



We change lives

Annual report and financial statements
for the year ended 31 March 2018

Our justice services ensured that **2,608** people left custody with safe and secure permanent accommodation.

Nacro was awarded the BASS (Bail Accommodation and Support Service) contract by The Ministry of Justice.

71% of Nacro tenants successfully moved on to sustainable accommodation.

4,900 young people and adults studied with us across our education services.

We were re-awarded the contract for Recovery Near You, our substance misuse partnership in Wolverhampton, running since 2013. **3,192** people were referred last year.

Our Beyond Youth Custody (BYC) programme influenced the Youth Justice Board’s resettlement approach. The former Youth Justice Minister said it represented “a **gold standard** for resettlement planning”.

Contents

Who we are	4
Why our work is needed	6
Our services	8
Media highlights	10
Message from the Chair	12
CEO report	14
Resettlement Advice Service	15
Education	16
Housing and wellbeing services	20
Justice	22
Health	24
Policy influencing and campaign work	26
Our people	27
Nacro Community Voice	28
What our people say	29
Council members and professional advisers	31
Strategic review of the year	32
Safeguarding	37
Good governance	38
Statement of Internal Control	40
Financial narrative	43
Value for Money Statement	44
Reserves and liquidity policies	45
Independent auditor’s report	45

Who we are

We are a national social justice charity with more than 50 years' experience of changing lives, building stronger communities and reducing crime.

We house, we educate, we support, we advise and we speak out for and with disadvantaged young people and adults.

We are passionate about changing lives. We never give up.

Our mission

We deliver social justice by positively changing lives, strengthening communities and preventing crime.

Our vision

A socially just country where people feel safe, are supported to reach their aspirations and communities are crime free.

Our values

We focus on outcomes

We work effectively to deliver the right results. We support people to achieve meaningful outcomes.

We are courageous

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

We are inspiring

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

We are reliable

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

We are proud

We celebrate the collective strength that our diversity brings. We promote, celebrate and share the achievements of our team ahead of our own.

Why our work is needed

While we live in a society in which many people thrive, this is not the case for everyone. Too many people still fall through the gaps and don't have access to the same opportunities. Poor mental health, inadequate education, drug and alcohol addiction, a low income, and a lack of affordable and secure housing all contribute to a life of chaos and hardship that can be very hard to change.

Public sector budget cuts have drastically affected what can be delivered by local authorities to those most in need and many social problems have worsened in recent years. England and Wales has the highest rate of imprisonment in Western Europe, with **84,648** people in prisons and young offender institutions. Levels of overcrowding are reaching crisis point. In May 2017, **76** of the **117** prisons in England and Wales were overcrowded, holding **9,496** people more than they were designed to.

The Prison Reform Trust reports that prisoners and staff in prison are less safe than they have been at any other point since records began, with suicides, self-harm and assaults at record highs. Substance misuse and mental health problems are common. **70%** of people who died from self-inflicted injuries while in prison had previously been identified as having mental health needs.

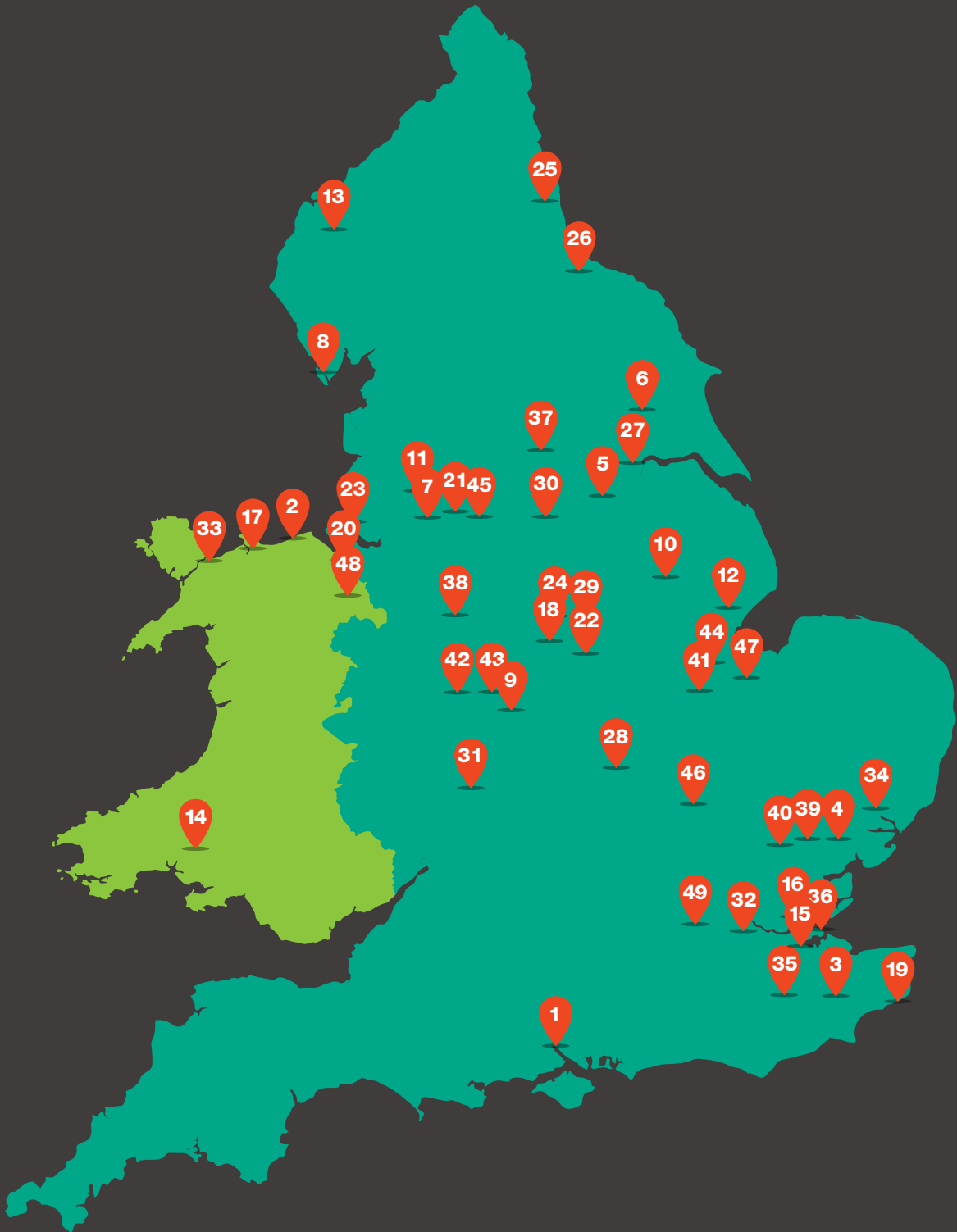
Homelessness has risen for the seventh consecutive year. According to Shelter, **307,000** people in Britain – equivalent to one in every 200 – are officially recorded as homeless or living in inadequate homes. It is estimated that **4.1 million** children in the UK are living in poverty. That's **30%**, or nine in a classroom of **30**.

Many young people are being let down by the mainstream education system, which can often fail to meet their specific needs. School exclusions continue to rise; there were **40** permanent exclusions a day in 2016-17, compared with 35 a day the previous year. Children with special educational needs make up more than half of these exclusions. The knock-on effect is damaging – more than half of people with no qualifications are unemployed, despite wanting to work.

Some of the most vulnerable members of our society are not getting the help they need. We do everything we can to offer support, stability and guidance, enabling people to open doors that were previously closed to them. We know that most people who come to us for help have a range of issues, not just one. We also know that, with the right support and guidance, people can be empowered to turn their lives around and move on to a future of success and independence.

Our services

Nacro services operate across a large area of England and Wales. The pins below indicate the central location of each service, though the reach of each service is often much larger.



