated definition (2021 - 1,786).

Owned units have remained unchanged from 2021 to 2022 at 225. 5 units lost through the disposal of Pinchbeck have been replaced by 5 units acquired from the purchase of St Mary's Wharf.

Nacro

Telephone **0300 123 1889**
Email **contactus@nacro.org.uk**

nacro.org.uk

Nacro: Registered charity no. 226171; Registered company (London) 203583;
Registered social housing provider no. 4781; UK registered learning provider no.100004486; Ofsted no. 50170

Ofsted Good Provider

INVESTORS IN PEOPLE | Silver

disability confident EMPLOYER

matrix

CYBER ESSENTIALS PLUS

Eastside Primetimers GOOD MERGER INDEX 2015/16

ARMED FORCES COVENANT

Funded by Skills Funding Agency

Education Funding Agency

European Union European Social Fund

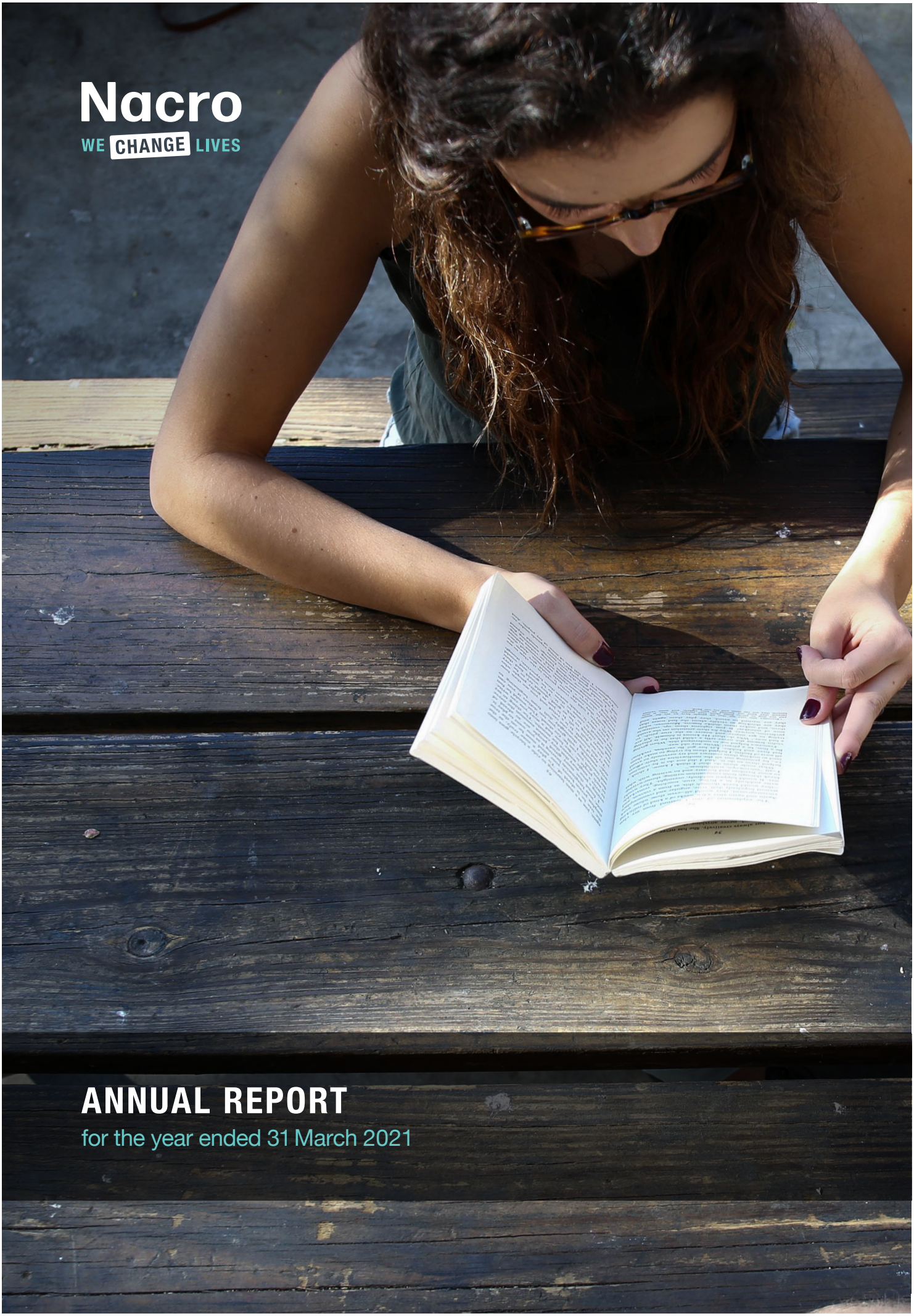
NACRO

England & Wales - Charity number 226171

Accounts

Nacro

WE CHANGE LIVES



ANNUAL REPORT

for the year ended 31 March 2021

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Who we are

We are a national social justice charity with more than 50 years' experience of changing lives, building stronger communities and reducing crime.

We house, we educate, we support, we advise and we speak out for and with disadvantaged young people and adults.

We are passionate about changing lives.

We never give up.

Our vision

A socially just country where people feel safe, are supported to reach their aspirations and communities are crime free.

Our mission

We deliver social justice by positively changing lives, strengthening communities and preventing crime.

Our values

We focus on outcomes

We work effectively to deliver the right results. We support people to achieve meaningful outcomes.

We are courageous

We have bold aims which we are determined to achieve. We seize opportunities and deliver results.

We are inspiring

We motivate and inspire people to reach their full potential and aspirations. We encourage people to think differently.

We are reliable

We keep our promises. We provide consistent support and we stick with people.

We are proud

We celebrate the collective strength that our diversity brings.

We promote, celebrate and share the achievements of our team ahead of our own.

Why our work is needed

We know that some of the most vulnerable members of our society do not get the help they need. Over the last year the pandemic has shone a spotlight on many of the social and economic inequalities in our country, and the long term impact of the pandemic is likely to create a widening of those inequalities, impacting on those who are already the most disadvantaged. As a consequence, the economic and social need in the UK is only likely to grow.

In 2020 Britain continued to have higher income inequality and lower social mobility rates than many other European and OECD countries. The income of the richest 20% of people was over six times higher than the poorest 20%, and the richest 10% received 50% more income than the poorest 40%. The gender pay gap has stopped falling. There are large differences in the prosperity of different groups in society (such as between people of different ethnicities) and between different regions. Educational performance also varies significantly based on socioeconomic backgrounds. The UK economy recorded its worst economic performance for more than 300 years in 2020 and, as we face the economic challenge to come, it is clear that action is needed to stop these gaps becoming entrenched and create opportunity and hope.

England and Wales has one of the highest rates of imprisonment in Western Europe, with **78,008** people held in prisons and young offender institutions at the end of March 2021. The prison population has reduced by over **5,000** during the pandemic, largely due to a reduction in the amount of cases being processed by the courts, particularly jury trials. As backlogs are tackled, the prison population is likely to increase significantly.

Reoffending rates remain stubbornly high, with **45.4%** of adults released from prison going on to reoffend within a year. For those who served a sentence of less than 12 months this increases significantly to 61%. Overcrowding, self-harm, suicide, and assault remain significant issues. Most prisoners have now been held for over a year in conditions close to solitary confinement, with many having less than an hour out of their cell each day. The long term impact of such an extended period of isolation and inactivity and limited opportunities for rehabilitation will have an impact for many years to come. As we enter the second year of the pandemic it is clear that restricted regimes in our prisons will be a feature for many months to come.

Homelessness continues to be high. According to Shelter, **253,000** people were living in temporary accommodation, sleeping rough or in a hostel in England in 2020. Half of them are children. In the first three months of the pandemic the number of people in temporary accommodation leaped by **6,000**. We know that a lot of homelessness goes undocumented, including sofa-surfing and some rough sleeping, which means the true level of homelessness is even higher.

The Government's 'Everyone In' initiative during the pandemic helped to support many rough sleepers. We now need to look beyond these emergency measures to ensure that the momentum of the last year is not lost if we are to end rough sleeping by the Government's target date of 2024. With growing economic pressures we also need to ensure that attention is paid to those living in insecure or unsuitable accommodation, and preventing people from becoming homelessness in the first place.

The mainstream education system continues to fail many young people whose specific needs are not being met. The most recent figures show that **42** permanent exclusions occurred a day; children eligible for free school meals were more than four times more likely to be excluded than those not eligible and children with special educational needs more than six times more likely. The knock-on effect is damaging – people with no qualifications are far more likely to spend time not in employment, education or training.

It is clear that children from disadvantaged backgrounds have suffered the most as a result of school closures, particularly given the unequal access to education resources. Children from disadvantaged backgrounds have had less contact with their teachers and less of their work marked. One in five of those children eligible for free school meals had no access to a computer at home, and it is estimated that more than **880,000** children live in a household with only a mobile internet connection. It is therefore no surprise that children from better-off households were spending 30% more time each day on educational activities than children from the poorest fifth of households whilst schools were closed.

We know that poor mental health, inadequate education, drug and alcohol addiction, a low income, and a lack of affordable and secure housing all contribute to a life of hardship and, sometimes, chaos that can be very hard to change.

We continue to do everything we can to offer support, stability and guidance, enabling people to open doors that were previously closed to them. We know that most people who come to us for help have a range of issues, not just one. We also know that, with the right support and guidance, people can be empowered to turn their lives around and move on to a future of success and independence.

Message from the Chair

Nigel Chapman CMG

It's certainly been an unusual and, in many ways, unpredictable twelve months. The challenges of Covid-19, including several lockdowns and many changes in the related restrictions, have certainly taken their toll, and I continue to be remarkably impressed with the resilience, determination, and perseverance our staff have shown. On behalf of Nacro's Council of Trustees, I would like to thank all staff – from front-line workers to those in central support roles – for their commitment to our work, and I would also like to thank the senior management team for their focus and leadership.

