



Nacro>

Annual Report

for the year ended 31 March 2025

Contents

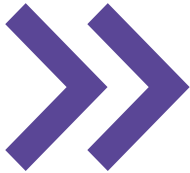
Who we are	3
Our mission	4
Our values	5
Why our work is needed	6
Message from the CEO and Chair	9
Board members and professional advisers	12
Our services	15
Strategic review of the year 2024/25	27
Safeguarding	32
Housing Performance	34
Good Governance	39
Statement of internal control	45
Key risks	47
Financial narrative	49
Value for money statement	51
Reserves and liquidity policy	55
Environmental Impact Statement	56
Thanks and acknowledgements	59
Independent Auditor's Report to the Members of Nacro	62
Financial statements	68

Who we are

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

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

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



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





Our mission

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



Our vision

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



Our values

We are inspiring

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

We are courageous

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

We are compassionate

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

We are inclusive

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

We are reliable

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

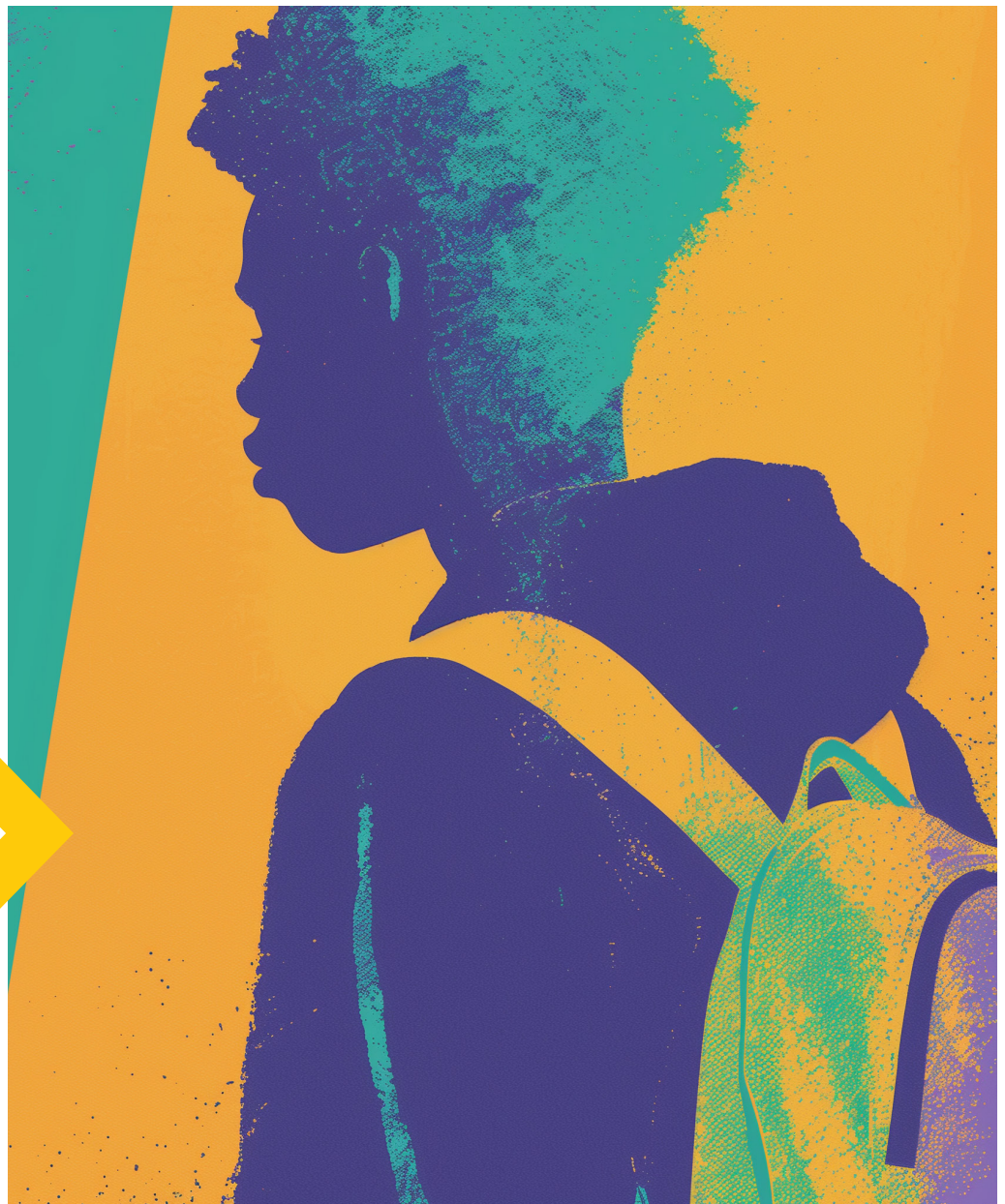
Why our work is needed

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

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



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



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

Our criminal justice system is in crisis. England and Wales have long had one of the highest rates of imprisonment in Western Europe,² and the overcrowding crisis has reached critical levels, with the adult male prison estate operating at between 98% and 99.7% occupancy between October 2022 and August 2024.³ Our prisons remain alarmingly full despite emergency measures such as the early release scheme, with almost 88,000 people in prison in March 2025.⁴ With overcrowding across the system, staff are overburdened and access to support services and purposeful activity is poor. It is projected that the prison population will grow substantially over the next few years, to between 95,700 and 105,200 by March 2029.

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

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

2. <https://www.prisonstudies.org/highest-to-lowest/>

3. <https://committees.parliament.uk/publications/46985/documents/242927/default/#:~:text=As%20a%20result%20of%20poor,and%20purposeful%20activity%20is%20poor.>

4. <https://www.gov.uk/government/publications/prison-population-weekly-estate-figures-2025>

Almost
88,000
people in prison

March 2025

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

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

