Nacro 60 years

Annual Report

for the year ended
31 March 2026

Registered charity number 226171
Registered provider of social housing number 4781
Registered learning provider number 10004486
Company number 00203583

Contents

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.

Inspiring
Courageous
Compassionate
Inclusive
Reliable

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.

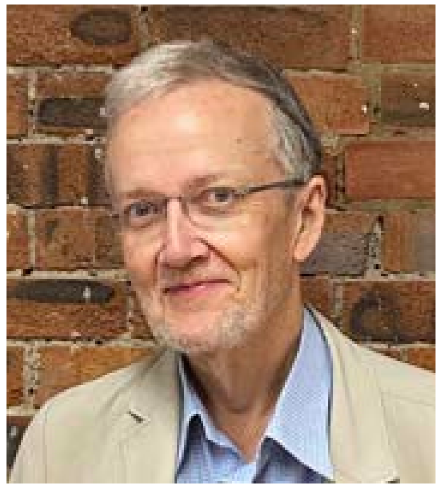
We are inclusive

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.

Message from the Chair



Nick Hardwick CBE
Chair

This has been a year of contrasts for Nacro — some significant changes and some important continuities.

First of all, we said goodbye to Campbell Robb, our Chief Executive since 2019. Campbell did an outstanding job for the organisation. He stabilised our performance and financial position, provided inspiring leadership to our staff and established the organisation's reputation. All this provided a solid foundation to push forward with our new strategy and Nacro owes him a lasting debt of gratitude.

Replacing Campbell was no easy task and I am extremely grateful to the excellent Helen Dyson for stepping up as acting Chief Executive while the recruitment process was underway. Nacro is very lucky that Helen was willing to take this on and under her professional and committed leadership, and with the support of her senior leadership colleagues, the organisation maintained its consistent progress.

The recruitment process concluded with the appointment of Enver Solomon as Nacro's Chief Executive from March 2026. Enver brings a wealth of experience leading some of the most high-profile organisations in the voluntary sector, as well as operational and influencing expertise. Nacro Trustees are excited about working with him to continue to build the future of the organisation.

Some things have not changed, however. In 2026, we are celebrating Nacro's 60th anniversary and I have been visiting our services during this time. Some of the detail may have changed over the last 60 years, but underlying issues many of the people we support face would be familiar to anyone associated with Nacro throughout the past six decades. So too would be the resilience of many of our service users and the hard work of our staff.

What strikes me most on my visits is not the problems encountered but the solutions found and the lives changed. This work with many thousands of individuals across England and Wales gives Nacro a powerful insight into the wider social, economic and political factors that limit their opportunities and ability to help themselves and what some of the solutions to this are.

We have worked this year to ensure the systems behind our face-to-face work support our staff to do the best job possible, make best use of our resources and underpin the quality of our services. I want to thank all our staff — those who work delivering services and all those who provide the vital support services on which all our work depends. I and all the Trustees are very grateful to them.

We have started to deliver our new strategy from solid foundations. Like all large charities that deliver commissioned services to those in need we face a very challenging financial climate. We recognise the constraints on national and local government budgets — but we and other large charities play a strategic role in providing services to those most in need and should have a seat at the table alongside private and statutory providers when the allocation of resources and measures that impact on our costs are being discussed.

This year the Board had to agree a deficit budget. Careful management of our resources and performance meant that we ended the year with a much improved position. Our deficit reduced to marginal levels and improved forecasts for the immediate years ahead.

This year we have developed our work with young people. We grew our supported housing services for young people leaving care and I continue to be very proud of our education services for young people who need more support than large colleges can provide. A wonderful end to the end of the year was the visit in March by our Patron, the Princess Royal to open our new Education Centre in Stoke.

Nacro's Board of Trustees have overall responsibility for all Nacro's work and in a year of change such as this, Trustees have had to make some very big decisions. I want to thank all our Trustees for their commitment and wisdom but in particular Lynn Emslie and Tabitha Kassem who left the Board after making a lasting contribution to Nacro's work.

The year ahead looks to be another challenging one. We work in a very volatile environment with continued financial uncertainty but I believe Nacro is doing all it can to position itself to weather any storm and continue to develop the services on which some of the most vulnerable members of our society rely. I am excited about the possibilities the future holds.

Message from the CEO

Enver Solomon OBE
Chief Executive

I got to know Nacro nearly three decades ago when I started my first job in the voluntary sector working on prison reform. Ever since I have followed the organisation's work and admired the quality of its frontline practice. I've always been struck by how many people working in either the public or charity sector have at one time either been a member of staff or worked with us in some way.

Six decades on since Nacro began, we continue to have a strong reputation and standing. In many parts of the country, we are a central part of the ecosystem of public, private and third sector organisations that work with those who face multiple challenges. And it's clear our work is as vital now as it has ever been.

Whether you are a young person leaving care, in our education centres or supported housing, an armed forces veteran or survivor of domestic abuse who has experienced homelessness, or someone leaving prison and trying to build a better life, our commitment to delivering high quality support shines through. At the heart of all our work is the importance of building trusting relationships and our unwavering belief that we see people's future whatever the past.

Spending time with staff and those we work with across services, I have been moved by the quiet power of our relational work. It helps people feel valued, begin to believe in themselves and see a way forward in which they stabilise their lives and do better. Everyone has been quick to tell me how much they value being listened to, treated well and given the opportunity to get their lives back on track.

What is equally evident is how multiple disadvantage has become more deeply entrenched. For those who have complex needs and end up homeless, addicted to drugs and with mental health problems, it is easy to end up in the criminal justice system. Without support, the likelihood of them reoffending is high. The state has had too little to offer them to ensure their lives are turned around or, when they first struggle whether that be in school or in the care system, to step in and provide the help that will prevent their lives spiralling out of control.

The Government is well aware of this and there is some significant external change in the policy and practice landscape across all our areas of work. The new legislation on sentencing will mean more people serving more of their sentence in the community rather than prison, which makes the need for quality joined up support even more critical. The national review into young people and work will hopefully lead to systemic changes to give hope and opportunities to the almost million young people who are not in education, employment or training. And the curriculum changes and the reforms to special educational needs will further change the learning landscape for young people. In housing, the Government's homelessness strategy provides a welcome focus on prevention and recognition of the role supported housing plays in helping people move towards independence.

Our role is to take the knowledge and evidence from our frontline practice and make the case for wider reform, challenging the systems that hold people back. We have long called for better housing support for those leaving prison so it was very welcome to see the Government make a commitment to halve the proportion of prisoners facing homelessness on release by the end of this parliament in 2029. And the move away from ineffective short prison sentences is one Nacro, alongside many of our partners, have advocated for many years. We will continue to make sure the voices and experiences of the people we support shape government thinking and policy.

It is an honour and privilege to be at the helm of an organisation that provides such important services day in day out across communities. I look forward to working with all our dedicated staff, Trustees and partners to build on the solid foundations that are in place so that Nacro continues to thrive.

Why our work is needed

As Nacro marks its 60th anniversary, it is clear that the work we do is more vital than ever before. Poverty and inequality[1, 2] have continued to grow, and the prolonged under-investment in our public services has deepened the longterm consequences for people who already struggle to access the support they need.

Many of the people we support have been dealt a difficult hand: growing up in care; facing poverty; experiencing homelessness; dealing with a mental health issue, or substance misuse; failed by the education system; or swept into the justice system. The challenges we face shape who we are, but our past shouldn't dictate our future.

1m
young people are NEET[4]

16%
young people unemployment rate[4]

Young people

Young people across the country face a difficult and uncertain future, with many still feeling the impact of growing up during the pandemic, which had the greatest impact on those who were already the most disadvantaged.[3] With almost a million young people aged 16 to 24 not in employment, education or training (NEET) and the unemployment rate for young people rising to 16%, up from 14.5% the year before, it is clear that, as a society, we need to do more to support young people to flourish.[4]

And yet the mainstream education system continues to let down many young people whose specific needs are not being met. Although overall attendance rates improved for most students in 2024/25, the number who were "severely" absent — missing at least 50% of their classes — rose to over 175,000 students, a large proportion of whom are children with special educational needs and disabilities.[5]

Over
175,000
severely absent[5]
2024/2025

The number of suspensions and permanent exclusions from school remains concerning, despite some welcome improvements in the last year. Suspensions fell by 4% and permanent exclusions by 9%. Even after this, there were 913,000 suspensions and 9,906 children who were permanently excluded in the 2024/25 academic year.[6] Vulnerable children are more likely to be excluded, with students eligible for free school meals or with special educational needs having significantly higher rates of both suspension and exclusion.

Home schooling has increased rapidly in recent years, with 126,000 children recorded as being home schooled in Autumn 2025. However, we know that some parents and carers struggle to access the right support to ensure that children who are home schooled do not fall behind.[7]

The impact of a disrupted education on already vulnerable children can be devastating, with long-term consequences for their education and employment, mental health, and overall wellbeing. We support students to return to education so they can realise their potential and gain the skills, knowledge, and experience they need to progress confidently onto their next steps. This could be going into further education, training, or work.

