

**Company no:** 03199738

**Charity no:** 1055759

**RSL No:** 4798

# **NEW ROOTS LIMITED**

**TRUSTEES' REPORT AND FINANCIAL STATEMENTS**

**YEAR ENDED 31 AUGUST 2019**

**New Roots Limited**  
**Reference and administration information**

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## **New Roots Limited**

### **Reference and administration information**

<b>Charity name</b>	New Roots Limited
<b>Charity registration number</b>	1055759
<b>Company registration number</b>	03199738
<b>Registered social landlord number</b>	4798

### **Board**

The Board is composed of the following individuals:

Andrew Howell – Chair	
Christopher Gallen – Chair of Audit Committee	Appointed 24.08.2019
Raymond Goodwin	Appointed 20.04.2019
David Cusack	Appointed 24.08.2019
Lynette Hirst	Appointed 10.07.2020
Martin Levermore	Appointed 27.08.2020
Shaun McDonald	Resigned 05.12.2019
Esther Titchen	Resigned 31.05.2018
John Baker	Resigned 27.11.2019

### **CEO**

Janine Phillips	Dismissed 31.01.20
Derek Douglas	Appointed 01.11.19

### **Key Management Personnel**

Samuel Phillips	Dismissed 13.02.20
Laurence Mone	Dismissed 09.02.20
Janet Thomas	Resigned 30.09.20
Jo Hickman	Resigned 26.03.20
Louise Wilkes	
Prabhdeep Cheema	

### **Registered office**

369 City Road  
Edgbaston  
Birmingham  
West Midlands  
B16 0NB

### **Auditors**

Cooper Parry Group Limited  
Park View  
One Central Boulevard  
Blythe Valley Park  
Solihull  
B90 8BG

**New Roots Limited**

**Reference and administration information**

**Bankers**

HSBC  
148 High Street  
Harborne  
Birmingham  
B17 9PN

**Solicitors**

Anthony Collins Solicitors  
134 Edmund Street  
Birmingham  
B3 2ES



**Trustee Report**

**For the year ended 31 August 2019**

**Introduction**

The Trustees' present their annual report and the audited financial statements for the year ended 31 August 2019.

The Trustees' and Trustees' Report constitute the Directors and Directors' Report respectively, for Companies Act purposes.

**Trustees Report**

This set of accounts reflects the reality of a Charitable Company that has found itself in considerable difficulty. A series of independent and internal investigations have revealed that financial controls and management policies have been found to be woefully inadequate and statutory obligations, rules and regulations have not been adhered to. These internal challenges have been compounded by the In-Depth Assessment (IDA) of New Roots that was conducted by the Regulator of Social Housing. The Regulator's IDA found that New Roots was non-compliant with regard to both its financial standards and its standards of governance and as a result was not able to provide the organisation with a performance grading.

From the summer of 2019 a predominantly new Board of Trustees has worked to rebuild the organisation with the aim of not only securing a positive rating from the Regulator of Social Housing but to develop a positive and progressive model of support for homeless people and vulnerable adults. The aim of the current New Roots' Trustees is to develop a range of services that can support the establishment of new standards and new models of good practice across the sector.

As part of its recovery plan a number of senior staff have left the organisation. Following a comprehensive staffing review, the autumn of 2020 will see the recruitment of new senior management who will oversee and implement improvement in operational delivery, financial management, human resource management and in the way support services are designed and delivered to the benefits of service users. New systems have been commissioned and implemented for financial management and housing management.

Substantial changes have been made in the membership of the Board of Trustees. New trustees have been appointed who bring with them a range of key skills and experiences in: housing association management and governance; public sector finance; advice, support and guidance, change management, social policy, community development and public health and health services.

The qualification of these accounts will almost certainly mean that our next annual accounts will be similarly qualified. This time scale represents the realistic time scale that we believe will be necessary to properly conclude the recovery of New Roots, however, we are confident that we will be able to demonstrate continued development and improvement throughout this period.

Failure to secure improvement and to meet regulatory standards will see New Roots incur major risks to the organisation and its continued operation. Failure to secure a positive grading from the Regulator of Social Housing would prejudice New Root's status as a Registered Provider of Social Housing and this would have a major impact on the programmes and development aims of the charity. A failure to develop — and to be able to demonstrate — more effective models of support to service users may compromise the organisation's position as Birmingham City Council seeks to introduce new quality standards for those organisations with whom it contracts.

**Trustee Report**

**For the year ended 31 August 2019**

While New Roots has charitable status the vast bulk of its current work operates in the 'Exempt' supported housing sector and is financed almost exclusively through Housing Benefit. The Trustees are aware that Housing Benefit regulations may well change. Failure to secure accredited improvement in these areas would see New Roots facing an existential crisis.

The Trustees are aware of the challenges presented by homelessness in Birmingham and across the West Midlands and also of the needs of service users. We feel that there is much work to be done and much work that can be done by New Roots to contribute to the development of new life opportunities for service users. To this end the organisation is embarking on a series of programmes designed to more effectively respond to the ongoing social needs of service users and potential beneficiaries in the future. New leases and management agreements will be implemented across the organisation and thorough review of its contractors and accommodation providers undertaken. A comprehensive service review will assess the services offered by providers and is designed to ensure that New Roots works with those committed to high standards in the future. It is the aim of the Trustees to develop new services that see New Roots moving away from its current level of reliance on the 'Exempt' accommodation model.

In seeking to meet the very significant challenges facing it the Board of Trustees has adopted a policy of openness and transparency and has committed itself to working in close partnership with the Regulator for Social Housing, Birmingham City Council and other key partners and stakeholders.

New Roots aims to be a key partner and player in the co-development of both new services and new service challenges. The Trustees also will ensure that our service users of New Roots are able to play a role in co-developing the services offered to them through New Roots.

**Review of the business / business model**

New Roots has provided a placement and an immediate access accommodation service to non-priority homeless people or people at risk of homelessness in Birmingham for 22 years, offering its residents general care, support, and supervision in a positive and proactive manner.

**Objectives and strategies for achieving those objectives**

During the accounting period the vast majority of the company's income was derived through contracts with Birmingham City Council that supported tenants through Housing Benefit.

The objectives of the company are to provide relief for adult, non-priority, homeless persons suffering from psychological or physical infirmity or who are in conditions of need, hardship, or distress across Birmingham. New Roots provides general care, support, and supervision for its tenants.

To meet the aims and objectives of the organisation, New Roots aims to provide, but not exclusively, the following services:

- a) the provision of temporary accommodation.
- b) a counselling service; and



## Trustee Report

For the year ended 31 August 2019

c) the advancement of education amongst such persons by the provision of training courses as will enable them to acquire and develop vocational skills which will enhance their employment prospects.

New Roots leases properties in order to house tenants. In some properties New Roots provides support services to tenants but the majority of tenants are housed in 'long-arm' provision in which contractors/landlords provide the support services to tenants. With 'long-arm' contracts New Roots both audits the quality of the housing provided (to ensure that properties met statutory and regulatory standards) and the quality of the support services offered to tenants.

### Activities, achievements, and performance

During the year activities with and for the residents have been progressing well. The majority of residents have been participating and taking leadership roles. We have seen the transformation of confidence and stepping up to become actively involved in events which suggest that they are engaging in the community.

**Benefits Advice:** Karis Neighbourhood Scheme, provided a benefit advice service to residents on a weekly basis. Although we conduct a general benefit check when residents sign up the additional work that is provided has supported some residents to obtain additional benefit that they would not have recognised they were entitled to. This year we supported 40 Residents.