4.3 million children are growing up in poverty in the UK⁵ and the mainstream education system continues to fail many young people whose specific needs are not being met. It is estimated that up to 300,000 children may be missing from education, a 40% increase from 2017.⁶ Both permanent exclusions and suspensions from school continue to increase, with suspensions rising by 31% since 2021/22 and permanent exclusions rising by 39%. Vulnerable groups of children are more likely to be excluded, with children eligible for free school meals or with special educational needs having significantly higher rates of both suspension and exclusion. For example, the suspension rate for pupils eligible for free school meals is more than four times that of those not eligible.⁷

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

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



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

Nacro staff member

5. <https://www.jrf.org.uk/uk-poverty-2025-the-essential-guide-to-understanding-poverty-in-the-uk#:~:text=2.,Poverty%20broadly%20flat%2C%20similar%20to%20pre%20pandemic,and%201.9%20million%20were%20pensioners.>

6. <https://epi.org.uk/publications-and-research/children-missing-from-education/>

7. <https://explore-education-statistics.service.gov.uk/find-statistics/suspensions-and-permanent-exclusions-in-england/2022-23>)

Message from the CEO and Chair



Campbell Robb
Chief Executive Officer



Nick Hardwick CBE
Chair

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

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

Message from the
CEO and Chair

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

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

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

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

We will not walk by. Instead, we will:

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

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

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

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



Board members and professional advisers

Information correct
at 23 July 2025.

Trustees

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

Treasurer

Neil Spence

Chief Executive Officer

Campbell Robb
(resigned Autumn 2025)
recruitment process
underway

Company Secretary

Andrew Hodges
(resigned 31 March 2025)
Abbass Shah
(Interim 1 April–6 May 2025)
Andy Wilkinson-Sharpe
(from 6 May 2025)

Registered Office

Walkden House
16-17 Devonshire Square
London EC2M 4SQ

Charity number

226171

Regulator of Social Housing number

4781

Company number

00203583

Bankers

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

External Auditors

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

Internal Auditors

BDO LLP
Two Snowhill
Birmingham B4 6GA

Solicitors

Devonshires Solicitors LLP
30 Finsbury Circus
London EC2M 7DT

Pension consultants

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



Executive Leadership Team

Campbell Robb
Chief Executive (resigned
Autumn 2025)

Peter Airey
Director of Property and
Community Accommodation
Services

Helen Berresford
Director of Engagement
and Impact

Phil Bevan
Director of People and Culture

Helen Dyson
Director of Support and
Advice Services

Andrew Hodges
Chief Operating Officer
(to 31 March 2025)