Criminal justice

Our criminal justice system has been the focus of increased public and political attention, and the prison overcrowding crisis has led to changes in who will be imprisoned, and for how long, with the introduction of the Sentencing Act 2026. England and Wales have long had one of the highest rates of imprisonment in Western Europe[8] and the reoffending rate remains stubbornly high, with 43.8% of adults committing a further known offence within a year of release.[9]

We know that having a job and somewhere to live supports people to turn their lives around on release from prison. Yet, around 1,000 people a month are still released homeless[10] and only 20.1% of people are in employment six weeks after leaving prison.[11] As the Sentencing Act will mean more people will serve more, or all, of their sentence in the community, the services and support available to people in the community will be all the more critical to reduce the risk of reoffending. Without the right support, we don't give people the best chance of breaking the cycle of offending.

43.8%

reoffending with 1 year of release[10]

1,000

a month released into homelessness[11]

Homelessness

Levels of homelessness have continued to rise substantially in the last year. Research from Shelter shows that at least 382,000 people were recorded as homeless in England in December 2025, including over 175,000 children.[12] The number of people sleeping rough in England has also increased, with 4,793 people sleeping rough on a single night in Autumn 2025, the highest number ever recorded. 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, such as leaving prison, it is vital to ensure that everything possible is done to help people find and keep a home, alongside the support they need to build positive futures. While hundreds of people continue to be released from prison homeless every month, homelessness cannot be solved.

Against this background, it is clear that our work is needed more than ever. We continue to strive to offer support, stability, and guidance, enabling people to build positive futures for themselves and their families, and contribute to their communities.

1. https://www.jrf.org.uk/uk-poverty-2026-the-essential-guide-to-understanding-poverty-in-the-uk
2. https://equalitytrust.org.uk/scale-economic-inequality-uk/#:~:text=THE%20SPIRIT%20LEVEL,rising%20again%20in%20the%201980s.
3. https://www.childrenscommissioner.gov.uk/reports/child-poverty/lockdown-poverty-and-the-disadvantage-gap/
4. https://commonslibrary.parliament.uk/research-briefings/sn05871/
5. https://explore-education-statistics.service.gov.uk/find-statistics/pupil-absence-in-schools-in-england/2024-25
6. https://explore-education-statistics.service.gov.uk/find-statistics/suspensions-and-permanent-exclusions-in-england/2024-25
7. https://committees.parliament.uk/publications/6974/documents/72808/default/
8. https://www.prisonstudies.org/highest-to-lowest/prison_population_rate?field_region_taxonomy_tid=14
9. https://www.gov.uk/government/statistics/proven-reoffending-statistics-january-to-march-2024/proven-reoffending-statistics-january-to-march-2024#reoffending-by-disposal-type
10. https://www.gov.uk/government/statistics/offender-accommodation-outcomes-update-to-march-2025/offender-accommodation-outcomes-statistical-summary
11. https://www.gov.uk/government/statistics/offender-employment-outcomes-update-to-march-2025/offender-employment-outcomes-statistical-summary
12. https://england.shelter.org.uk/media/press_release/at_least_382000_people_are_homeless_in_england_today_

Board members and professional advisers

Information correct at
22 July 2026

Trustees
Nick Hardwick CBE, Chair
Anne Frost, Vice Chair
Maneer Afsar
Amanda Dickens
Lynn Emslie
(Tenure ended 3 April 2026)
Tabitha Kassem
(Tenure ended 25 March 2026)
Mian Langellier
Farrah Malik
Philippa Oldmeadow
Felicity Oswald OBE
Neil Spence
Melanie Walker MBE
Joanne Harper
(Joined 1 August 2025)

Treasurer
Neil Spence

Chief Executive Officer
Enver Solomon OBE
(from 9 March 2026)

Helen Dyson
(Interim 3 October 2025 to 9 March 2026)

Campbell Robb
(to 3 October 2025)

Company Secretary
Andy Wilkinson-Sharpe
(from 6 May 2025)

Abbass Shah
(Interim 1 April to 6 May 2025)

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16-17 Devonshire Square
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226171

Regulator of Social Housing number
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Company number
00203583

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London EC4M 7JW

Internal Auditors
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Two Snowhill
Birmingham B4 6GA

Solicitors
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30 Finsbury Circus
London EC2M 7DT

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

Executive Leadership Team
Enver Solomon OBE
Chief Executive
(from 9 March 2026)

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

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)

Pension Trustees
ProPensions
Clyde Offices
48 West George Street
Glasgow
G2 1BP

Trustee Attendance Record 2025/26

	1	2	3	4	5	6
Nick Hardwick CBE	3 of 4	–	–	3 of 3	–	–
Anne Frost	3 of 4	–	3 of 3	–	4 of 4	–
Maneer Afsar	3 of 4	–	–	–	–	–
Amanda Dickens	2 of 4	–	2 of 3	2 of 2[4]	4 of 4	–
Lynn Emslie	4 of 4	–	–	–	4 of 4	–
Joanne Harper	3 of 3[1]	–	–	–	3 of 3[2]	–
Tabitha Kassem	2 of 4	–	3 of 3	–	–	3 of 3
Mian Langellier	2 of 4	–	–	–	–	2 of 3
Farrah Malik	3 of 4	3 of 4	1 of 1[3]	–	–	–
Philippa Oldmeadow	3 of 4	–	–	–	–	3 of 3
Felicity Oswald OBE	4 of 4	3 of 4	–	–	–	3 of 3
Neil Spence	4 of 4	4 of 4	–	–	–	–
Melanie Walker MBE	3 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] Joined the Board in August 2025
[2] Joined Education Committee August 2025
[3] Resigned from People Committee June 2025
[4] Joined Policy & Campaigns Committee in September 2025

We helped over

39,000

people last year

Our services

At Nacro, we are committed to continuous improvement and achieving the best outcomes for the people we support. We take pride in delivering a range of education, housing, justice, and health and wellbeing services.

Our commitment to positive change is reflected in the success stories of individuals and communities who have benefitted from our services.

Who we support

- Young people
- Women
- Care leavers
- People with substance misuse challenges
- People experiencing or at risk of homelessness
- People with mental health challenges
- People in the justice system
- Ex-service personnel

We help make change possible for people through:

1

Practical help

We deliver safe and secure supported housing, run trusted education centres, provide practical support to help people navigate life after prison, and deliver accessible health and wellbeing support, including substance misuse services.

2

Personalised support and advice

We work with people to provide the person-centred support they need to move forward and build better futures.

3

Campaigning, policy and research

We campaign alongside the people we support on the issues that matter to them to improve the systems and reduce the barriers holding them back.

The pages that follow highlight our services.

Justice

“Nacro goes above and beyond… always putting the needs of service users first.”

Probation staff member

“It’s been said before, but the Departure Lounge is the only place that cares about us.”

Person supported through the Departure Lounge

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 across England and Wales. We operate in over 20 prisons and six probation regions, drawing on 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

Spotlight on:

Nacro Justice ExChange

The Justice ExChange is a national forum for people we support who have had contact with the justice system and want to use their experiences to improve the system.

The group meets regularly to 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.

Informed by data and lived experience, the Justice ExChange members produce briefings and campaigns on issues that they believe could be improved. Their Better Futures series of policy briefings include practical and cost-effective steps to help prisons better prepare people for release, support and improve physical and mental health, and provide people with the skills, training, knowledge and support they need to thrive and create better lives on the outside.

The most recent briefing explores the experiences of people who have been subject to electronic monitoring. With the use of electronic monitoring set to rise significantly, the report offers recommendations to support people’s rehabilitation and help create safer communities.

“Who better to ask what did and didn’t work inside prisons? They’ve done so much for my confidence it’s unreal. They’ve given me the chance to be heard. Quite pivotal in my life.”

Justice ExChange member

Spotlight on:

Alex in our justice services

When Alex was approaching his release from custody, he experienced high levels of anxiety. He was particularly worried about not having a place to stay and, due to his autism, he was finding the expected transition challenging.

To help reduce anxiety and build trust, Nacro's Departure Lounge staff visited Alex while he was at his job in prison so that he could meet the team face-to-face in a familiar environment. We facilitated his homelessness assessment with his local authority, which deemed Alex in priority need.

On Alex's release, our staff supported him in setting up benefits and provided him with essentials including clothing, toiletries and a packed lunch. We provided clear step-by-step instructions to help him navigate his next steps, including meeting a Housing Officer and going to the local Jobcentre. This co-ordinated support and practical guidance helped reduce Alex's anxiety, ensured he had a place to stay and provided him with a smooth transition into the community.

Being released from prison can be an anxious time. People often have many appointments to make and keep, and practical issues to resolve, which can feel overwhelming. Our Departure Lounge provides practical help and support on the day of release to ease the transition, helping people have the best chance at a second chance, and reducing the risk of reoffending.

Alex is one of thousands of people that we support every year — believing in their potential and seeing a bright future, no matter the past.