- 1 • **Bluebird House** Secure education
- 2 • **Totton College** Further education
- 2 • **Denbighshire Flexible Supported Housing Service – Rhyl Housing** Housing for offenders
- 3 • **Nacro Traineeships** Training for 16-18 year olds
- 4 • **Denbighshire Flexible Supported Housing Service – NEST** Housing for homeless single parents
- 5 • **Denbighshire Flexible Supported Housing Service – Symud Ymlaen** Housing for young people
- 6 • **Denbighshire Resettlement and Advice** Homelessness prevention
- 3 • **East Kent Community Drug and Alcohol Service** Substance misuse prevention
- 4 • **Essex Mental Health Service – North Essex** Housing provision
- 5 • **Essex Young People's Partnership (EYPP) North** Housing provision for 16-25 year olds
- 5 • **Transforming Rehabilitation – South Yorkshire** Resettlement support in prison and the community
- 6 • **East Riding Substance Misuse Service**
- 7 • **Bank Court for ex-servicemen and women (Salford)** Supported housing for veterans
- 8 • **Barrow Education Centre** Study programme
- 9 • **Birmingham Adult Offenders** Housing provision
- 10 • **Blue Light Project** Substance misuse prevention
- 11 • **Lincolnshire Support Partnership Adults** Housing provision
- 12 • **Lincolnshire Support Partnership Young People** Housing provision
- 13 • **Step Forward Young People** Move on housing and support
- 14 • **Step Forward Adults** Move on housing and support
- 15 • **Lincoln Homeless Service** Emergency accommodation for homeless people
- 11 • **Bolton Education Centre** Study programme
- 12 • **Boston Education Centre** Study programme
- 13 • **Carlisle Education Centre** Study programme
- 14 • **Carmarthenshire Generic Floating Support Service** Housing floating support
- 15 • **Chatham Education Centre** Study programme
- 16 • **Nacro in Medway Secure Training Centre** Study programme
- 16 • **Ixion Connecting Choices** Support for ex-offenders to get them ready for work
- 17 • **Essex Move On** Housing support
- 18 • **Essex Young People's Partnership (EYPP) Mid** Housing provision for 16-25 year olds
- 19 • **Essex Young People's Partnership (EYPP) South** Housing provision for 16-25 year olds
- 17 • **Conwy Floating Support** Housing support
- 18 • **Conwy Supported Housing** Housing provision
- 19 • **Conwy and Denbighshire Bond Scheme** Homelessness provision
- 20 • **Conwy Prevention of Homelessness** Homelessness prevention
- 18 • **Derby Osmaston Family Project** Support for vulnerable families
- 21 • **Nacro Homes Agency Derby** Housing provision
- 22 • **Nacro Homes Agency Derbyshire** Housing provision
- 19 • **Dover Education Centre** Study programme
- 20 • **Flintshire Doorstop Project** Housing provision and substance misuse prevention
- 21 • **Greater Manchester Outdoor Learning** Youth and community services
- 22 • **Manchester Supported Housing Services** Housing provision
- 23 • **Study House for ex-servicemen and women (Manchester)** Supported housing for veterans
- 24 • **Nacro Homes Agency Greater Manchester** Housing provision
- 22 • **Nacro Homes Agency Leicestershire** Housing provision
- 23 • **Nacro Homes Agency Merseyside** Housing provision
- 24 • **The Elms Liverpool Supported Housing** Housing provision
- 25 • **Wavertree Liverpool Supported Housing** Housing provision
- 24 • **Nacro Homes Agency Staffordshire** Housing provision
- 25 • **Nacro Homes Agency Sunderland** Housing provision
- 26 • **Newcastle Education Centre** Study programme
- 26 • **Nacro Homes Agency Teesside** Housing provision
- 27 • **Middlesbrough Education Centre** Study programme
- 28 • **SWITCH Mentoring Project** Mentoring for unemployed women
- 27 • **Nacro Homes Agency East Riding** Housing provision
- 28 • **Northamptonshire Rent Deposit Bond Scheme**
- 29 • **Nacro Homes Agency Nottingham** Housing provision
- 30 • **Nottingham Adult Offenders Service** Housing provision
- 31 • **Nottingham Young People Service** Housing provision
- 30 • **Nacro Homes Agency South Yorkshire** Housing provision
- 31 • **Sheffield Education Centre** Study programme
- 31 • **Nacro Homes Agency Worcester** Housing provision
- 32 • **Resettlement Advice Service** Nationwide provision
- 33 • **Greenwich Resettlement** Resettlement and advice for offenders
- 34 • **Hackney General Needs** Resettlement advice
- 35 • **Latch House Substance Misuse Project** Housing provision
- 36 • **RESET Recovery Service** Substance misuse prevention
- 37 • **Tower Hamlets Recovery Service** Substance misuse prevention
- 38 • **Wandsworth High Support** Housing provision
- 39 • **Wandsworth Young People Service** Housing provision
- 40 • **Westminster Offenders Support** Resettlement advice
- 33 • **Gwynedd Doorstop** Housing floating support and housing provision including substance misuse prevention
- 34 • **Gwynedd Supported Housing** Housing provision for offenders
- 34 • **Ipswich Education Centre** Study programme
- 35 • **Kent Housing Brokerage Service** Resettlement support in prison and the community
- 36 • **Kent Prisons** Substance misuse treatment in prisons and through the gate
- 37 • **Leeds Education Centre** Study programme
- 38 • **Longton Education Centre** Study programme
- 39 • **Essex Mental Health Service – Mid Essex** Housing provision
- 40 • **Essex Mental Health Service – West Essex** Housing provision
- 41 • **Essex Young People's Partnership (EYPP) West** Housing provision for 16-25 year olds
- 42 • **Transforming Rehabilitation – Essex** Resettlement support in prison and the community
- 43 • **VENTURE Project** Support for veterans with criminal records in custody and the community
- 41 • **Peterborough Education Centre** Study programme
- 42 • **Peterborough STORM Project** Housing floating support for offenders
- 43 • **Peterborough Young Mums To Be Project** Education and mentoring
- 42 • **Recovery Near You** Substance misuse prevention
- 43 • **Wolverhampton SWITCH Mentoring Project** Mentoring for vulnerable women
- 43 • **Sandwell Education Centre** Study programme
- 44 • **Walsall Education Centre** Study programme
- 45 • **Spalding Education Centre** Study programme
- 46 • **Stockport Targeted Prevention Alliance** Preventative support
- 47 • **Bedfordshire Rent Deposit Bond Scheme**
- 48 • **Transforming Rehabilitation – BeNCH** Resettlement support in prison and the community
- 47 • **Wisbech Education Centre** Study programme
- 48 • **Work Programme for offenders** Employment advice, support and training
- 49 • **Wrexham Supported Housing** Supported housing for offenders
- 50 • **Wrexham Floating Support** Housing support
- 49 • **Wells Unit** Secure education

Media highlights

In 2017/18, we advocated in the media on behalf of our service users about the issues that affect them. Highlights include:

- We have contributed to television news discussions about issues ranging from the safety of young people in custody, to the treatment of black, Asian and minority ethnic people in the criminal justice system.
- Our expertise has been called upon in interviews covering topics ranging from the ways in which family ties could help prevent prisoners from reoffending and suggesting solutions to help reduce reoffending rates that have changed very little in recent years.
- Our advice on encouraging employers to support disadvantaged groups, including care leavers and people with criminal records, into work was featured in The Sun.
- The Times Education Supplement featured an article in which we outlined the importance of Alternative Provision education continuing beyond the age of 16. We highlighted the successes of individualised study programmes and a vocationally-geared curriculum.
- BBC Two featured Nacro's Peace Garden entry at the prestigious RHS Tatton Flower Show, which won a silver award and was supported by Nacro's housing staff and service users in Manchester.
- The Nacro SWITCH project, which helps vulnerable women in the Tees Valley area to turn their lives around, featured in the Guardian as part of our appeal to keep it open. Sujata Pant, SWITCH manager, said:

“ We’ve helped many disadvantaged and vulnerable women... Most have suffered domestic violence or sexual abuse. In a system that is fragmented and confusing – and shrinking fast – our support stops women becoming lost.”



“ Society punishes people, we send them to prison, which is a very stark measure particularly for young people. That’s the moment we should engage with them to turn their lives around instead of leaving them in unsafe environments.”

Jacob Tas appearing on BBC News



“ We know from our work with disadvantaged young people and adults across the country that there can be an issue of mistrust of some statutory services.”

