



Education & Skills  
Funding Agency

# **Investigation report:**

**The Dunham Trust**

**October 2020**

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## Glossary

<b>Title</b>	<b>Name of individual</b>
Chair of Trustees to September 2019	Paul Reilly
Former Accounting Officer (AO) (AFH term) / Former Chief Executive Officer (CEO) to April 2019	Jo Appleyard
Current Interim Accounting Officer (AO) (AFH term) / Chief Executive Officer (CEO) from November 2018	Jayne Carmichael
Former Chief Financial Officer (CFO) (AFH term) to June 2018	Lee Kaufman
Current Chief Financial Officer (CFO) (AFH term) from June 2018	Nicola Toop
Executive Principal from July 2017	Simon Beswick
Former Trustee to June 2019 and Chair of Local Governing Body (LGB) at Lime Tree Primary Academy to July 2019	Philip Welch

## Executive summary

1. In June 2019 the Education and Skills Funding Agency (ESFA) received allegations around financial management, regularity and personnel issues at the Dunham Trust (the trust). The allegations centred around unauthorised expenditure and the circumstances associated with a number of staff leaving the trust. Additionally, a number of regularity issues were raised by the external auditors in the 2017/18 management letter. Consequently, an ESFA investigations team visited the trust between 9 and 23 July 2019.

2. The investigation established a lack of oversight by the Board of Trustees covering trust financial operations and staff performance management. It identified incorrect use of public funds and internal control weaknesses. Breaches of the Academies Financial Handbook (AFH) 2018, and earlier versions where applicable, occurred. Key findings include:

- a) governance and financial oversight concerns were identified during the investigation which breached the AFH, including:
  - a lack of separation between members and trustees as all members were also trustees (Breach of AFH 1.4.4)
  - the Board of Trustees failed to take full ownership of their duties and display the highest standards of governance (Breach of AFH 1.3.3)
  - the Chair of Trustees failed to ensure the effective functioning of the Board of Trustees (Breach of AFH 1.3.5)
  - efforts to assure skills and experience required by trustees and identify gaps were sporadic and insufficient (Breach of AFH 1.3.10)
  - historically weak procurement policy, updated in 2018 with inconsistent adherence by staff to demonstrate value for money considerations and probity in spending public funds (Breach of AFH 2.4.1)
- b) failure to maintain robust oversight and take responsibility for its financial affairs (Breach of AFH 2.1)
- c) the trust spent £1,100 on 2 teachers from the Lime Tree Primary Academy to attend a study tour in Amman, Jordan. There was an absence of records to show justification, consideration of value for money and a clear policy. The Board of Trustees were unaware of the trip at the time and the Chair of Trustees agreed this expenditure was not appropriate. This transaction constitutes incorrect use of public funds (Breach of AFH 2.1.1, 2.4.1, 3.3.1)

- d) between September 2017 and August 2018, the trust incurred £519 on 13 transactions, primarily to purchase flowers for staff. The trust's auditors raised concerns and again there was an absence of clear documentation, approval and policy regarding these items which the ESFA considers as contentious. Hence these transactions constitute incorrect use of public funds (Breach of AFH 2.1.1, 2.4.1)
- e) the investigation identified, from records and discussion with senior management, 6 instances of staff leaving during 2017/18, with payments in lieu of contractual notice amounting to £23,799. However, on examination, the circumstances and justification of their departure were unclear as the trust were unable to provide adequate records. Hence the reason for each departure and entitlement to settlement could not be scrutinised. The Board of Trustees were also unaware and not involved in the process for the payments (Breach of AFH 1.5.13, 2.1.8 & 2.2.4)
- f) Philip Welch was a trustee from October 2018 to June 2019 during which period he continued to provide a web hosting service and associated work to the trust. This service first commenced in 2017 when he was a local governor at Lime Tree Primary Academy. Whilst there was a process undertaken to obtain a range of quotes for services there was an absence of decision-making rationale from the Board of Trustees. There was no formal contract for the services provided by Mr Welch prior to or during his tenure as a trustee. Mr Welch resigned as a trustee as he was unable to provide the services in compliance with the AFH "at cost" policy (Breach of AFH 3.10.1)

## Background

3. The Dunham Trust (company no 08120128) is a Multi Academy Trust (MAT) and was incorporated on 26 June 2012 as the Elmridge Academy Trust and became Dunham Trust on 4 December 2013. The trust currently comprises of 5 primary academies in the North West of England: Elmridge Primary School, Acre Hall Primary School, Lime Tree Primary Academy, The Orchards Special School and Barton Clough Primary School.