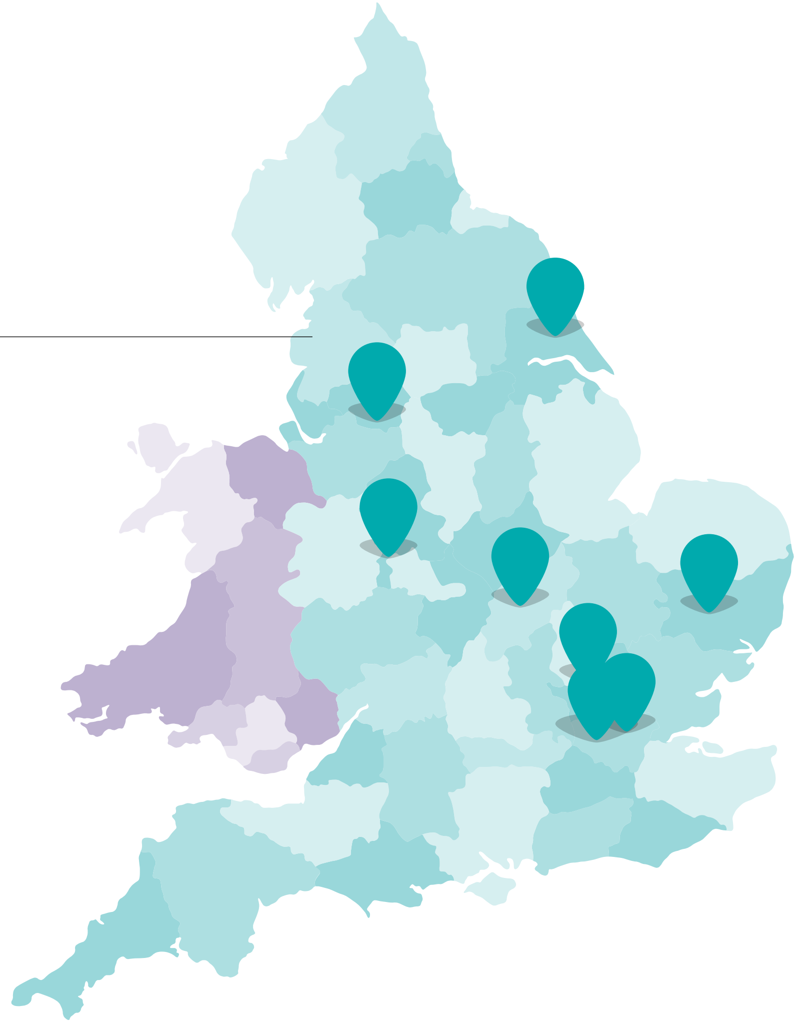
Health and wellbeing

We support people 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.

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



"Nacro helped me through rough days and bad feelings — I'm now starting a new job and moving forward."

Person supported in our services

Spotlight on:

Recovery near you

Recovery Near You (RNY) is the integrated treatment and recovery service for drugs and alcohol in the city of Wolverhampton.

The service works with adults, families, affected others and young people, supporting them to improve their health and wellbeing and recover from the effects of drugs and alcohol. The service is delivered in conjunction with trusted partners, the Birmingham and Solihull Mental Health Foundation Trust, Aquarius and SUIT, our lived experience team.

Our approach encompasses trauma-informed care, service user led support, planning and recovery pathways, outreach and prevention activity, integrated care pathways, early intervention in schools and community hubs, training around substances and a multi-agency approach to care planning and coordination. We work alongside community mental health and primary care partners.

We also work closely with prisons and probation in the region to deliver a cohesive and collaborative criminal justice support pathway; with the Royal Wolverhampton to ensure seamless transition from hospital into treatment; with religious groups to ensure that all of our communities in Wolverhampton are able to access our care and support; and with other statutory and third sector agencies to establish effective pathways into and out of our service.

Last year, we worked with over 2,200 service users. We launched a structured dayhab programme as an alternative to residential rehab, strengthened our offer to children and families, introduced a new dual diagnosis team to improve our service for those also experiencing mental health challenges and hosted the 2025 national Recovery Walk.

"This place makes me feel whole”

Person supported by the service

Spotlight on:

Nick in our personal wellbeing services

Nick’s journey through the criminal justice system takes place across many years, marked by a long-standing struggle with addiction.

Most recently, Nick served five weeks in prison. During this time, he began to seriously consider what lasting change might look like.

When he was released from prison, he was referred to Nacro’s personal wellbeing service. Nick describes this as a turning point. Through the service’s group work, Nick has enjoyed the open conversation and peer support. He reflects on how these group sessions have encouraged a sense of community and accountability, and how participants have helped one another by sharing lived experiences, encouragement and understanding. He credits the service with helping him feel more confident, more hopeful, and better equipped to manage life outside of the criminal justice system.

Since his release from prison, Nick has been actively seeking work — with a focus on finding a role closer to home, which he feels would give him greater stability and improve his chances of long-term employment.

Nick also speaks very positively about his experience with the Probation Service following his release. He credits his Probation Officer for their supportive and non-judgemental approach, saying that they played a crucial role in guiding him towards meaningful rehabilitation.

Now, Nick is focused on rebuilding his life. He is determined to maintain his recovery, find stable employment, and continue developing positive relationships with his family.

Nick is one of thousands of people that we support every year — believing in their potential and seeing a bright future, no matter the past.

Housing

We believe everyone deserves a safe and secure home. 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 people and those with complex needs.

We provide 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)
- NEST (Nacro Education, Support and Transition)

“Nacro didn't just give me a roof over my head; they provided the foundation I needed to start over.”

Person supported in our services

“No judgement whatsoever — just amazing support.”

Person supported in our services

Spotlight on:

Jess in our London housing services

Jess had been in residential addiction recovery housing for the past four years, before being referred to Nacro’s housing services.

Jess was worried about living alone, without the support of flatmates, and was daunted about the transition. When asked about her experience of Nacro, she said: “From the moment I met with Nacro's team, I felt reassured that it would be a gentle transition, and that has been my experience so far. The staff were all really welcoming, especially my new support worker.

When I first viewed the flat, I couldn’t believe how amazing the space was. It was a perfect space for me to develop my independence and my life skills. As a woman living alone, I feel safe in this building, which feels really important for me.

My mental health can be up and down, but my support worker always has a non-judgemental attitude, she just listens and is encouraging. She always keeps me up to date with any useful local services and food bank vouchers.

Moving house can be so stressful, especially for me — I’ve moved so many times, I’ve lost count. I never really stay anywhere too long. Broken family relationships, addiction and mental health have always had me moving around, never settling.

I’ve never really felt like anywhere I have lived has felt like a ‘home’ — more just a temporary space. But Nacro is the first time I have felt like I can relax a little, and I feel a sense of belonging here. I’ve even joined a local gym and local therapy groups, so I’m starting to establish my roots.

For the first time in a long time, I’m starting to feel hopeful about a future worth living. A big thank you to the whole Nacro team. Really grateful services like yours exist.”

Jess is one of thousands of people that we support every year — believing in their potential and seeing a bright future, no matter the past.

Spotlight on:

Dan in our Welsh housing services

Dan moved to the UK to be with his partner and when the relationship broke down, his life quickly changed. He ended up in prison and was released with nowhere to go. He spent several days rough sleeping before the council placed him first in temporary accommodation, and then in a hostel.

The hostel was challenging for Dan. Learning a second language, a new city and constantly meeting new people affected him, and he eventually developed struggles with alcohol.

A support worker at the hostel told Dan about Nacro.

Dan describes the transition to Nacro accommodation as "fantastic," saying he immediately felt welcomed. Katrina, one of the staff members, helped Dan regain some of his lost confidence.

When Dan became unwell and was taken to the hospital, Nacro staff visited him, checked on what he needed, and made sure he felt supported.

"Knowing someone cared pushed me to start changing my life." — Dan

Through Nacro, Dan was referred to a recovery group and AA, where he now feels accepted and supported. He says he never felt judged or labelled by anyone at Nacro, which made it easier to focus on getting better.

Now in recovery, Dan's life has taken a positive turn. He is engaged, plans to start college in September to refresh his civil engineering skills, and is looking for part-time work and volunteering opportunities while searching for his own accommodation to move into with his partner.

When asked where he would be without Nacro's support, Dan said that he: "Would have ended up either back in prison or dead."

Dan is one of thousands of people that we support every year — believing in their potential and seeing a bright future, no matter the past.

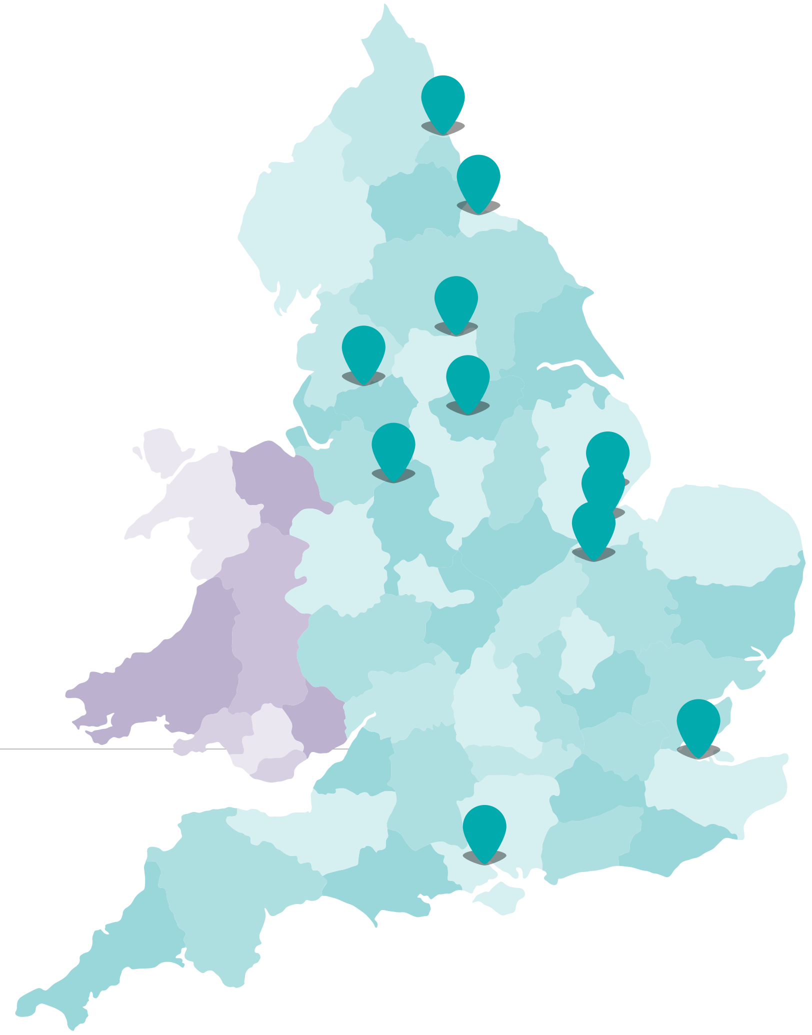
Education

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 ten education centres across England and a further education college located in Totton, Hampshire.