Helen Berresford appearing on Victoria Derbyshire programme



Nacro's entry at the RHS Tatton Flower Show 2017



Message from the Chair



Looking back over the final year of Nacro's 2015-18 strategy, we can be very proud of our achievements. From a challenging position in 2014, we have successfully become a financially sustainable and resilient organisation, allowing us to plan, invest and achieve improved outcomes for our service users. We have also significantly expanded the delivery of our services to reach more people across the country. These were objectives Trustees set the management over the past three years and it is very pleasing to see them being met.

We have been successful in raising the issues that affect our service users in the media, establishing ourselves as experts in our field who can influence and campaign on social justice issues. In recent times, Nacro has been too quiet in the area of influencing policy makers so we made a conscious decision to invest in expertise to change this. We have worked hard to make our voice, and the voices of our service users, heard by the people who make the decisions. You can see some of our media and policy highlights on pages 10 and 11.

It is particularly important to acknowledge and celebrate this success given the very challenging environment that we, and other third sector organisations, continue to operate in.

The uncertainties of Brexit, budget cuts, an ever-worsening housing crisis and subsequent rise in homelessness, and the very public decline of the safety and wellbeing of staff and inmates in our prisons, make for demanding times. However, these are exactly the times in which our work is needed the most. We will endeavour to continue to reach people where others fail to.

Nacro's success, as always, is down to the skill and dedication of its workforce. We would be nothing without our staff and feedback from service users time and again reflects that our teams across Education, Housing, Health and Justice go the extra mile to support people to turn their lives around, even when other people have given up on them. I would like to thank all staff – from front-line workers to those in central support roles – for their commitment to our work.

I would also like to thank our current Council of Trustees and the senior management team for continuing to lead Nacro with vision and passion. I remain extremely proud of the work done by Nacro and have been delighted to see how successful the past three years have been. We have recently set out a bold and exciting new strategy for 2018-21 and I look forward with confidence and excitement to the future of our organisation at a time when Nacro is needed more than ever.

Nigel Chapman.

Nigel Chapman CMG





Following the success of our 50th anniversary year in 2016/17, we have moved forward with pace and enthusiasm into the next stage of Nacro's journey. Against a challenging backdrop of a continued lack of affordable accommodation, crisis in the prison system and budget cuts, we can be proud of many incredible achievements.

In spring 2017, the Lord Mayor of Manchester officially opened Stody House, our new service which supports ex-servicemen and women by giving them a home and supporting them to get into training or employment.

Summer saw the success of our garden in the RHS Tatton flower show, which won a silver medal. Staff and service users from our Manchester housing services worked to create the Peace Garden, which was then distributed to Nacro projects around the city for our service users to enjoy. This project was a wonderful example of the service user

engagement work that is at the heart of Nacro. We also published a joint briefing – 'Race, mental health and criminal justice: moving forward', alongside Clinks, the Association of Mental Health Providers, Mental Health Foundation and the Race Equality Foundation – which highlighted concerns that too many people from black, Asian and minority ethnic communities with mental health needs are in contact with the criminal justice system. To close the summer, we were overjoyed that Nacro education students had outperformed national average GCSE results in English and Maths for the second year running.

In winter, we celebrated the opening of a new service, the Essex Young People's Partnership. Working in partnership with Family Mosaic and Essex County Council, the service offers accommodation and support to young people who have had a tough start in life. Our resettlement team were also involved in a large number of training events across England and Wales, equipping employers with the knowledge and skills they need to access the vast talent pool of people with previous convictions who are keen to get in to work but face barriers because of their criminal record. We were also delighted to be re-awarded the contract for Recovery Near You (RNY), our substance misuse service in Wolverhampton, as the lead provider. First launched in November 2013, RNY has since been delivering invaluable services to people and families affected by addiction.

Spring 2018 saw the final conference of Beyond Youth Custody, our Big Lottery funded programme, which examined and promoted best practice in the resettlement of young people leaving custody. The programme achieved an incredible amount over its six years, and resettlement is now one of the key strands of the Youth Justice Board's work. Finally, we were delighted to be awarded a national housing contract, commissioned by the Ministry of Justice, in March. The Bail Accommodation and Support Service provides accommodation and support in the community for people who do not have a place to live during their bail or licence period and is a valuable opportunity for Nacro to deliver its housing services and criminal justice expertise on a wider scale.

I continue to be incredibly proud to lead such a wonderful organisation; Nacro staff confront challenges with dedication and determination and our service users continue to be a source of pride and inspiration. I look forward to seeing what we achieve as an organisation in the coming year.

Jacob Tas

We offer support and advice on access to employment, housing and education to people with criminal records and professionals working with them. We also provide training to employers and organisations about assessing and managing risk in relation to criminal records.

Our Resettlement Advice Service (RAS) and Employers Advice Service handled approximately 1,000 enquiries per month in 2017/18.

In 2017/18, RAS delivered safer recruitment training to a wide range of employers, including Network Rail, the National Housing Federation and the RSPCA.

Aeneid Project

The Aeneid Project aims to increase and improve the education, training and employment opportunities for work-ready, motivated members of the local community who have criminal records. 2017/18 saw the completion of our longest and most ambitious project to date. Funded by the Cheshire and Greater Manchester Community Rehabilitation Company (CRC), the project included:

- Delivery of employability training to job seekers under CRC supervision
- An employer engagement event aimed at senior HR and Corporate Social Responsibility professionals
- Delivery of disclosure training sessions to CRC staff and volunteers
- Delivery of recruiting safely and fairly training sessions to local employers
- Delivery of safer admissions training to Further Education staff

Mind the Gap

Nacro, along with Bounce Back, Mitie Foundation and A Fairer Chance, is part of the Mind the Gap consortium. Led by Be Onsite – the charitable arm of Lendlease – the consortium aims to reduce skills gaps and reoffending rates by working with construction industry employers to offer sustainable employment opportunities to people with criminal records. In the first year of this three-year project, RAS have provided:

- Research about construction-related skills gaps and employer attitudes to recruiting ex-offenders
- An employer engagement event and sector-specific recruiting safely and fairly training sessions
- Guidance for employers in the construction industry about recruiting people with criminal records safely and fairly

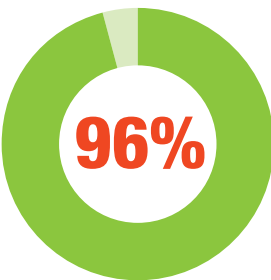
Our personalised Study Programmes and vocational courses provide young people and adults with the skills they need to move into further education, training or employment. We partner with employers to ensure our students are enthusiastic, work-ready and reliable.

Many of the young people who come to us have had problems at school, or can't or don't want to attend their local college; we get them on the path to success.

4,900
STUDENTS

92%
recommend Nacro

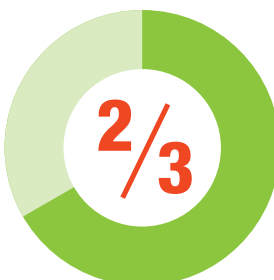
- Our Education and Skills Centres across England provide learning opportunities for young people and adults aged 14 upwards
- In 2017/18 we worked with 4,900 learners on our Study Programmes and adult education courses
- 92% would recommend Nacro Education to friends or family
- Two-thirds of our students immediately progress to a positive destination such as further training or work
- In 2017/18 we doubled the number of young people participating in external work experience



of our students feel supported to achieve their learning goals and targets



say their course will help them to move on to the next step of education or employment



of our students immediately progress to a positive destination such as further training or work

CASE STUDY

Nacro Learner

Lydia came to Nacro in November of 2016 when she was 16 years old. Lydia attended a secondary school nearby and did well academically. However, before completing her GCSEs she started to have some trouble at home. She was staying out late and engaging in risky behaviour.

After Lydia left school she had difficulties at her sixth form. Her attendance suffered and eventually her work. The sixth form supported Lydia and she enrolled on a joint course with Nissan but she still wasn't enjoying the school element. Lydia's behaviour got worse and she became involved in a very turbulent relationship which led to her disengaging with education, services and family. There were also significant concerns around her emotional wellbeing, behaviour and drug use.

Lydia had a support worker who referred her to Nacro and she enrolled onto a Motor Vehicle course. She excelled and passed the course with ease, and also took a placement at a local garage for two months and completed her employability skills. She started to make amends with her family and decided to apply for a technical role with the army. Following numerous tests and assessments, Lydia passed with merit and was accepted into the army as a junior soldier to start in September of 2017.