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

Elise Temple
Principal and Director of
Education and Skills

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

Trustee Attendance Record 2024/25

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

1 Board

2 Finance, Risk & Audit Committee

3 People Committee

4 Policy & Campaigns Committee

5 Education Committee

6 Housing & Criminal Justice Committee

¹ Resigned September 2024

² Resigned July 2024

³ Joined People Committee in October 2024

⁴ Joined Education Committee in December 2024



Our services

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

What we do

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

People we support through our services:

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

We helped over

33,000

people last year



Justice

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

Our justice services include:

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

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

Nacro staff member



Spotlight on:

Nacro> **Justice ExChange**

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

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

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

Justice ExChange member

25 
members



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

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

Spotlight on: Justice service user



Jo

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

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

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

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

Health and Wellbeing

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

Our health and wellbeing services include:

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

Where our health and wellbeing services are located:



Spotlight on:

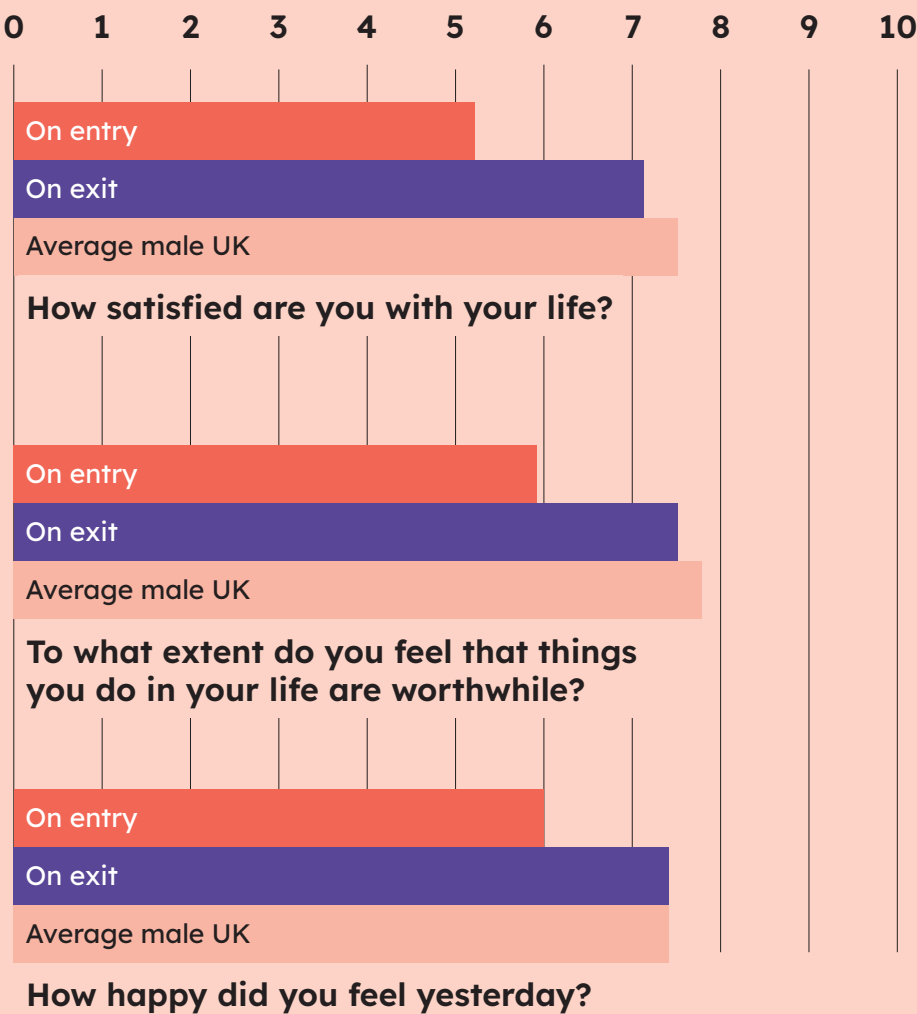
Commissioned Rehabilitative Services

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

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

Wellbeing scale comparison

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



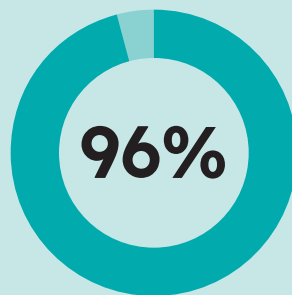
Spotlight on:

Recovery near you

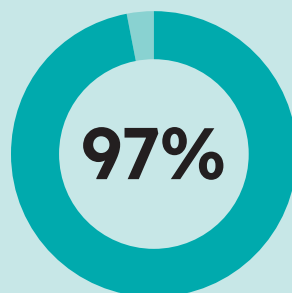
Recovery Near You (RNY) works with people who have drug and alcohol problems, supporting them to improve their health and wellbeing and rebuild relationships. The service also provides medical help to prevent blood-borne viruses and runs a needle exchange scheme.