**Greggs, Fareshare and RJFP:** We provide deliveries of groceries to our residents from several charitable and private sector food redistributors; Fareshare, Greggs and the Real Junk Food Project. This is perhaps a lifeline to many of our residents who may have no other alternative to provide a meal for themselves, particularly at the point of applying for benefits. We will be looking at this closely next year to investigate how we can maximise the donations via cookery lessons and nutritional educational workshops.

**Donations:** Members of the public have been very generous with their donations of clothes and household furniture. This is a particularly useful resource for new residents who often do not have change of clothes and for residents that have moved on to independent units.

**Christmas Shoebox Appeal donated by public and partner agencies:** Christmas can be a daunting time for residents that are estranged from their families. We provided Shoeboxes filled with items such as socks, gloves, hats, toiletries, chocolate and gifts, wrapped and given to our Direct Managed residents on Christmas morning as their gift. This is very well received and for many of our DM residents, this is the only gift they receive at Christmas.

**Bus Tickets:** Scratch card bus tickets for use by residents, usually when they first arrive and have no money, to get to vital appointments, for residents experiencing financial difficulties and to support residents to attend training.

**Quarterly Resident Newsletter:** We initiated a newsletter which went out to residents with updates from New Roots and the resident's forum.

**In House Projects:** To stay active, develop skills, build confidence, use time in a meaningful way and socialise with other residents.

- **Art Classes:** Held weekly, led by ex-resident, at head office and properties:
- **Led Bike rides:** Held every week, averaging anywhere between 6 residents and 16 residents per week. Several residents and staff trained and qualified to be ride leaders by Cycling UK and British Cycling.

## Trustee Report

### For the year ended 31 August 2019

- **Bikes maintenance and bike maintenance qualifications:** Daily workshop run by 4 residents and in association with Cycling UK.
  - 4 residents trained by cycling UK.
  - 2 bikes per week serviced for free or for a donation for parts: residents and non-residents and to be given out to residents (see below.)
- **Free bikes for residents:** bike maintenance workshop have issued free bikes to residents, for staying active and to also commute.
  - Bikes given to residents in this period: **60**
- **Fitness Sessions at Fire Stations:** Fortnightly fitness sessions run by West Midlands Fire Service at Ladywood Fire Station and Aston Fire Station.
  - Attended by between 4 and 15 residents each session.
- **Gardening** vegetable growing at 3 locations and an allotment in Quinton. Teaching skills, planting and maintaining gardens: 16 regular participants.
- **Making planters** one residents used recycled wood to make planters, some sold at events (money put back into gardening projects) and some used by gardening project,
- **Barbering:** A support Worker (qualified Barber) gave residents free haircuts, originally for Christmas for residents going to see family and to talk to residents about considering it as a career move. Also, a good opportunity for conversation around support.  
After Christmas, haircuts given for job interviews and support sessions.  
Haircuts given in total, December 2018 – April 2019: **42**

### Volunteering Opportunities

We encourage volunteering which we believe develops skills, build confidence, use time in a meaningful way and network into local communities and events.

- One litter picking session with local community group Winson Greeners: 3 participants
- Decorating one office premises and four residential properties with Karis Neighbourhood Scheme and Family Optima HA: 20 participants
- Two music events; events management and running, with community group Bearwood Promoters: 20 participants
- Stall promoting NR services, selling art and planters. Three events: 3 participants.
- Bike maintenance at events, regular Dr Bike Sessions at cycling events and community events: 14 participants
- Relocating allotments from City Hospital to Edgbaston Reservoir playing fields with Summerfield Neighbour group: 4 participants.

### Residents Forum

This was established in March 2019 for residents to have involvement and a voice on how we services were provided by New Roots and to encourage residents to organise events and activities. This proved to be a success with resident taking an active role in the decision making.

- 4 meetings during this period and all DM houses represented by RF representatives.
- Grants obtained for activities and projects.
- Days Out funded by National Lottery Rewards for all Grant (RF)



Trustee Report

For the year ended 31 August 2019

Work with Other Agencies:

Successful Pathways into Employment and Referrals to Training:

17 Residents into employment

25 Residents into training



Successful Referrals to Other Agencies

87 successful referrals to other agencies, broken down as follows:



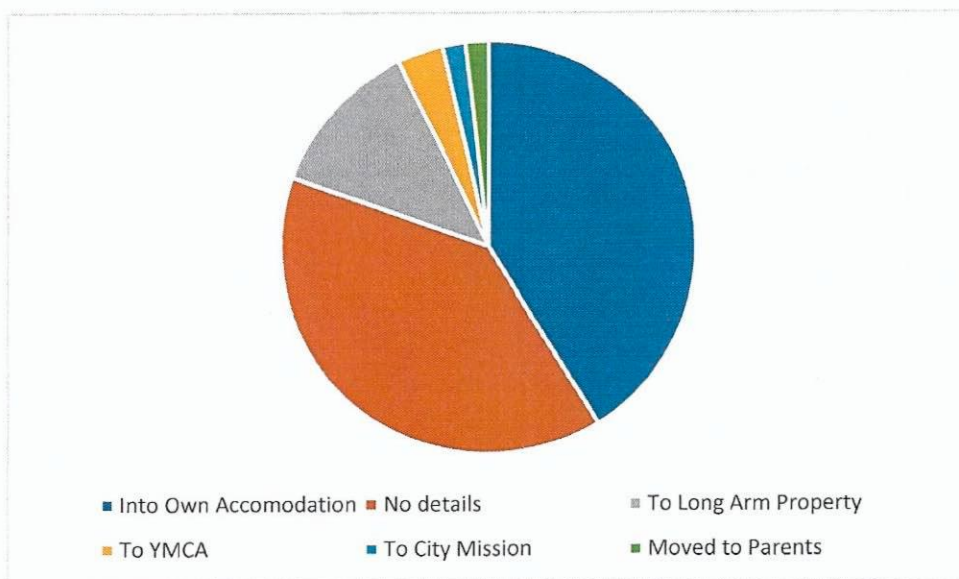
## Trustee Report

For the year ended 31 August 2019

### Moving On

Residents moving on in this period: 56

Broken down as follows:



### Principal risks and uncertainties

These accounts have been 'qualified' following a change of auditor and following a series of internal investigations into the management/financial management of the charity. The investigations were conducted and concluded beyond the accounting period, but the issues raised are relevant to 2018-2019 and have led to the 'qualification' of the accounts.

New Roots faces a series of principle risks and uncertainties:

The company operates almost exclusively under the Housing Benefit Regime which places the organisation great risk to any change in Housing Benefit Regulations, changes that are expected over the short or medium-term.

The Regulator of Social Housing conducted an In-Depth Assessment of New Roots in September 2019 although much of the advance work and assessment was carried out in 2018-19. The subsequent judgement found New Roots to be non-compliant in terms of the quality of governance and in financial viability. Failure of New Roots to secure a compliance rating may well put at risk the organisations status as a Registered Social Landlord — this will have a major impact on future programmes or activities.

**Trustee Report**

**For the year ended 31 August 2019**

These accounts also reflect and detail serious financial management issues. These include the non-declaration, to HMRC, of payments to a number of staff as well as non-declaration of a variety of other employment benefits. New Roots Ltd will be responsible for the settling of unpaid obligations to HMRC. While the extent of any financial settlement with HMRC is not yet known this will have a significant impact on cash reserves and the Charitable Company's ability to develop services to tenants and service users.

New Roots' ability to continue to operate within Housing Benefit programmes and to operate as an 'Exempt' Provider within the Welfare to Work Act will rest on contractual arrangements with Birmingham City Council (BCC). During this financial year BCC announced its intention to develop a new partnership with providers which will involve a new framework for the commissioning of services. This framework will establish new standards for support work. Whilst New Roots has embraced this partnership enthusiastically failure to meet new standards may well have a major impact on operation and income.