SPOT LIGHT

Nacro SWITCH

Nacro SWITCH (Supporting Women in the Community and Home) in Middlesbrough helps vulnerable women overcome traumatic lives and move on to a brighter future. An evaluation of SWITCH by Northumbria University showed that:

- 59% moved into employment
- 48% moved into volunteering
- 81 women gained formal maths, English or IT qualifications

Nacro's adult programmes, and our work in personal development, behaviour and welfare, were rated as 'Good' by Ofsted.

We deliver specialist education in two Secure Forensic Mental Health Units – Bluebird House and The Wells Unit for the NHS – and in Medway Secure Training Centre (STC) on behalf of the Ministry of Justice. We re-engage people aged 12–18 who have committed offences and/or have multiple and complex mental health needs. Under these challenging circumstances, our staff focus on the next steps and pathways for the young person so they can be successful at the next stage in their life.

- We help to develop the qualities and attributes that learners need to thrive as individuals, and members of their families and society. We achieve this through an engaging range of education that includes English, Maths, IT, Horticulture, Hairdressing, PE, Art, Performing Arts and Catering.
- Our expert staff deliver innovative, project-based learning in areas such as arts awards, horticulture, sports and enterprise to engage all young people.

CASE STUDY

Work placements enable young people to apply skills and learning to get them ready for work.

Amy, Medway STC

Amy had aspirations to own her own mobile hairdressing business and joined the Hair & Beauty pathway to gain a Level 1 Introduction to the Hair & Beauty sector. In the salon, Amy learnt a range of techniques including shampooing and blow-dry, colouring, plaiting and customer service. Amy was given the opportunity to attend the Salon International event at the Excel centre in London where she saw hair and beauty demonstrations from top stylists and industry professionals. Amy attended a work placement once a week at a hair salon where she gained real life work experience in the hair and beauty sector.

“Thanks to Nacro, we have already been able to place young people into three different colleges while they are still serving their sentences. We have also placed young people with three different employers, providing genuine work placement opportunities for young people prior to release and providing them with fantastic opportunities to make a successful contribution to society on release.”

Johnathan French, Governor at Medway STC

Based in Hampshire, Totton College’s study programmes and apprenticeships provide valuable technical and vocational skills to 16 to 19 year olds and adults. It also offers a large 16+ special education needs department. The college works with more than 130 employers providing professional development courses, bespoke training and upskilling.

- The college has forged partnerships with leading national organisations such as Chelsea FC Foundation and the Motivational Preparation College for Training.
- GCSE Maths and English high grade passes exceeded the national rate for general further education colleges.

500+ adults

studied on one of the college’s part-time accredited and leisure courses last year.

91% 

of our Skills for Life students, who experience a range of challenges to mainstream learning, undertook work experience.

CASE STUDY

Lewis

Art and Design Level 3, Art Foundation Diploma

The atmosphere at Totton College was amazing. The best thing was the freedom I had to produce work. There were no restrictions on how big a piece would be. I loved working with the tutors and the support I received helped me push myself.

Although I was offered a place at a Southampton university I had a slight change of career plan and started an apprenticeship to be an upholsterer instead. I am now an upholsterer for Inn Gear which supplies furniture, artwork and other items for the brewery, restaurant and hotel industry. I love my job, and the apprenticeship route was definitely worth it.

I honestly never realised how important deadlines and planning were. My teachers at Totton College set me up really well for my job, and I’m really grateful that they helped get me where I am now.

I enjoy being able to learn new skills and get paid at the same time. The atmosphere in the workplace is amazing and you really feel part of a team. Knowing that I’m making things for commercial use makes me feel proud of the work I produce and helps me push myself to learn new skills.

Our work in housing has never been more necessary. We aim to ensure that people who can not otherwise access a home are able to do so, laying the foundations for stability and achieving personal aspirations. We provide intensive and low-level supported housing to give people experiencing homelessness and insecure housing the best chance of getting back on their feet.



- We were awarded the Bail Accommodation and Support Service (BASS) service contract, commissioned by the Ministry of Justice. The service provides support and accommodation in the community to people who do not have a suitable address or who need some extra support during the period of their bail, Home Detention Curfew or Intensive Community Order.
- In March 2018, we won the Nottingham Housing for Young People contract, making us the only provider of accommodation for young people in the city.
- We have shared our specialist housing knowledge and expertise through speaking at a series of events, conferences and roundtables that address barriers faced by service users in accessing and sustaining housing.

“I’m on the mend and feel good all because of you. I’m grateful for what you’ve done, I’m grateful as can be. Couldn’t have done without you. I wouldn’t have made it to sobriety. So thank you for everything and I mean it with all my heart. Looking forward to life now and off to a flying start.”

Nacro service user

Nacro **Homes** Agency

The Nacro Homes Agency (NHA) intervenes in the private rented sector to encourage landlords to make accommodation available to people, including prison leavers, who they may otherwise avoid renting to.

More than a million households are at risk of becoming homeless by 2020 and two-thirds of councils find it difficult to access tenancies for homelessness cases. The NHA aims to make housing available to people who would otherwise struggle to secure it, as well as providing intensive housing management and low level support for people who need it.

We partner with local authorities, the National Probation Service, Community Rehabilitation Companies and Drug and Alcohol services to ensure that, as well as providing housing, we also develop sustainable solutions to the challenges of accessing and sustaining independence. We now have 800 units in management across the country.

Each NHA bed space is on average 60-70% cheaper than the equivalent existing temporary bed space solutions.



SPOT LIGHT

NHA Teesside

NHA Teesside was established in April 2016 as a result of a funding grant from the Virgin Money Foundation. We have worked closely with the Foundation in the North East, which has enabled the service to develop more quickly with very positive results. The grant enabled the NHA to establish a number of properties in Middlesbrough and Redcar, which support women with or without children who are often fleeing domestic abuse. The service now has more than 50 properties and has expanded to Stockton on Tees and Hartlepool.

“ I lost my home due to rent arrears. I had an appointment with Nacro and I was told they could help me. Nacro were very helpful to my situation – they helped re-house me in this lovely clean flat, where I feel safe and secure. Nacro also helped my sort out my finances. I am now starting to manage my money better with help and advice. Without these services I would be homeless. I cannot thank Nacro enough for the help they give. I am now working as a volunteer. My support worker showed me I can do anything, she is very helpful.”

Christine, Teesside

Our goal is to reduce reoffending and help people both in prison and on release to change their lives and positively reintegrate into society. We operate in 14 prisons, young offender institutions and one secure training centre, offering a wide range of practical support to make sure that people have the best possible chance of changing their lives.

SPOT LIGHT **Transforming Rehabilitation**

Transforming Rehabilitation (TR) is the outsourcing of the management and delivery of probation services to medium and low risk offenders in 21 Community Rehabilitation Companies (CRCs) across England and Wales. Under TR we are the strategic partner to Sodexo and operate in three of their CRCs – South Yorkshire, Essex and BeNCH (Bedfordshire, Northamptonshire, Cambridgeshire and Hertfordshire). In Kent we deliver the Housing Brokerage service in Kent, Surrey and Sussex CRC, providing accommodation support to those in custody, both at induction to address immediate accommodation needs and pre-release to support service users to find suitable accommodation when they leave custody. We also have a community team who are based in the seven CRC offices and support those on community orders.

We deliver practical support, information, advice and guidance from first reception into prison, up to release and during the transition through the gate and into the community. As part of this work we:

- Assess the needs of each person and work with them and other agencies in prison to develop a tailored resettlement action plan
- Offer support and help to secure accommodation on release
- Help people to deal with issues around finances, benefits and debt
- Provide guidance and signpost to other specialist services
- Support people to progress into education, training and employment in custody and on release

In 2017/18 we ensured that **2,608** people left custody with safe and secure permanent accommodation to move on to.

We delivered one-to-one community support – covering mentoring, accommodation, finance, benefits and debt, and education, training and employment – to a total of **7,430** people.

We supported **648** people across the country to open bank accounts on release.

A total of **1,134** people in Essex and South Yorkshire left custody with employment, education or training in place.