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

Key outcomes:



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



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



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

Housing

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

Tailored supported housing services for:

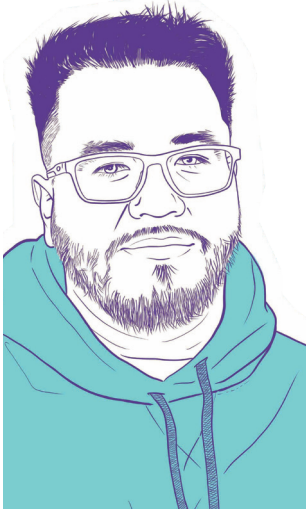
- People coming out of prison
- Young people and care leavers
- Women
- Ex-service personnel
- People at risk of homelessness

Our housing services include:

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



Spotlight on: Housing service user



Norbert

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

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

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

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

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

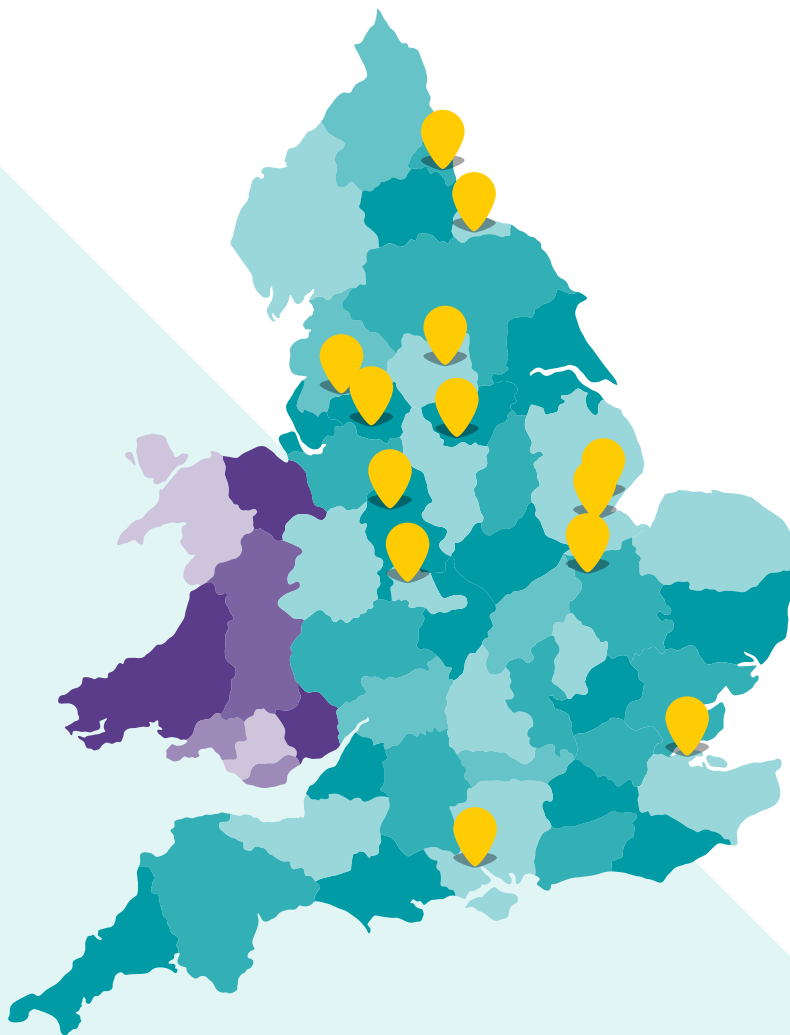
Education

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

Nacro Education Centres:

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

Where our education centres are located:



Spotlight on: Education service user



Alice

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

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

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

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

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



Strategic review of the year 2024/25

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

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

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

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

“I love Nacro’s values. I love seeing how we can support people to improve their lives.