At times of crisis, Trustees are inevitably more involved in supporting the senior management. We all collectively bear the strain so a big thank you is also appropriate to the Nacro Council of Trustees for the extra time and commitment they all showed over the past year. In some cases Trustees were new to Nacro, had never met in the same room, but soon operated remotely and cohesively as a team to ensure Nacro could operate as effectively as possible in the Covid-19 crisis.

In 2020 we undertook a significant change programme which reduced our operating costs significantly, and that, together with the hard work of teams across Nacro, has meant that we are in a more positive and sustainable financial position.

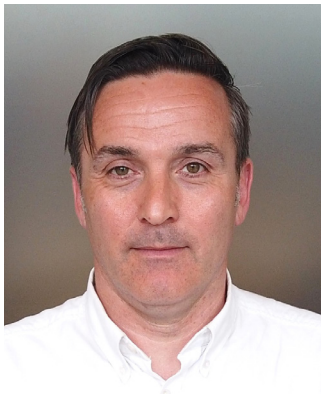
There is no doubt that the coming years will continue to present challenges both for us organisationally, and for the people we support. The pandemic's impact on employment, education and wellbeing will mean that our work has never been more needed. At the same time many local authorities are seeing their budgets slashed and this in turn will have an impact on our ability to secure the necessary funding for the services we provide.

Nevertheless there is cause for optimism. We are setting a new strategy which will focus on quality services, building on our strengths, improving our impact and outcome measures, using the experiences of our learners and service users to campaign for change, and ensuring we have the right organisational culture, systems and processes, and training and development in place which support our staff to carry out their roles to the very best of their abilities.

Over the course of 2020/21 a number of Trustees have left our Board including Bob Booker, Dominic McGonigal and Sarah Nelson-Smith. Bob and Dominic served the full three terms amounting to nine years on the Council. I would like to thank them all for their contribution and the time and energy they put into supporting the organisation. We have also welcomed six new Trustees: Anne Frost, Sir David Hanson, Tabitha Kassem, Farrah Malik, Katie Martin, and Victor Olisa. With them they bring a wealth of experience that will add to the Council's expertise and diversity of views and perspectives over the coming years.

I am confident that Nacro can continue to be financially sustainable, and increase the positive impact we have on the people we support, and I remain extremely proud of all Nacro does to give people the help they need and to work towards a society where everyone has the chance to succeed.

Message from our CEO



Campbell Robb

It is an impossible task to try to write a review of the past year – already millions of words in every language have been written about the pandemic, its causes and consequences, what it means and what our future may look like. I am not going to try. What I am going to try to do is express my overwhelming sense of pride in what our staff achieved in the year, recognise the resilience and determination of our service users and learners, and thank our partners and commissioners and our Council of Trustees for all of their incredible support.

Nacro came into this financial year facing a very significant financial deficit, and I am pleased to say that we have turned that around and leave the year with a surplus, as these accounts show. What these pages don't fully share is how incredible our staff were in facing these challenges together, coming up with solutions for our service users and learners and for each other, and ensuring that we were able to continue to provide outstanding support and services throughout the year. We also put our service users and learners at the centre of these changes – asking them what they needed and listening to them. When we couldn't help directly, we made sure we found out who could – pressing the Government to provide more support for prison leavers or more IT equipment for our learners or working alongside the Department for Work and Pensions (DWP) to offer advice and support in different ways.

Another terrible consequence of this year is that we all know someone who has lost someone. At Nacro we lost one of our very best, our head of housing strategic planning, Alan Ryan, who passed away tragically early, but whose values and commitment continue to inspire us.

Council members and professional advisers

Trustees

Nigel Chapman CMG, Chair

Ron Crank MBE, Vice Chair

Andrew Billany

Bob Booker
(Resigned 31 December 2020)

Jenni Douglas Todd

Lynn Emslie

Anne Frost
(Appointed 23 September 2020)

David Hanson
(Appointed 23 September 2020)

Tabitha Kasseem
(Appointed 23 September 2020)

Farrah Malik
(Appointed 1 January 2021)

Katie Martin
(Appointed 23 September 2020)

Dominic McGonigal
(Resigned 23 September 2020)

Sarah Nelson-Smith
(Resigned 1 July 2020)

Victor Olisa
(Appointed 23 September 2020)

Neil Spence

Treasurer

Neil Spence

Chief Executive Officer

Campbell Robb

Company Secretary

Susannah Glover
(April 2019 – June 2020)

Rocco Zitola
(July 2020 – March 2021)

Registered Office

Walkden House
16-17 Devonshire Square
London EC2M 4SQ

Charity number

226171

Regulator of Social Housing number

4781

Company number

00203583

Bankers

National Westminster Bank Plc
Cavell House
PO Box 113
2A Charing Cross Road
London WC2H 0PD

Auditors

Crowe U.K. LLP
2nd Floor
55 Ludgate Hill
London EC4M 7JW
(Appointed January 2021)

Solicitors

Devonshires Solicitors LLP
30 Finsbury Circus
London EC2M 7DT

Pension consultants

XPS Pensions Group
Phoenix House
1 Station Hill
Reading RG1 1NB

Information correct at 14 July 2021.

Trustee Attendance Record 2020/21

	1	2	3	4
Nigel Chapman CMG	**4** of **4**	-	-	**2** of **2**
Andrew Billany	**4** of **4**	**4** of **4**	-	-
Bob Booker[1]	**3** of **3**	-	**3** of **3**	-
Ron Crank MBE	**4** of **4**	**4** of **4**	-	**2** of **2**
Jenni Douglas-Todd	**3** of **4**	-	**3** of **4**	**1** of **2**
Lynn Emslie	**4** of **4**	**4** of **4**	-	-
Anne Frost[2]	**3** of **3**	**3** of **3**	-	-
David Hanson[3]	**3** of **3**	-	**3** of **3**	-
Tabitha Kasseem[4]	**3** of **3**	**3** of **3**	-	**1** of **1**
Farrah Malik[5]	**1** of **1**	-	**1** of **1**	-
Katie Martin[6]	**3** of **3**	-	**3** of **3**	-
Dominic McGonigal[7]	**2** of **2**	-	**1** of **2**	-
Sarah Nelson-Smith[8]	**1** of **1**	-	-	-
Victor Olisa[9]	**2** of **3**	**1** of **2**	-	-
Neil Spence	**4** of **4**	-	**4** of **4**	-

1 Council
2 Strategy & Performance Committee
3 Finance & Audit Committee
4 People Committee

1. Resigned 31 December 2020
2. Appointed 23 September 2020
3. Appointed 23 September 2020
4. Appointed 23 September 2020
5. Appointed 1 January 2021
6. Appointed 23 September 2020
7. Resigned 23 September 2020
8. Resigned 1 July 2020
9. Appointed 23 September 2020

Strategic review of the year

Year in review

Our key delivery milestones during 2020/21 are shown below:

1. Grow Nacro's outcome-focused delivery – deliver joined up, high outcome and expert services and products meeting their respective regulatory and funding standards.

In 2020/21:

- The impact of Covid-19 has been felt across all our services, and our teams were focused on adapting to ensure we continue to deliver as high quality services as possible during the pandemic.
- A significant focus this year was bidding for prison resettlement services in the new probation model. We await some results at the time of writing, but we are very pleased to have secured a significant increase in the delivery of resettlement work including in the East and West Midlands – working in partnership to support people leaving prison find accommodation and with wellbeing.
- We retained a strong and successful focus on outcomes for learners and service users despite the barriers of Covid-19. For example, in our 16-19 Study Programme, the high pass rates in re-sit GCSEs for maths and English were above national rates and 72% of young people progressed into positive destinations.
- We successfully secured a partnership with the Greater London Authority and Resonance, a social impact investment company, to provide 50 homes and support for people sleeping rough in London. Our partnership with Resonance is also delivering 20 new homes for women through our Bail and Accommodation Support Service (BASS).

2. Make a strategic contribution in priority places and communities - support commissioners to offer local/regional services and solutions; form strategic partnerships in communities; be recognised as a key player in identified priority areas.

In 2020/21:

- Throughout the pandemic, our teams have worked collaboratively and with other agencies to deliver joined up responses in local areas. For example, in Wolverhampton our Recovery Near You team worked with the local authority and homelessness services and developed an outreach model delivering substance misuse services in temporary hotels and hostels resulting in 96% of people who were previously homeless and unknown to the treatment service engaging with us. In the North East, our unique and highly utilised SWITCH women at risk project responded quickly to the changing needs of its service users including delivering 470 food parcels in 4 weeks, supported by the Police and Crime Commissioner fund for domestic abuse victims, supermarket donations and foodbanks.
- We have been working to increase our impact in target areas, such as in the Midlands where we continue to provide homes and support, including our Birmingham offender housing service; deliver high quality further education including a new teenage parents support service; deliver adult vocational education in five prisons; and we are pleased to have secured new prison resettlement services across both the East and West Midlands. These services enable us to make a greater contribution in the region.

- We have continued to build partnerships with employers in areas in which we work and we have responded to local skills needs. For example, as part of its Civil Engineering course and in response to a growing skills gap, our Newcastle Education and Skills centre has partnered with the CPJ Group, which addresses skills shortages in the civil engineering and infrastructrure sectors, and local and national employers such as McDonald's.
- In London, in addition to the new Greater London Authority and Resonance partnership to deliver 50 homes and support to people who are rough sleeping, we have started work in the Borough of Richmond to support people who have left prison with housing and support.

3. Influence policy and practice – develop long-term plans to address the needs of disadvantaged young people and adults in communities, promoting our social justice voice and that of our service users to influence policy and practice in order to improve the lives of people we help.