81% of service users in our BeNCH area left custody with accommodation

We aim to make sure that everyone we work with has a place to live, a registered GP and access to welfare (if required). We support people to get qualifications or into training or employment and offer community-based support.

SPOT LIGHT **Greenwich**

In Greenwich, we provide holistic through the gate resettlement for people with mental health needs, both in the custody and community. Of the 41 people we worked with:

- 40 secured accommodation on release
- 39 registered for benefits
- 38 registered with a GP

We deliver community-based substance misuse services. We provide shared care, working within the community with a range of outreach services, and in local hospitals with GPs and pharmacists.



Recovery Near You (RNY) is a partnership – led by Nacro, with Birmingham and Solihull Mental Health NHS Foundation Trust and Aquarius – based in Wolverhampton. It works to reduce the harm caused by alcohol, drugs and gambling to individuals, families and the wider community. We offer a structured treatment programme – which includes access to accommodation, employment or education, and community and family support – and help people to achieve and maintain fulfilling drug and alcohol-free lives.

We also work with Wolverhampton Community Rehabilitation Company to provide a gender-specific service for women in the criminal justice system through group work at a local venue. These group sessions provide a specialist worker to assist with housing, sexual health advice, structured treatment for substance misuse and opportunities for engaging in activities, training and voluntary work.

A total of 1,050 young people and adults were in structured treatment with RNY in 2017/18.

RNY's Blood Borne Virus (BBV) screening service tests, and signposts to subsequent treatment, for HIV, Hepatitis B, and Hepatitis C. 1,688 BBV and sexual health tests were carried out in 2017/18.

RNY is the charity of choice for Co-op Wolverhampton, who provide staff to volunteer with the service and run fundraising activities with staff and service users.

SPOT LIGHT

W360

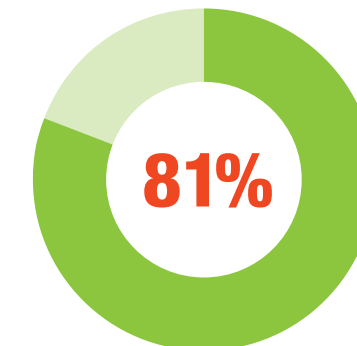
The RNY partnership delivers vital services to young people in Wolverhampton through its W360 service. The service works with young people who have substance misuse issues or are affected by drug use in their families.

“Before being taken into foster care I saw my mum and dad taking drugs. I’ve been with W360 at RNY a long time. We do nice activities such as colouring and the place is nice. There’s nothing I would change and it’s helped me because I could talk about my family.”

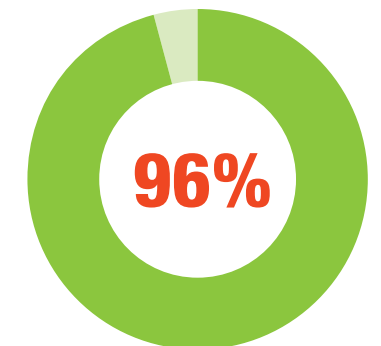


3,192

people were referred to RNY in 2017/18



of young people successfully moved on from the service in 2017/18



of service users said that they would recommend the RNY service

“I felt I had no purpose in life before being referred to RNY. Since being in treatment my confidence has grown. My life is more stable and I have become more independent. Before treatment I could not leave my house or do anything for myself.”

Policy influencing and campaign work

We use what we know to inform national and local government policy and practice to promote positive change for our service users. We also continue to use our knowledge of ‘what works’ to improve our service design and development.

Education

We continued our inquiry into barriers to progression in education for disadvantaged students and focused on alternative provision. We brought together key stakeholders at a parliamentary roundtable and submitted evidence to Parliament and government on improving alternative provision to ensure all young people have the opportunity to achieve and succeed.

Housing

We influenced the government’s proposals for the funding of supported housing, and were pleased to see a reversal of their plans to fix housing costs at the Local Housing Allowance cap. We continue to make the case for a fair and sustainable funding system for short-term supported housing.

In conjunction with the implementation of the Homelessness Reduction Act, we have influenced the development of the Homelessness Code of Guidance and supported local authorities and other agencies to practically implement the Act by sharing our specialist housing knowledge. We continue to work in partnership with other organisations such as Crisis, National Housing Federation and Homes for Cathy on homelessness and related issues.

Criminal justice

We gave evidence to the Justice Select Committee on the Transforming Rehabilitation Programme and urgent steps needed to improve the system. We have continually highlighted the significant problems prison-leavers face when accessing appropriate housing and have worked with other sector groups to advise the Ministry of Justice on the steps needed for a joined-up cross-departmental approach. We undertook research with homeless charity, Centrepoin, into the housing barriers and opportunities for young adults leaving custody.

Youth justice

Our Beyond Youth Custody programme, funded by the Big Lottery, published its final Framework for Resettlement which brought together learning from the six-year programme and set out a clear approach to resettlement for practitioners and policy makers. The programme has been highly successful in influencing Youth Justice Board, Ministry of Justice and practitioner approaches to resettlement. Dr. Phillip Lee, former Youth Justice Minister, said:

“Your report and the five key characteristics it identifies for success, represent a gold standard for resettlement planning... I want to commend Beyond Youth Custody’s work in centering the voices of young people in your report.”

Health

As part of the Department of Health’s VCSE Health and Wellbeing Alliance, in partnership with Clinks, we have worked to ensure that the health and care needs of offenders and their families are understood and addressed. We continue to support NHS England in the ongoing roll-out of liaison and diversion services to 100% of the population by 2020. We have also supported the Office for Police and Crime Commissioner in Staffordshire by undertaking a strategic service mapping of the county and supporting them to better understand the mental health needs of people in contact with the criminal justice system in their area.

Our people

860
Nacro employees



16% of our staff are from a minority ethnic group

- We invest in high quality training to improve the quality and effectiveness of services, working with expert providers including NSPCC, Homeless Link, Samaritans and RoSPA.
- Nacro holds Investors in People (IIP) Silver accreditation and is working towards higher levels of recognition by making the organisation a good place for all employees to work.
- We invest our Apprenticeship Levy to develop skills at entry, advanced and higher levels.

Employee engagement survey

This year we held an organisation-wide employee engagement survey to get an understanding of the views of our people and make the experience of working for Nacro as positive as possible.

- **87%** of our employees agree that their manager trusts them to use their judgement and experience.
- **88%** of our employees agree that the work they do has a positive impact on the communities and individuals we serve.
- **83%** of our employees agree that Nacro values diversity.

Staff engagement group

Nacro has a staff engagement group which is made up of employees from across the organisation and aims to promote positive communication and engagement. This year activities have included a round of staff awards to recognise individual contributions, a Nacro-wide organisational values photo competition, a focus on job shadowing to give people the opportunity to find out more about other teams and roles, and discussion sessions to help us develop our strategy.

Nacro Community Voice (NCV) council ensures that our service users are heard and can influence the design of services.

Our formal involvement structure through the NCV council aims to:

- Ensure opportunities for involvement are available to all
- Empower people to be involved at a level they feel is appropriate
- Provide a range of involvement opportunities including participation in local events, Nacro Students' Union learner forums and house meetings as well as the opportunity to be involved at a national level
- Ensure that the voice of service users is represented in Nacro's governance structure – we do this by making the Chair of the Community Voice council a co-opted member of Nacro's Strategy and Performance Committee

CASE STUDY

Leon

When Leon first came to Nacro as a service user, he was very quiet and barely spoke. He would isolate himself in his flat and not interact with anyone. Through regular informal conversation, Leon slowly regained his confidence. He made such good progress that he was appointed Nacro Community Voice co-chair. Leon is now also the lead on Nacro's art and garden projects for the North West as well as a Peer Mentor. He co-produced an informative welcome pack for incoming veterans and offered support to other veterans within his housing project. He has also met local business owners to set up and secure volunteer work placements for veterans.

“The best people to comment on, contribute to and design new services are the people who use them. I have watched our service users and learners grow in confidence by being involved in Community Voice activities and fundraising events.”

Rose Evans, Community Voice Officer

“The best thing for me about working for Nacro is the sense that I am making a positive difference to the individual learners I support.”

“I am very proud to work for Nacro and I love my job. It is extremely worthwhile.”