Nacro staff member

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

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

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

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

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

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

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

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

4. We will build a sustainable future for Nacro.

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

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

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

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

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

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

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

Nacro staff member



Safeguarding

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

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

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

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

Safeguarding

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

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



Housing performance

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

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

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

Repairs*

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

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

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

Maintenance Budget

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

Tenant satisfaction

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

Some key results from the survey:

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

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



Complaints

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

Tenant complaints	89
Property condition — including: <ul style="list-style-type: none"> ➤ Quality of repairs ➤ Timeliness of repairs 	25
Service received — including: <ul style="list-style-type: none"> ➤ Quality of Wi-Fi provided ➤ Staff conduct ➤ Storage of items after leaving the service ➤ Quality of support received 	64

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

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

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

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

Engagement with tenants

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





Good Governance

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

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

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

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

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

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

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

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





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

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

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

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

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

Section 172 Statement

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

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

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

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

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

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

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

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

Trustees' responsibilities

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

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

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

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

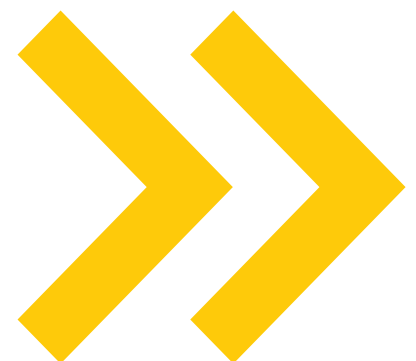
The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on Nacro's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in Annual Reports may differ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

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

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

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

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





Statement of internal control

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

1. Identification and evaluation of key risks

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

2. Monitoring and corrective action

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

3. Control environment and control procedures

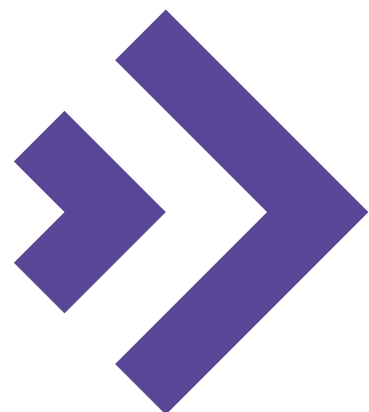
The Board retains responsibility for a defined range of risks covering strategic, operational, financial, and compliance areas. Specific attention is paid to risk mitigations relating to delegated authority, segregation of duties, accounting and treasury management controls, regulatory and legislative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

4. Independent audit and review

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

5. Fraud reporting systems

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



Key risks

Key risk	Risk treatment
Cashflow and margins are not sufficient to meet day to day operating costs and/or balance sheet liabilities leading to the Charity falling into financial administration.	<p>Financial performance is monitored through monthly management accounts by management and Trustees.</p> <p>Regular communication with commissioners regarding the 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> <p>A formal agreement is in place with the Trustee of the closed defined pension scheme that sets the value of the deficit reduction payments until 31.03.26.</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. Continued compliance and quality inspections take place.</p> <p>An external review of Nacro's safeguarding processes completed in 2024/25, identified improvement opportunities around completion of safeguarding risk assessments. The risk treatment plan is in place and will be tracked via the National Safeguarding Board.</p>

Key risk	Risk treatment
<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.</p> <p>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>Nacro's EDI Strategy and EDI Policy are implemented across the organisation, with the EDI committee meeting quarterly to ensure the EDI Strategy and Policy are being effectively delivered.</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, and are regularly reviewed and tested at least annually to ensure they remain fit for purpose.</p> <p>Data and systems can be accessed securely from multiple locations.</p> <p>Specific local arrangements are in place for specific service delivery sites.</p>

Financial narrative

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

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

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

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

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

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

Financial narrative

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

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



Value for money statement

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

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

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

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

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

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

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

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

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

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

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

Return on assets and investments and use of reserves

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

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

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

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

Reserves and liquidity policy

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

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

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

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

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

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

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

Environmental Impact Statement

Streamlined Energy & Carbon Report (SECR)

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

Energy Efficiency Statement

Nacro provides Housing, Education, Health and Justice services to beneficiaries across England and Wales.

