



Value for Money Self Assessment 2016/17





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1. Introduction

Nacro is a social justice charity, which has been delivering Housing, Education and Health and Justice interventions across England and Wales for over 50 years. We support some of the most vulnerable groups in communities and are constantly evolving to meet the changing needs of society through delivering commissioned services. Value for Money is integral to everything we do and is a priority in our business strategy. Culturally we aim to develop a “do it once and well” approach by staff which is promoted at induction and through the appraisal process. It also means deploying our assets to maximum benefit to ensure that we deliver the highest quality services, whilst achieving the best possible outcomes for our service users.

Our Value for Money working group is comprised of staff from all of the business streams and is led on behalf of the Executive Leadership Team by the Director of Housing and the Director of Finance and Corporate Services. The role of the group is to develop a VFM strategy to support business objectives and to drive progress against it. This statement provides an update on outcomes delivered for 2016/17.

Nacro's 2016/17 business objectives were:

- 1) Be a financially sustainable and robust organisation that is capable of resourcing our strategic priorities and increasing our social impact by growing turnover from a 2015 baseline of £38.2m to £45m by 2019, with a gross contribution of £7.15m and a ceiling on business support overheads of 12.9% of turnover by March 2019 maintaining minimum required levels of reserves.
- 2) Be an employer of choice which can attract, retain and grow the best possible talent to meet our strategic priorities.
- 3) Embed quality in the design, delivery and review of our products, services, facilities and homes.
- 4) Raise the profile of Nacro to support the business strategy and be an advocate for our service users and support them to get their voice heard.

Objectives are translated through the organization by way of team Business Plans. Performance management arrangements are secured through the annual appraisal process for all managers and employees. Individual performance objectives are agreed at the start of the financial year with formal assessments of progress and achievement at mid-year and year end. The Executive Leadership team monitors the progress of appraisals and mid term reviews. Demonstrating the effectiveness of our approach during the year we were successful in obtaining Investors in People Silver across the whole of Nacro including our newly acquired vocational skills college at Totton.

The largest component of our cost base is employee costs so effective engagement and leadership of people is key. Our appraisal process incorporates a talent assessment tool which identifies employees with the capacity and ability to change roles and take on additional