“I enjoy working with like-minded people who are trying to change young people's lives for the better.”

“We help and support disadvantaged young people and give people a second chance.”

“I do think that a certain kind of person is drawn to Nacro and the result is a friendly, committed workforce that makes a real difference to people's lives.”



Council members and professional advisers

President

Lord Dholakia, OBE, JP

Vice President

Dame Linda Dobbs DBE

Trustees

Nigel Chapman CMG, Chair
Jonathan Aitken*
Andrew Billany
Bob Booker
Ron Crank MBE
Jenni Douglas Todd**
Lynn Emslie**
Darren Hughes
Dominic McGonigal
Sarah Nelson-Smith
Kerry Pollard*
Brenda Sheils OBE
Helen Willis**

Treasurer

Helen Willis

Chief Executive Officer

Jacob Tas

Company Secretary

Joanne Drew
(April - July 2017)
Susannah Glover
(August 2017 - March 2018)

Registered Office

46 Loman Street
London, SE1 0EH

Charity number

226171

Regulator of Social Housing number

4781

Company number

00203583

Bankers

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

Auditor

Mazars LLP, Midlands
45 Church Street
Birmingham
B3 2RT

Solicitors

Gateley plc
One Eleven Edmund St
Birmingham B3 2HJ

Pension consultants

Punter Southall
11 Strand
London WC2N 5HR

*resigned during 2017/18

**appointed during 2017/18

Trustee Attendance Record 2017/18

	1	2	3	4
Jonathan Aitken	0 of 0	0 of 0	0 of 0	0 of 0
Andrew Billany	5 of 5	4 of 5	-	-
Bob Booker	3 of 5	-	4 of 4	-
Nigel Chapman CMG	5 of 5	-	-	4 of 4
Ron Crank MBE	4 of 5	-	3 of 4	4 of 4
Jenni Douglas Todd	3 of 5	-	4 of 4	1 of 2
Lynn Emslie	5 of 5	-	4 of 4	-
Darren Hughes	4 of 5	2 of 5	-	-
Dominic McGonigal	3 of 5	-	2 of 4	-
Sarah Nelson-Smith	4 of 5	2 of 5	-	-
Kerry Pollard	0 of 0	0 of 1	-	-
Brenda Shiels OBE	4 of 5	5 of 5	-	-
Helen Willis	4 of 4	-	3 of 3	-

- 1 Council
- 2 Strategy & Performance Committee*
- 3 Finance & Audit Committee**
- 4 People Committee (previously Remuneration Committee)

*Professional adviser: Mark Leigh

**Professional adviser: Dean Murphy

Strategic review of the year

Year in review

2017/18 was the third and final year of our most recent three year strategy in which we set out to ensure we were financially sustainable and robust, and where we more explicitly recognised the breadth of our work addressing many of the social justice issues facing disadvantaged young people and adults in the UK.

We are pleased that, despite a challenging operating climate, we have continued to grow our service delivery and impact. We set ourselves nine key objectives over the last three year period. Below we set out our progress against these:

1. Deliver more services in locations where demand is highest and where we already have a strong presence	<ul style="list-style-type: none">Increased number of service users reached and supportedStrong footprint developed in Lincolnshire, Essex, Kent and West Midlands
2. Deliver value for money by reducing our overheads and ensuring maximum resources are expended on service delivery	<ul style="list-style-type: none">Central overhead costs maintained below target level
3. Achieve IIP Gold accreditation, so that our staff have a recognised development framework that enables them to perform to the best of their ability	<ul style="list-style-type: none">Achieved IIP Silver in 2017 including TottonPathway in place for new strategy to get to Gold
4. Ensure all our services have specified measurable outcomes	<ul style="list-style-type: none">Service design incorporates a “what works” approachOutcomes framework in place and continues to developPerformance management framework introduced and embedded
5. Develop effective partnerships with like-minded organisations	<ul style="list-style-type: none">Developed strong partnerships in both service delivery and policy work, for example:Recovery Near You Wolverhampton partnership with Aquarius and Birmingham & Solihull Mental Health NHS TrustMind the Gap project with Be OnSite, Bounceback, CITB, A Fairer ChanceJoint research with Centrepont youth homeless charity

6. Use innovation and technology to enhance delivery and outcomes	<ul style="list-style-type: none">Mobile working in housing implementedDigitisation plan in developmentIT upgrade and strategy in education
7. Improve our performance focus based on a “do it once and do it well” philosophy	<ul style="list-style-type: none">Improved but further to go and will be carried forward into next strategy period
8. Engage in public debate and lead the agenda for change for those we serve	<ul style="list-style-type: none">Policy initiatives on range of areas including Beyond Youth Custody partnership directly influencing the Ministry of Justice/Youth Justice Board practice on resettlementMental Health Liaison and Diversion policy/practice support to NHS EnglandEducation inquiry on disadvantaged young people with focus on catch-up funding and work placements/social capitalSupported housing funding and sustainability focusFocus on improving housing for people leaving custodyIncreased presence in public debate through media
9. Develop employment pathways for all of our core services so as to optimise the progression opportunities for the people who use Nacro services	<ul style="list-style-type: none">This is an area which we haven’t been able to progress as much as we wantedEducation has strongest pathways towards employmentThis needs to be brought forward to the new plan

Below, we set out progress against objectives in 2017/18:

1. Be an employer and volunteer facilitator of choice to attract, retain and grow a skilled and engaged team to meet our strategic priorities.

- Building on our IIP Silver award, we have developed and started implementation of a detailed People Strategy to both embed this and ensure we continue to improve.
- We undertook an employee engagement survey and are putting in place action plans based on the feedback received.
- We brought our recruitment function in-house and developed our own team and approach which specialises in the work we do.

2. Be a financially sustainable, resilient and well governed organisation that is capable of resourcing our priorities and increasing our service user outcomes and social impact.

- It was a positive year overall for Nacro, with further business growth both in-year income and order entry following a succession of significant contract extensions and a major new business win. Cash also improved year-on-year despite the repayment of all our outstanding borrowings during the year – leaving us debt free by year-end – and an increase in capital expenditure. Operating margins have tightened due to competitive pressures and cost increases and is a key focus topic going forward.
- We were awarded the Ministry of Justice's Bail and Accommodation Support Services (BASS) contract and we re-secured the Recovery Near You substance misuse partnership in Wolverhampton.
- Our bidding success rates averaged above 40% by value and we have secured longer-term contracts which provide greater financial stability.
- We have invested in new systems to improve our processes to make us more efficient and support our frontline delivery.
- Following an independent governance review, we are implementing the recommendations to ensure we have the most robust levels of governance. We have also implemented our governance-led education scrutiny group (ESG).

3. Embed quality, safety and digitisation in the design, delivery and review of our products, services, facilities and homes.

- Combining our policy and research expertise with service delivery expertise, we have developed new evidence-based service models to deliver improved outcomes for service users.
- We have embedded an improved outcome monitoring and reporting system across many of our services to support quality improvement.
- We improved our academic outcomes for learners to above national rates in the academic year 2016/17 at our Education and Skills Centres and improved the Ofsted grading of Totton College as part of its turnaround under Nacro ownership. Education in the contracted secure settings has received positive feedback from commissioners on the impact Nacro has made and outcomes for learners are good.
- Nacro has developed a strong culture of safeguarding supported by a team of trained professionals and a National Safeguarding Board. This has enabled us to be proactive in our practice and delivery of existing and new contracts.

4. Raise the profile of Nacro to support the business strategy, and influence and campaign on issues that relate to promoting social justice including advocating for our service users, and supporting them to get their voice heard.

- We have increased our voice at a national level on key social policy issues affecting the people we support, including prison and probation reform, funding for supported housing, housing for people leaving prison, and alternative education provision.
- Our Beyond Youth Custody partnership has had significant influence on the Ministry of Justice and Youth Justice Board's approach to resettlement for young people.
- We have increased our profile in the media and through developing partnerships.
- Our influencing priorities continue to be shaped by our own service users including through Nacro's Community Voice Council.