**Main trends and factors underlying the development and performance and position**

New Roots is aware of developing need within the sector. We are seeing a growing need for family-based 'exempt' provision of social housing; the company is developing new provision — in partnership with other providers — that can support family units that find themselves homeless. Future development may well look to strengthen specialisms with key vulnerable groups, for example working with vulnerable women.

Another clear development trend/priority will be the need to secure provision that will allow tenants/service users to move on from temporary accommodation into properly independent living. New Roots aims to explore the securing of a new type of provision which would not be temporary and would therefore have to sit outside of 'Exempt' property criteria. New Roots will explore how to use other charitable fundraising means — and partnerships with specialist agencies — to explore new ways of supporting those who have moved on from temporary accommodation.

We can also see the need for a wider set of specialisms when dealing with those who are newly homeless or who have just been picked up by the system. We wish to use the new partnership framework of BCC to explore how best emerging needs and specialisms can be addressed by New Roots, both independently and with other potential partners in the housing and charitable sectors.

**Analysis using financial and non-financial key performance indicators**

**Non-Financial**

As a priority New Roots will be reviewing the performance of key contractors and 'long-arm' landlords.



**Trustee Report**

**For the year ended 31 August 2019**

A thorough review of the support needs of service users/tenants together with the quality of the support provided by 'long-arm' landlords is being carried out. This will establish new measures and understanding in the quality of services available to service users/tenants.

This support review will feed into a wider assessment of the performance of both New Roots and its contractors/ 'long-arm' landlords. This wider analysis will consider building maintenance, security, and statutory compliance issues.

This comprehensive review is designed to create a new service baseline within the organisation and to establish new and monitor standards.

To compliment these review New Roots will complete, in 2019-2020 the installation of new systems for management information and for financial management.

**Reserves Policy**

The reserves policy is to hold cash or equivalent to cover 3 months operating costs of approximately £470,000 as unrestricted liquid reserves. The Board recognises the need to review the reserves policy in 2020-21. As of 31 August 2019, New Roots Limited had free reserves (that is unrestricted reserves not invested in fixed assets) of £2,852,355.

**Effects of material estimates and judgments on reported performance**

As a result of the significant issues that have been investigated and estimated by Trident Tax, as specialist advisors, a significant cost recognised in the annual accounts is an anticipated settlement for non-payment of Tax and NI to HMRC. This has been estimated to be approximately £205,000.

**Future prospects**

There is clearly a need for not only the continuation of existing services but for the development of them. We believe that – across the sector — regulators and commissioners will place a greater emphasis on quality and accountability. In a sector currently recognised for wide variations of standards there will be new opportunities for those who focus on quality, financial effectiveness and efficiency and who have the ability to innovate both independently and in partnership with other housing organisations and specialist organisations who specialise in, for example, drug, alcohol and substance misuse support and adviser services such as debt counselling, job preparation, employment training and other services that support independent living.

**Assessment of how the RP is achieving Value for Money (including performance metrics)**

New Roots Board is aware of its responsibility to assess how Value for Money is achieved, a VFM Strategy will be developed in 2020/21.



**Trustee Report**

**For the year ended 31 August 2019**

There is a need to develop a suite of Key Performance Indicators, identifying where there is good practice and replicating it and to look to identify areas where improvement and focus needs to be targeted. Providing information on length of stay, movement into employment rates and proportion of service users needing repeated support will assist Management and trustees in delivering outcomes. Defined success criteria will be agreed and reported on monthly to trustees. The current information is provided through the CEO report and is mainly ad hoc information provided by the support team.

New Roots board is aware of the need to disclose metrics as set out in 'Value for Money metrics. Technical note guidance – June 2020' and will establish procedures for doing this in 2020/21.

**Assessment of compliance with the Governance and Financial Viability Standard**

New Roots Board is aware of its responsibility to comply with the Governance & Financial Viability Standard 2015 and will undertake an assessment of compliance in 2020/21.

**Code of governance**

New Roots Board is aware of its responsibility to comply with the requirements of the National Housing Federation's Code of Governance 2015 edition and will undertake an assessment of compliance in 2020/21.

**Reference to the Board's annual review of internal control**

New Roots Board acknowledges its overall responsibility for establishing and maintaining internal controls and for annually reviewing their effectiveness. A full review of internal controls will take place in 2020/21.

There have been no internal audits carried out over the past 12 months. However, due to the ongoing forensic investigation and analysis by consultants in taxation there have been significant changes to the ways of working within the finance function at New Roots.

**Public benefit statement**

The charity aims to reduce the number of homeless people sleeping rough and to provide them with a certain level of life skills that may enable these individuals to have a chance of contributing back to the society. In setting our objectives and planning our activities our trustees have given careful consideration to the Charity Commission's public benefit guidance.

**Dividends**

There were no Dividends paid in the financial period.

## **New Roots Limited**

### **Trustee Report**

**For the year ended 31 August 2019**

#### **Third Party Indemnity Provisions**

There were no provisions for third party indemnity in the financial period.

#### **Financial instruments**

New Roots only has financial assets and liabilities of a kind that qualify as basic financial instruments. Basic Financial Instruments are initially recognised at transaction value and subsequently measured at their settlement value.

#### **Future Development**

New Roots has ambitions to develop a portfolio of assets, growing the directly managed properties to ensure a high quality and sustainable service provision. Clearly the immediate focus is on improving the rating from the Housing regulator and ensuring all the reporting is accurate and timely.

#### **Research and development**

There have been no research and development projects in the financial period.

#### **Covid-19 Pandemic**

New Roots has a key responsibility to protect the safety and security of tenants as well as employees. The Covid-19 pandemic has affected all organisations, including New Roots.

Risk assessments were carried out to ensure the safety of our tenants and employees.

We followed government guidance on social distancing, self-isolation and the use of Personal Protective Equipment (PPE) for all colleagues. All services have remained open during the pandemic.

Employees based in the office were provided with IT facilities to work from home. They adapted quickly, efficiently and effectively to the changes.

As the affects of Covid-19 were only felt by the organisation in March 2020, there was no significant impact in the financial year 2018/19.

Trustee Report

For the year ended 31 August 2019

Board's responsibilities

The trustees (who are also the directors of New Roots Limited for the purposes of company law) are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period.

In preparing those financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently.
- observe the methods and principles in the Statement of Recommended Practice for Social Housing Providers (Housing SORP 2014);
- 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 association will continue in operation.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the association and to enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing in England 2015. They are also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

In so far as the trustees are aware:

- there is no relevant audit information of which the association's auditors are unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

Under section 487 of the Companies Act 2006, Cooper Parry Group Limited will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is the earlier.

By order of the Board

Andrew Howell  
Chair and Trustee

Date

5/11/2020





**Independent Auditor's Report to the Members of New Roots Limited**  
**For the year ended 31 August 2019**

**Disclaimer of opinion**

We were engaged to audit the financial statements of New Roots Limited (the 'Association') for the year ended 31 August 2019 which comprise the Statement of Total Comprehensive Income, the Statement of Changes in Reserves, the Statement of Financial Position, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

We do not express an opinion on the accompanying financial statements of the Association. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

**Basis of disclaimer of opinion**

As detailed in the Trustees' report, subsequent to the year end a series of internal investigations into the financial management of the Association have been undertaken. These investigations have also led to investigations by the Regulator of Social Housing and the Charity Commission for England and Wales into the Association's affairs and conduct. While the internal investigations and the investigation by the Charity Commission remain ongoing at the date of this report, the findings from these to date highlight numerous serious issues of financial mismanagement by the Association over 14 years. The investigation by the Regulator of Social Housing resulted in a judgment being issued that the Association was non-compliant in relation to the quality of its governance and its financial viability.