In 2020/21:

- We campaigned for concerted action to help people in prison and on release to deal with the pandemic. This included calling for a Discharge Pack with a mobile phone and other basic essentials, and immediate support to ensure that prison leavers were not released homeless during the pandemic. We were pleased that the Ministry of Justice introduced funding during Covid-19 to support people leaving prison to find initial accommodation; they provided mobile phones on release from prison; and that the DWP introduced and has committed to keeping the prison leavers Universal Credit phone line.
- We maintained our focus throughout the year on tackling the high rates and impact of homelessness on release from prison, and launched our #CellStreetRepeat campaign calling for everyone who leaves prison to have somewhere to live. We were pleased that the Ministry of Justice announced £50m to increase accommodation for prison leavers over the next year and we will continue to campaign to ensure further funding is committed in the next spending review and in coming years.
- We continued to ensure the experiences of our staff and service users were heard at the highest levels and hosted online events with Rt Hon Robert Buckland MP, The Lord Chancellor, and with Rt Hon David Lammy MP, Shadow Lord Chancellor.
- With the profound impact of Covid-19 on disadvantaged young people, we worked to highlight the challenges young people we support have faced. This included hosting Skills Minister, Gillian Keegan MP, for a virtual visit to our further education and skills centres and chairing a youth justice sub group of the Youth Employment Group.
- We undertook a review of our approach to service user involvement and have set a renewed vision and commitment to service user involvement at every level of the organisation including in our policy and campaigns.

4. Build a proud, expert and engaged workforce – build and sustain a high-performing professional workforce with the skills, knowledge and attitudes to deliver the best outcomes for service users.

In 2020/21:

- We developed a three year People Strategy which will underpin the new Nacro strategy to be launched in 2021.
- We started work to design a new values based leadership development programme that engaged Trustees, senior managers and staff representatives.
- We continued work to improve our induction training programme with a particular focus on safeguarding, health and safety, information security and GDPR.
- We adapted to changing working environments arising from the Coronavirus pandemic. A specific focus was placed on managing good health and safety environments and supporting staff with personal wellbeing.
- We renewed our commitment to equality diversity and inclusion, working with staff across the organisation to inform the development of a new strategy.

5. Create a financially sustainable organisation – in an uncertain economic climate, develop the organisation to ensure efficient processes in order to meet our reserves and liquidity targets as well as funding capital investment and discharging pensions obligations.

In 2020/21:

- We consulted on and implemented a Change Programme ensuring more efficient management and staffing structures across our operational and central teams.
- We managed our finances carefully by securing operating efficiencies from both the Change Programme and from the increase in flexible and home working arrangements.
- By using the functionality of our new finance systems, we have provided more summarised and focused finance reports to senior managers and Trustees.
- We developed a refreshed Corporate Dashboard to track performance against a set of key indicators and identify areas for improvement.
- We developed a blueprint for updating Nacro's ICT infrastructure arrangements to enable the charity to maximise the potential to work flexibly and to use video technology.
- We appointed a new internal auditor to help Trustees review risk appetite, review governance assurance arrangements and to develop a structured 3 year programme of internal audit reviews.

Our Plans for 2021/22

In 2021/22 we will be launching our new Nacro strategy. Due to the significant impact of Covid-19 on our communities and the change we have started to embed within Nacro, 2021/22 will be a foundation year from which we will continue to grow. We will focus on supporting our people – with wellbeing and inclusivity at the centre of everything we do – and will define and embed a new values led culture. We will continue to focus on building a sustainable future. And we will mobilise new contracts and re-bid for some of our larger existing contracts. This foundation year will stand us in good stead for future years of our strategy and future success.

Where relevant we will be implementing new legislation that is coming into force, for example responding to the new Social Housing Regulatory requirements. We will be continuing our work efforts to support a green agenda. The plans of individual directorates will be updated as our new strategic objectives are formed and in the meantime individual directorate work plans, targets and key performance indicators are carried over from 2020/21.

Safeguarding

This year, Nacro has further developed its safeguarding policy and practice across the organisation and embedded a strengthened culture of safeguarding at all levels.

During the pandemic, we have worked to ensure safeguarding remains a priority through updated guidance and procedures. Our safeguarding governance structures, reporting and meeting arrangements, and multi-agency working, have continued both at directorate and national level. Trends and typology have been monitored during the pandemic which saw a spike in fatalities in our housing and justice and health services and in mental health issues being raised. A dedicated training module was developed to support staff to help learners and service users with their mental health, and a support service was identified for staff working with fatalities.

Our National Safeguarding Board continues to ensure an effective framework is in place, and is supported by a team of 79 Designated Safeguarding Officers (DSOs) and Leads across Nacro. All DSOs have been trained to Level 3 this year.

Nacro's annual safeguarding week was held in March 2021. This saw Trustees engaging in Safeguarding Conversations with groups of Safeguarding Leads and staff about the professional framework and their training and support needs, staff blogs explaining our approaches and culture of safeguarding, and activities on the theme of supporting learner and service user mental health. We continued to promote national weeks such as National Drug and Health Awareness Week and Mental Health Awareness Week.

During the year a total of 1642 cases were recorded on our Incident Management System. As our largest delivery area, Housing continues to report the largest number of safeguarding incidents, with 1014 (62%) of incidents coming from the directorate in 2020/21. Education reported 461 (28%) of the incidents and 167 (10%) incidents came from Justice and Health. These figures indicate an increase in reporting over 2019/20 partly attributable to the impact upon service users during the pandemic and the lockdown restrictions, but also as a result of more awareness raising in the organisation of potential safeguarding issues. This also reflects the size, complexity of each directorate and the challenging environment during 2020.

Good governance – Trustees' report

Nacro Council is responsible for the effective strategic leadership and governance of the organisation while day-to-day management is delegated to the Executive Leadership Team (ELT).

The Council has adopted and complies with the requirements of the National Housing Federation (NHF) Code of Governance 2020. Nacro's prime regulator is the Social Housing Regulator and Nacro Council confirm that Nacro complies with the regulatory standards. As an educator and recipient of Education and Skills Funding Agency funding, we also seek to comply with the Code of Governance for English Colleges. And finally, as a social justice charity, Nacro also complies with charity commission requirements.

During 2020/21 we have continued to embed and promote good governance practice in line with the NHF's governance code. The committee framework, designed to enable more detailed scrutiny, is providing the Council with a high level of assurance.

Risk management continues to be a priority, with Council members regularly considering and discussing the corporate risk register at Council and its two primary reporting committees, the Finance and Audit Committee and Strategy and Performance Committee. In May 2020 BDO were appointed as internal auditors, as internal auditors, and this will increase the Finance and Audit Committee's focus on strategic risk issues.

In 2020/21 we carried out a review into service user involvement at Nacro and our Community Voice Council. Following the review we have agreed a series of recommendations including drawing up a user involvement charter, increasing our focus on supporting the capacity and skills of our service users and learners, standardising our models and practice, and forming a new user advisory group. These changes will be put into practice in 2021/22.

There are also a number of other regular meetings that Trustees either chair or attend, such as the Education Scrutiny Group and National Safeguarding Board. These areas of engagement improve the governance for specific areas and increases scrutiny and oversight of different sectors of the business. These Trustees in turn report into Nacro Council and the committees, further strengthening our governance.

A full list of Trustee appointments, resignations and attendance can be found on page 9.

Our risk framework and financial strategy mitigates our exposure to risk. Trustees are aware of their duty to protect social housing assets and are continuously developing our risk assessment and management frameworks.

The spread of Coronavirus has been considered as part of the organisation's risk management process and corporate risk register. Lockdown measures did not have a material effect on the carrying value of the charity's assets and liabilities as at 31 March 2021. Our prime income streams are derived from statutory funding sources and specific government directives to ensure state statutory funding sources would be protected. Where appropriate we accessed grants made available from the Coronavirus Job Retention Scheme and where essential, operating activity was reduced to adhere to the lockdown regime.

The charity has not incurred an immediate adverse financial impact as a direct result of the Coronavirus pandemic since the March 2020. The long term financial impact of the pandemic on our finances is currently unknown as it is very difficult to predict how funding for statutory services will be affected in the longer term. The number of new learners recruited to our Education based activity was lower than planned during lockdown and future local social distancing measures might require education centres to close to students, leading to reduced student recruitment and attainment and consequent reductions in income.

Service levels within Housing, Health and Justice were maintained during the lockdowns but with suitable adjustments to the operating models. In the immediate future, and where possible, we will continue to embed flexibility within its operating models, to enable the services to be adapted to meet local and national public safety guidelines.

As part of risk management, consideration has been given to the impact of the UK leaving the European Union. This includes any potential impact on operations and supply, staffing and financial planning. Like other organisations, it is possible that we may experience some supply chain disruption. Our supply chain is diverse and we don't currently judge that we have high exposure in this area. EU nationals make up a relatively low proportion of our workforce and we therefore do not anticipate immediate risk in this area. Should the economy be negatively impacted and inflation rise as some predictions suggest may happen in certain circumstances, we would inevitably face the difficulties this would bring to all organisations in terms of impact on costs and income. Overall, the charity has a relatively low exposure and did not incur any adverse financial impact as a direct result of Brexit - the withdrawal of the United Kingdom from the European Union at the end of 31 January 2020.

Section 172 Statement

Nacro exists to provide public benefit directly and indirectly to the organisation's beneficiaries. The prime aims of the organisation are captured in our vision, mission and values statements.

When setting strategy and make decisions Trustees (Directors) will carefully consider the impact these decisions have on Nacro's beneficiaries and employees.

Employee engagement is encouraged through our effective consultative processes established with Unite the Union.

A high proportion of Nacro's income is generated from contracts where effective customer relationships are key to facilitating the renewal of contracting arrangements and the innovation of service design that helps enable maximum impact and benefit to be received from the people who engage with Nacro's services.

All of Nacro's work is community facing and we work hard to ensure our activities have a positive impact on the communities we serve. Data on the environmental impact of our activities is captured on page 26 of this report.

The activities of Nacro are regulated via the Housing Regulator, Ofsted and indirectly the Care Quality Commission. These regulatory bodies require the organisation to establish robust governance frameworks that can be subject to external assessment and publicity rated performance levels.

Nacro has a wide range of suppliers, we have established contracts and clear contract management arrangements in place with our largest suppliers and all of our sub contractors to help ensure our main suppliers have appropriate governance and legal compliance measures in place.

Trustees' responsibilities

The Trustees (who are also directors of Nacro for the purposes of company law) are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards).