As part of our Greater Manchester Outdoor Learning service, we provide outside learning for schools, colleges, the voluntary sector and the community.

Nacro Education centres:

- Bolton
- Boston
- Chatham
- Leeds
- Middlesbrough
- Newcastle
- Peterborough
- Sheffield
- Spalding
- Stoke-on-Trent
- Totton College



Where our education services are located

"Students go to their classroom because it's the place everyone wants to be."

"Students feel safe within the centre which has had a positive impact on retention of students with special educational needs."

Nacro Education staff members

Spotlight on:

Shannon, Nacro Education student

When Shannon finished secondary school, she was experiencing anxiety and needed a learning environment that felt safe and supportive.

After hearing positive things about Nacro Education, Shannon decided to give it a try. Shannon enrolled on the Level 1 Catering course, where the smaller class sizes and supportive tutors made a huge difference.

“The support here is amazing,” she says. “The tutors are really nice, and having smaller classes helped so much with my anxiety.”

The anxiety, which once stopped her from travelling to college independently, has gradually reduced. Over time, Shannon has gained the confidence to attend classes regularly and take responsibility for her own learning.

“Before coming here, I wouldn’t have been able to bring myself to college,” she says. “Now I can take myself to college and attend my classes.”

Through her course, Shannon has developed practical, hands-on skills in catering, including reading and following recipes, food preparation, and cooking. These skills have helped her look to the future, where she is hoping to make wedding cakes.

Staff have also recognised Shannon’s progress. Since enrolling in Level 2 Catering, she has received several nominations from staff in recognition of her growth — highlighting how far she has come, both in her course and in her personal development.

Through her course, she was offered a volunteering placement, which she has been attending since September.

“They offered me a volunteering place and I’ve loved it,” she says. “I’ve been doing it since September and it’s been amazing.”

Shannon believes that without Nacro Education, she might not have continued in education at all.

“I don’t think I would have attended college without coming here,” she says. “It’s been so helpful.”

Strategic review of the year 2025/26

Throughout 2025/26, we have maintained a focus on progressing our strategic aims.

1. Valuing our people and distinctive culture

We are committed to improving our staff and volunteers' experience with Nacro. As part of our commitment, we have done the following:

We developed a theory of change to guide the next stage of our EDI work to increase the diversity of our workforce and to create a working environment where everyone feels they belong.

We strengthened internal communications and engagement across our services, with the aim of keeping staff informed, involved and onboard. This includes regional meet-ups, all-staff briefings, utilising online tools, and celebrating staff in our annual People Awards.

We embedded our new 'Progress' approach to empower line managers to provide consistent, effective, personalised support to their teams, as well as improving the learning and development opportunities for all staff.

We improved our recruitment practices, reducing our reliance on agency staff and improving our ability to fill vacancies quickly and with high-quality candidates across our wide range of services and geographical spread.

We developed, negotiated and implemented a new pay framework which will further stabilise our workforce by improving our ability to attract and retain staff with the skills we need.

2. Campaigning for change for the people we support

In our strategy, we set our intention to help disadvantaged young people be heard by the people who make decisions and amplify our service users' voices to create lasting change.

With the number of young people who are not in education, employment or training (NEET) rising to nearly a million and the Government's increased focus on this issue, we submitted evidence to the Young People and Work review led by Rt Hon Alan Milburn. We also responded to consultations and inquiries on NEETs, and changes to educational curriculum and pathways. We know that with the right support young people who have previously struggled in education can thrive and we will further develop our focus in this area over the next year.

We have continued to put the experiences and voices of our Justice ExChange members at the heart of our policy and influencing work, including through the publication of a joint report on electronic monitoring and rehabilitation. As well as shaping the report, Justice ExChange members have directly shared their experiences of tagging with Ministry of Justice officials and probation practitioners. They have also shared their experience and expertise on a range of other subjects with decision-makers and through the media, including on our priority of tackling homelessness on release from prison.

We continued to provide expert evidence to Government and parliamentary inquiries, including written and oral evidence to the Justice Select Committee's inquiry into resettlement and rehabilitation, the Welsh Affairs Committee inquiry into prisons, probation and rehabilitation, and other select committee inquiries.

3. Investing in the future of our services

We were delighted to open our new Education centre in Stoke-on-Trent, which was formally opened by our Patron, The Princess Royal. The Centre has high-quality facilities for vocational training and more space to respond to the increased demand for our courses.

We further invested into the technological capabilities within our education services, including a digital enrolment system and improved IT facilities for students.

We opened our new NEST young people's supported housing service in Lewisham, helping young people to build their confidence and independence. This service has received Ofsted registration.

We invested in a new case management system to improve our efficiency and services.

4. Embedding learning and improvement

We introduced new roles, including a new Director of Technology and Data and new Practice Development roles, to improve evidence-based service design and cross-service learning and improvement.

We established a new Tenant voice group to help improve our housing services, and we continue to expand our service user involvement opportunities to ensure we are listening to and learning from what the people we support tell us.

We continued to embed our approach to safeguarding, introducing new Adult and Young People safeguarding managers. In our education services, we implemented the Child Protection Online Monitoring System (CPOMs) software to enhance reporting and tracking of safeguarding incidents, and to enable clearer data sharing, analysis and trend identification.

We are continuing to embrace new technology in different areas of the charity, including a business intelligence platform to create interactive dashboards and real time data visibility.

5. Building a sustainable organisation

As planned, we delivered a deficit budget this year but ended in a stronger position than originally budgeted. Despite the uncertainty around the external environment and increasing costs, we have set a more positive budget position for the next years of the strategy.

We have done this at the same time as choosing to invest significantly in our pay framework to ensure we can attract and retain the people we need to deliver high quality services, which is crucial to our sustainability.

Over the course of the year, we have successfully retained and extended a number of significant services, including our Recovery Near You substance misuse service in Wolverhampton; our CAS-2 service which is extended for a further year; and our Wandsworth Young People's supported housing.

We continue to meet our regulatory obligations, and we are ahead of progress in becoming a Net Zero organisation by 2050. Over the last three years, our carbon emissions have decreased across electricity, gas and direct

transport emissions. While we recognise there is always room to improve, such as increasing awareness of good environmental practice with the people we support, we are pleased with the progress made. We have retained our Green Dragon Level 3 certification and continue to deliver our environmental strategy.[1]

We have invested in our technology infrastructure and cyber security enhancements. This has helped to further modernise and protect the confidentiality, integrity and availability of our information systems. We have adopted new AI policies and technologies to make us a more efficient organisation and to allow staff to focus on what they do best. We have continued to maintain our governance, risk and compliance frameworks and have responded to new and upcoming regulatory requirements from Companies House, The Regulator for Social Housing, Ofsted and the Charity Commission. We have a committed, passionate Board of Trustees with the right blend of skills and experience to ensure Nacro delivers on our mission.

"What unites people at Nacro isn't their background — it's their belief in the cause and the support they find in their teams."

Nacro staff member

1. https://greenbusinesscentre.org.uk/green-dragon-environmental-standard

Looking ahead to 2026/27

1. Valuing our people and distinctive culture

- We will embed our new pay framework to better attract and retain quality staff.
- We will drive increased adoption of our 'Progress' approach encouraging quality conversations between managers and colleagues.
- We will increase our engagement with staff across Nacro, including through more opportunities for colleagues to connect, share and learn with other services in their area.
- We will increase opportunities for volunteering and work for people who have been through our services, and who have lived experience of the issues we support.

2. Campaigning for change for the people we support

- We will strengthen our voice and political relationships to deliver priority influencing workstreams of overcoming barriers for disadvantaged young people and improving community justice services.
- We will increase political support for the issues we campaign on through a targeted MP engagement programme and the publication of new reports.
- We will continue to ensure the people we support are at the heart of our influencing and will increase the opportunities for them to directly engage with decision-makers on the issues which matter to them.

3. Investing in the future of our services

- We will embed end to end digital enrolment for students in our education centres to improve their experience and engagement.
- We will provide high-quality services which deliver against our contractual requirements and retain key contracts in our priority areas.
- We will monitor and improve our service satisfaction scores.
- We will review some of the service models such as our non-commissioned supported housing projects to ensure we are delivering consistently good quality provision.