4. The number of pupils on record is currently 1,256 across the 5 academies of which one school is a special free school consisting of 36 pupils. All schools are within the 2/3 – 11 years age range.

5. The last Ofsted inspection for Acre Hall was in December 2018, which gave the rating of good. Although not recent, the last Ofsted rating for Elmridge Primary School in 2007, and Lime Tree Primary Academy in 2013, was Outstanding. Barton Clough Primary School was judged as inadequate in January 2017 before joining the Dunham Trust. Since the time of the ESFA investigation the Orchards Special School received an Ofsted rating of Good in July 2019 after opening in September 2016.

6. The trust 2017/18 financial statements confirm the academy's annual revenue income is £7.1 million of which £4.8 million is general annual grant (GAG) funding received from the ESFA. The cumulative revenue reserves as at 31 August 2017 were £478,000 and £183,000 as at 31 August 2018, confirming an in-year 2017/18 deficit of (£295,000) of which £158,000 resulted from an unavoidable ill-health early retirement liability. Latest management accounts for 2018/19 show the trust forecasting an in-year surplus of £82,000 and cumulative revenue reserves as at 31 August 2019 of £265,000. The forecasted surplus is based on savings made by a reduction in the number of staff in the senior leadership team and also from greater scrutiny of budgets and spending, using full accruals-based accounting on a monthly basis. Staff absence has also been reduced leading to savings. The trust is also looking to make future savings from economies of scale by reviewing and improving their contracts and procurement process.

7. The governance structure at the trust comprises 3 primary layers: the Members, the Board of Trustees and the Senior Management Team. The Board of Trustees (the board) delegate decision making to a Senior Executive Team, Head Teachers and Local Governing Bodies as per the scheme of delegation. There is an audit committee at trust level with resources and teaching and learning committees at local level.

8. The trust had a School Resource Management Adviser (SRMA) visit in March 2019. The SRMA report highlighted potential trust savings of around £100,000. The main recommendation being to scale back central services costs whilst addressing the leadership and central services structure that the trust wish to put in place moving forward.

9. The trust was also subject to a National Governors Association (NGA) review in July 2019 which was recommended by the Regional Schools Commissioner (RSC). The main recommendations were to ensure separation between the levels of governance, to set a clear strategic direction and finally, to ensure the board stabilise the central team and provide clarity about financial responsibilities in the scheme of delegation.

10. The RSC's office facilitated assistance to the board from two regional education advisers in an interim capacity.

11. The ESFA wrote to the trust on 25 June 2019 following receipt of a range of anonymous allegations regarding financial and governance issues. As a result, an ESFA investigation team visited the trust between 9 and 23 July 2019.

## Objectives and scope

12. The objective of this investigation was to establish whether the concerns received by the ESFA were evidence based and in doing so, identify whether any non-compliance or irregularity had occurred with regard to the use of public funds.

13. The scope of the investigation work included the following areas:

- review of relevant documentation, including governing body minutes and supporting policies
- testing of financial management information, specifically in relation to the allegations received
- interviews with key staff and trustees

14. In accordance with ESFA investigation publishing policy (November 2019) the relevant contents of the report have been cleared for factual accuracy with the Dunham Trust.



# Findings

## Governance

15. To date all 3 members have also been trustees. The trust is non-compliant with AFH guidance which states the DfE's strong preference is for a majority of members to be independent of the board.