We were not appointed as auditors of the Association until 19 March 2020, by which time the internal and external investigations were already underway. We took these circumstances into account when planning and executing our audit procedures. The following twelve key matters arose during our audit and have resulted in an inability to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Association. These twelve key matters are detailed below.

The possible effects on the Association's financial statements of undetected misstatements in respect of these matters, if any, could be both material and pervasive. As a result of these matters, we were unable to determine the nature, timing, and extent of any adjustments which might have been found necessary in order for the Association's financial statements to present a true and fair view, and accordingly we have disclaimed our audit opinion.

**1. Going concern**

As disclosed in Note 2 to the financial statements, the financial statements of the Association are prepared on the assumption that the Association will continue as a going concern. The Trustees and management provided us with the Association's cash flow forecast to support their assessment that the Association will continue as a going concern. In assessing the appropriateness of that model and the assumptions contained therein, we made enquiries of management to which they were unable to provide sufficient appropriate audit evidence to support all of the underlying assumptions.

As we were unable to ascertain the appropriateness of the Association's cash flow forecasts, and due to the material uncertainties set out in Note 2 to the financial statements, we were unable to obtain sufficient appropriate audit evidence to support the assumption that the Association will continue as a going concern. The financial statements do not reflect any adjustments that would be required should the Association be unable to continue as a going concern.



**Independent Auditor's Report to the Members of New Roots Limited**  
**For the year ended 31 August 2019**

***2. Information and explanations***

During the course of our audit, we made various enquiries of Trustees and management and requested supporting information and documentation. As a result of the ongoing investigations into the Association and the significant financial mismanagement and breakdown in internal financial controls during the period under audit these investigations have highlighted, a number of these requests either could not be responded to, or the information provided was not sufficient for the purposes of our audit.

A number of these enquiries, whilst relating to the year ended 31 August 2019, also had an impact in terms of the recognition of various items of income, expenditure, assets and liabilities in prior years and related disclosures in the financial statements for the year ended 31 August 2018 (and other prior years).

We therefore have not received all the information and explanations that we consider necessary for the purpose of our audit. Some of the more significant areas of our audit affected by this are referred to below, although it is possible that additional areas or matters not listed below may have been identified had additional audit evidence been obtained. As a result, we were unable to determine the completeness and accuracy of the disclosures in the financial statements of the Association.

***3. Related party transactions***

As disclosed in Note 18 of the financial statements, there are various related party transactions that took place during the year ended 31 August 2019, which includes the value of transactions with the various related parties during the year ended 31 August 2018. In the financial statements for the year ended 31 August 2018, no related party transactions were disclosed.

From our completed audit procedures and enquiries, we identified that there was a complete lack of internal controls and procedures in place at the Association surrounding the identification, declaration and recording of related party transactions. Whilst certain related party transactions were identified, across both the year ended 31 August 2019 and the prior year ended 31 August 2018, the underlying documentation was in some instances not available or was incomplete.

As such, we were unable to confirm whether or not all related party transactions identified, including amounts due to or from related parties, as relating to the year ended 31 August 2019 and 31 August 2018 are complete in all material respects or whether related party transactions have been correctly disclosed in the financial statements in relation to these years, including amounts paid to certain staff members who were also Trustees.

***4. Income recognition relating to Long Arm Landlords***

As disclosed in Note 19 of the financial statements, a prior year adjustment was required in relation to the year ended 31 August 2018 due to the incorrect recognition of income in the prior year relating to properties managed on behalf of Long Arm landlords.

From our completed audit procedures and enquiries, we identified that no resident management system was in place and as a result there was a lack of appropriate internal controls and procedures in place at the Association surrounding the recording and recognition of income due to the Association, and related debtor balances for amounts due to the Association.

As such, we were unable to confirm whether or not income, and related debtor balances, are complete in all material respects or whether income and debtor balances have been correctly disclosed in the financial statements.



**Independent Auditor's Report to the Members of New Roots Limited**  
**For the year ended 31 August 2019**

***5. Housing Benefit overpayment debtors***

As disclosed in Note 11 of the financial statements, there are Housing Benefit overpayment debtors at 31 August 2019 of £1,402,725. As disclosed in Note 2 of the financial statements, these relate to housing benefit payments received from Birmingham City Council which were incorrectly paid to Long Arm landlords during the year ended 31 August 2019. Whilst some of these overpayments have since been recovered after the year end, significant balances remain outstanding at the date of this report and no provisions have been made against their recoverability at 31 August 2019.

As noted in point 4 above, from our completed audit procedures and enquiries, we identified that no resident management system was in place and as a result there was a lack of appropriate internal controls and procedures in place at the Association surrounding the recording and recognition of income due to the Association. This extended to the procedures and controls in place relating to the monitoring of residents housed within the various properties and hence, the identification of incorrectly claimed Housing Benefit payments.

As such, we were unable to confirm whether or Housing Benefit overpayment debtors are complete in all material respects or whether they have been correctly disclosed in the financial statements.

***6. Expenditure and related creditor balances***

From our completed audit procedures and enquiries, we identified that there was a complete lack of internal controls and procedures in place at the Association surrounding the procurement process, covering the raising of purchase orders, approval and authorisation of orders and transactions, recording of transactions and posting to the accounting system, subsequent payment of supplier and third-party invoices and supplier statement reconciliations. From the sample of expenditure transactions tested as part of our completed audit procedures, there were a high number of instances noted where there was no audit trail in relation to the transaction, including no supporting information or documentation in relation to the transaction or any evidence as to whether the transactions were for a bona fide charitable purpose.

As such, we were unable to confirm whether or not expenditure and related creditor balances are complete in all material respects or whether expenditure and related creditor balances have been correctly disclosed in the financial statements in relation to both the year ended 31 August 2019 and the prior year ended 31 August 2018.

***7. Payroll expenditure***

From our completed audit procedures and enquiries, we identified that there was a complete lack of internal controls and procedures in place at the Association surrounding the human resources and payroll function. The most significant issues related to cash payments and other cash related benefits made to various members of staff over the last 14 years that had not been declared and on which no PAYE or National Insurance Contributions had been deducted by the Association and paid over to HM Revenue & Customs. From the sample of payroll transactions tested as part of our completed audit procedures, there were a high number of instances noted where there was no audit trail in relation to the employee, including no personnel files, no contracts of employment, no evidence of any identity checks having been completed and no DBS checks having been completed.

As such, we were unable to confirm whether or not payroll expenditure is complete in all material respects or whether payroll expenditure has been correctly disclosed in the financial statements in relation to both the year ended 31 August 2019 and the prior year ended 31 August 2018, including in relation to disclosures of remuneration paid to key management personal during these years.



**Independent Auditor's Report to the Members of New Roots Limited**  
**For the year ended 31 August 2019**

***8. Amounts owed to HM Revenue & Customs***

As disclosed in Note 9 of the financial statements, a provision has been set aside totalling £400,000 for amounts owed to HM Revenue & Customs (HMRC) in relation to PAYE and National Insurance Contributions (and related penalties) on previously undeclared and untaxed cash wages payment and company benefits provided to certain employees over the last 14 years.

While the Association has engaged independent advice and support in order to calculate the potential liability due to HMRC, at the date of this report, no amount has yet been agreed with HMRC and as such a significant level of uncertainty remains as to the amount of the potential liability to HMRC. Also, as noted in point 6 and 7 above, from our completed audit procedures and enquiries, we identified a complete lack of internal controls and procedures in place around the Association's procurement and payroll process.

As such, we were unable to confirm whether or not the amounts owed to HMRC are complete in all material respects.

