

Nacro>



Annual Report

for the year ended 31 March 2023

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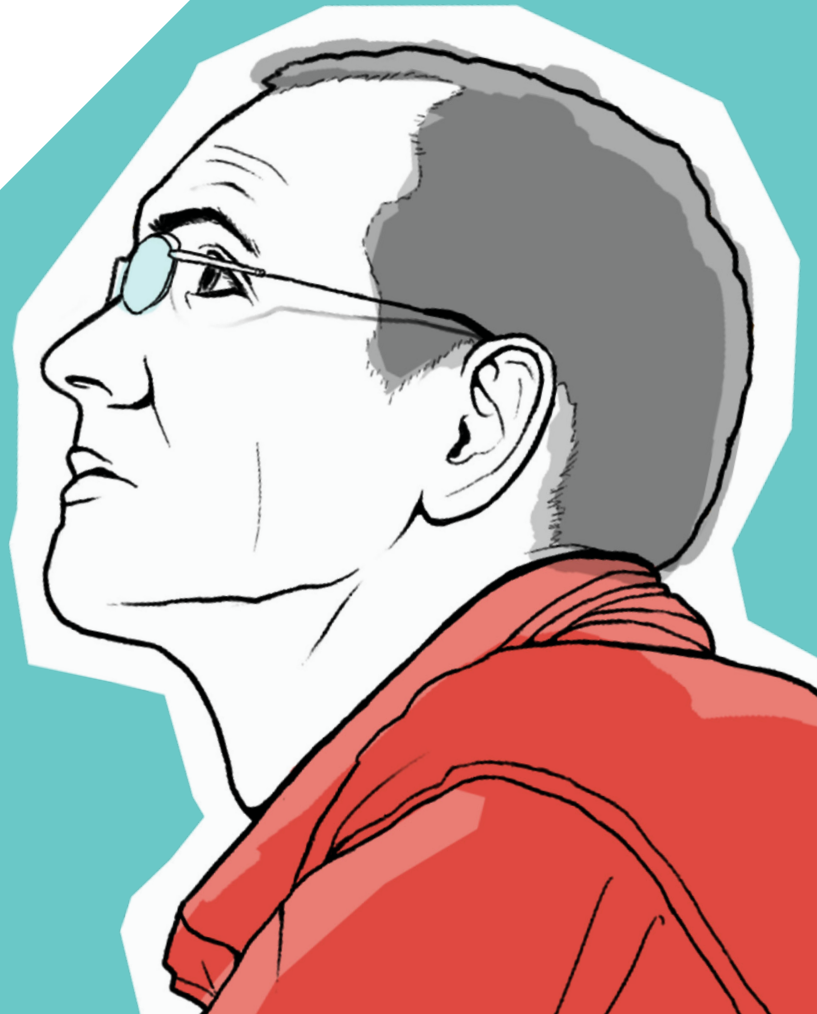
Who we are

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 policies 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 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 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.	<p>Financial performance is monitored through monthly management accounts by management and Trustees.</p> <p>Regular communication with commissioners regarding security of current income streams.</p> <p>Building closer relationships with potential funders and developing new funding models.</p> <p>A Value for Money programme is in place which includes initiatives to reduce operating costs.</p> <p>Strategic and business planning in place and monitoring of progress against key corporate objectives.</p>
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.	<p>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.</p> <p>An incident management system is embedded and learning from incidents is cascaded.</p> <p>Continued compliance and quality inspections take place.</p>

<p>Failure to embed a leadership approach that encourages diversity, innovation, efficiency, and collective responsibility.</p> <p>High levels of staff turnover leading to increased cost, inconsistent service quality, and service delivery challenges.</p>	<p>The strategic plan has a clear focus on people and the charity's beneficiaries.</p> <p>A specific People Strategy has been developed, this underpins the Nacro Strategy. The performance of the People Strategy is overseen by the People Committee.</p> <p>A values based leadership development programme is running for key managers.</p> <p>Specific initiatives that focus on wellbeing, equality, diversity and inclusion have been implemented.</p>
<p>Business continuity is affected by a major internal or external event leading to an inability to provide services to service users.</p>	<p>Robust business continuity plans are in place, these plans were actively tested during the Coronavirus pandemic.</p> <p>Data and systems can be accessed securely from multiple locations.</p> <p>Specific local arrangements in place for specific service delivery sites.</p>

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 tCO ₂ e	2,911
Current Financial Year kWh	15,300,691
Previous Financial Year tCO ₂ e	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	<p>Nacro provides Housing, Education, Health and Justice services to beneficiaries across England and Wales.</p> <p>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.</p> <p>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.</p> <p>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.</p>
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:

A handwritten signature in black ink, appearing to read 'N Hardwick', with a stylized flourish at the end.

Nick Hardwick

Chair

A handwritten signature in black ink, appearing to read 'Anne Frost', with a stylized flourish at the end.