Company law requires the Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of Nacro and of the incoming resources and application of resources, including the income and expenditure, of Nacro for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the applicable SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain Nacro's transactions, disclose with reasonable accuracy at any time the financial position of Nacro and enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and the Accounting Direction for Private Registered Providers of Social Housing 2019. They are also responsible for safeguarding the assets of Nacro and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going concern – The Trustees consider that Nacro is well positioned to manage its business risks successfully. After careful consideration and enquiry, the Trustees have a reasonable expectation that Nacro has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Trustees continue to adopt the going concern basis in preparing these financial statements.

Public benefit – The Trustees confirm that they have complied with their duty under section 4 of the Charities Act 2006 to have due regard to the Charity Commission's general guidance on public benefit.

Disclosure of information to the auditor – Each Trustee at the date of approval of this report has confirmed that as far as the Trustees are aware, there is no relevant audit information of which Nacro's auditor is unaware. The Trustees have taken all necessary steps in order to make themselves aware of any relevant audit information and to establish that Nacro's auditor is aware of that information.

Approved by the Trustees on 14 July 2021 and signed on their behalf by:

NC Chapman

Nigel Chapman (Jul 23, 2021, 3:40pm)

N Chapman CMG

Chair

Ron Crank (Jul 23, 2021, 4:10pm)

R Crank MBE

Vice-Chair

Statement of internal control

The Nacro Council has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. In meeting its responsibilities, the Council has adopted a risk-based approach to internal control, which is embedded within the normal management and governance processes and includes staff at all levels. This approach includes the regular evaluation of the nature and extent of risks to which Nacro is exposed. The process adopted by the Council in reviewing the effectiveness of the system of internal control comprises:

1. Identification and evaluation of key risks

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal process of management review in each area of Nacro's activities. This process is coordinated through a regular reporting framework by the ELT and the Finance and Audit Committee. The Finance and Audit Committee regularly considers reports on significant risks facing Nacro, and the Chief Executive is responsible for reporting to the Council any significant changes affecting key risks.

2. Monitoring and corrective action

The regular review of control issues and the audit plan by the ELT provides assurance to the Finance and Audit Committee and the Council. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant issues, particularly those with a material impact on the financial statements.

3. Control environment and control procedures

The Council retains responsibility for a defined range of issues covering strategic, operational, financial, and compliance issues including new investment projects. The Council shares its requirements with all its employees, including those policies that concern the quality, integrity and ethics of its staff.

It is supported by a framework of policies and procedures with which all employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, safeguarding, data and asset protection, and the prevention and detection of fraud.

4. Independent audit and review

The internal control framework and risk management processes are subject to regular review by an internal audit function which is responsible for providing independent assurance to the Council. In May 2020 Nacro appointed BDO to supply an internal audit function. The Finance and Audit Committee ensures that the risk-based inspection/monitoring plan remains up-to-date. It reviews all significant reports, which could affect the risks facing Nacro. Council has received the annual review of the system of control from the Finance and Audit Committee and has taken into account any changes needed to maintain effectiveness of the risk management and control process.

5. Fraud reporting systems

Fraud response procedures and policy statements are reviewed and approved by the Council as part of a comprehensive review of internal control systems. The procedures establish the respective roles and responsibilities of staff for the prevention and detection of fraud through a fraud response plan.

The Council confirms that there is a process for identifying, evaluating and managing significant risks faced by Nacro. This process has been in place throughout the year and up to the signing of the annual report, and is reviewed regularly by the Council.

6. Risks

Nacro has a formal risk management process to assess business risks and implement risk-based strategies. The risk register is aligned to the corporate plan, and identifies the risks around achieving the objectives of the organisation. This involves identifying the types of risks that Nacro faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying mitigating actions.

Key risks

Key risk	Risk treatment
Cashflows and margins are not sufficient to meet day to day operating costs and / or balance sheet liabilities leading to the Charity falling in to financial administration	Strategic and business planning in place and monitoring of progress against key corporate objectives Regular communication with commissioners regarding security of current income streams Building closer relationships with potential funders and developing new funding models Financial performance is monitored through monthly management accounts by management and Trustees A Value for Money programme is in place which includes initiatives to reduce operating costs
Death or harm caused by failure to follow internal processes and procedures, particularly in relation to health and safety and safeguarding, leading to loss of life, damaging publicity, criminal convictions, fines and loss of business	Executive and Trustee oversight to ensure arrangements for health and safety and safeguarding are monitored An incident management system is embedded and learning from incidents is cascaded Continued compliance and quality inspections take place
Failure to embed a leadership approach that encourages active engagement, diversity, innovation, efficiency, synergy and collective responsibility	Emerging Nacro strategy has a clear focus on People and Charity Beneficiaries A specific People Strategy has been developed, this will underpin the new Nacro Strategy A new values based leadership development programme is being co-produced with staff Specific initiatives that focus on wellbeing, equality, diversity and inclusion have been implemented
Business continuity is affected by major internal or external event leading to an inability to provide services to service users	Robust business continuity plans are in place, these plans were actively tested during the Coronavirus pandemic Data and systems can be accessed from multiple locations Specific local arrangements in place for specific service delivery sites

Financial narrative

Income for the year was £60.7m compared with £63.3m in 2019/20 and the total income for the year was £1.4m (2019/20 : £0.2m). Even though income reduced, expenditure reduced further. A reduction in expenditure was always planned for the 2020/21 financial year. A relatively large contract ended on 31 March 2020 and efficiency savings achieved through a significant internal restructure were realised. In addition, the charity benefited financially from a significant reduction in travel related costs as a result of the move to home working arrangements.

Turnover in Housing (social and non social housing), reduced by just under £1.0 to £41.0m. The profitability of the Housing directorate increased from £1.0m to £2.6m.

Turnover in our Education directorate income fell from £14.2m to £12.7m. The reduction in income relates to a relatively large contract ending on 31 March 2020, overall the Education directorate recorded a £1.3m loss for the year. Last year the loss for the Education directorate was £2.4m. These results were expected and planned for within the Charity's overall financial plan.

Turnover in our Justice directorate reduced by just under £1.0m during the year to £2.2m. Profitability reduced by £0.2m from £0.5m to £0.3m.

Turnover in our Health directorate increased by £0.7m to £4.7m. Overall, the directorate returned a modest surplus of just under £0.1m.

The total income for the year amounted to a surplus of £1.4m (2020: £0.2m). The operating result of £1.7m (2020: £0.9m loss) was off set by the net effect of a small gain on the valuation of the pension scheme of £0.1m and pension scheme interest charges of £0.4m.

The Balance Sheet shows net assets at £8.7m (2019/20 : £7.3m). This is represented by unrestricted funds of £8.5m (2019/20: £7.1m) and restricted funds of £0.2m (2019/20: £0.2m)

The defined benefit pension liability stands at £17.0m (2019/20: £17.0m).

The full results for the year are shown in the Statement of Comprehensive Income and the Statement of Financial Position plus accompanying accounts and notes on pages 35 to 60.

Value for money statement

To comply with the Regulator of Social Housing's latest code of practice on value for money, as a registered provider we are required to publish our performance against a given set of key indicators which is shown below:

	Nacro 2020/21	Nacro 2019/20	Global Accounts 20 – Supported Housing Provider Metrics*	2020/21 Comment
1. Reinvestment %	0.2%	0.8%	4.4%	Less than 10% of Nacro's housing units are owned by the charity, therefore landlords bear the bulk of the cost of making improvements to existing stock
2. New supply delivered %	0.0%	0.0%	0.4%	Nacro did not build or aquire any new housing units during the year
3. Gearing %	0.0%	0.0%	14.2%	Nacro does not have any loan financing facilities in place. At this point Nacro does not intend to enter in to any new loan financing arrangements
4. EBITDA MRI Interest Cover %	100.0%	76.6%	259%	A surplus was recorded for the charity as a whole. The interest value recorded in Nacro's financial statements solely relates to accounting disclosures required for Nacro's defined benefit pension scheme
5. Headline social housing cost per unit	£10.53	£9.67	£9.90	Nacro provides over 500 very short term, typically less than 8 weeks stay, units to provide accommodation to people on bail and to people who are leaving prison. Specific staff support arrangements are in place and typically more frequent repairs are carried out to keep units in a lettable condition
6. Operating Margin A) Social Housing Letting %	1.6%	5.3%	10.4%	Most of Nacro's social and non social housing units are used to provide enhanced and contractual support services. We do not seek to make a significant margin on these activities
B) Overall %	2.8%	-1.4%	6.5%	
7. Return on capital employed %	5.2%	-3.2%	3.1%	A relatively strong surplus was recorded during the financial year

*the Global Accounts 20 is an annual report produced by the Housing Regulator to provide a summary of the financial status of social housing providers who own or manage at least 1,000 homes. The comparative data used for Nacro was taken from the Supported Housing Provider dataset, this is because Nacro primarily provides supporting housing services.

Nacro has fewer than 1,000 owned homes so we are classed as a “small provider”. Nacro provides homes with additional support for vulnerable people and people leaving the criminal justice system on assured shorthold tenancies or licences. Many of the above metrics are designed to enable comparisons between large social housing providers with significant loan book commitments and a high level of general needs social rented homes. Income from Nacro’s social housing provision makes up just over 10% of Nacro’s total turnover. As a consequence, some comparative required benchmarking comparative figures for Nacro will not always closely align with registered provider averages.

Nacro’s performance against its own expectations in relation to housing activities is perhaps slightly better than our initial planning assumptions for the financial year. We exceeded our aspirations to deliver a break even position for the financial year, the efficiency savings we planned as part of an internal restructuring programme were delivered, we saved a significant amount of money on travel and where possible access was made to government support schemes for key worker service delivery and staff furlough initiatives.