***9. Tangible fixed assets***

As disclosed in Note 10 of the financial statements, the net book value of fixed assets at 31 August 2019 is £16,164. This is stated after disposals in the year with a net book value at disposal of £4,144.

From our completed audit procedures and enquiries, we identified that that no fixed asset register had regularly been maintained by the Association and that there was limited evidence to support the existence of the balance of fixed assets as recorded in the financial statements at 31 August 2018.

As such, we were unable to confirm whether or not tangible fixed assets are complete in all material respects or whether tangible fixed assets have been correctly disclosed in the financial statements in relation to both the year ended 31 August 2019 and the prior year ended 31 August 2018.

***10. Operating lease commitments***

As disclosed in Note 14 of the financial statements, the total committed future minimum lease payment under non-cancellable operating lease agreements at 31 August 2019 was £299,837. As also disclosed in Note 14, the total committed future minimum lease payment under non-cancellable operating lease agreements at 31 August 2018 was £519,701, which is as restated as financial statements for the year ended 31 August 2018 disclosed no operating lease commitments.

From our completed audit procedures and enquiries and as detailed in point 6 above, we identified that that there were limited internal controls and procedures around the Association's procurement process, which included the controls and procedures around financial commitments. We found limited evidence to support a number of lease agreements that are currently in place and insufficient information was available to support whether the schedule of current lease agreements was complete.

As such, we were unable to confirm whether or not operating lease commitments are complete in all material respects or whether operating lease commitments have been correctly disclosed in the financial statements in relation to both the year ended 31 August 2019 and the prior year ended 31 August 2018.

**Independent Auditor's Report to the Members of New Roots Limited**  
**For the year ended 31 August 2019**

***11. Provisions, contingencies and commitments***

Excluding the items detailed above in points 3 to 10, given the lack of information and explanations able to be provided to us as detailed above in point 2, we have been unable to confirm or verify through other means whether or not provisions, contingencies or commitments recognised and / or disclosed in the financial statements are complete in all material respects.

***12. Prior year adjustments***

From our completed audit procedures and enquiries, we identified that there was a significant lack of appropriate internal controls and procedures in place at the Association across most aspects of the Association's activities, which is as detailed in the points above. Whilst a prior year adjustment was reflected in the financial statements for the year ended 31 August 2019, as detailed in point 4 above, this only related to the incorrect recognition of income in the prior year relating to properties managed on behalf of Long Arm landlords. Whilst a number of errors were identified during our completed audit procedures, due to the lack of appropriate internal controls and procedures in place at the Association and the lack of any audit trail in relation to the transactions recorded in the Association's accounting records, including limited or no supporting information or documentation in relation to the transactions, we could not accurately identify the financial impact of these errors in prior years.

As such, the cumulative impact of the errors and misstatements identified during the course of our completed audit procedures has been fully accounted for in the statement of financial position of the Association for the year ended 31 August 2019 and no adjustments have been reflected in the relation to the statement of financial position, balance sheet or other disclosures relating to the year ended 31 August 2018, other than as detailed in specific points detailed above.

We were therefore unable to confirm whether or not the comparative amounts for income, expenditure, assets, liabilities and financial statement disclosures in relation to the year ended 31 August 2018 are correctly stated.

**Opinions on other matters prescribed by the Companies Act 2006**

Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit:

- the information given in the Trustees' report (incorporating the directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' report (incorporating the directors' report) has been prepared in accordance with applicable legal requirements.



**Independent Auditor's Report to the Members of New Roots Limited  
For the year ended 31 August 2019**

**Matters on which we are required to report by exception**

Due to the significance of the matters described in the basis for disclaimer of opinion section of our report, we are unable to form a view as to whether there are material misstatements in the Trustees' report.

Arising from the limitations of our work referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- returns adequate for our audit have not been received from branches not visited by us; and
- we were unable to determine whether adequate accounting records have been kept; and
- we were unable to determine whether the financial statements are in agreement with the accounting records and returns.

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:

- certain disclosures of Trustees' remuneration specified by law are not made.

In addition, due to the significance of the matters described in the basis for disclaimer of opinion section of our report, we are unable to form an opinion on whether a satisfactory system of internal control over transactions has been maintained by the Association as required by the Housing and Regeneration Act 2008.

**Responsibilities of the Board**

As explained more fully in the Board's responsibilities statement set out on page 13, the Board members (who are also the Directors of the Association 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 Board 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 Board is responsible for assessing the Association'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 Board either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

**Independent Auditor's Report to the Members of New Roots Limited**  
**For the year ended 31 August 2019**

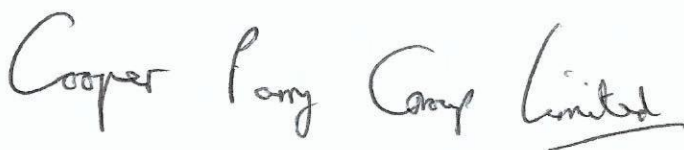
**Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to conduct an audit of the Association's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matters described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. We are independent of the Association 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.

**Use of our report**

This report is made solely to the Association's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 137 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association'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 the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in dark ink, appearing to read 'Cooper Parry Group Limited', is written over a faint, larger version of the same text.

**Simon Atkins FCA (Senior Statutory Auditor)**  
for and on behalf of

**Cooper Parry Group Limited**  
Chartered Accountants and Statutory Auditor

Park View  
One Central Boulevard  
Blythe Valley Park  
Solihull  
West Midlands  
B90 8BG

Date: 4 November 2020

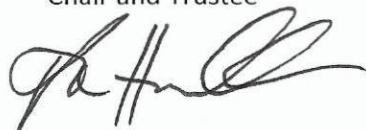
New Roots Limited

Statement of Comprehensive Income  
For the year ended 31 August 2019

	Note	2019 £	2018 £ <i>Restated</i>
Turnover	3	3,685,776	2,626,786
Operating Costs		(1,879,559)	(1,509,514)
<b>Operating Surplus</b>	3	<u>1,806,217</u>	<u>1,117,272</u>
Loss on disposal of property, plant and equipment		(4,148)	-
Interest receivable and other income	5	17,536	1,146
Exceptional costs	9	(427,590)	-
<b>Surplus for the year before tax</b>		<u>1,392,015</u>	<u>1,118,418</u>
Taxation		-	-
<b>Surplus for the year</b>		<u>1,392,015</u>	<u>1,118,418</u>
<b>Total comprehensive income for the year</b>		<u>1,392,015</u>	<u>1,118,418</u>

The Financial Statements were approved by the Board on 4 November 2020.

Andy Howell  
Chair and Trustee



  
Chris Gallen  
Trustee

The results relate wholly to continuing activities.

The accompanying notes form part of these Financial Statements.