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		<u>(1,312)</u>	<u>1,055</u>
Equalisation of guaranteed minimum pension scheme (GMP)	19	-	-
Operating (deficit) / surplus (including GMP)		<u>(1,312)</u>	<u>1,055</u>
(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	<u>(1,698)</u>	<u>517</u>
Taxation	10	-	-
(Deficit) / Surplus for the year		<u>(1,698)</u>	<u>517</u>
Actuarial gain in respect of pension schemes	19	695	1,881
Total comprehensive income for the year		<u><u>(1,003)</u></u>	<u><u>2,398</u></u>

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 
Nick Hardwick (Jul 22, 2023, 11:36am)

Trustee 
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
		<u>21,759</u>	<u>22,448</u>
Current Assets			
Debtors	14	7,621	6,859
Cash and cash equivalents		9,927	11,515
		<u>17,548</u>	<u>18,374</u>
Creditors: Amounts falling due within one year	15	11,073	10,606
Net current assets		<u>6,475</u>	<u>7,768</u>
Total assets less current liabilities		<u>28,234</u>	<u>30,216</u>
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		<u>10,079</u>	<u>11,082</u>
Capital and reserves			
Revenue reserve		9,875	10,878
Restricted reserve		204	204
Total reserves		<u>10,079</u>	<u>11,082</u>

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

A 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		<u>(311)</u>	<u>(580)</u>
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		<u>9,927</u>	<u>11,515</u>

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.

Nacro – NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2023

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

Nacro – NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2023

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.

Nacro – NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2023

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

Nacro – NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2023

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

Nacro – NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2023

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.

Nacro – NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 MARCH 2023

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

2023			
	Turnover	Operating costs	Operating surplus/ (deficit)
	£'000	£'000	£'000
Social housing activity			
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)
	£'000	£'000	£'000
Social housing activity			
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

Nacro – NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 MARCH 2023

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

Nacro – NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 MARCH 2023

4 Gain/(Loss) on disposal of property and equipment

	2023 £'000	2022 £'000
(Loss)/Gain on disposal of property and equipment	(9)	(216)
	<u>(9)</u>	<u>(216)</u>

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	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

7 Interest and financing costs

	2023 £'000	2022 £'000
Net interest payable on defined benefit pension liability	(377)	(322)

Nacro – NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 MARCH 2023

8 Staff costs

	2023	2022
	£'000	£'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
	<u>28,753</u>	<u>27,777</u>

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	<u>100</u>	<u>94</u>
	<u>755</u>	<u>801</u>

Nacro – NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2023

9 Executive remuneration

	2023 £'000	2022 £'000
Wages and salaries (including social security costs)	733	684
Pension costs	19	18
	<u>752</u>	<u>702</u>

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.

Nacro – NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 MARCH 2023

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
	£'000	£'000	£'000
Cost			
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

Nacro – NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 MARCH 2023

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

Nacro – NOTES TO THE FINANCIAL STATEMENTS
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14 Debtors

	2023	2022
	£'000	£'000
Amounts falling due within one year:		
Rent arrears	2,390	1,833
Provision for bad debts	(450)	(407)
Net Rent Arrears	<u>1,940</u>	<u>1,426</u>
Trade debtors	1,518	2,252
Other Debtors	190	212
Prepayments and accrued income	3,973	2,969
	<u>7,621</u>	<u>6,859</u>

15 Creditors

	2023	2022
	£'000	£'000
Amounts falling due within one year:		
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
	<u>11,073</u>	<u>10,606</u>

16 Creditors

	2023	2022
	£'000	£'000
Amounts falling due after more than one year:		
Financial assistance - deferred grants (note 17)	3,777	3,945
Financial assistance - recycled capital grant fund	6	6
	<u>3,783</u>	<u>3,951</u>

Nacro – NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2023

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	<u>3,967</u>	<u>4,166</u>
Amounts to be released within one year	190	221
Amounts due to be released in more than one year	3,777	3,945
	<u>3,967</u>	<u>4,166</u>

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	<u>6</u>	<u>6</u>

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	<u>741</u>	<u>741</u>

Nacro – NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 MARCH 2023

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.

Nacro – NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2023

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%

**Nacro – NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 MARCH 2023**

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	<u>32,756</u>	<u>46,279</u>
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The actual return on assets over the period was:	(11,229)	(393)
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Present value of funded obligations	(46,387)	(60,778)
Fair value of Plan assets	32,756	46,279

Deficit in funded scheme	<u>(13,631)</u>	<u>(14,499)</u>
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Present value of unfunded obligations	-	-
Unrecognised actuarial gains / (losses)	-	-
(Irrecoverable surplus)	-	-

Net liability in Statement of Financial Position	<u>(13,631)</u>	<u>(14,499)</u>
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Nacro – NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 MARCH 2023

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

Nacro – NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 MARCH 2023

19 Retirement benefit schemes - cont

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

	2023	2022
	£'000	£'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

Nacro – NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 MARCH 2023

20 Cashflow from operating activities

	2023	2022
	£'000	£'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	2022
	£'000	£'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

Nacro – NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2023

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).