16. Trustees failed to always apply the highest standards of governance and take full ownership of their duties. By their own admission there were a number of reasons for these failings, including a lack of understanding of their role and a lack of engagement due to other business commitments. Records show poor attendance at trustee meetings has been a consistent problem for several years, with decisions often being deferred due to the absence of trustees. Assurances have since been received from key trustees that changes have and will be made to address this. These failings constitute a breach of the AFH 2018 (s 1.3).

17. An absence of robust governance and leadership from the board, particularly in empowering and supporting the interim CEO and CFO, was discovered during discussions with the Chair of Trustees (the chair) and members of the senior leadership team (SLT). Cohesion within the trust appeared strained with a blurring of individual remits, roles and responsibilities. Clear direction, empowerment of the interim CEO and CFO and effective communication by the board would have improved the running of the trust.

18. Review of board minutes, discussions with senior trust staff and the chair himself, highlighted the chair failed to ensure the effective functioning of the board at a time of challenge for the trust, with difficulties relating to expansion and the unexpected loss of the former CEO. This is a breach of the AFH 2018 (s 1.3).

19. During the period under review each iteration of the AFH has required trusts to establish a committee, independent of the main board, to provide objective assurance to the board of effective internal scrutiny. Whilst the audit function can be included in the function of another committee it should be independent of the trustees. The trust only implemented an audit committee in October 2018 on the recommendation of the CFO. The audit committee function had not previously been conducted by another trust committee separate from the main board. This is a breach of the AFH 2016 (s 2.4), AFH 2017 (s 2.4) and AFH 2018 (s 2.9).

20. The board currently has only one qualified accountant and 5 trustees in total. An audit of trustee skills was conducted in 2017 but the response was partial. A number of training events were held for trustees during 2017 and 2018, however, attendance was generally very poor. The board should consider whether the range of skills, currently provided by trustees, combined with the sporadic nature of attendance at meetings is sufficient to provide effective governance.

21. The board have failed to maintain robust oversight of the academy trust through a combination of not previously having an audit committee, poor attendance and engagement of trustees, an insufficiently resourced finance function and an absence of independence between members and trustees. This is a breach of the AFH 2018 (s 2.1).

## **Incorrect Use of Public Funds**

22. In March 2018 2 teachers from Lime Tree Primary Academy participated in the Jordan Study Tour 2018 at a cost to the trust of £1100. The teachers self-funded their accommodation and travel. The trust paid for the training package for the week which incorporated attendance at the Compassion Summit in Amman hosted by the American Community School. The providers of the tour were two individuals via their company [REDACTED] [REDACTED]. They had previously provided coaching and mentoring to senior members of the trust and regularly provided one-to-one coaching to the Executive Principal.

23. The trust was unable to provide a clear documentary record of the evaluation and value for money assessment of the attendance on the study tour. Instead, the Head of Lime Tree Primary Academy provided some promotional literature and self-generated biographies of the two individuals behind [REDACTED] [REDACTED]. The circumstances of authorisation for the expenditure were unclear, disputed and potentially contentious. The Executive Principal stated that he authorised the expenditure, which he had authority to do under the Scheme of Delegation and that the former CEO / AO, was in agreement. The ESFA subsequently contacted the former CEO / AO who denied this. Payment was processed through Lime Tree Primary Academy. There was no evidence of consideration of alternatives available. Benefits to the trust of attendance were indistinct.

24. The chair confirmed the board were unaware at the time of the tour and of the cost to the trust. He also stated he did not consider the expenditure to be appropriate.

25. The trust external auditors in their 2017/18 management letter raised an issue regarding the purchase of flowers for staff and the payment of a parking fine using academy funds. The investigation identified transactions to the value of £479 across 3 schools between September 2017 and August 2018 purchasing flowers. The chair confirmed it was not trust policy for flowers or other gifts to be purchased from school funds and all such purchases had ceased. It was also identified that trust financial regulations at the time should have been clearer in prohibiting such items which may be deemed contentious.

26. The investigation confirmed that a parking charge notice was incurred by a staff member at Lime Tree Primary Academy in September 2017 whilst attending a safeguarding meeting in Wythenshawe. Payment of the charge, amounting to £40, was

authorised by the Executive Principal. He disputes having been being informed at the time, by a member of staff that it may be outside of HMRC guidelines and the impending Trust expense policy.