Nacro leases the majority of its 1,440 residential properties and require any existing properties that are E rated to be increased to a minimum of a D rating when the lease is renewed. We work with landlords, agents and developers, during the leasing and acquisition stages, to assess whether any improvements can be made (such as to the heating systems or insulation) to improve energy efficiency measures. Our core electricity contract is procured through partially renewable sources.

There was a significant carbon reduction in 2024/25, across our energy (gas and electricity) usage as well as transport emissions. This is encouraging and demonstrates that behaviour change is possible and can attract support from our staff and service users. Only by working together will Nacro achieve its sustainability objectives, and we will seek suitable engagement to make the step change needed to address the climate crisis and play our part in delivering a better future.

Nacro's Intensity Ratio for 2024-25 has decreased from 34.25 the previous year to 28.59, most likely due to total energy consumption decreasing from 13,640,255 kWh to 13,262,190 kWh.

This is encouraging and demonstrates that, through the activities driven by Nacro Environmental Working Group, behaviour change is possible and can attract support from our staff and service users.

Only by working together will Nacro achieve its sustainability objectives, and we will seek suitable engagement to make the step change needed to address the climate crisis and play our part in delivering a better future.

Nacro's Environmental Strategy sets out our environmental vision and goals and enables action plans and various workstreams that are delivering measurable environmental improvements. Furthermore, Nacro is certified Green Dragon Level 3, which is testament to our commitment to reducing our environmental impact and maintain a strong sustainability risk and control environment.

We will continue to meet our legal obligations, develop sustainable services and help stem the depletion of finite natural resources.

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

Thanks and acknowledgements

With thanks to our funders and partners including:

A B Charitable Trust
Assetz Exchange
Barrow Cadbury Trust
Berkshire NHS Foundation Trust
Birmingham City Council
Carmarthenshire County Council/ Cyngor Sir Gaerfyrddin
Capita E-Source
Cleveland Police and Crime Commissioner
Clinks
Conwy County Borough Council/ Cyngor Bwrdeistref Sirol Conwy
Delta E-Source
Department for Education
Department of Health
Denbighshire County Council/ Cyngor Sir Ddinbych
Dudley Council
East Riding of Yorkshire Council & Two Ridings Community Foundation
Essex County Council
European Social Fund
Flintshire County Council/Cyngor Sir Y Ffint
Forces in Mind Trust
The Forward Trust
Gwynedd Council/Cyngor Gwynedd
GamCare
James Teather and Teather Property Investments Ltd
LandAid
Lincolnshire County Council
Lincolnshire Police & Crime Commissioner
Liverpool City Council
London Borough of Lambeth
London Borough of Lewisham
London Borough of Wandsworth
London Borough of Westminster

Thanks and
acknowledgements

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

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

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 to the Members of Nacro

Opinion

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

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of trustees

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

In preparing the financial statements, the trustees are responsible for assessing Nacro's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate Nacro or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

Use of our report

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



Julia Poulter
Senior Statutory Auditor

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

Date: 30 July 2025

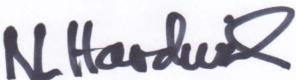
Financial statements

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

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

All amounts relate to continuing activities.

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

Chair 

Trustee 

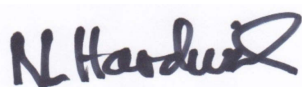
The notes on pages 73 to 98 form part of these financial statements.

Nacro - Statement of Financial Position as at 31 March 2025

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

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

Chair



Trustee



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

Nacro Company number 00203583.

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

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

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

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

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

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

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

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

1. Legal Status

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

2. Accounting policies

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

Basis of accounting

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

The financial statements are presented in sterling (£).

Going Concern

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

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

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

Turnover

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

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

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

Donations

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

Financial instruments

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

Basic financial instruments are recognised at amortised historical cost.