Our plans for 2018/19

We have set an ambitious strategy for the next three years 2018-21, which we have developed in consultation with internal and external stakeholders and with the support of an independent strategy consultant. To respond to growing societal need, by 2020/2021 we aim to be providing joined-up specialist services to 45,000 disadvantaged young people and adults to help them build positive futures and achieve their aspirations. We will do this through the following five overarching objectives for the strategy period, under which we have set our objectives for 2018/19:

1. Grow Nacro's outcome-focused delivery – deliver joined up, high outcome and expert services and products meeting their respective regulatory and funding standards.

- Support 45,000 service users
- Achieve Ofsted 'Good'
- Ensure service users benefit from joined-up services
- Achieve external recognition for our safeguarding performance

In 2018/19 we will:

- Improve our Ofsted gradings in all settings
- Develop a Nacro joined-up service offer
- Implement a new Management Information System

2. Make a strategic contribution in priority places and communities – support commissioners to offer local/regional services and solutions, form strategic partnerships in communities, be recognised as a key player in identified priority areas.

In 2018/19 we will:

- Identify priority places and build influential relationships and partnerships

Safeguarding

Safeguarding continues to be embedded in our policies and practices.

The National Safeguarding Board continued to meet on a quarterly basis in 2017/18 to review safeguarding trends and best practice and to ensure our framework for safeguarding is effective. During the year a total of 1,760 cases were recorded on our Internal Management System (IMS) in 2017/18. The upgrade to the IMS in November 2017 has allowed us to accurately collate information on the type of safeguarding incident categories as well as putting in place a system for managers/Area Designated Safeguarding Officers to review, investigate, identify lessons and sign off safeguarding incidents. The upgrade to the IMS system has also allowed us to capture more accurately if the main person involved was an adult or a child. In 2017/18, 48% of reported safeguarding incidents involved a young person under the age of 18, unsurprisingly of these 50.7% were reported by Housing which is the service which spends the most amount of time with service users. As a result, Housing continues to report the largest number of safeguarding incidents, with 64% of incidents coming from the directorate in 2017/18. 34% of the incidents were reported by Education in 2017/18.

Nacro ran its third annual Safeguarding Awareness Week in 2018 (26 February–2 March) and a large number of activities took place around the country. This included Nacro's Trustees visiting services across the directorates to discuss how safeguarding works in practice at our different locations.

3. Influence policy and practice – develop long-term plans to address the needs of disadvantaged young people and adults in communities, promoting our social justice voice and that of our service users to influence policy and practice in order to improve the lives of people we help.

- Achieve media coverage value >£1m
- Increase brand awareness
- Bring about three positive policy changes

In 2018/19 we will:

- Deliver a policy and influencing programme which influences key social justice issues affecting our service-users
- Deliver a Nacro-wide communications plan which raises the profile of the impact of our services and key social justice issues
- Increase our web presence to reach our core audiences

4. Build a proud, expert and engaged workforce – build and sustain a high-performing professional workforce with the skills, knowledge and attitudes to deliver the best outcomes for service users.

- Maintain voluntary staff turnover at <20%
- Achieve IIP Gold
- Improve employee engagement

In 2018/19 we will:

- Launch a new Leadership and Management Development Framework
- Develop and deliver employee engagement strategy and action plans
- Embed in-house recruitment team and improve on-boarding and induction processes

5. Create a financially sustainable organisation – in an uncertain economic climate, develop the organisation to ensure efficient processes in order to meet our reserves and liquidity targets as well as funding capital investment and discharging pensions obligations.

- Generate a surplus
- Double voluntary income
- Maintain three-month operating expense in reserve
- Limit overhead costs to 10%
- Comply with social housing regulator viability standard
- Achieve 40% value bid success

In 2018/19 we will:

- Implement fundraising recommendations and further build a pipeline of prospects
- Deliver a contract bidding success rate at 40% by value
- Invest in business development capacity and capability

Good governance

The Nacro Council is responsible for the effective strategic leadership and governance of the organisation while day-to-day management is delegated to the Executive Team.

The Council has adopted and complies with the requirements of the National Housing Federation Code of Governance. Nacro's prime regulator is the Social Housing Regulator. The Trustees confirm that Nacro complies with the Regulatory Code. As an educator and recipient of ESFA funding, we also seek to comply with the Code of Governance for English Colleges. And finally, as a social justice charity, Nacro also complies with Charity Commission requirements.

Between June and September 2017, we undertook a review of governance with an external consultant, leading to an extensive work plan of actions to further strengthen our governance. A new Head of Governance post was established in 2017 to coordinate and progress the work plan.

The review found that changes made in summer 2016 to Committees reporting to Council were working well. These included:

- The responsibilities of the previous Finance and Performance Committee which were handed over to two new separate Committees: Finance and Audit, and Strategy and Performance to enable more detailed scrutiny.
- The work of the Nacro Community Voice Council, which is a service user forum with staff and Trustees, is now reporting into Council as a standing agenda item.

Since the last committee restructure in summer 2016, we have renamed the previously titled Remuneration and Nominations Committee as the Nacro People Committee enabling it to take on a wider Human Resources remit and to oversee development of an exciting new People Strategy across the organisation.

As service user involvement is so central to our work, we further developed our Community Voice Council, which provides a forum for formal service user involvement. A Student Council is also in place at Totton College along with an Education Forum where stakeholders including local employers have the opportunity to contribute and shape our plans at an early stage.

There are also a number of other regular meetings that Trustees either Chair or attend such as the Education Scrutiny Group and Safeguarding Board. These opportunities helps them to fulfil their roles as a designated link Trustee for specific areas and increases scrutiny and oversight of different sectors of the business. These Trustees in turn report into the main Council and Committee structure further strengthening our governance.

As part of our Council succession planning, we recruited new Trustees bringing enhanced capacity on Education, Health and Justice issues. A full list of Trustee appointments, resignations and attendance can be found on page 31.

Our risk framework and financial strategy supports the mitigation of exposures. Trustees are aware of their duty to protect social housing assets and are continuously developing our risk assessment and management frameworks.

Trustees' responsibilities – Registered Provider legislation requires the Trustees to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of Nacro as at the end of the financial year. In preparing those financial statements, suitable accounting policies have been used, framed, to the best of the Trustees knowledge and belief, by reference to reasonable and prudent judgments and estimates, applied consistently. Applicable accounting standards have been followed. The Trustees are also required to indicate where the financial statements are prepared other than on the basis that Nacro is a going concern.

The Trustees are responsible for ensuring arrangements are made for keeping proper books of account with respect to the transactions and its assets and liabilities and for maintaining a satisfactory system of control over Nacro's books of account and transaction. The Trustees are also responsible for ensuring that arrangements are made to safeguard the assets of Nacro and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Public benefit – The Trustees confirm that they have complied with their duty under section 4 of the Charities Act 2006 to have due regard to the Charity Commission's general guidance on public benefit.

Disclosure of information to the auditor – Each Trustee at the date of approval of this report has confirmed that:

As far as the Trustees are aware, there is no relevant audit information of which Nacro's auditor is unaware.

The Trustees have taken all necessary steps in order to make themselves aware of any relevant audit information and to establish that Nacro's auditor is aware of that information.

Approved by the Trustees on 26 September 2018 and signed on their behalf by:

N Chapman CMG
Chair

R Crank MBE
Vice Chair

Statement of Internal Control

Council has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. In meeting its responsibilities, Council has adopted a risk-based approach to internal control, which is embedded within the normal management and governance processes and includes staff at all levels.

This approach includes the regular evaluation of the nature and extent of risks to which Nacro is exposed. The process adopted by the Council in reviewing the effectiveness of the system of internal control comprises:

1. Identification and evaluation of key risks

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of Nacro's activities.

This process is coordinated through a regular reporting framework by Executive Leadership Team (ELT) and Finance & Audit Committee (FAC). The FAC regularly considers reports on significant risks facing Nacro and the Chief Executive is responsible for reporting to the Council any significant changes affecting key risks.

2. Monitoring and corrective action

The regular review of control issues and the audit plan by the ELT provides assurance to FAC and the Council. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant issues, particularly those with a material impact on the financial statements.

3. Control environment and control procedures

Council retains responsibility for a defined range of issues covering strategic, operational, financial, and compliance issues including new investment projects. The Council disseminates to all employees its requirements and Nacro's policies that concern the quality, integrity and ethics of its employees.

