Peterborough Diocese Education Trust
Board of Directors
Minutes of the Meeting held on 17th December 2019, 6.00pm
The Business Exchange
Rockingham Rd, Kettering NN16 8JX

Attendance Key:
✓ = present; A = apologies received and accepted; ApN = apologies received but not accepted; Ab = absent; R = resigned

Name	Committee Member Category	24/09/19	26/11/19	17/12/19	28/01/20	24/03/20	19/05/20	14/07/20
Cathy Armstrong (CA)	Director	✓	✓	✓				
Kevin Binley (KB)	Director	**A**	✓	✓				
Peter Cantley (PC)	Director	✓	✓	✓				
Greg Cracknell (GC)	Director	**A**	✓	✓				
Margaret Holman (MH)	Director and Chair of the Board	✓	✓	✓				
Duncan Mills (DM)	Director/CEO	✓	✓	✓				
Natalie Howes (NH)	Director (Appointed 26/9/19)		✓	✓				
Andrew Scarborough (AS)	Director (Appointed 26/9/19)		✓	**A**				
Dr Gordon Temple (GT)	Director	✓	✓	✓				
Andrew Weatherill (AW)	Director	**A**	**A**	✓				
Attendance %: this meeting		62.5%	90%	90%				
Attendance %: year to date		62.5%	82%	82%				

In attendance:
Helen Buckley, (HB) Director/ Legal Advisor and Governance, Admissions and Safeguarding Lead, PDET
Kirstin Howarth, (KW) Headteacher Representative PDET, Executive Headteacher, Isham CE Primary and Weldon CE
Lee Hughes, Director Business & Finance, PDET
Ruth Walker-Green, (RWG) Director of Learning and Achievement, PDET
Maxine Ward, (MW) – Independent Clerk and Governance Professional, Hallam Learning Consultancy Ltd,
Mohamed Mavani, Partner, Moore Auditors, Peterborough
Colleague: Andrew Leighton, Moore Auditors, Peterborough

1. WELCOME AND PROCEDURAL

1.1 The Chair welcomed everyone to the meeting including Mohamed Mavani and his Colleague from Moore UK Auditors.

1.2 GC led the opening prayer

1.3 Apologies were received from Andrew Scarborough who had a prior commitment.

1.4 There were no declarations of interest.

2. AUDITORS' REPORT ON THE ACCOUNTS

This was a single item agenda for the Board to receive and approve the Annual Accounts and Financial Statements and the Management Letter/Completion Report.

The Business & Finance (B&F) Committee had met immediately prior to this Board meeting and reviewed the financial statements and completion report in detail and were able to recommend the 2018/19 Financial Statements and Completion to the Board for approval. The figures had not changed since the draft reports were presented and scrutinised in depth at the B&F Committee on 2 December 2019. Given this detailed scrutiny on behalf of the Board, the Directors' key areas of concern were to satisfy themselves that:

- PDET continued as a 'Going Concern'
- Pension adjustments and the actuarial adjustments were appropriate and in line with sector norms
- Systems and processes would be improved during the current year so that the recommendations in the Audit Completion Report would be addressed and not repeated
- The Financial Statements and External Audit Completion report could be approved for submission to the ESFA and Companies House.

Mohamed Mavani, Partner at Moore, presented the Financial Statements and explained that they had been drawn up in accordance with the Academy Accounts Direction (AAD) 2018/19 and they were in a position to be signed off by the Board.

The Year closed with the Trust posting Unrestricted Funds of £3.6m, though underlying profitability was flat.

MM referred to the Audit Completion Report and presented the Summary of Adjusted and Unadjusted Audit Differences. These had been reviewed by the B&F Committee. MM explained the Adjusted Misstatements which reflected a surplus in management accounts of £1.05m, but after adjustments, the net movement in funds was a deficit of £4.2m.

Of particular note were the adjustments to the Pension Liability and this was discussed in depth. (See below)

Several items for adjustment had related to the conversion of St Mary's Academy. It was different to the previous conversions to PDET as it was an existing Academy Trust, where all other conversions had been from local authority maintained schools. St Mary's had continued to post transactions on FMS (the former system) throughout the year and this had exacerbated problems with allocations to the correct cost centres.

It was noted that Freemans was also an existing Academy Trust when it transferred to PDET in November 2019 but the Directors received assurance that lessons had been learned from St Mary's conversion and the transactions from Freemans' conversion would be entered correctly in the current year's accounts.

Directors asked for confirmation about the legality of the transfer of money from reserves for capital projects that had initially been posted to revenue expenditure by some schools. MM confirmed that there was supporting evidence to justify the transfer and the transactions would have been below the materiality threshold.

Referring to the Financial Statements it was highlighted that total income in the period had increased from £20.4m in 2018 to £25.8m in 2019. These figures were not directly comparable as 5 schools had joined the Trust during the year. Expenditure had increased from £20.6M to £26.8m in the same period but a significant portion of this represented the actuarial loss £3.2m on the pension scheme. Net assets excluding pensions had increased from £5.4m in 2018 to £6.6m in 2019.

The total defined pension scheme liability had increased from £5.8m in 2018 to £11.3m in 2019. MM emphasised that this would only become a 'real' liability if the Trust closed. Directors should however satisfy themselves that it was correct.