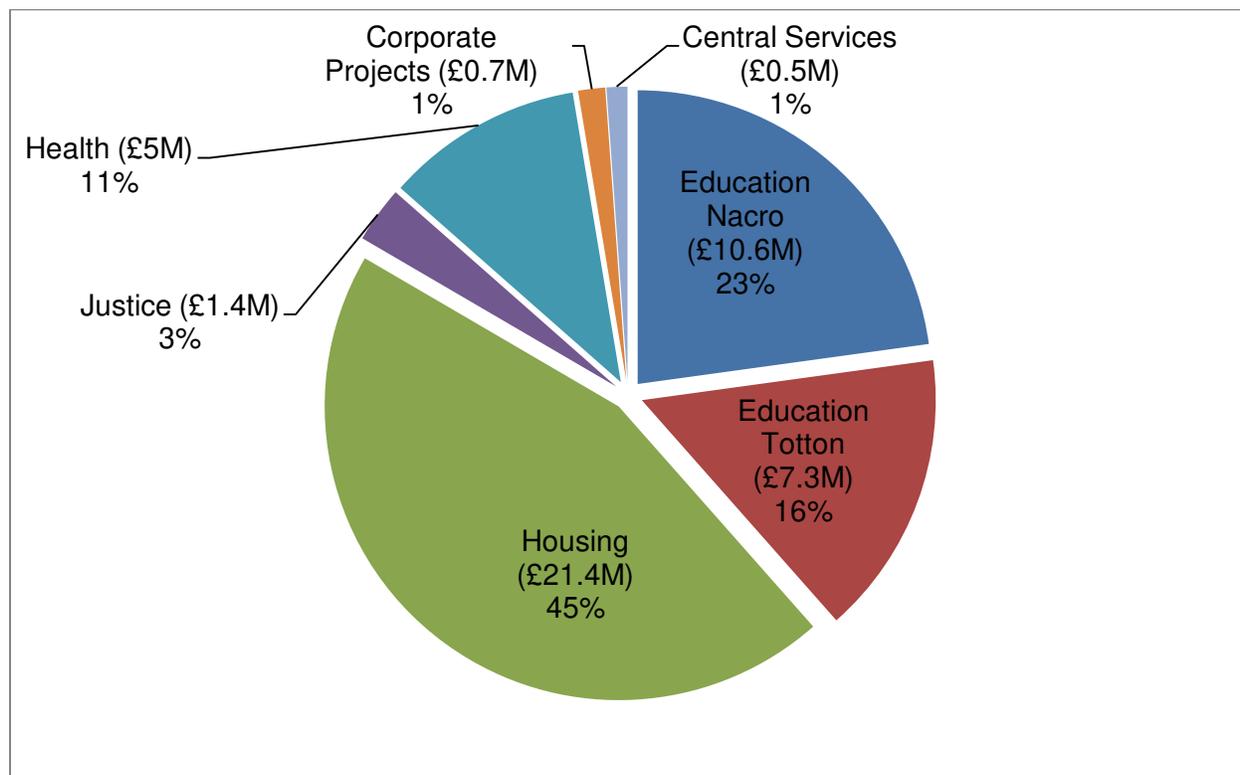


responsibilities. A senior management mentoring programme has been introduced to support highly talented employees. The appraisal process is subject to an annual quality assurance review conducted by the Learning & Development team. One of the competency measures in the 2016/17 appraisal process was around whether staff take appropriate steps to achieve value, make savings and avoid waste providing an explicit link from our business and value for money strategy down through the organisation.

In order to drive through strong financial management disciplines throughout the year we operated monthly scrutiny meetings that include reviews of financial, operational (including units in management, voids, current and former tenant bad debt arrears, average length of stay), staff headcount and risk reporting across all parts of Nacro. We have also developed staff usage reporting for telephony and print, which is circulated to line managers for review, and we are currently developing an energy usage reporting dashboard.

Nacro supports service users from across the organization to get involved and we have the Nacro Community Voice Council (NCVC) which is a part of our formal governance structure. The Chair of this group also participates in the Strategy and Performance Committee which has responsibility for value for money. This group has been used to highlight VfM with our service users and how we can improve our performance in this standard. They have contributed the following Rose – have there been any VfM suggestions raised and taken on board?

2. Nacro overall financial picture and business profile for 2016/17





Total income £46.9 million

Our 2016/17 accounts show an improved position when compared to the previous year after taking account of the non exchange transaction. As a service delivery contracting based business the largest part of our cost base is employment costs so the effective use of our people is key to delivering value for money. In terms of turnover housing and education generate the largest proportion of income. In housing we have a very small portfolio of owned stock which has been positively appraised for delivering a positive return on assets. During the year we implemented the government required 1% rent reduction and generally accommodated through service redesign some services on lower contract values as negotiated with commissioners. In education the ongoing challenge of attracting sufficient learners not in education employment and training and ensuring a quality education offer remained the challenge while the focus is on delivering successful outcomes for learners.

Achievements in the Housing business

Housing delivered its budgeted performance for 2016/17 with an outturn turnover of £21.4m, 11% growth compared to 2015/2016, despite the challenging environment the 1% rent reduction required by Government. We supported 3,960 service users and worked with 2120 new service users. We had 1531 units in occupation at the end of 2016/17, which was an increase of 11.6% in our Housing stock between P12 2015/16 (1,353) and P12 2016/17. Of these, 789 (51.5%) were owned by a private landlord, 398 (26%) by a Registered Provider, 96 (6.3%) by the Local Authority and the remaining 248 (16.2%) owned by Nacro and funded through social housing grant.

We were able to negotiate the expansion of our young people service in Lincolnshire after one of our sub-contractors requested it withdraw from its service delivery. This has added an additional income of just over £400k p.a. in 2017-18 and consolidated Nacro's position in this market in the County. Going forwards we are looking to deliver new services for this Children's Services commissioner which will be to provide high support placements for young people where all other provision is deemed not suitable or has broken down.

Building on the successful young people contract win in Essex, where we improved our market share and income by over £500k p.a., in effect this was a £1.2 million per annum gain as the funding envelope was cut by 32%. This now makes Essex a £5.7million turnover area with potential for further growth in young people services and also mental health with a tender due out later in 2017/18.

Since recruiting a Rent Income and Financial Inclusion Manager in Housing, we have seen additional income secured and better practice in this area, for example:

- We successfully resolved a final dispute with the Local Authority on a rent arrears account resulting in a back payment of £25k.
- We had two rent arrears cases dismissed from court because of incorrect notices being served. All notices are now sent to our Rent Income and Financial Inclusion Manager for approval to prevent future arrears escalation.



The Rent Income and Financial Inclusion Manager is providing legal training to teams, encompassing tenure, submitting court applications and utilising existing internal resources to represent in court. Each case will make us a cost saving of approximately £1,175 as we will be doing this internally as opposed to submitting this to our external legal partner for them to represent.

In response to the shortfall of housing and the exclusion of many from accessing private rented accommodation, we developed the Nacro Homes Agency (NHA). The NHA effectively intervenes in the private rented sector to encourage landlords to make accommodation available to people – including prison leavers who face additional barriers – who they may otherwise avoid renting to. We also provide intensive housing management and low-level support for service users who need it. We currently have strategic relationships with the National Probation Service North West region, the West Mercia and Warwickshire CRC, Sunderland City Council, Wirral District Council, Middlesbrough District Council and work closely with many other local authorities, CRCs and regions of the National Probation Service. The Nacro Homes Agency has been a very successful service and continues to grow year on year to mitigate against the housing reforms and ensure service users receive continuity in service.