Nacro’s Council has considered the benchmarking data and the Council is satisfied that Nacro is in compliance with the Code issued by the Regulator of Social Housing in respect of Nacro’s housing related activities. The Council believes that overall the charity is delivering good value for money to beneficiaries. Value for money is delivered throughout the charity, for example:

- Governance — we are further embedding our person centred approach by investing more resources in service user and leaner engagement initiatives. These initiatives enable our staff to embed improvements in our service offer and to help us share good practice effectively. This means we will continue to deliver better quality services at a reasonable price, in line with regulatory and commissioner expectations.
- Co-production — we actively engage with the people we support and our workforce. This enables us to capitalise on their ideas and innovations for business improvement through consideration of re-shaping of delivery models and/or through financial investment in specific initiatives.
- Re-shaping management structures to make them fit for the future, removing management tiers to support the devolution of decision-making and budgetary responsibility and by making spans of management more effective.
- Actively pursuing a sustainability agenda and staff wellbeing agenda. During the year we learnt how to operate with much more flexibility, and this has led to a significant reduction in travel, and in turn travel costs and carbon footprint. At the same time, we have invested in initiatives designed to promote both physical and mental wellbeing; recognising that staff support requirements are different in a more remote working model.
- Business development partnerships — working closely with commissioners and investment partners, we constantly evaluate our inputs and outcomes in terms of value for money. The sternest test of this is when re-tendering takes place. Nacro has been successful in securing a range of new probation support contracts and we won a new contract to provided services at a secure training centre.

To address our ambition to raise our performance against regulatory indicators 6 and 7 above, our internal indicators for the year to improve value for money, were as follows:

1. We were successful in securing new and retaining business, including four new service delivery contracts during the year with a total annual contract value of just under £1m.
2. We have re-structured our delivery and management structures to devolve more decisions locally, removing management layers from the structure and broadening management spans from 1:5 to 1:8. We consciously slowed the pace of the restructuring programme to allow for adjustments arising from the Covid-19 pandemic to be made so it has taken longer to deliver than originally expected. Overall, these changes will leave us in a much stronger position going forward.
3. We worked hard to reduce sickness/absence levels to below 5% and increase 'first time fill' for our vacancies to above 70% by being clear about the roles on offer, recruiting through new channels and ensuring a good fit is clear before offers are made. Progress here has also been slower than hoped for but the trajectory on both indicators at the end of the year is good.
4. We improved access to our internal data and information systems by investing in our ICT infrastructure to enable staff to access more systems remotely, yielding savings in both staff time and increased flexibility of working.
5. We have invested in our housing management team to enable more resources to be dedicated to reducing rent debt and we have improved our systems for managing contractual income receipts to ensure work done is invoiced promptly and settled in line with expectations.

Return on assets and investments and use of reserves

We are working continuously to get the most of our assets, primarily our properties. This includes reviewing our properties that are no longer fit-for-purpose, re- and co-locating some operational and "back office" teams and upgrading our ICT infrastructure that supports more flexible working to enable staff to better deliver for the needs of those using our services.

Our investment resources are allocated according to current corporate priorities, risks, most urgent need and best return. Users of our services are our main focus in evaluating our investment pipeline.

Our physical asset base across the charity remains fully unsecured and we continue to be able to internally fund investment programmes from existing cash reserves. Holding significant cash balances offers a poor yield so selected investments in our infrastructure and strategic projects give us a potential long-term yield that will ensure our business remains sustainable in the longer term. We assess each investment against our strategic aims and undertake a cost/benefit review, and where the advantages to those we support are clear, we invest to improve. We have focused on disposing of properties that do not fit with our current and/or likely needs.

Our approach to our social and environmental responsibilities is developed with those we support as well as staff, who wish to see us as a responsible provider.

We are able to procure ICT related equipment, stationery and furniture on a large scale to maximise economies of scale.

Reserves and liquidity policies

There has been an increase of £1.4m in the overall value of the balance sheet during the year to 31 March 2021, the value of the balance sheet now stands at £8.7m. The current reserves policy is to achieve reserves of the equivalent of three months of operating costs and the current liquidity policy is to target cash of three months of operating costs less depreciation.

As at 31 March 2021, Nacro's revenue reserves stood at £8.5m, which is equivalent to 1.7 months of operating costs. This is 1.3 months under the reserves policy threshold. A surplus budget for 2021/22 has been set, the planned retained surplus for the year will help close this current gap.

As at 31 March 2021, Nacro's cash and cash equivalent balances stood at £10.9m, which is equivalent to 2.3 months of operating costs less depreciation. This is 0.7 months under the liquidity policy threshold. A surplus budget for 2021/22 has been set and the planned net cash inflow expected for the year will help close this current gap.

Environmental impact statement

Our service users, colleagues and partners care about our impact on the environment and how we're working to improve it. Our Environmental Working Group, linked into operational and executive teams, was focussed on projects that delivered measurable benefits to reduce our energy footprint, waste production, and the use of toxic and environmentally damaging materials.

This year, we can report a decrease in our carbon footprint - notably in car travel and energy consumption. Whilst these can be linked to the lockdowns and travel restrictions experienced in 2020, we believe that in future years our car travel and energy consumption will remain lower than pre-Covid levels. During 2020, Nacro has had to develop digital resources, products and mechanisms to reach out and maintain contact with its service users, staff and partners and these methods and processes will continue to be deployed and further developed during 2021.

Our focus in 2021 continues to be on measurable deliverables:

- Our housing provision provides homes in communities throughout England and Wales. These are currently above the minimum Energy Performance Certificate (EPC) rating, and we shall seek to ensure that as many as possible achieve an EPC rating of C by 2030. Nacro will also develop a full response to the challenge of net carbon zero by 2050.
- Our education provision has completed their Display Energy Certificate surveys and these have highlighted opportunities to reduce energy consumption and carbon emissions. We will adopt such measures as reasonable to improve the energy performance of these premises and offices so that we operate as sustainably as possible.
- We continue to support the reduction in staff car mileage by encouraging the use of sustainable or public transport as an alternative, by smart planning journeys so we can maximise the contact with service users, and by use of technology to deliver online services, support plans and education.
- We will engage with our service users both locally and through our user advisory group to hear their views and share our environmental work plan.

Streamlined Energy & Carbon Report (SECR)

Financial Year	April 2020 to March 2021
Client Name	Nacro
Company No	203583
Registered Office	Walkden House, 16–17 Devonshire Square London EC2M 4SQ
Current Financial Year tCO2e	3,083
Current Financial Year kWh	15,240,398
Previous Financial Year tCO2e	3,749
Previous Financial Year kWh	18,375,204
Intensity Ratio (IR) used	tCO2e/£m
Intensity Metric Current Financial Year	50.80
Intensity Metric Previous Financial Year	60.57
Emissions Factors Used	DEFRA 2020
Methodology Used	GHG Protocol
Emissions Scope	Scope 1 & 2
Emissions Included	Electricity, Natural Gas, Direct Mileage
Exclusion Statement	Consumption for void properties has not been included. It has not been possible to determine the volume of consumption since individual property void consumption is not tracked. Estimations have also been required for the portfolio due to supplier rebilling at year end.

Energy Efficiency Statement	Nacro leases the majority of its 1000 residential properties and ensure the requirement of an EPC rating of a minimum of E for all new and existing properties is met. We work with the owners of properties when the leases come up for renewal, usually every 3 years, to assess whether any improvements to the heating systems and other energy efficiency measures can be carried out as a condition of renewal. The wall insulation has been improved and old electric storage heaters replaced with new electric panel heaters at Flats 1,2, 3, 4, 5, 6 7 Stanley Road, Whalley Range Manchester. This was carried out under the Governments ECO scheme. Given the impact of Covid-19 on business plans and resources during the last year, we have been in contingency mode and therefore not been able to initiate projects to reduce carbon emissions during 20/21. Due to the reduced requirements for car travel during the year and offices / training centres being closed or partially occupied reductions in emissions across the portfolio have been seen.
Report completed by	Victoria Pollard
Quality Audit completed by	Stephanie Strange
SECR Report completed by	(EIC) Energy Intelligence Centre Limited

Thanks and acknowledgements

With thanks to our funders and partners including:

Barrow Cadbury Trust
BeNCH CRC
Berkshire NHS Foundation Trust
Big Lottery Fund
Birmingham City Council
Cambridgeshire & Peterborough Combined Authority
Carmarthenshire County Council/ Cyngor Sir Gaerfyrddin
Capita E-Source
Cleveland Police and Crime Commissioner
Clinks
Conwy County Borough Council/ Cyngor Bwrdeistref Sirol Conwy
Delta E-Source
Department of Health
Denbighshire County Council/ Cyngor Sir Ddinbych
Dudley Council
Education and Skills Funding Agency
East Riding of Yorkshire Council & Two Ridings Community Foundation
Education & Skills Funding Agency
Essex County Council
Essex CRC
European Social Fund
Flintshire County Council/Cyngor Sir Y Fflint
The Forward Trust
Gwynedd Council/Cyngor Gwynedd
LandAid
Lincolnshire County Council
Liverpool City Council
London Borough of Lambeth
London Borough of Wandsworth
London Borough of Westminster
Manchester City Council
Ministry of Justice
MTC Ltd
NHS England
Northamptonshire Police & Crime Commissioner
Nottingham City Council
Ormiston Families
Oxleas NHS Trust
People Plus
Sheffield City Council
Sodexo
South Yorkshire CRC
St Mungos
Staffordshire Police & Crime Commissioner
Stephen Lawrence Trust
Stockport Alliance
The Bridge (East Midlands)
The Privy Purse Charitable Fund
The Royal British Legion
Transform Foundation
Wandsworth Borough Council
Welsh Assembly
Wolverhampton City Council
Wrexham County Council
YMCA Liverpool

Independent auditor's report

Opinion

We have audited the financial statements of Nacro for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cashflow and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of Nacro's affairs as at 31 March 2021 and of its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing from April 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of Nacro in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Nacro'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.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

Other information

The Trustees are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Trustees' report, which includes the directors' report and the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the Trustees' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of Nacro and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included within the Trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 or the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Trustees

As explained more fully in the Trustees' responsibilities statement set out on page 18, the Trustees (who are also the directors of Nacro for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing Nacro'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 Trustees either intend to liquidate Nacro or to cease operations, or have no realistic alternative but to do so.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which Nacro operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006, the Charities Act 2011, the Housing and Regeneration Act 2008, together with the Housing SORP. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to Nacro's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within Nacro for fraud. The laws and regulations we considered in this context for the UK operations were requirements imposed by the Regulator of Social Housing, health and safety, taxation and employment legislation.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of income and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management, internal audit and the Finance and Audit Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence, designing audit procedures over the timing of income and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Use of our report

This report is made solely to Nacro's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to Nacro's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Nacro and Nacro's members as a body, for our audit work, for this report, or for the opinions we have formed.