# New Roots Limited

## Statement of Changes in Reserves

	Income and expenditure reserve £	Restricted Reserve £	Total £
<b>Balance as at 1 September 2017 (as previously stated)</b>	641,458	-	641,458
Prior year adjustment (note 19)	(283,372)	-	(283,372)
<b>Balance as at 1 September 2017 (restated)</b>	358,086	-	358,086
Prior year adjustment (note 19)	140,386	-	140,386
Surplus from statement of comprehensive income	978,032	-	978,032
<b>Balance as at 31 August 2018 (restated)</b>	1,476,504	-	1,476,504
Surplus from statement of comprehensive income	1,392,015	-	1,197,912
<b>Balance as at 31 August 2019</b>	2,868,519	-	2,674,416



**New Roots Limited**

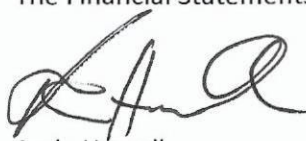
**Statement of Financial Position**

**For the year ended 31 August 2019**

	<b>Note</b>	<b>2019 £</b>	<b>2018 £ <i>Restated</i></b>
<b>Fixed assets</b>			
Tangible fixed assets	10	16,164	20,755
<b>Current assets</b>			
Trade and other debtors	11	2,149,056	656,475
Investment assets	12	30,132	-
Cash and cash equivalents		4,107,625	3,730,360
		<u>6,286,814</u>	<u>4,386,835</u>
<b>Creditors:</b> Amounts falling due within one year	13	(3,434,459)	(2,931,086)
<b>Net current assets</b>		<u>2,852,355</u>	<u>1,455,749</u>
<b>Total assets less current liabilities</b>		<u>2,868,519</u>	<u>1,476,504</u>
<b>Total net assets</b>		<u>2,868,519</u>	<u>1,476,504</u>
<b>Reserves</b>			
Income and expenditure reserve		2,868,519	1,476,504
<b>Total reserves</b>		<u>2,868,519</u>	<u>1,476,504</u>

The accompanying notes form part of these Financial Statements.

The Financial Statements were approved by the Board on 4 November 2020 and are signed on its behalf by:



Andy Howell  
Chair and Trustee



Chris Gallen  
Trustee

**Company no:** 03199738

# New Roots Limited

## Statement of Cash Flows

	2019 £	2018 £ <i>Restated</i>
Surplus for the year	1,392,015	1,118,418
<b>Adjustment for non-cash items:</b>		
Depreciation of tangible fixed assets	10,014	7,461
Increase in trade and other debtors	(1,492,581)	(239,389)
Increase in trade and other creditors	503,373	1,364,138
Loss on disposal of fixed assets	4,148	-
Interest received	(17,536)	(623)
<b>Net cash flow from operating activities</b>	<b>399,433</b>	<b>2,250,005</b>
<b>Cash flow from investing activities</b>		
Purchase of tangible fixed assets	(9,570)	(17,323)
Purchase of investment assets	(30,132)	-
Interest received	17,536	623
	<b>(22,166)</b>	<b>(16,700)</b>
Net change in cash and cash equivalents	377,266	2,233,305
Cash and cash equivalents at beginning of year	3,730,360	1,497,055
Cash and cash equivalents at end of year	<b>4,107,625</b>	<b>3,730,360</b>

The accompanying notes form part of these Financial Statements.

**1. Legal status**

New Roots Limited is a company limited by guarantee, registered under the Companies Act 2006, an English registered social housing provider and Charity.

The address of the registered office is given in the information on page 1 of these financial statements.

The principal activities of New Roots Limited are set out on page 2 to the financial statements.

New Roots Limited constitutes a public benefit entity as defined by FRS 102.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

**2. Accounting policies**

**Basis of preparing the financial statements**

The financial statements have been prepared in accordance with applicable accounting standards including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Statement of Recommended Practice for Social Housing Providers 2014, and with the Accounting Direction for private registered providers of social housing in England 2015. The financial statements are also prepared under the Companies Act 2006.

The financial statements have been prepared on a going concern basis under the historical cost convention. The financial statements are prepared in sterling, which is the functional currency of New Roots Limited, and rounded to the nearest £1.

**Going concern**

The charity's business activities, its current financial position, and factors likely to affect its future development are set out within the Report of the Trustees.

On this basis, the Board has a reasonable expectation that the Charity has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months after the date on which the report and Financial Statements are signed. For this reason, it continues to adopt the going concern basis in the Financial Statements.

Post year end the government enforced a nationwide lock down due to the Covid-19 pandemic. Due to the nature of the service provided by New Roots Limited and the sources of income received, there has been no impact on the turnover or operations of the charity. Investments were made in IT equipment and systems to ensure staff were able to perform their duties remotely and that our residents continued to receive a quality service. 3 members of staff were placed on furlough. There is no deemed impact on going concern.

**Turnover and other income**

Turnover is measured at the fair value of the consideration received or receivable net of trade discounts. The policies adopted for the recognition of turnover are as follows:



## **New Roots Limited**

### **Notes to the Financial Statements**

#### **For the year ended 31 August 2019**

Turnover represents rental and service charges income receivable in the year net of rent and service charge losses from voids.

#### **Property Managed by Agents**

Where the agency carries the financial risk, the statement of comprehensive income includes only that income and expenditure which relates solely to the charity.

Interest receivable and other similar income is accrued on a time apportioned basis by reference to the principal outstanding at the effective interest rate.

#### **Expenditure**

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to that expenditure, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

Expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all cost related to the category. Where costs cannot be directly attributed to a particular heading, they have been allocated to activities on a basis consistent with the use of resources.

#### **Employee benefits**

When employees have rendered service to the charity, short-term employee benefits to which the employees are entitled are recognised at the undiscounted amount expected to be paid in exchange for that service.

#### **Tangible fixed assets**

Tangible assets are stated at cost less depreciation.

Depreciation is provided on a straight-line basis using rates to write down the cost of each asset to its estimated residual value over its anticipated useful economic life as follows:

- Fixtures and fittings – 4 years
- Computer equipment – 3 years

#### **Investments**

Current asset investments are measured at cost less impairment.

#### **Debtors and creditors receivable / payable within one year**

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the statement of comprehensive income in other administrative expenses.

#### **Financial Assets**

##### **Debtors**

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.



## **Financial Liabilities**

### **Trade creditors**

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

### **Provisions**

Provisions are recognised when the charity has an obligation at the balance sheet date as a result of a past event, it is probable that an outflow of economic benefits will be required in settlement and the amount can be reliably estimated.

### **Taxation**

New Roots Limited is a registered charity and is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes.

Accordingly, the charity is potentially exemption from taxation in respect of income or capital gains received within categories covered by Part 11, chapter 3 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

### **Hire purchase and leasing commitments**

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

### **Pension costs and other post-retirement benefits**

The charitable company operates a defined contribution pension scheme. Contributions payable to the charitable company's pension scheme are charged to the Statement of Total Comprehensive Income in the period to which they relate.

### **Fund accounting**

Unrestricted funds can be used in accordance with the charitable objectives at the discretion of the trustees.

Restricted funds can only be used for particular restricted purposes within the objects of the charity. Restrictions arise when specified by the donor or when funds are raised for specific restricted purposes.

Further explanation of the nature and purpose of each fund is included in the notes to the financial statements.

### **Judgements and key sources of estimation uncertainty**

The following judgements (apart from those involving estimates) have been made in the process of applying the above accounting policies that have had the most significant effect on amounts recognised in the financial statements:

### **Leases**

In categorising leases as finance leases or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the charitable company.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

**Housing Benefit Overpayments**

The charity receives its funding from Birmingham City Council (BCC) based on claims made on behalf of residents. During the year the systems in place were inadequate resulting in the charity being in receipt of significant overpayments for residents who were no longer housed with us. Whilst a large proportion of these overpayments have been recovered during the year by BCC, estimations based on post year end information has been used to assess any further recoveries made. Any changes in the assumptions used could result in further amounts being owed to BCC and a reduction in the level of income received by the charity.

The overpayments noted above were also incorrectly paid to the long arm landlords. The charity has begun the process of recovering such balances either by direct payment or a reduction in the amounts paid over for current tenancies. Solicitors have been engaged to recover the more substantial balances. Any changes in the assumptions used could result in the loss of recovery and a reduction in income received by the charity.

**HMRC Settlement**

A forensic accountant and Trident Tax specialists were commissioned to understand the issues within the financial accounts and to advise New Roots on the calculation and provision for the HMRC liability and any possible penalties relating to the unpaid employer tax and national insurance. A report from Trident Tax has been produced and used to provide the basis for the provision (see note 9).