Debtors

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

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

Creditors

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

Employee Benefits

Defined contribution scheme

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

Defined benefit scheme

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

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

Termination Benefits

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

Housing properties

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

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

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

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

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

Improvements

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

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

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

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

Social Housing Grant and other Government grants

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

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

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

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

Other Grants

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

Recycling of grants

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

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

Impairment assessment of a cash-generating unit

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

Impairment of social housing properties

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

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

Other property, plant and equipment

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

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

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

Intangible assets

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

Computer software	2 – 4 years
-------------------	-------------

Leases

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

Operating leased assets

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

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

Provisions for liabilities

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

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

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

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

Restricted reserves

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

Significant management judgements and key sources of estimation uncertainty

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

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

Significant management judgements

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

Impairment of social housing properties

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

Estimation uncertainty

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

Provisions

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

Recoverability of rent arrears

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

Defined benefit pension scheme

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

Useful lives of depreciable assets

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

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

		2025		
		Turnover	Operating costs	Operating surplus/ (deficit)
		£'000	£'000	£'000
Social housing activity				
Social housing lettings (Note 3B)		7,527	(7,099)	428
Other social housing activities				
Charges for support services		15,015	(13,111)	1,904
Sub-total		22,542	(20,210)	2,332
Activities other than social housing				
Non-social housing and related support services		40,052	(42,251)	(2,199)
Education centre services		15,543	(15,873)	(330)
Justice services		6,043	(5,424)	619
Health services		6,148	(6,093)	55
Sub-total		67,786	(69,641)	(1,855)
Total		90,328	(89,851)	477
		2024		
		Turnover	Operating costs	Operating surplus/ (deficit)
		£'000	£'000	£'000
Social housing activity				
Social housing lettings (Note 3B)		7,215	(6,623)	592
Other social housing activities				
Charges for support services		13,054	(11,726)	1,328
Sub-total		20,269	(18,349)	1,920
Activities other than social housing				
Non-social housing and related support services		32,337	(33,191)	(854)
Education centre services		13,958	(14,995)	(1,037)
Justice services		4,931	(4,610)	321
Health services		5,537	(5,548)	(11)
Sub-total		56,763	(58,344)	(1,581)
Total		77,032	(76,693)	339

3B. Social Housing Lettings

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

4. (Loss) on disposal of property and equipment

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

5. Deficit for the year before taxation

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

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

6. Interest receivable

	2025	2024
	£'000	£'000
Bank interest receivable	65	28
	<u>65</u>	<u>28</u>

7. Interest and financing costs

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

8. Staff costs

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

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

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

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

	2025	2024
Service delivery	741	676
Management and administration	132	117
	<u>873</u>	<u>793</u>

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

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

9. Directors' remuneration and transactions

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

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

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

Remuneration of the highest paid director

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

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

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

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

10. Taxation status

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

11. Intangible fixed assets

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

12. Housing properties

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

13. Other property, plant and equipment

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

14. Debtors

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

15. Creditors

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

16. Creditors

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

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

Deferred income - government grants

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

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

Recycled Capital Grant Fund

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

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

18. Provisions

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

19. Retirement benefit schemes

Defined contribution scheme

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

Defined benefit scheme

Characteristics and risks associated with the Plan

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

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

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

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

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

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

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

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

Amount, timing and uncertainty of future cashflows.

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

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

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

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

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

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

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

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

Principal Actuarial Assumptions

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

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

Assumed life expectancies on retirement at age 65

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

The assets in the plan were

	2025	2024
	£'000	£'000
Equity, property and other	23,928	25,679
Gilts and other government debt	(630)	(404)
Annuities	5,517	6,166
Cash and net current assets	416	600
Fair value of Plan assets	29,231	32,041

The actual return on assets over the period was: (579) 1,445

Present value of funded obligations	(41,143)	(45,092)
Fair value of Plan assets	29,231	32,041
Deficit in funded scheme	(11,912)	(13,051)

Present value of unfunded obligations	-	-
Unrecognised actuarial gains / (losses)	-	-
(Irrecoverable surplus)	-	-
Net liability in Statement of Financial Position	(11,912)	(13,051)

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

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

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

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

The amounts recognised in Statement of Comprehensive Income

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

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

	2025	2024
	£'000	£'000
Actuarial (gains) on the liabilities	(3,135)	(587)
Return on assets, excluding interest income	2,080	60
Total remeasurement of the net defined (asset)	<u>(1,055)</u>	<u>(527)</u>
Estimation of next period's profit or loss	2026	
	£'000	
Service cost - including current and past service costs and settlements	-	
Plan administrative costs	-	
Net interest on the net defined liability	<u>671</u>	
Total expense	<u>671</u>	

20. Cashflow from operating activities

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

21. Capital commitments

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

22. Leasing Commitments

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

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

23. Financial assets and liabilities

Financial assets

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

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

Financial liabilities

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

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

24. Accommodation in management and development

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

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

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