4. Embedding learning and improvement

- We will roll out our new case management system to improve our ways of working and ensure overall continuous improvement.
- We will increase the opportunities for the people we support to shape and improve our services, including through service design, regular feedback and action. This includes embedding and strengthening our Tenants Voice Group.
- We will increase our use of new technology to better use and learn from data across the organisation.
- We will develop an organisational theory of change to help bring more clarity to our purpose and outcomes.

5. Building a sustainable organisation

- We will procure a new HR system as part of our systems improvement work programme.
- We will develop a long-term assets strategy to ensure we are maximising the benefit of our assets.
- We will improve our rent arrears and voids performance in housing to increase our financial resilience.
- We will ensure our central teams are structured in the most efficient and effective way to provide quality support to our service teams.

Safeguarding

Nacro continues its commitment to embedding robust safeguarding governance and processes across the organisation. Our services support children and young people, and adults who are often vulnerable, or in vulnerable circumstances.

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, 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. In the last year, we have strengthened our Safeguarding structure by establishing a dedicated Safeguarding Lead for Young People and another for Adults in addition to our DSLs by directorate. 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 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 training, policies and procedures is implemented across Nacro directorates to ensure key safeguarding practices, 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.

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.

Safeguarding Management systems are in place to record all Nacro-related safeguarding incidents. The systems are 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 systems. 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 and tenant satisfaction feedback. 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.

Target	31.03.26
Gas safety **100%** properties with a valid gas safety certificate	**96.7%***
Electrical services **100%** properties with a fixed wire electrical safety certificate (EICR) within the past five years	**99%**
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.	**99.9%**
Water safety **100%** properties have a Legionella risk assessment	**99.6%**
Asbestos safety **100%** properties which may have asbestos have had an asbestos survey	**99.9%**

* Of the 3.3% non-compliant properties all checks were in progress or awaiting certification.

Repairs*

Overall, we completed 98% of 6,098 repairs within the target time

Target	April 25 — March 26
Emergency repairs **95%** within 24 hours	**98.1%**
Urgent repairs **90%** within 7 days	**97.8%**
Routine repairs **90%** within 28 days	**98.4%**

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

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 did this for the first time in winter 2023/24 and again in winter 2025/26.

Some key results from the survey:

69% of Nacro tenants feel satisfied with the overall service provided
72% feel satisfied with the repairs service
74% describe their home as well maintained
70% of Nacro tenants describe being treated fairly and with respect

The recent survey showed eight areas of improved satisfaction compared to our previous results, and 14 areas of decreased satisfaction. Satisfaction with complaint handling increased by 11 percentage points, and we still have more work to do to keep satisfaction with our complaint handling increasing.

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 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. We are committed to responding promptly and efficiently when we receive complaints. The table below gives a breakdown of the complaints reported by tenants between April 2025 — March 2026.

Tenant complaints	138
Property condition — including: > Quality of repairs > Timeliness of repairs	**21**
Service received — including: > Handling of Anti-social behaviour > Staff conduct > Quality of support received	**117**

We have seen a sustained effort to provide timely acknowledgements and complaint outcomes, in line with the Housing Ombudsman's expectations.

Following complaint case reviews, we have centralised the process of ending tenancies. This is to ensure this work is carried out by those with specialised training and oversight.

In 2025/26, we have undertaken extensive work to improve our anti-social behaviour reporting and response processes, addressing complaints arising from how anti-social behaviour has been handled.

At the end of 2025/26, new posts have been introduced to assist with the complaints handling process, with a dedicated Complaints Officer supervised by a Regulatory Assurance Manager. This applied to all areas of complaints, not just housing.

We have reviewed areas with small numbers of complaints and prioritised them to ensure complaints are quickly and effectively recognised. This has been successful in increasing the number of complaints we have responded to.

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 continues our complaint-improvement journey, with further resources being assigned to complaint handling to ensure our complaint performance meets the expectations of our tenants and the Housing Ombudsman service.

See our Annual Complaints Performance & Service Improvement Report on our website for full details.

We regularly review the quality and timeliness of complaint responses. 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 have established a 'tenant voice' group to ensure our tenants have a meaningful way to regularly influence our services.

We continue to consult with tenants on how we can improve our delivery and 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 was 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 was compliant in all areas. The Charity Code of Governance was updated this year, and the update published on 3 November 2025 replaced the previous 2020 version. An internal review of our compliance against the new code has been conducted this year, and the Board were compliant in all areas. The Board continues to use 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:

- Finance, Risk and Audit Committee
- Housing and Criminal Justice Committee
- Education Committee
- People Committee and Policy
- Campaigns Committee.

The terms of reference for each Committee have been reviewed and updated to ensure consistency and effectiveness. The National Safeguarding Board also 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, continue to assist 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.

These areas of engagement improve governance for specific areas and increase scrutiny and oversight of different sectors of the business. Sub-Committee minutes are considered at board meetings and in addition the Finance, Risk and Audit Committee produce an annual report to the Board of Trustees on the work of the Committee.

In 2025/26, Nacro continued to prioritise our service user involvement work, having the voice and interests of our services users at the heart of our decision-making. Nacro is committed to promoting equality of opportunities for everyone throughout the charity from recruitment and selection, training and development, appraisal, and promotion to retirement. Nacro's Disability Risk Assessment and Reasonable Adjustments Policy sets out how the charity meets its commitments to disabled people as part of their recruitment, employment, retention, and training and career development journey with us.

A full list of Trustee appointments, resignations, and attendance can be found on page 16.

Nacro is opposed to all forms of modern slavery. We are 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.

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 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 59 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 our sub-contractors, to help ensure appropriate governance and legal compliance measures are in place.

Nacro is aware of the impact of climate change and global warming, and we are committed to playing our part. We have again achieved Green Dragon Level 3 certification and have developed an environmental strategy. Our workstreams will continue 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
There is a risk the cost base of the charity cannot be contained within income generated, caused by growth of cost base, leading to financial loss, inability to deliver contracts, reduced level of service, and/or challenge to going concern.	Financial planning considers how the cost base of the Charity can be actively managed within expected income. Financial performance is monitored through management accounts. Cost control measures are in place for high spend cost/service lines. Review of full establishment informed the 2026/27 budget, to ensure accurate staffing levels and associated spend. Housing Management team are having sustained positive impact on the management of bad debt resulting from rent arrears, with further gains expected. In year expansion of procurement capacity will support better value for money, with an initial focus on high spend areas including maintenance and utilities.
There is a risk of challenges in recruiting staff and a failure to retain sufficiently high levels of new staff, leading to unstable resourcing and potential challenges in delivering operational contracts and realising key strategic priorities.	People and Culture Strategy being implemented with specific focus on reduced early turnover and enhancing our ability to recruit people with the required skills, attitudes and experience – both activity and outcome measures are monitored regularly by People Committee. Introduction of refreshed managers toolkits and training and development opportunities, standardised induction processes, roles and responsibilities framework and the rollout of Progress approach to help foster an effective performance management culture. New pay framework intended to improve pay prospects, especially of frontline staff in first 2-3 years. Targeted improvements to our employer brand and recruitment practices to drive more effective hiring.

Key risk	Risk treatment
There is a risk of failing to retain critical contracts and win new business which falls within Nacro's bidding criteria, in addition to impact of public sector spending constraints, leading to lack of growth, contract instability and subsequent financial loss.	A bid criteria and contract management framework is in place to inform tender and retender decisions. Early commissioner engagement undertaken to best support retender planning and ensure early identification of contracts that are likely to be decommissioned or retendered differently. Business Development pipeline is consistently reviewed to highlight opportunities and all departments are involved in weekly update meetings to agree next steps. Regional engagement strategy to build our profile and engagement in key areas. Framework to support preparation for large retenders is well established in advance with Business Development team and operational colleagues. New Business Development Strategy being developed assessing upcoming opportunities and steps needed to prepare. Commercial principles recently revised alongside finance and operational colleagues to bring consistency to our modelling assumptions. Involving service users in tender development to ensure models are informed by what people need alongside the service specification.
There is a risk that Nacro becomes too financially dependent on one contract, leading to a material impact on Nacro core functions should this contract end, or not be re-won at the end of the current term.	Largest current contract is CAS-2 which is mid-term due to end September 2028 with potential extension to September 2029. There is no material risk of the contract being terminated. Scenario planning underway to determine likely future commissioning arrangements, and position Nacro well to tender for these. Bidding for alternative work to diversify higher-margin income streams. Internal financial modelling in 2026 to understand potential impact of not having major contracts and what steps Nacro would need to take.

Key risk	Risk treatment
There is a risk of non-application of policies and procedures, caused by inconsistent ownership and production, leading to increased policy failure, potential data breach, adverse internal audit findings, or material incident.	Governance & Assurance Framework is under full review with the support of Board and with new Directors in post. Emphasis on simplicity and accessibility for all policies due for review and governance and assurance team are ensuring policy universe is maintained. Information Governance manager recruited to support us to ensure effectiveness of policies (especially around security, privacy and business continuity/ disaster recovery). Assurance mapping exercise completed in Q4 2025/26, to identify Nacro's risk and compliance obligations for all first and second line activities, i.e. what actions are being taken to manage risk and stay compliant, and what checks are being done to ensure these actions are effective. Governance, Risk and Compliance (GRC) software has been acquired. All risk management and regulatory compliance will be managed via this new platform as a single source of truth and an automatic reminder of action needed to ensure compliance.