27. The findings above confirm the trust breached the AFH 2018 (s 1.3, 2.1 and 2.4) relating to the requirement for trustees and management to maintain robust oversight. Specifically, a lack of clear documentation to confirm VFM, authorisation and policy around items that could be deemed contentious. The trust must be able to show that public funds have been used as intended by Parliament. Trustees must exercise the highest standards of governance and exercise reasonable care, skill and diligence when conducting their duties.

## Staff Payments

28. The investigation looked at 15 payments to staff leaving the trust for a number of cited reasons over 3 years: 2016/17, 2017/18 and 2018/19. During this period payments overall totalled £153,758. The trust was unable to provide a policy in relation to authorising severance for this period. Although the majority of payments were recorded as payments in lieu of notice, the investigation was not able to confirm the existence of formal board approval or documented business cases for any of the payments made. The board were mainly unaware of any of these processes and only became involved when the new scheme of delegation, implemented by the current CFO, necessitated their approval of a £25,000 payment.

29. Of particular concern were the circumstances in which up to 6 members of staff left the trust during 2017/18, with payments in lieu of contractual notice amounting to £23,799. Review of trust documentation confirmed all had left following investigations into concerns initially of a safeguarding nature, although only 3 were clearly declared as safeguarding issues by the then externally provided HR adviser, who coordinated the process. It was established all had been the subject of disciplinary interviews with the Executive Principal as the Investigating Officer. Whilst there are records of the interviews for each member of staff, the documenting of the disciplinary / investigation process was incomplete as there were no documented findings and outcomes available. In addition, the trust was unable to provide any detailed policy or procedures surrounding this type of disciplinary.

30. Consequently, the ESFA investigation team were unable to ascertain whether the departure of each staff member and the related payment made to each was justified. Furthermore, each individual received an agreed reference on leaving, stating there was no reason they could not work with children. The Executive Principal was unable to provide documentary records of his investigation findings but stated he had received advice from the Local Authority Designated Officer. The Executive Principal stated the former CEO / AO and the board, to some extent, were aware of the issues although all members of the board interviewed denied having any knowledge of payments being

made and only the chair said that he had any knowledge of the safeguarding issue. A subsequent independent investigation of the process, conducted after the ESFA investigation, eventually confirmed there was “no evidence that the 6 ex-employees presented a safeguarding concern”. The investigation also found, “records in relation to the investigations have been sparse and difficult to obtain”.

31. The findings above relating to staff payments represent breaches of the AFH 2016 (s 1.5, 2.3 and 3.1), AFH 2017 (1.4, 1.5, 2.1 and 3.1) and AFH 2018 (s 1.3, 2.1 and 2.2) relating to the need of the trust to exercise proper stewardship of public funds, regularity and the absence of effective internal controls. The trustees, Accounting Officer and trust senior management failed to properly control financial affairs and did not display sufficient care and due diligence.

## Related Party Transactions

32. Philip Welch was a member of the Lime Tree Primary Academy Local Governing Board prior to becoming a trustee in October 2018. Although records were limited, the interim AO and CFO confirmed that Mr Welch commenced work for the trust, providing web hosting and associated services, in 2017. There was no contract for his work and nothing to confirm the services were delivered at cost under an open book agreement during the period in which he was a trustee, although it was noted that the board believed the costs to represent value for money. Trust emails discussing the situation, including input from Mr Welch were reviewed by the ESFA team and confirmed the services were not at cost from October 2018. For 2017/18 Mr Welch received £3,377 for services provided. A range of quotes, including from Mr Welch were collated by the former Communications Manager, but the board minutes reviewed by ESFA did not evidence any scrutiny or decision-making regarding Mr Welch’s services. The trust finance policy at the time did not detail a clear procurement process beyond routine purchasing.

33. When he became a trustee in October 2018, Mr Welch continued to provide the same service. There was no documented board review or discussion at the time, around the management of this related party transaction or that the transaction must now be at cost. The issue was identified and raised by the current CFO following her appointment as CFO. She advised the board that the existing arrangement was in breach of the AFH and payment could not be made to Mr Welch due to his services not being provided at cost.