Julia Poulter
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
55 Ludgate Hill
London EC4M 7JW

Date: 27 Jul 2021

Julia Poulter (Jul 27, 2021, 3:00pm)

Financial statements

Nacro - Statement of Comprehensive Income
for the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Turnover	3	60,701	63,342
Operating expenditure	3	(58,990)	(64,247)
Operating surplus / (deficit)		1,711	(905)
Equalisation of guaranteed minimum pension scheme (GMP)	19	-	-
Operating surplus / (deficit) (including GMP)		1,711	(905)
Loss on disposal of property, plant and equipment	4	(10)	(48)
Surplus on disposal of investments		-	-
Interest and similar receivables	6	3	28
Interest and financing costs	7	(396)	(428)
Surplus / (Deficit) before tax	5	1,308	(1,353)
Taxation	10	-	-
Surplus / (Deficit) for the year		1,308	(1,353)
Actuarial gain in respect of pension schemes	19	91	1,539
Total comprehensive income for the year		1,399	186

All amounts relate to continuing activities.

The financial statements were approved by the Board on 14th July 2021 and were signed on its behalf by:

Chair NC Chapman
Nigel Chapman (Jul 23, 2021, 3:40pm)

Trustee
Ron Crank (Jul 23, 2021, 4:10pm)

The notes on pages 38 to 59 form part of these financial statements.

Nacro Statement of Financial Position as at 31 March 2021

	Note	2021 £'000	2020 £'000
Non Current Assets			
Intangible assets	11	172	300
Housing properties	12	7,577	7,751
Other property, plant and equipment	13	15,291	16,106
		23,040	24,157
Current Assets			
Trade debtors	14	5,600	8,130
Cash and cash equivalents		10,943	7,300
		16,543	15,430
Creditors: Amounts falling due within one year	15	8,880	9,907
Net current assets		7,663	5,523
Total assets less current liabilities		30,703	29,680
Creditors: Amounts falling due after more than one year	16	4,436	4,583
Provisions			
Defined benefit obligations	19	16,958	16,953
Other provisions	18	625	859
Total net assets		8,684	7,285
Capital and reserves			
Revenue reserve		8,480	7,101
Restricted reserve		204	184
Total reserves		8,684	7,285

The financial statements were approved by the Board on 14th July 2021 and were signed on its behalf by:

Chair Trustee

The notes on pages 38 to 59 form part of these financial statements.

Nacro Company number 00203583.

Nacro - Statement of changes in reserves for the year ended 31 March 2021

	Revenue reserve £'000	Restricted reserve £'000	Total £'000
Balance as at 1 April 2020	7,101	184	7,285
Surplus for the year	1,288	20	1,308
Other comprehensive income for the year	91	-	91
Total comprehensive income for the year	1,379	20	1,399
Balance at 31 March 2021	8,480	204	8,684

	Revenue reserve £'000	Restricted reserve £'000	Total £'000
Balance as at 1 April 2019	6,922	177	7,099
(Deficit) for the year	(1,360)	7	(1,353)
Other comprehensive income for the year	1,539	-	1,539
Total comprehensive income for the year	179	7	186
Balance at 31 March 2020	7,101	184	7,285

The notes on pages 38 to 59 form part of these financial statements.

Nacro - Statement of Cashflow for the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Net cash generated from operating activities	20	3,696	411
Cash flows from investing activities			
Purchase of housing property components		(24)	(94)
Purchase of other property, plant and equipment		(32)	(392)
Purchase of intangible assets		-	(38)
Interest received		3	28
Total cash utilised in investing activities		(53)	(496)
Net change in cash and cash equivalents		3,643	(85)
Cash and cash equivalents at beginning of year		7,300	7,385
Cash and cash equivalents at end of year		10,943	7,300

The notes on pages 38 to 59 form part of these financial statements.

1 Legal Status

Nacro is a private company limited by guarantee under the Companies Act 2006, incorporated in England and is a registered housing provider and a registered charity. The address of its registered office is as disclosed on page 9 of the annual report.

2 Accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the year and to the preceding year.

Basis of accounting

The financial statements have been prepared under the historical cost convention on an accruals basis, modified to include certain items at fair value, in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019. Nacro is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs prefixed 'PBE' in FRS 102.

The financial statements are presented in Sterling (£).

Going Concern

Nacro's business activities, its current financial position and factors likely to affect its future development are set out within the Annual Report.

The Trustees have a reasonable expectation that Nacro has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Turnover

Turnover represents rent and service charges receivable (net of rent and service charge losses from voids), grants from local authorities and charitable fees and donations.

Rental income is recognised on an accruals basis and recognised when the property is available for let, net of voids. Service charge income is recognised when expenditure is incurred as this is considered to be the point at which the service has been performed and the revenue recognition criteria met.

Grant income is recognised in the financial statements when the conditions for receipt of the grants have been fulfilled and Nacro becomes entitled to payment. Where a grant is received relating to a future accounting period, the Statement of Comprehensive Income shows the gross amount receivable reduced by the movement in the amount deferred to future accounting periods. Deferred grant income at the year end is included in creditors.

Charitable fees and donations are credited as income in the year in which they were receivable.

Financial instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historic cost model.

Basic financial instruments are recognised at amortised historical cost.

Debtors
Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Where deferral of payment terms has been agreed at below market rate, and where material, the balance is shown at the present value, discounted at a market rate.

Creditors
Short term trade creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Employee Benefits
Defined contribution scheme
Nacro participates in a defined contribution stakeholder scheme. Employer contributions payable to the scheme are charged to the Statement of Comprehensive Income during the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

Defined benefit scheme.
The Nacro Staff Benefits Plan closed to new entrants from 1 December 1998 and for future accruals from 31 March 2006. The net interest cost on the net defined benefit liability is charged to revenue and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained triennially and are updated at each Statement of Financial Position date.

Housing properties
Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the cost of acquiring land and buildings, directly attributable development costs and interest charges incurred during the development period.

Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value, on a straight line basis, over their useful economic lives. Depreciation is charged in the year of acquisition. Freehold land is not depreciated.

Major components of housing properties, which have significantly different patterns of consumption of economic benefits, are treated as separate assets and depreciated over their expected useful economic lives at the following annual rates:

Structure	80 years
Roofs	50 years
Windows	25 years
Kitchens	20 years
Bathrooms	30 years
Boilers	15 years
Heating systems	30 years
Electrics	30 years

Properties held on long leases are depreciated over their estimated useful economic lives or the lease duration if shorter.

Improvements
Where there are improvements to housing properties that are expected to provide incremental future benefits, these are capitalised and added to the carrying amount of the property. Any works to housing properties which neither replace a component nor result in an incremental future benefit are charged as expenditure in the Statement of Comprehensive Income.

Leaseholders
Where the rights and obligations for improving a housing property reside with the leaseholder or tenant, any works to improve such properties incurred by Nacro is recharged to the leaseholder and recognised in the Statement of Comprehensive Income along with the corresponding income from the leaseholder or tenant.

Donation or acquisition of land or other asset at below market value
Where a donation of land and/or other assets is received or land and/or other assets are acquired at below market value from a government source, this is accounted for as a non-monetary government grant. The difference between the fair value of the asset donated or acquired and the consideration paid for the asset is recognised as a government grant and included in the Statement of Financial Position as a liability.

Where Nacro receives a donation of land and/or other assets or acquires such assets below their market value from a third party that does not meet the definition of a government source as set out in the Housing SORP, then the transaction is accounted for as a non-exchange transaction. The assets acquired are recognised in the statement of financial position at fair value. The income, equivalent to the difference between any amounts paid or payable for the assets and the fair value of the assets, is recognised in the statement of comprehensive income as a donation when future performance-related conditions are met.

Assets held for sale
Assets held for sale consists of properties or other assets that are surplus to the requirement of the business and not held for use in the business.

Property assets held for sale are subject to a charity valuation by a qualified and experienced external surveyor and held at this value, any change in valuation is recognised in the Statement of Comprehensive Income.

Social Housing Grant and other Government grants
Government grants include grants receivable from government agencies such as Homes England, local authorities, devolved government agencies, health authorities and the European Commission. Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model.

Grants relating to revenue are recognised in income on a systematic basis over the period in which related costs for which the grant is intended to compensate are recognised. Where a grant is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs, it is recognised as revenue in the period in which it becomes receivable.

Grants due from government organisations or received in advance are included as current assets or liabilities.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with Homes England. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors.

Other Grants
Grants received from non-government sources are recognised as revenue using the performance model.

Recycling of grants
Where there is a requirement to either repay or recycle a grant received for an asset that has been disposed of, a provision is included in the Statement of Financial Position to recognise this obligation as a liability. When approval is received from the funding body to use the grant for a specific development, the amount previously recognised as a provision for the recycling of the grant is reclassified as a creditor in the Statement of Financial Position.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, any unamortised grant remaining within liabilities in the Statement of Financial Position related to this asset is derecognised as a liability and recognised as revenue in the Statement of Comprehensive Income.

Impairment of social housing properties
An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the Statement of Comprehensive Income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measurement model.

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and included in the Statement of Comprehensive Income.

Other property, plant and equipment
Other property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Depreciation is charged on all non-housing property, plant and equipment, other than investment properties and freehold land so as to write down the net book value to their residual value, on a straight line basis, over their useful economic lives, as follows:

Other Freehold premises	34 - 60 years
Leasehold land and buildings	over the period of the lease
Furniture, fixtures & fittings	4 years
Other equipment	4 years
Vehicles	4 years
Computer hardware	3 - 4 years

Other freehold premises are treated as housing properties which have different patterns of consumption of economic benefit and treated as separate assets. The same asset lives are used as for housing properties.