# New Roots Limited

## Notes to the Financial Statements

For the year ended 31 August 2019

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

#### 3a. Operating surplus from social housing lettings

	2019	
Turnover	Operating expenditure	Operating (deficit)/surplus
£	£	£
Direct managed	836,935	(1,199,057)
Long arm commission	2,848,841	(680,502)
	<u>3,685,776</u>	<u>1,806,217</u>

	2018 (restated)	
Turnover	Operating expenditure	Operating (deficit)/surplus
£	£	£
Direct managed	932,391	(978,719)
Long arm commission	1,694,395	(530,795)
	<u>2,626,786</u>	<u>1,117,272</u>

#### 3b. Particulars of income & expenditure from social housing lettings

3b. Particulars of income & expenditure from social housing lettings	2019		
	Direct managed £	Long arm commission £	Total £
Rent receivable net of identifiable service charges	820,837	2,848,841	3,669,678
Service charge	16,098	-	16,098
Turnover from social housing lettings	836,935	2,848,841	3,685,776
Management	80,798	275,027	355,825
Salary costs	415,029	388,533	803,562
Rent, rates and utilities	457,181	-	457,181
Routine servicing, cleaning and maintenance	182,468	-	182,468
Major repairs expenditure	58,604	-	58,604
Resident initiative costs	4,977	16,942	21,919
Operating expenditure on social housing lettings	1,199,057	680,502	1,879,217
Operating (deficit)/surplus on social housing lettings	(362,122)	2,168,339	1,942,069
Void losses	440,146	394,027	834,173

Both direct managed and long arm provision falls under the definition of general needs housing.



## 3. Particulars of turnover, cost of sales, operating costs and operating surplus (continued)

## 3b. Particulars of income &amp; expenditure from social housing lettings (continued)

	2018 (restated)		
	Direct managed	Long arm commission	Total
	£	£	£
Rent receivable net of identifiable service charges	927,800	1,694,395	2,622,195
Service charge	4,591	-	4,591
<b>Turnover from social housing lettings</b>	<b>932,391</b>	<b>1,694,395</b>	<b>2,626,786</b>
Management	104,893	190,618	295,511
Salary costs	350,950	328,545	679,495
Rent, rates and utilities	362,459	-	362,459
Routine servicing, cleaning and maintenance	102,319	-	102,319
Major repairs expenditure	51,697	-	51,697
Resident initiative costs	6,401	11,632	18,033
<b>Operating expenditure on social housing lettings</b>	<b>978,719</b>	<b>530,795</b>	<b>1,509,514</b>
<b>Operating (deficit)/surplus on social housing lettings</b>	<b>(46,328)</b>	<b>1,163,600</b>	<b>1,117,272</b>
<b>Void losses</b>	<b>493,590</b>	<b>234,335</b>	<b>727,925</b>

Both direct managed and longarm provision falls under the definition of general needs housing.

## 4. Accommodation in management

At the end of the year accommodation in management for each class of accommodation was as follows:

	2019 Number	2018 Number
<b>Social housing:</b>		
Direct managed	120	120
Long arm commission	1,711	1,461
	<b>1,831</b>	<b>1,581</b>

## 5. Interest and other income

	2019 £	2018 £
Interest receivable and other similar income	10,249	623
Donations	7,287	523
	<b>17,536</b>	<b>1,146</b>

## 6. Operating Surplus

The operating surplus is stated after charging/(crediting):

	2019 £	2018 £
Exceptional costs (note 9)	427,590	-
Depreciation of tangible fixed assets	10,014	7,461
<b>Operating lease rentals:</b>		
• Land and buildings	396,287	286,797
• Vehicles and equipment	57,446	60,604
<b>Auditor's remuneration:</b>		
• Fees payable to Charity's current auditors for the audit of the Financial Statements	20,000	-
• Fees payable to Charity's former auditors for the audit of the Financial Statements	2,400	5,300
• Fees payable to Charity's current auditors for other services:		
Accountancy	2,200	-
• Fees payable to Charity's former auditors for other services:		
Accountancy	120	1,996

## 7. Employees

Average monthly number of employees, including members of the executive team, during the year was as follows:

	2019 FTE	2019 Headcount	2018 FTE	2018 Headcount
Management	8	8	7	7
Administration (including housing staff)	11	14	11	21
Facilities and logistics	2	3	3	5
Site and support staff (including building inspectors)	17	28	17	35
	38	53	38	68

The average number of employees, including members of the executive team, calculated on a full time equivalent (standard working week of 32 hours) was 38 employees (2018 - 38).

Notes to the Financial Statements

For the year ended 31 August 2019

The aggregate remuneration of such employees was as follows:

	2019	2018
	£	£
<b>Employee costs:</b>		
Wages and salaries	710,605	625,446
Social security costs	55,100	37,353
Pension costs	37,857	16,696
	<u>803,562</u>	<u>679,495</u>

There are no employees who received more than £60,000 as their employee package.

**8. Key management personnel**

The aggregate remuneration for key management personnel charged in the year is:

	2019	2018
	£	£
Wages and salaries	220,927	199,460
Social security costs	23,263	11,912
Pension costs	12,073	5,325
	<u>256,263</u>	<u>216,697</u>

The remuneration of the highest paid director, Janine Phillips the managing director, for the year was as follows:

	2019	2018
	£	£
Wages and salaries	54,508	48,888
Social security costs	6,348	5,695
Pension costs	4,200	4,200
	<u>65,056</u>	<u>58,783</u>

The managing director is included in AXA Wealth personal pension scheme and is an ordinary member of the scheme. No enhanced or special terms apply. During the period the total amount contributed to the individual pension arrangement was £4,200 (2018 - £4,200).

During the year the sum of £5,829 was paid to Shaun MacDonald for his employment as a site supervisor (2018: £6,847). The Articles of Association prohibit any payments being made to Trustees, and authorisation for the payments was not obtained from the Charity Commission. Shaun MacDonald resigned as a Trustee on 5 December 2019 but continues to be an employee of the charity.

Notes to the Financial Statements

For the year ended 31 August 2019

9. Exceptional costs

	2019 £
HMRC tax provision	205,898
Correction of petty cash balance	15,431
Staff loan balances (miscoded and previously repaid)	93,772
Loss on disposal of investment assets	7,723
Cyber fraud payments	36,865
Other debtor balance not recoverable	86,703
Brightside debtor (costs previously written off)	(39,370)
Correction of opening trade debtor balance	(13,098)
Deba Estate provision (rent owing)	14,412
Rental property	6,900
Miscellaneous costs	12,355
<b>Total</b>	<u>427,590</u>

The above items relate to the correction of historic balances, mis-coding or other non-recurrent spend and items considered material by nature.

As they do not form part of the operational activity of the charity for the year to 31 August 2019 they have been classified as exceptional items.

10. Tangible fixed assets

	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
<b>Cost</b>				
At 1 September 2018	28,398	3,000	19,633	51,031
Additions	-	-	9,570	9,570
Disposals	(9,560)	(3,000)	(1,477)	(14,037)
At 31 August 2019	18,838	-	27,726	46,564
<b>Depreciation</b>				
At 1 September 2018	13,678	2,831	13,767	30,276
Charge for the year	4,709	-	5,305	10,014
Disposals	(7,059)	(2,831)	-	(9,890)
At 31 August 2019	11,328	-	19,072	30,400
<b>Net book value</b>				
At 31 August 2019	7,510	-	8,654	16,164
At 31 August 2018	14,720	169	5,866	20,755



**11. Debtors**

	2019 £	2018 £ (restated)
Trade debtors	5,403	-
Housing benefit debtor – Direct managed	24,031	37,852
Housing benefit debtor – Long arm commission	630,865	449,964
Housing benefit overpayments due from Long Arm providers	1,402,725	-
Other debtors	76,458	161,497
Prepayments	9,574	7,162
	<u>2,149,056</u>	<u>656,475</u>

**12. Current asset investments**

During the year New Roots Limited purchased a camper van which was then sold at a loss of £7,724 post year end. The investment has subsequently been impaired at the year-end date to match the proceeds received.