Key risk	Risk treatment
There is a risk of failure to ensure Nacro properties meet the standards required from the Regulator of Social Housing (RSH) and Decent Homes Standard, leading to possible financial loss, service user harm and reputational damage.	Property compliance metrics are reported to the Executive Leadership Team as part of Nacro's corporate dashboard. Stock condition surveys completed on properties, with any remedial works completed to ensure compliance with Decent Homes Standard. Property health and safety inspections are completed monthly. Repairs and maintenance policy in place and reviewed at least annually. Nacro's repairs and maintenance management system monitors progress against requirements. A property onboarding process is in place, to ensure all properties under Nacro's management meet our standards before housing any residents. Second line assurance checks completed to ensure compliance and flag recommendations for improvement. Internal audit work to be completed in 2026/27 and reported to Finance Risk and Audit Committee.

Financial narrative

Income for the year was £98.8m, compared with £90.3m in 2024/25, reflecting the successful expansion of existing services and the commencement of new contracts during the year. Despite this strong income growth, operating expenditure also increased, driven by the additional service delivery costs associated with expansion, together with inflationary pressures, particularly within housing.

Nacro recorded an operating surplus of £0.4m (2024/25: £0.5m surplus). However, the total comprehensive income for the year was a surplus of £1.0m (2024/25: £1.0m surplus), reflecting an actuarial gain of £1.2m (2024/25: £1.1m) arising from the reduction in the valuation of Nacro's defined benefit pension scheme liabilities.

Turnover in Housing (social and non-social housing) increased by £6.9m to £69.5m. This growth reflected the expansion of existing service lines and the continued application of the rent methodology introduced in the previous financial year. An increased income resulted in an operating surplus of £147k, challenges in the year included increasing staffing costs, property and service delivery costs, along with void losses which remained above expected levels.

Income in the Education division increased from £15.5m to £16.4m. The division recorded a deficit of £26k for the year (2024/25: deficit of £0.3m), with the year-on-year improvement reflecting growth in activity and stronger underlying performance.

Turnover in the Justice division remained broadly stable at £6.0m. The division recorded a surplus of £0.2m (2024/25: £0.6m), reflecting the rise in operating costs.

Turnover in the Health division increased from £6.1m to £6.9m. The division generated a surplus of £0.1m consistent with previous years.

The balance sheet shows net assets of £12.3m (2024/25: £11.3m), comprising unrestricted funds of £12.1m (2024/25: £11.1m) and restricted funds of £0.2m (2024/25: £0.2m). The defined benefit pension liability stood at £10.7m at year end (2024/25: £11.9m).

The full results for the year are shown in the Statement of Comprehensive Income and the Statement of Financial Position.

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 2025/26	Nacro 2024/25	Global Accounts 2025 Supported Housing Provider Metrics*	2025/26 Comment
1. Reinvestment %	5.5%	3.7%	2.3%	During the year Nacro continued to prioritise the refurbishment of housing stock to ensure properties are ready to let or in a reasonable condition for hand back to the landlord.
2. New supply delivered %	0.0%	0.0%	5.7%	Nacro did not build or acquire any new housing units during the year.
3. Gearing %	0.0%	0.0%	52%	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. EBITDAMRI Interest Cover %	152.2%	161.7%	87%	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	£11.0k	£12.4k	£5.7k	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. The reduction year on year is consistent with a reduction in 24 hour and high intensity provision across our portfolio.
6. Operating Margin A) Social Housing Letting % B) Overall %	5.5% 0.4%	5.7% 0.5%	22.1% 9.5%	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 %	1.5%	1.7%	3.9%	Nacro operated at a surplus for the financial year.

*Global Accounts 2025 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 short hold 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 of social rented homes. Income from Nacro's social housing provision is just over 6% of Nacro's total turnover. Therefore, 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 following 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 has 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-centered approach by investing more resources in service user and student engagement initiatives. Several engagement initiatives are detailed in our strategic plan. We fully recognise the benefits that arise from using service user and student 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 and staff wellbeing agenda** — We have continued to embrace flexible working arrangements and realise the benefits from increased staff wellbeing and a lower carbon footprint. We have an Environmental Strategy, and we have strengthened our support and wellbeing offer to staff.
- **Business development** — We have increased the range of partners we work with to enable us to deliver a wider range of services to service users and commissioners, and to help specific infrastructure developments within the organisation. During the year we have successfully expanded and retained the contracts we wanted to keep.

The Housing division and the Charity overall operated at a surplus for the year. All metrics shown in the value for money table indicate positive results for the 2025/26 financial year. A significant amount of work has taken place during the financial year to deliver improvements in value for money across the following areas:

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

Return on assets and investments and use of reserves

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

Our physical asset base across the Charity is free from debt and we are able to internally fund future projects from existing cash reserves. We balance the return generated from holding cash balances against making carefully managed decisions in our strategic projects that are designed to enable the Charity to remain sustainable.

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

We are developing procedures to support the central procurement of ICT related equipment and furniture from single supplier contracts offering the benefits of economies of scale.

Reserves and liquidity policy

There has been an increase of £1m in the overall value of the balance sheet during the year to 31 March 2026, the value of the balance sheet now stands at £12.3m compared to £11.3m 2024/25.

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 over 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 2026.

Reserves at the 31 March 2026 stood at £12.3m, of which £11.4m is represented by cash.

Free reserves, being unrestricted reserves less operational fixed assets is in a deficit position as at the 31 March 2026 amounting to £9.1m (31 March 2025 deficit of £9.6m).

The Charity holds £12.1m in general reserves and £0.2m in restricted reserves.

A surplus budget of £2.3m has been set for the 2026/27 financial year (which has been ringfenced for a new pay and grading structure) and the executive have committed to seeking to achieve an additional £500k efficiencies throughout the year. The current financial plan indicates surpluses for the 2026/27 and 2027/28 financial years.

Environmental Impact Statement

Streamlined Energy & Carbon Report (SECR)

Financial Year	1 April 2025 to 31 March 2026
Client Name	Nacro
Company No	203583
Registered Office	Walkden House, 16–17 Devonshire Square London EC2M 4SQ
Current Financial Year tCO_2e	2,521
Current Financial Year kWh	13,109,380
Previous Financial Year tCO_2e	2,583
Previous Financial Year kWh	13,262,190
Intensity Ratio (IR) Current Financial Year	26
Intensity Ratio (IR) Previous Financial Year	29
Intensity Metric Current Financial Year	97
Intensity Metric Previous Financial Year	90
Intensity Ratio Used	tCO_2e/£m
Emissions Factors Used	DEFRA 2025
Methodology Used	GHG Protocol: The footprint is calculated in accordance with the Greenhouse Gas (GHG) Protocol and Environmental Reporting Guidelines.
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 residential properties. We ensure that any new properties added to our portfolio has a minimum EPC rating of D and have plans to ensure that our existing properties also reach that rating. We work with landlords, agents and developers, during the leasing and acquisition stages, to assess whether any improvements can be made (such as to the heating systems or insulation) to improve energy efficiency measures. Our core electricity contract is procured through partially renewable sources. There has been a consistent carbon reduction since the 2020/21 financial year when the Covid-19 pandemic, and associated lockdowns and restrictions, led to remote working, which resulted in less travel. Whilst travel has increased again over subsequent years, we continue to see a reduction in our overall carbon footprint. Nacro's total Scope 1 and Scope 2 emissions for the reporting period April 2025 to March 2026 were 2,521 tCO_2e, representing a 2% reduction compared to the previous reporting period (April 2024-March 2025). This reduction was primarily driven by lower electricity and natural gas consumption. Nacro's Intensity Ratio for 2025/26 has decreased by 9% from 29 the previous year to 26 tCO_2e/£m, indicating a reduction in emissions relative to overall business activity. 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.

Energy Efficiency Statement continued	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
Aramark
Assetz Exchange
Barrow Cadbury Trust
Berkshire NHS Foundation Trust
Birmingham City Council
Birmingham and Solihull Mental health NHS Foundation Trust
Carmarthenshire County Council/ Cyngor Sir Gaerfyrddin
Capita E-Source
Citizens Advice
CGL
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
Flintshire County Council/Cyngor Sir Y Ffint
Forces in Mind Trust
The Forward Trust
GamCare
Greater London Authority
Greater Manchester Combined Authority
Gwynedd Council/Cyngor Gwynedd
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
Manchester City Council
Ministry of Justice
Mitie
NHS England
Northamptonshire Police & Crime Commissioner
Nottingham City Council
Ormiston Families
Oxleas NHS Trust
People Plus
PACT
Peabody
Pembrokeshire County Council
Resonance – Social Investment
Serco
Sheffield City Council
Shelter
Stockport Alliance
The Bridge (East Midlands)
The Privy Purse Charitable Fund
Transform Foundation
Together for Mental Well-being
Unlock Drama
Vital Homes
Waythrough (Aquarius)
West Midlands Combined Authority
Welsh Assembly
Wolverhampton City Council
Wrexham County Council
YMCA Liverpool
YSS

Approved by the Trustees on 22 July 2026 and signed on their behalf by:

Nick Hardwick
Chair

Neil Spence
Treasurer

Independent Auditor's Report to the Members of Nacro

Opinion

We have audited the financial statements of Nacro for the year ended 31 March 2026 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Reserves, Statement of Cashflow and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of Nacro's affairs as at 31 March 2026 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 45, the Trustees (who are also the directors of Nacro for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of 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 non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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

Use of our report

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

J Poulter

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

Date: 6 August 2026

Financial statements

Nacro - Statement of Comprehensive Income for the year ended 31 March 2026

	Note	2026 £'000	2025 £'000
Turnover	3	98,818	90,328
Operating expenditure	3	(98,398)	(89,851)
Operating surplus		420	477
Equalisation of guaranteed minimum pension scheme (GMP)		-	-
Operating surplus / (deficit) (including GMP)		420	477
(Loss) on disposal of property, plant and equipment	4	-	(2)
Interest and similar receivables	6	101	65
Interest and financing costs	7	(690)	(616)
(Deficit) before tax	5	(169)	(76)
Taxation	10	-	-
(Deficit) for the year		(169)	(76)
Actuarial gain in respect of pension schemes	19	1,205	1,055
Total comprehensive income for the year		1,036	979

All amounts relate to continuing activities.