Intangible assets
Intangible assets are stated at historic cost or valuation, less accumulated amortisation and any provision for impairment. Amortisation is charged to operating expenditure in the Statement of Comprehensive Income. Amortisation is provided on all intangible assets at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life, as follows:

Computer software	3 - 4 years

Leases
An assessment is made at inception of an agreement that transfers the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Operating leased assets
Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

Payments under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Provisions for liabilities
Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event; it is probable the obligation will have to be settled; and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the Statement of Comprehensive Income in the period it arises.

Financial provision is made for the cost of annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

Restricted reserves
Where reserves are subject to an external restriction they are separately recognised within reserves as a restricted reserve. Revenue and expenditure is included in the Statement of Comprehensive Income and a transfer is made from the general reserve to the restricted reserve.

Significant management judgements and key sources of estimation uncertainty
The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant management judgements
The following are management judgements in applying the accounting policies of Nacro that have the most significant effect on the amounts recognised in the financial statements.

Impairment of social housing properties
The Trustees have to make an assessment as to whether an indicator of impairment in value of social housing properties exists. In making the judgement, management consider the detailed criteria set out in the SORP. The conclusion of the Trustees is that there are no indicators of impairment.

Estimation uncertainty
Estimates and assumptions are made concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Provisions
Provision is made for dilapidations. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

Recoverability of rent arrears
Nacro makes an estimate of the recoverable value of rent arrears. When assessing impairment of rent arrears, management consider factors including the ageing profile of the rental debtors and historical experience.

Defined benefit pension scheme
Nacro has obligations to pay pension benefits to certain employees and former employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Based on advice received from Actuaries, management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

Useful lives of depreciable assets
Management reviews its estimates of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components.

3A Particulars of turnover, operating costs and operating surplus.

	2021		
	Turnover	Operating costs	Operating surplus/ (deficit)
Social housing activity	£'000	£'000	£'000
Social housing lettings (Note 3B)	7,128	(7,011)	117
Other social housing activities			
Charges for support services	7,482	(6,747)	735
Sub-total	14,610	(13,758)	852
Activities other than social housing			
Non-social housing and related support services	26,489	(24,724)	1,765
Education centre provision	12,699	(13,999)	(1,300)
Justice services	2,224	(1,901)	323
Health services	4,679	(4,608)	71
Sub-total	46,091	(45,232)	859
Total	60,701	(58,990)	1,711

	2020		
	Turnover	Operating costs	Operating surplus/ (deficit)
Social housing activity	£'000	£'000	£'000
Social housing lettings (Note 3B)	7,516	(7,115)	401
Other social housing activities			
Charges for support services	8,655	(8,938)	(283)
Sub-total	16,171	(16,053)	118
Activities other than social housing			
Non-social housing and related support services	25,808	(24,908)	900
Education centre provision	14,187	(16,596)	(2,409)
Justice services	3,155	(2,611)	544
Health services	4,021	(4,079)	(58)
Sub-total	47,171	(48,194)	(1,023)
Total	63,342	(64,247)	(905)

3B Social Housing Lettings

Income	General Needs Housing £'000	Supported Housing £'000	2021 Total £'000	2020 Total £'000
Rents receivable net of identifiable service charges	132	3,702	3,834	3,587
Service charge income	23	3,121	3,144	3,809
Amortised government grants	9	141	150	120
Turnover from social housing lettings	164	6,964	7,128	7,516
Operating expenditure				
Management	(3)	(2,163)	(2,166)	(1,053)
Service charge costs	(8)	(1,084)	(1,092)	(3,065)
Rents payable and property costs	(13)	(3,249)	(3,262)	(2,305)
Routine maintenance	-	(27)	(27)	(30)
Bad debts	-	(289)	(289)	(422)
Depreciation of housing properties	(23)	(152)	(175)	(240)
Expenditure from social housing lettings	(47)	(6,964)	(7,011)	(7,115)
Operating surplus social housing lettings	117	-	117	401
Total void losses including service charges	2	581	583	587

4 Loss on disposal of property and equipment

	2021 £'000	2020 £'000
Loss on disposal of property and equipment	(10)	(48)
	(10)	(48)

5 Surplus for the year before taxation

Surplus for the year before taxation is stated after charging/(crediting):

	2021 £'000	2020 £'000
Depreciation of housing properties	198	196
Depreciation of other property, plant and equipment	837	1,065
Amortisation of intangible assets	127	143
Amortisation of Government grants	(149)	(151)
Loss on disposal of fixed assets	10	48
Audit fees:		
- statutory audit	38	46
- audit-related assurance services	-	-
Operating lease rentals	11,279	11,073

6 Interest receivable

	2021 £'000	2020 £'000
Bank interest receivable	3	21
Investment interest	-	7
	3	28

7 Interest and financing costs

	2021 £'000	2020 £'000
Net interest payable on defined benefit pension liability	(396)	(428)

8 Staff costs

	2021 £'000	2020 £'000
Wages and salaries	19,900	21,062
Social security costs	1,789	1,920
Other pension costs	591	643
Redundancy Costs	224	334
Agency Costs	2,642	2,641
	25,146	26,600

The number of staff who received emoluments, including pension contribution, in excess of £60,000 is as shown below:

Salary Band	2021	2020
60,000 - 69,999	9	6
70,000 - 79,999	0	1
80,000 - 89,999	2	2
90,000 - 99,999	0	1
100,000 - 109,999	1	1
110,000 - 119,999	1	1
120,000 - 129,999	0	0
130,000 - 139,999	0	0
140,000 - 149,999	0	0
150,000 - 159,999	1	0

The average full time equivalent number of employees over the 12-month period was:

	2021	2020
Service delivery	720	681
Management and administration	79	93
	799	774

Full Time equivalents are calculated on the basis of a 40-hour standard week.

9 Directors' remuneration and transactions

Directors who are executive staff members	2021 £'000	2020 £'000
Wages and salaries (including social security costs)	728	823
Other pension costs	19	20
Compensation for loss of office	41	-
	788	843

Directors are defined as the members of the Board, the Chief Executive and any other person who is a member of the Executive Leadership Team.

The number of directors in the defined contribution scheme as at the end of March 2021 was 6 (2020:8)

Remuneration of the highest paid director

	2021 £'000	2020 £'000
Emoluments	150	110
Pension contributions	5	3

The Chief Executive is an ordinary member of the pension scheme. No enhanced or special terms apply.

No Council member or person related or connected to them received any remuneration from Nacro during the year. During the year expenses relating to travel were reimbursed or paid on behalf of Council members amounting to £361 to 3 members (2020: £8,238 to 7 members).

10 Taxation status

Nacro has charitable status and its sources of income are exempt from income and corporation tax provided that they are applied for charitable purposes.

11 Intangible fixed assets

	Computer software
Cost	£'000
At 1 April 2020	930
Additions	-
Disposals	(1)
As at 31 March 2021	929
Amortisation	
At 1 April 2020	(630)
Charge for the year	(127)
As at 31 March 2021	(757)
Net book value	
As at 31 March 2021	172
As at 31 March 2020	300

12 Housing properties

	General Needs	Supported Housing	Total
Cost	£'000	£'000	£'000
At 1 April 2020	281	11,395	11,676
Additions	-	24	24
Disposals	-	-	-
At 31 March 2021	281	11,419	11,700
Depreciation			
At 1 April 2020	(48)	(3,877)	(3,925)
Charge for the year	(8)	(190)	(198)
Eliminated on disposals	-	-	-
At 31 March 2021	(56)	(4,067)	(4,123)
Net book value			
As at 31 March 2021	225	7,352	7,577
As at 31 March 2020	233	7,518	7,751

13 Other property, plant and equipment

	Freehold	Long/short leasehold	Equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 31 March 2020	16,796	904	4,846	178	22,724
Additions	-	-	32	-	32
Disposals	-	-	(104)	-	(104)
As at 31 March 2021	16,796	904	4,774	178	22,652
Depreciation					
At 1 April 2020	(1,637)	(741)	(4,063)	(177)	(6,618)
Charge for the year	(394)	(57)	(385)	(1)	(837)
Eliminated on disposal	-	-	94	-	94
As at 31 March 2021	(2,031)	(798)	(4,354)	(178)	(7,361)
Net book value					
As at 31 March 2021	14,765	106	420	-	15,291
As at 31 March 2020	15,159	163	783	1	16,106

14 Debtors

Amounts falling due within one year:	2021 £'000	2020 £'000
Rent arrears	3,346	3,925
Provision for bad debts	(1,932)	(2,052)
Net Rent Arrears	1,414	1,873
Trade debtors	1,530	2,986
Other Debtors	270	323
Prepayments and accrued income	2,386	2,948
	5,600	8,130

15 Creditors

Amounts falling due within one year:	2021 £'000	2020 £'000
Trade creditors	2,134	4,180
Corporation tax	-	-
Other taxation and social security	723	1,177
Other creditors	743	488
Deferred income, grants and grants repayable	2,336	1,331
Accruals	2,795	2,580
SHG under 1 year deferred grant (note 17)	149	151
	8,880	9,907

16 Creditors

Amounts falling due after more than one year:	2021 £'000	2020 £'000
Financial assistance - deferred grants (note 17)	4,430	4,577
Financial assistance - recycled capital grant fund	6	6
	4,436	4,583

17 Financial assistance and other government grants (Deferred income grant)

Deferred income - government grants	2021 £'000	2020 £'000
As at 1 April	4,728	4,879
Amortisation to Statement of Comprehensive Income	(149)	(151)
Recycling of grant	-	-
As at 31 March	4,579	4,728
Amounts to be released within one year	149	151
Amounts due to be released in more than one year	4,430	4,577
	4,579	4,728

The total value of grants received by Nacro is £8,795,258 (2020 £8,795,258).