The increase in debtors was noted from £587k in 2018 to £1.01m in 2019. MM referred Directors to Note 14 that showed an increase in VAT of approximately £200k and an increase in prepayments of approximately £220K. It was explained that this reflected the increase in the number of schools and better recording of pre-payments.

A Director commented that**:** 'At face value the deficit (£4.6m) is huge', there is nothing that stands out to suggest that the organisation is operationally viable.

MM focused Directors' attention to paragraph 1.2 on page 27, 'Going Concern' and the Auditors' Conclusions relating to going concern on page 18.

LH had also presented a paper reflecting Going Concern which was considered by the B&F Committee. This addressed the accounting principles and that Directors should consider whether the Trust could continue its operations and meet liabilities as they fall due for a nominal period of 12 months. The paper considered Liquidity, Solvency and Profitability and concluded that Directors should consider the Trust as a 'Going Concern' and accept the accounts. (There was a request that in future, such papers be dated and include the name of the author.) The B&F Committee had considered these matters and recommended that the Board confirmed that the Trust continued as a Going Concern.

Attention was drawn again to the annual actuarial pension loss of £3.2m which MM said arguably presented a distorted picture. The cashflow statement on page 26 presented a more useful picture of the health of the Trust. 2018 closed with a value of £4.1m, but the closing cash position at the end of 2019 was £5.3m million.

Further discussion continued about the pension liability. Directors again considered the defined benefit scheme liability which showed an increase from £5.8m in 2018 to £11.3m in 2019, an increase of approximately £6m. This was explained in detail in Note 19. Directors asked how they could be sure that appropriate discount rates had been applied.

This risk was addressed in the Significant Risks in the Audit Completion Report. MM explained that work was undertaken to compare actuarial adjustments for different academies to make sure that discount rates and inflation were consistent in the sector. He said that there are bands of discount rates from 1.8% to 2.1%. At 1.9%, the rate applied, it was towards the most prudent in the range.

Note 7 (Page 33) was amended following an earlier request by the B&F Committee to better reflect the figures that affect the pension. The Current Service Cost, £934k and Past Service Cost £84K were explained in more detail. LH had provided a note following the meeting on 2 December 2019 and explained the detail required by FRS17.

Directors then reviewed Note 17 in the Financial Statements which provided a breakdown of expenditure by each academy. Work was being completed by the Central Team to improve systems and procedures to get the position where regular 'month-ends' were completed with an interim audit so that when accounts were closed at the end of 2019/20, an accurate position would be reported without the need for adjustments.

The Directors then considered the Audit Completion Report. MM referred Directors to each of the sections in the Report and explained their purpose.

Section1 set out the 'rules' of the audit. The work of LH and Lynn Mulroy had been acknowledged. It was noted that LH did not join PDET until 1 October, after the financial year end.

Section 2 covered Key Reporting Matters. MM assured the Board that the comments under the Readiness for Audit Section (Page 5) were not a reflection on LH and the Central Team, the response to audit queries by LH and his team was positive and they were dealt with appropriately.

MM confirmed that everything was in order under the qualitative aspects of accounting practices and financial reporting.

Directors reviewed Section3, the Significant Risks and Audit Approach. MM explained that the potential tax liability for lettings at Oundle CE Primary School identified in the draft statements had been reviewed and was confirmed to be under the threshold so there was no outstanding tax liability.

Directors queried whether the level of significant risks was higher than usual for the academy sector. MM explained that most risks applied to all academies. On Page 8, the land and buildings ownership were specific to PDET and the rest on page 9, apart from the prepayments and accruals were specific to PDET.

There were no significant concerns arising out of the audit risks.

Section 5 covered recommendations which required management action. These had been graded 1, 2 or 3 with 1 being a major issue, 2 important issues and 3 problem of a more minor nature. Directors noted that five recommendations were identified, all grade 2. Three of the recommendations, Readiness for Audit, School Fund Accounts and the Fixed Asset Register had been carried forward from previous years.

Directors noted the management responses and that the issues were already being addressed. Progress had been made against all recommendations, particularly those identified in previous years.

It was noted that staff working patterns contributed to audit readiness and this had limited completion of some of the pre-audit instructions. LH would be addressing this and the introduction of an interim audit in March/April would minimise problems occurring in future.

DIRECTORS RECEIVED ASSURANCE THAT THE ORGANISATION WAS A GOING CONCERN, AND THAT THE PENSION ADJUSTMENTS AND LIABILITIES WERE IN LINE WITH SECTOR NORMS. THEY HAD RECEIVED ASSURANCE THAT SYSTEMS WOULD BE IMPROVED SO THAT FEWER ADJUSTMENTS WOULD BE NEEDED IN 2019/20 AND APPROVED THE FINANCAL STATEMENTS AND AUDIT COMPLETION REPORT FOR 2018/19.

There were a small number of minor amendments to the narrative text that Directors then clarified with MM and it was agreed that LH would oversee these amendments.

Subject to these minor changes:

The Board approved the 2018/19 Financial Statements and Accounts and it was agreed the relevant sections could be signed by MH as Chair and DM as Accounting Officer once the minor changes were complete.

3. Dates of future Meetings

28.1.20	24.3.20	19.5.20(6-8pm)	14.7.20

All at The Business Exchange Kettering at 2pm apart from 19 May 2020 at 6pm.

There being no further business, the meeting concluded at 7.30 pm

Chair ____

Date ____