The financial statements were approved by the Board on 22 July 2026 and were signed on its behalf by:y:

Nick Hardwick

Neil Spence

The notes on pages 74 to 97 form part of these financial statements.

Nacro Statement of Financial Position as at 31 March 2026

	Note	2026 £'000	2025 £'000
Non Current Assets			
Intangible assets	11	490	-
Housing properties	12	6,656	6,756
Other property, plant and equipment	13	14,066	13,929
		21,212	20,685
Current Assets			
Debtors	14	10,094	10,642
Cash and cash equivalents		11,354	10,933
		21,448	21,575
Creditors: Amounts falling due within one year	15	(15,289)	(14,497)
Net current assets		6,159	7,078
Total assets less current liabilities		27,371	27,763
Creditors: Amounts falling due after more than one year	16	(3,417)	(3,420)
Provisions			
Defined benefit obligations	19	(10,731)	(11,912)
Other provisions	18	(884)	(1,128)
Total net assets		12,339	11,303
Capital and reserves			
Revenue reserve		12,135	11,099
Restricted reserve		204	204
Total reserves		12,339	11,303

The financial statements were approved by the Board on 22 July 2026 and were signed on its behalf by:y:

Nick Hardwick   Neil Spence

The notes on pages 74 to 97 form part of these financial statements.

Nacro Company number 00203583.

Nacro - Statement of changes in reserves for the year ended 31 March 2026

	Revenue reserve £'000	Restricted reserve £'000	Total £'000
Balance as at 1 April 2025	11,099	204	11,303
Deficit for the year	(169)	-	(169)
Other comprehensive income for the year	1,205	-	1,205
Total comprehensive income for the year	1,036	-	1,036
Balance at 31 March 2026	12,135	204	12,339

	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

The notes on pages 74 to 97 form part of these financial statements.

Nacro - Statement of Cashflow for the year ended 31 March 2026

	Note	2026 £'000	2025 £'000
Net cash generated from operating activities	20	1,658	1,846
Purchase of housing property components		(45)	-
Purchase of other property, plant and equipment		(803)	(193)
Purchase of intangible assets		(490)	-
Interest received		101	65
Total cash utilised in investing activities		(1,237)	(128)
Net change in cash and cash equivalents		421	1,718
Cash and cash equivalents at beginning of year		10,933	9,215
Cash and cash equivalents at end of year		11,354	10,933

The notes on pages 74 to 97 form part of these financial statements.

Nacro – NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2026

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 16 of the annual report.

2 Accounting policies

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

Basis of accounting

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

The financial statements are presented in sterling (£).

Going Concern

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

The Trustees have assessed whether the use of the going concern basis is appropriate and have considered Nacro's financial position, cash flow forecasts and reserves position, as well as the principal risks and uncertainties facing the Nacro.

In forming this view, the Trustees have reviewed detailed financial projections covering a period of at least 12 months from the date of approval of these financial statements. The Trustees have also considered the adequacy of Nacro's unrestricted reserves, the availability of liquid funds, and any committed or anticipated funding.

Based on this assessment, the Trustees have a reasonable expectation that Nacro has sufficient resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Turnover

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

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

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

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

Financial instruments

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

Basic financial instruments are recognised at amortised historical cost.

Debtors

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

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

Creditors

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

Employee Benefits

<u>Defined contribution scheme</u>

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.

<u>Defined benefit scheme</u>

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, where necessary a provision is made 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 and buildings, directly attributable development costs and interest charges incurred during the development period.

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

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

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

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

Improvements

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

Leaseholders

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

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

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

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

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.

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 the assets are assessed for impairment.

Impairment of social housing properties

At each reporting date, the entity assesses whether there is any indication that an asset may be impaired. Where such an indicator exists, a formal impairment assessment is performed and the asset's recoverable amount is estimated.

An impairment loss is recognised in the Statement of Comprehensive Income where the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is defined as the higher of an asset's value in use and its fair value less costs to sell.

For assets held primarily for their service potential, value in use is measured as the present value of the remaining service potential of the asset together with the net proceeds expected from disposal. In such cases, depreciated replacement cost is considered an appropriate measurement basis.

Impairment losses are reversed where there has been a change in the estimates used to determine the asset's recoverable amount, such that the reasons for the impairment no longer apply. Any reversal is recognised 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. Land is not depreciated.

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 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.

<u>Impairment of social housing properties</u>

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

	2026		
	Turnover	Operating costs	Operating surplus/ (deficit)
Social housing activity	£'000	£'000	£'000
Social housing lettings (Note 3B)	6,178	(5,838)	340
Other social housing activities			
Charges for support services	13,377	(12,392)	985
Sub-total	19,555	(18,230)	1,325
Activities other than social housing			
Non-social housing and related support services	49,965	(51,143)	(1,178)
Education centre provision	16,405	(16,431)	(26)
Justice services	5,977	(5,804)	173
Health services	6,916	(6,790)	126
Sub-total	79,263	(80,168)	(905)
Total	98,818	(98,398)	420

	2025		
	Turnover	Operating costs	Operating surplus/ (deficit)
Social housing activity	£'000	£'000	£'000
Social housing lettings (Note 3B)	7,527	(7,099)	428
Other social housing activities			
Charges for support services	15,015	(13,111)	1,904
Sub-total	22,542	(20,210)	2,332
Activities other than social housing			
Non-social housing and related support services	40,052	(42,251)	(2,199)
Education centre provision	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

3B Social Housing Lettings

Income	General Needs Housing £'000	Supported Housing £'000	2026 Total £'000	2025 Total £'000
Rents receivable net of identifiable service charges	817	1,203	2,020	2,444
Service charge income	1,070	2,908	3,978	4,898
Amortised government grants	48	132	180	185
Turnover from social housing lettings	1,935	4,243	6,178	7,527
Operating expenditure				
Management	(79)	(728)	(807)	(510)
Service charge costs	(323)	(2,620)	(2,943)	(4,304)
Lease expenditure	(410)	(420)	(830)	(1,276)
Property costs	(107)	(208)	(315)	(297)
Routine maintenance	(219)	(410)	(629)	(418)
Bad debts	(38)	(129)	(167)	(145)
Depreciation of housing properties	(48)	(99)	(147)	(149)
Expenditure from social housing lettings	(1,224)	(4,614)	(5,838)	(7,099)
Operating (deficit)/surplus social housing lettings	711	(371)	340	428
Total void losses including service charges	247	570	816	1,107

4 (Loss) on disposal of property and equipment

	2026 £'000	2025 £'000
(Loss) on disposal of property and equipment	-	(2)
	-	(2)

5 Deficit for the year before taxation

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

	2026 £'000	2025 £'000
Depreciation of housing properties	145	149
Depreciation of other property, plant and equipment	666	553
Amortisation of intangible assets	-	2
Amortisation of Government grants	(181)	(185)
Loss on disposal of fixed assets	-	2
Audit fees:		
- statutory audit	57	55
- audit-related assurance services	90	89
Operating lease rentals	16,794	15,525
Education Tuition Fund	-	(120)

6 Interest receivable

	2026 £'000	2025 £'000
Bank interest receivable	101	65
	101	65

7 Interest and financing costs

	2026 £'000	2025 £'000
Net interest payable on defined benefit pension liability	(690)	(616)
	(690)	(616)

8 Staff costs

	2026 £'000	2025 £'000
Wages and salaries	31,943	27,815
Social security costs	3,992	2,571
Other pension costs	901	779
Redundancy Costs	106	82
Agency Costs	3,986	5,891
	40,928	37,138

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

Salary Band	2026	2025
60,000 – 69,999	10	10
70,000 – 79,999	10	11
80,000 – 89,999	1	-
90,000 – 99,999	2	2
100,000 – 109,999	4	2
110,000 – 119,999	1	2
120,000 – 129,999	1	-
130,000 – 139,999	-	1
150,000 – 159,999	1	-
180,000 – 189,999	-	1

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

	2026	2025
Service delivery	835	741
Management and administration	125	132
	960	873

Full Time equivalents are calculated based on a 40-hour standard week.