34. The board were robust in requiring Mr Welch to provide his services at cost. Mr Welch resigned as a trustee in June 2019 and subsequently submitted an invoice in advance of work totalling £2,950 for the following year. In addition, review of trust board minutes shows no declarations made by Mr Welch regarding this interest, during the standing declarations item, at any board meeting he attended as a trustee between October 2018 and March 2019. Mr Welch made a declaration at the meeting in April

2019 when his provision of services was, in itself, an agenda point. He had previously registered his pecuniary interest centrally via the “Governorhub” system.

35. The findings regarding the related party transactions with Mr Welch are breaches by the trust of the AFH 2018 (s 3.10) which requires the trust to undertake an open and fair procurement process for services from a related party. Any such services must be provided at cost and must be declared by the individual concerned. There was only an unsigned contract relating to Mr Welch and trust records were insufficient.

36. The investigation identified failings around the procurement and contracting of consultancy services provided in preceding years with Michael Appleyard, who was the husband of the Accounting Officer in post at the time. Minutes indicate Mr Appleyard was providing consultancy services to the trust in 2013, however, records were only available back to 2014. Between 2014 and 2017 Mr Appleyard received £40,877 for his work. The trust was unable to provide any contract covering these services or other documentation confirming services were at cost and under an open book agreement. There was also no evidence of a formal procurement exercise for services provided by Mr Appleyard. This is a breach of the AFH 2014, 2015 and 2016 (s 3.2) regarding trading with connected parties.

## Procurement

37. The investigation found there had been iterations of a trust procurement policy, most recently updated in 2018, but adherence to it by staff was inconsistent. The earlier procurement policy was rudimentary and lacked detail particularly in relation to authorisation, tender procedures and processing of records. There was an absence of evidence found by the investigation to demonstrate appropriate consideration of value for money by staff or robust scrutiny of procurement by the board.

38. The investigation identified a number of transactions had been conducted in preceding years with Michael Appleyard and [REDACTED] [REDACTED] for educational consultancy and legal services respectively.

39. Through discussion with the chair, senior management and 2 of the trustees it was established that [REDACTED] [REDACTED] have been the appointed trust legal advisors, engaged on a non-retained status and providing advice on request, since the establishment of the trust in 2013. Evidence of the current annual engagement letter was viewed but not for preceding years. The minutes reviewed by ESFA did not show discussion or review of the arrangements with [REDACTED] [REDACTED]. The only records available show payments for legal services totalling £22,632 for 2017/18.

40. In relation to procurement of services from [REDACTED] [REDACTED], Mr Appleyard and Mr Welch (Former Trustee) the review found records to be limited. There were no records of formal procurement processes having been conducted, in relation to Mr Appleyard. The investigation was unable to confirm a formal examination of value for

money for the services provided in each case. During interview the chair stated that, at the time in 2013, [REDACTED] were one of only a limited number of specialist advisers available to academies. The AFH requires the trust show spending has been for the purpose intended and there is probity in the use of public funds. The inability to demonstrate a fair and transparent procurement process had been followed is a breach of the AFH 2018 (s2.4). Previously, AFH 2015 (s3.1), AFH 2016 (s 3.1) and AFH 2017 (s3.1). The use of a procurement process is especially important when transacting with related / connected parties.

## Conclusion

41. Following receipt of allegations relating to financial management, regularity and personnel issues at The Dunham Trust an investigation visit was undertaken by the ESFA to review trust arrangements. Our work on site and the evidence considered and documented has upheld a number of those concerns and identified additional concerns relating to oversight and governance.

42. There was a lack of governance and board oversight regarding trust financial operations and management of the trust.

43. The investigation identified a number of contentious transactions amounting to a total expenditure of £1,619 which was considered incorrect use of public funds.

44. The circumstances surrounding the departure of 6 members of staff and the correctness of the payments made to them together with positive references, were poorly documented and recorded so as to be unclear, initially, as to whether they were justified.



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