It is supported by a framework of policies and procedures with which all employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection, and the prevention and detection of fraud.

4. Independent audit and review

The internal control framework and risk management processes are subject to regular review by an internal audit function which is responsible for providing independent assurance to the Council. FAC ensures that the risk based inspection / monitoring plan remains up-to-date and is a live document. It reviews all significant reports, which could affect the risks facing Nacro.

Council has received the annual review of the system of control from FAC and has taken into account any changes needed to maintain effectiveness of the risk management and control process.

5. Fraud reporting systems

Fraud response procedures and policy statements are reviewed and approved by the Council as part of a comprehensive review of internal control systems. The procedures establish the respective roles and responsibilities of staff for the prevention and detection of fraud through a fraud response plan.

The Council confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by Nacro. This process has been in place throughout the year and up to the signing of the annual report, and is reviewed regularly by the Council.

6. Risks

Nacro has a formal risk management process to assess business risks, and implement risk based strategies. The risk register is aligned to the corporate plan, and identifies the risks around achieving the objectives of the organisation. This involves identifying the types of risks that Nacro faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying mitigating actions.

Key risk	Risk treatment
Further public sector cost cuts results in reduction of funding	<ul style="list-style-type: none"> • Strategic and business planning in place and monitoring of progress against key corporate objectives • Building closer relationships with potential funders and developing new funding models • Developing additional and more diversified income streams • Financial performance is monitored through monthly management accounts by management and t-Trustees • Quarterly and monthly finance scrutiny reviews are undertaken by the Chief Executive and Director of Finance with the directors and their teams • A Value for Money programme is in place which includes initiatives to reduce operating costs
Inability to demonstrate real outcomes	<ul style="list-style-type: none"> • Enhanced management information and reporting for all operational areas of the business • Outcome reporting reviewed by management and trustees
Ineffective mobilisation of major new contracts and inability to deliver contracts in line with bid assumptions	<ul style="list-style-type: none"> • Regular specific project progress updates to Trustees • Project governance structure for major new contracts • Collaborative, open and transparent approach to contracts with major clients • Major project risk register • Dedicated programme management for complex programmes • Fortnightly mobilisation project financial forecasting in place • Use of specialist contract resources selectively for mobilisation and service provision where skills not available in-house
Not having a quality delivery of service or performance	<ul style="list-style-type: none"> • Continued compliance and quality inspections • Quality improvement team is carrying out reviews and plans have been implemented for key service delivery service areas • Performance of service and service delivery functions reported and scrutinised by Strategy and Performance Committee • Regulatory requirements used as part of assurance inspections • Property requirements are monitored with appropriate checks being made • Staff training has been developed in line with revised policies and procedures
Unable to recruit, retain and engage appropriately skilled staff	<ul style="list-style-type: none"> • Increase in staff engagement activities including employee opinion surveys • Improved learning and development strategies and tools • Recruitment strategies, processes and systems updated and improved • Objective-setting and performance appraisals in place and reviewed by management

Financial narrative

Income for the year was £49.0m compared with £46.9m in 2017 and the operating surplus for the year was £0.5m (2017: surplus of £1.8m) as a result of increasing costs. The operating costs include additional depreciation for a change in the useful life of some building components in Housing and Education; this has depressed the operating surplus but not the cash flow performance.

The turnover in Housing, our largest division, showed growth of £2.7m (12.6%) in year to £24.1m with an increase in costs leading to a fall in profitability to an overall loss of 1.2%. This growth in turnover follows on from growth of £2.2m in the previous year (11%) and a profit margin of 0.9%. In the Education division income fell slightly from £17.9m to £17.4 with profitability remaining fairly static. In the Justice division turnover increased from £1.4m to £2.2m, with an improvement in the operating profitability. Turnover in Health was unchanged at £5.0m and Corporate Projects income fell from £0.7m down to £0.2m as income for research is challenged.

The Total Comprehensive Income for the year amounted to £725k (2017: surplus of £279k as restated) reflecting the surplus for the year, as above, plus an actuarial gain on the closed defined benefit pension scheme of £0.5m (2017: actuarial loss of £2.1m).

There remains a net pension liability of £14.7m (2017: £14.9m). The unrestricted reserves increased to £10.4m which, when combined with the Restricted reserves, generated a net reserves balance of £10.6m up on the £9.9m at prior year-end. In addition the current ratio has improved in year to 1.81.

Net current assets grew by £1.4m year-on-year within which cash, at £10.7m, was again improved (2017: £8.5m) with growth of 26%; this was partially achieved through net operating cash flows including an increase in creditors. In addition all outstanding loan balances were settled in the year including £1m in relation to Totton College (see Statement of Cash Flows and note 20). Capital expenditure is controlled and spending of £0.9m took place during the year. Further progress has been made in the year to rebuild cash reserves to the levels required by the newly adopted liquidity policy for three months of operating cost cover.

A prior year adjustment has been included for housing property cost and grant relating to historic transferred properties. This is identified separately in the notes to the accounts.

The full results for the year are shown in the Statement of Comprehensive Income and the Statement of Financial Position plus accompanying accounts and notes on pages 50 to 77.

Value for Money Statement

Nacro is a social justice charity and a provider of housing and is regulated by the Housing Regulator. The charity has adopted the value for money metrics as required, although as a supported housing and niche housing provider, the results published below need to be viewed in the context of our business model.

METRICS	Current Year 2017/18	Prior Year 2016/17
Reinvestment %	0.3%	0.1%
New Supply Delivered (Social Housing Units) %	0.5%	0.0%
New Supply Delivered (Non-Social Housing Units) %	0.0%	0.0%
Gearing %	0.0%	8.6%
EBITDA MRI Interest Cover %	574.6%	674.0%
Headline Social Housing Cost Per Unit	£8.61	£7.65
Operating Margin (social housing lettings only) %	5.4%	18.5%
Operating Margin (overall) %	1.0%	3.8%
Return on Capital Employed (ROCE) %	1.8%	8.7%

New Supply Delivered is measured through owned property; Nacro as a charity providing social housing does not have a development programme. We intervene in the private rented sector to make homes available to service users, either with supported housing contracts or through the provision of intensive housing management. This is a key way in which we help to address social justice issues including the prevention of homelessness. However, the published metric does not reflect this provision.

The gearing ratio at 31 March 2018 is nil, showing that Nacro ended the year with no debt/loans outstanding. At 31 March 2017 the gearing metric is measuring the value of the Education debt over the value of Housing Property and not the value of all Property. If the metric had used the value of all Property the ratio would have been 3.6%. As a charity providing a number of services as part of its core charitable aims this metric is only measuring against the value of housing property.

The interest coverage EBITDA is very high as a result of low or no borrowings so interest in the accounts relates to pension finance interest.

The headline cost per unit may appear high in comparison to other housing providers as this reflects the Nacro charitable business model of entering into flexible leasing arrangements to secure its growth in housing supply. Leases are capable of being terminated at short notice ensuring operational and financial flexibility.

Reserves and liquidity policies

There has been a fall in operating margin in both Housing and in the wider Nacro charity in the year to 31 March 2018. This has also led to a reduced metric for ROCE. This has been as a result of contracting cycles where new contracts or services commence with higher set up costs and squeezed margins.

Following a review during the year, the Trustees have confirmed the existing reserves policy to achieve reserves of the equivalent of three months’ of operating costs. The Trustees have also adopted a new liquidity policy, which is to target cash of three months’ of operating costs, less depreciation.

Independent auditor’s report

Opinion

We have audited the financial statements of Nacro for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Reserves and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 2018 and of its surplus for the year then ended
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- 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 2015

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 related to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Nacro's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Trustees are responsible for the other information. 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.

In connection with our audit of the financial statements, 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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 the audit:

- The information given in the Strategic Review and the Trustees Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Strategic Review and 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 Review or 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:

- Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- The financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specific by law are not made; or
- We have not received all the information and explanations we require for our audit.

Responsibilities of the Trustees

As explained more fully in the Statement of the Trustees' responsibilities set out on pages 38-39, the Trustees 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.

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 the audit 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 and Chapter 4 of Part 2 of the Housing and Regeneration Act 2008. 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.

Vincent Marke
(Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
45 Church Street
Birmingham
B3 2RT

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