The NHA developed 197 properties in 2016/17. Our main area of continued growth in Housing continues to be the NHA which increased its income in 2016/17 from £2.9m to £4.98m with a margin of 17.3% (£863k). This involved developing in new areas such as Teesside, and Worcestershire with start up funding received from the Virgin Money Foundation and the West Mercia CRC. We have also started to expand the client group we work with from offenders to single homeless and vulnerable women including those fleeing domestic violence.

Achievement in the Education and Skills business

Education including Totton College delivered a net surplus of £0.5m in 2016/17, demonstrating a significant performance shift from losses in the previous two years. The addition of the new Medway Secure Training Centre contract and significant savings in staffing costs were large contributors to this position.. We enrol over 3,000 young people annually on our education courses.

We were successful in joining the Government's new Register of Apprenticeship Training Providers, saw a substantial increase in our EFA Study Programmes contract and are awaiting the outcome of a recent Adult Education Budget tender to develop more in house adult learning programmes.

Achievement in the Justice and Health business

Justice and Health deliver a variety of contracts, including those with Payment By Results (PbR) requirements. The contract portfolio for Justice changed significantly in 2015 due to the introduction of Transforming Rehabilitation (TR). The reforms have replaced the previous 35 individual Probation Trusts with a single National Probation Service, responsible for the management of high-risk offenders, and 21 Community Rehabilitation Companies (CRCs)



responsible for the management of low to medium risk offenders in 21 areas across England and Wales. In 2015/2016 Nacro's individual MoJ contracts were amalgamated into one main Transforming Rehabilitation contract across two CRC areas. In 2016 this extended into a third CRC area as we continue our working relationship with Sodexo. There have been significant challenges in this arena due to the number of referrals received as well as financial uncertainty around the Payment by Result outputs which has given Nacro a number of financial and operational challenges. The TR contracts have reduced year on year putting pressure on Nacro to maintain service delivery and viability yet despite this through effective management and tight budgetary control Nacro have surpassed budget performance and ensured viability in this area.

The Health business directorate has continued to grow in 2016/2017 (13% increase in revenue year on year) with successes in Tower Hamlets and some additional work in Wolverhampton to compliment the existing Recovery Near You contract. Recovery Near You continues to be a success in Wolverhampton with Nacro having good working relationships with Birmingham and Solihull Mental Health Trust and Aquarius who co deliver the service. In 2016-2017 over 3900 successful interventions were made against a performance target of 3263, this equates to a 20% over performance which highlights the value added from this service through effective partnership working and proactive relationship management.

3. Progress against the VFM Strategy 2016 – 2019

Activity Strand 1: Review the Nacro education model

Viability of our education centres was kept under close scrutiny during the year. There were seven centres that by financial and quality measures were in need of intensive care support. Through this process of scrutiny and support we secured improved performance and enabled all centres to continue to operate viably.

Activity Strand 2: Integrate Totton College

Following the merger of Totton College to Nacro in December 2015, the year included a focus on integration issues to achieve efficiencies. Nacro is using its shared service back office to support an increased turnover of 22%.

The development of a three year business plan was progressed and quick wins in making best use of the assets were achieved through promoting the letting of under utilised space and outsourcing non-education services.

Activity Strand 3: Review corporate services costs to maintain the agreed overhead ratio

Nacro is working to manage its shared services back office delivery costs and continues to make investment in technology that will enable efficiency savings to be achieved in future years. We seek to lever in resources and support from other organisations willing to support and work with charities at no cost. For example the Nacro Service User Council has benefited from free training via the Red Cross, the England Illegal Monday Lending Team and Unite. Operational staff are encouraged to benefit from local training events in safeguarding and other areas which



also has the benefit of building partnership relationships locally.

Activity Strand 4: Reduce fixed operating costs

Reduce energy usage / utilities costs - Following a tendering exercise earlier this year, we appointed a new energy management company to secure best value from energy procurement. Monarch Partnership was appointed on a significantly reduced management fee to that of the previous company. This procurement reduced Nacro's management cost of circa £63k to approximately £15k per annum. In order to enable us to monitor consumption accurately, we have commenced taking regular gas and electricity meter readings so that bills, which are checked and validated by Monarch, are based on actual rather than estimated usage. This has resulted in office gas expenditure being reduced by £24k.

Reduce printing costs and usage - Nacro has successfully implemented a new contract for multi-functional devices reducing the number of devices from 135 to 56, the benefits having been realised and saving circa £104k in costs. The Totton contracted printer estate was reduced from 10 to 5, making a saving of £20k.