Camper van	2019 £	2018 £
Additions	37,856	-
Impairment	(7,724)	-
At 31 August 2019	<u>30,132</u>	<u>-</u>

**13. Creditors: Amounts falling due within one year**

	2019 £	2018 £ (restated)
Trade creditors	2,296,008	2,476,718
Housing benefit creditor – Long arm	536,235	391,722
Housing benefit overpayments	303,689	-
Social security	13,276	12,650
Other creditors	232,835	297
Accruals	52,416	49,699
	<u>3,434,459</u>	<u>2,931,086</u>



## Notes to the Financial Statements

For the year ended 31 August 2019

## 14. Financial instruments

	2019	2018
	£	£
<i>Financial assets</i>		<i>(restated)</i>
Debt instruments measured at amortised cost:		
- Trade debtors	5,403	-
- Housing benefit debtor – Direct managed	24,031	37,852
- Housing benefit debtor – Long arm commission	630,865	449,964
- Housing benefit overpayments	1,402,725	-
- Other Debtors	76,458	
- Prepayments	9,574	161,497
	<u>2,149,056</u>	<u>649,313</u>

	2019	2018
	£	£
<i>Financial liabilities</i>		<i>(restated)</i>
Measured at amortised cost:		
- Trade creditors	2,296,008	2,476,718
- Housing benefit creditor – Long arm	536,235	391,722
- Housing benefit overpayments	303,689	-
- Social security	13,276	12,650
- Other creditors	285,251	297
	<u>3,434,459</u>	<u>2,881,387</u>

## 15. Leases

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

	2019			
	Due within 1 year	Due within 2-5 years	Due over 5 years	Total £
Land and buildings	100,393	136,000	-	236,393
Other	42,117	21,327	-	63,444
	<u>142,510</u>	<u>157,327</u>	<u>-</u>	<u>299,837</u>

	2018			
	<i>(restated)</i>			
	Due within 1 year	Due within 2-5 years	Due over 5 years	Total £
Land and buildings	150,017	219,312	-	369,329
Other	59,417	90,955	-	150,372
	<u>209,434</u>	<u>310,267</u>	<u>-</u>	<u>519,701</u>

**16. Share capital**

New Roots Limited is a Company Limited by Guarantee. No shares have been issued.

**17. Reserves**

The income and expenditure reserve represents cumulative surplus and deficits net of other adjustments.

**18. Related party transactions**

During the year the following transactions took place between related parties:

- Brightside Housing – New Roots Limited received commission income of £42,099 (2018: £41,771) in relation to the long arm properties managed by Brightside Housing. A debtor balance of £18,066 (2018: £6,884) was due and a creditor balance of £23,565 (2018: £23,508) was outstanding as at 31 August 2019, all in relation to housing benefits. An exceptional debtor balance of £44,283 (2018: £nil) in relation to expenses previously incurred on behalf of Brightside Housing was also due as at 31 August 2019. Laurence Mone, a member of the key personnel staff, is a director of Brightside Limited. Laurence Mone is the son of Janine Phillips, Managing Director and brother of Samuel Phillips, a member of the key personnel staff.
- Spitfire Advice & Support Services – New Roots Limited incurred expenditure of £40,000 (2018: £nil) in relation to consultancy services provided by Spitfire Advice & Support Services. There are no debtor or creditor balances due from or owed to Spitfire as at 31 August 2019 (2018: £nil). Ray Goodwin, a Trustee, is the Chief Executive Officer of Spitfire Advice & Support Services.
- Electrixx – New Roots Limited incurred expenditure of £26,832 (2018: £51,140) in relation to electrical repair work undertaken by Electrixx. There are no debtor or creditor balances due from or owed to Electrixx as at 31 August 2019 (2018: £nil). Electrixx is the trading name of Rory Keane, who is the son in law of New Roots Limited Managing Director Janine Philips.
- Little Red Solutions – New Roots Limited incurred expenditure of £21,780 (2018: £9,720) in relation to consultancy services provided by Little Red Solutions. There are no debtor or creditor balances due from or owed to Little Red Solutions as at 31 August 2019 (2018: £nil). Little Red solutions is the trading name of Alex Keane, who is the daughter of New Roots Limited Managing Director Janine Philips.
- During the year, a motor home was purchased at a cost of £36,500 from the previous spouse of Managing Director, Janine Phillips. This was sold post year end privately, incurring a loss on disposal of £7,723.
- During the year 1 member of staff (2018: 1 member of staff) who were related to Trustees received remuneration (including employer pension contributions / NICs) of £28,752 (2018: £15,003) under normal contracts of employment for their role as Compliance Manager.

Notes to the Financial Statements

For the year ended 31 August 2019

- During the year 1 (2018: 1) trustee was also a tenant. Housing Benefit (received directly by the charity) of £47,840 was received (2018: £47,467). No private rents from trustee tenants were received / receivable during the period.

19. Prior year adjustment

The prior year adjustment relates to the restatement of income received on behalf of long arm landlords which had previously been accounted for as New Roots Limited income. Following a review of the management agreements in place, this was incorrect. New Roots Limited acts as agent to receive housing benefits on behalf of such providers, retaining a commission of 15% as income. The financial statements have been restated to reflect the 15% commission income with all other transactions for rental income and payments made to long arm landlords being accounted for within the balance sheet.

	Original 2018 £	2017 Prior year adjustment £	2018 Prior year adjustment £	Restated 2018 £
<b>Statement of Financial Position:</b>				
Trade creditors	2,725,454	70,760	(319,496)	2,476,718
Housing benefit creditor – Long arm	-	212,612	179,110	391,722
	<u>2,725,454</u>	<u>283,372</u>	<u>(140,386)</u>	<u>2,868,440</u>
<b>Reserves:</b>				
Unrestricted reserves	<u>1,619,490</u>	<u>(283,372)</u>	<u>140,386</u>	<u>1,476,504</u>
<b>Statement of Total Comprehensive Income:</b>				
Income	12,229,506		(9,601,574)	2,627,932
Expenditure	<u>(11,251,474)</u>		<u>9,741,960</u>	<u>(1,509,514)</u>
	<u>978,032</u>		<u>140,386</u>	<u>1,118,418</u>

20. Events after the end of the period

A forensic accountant and Trident Tax specialists were commissioned to understand the issues within the financial accounts and to advise New Roots on the calculation and provision for the HMRC liability and possible penalties relating to the unpaid employer tax and national insurance. A report from Trident Tax has been produced and used to provide the basis for the provision (see note 9).

During March 2020, the UK entered into lockdown as a result of the impact of Coronavirus, which had been declared a global pandemic.

As at the date of signing the financial statements, New Roots Limited had invested in equipment and systems to ensure staff were able to perform their duties remotely and that our residents continued to receive a quality service. 3 members of staff were placed on furlough. Due to the nature of the service provided by New Roots Limited and the sources of income received, there has been no impact on the turnover or operations of the charity.



**New Roots Limited**

**Notes to the Financial Statements**

**For the year ended 31 August 2019**

After the year end, the serious financial management issues identified by the forensic accountant were reported to both the Charity Commission and the Regulator of Social Housing, which now form part of on-going investigations.