Recycled Capital Grant Fund

	2021 £'000	2020 £'000
As at 1 April	6	6
Recycling of grant	-	-
As at 31 March	6	6

The recycled capital grant is in respect of 2 housing property disposals in 2017/18 and is shown in note 16.

18 Provisions

	Dilapidations £'000	Redundancy £'000	Other £'000	Total £'000
As at 1 April 2020	605	200	54	859
Released	(57)	(200)	(54)	(311)
Increase	77	-	-	77
As at 31 March 2021	625	-	-	625

Other provisions included the future costs to be incurred on vacant surplus properties and provision for potential clawback of funding by commissioners as a consequence of underperformance against contractual expectations.

19 Retirement benefit schemes

Defined contribution scheme

Nacro operates defined contribution retirement benefit schemes for qualifying employees. The total expense charged to the Statement of Comprehensive Income in the period ended 31 March 2021 was £590,880 (2020: £643,122).

Defined benefit scheme

Characteristics and risks associated with the Plan

Nacro operates the Nacro Staff Benefits Plan ("the Plan"). The Plan provides pensions in retirement and death benefits to members. Pension benefits are linked to a member's final salary at retirement and their length of service. Since 31 March 2006 the Plan has been closed to future accrual.

The Plan is a registered scheme under UK legislation and was contracted out of the State Second Pension until its closure.

The Plan is subject to the scheme funding requirements outlined in UK legislation.

The Plan was established from 31 May 1986 under trust and is governed by the Plan's third definitive deed and rules dated 23 May 2011. The Trustees are responsible for the operation and the governance of the Plan, including making decisions regarding the Plan's funding and investment strategy in conjunction with the Company.

Under clause 21 of the Plan's third definitive deed and rules dated 23 May 2011, the Company does not have an unconditional right to a refund of any surplus in the Plan if the Plan winds up. However, since the Plan is in deficit, and this deficit exceeds the value of future contributions due under the current recovery plan, there is no additional liability recognised on the balance sheet as a result of the Plan's recovery plan.

The Plan exposes the Company to actuarial risks such as; market (investment) risk, interest rate risk, inflation risks, currency risk and longevity risk.

The Plan does not expose the Company to any unusual Plan-specific or Company-specific risks.

No allowance has been made for any curtailment or settlement during the accounting period.

Amount, timing and uncertainty of future cashflows.

The Trustees hold a proportion of the Plan's assets in gilts and index-linked gilts to provide some degree of matching with the Plan's liabilities (with the latter providing a degree of price inflation matching with the Plan's liabilities).

The Plan also holds annuity contracts in respect of the majority of pensions in payment which provide protection against future changes in respect of post retirement market risk, inflation risk and longevity risk in respect of these members.

19 Retirement benefit schemes - cont

The Plan's investment strategy is to invest broadly 90% of non-annuity investments in return seeking assets and the remaining 10% in matching assets (mainly government bonds). This strategy reflects the Plan's liability profile and the Trustees' and Company's attitude to risk.

The Plan's non-annuity investments include interest rate and inflation hedging. The Plan also holds a number of annuity policies which approximately match the majority of the pensions in payment.

The last scheme funding valuation of the Plan was as at 31 March 2017 ("the 2017 valuation") and revealed a funding deficit of £16.0m. Under the current schedule of contributions, the Company has agreed to pay deficit reduction contributions of £300,000 per annum increasing to £450,000 per annum on 1 April 2021 and thereafter increasing each 1 April by £150,000 per annum. The expenses of running the Plan, as well as statutory levies, are to be met directly by the Company. The Company has paid £300,000 in contributions in respect of the current accounting period.

The liabilities of the Plan are based on the current value of expected benefit payment cash-flows to members of the Plan over the next 50 years. The average duration of the liabilities is approximately 14 years.

The value of the liabilities at the reporting date have been estimated by updating the results of the 2017 valuation to allow for the passage of time, benefits paid out of the Plan and changes in actuarial assumptions over the period from 31 March 2017 to 31 March 2021. Allowance has also been made for actual inflation experience and known transfers out and trivial commutations over the period. Such an approach is common for the purposes of accounting disclosures. It is not expected that these projections will be materially different from a summation of individual calculations at the accounting date, although there may be some discrepancy between the actual liabilities for the Plan at the accounting date and those included in the disclosures.

Principal Actuarial Assumptions

A full actuarial valuation of the Plan was carried out as at 31 March 2017 and has been updated to 31 March 2021 by a qualified actuary. The major assumptions used by the actuary were (in nominal terms) as follows

	2021	2020
Discount rate	1.95%	2.35%
Inflation assumption (RPI)	3.45%	2.75%
Inflation assumption (CPI)	2.55%	2.00%
Future revaluation of pensions in deferment	2.55%	2.00%
Pension increases in payment (liabilities) :		
CPI max 5%	2.55%	2.05%
CPI max 3%	2.15%	1.85%
CPI max 2.5%	1.95%	1.65%
Pension increases in payment (insured asset) :		
RPI max 5%	3.30%	2.70%
RPI max 3%	2.60%	2.25%
RPI max 2.5%	2.25%	2.00%

19 Retirement benefit schemes - cont

Assumed life expectancies on retirement at age 65

	2021	2020
Retiring today – Females	23.2	23.1
Retiring today – Males	20.9	20.9
Retiring in 20 years: Females	24.4	24.3
Retiring in 20 years: Males	21.8	21.9

The assets in the plan were

	2021 £'000	2020 £'000
Equity, property and other	25,983	24,952
Gilts and other government debt	11,964	8,199
Annuities	9,180	9,549
Cash and net current assets	1,451	2,931
Fair value of Plan assets	48,578	45,631
The actual return on assets over the period was:	5,389	(408)
Present value of funded obligations	(65,536)	(62,584)
Fair value of Plan assets	48,578	45,631
Deficit in funded scheme	(16,958)	(16,953)
Present value of unfunded obligations	-	-
Unrecognised actuarial gains / (losses)	-	-
(Irrecoverable surplus)	-	-
Net liability in Statement of Financial Position	(16,958)	(16,953)

19 Retirement benefit schemes - cont

Reconciliation of opening and closing balances of the present value of the deferred benefit obligation

	2021 £'000	2020 £'000
Benefit obligation at beginning of year	62,584	66,609
Plan administration cost	-	-
Interest cost	1,439	1,536
Contributions by plan participants	-	-
Actuarial losses / (gains)	4,255	(3,055)
Benefits paid	(2,742)	(2,506)
Past service cost	-	-
Benefit obligation at end of year	65,536	62,584

Reconciliation of opening and closing balances of the fair value of Plan assets

	2021 £'000	2020 £'000
Fair value of Plan assets at beginning of year	45,631	48,245
Interest income on Plan assets	1,043	1,108
Return on assets, excluding interest income	4,346	(1,516)
Contributions by employer	300	300
Contributions by Plan participants	-	-
Benefits paid	(2,742)	(2,506)
Plan administration cost	-	-
Fair value of Plan assets at end of year	48,578	45,631

The amounts recognised in Statement of Comprehensive Income

	2021 £'000	2020 £'000
Service cost - including current & past service costs and settlements	-	-
Plan administrative costs	-	-
Net interest on the net defined liability	396	428
	396	428

19 Retirement benefit schemes - cont

Remeasurements of the net defined benefit liability (asset) shown in the Statement of Comprehensive Income

	2021	2020
	£'000	£'000
Actuarial losses / (gains) on the liabilities	4,255	(3,055)
Return on assets, excluding interest income	(4,346)	1,516
Total remeasurement of the net defined liability (asset)	(91)	(1,539)

Estimation of next period's profit or loss	2022
	£'000
Service cost - including current & past service costs, settlement	-
Plan administrative costs	-
Net interest on the net defined liability	326
Total expense	326

20 Cashflow from operating activities

	2021	2020
	£'000	£'000
Surplus/(Deficit) for the year	1,308	(1,353)
Adjustment for non-cash items:		
Depreciation of housing properties	198	196
Depreciation of other property, plant and equipment	837	1,065
Amortisation of intangible assets	127	143
Loss on disposal of assets	10	48
Gain on disposal of investments	-	-
Decrease in stock	-	-
Decrease / (Increase) in debtors	2,530	(1,413)
(Decrease) / Increase in creditors	(1,027)	1,744
(Decrease) / Increase in provisions	(234)	32
Pension costs less contributions payable	(300)	(300)
Equalisation of guaranteed minimum pension scheme	-	-
Amortisation of SHG	(149)	(151)
Amortisation of SHG prior year reclassification	3	-
Interest payable	396	428
Interest received	(3)	(28)
Net cash generated from operating activities	3,696	411

21 Capital commitments

There were no capital commitments at the year-end (2020: £nil).

22 Leasing Commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2021	2020
	£'000	£'000
Leases expiring:-		
- within one year	2,780	3,029
- between one and five years	632	583
- after five years	-	-
	3,412	3,612

23 Financial assets and liabilities

Financial assets

	2021	2020
	£'000	£'000
Financial assets measured at undiscounted amount receivable	3,214	5,182
Bank deposits	10,943	7,300
Total	14,157	12,482

Financial Instruments on which no interest is earned include short-term debtors. Bank deposits including interest bearing accounts held with UK Building Societies. Total interest income on these deposits is disclosed in note 6. No other investments were held by the company during the year. No interest or gains are recognised on financial assets recognised at undiscounted amounts receivable.

Financial liabilities

	2021	2020
	£'000	£'000
Financial liabilities measured at undiscounted amount payable	2,877	4,668

The company's financial liabilities are sterling denominated. There is no exposure to interest rate risk.

24 Accommodation in management and development

	2021	2020
Owned units	225	227
Units under management	2,227	2,319
Total units	2,452	2,546

Within the total units, 666 units met the regulated definition of social housing (2020 - 736) and 1,786 units were outside the regulated definition (2020 - 1,810).

The reduction in units from 227 (2020) to 225 (2021) has not resulted in any disposals, the two units have been re-purposed from accommodation units to office facilities.

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CYBER ESSENTIALS PLUS

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Funded by Skills Funding Agency

Education Funding Agency

European Union European Social Fund

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Date	Action
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