Reduce telephone costs and cease using PowWowNow - Nacro invested in BT OnePhone to deliver circa £56k worth of savings over four years. Nacro has now ceased utilising PowWowNow saving circa £12k in the year.

Reduce document storage costs - A pilot in Essex has resulted in savings of £5.2k which will be rolled out across the rest of Nacro in 2017/18 year.

Totton integration to deliver operating efficiencies - During 2016/17 a new Sustain Project was implemented to support the diversification of funding and reduce the risk from the highly variable EFA Study Programmes contract and enabled management and leadership resources to be focused on those education centres most at risk of financial or quality underperformance.

Activity Strand 5: Smarter ways of working

Role out mobile working in housing to reduce infrastructure costs and to enable increased caseloads to be managed - Nacro has successfully introduced mobile working solutions that have a direct positive benefit for both staff and service users. This introduces a more enhanced and flexible way of working that maximises use of staff time whilst enabling service users to access support and services much more quickly. Service users will be able to exercise choice about how and when they have contact with their Project Worker, see relevant information and documents quickly; have improved and instant communication with them and plan support more effectively.

Nacro is continuing to expand the Wi-Fi provision (currently 30) in service user homes, enabling them to access a wide range of information and services on-line that will help them achieve their goals which include job searching, studying and engaging with the community and more importantly improving / gaining new skills.



Develop and implement a channel shifting strategy – We are working with a channel shift provider with a track record of delivering in the charity sector to consider options for digitization and channel shifting which will be considered in 2017/18.

Reducing travel costs – we aim to reduce out travel costs that are not associated with the deliver of person centred services through the use of lync and telephone conferences for meetings. During the year we reduced expenditure in Central services by £12k, in Education by £21k and in Justice by £40k. Overall the amount spent on reimbursing mileage is down by £49k. As a national organisation we have been successful in developing the culture to minimize these costs whilst ensuring effective communication and joint working across the organisation.

Activity Strand 6: Culture and skills

Promote behaviours that reduce usage of energy in offices and learning centres - An article on ways of reducing energy consumption was posted on the Nacro intranet which has led to greater awareness of how by individual staff can contribute to cutting energy bills. This, together with the monitoring of consumption through the Monarch portal, will have contributed to the £24k fall in office gas expenditure noted above.

Promote effective energy usage of service users to reduce their expenditure and the level of personal service charge arrears - An information sheet was circulated to Nacro residents on how to reduce their energy bills which has led to energy costs during the year increasing by just 3.2% at a time when the number of properties increased by 16% and bedspaces by 11%.

Activity Strand 7: People

Our investment in Learning & Development increased in 2016/17 to £150,000 to support our staff to be effective. Nacro employees benefitted from a range of learning opportunities including e-learning, classroom-based training and mentoring. The organisation makes use of a range of free, funded and low cost training programmes and utilises training provided by partner organisations.

In terms of accredited training, all managers were invited to apply for places on a Level 3 Diploma in Management or a Level 5 NVQ Diploma in Leadership & Management. The majority of applications were supported and more sponsorships will be offered in 2017/18. Managers were supported under Higher Apprenticeship arrangements. We also continued to offer sponsorships for colleagues in Housing to gain a CIH Level 3 Certificate in Housing Practice.

This is in addition to an annual training programme to support compliance, the delivery of quality services and growth plans. Nacro works with expert training partners including Sitra, NSPCC and St John Ambulance and invests in training that improves employee effectiveness and efficiency.

Nacro's sickness absence rates reduced by 696.36 annual days in 2016/17 compared to the previous year, equating to 7.88 less average days lost per month.



	2015-2016	2016-2017
Annual Absence Rate %	4.95%	4.58%
Annual days lost	7523.86	6827.5
Average days lost per month	626.99	619.11

We were successful in reducing our temporary staffing spend by £418,995 from 2015/16 when spend stood at £1,048,286 to this year when it stood at £629,291.

Activity Strand 8: Procurement

During the year we undertook a review of our main cost areas and the scope for efficiencies through procurement and a plan for the re-procurement of a number of services was identified which will be completed with a view to delivering savings in 2017/18.

The average cost of day to day repairs and void works up to a value of £1k was £164.26, a slight decrease compared to £165.16 in 2015/16.

	Responses	Target	Satisfied
Standard of repair	51	85%	98%
The contractor	48	85%	100%
Maintenance service generally	48	85%	96%

Activity Strand 9: Effective use of assets

Through a review of our assets we decided to dispose of our commercial property previously used for office accommodation - Clapham Road property for £1.45m some £500k in excess of the valuation and received £775k for land on our education site retaining an overage payment should the site be used for an alternative purpose.

Conclusion

This statement demonstrates that we have adopted a strategic approach to Value for Money which is an embedded part of our culture and that during the year we have delivered a range of improved outcomes and efficiencies across Nacro. The forward strategy for 2017/18 was also agreed.