The average headcount in 2026 was 1,052 (2025: 1,013)

9 Directors' remuneration and transactions

Directors who are executive staff members	2026 £'000	2025 £'000
Wages and salaries (including social security costs)	991	899
Other pension costs	25	24
	1,016	923

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 2026 was 7 (2025:7)

Remuneration of the highest paid director

	2026 £'000	2025 £'000
Emoluments	147	181
Pension contributions	4	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 £15,678 for 13 members (2025: £12,729 for 14 members).

There were no related party transactions in the 2025/26 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
	£'000
Cost	
At 1 April 2025	574
Additions	490
Disposals	-
As at 31 March 2026	1,064
Amortisation	
At 1 April 2025	(574)
Charge for the year	-
Eliminated on disposal	-
As at 31 March 2026	(574)
Net book value	
As at 31 March 2026	490
As at 31 March 2025	-

During the period, the organisation capitalised £490k in relation to the implementation of the Civica CX Housing System.

As at the reporting date, the system is not yet available for use and remains under development and implementation.

Accordingly, no amortisation has been charged in the period. The system is expected to go live during 2026/27, at which point amortisation will commence over its estimated useful economic life. The asset has been reviewed for indicators of impairment, and no impairment has been identified.

Nacro – NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2026 (continued)

12 Housing Properties

	General Needs	Supported Housing	Total
Cost	£'000	£'000	£'000
At 1 April 2025	263	11,134	11,397
Additions	-	45	45
Disposals	-	-	-
At 31 March 2026	263	11,179	11,442
Depreciation			
At 1 April 2025	(75)	(4,566)	(4,641)
Charge for the year	(4)	(141)	(145)
Eliminated on disposals	-	-	-
At 31 March 2026	(79)	(4,707)	(4,786)
Net book value			
As at 31 March 2026	184	6,472	6,656
As at 31 March 2025	188	6,568	6,756

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 2025	17,198	756	332	24	18,310
Additions	92	389	272	50	803
Disposals	-	-	-	-	-
As at 31 March 2026	17,290	1,145	604	74	19,113
Depreciation					
At 1 April 2025	(3,633)	(442)	(294)	(12)	(4,381)
Charge for the year	(414)	(160)	(87)	(5)	(666)
Eliminated on disposal	-	-	-	-	-
As at 31 March 2026	(4,047)	(602)	(381)	(17)	(5,047)
Net book value					
As at 31 March 2026	13,243	543	223	57	14,066
As at 31 March 2025	13,565	314	38	12	13,929

14 Debtors

Amounts falling due within one year:	2026 £'000	2025 £'000
Rent arrears	2,823	3,699
Provision for bad debts	(405)	(956)
Net Rent Arrears	2,418	2,743
Trade debtors	1,858	3,241
Other debtors	246	178
Prepayments and accrued income	5,572	4,480
	10,094	10,642

15 Creditors

Amounts falling due within one year:	2026 £'000	2025 £'000
Trade creditors	4,220	3,098
Other taxation and social security	2,146	1,474
Other creditors	370	186
Pension creditors	34	34
Deferred income, grants and grants repayable	2,806	3,361
Accruals	5,713	6,166
SHG under 1 year deferred grant (note 17)	-	178
	15,289	14,497

16 Creditors

Amounts falling due after more than one year:	2026 £'000	2025 £'000
Financial assistance - deferred grants (note 17)	3,411	3,414
Financial assistance - recycled capital grant fund	6	6
	3,417	3,420

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

Deferred income - government grants

	2026 £'000	2025 £'000
As at 1 April 2025	3,592	3,777
Amortisation to Statement of Comprehensive Income	(181)	(185)
Grant addition	-	-
As at 31 March 2026	3,411	3,592
Amounts to be released within one year	-	178
Amounts due to be released in more than one year	3,411	3,414
	3,411	3,592

The total value of grants received by Nacro is £8,795,258 (2025: £8,795,258).

Recycled Capital Grant Fund

	2026 £'000	2025 £'000
As at 1 April 2025	6	6
Recycling of grant	-	-
As at 31 March 2026	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 £'000	Total £'000
As at 1 April 2025	1,128	1,128
Released	(263)	(263)
Increase	19	19
As at 31 March 2026	884	884

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 2026 was £900,716 (2025: £779,211).

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.

19 Retirement benefit schemes - cont

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 triennial valuation. The expenses of running the Plan, as well as statutory levies, are to be met directly by the Company.

The Company has paid £745,000 in deficit reduction contributions in respect of the current accounting period. (2025: £700,000)

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 2026 by a qualified actuary. The major assumptions used by the actuary were (in nominal terms) as follows

	2026	2025
Discount rate	6.10%	5.80%
Inflation assumption (RPI)	3.40%	3.25%
Inflation assumption (CPI)	3.10%	2.95%
Future revaluation of pensions in deferment	3.10%	2.95%
Pension increases in payment (liabilities):		
CPI max 5%	3.00%	2.90%
CPI max 3%	2.35%	2.40%
CPI max 2.5%	2.10%	2.10%
Pension increases in payment (insured asset):		
RPI max 5%	3.25%	3.15%
RPI max 3%	2.50%	2.45%
RPI max 2.5%	2.15%	2.15%

Nacro – NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2026 (continued)

19 Retirement benefit schemes - cont

Assumed life expectancies on retirement at age 65

	2026	2025
Retiring today – Females	23.1	22.9
Retiring today – Males	20.8	20.3
Retiring in 20 years: Females	24.2	24.0
Retiring in 20 years: Males	21.7	21.3

The assets in the plan were

	2026 £'000	2025 £'000
Equity, property and other	19,774	23,928
Gilts and other government debt	4,088	(630)
Annuities	5,331	5,517
Cash and net current assets	244	416
Fair value of Plan assets	29,437	29,231
The actual return on assets over the period was:	2,602	(579)
Present value of funded obligations	(40,168)	(41,143)
Fair value of Plan assets	29,437	29,231
Deficit in funded scheme	(10,731)	(11,912)
Present value of unfunded obligations	-	-
Unrecognised actuarial gains / (losses)	-	-
(Irrecoverable surplus)	-	-
Net liability in Statement of Financial Position	(10,731)	(11,912)

19 Retirement benefit schemes - cont

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

	2026 £'000	2025 £'000
Benefit obligation at beginning of year	41,143	45,092
Plan administration cost	-	-
Interest cost	2,299	2,117
Contributions by plan participants	-	-
Actuarial (gains) / losses	(232)	(3,135)
Benefits paid	(3,042)	(2,931)
Past service cost	-	-
Benefit obligation at end of year	40,168	41,143

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

	2026 £'000	2025 £'000
Fair value of Plan assets at beginning of year	29,231	32,041
Interest income on Plan assets	1,629	1,501
Return on assets, excluding interest income	894	(2,080)
Contributions by employer	745	700
Benefits paid	(3,042)	(2,931)
Plan administration cost	(20)	-
Fair value of Plan assets at end of year	29,437	29,231

The amounts recognised in Statement of Comprehensive Income

	2026 £'000	2025 £'000
Service cost - including current and past service costs and Settlements	-	-
Plan administrative costs	20	-
Net interest on the net defined liability	670	616
	690	616

19 Retirement benefit schemes - cont

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

	2026 £'000	2025 £'000
Actuarial gains on the liabilities	(232)	(3,135)
Return on assets, excluding interest income	(894)	2,080
Total remeasurement of the net defined liability (asset)	(1,126)	(1,055)

Estimation of next period's profit or loss	2027 £'000
Service cost - including current and past service costs and settlements	-
Plan administrative costs	-
Net interest on the net defined liability	629
Total expense	629

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Nacro – NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2026 (continued)

20 Cashflow from operating activities

	2026 £'000	2025 £'000
(Deficit) for the year	(169)	(76)
Adjustment for:		
Depreciation of housing properties	145	149
Depreciation of other property, plant and equipment	666	553
Amortisation of intangible assets	-	2
Loss on disposal of assets	-	2
Decrease/(increase) in debtors	548	(2,142)
Increase in creditors	1,054	3,343
(Decrease)/Increase in provisions	(244)	349
Interest received	(101)	(65)
Pension costs less contributions payable	(750)	(700)
Amortisation of SHG	(181)	(185)
Interest payable	690	616
Net cash used in operating activities	1,658	1,846

21 Capital commitments

Capital commitments at the 2025/26 year-end were £390,726 (2025: £12,866).

22 Leasing Commitments

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

	2026 £'000	2025 £'000
Leases expiring:-		
- within one year	7,876	7,309
- between one and five years	5,099	4,999
- after five years	414	461
	13,389	12,769

23 Financial assets and liabilities

Financial assets

	2026	2025
	£'000	£'000
Financial assets measured at undiscounted amount receivable	4,522	6,162
Bank deposits	11,354	10,933
Total	15,876	17,095

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

Financial liabilities	2026	2025
	£'000	£'000
Financial liabilities measured at undiscounted amount payable	4,624	3,318

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

24 Accommodation in management and development

	2026	2025
Owned units*	278	223
Units under management	2,138	2,158
Total units	2,416	2,381

*This figure includes all owned stock and stock with a lease of at least 20 years minimum term.

Within the total units, 531 units met the regulated definition of social housing (2025: 572) and 1,885 units were outside the regulated definition (2025: 1,809).