



## Investigation Outcome report

### Provider: Hull Collaborative Academy Trust

#### Background

In 2024, the Education and Skills Funding Agency (ESFA) commenced an investigation into alleged financial irregularities at Hull Collaborative Academy Trust (HCAT/the trust). The concerns involved:

- Recruitment processes and pay,
- Related party payments,
- Related organisations,
- Travel and hotel expenditure,
- Procurement of IT equipment and
- Governance.

The Education and Skills Funding Agency became part of the Department for Education in April 2025.

#### Outcomes of the investigation

The outcomes of the investigation were:

- The investigation found recruitment processes lacked sufficient formality, transparency and fairness. Advertising of posts was inadequate, and conflicts of interest were not effectively managed.
- The trust made payments to connected individuals and organisations without sufficient procurement controls, documentation or proper disclosure to the ESFA/DfE or within internal governance and scrutiny arrangements. In addition, conflicts of interest were not always appropriately managed.
- Financial dealings with related organisations showed weak controls, limited documentation, and inadequate separation between the trust and associated entities.
- Several overseas trips were undertaken by senior trust staff with limited documentation, unclear processes for approval of expenditure, and insufficient management of associated conflicts of interest.

- Weak controls over IT procurement were identified.
- Systemic weaknesses in HCAT’s governance arrangements were identified. This included inconsistent governance oversight and a failure to ensure value for money for the trust.

The following breaches of the Academy Trust Handbook (ATH) (formerly the Academy Financial Handbook (AFH)) were identified:

Framework	Breach	Issue
<p>Non-compliance with mandatory AFH/ATH requirements from 2017</p> <p><a href="#">*As per the ATH 2024</a></p>	<p>1.43 – The trust must be transparent with its governance arrangements.</p>	<p>Being transparent about trust governance:</p> <p>The trust was not transparent in relation to certain recruitment processes. Files reviewed for 7 employees showed they had familial or other close connection to the trust. In 5 cases, concerns were identified around weaknesses in the recruitment process, including transparency and fairness.</p> <p>The trust was not transparent regarding its related party/connected party transactions.</p> <p>The involvement of connected organisations in funding overseas travel for senior staff, without appropriate management of resulting conflicts, was not consistent with expected standards of transparency and propriety. (See 5.36)</p>
<p>Non-compliance with mandatory AFH/ATH requirements from 2017</p>	<p>1.45 - The trust must keep a register of relevant business and financial interests for members, trustees, local</p>	<p>Register of interests:</p> <p>The trust did not keep a register of relevant business and financial interests for members,</p>

Framework	Breach	Issue
* <a href="#">As per the ATH 2024</a>	governors, and senior employees from the past 12 months.	trustees, local governors and senior employees.
Non-compliance with mandatory AFH/ATH requirements from 2017 * <a href="#">As per the ATH 2024</a>	1.47 - The register must record relevant interests arising from close family relationships involving members, trustees, local governors, and employees.	Register of interests:  The trust did not keep a register that identified relevant interests from close family relationships between the trust's members, trustees or local governors.
Non-compliance with mandatory AFH/ATH requirements from 2017 * <a href="#">As per the ATH 2024</a>	1.48 – The trust should record any additional interests where appropriate, and keep the register up to date at all times.	Register of interests:  The trust's board of trustees did not keep their register of interests up-to-date at all times.
Non-compliance with mandatory AFH/ATH requirements from 2016 * <a href="#">As per the ATH 2024</a>	2.24 - The academy trust must be able to show that public funds have been used as intended by Parliament.	Procurement and spending decisions:  The trust was not able to show that public funds were used as intended by Parliament.
Non-compliance with mandatory AFH/ATH requirements from 2016 * <a href="#">As per the ATH 2024</a>	2.25 - The academy trust must ensure spending is proper, delivers value for money, follows delegated authority and competitive procurement rules, complies with relevant regulations, and that it seeks professional advice where needed.	Procurement basics:  The trust failed to demonstrate propriety in the use of public funds in relation to actual or perceived conflicts of interest and that spending decisions always represented value for money.

Framework	Breach	Issue
<p>(Continued) Non-compliance with mandatory AFH/ATH requirements from 2016</p> <p><a href="#">*As per the ATH 2024</a></p>	<p>2.25 - The academy trust must ensure spending is proper, delivers value for money, follows delegated authority and competitive procurement rules, complies with relevant regulations, and that it seeks professional advice where needed.</p>	<p>It was identified that several transactions with connected individuals and organisations lacked value for money justification, or were approved without adequate oversight, resulting in breaches of trust policy, statutory expectations, and ATH requirements in relation to procurement and record keeping. The total identifiable value of these transactions was £9,347 (based on the evidence available).</p> <p>In addition, a review of financial dealings with related organisations including a teaching school entity and a restorative practice company identified missing evidence of procurement, incomplete records and unclear cost allocations. The total identifiable value of these dealings was £404,861 (based on the evidence available).</p> <p>In 2024-25 the trust undertook IT device procurement which included a £69,120 tender. Conflicts were not adequately managed, and procurement records were not retained. (see 5.6)</p>

Framework	Breach	Issue
<p>Non-compliance with mandatory AFH/ATH requirements from 2017</p> <p><a href="#">*As per the ATH 2024</a></p>	<p>5.6 - Novel, contentious, or repercussive transactions must be approved by ESFA in advance. This includes those transactions which are outside normal business, likely to attract criticism, or with wider sector implications.</p>	<p>Novel, contentious or repercussive transactions</p> <p>The trust did not refer and seek prior ESFA approval for transactions considered to be novel, contentious or repercussive.</p>

Framework	Breach	Issue
<p>Non-compliance with mandatory AFH/ATH requirements from 2018</p> <p><a href="#">*As per the ATH 2024</a></p>	<p>5.36 - Academy trusts must be even-handed in their relationships with related parties.</p>	<p>Principles applying to related party relationships:</p> <p>The trust did not ensure they were even handed in their relationships with related parties.</p> <p>Training was delivered by a close family member of a senior staff member, who travelled from abroad to the trust, with associated costs met by the trust.</p> <p>Travel undertaken by senior trust staff was wholly or partly funded by a related party organisation. These trips created unmanaged conflicts of interest. Due to incomplete records, it was not possible to establish a total financial value of these trips. The trust was able to provide documentation for £69,170.</p> <p>Several of the transactions identified involved conflicts of interest, lacked value for money justification, or were approved without adequate oversight, resulting in breaches of trust policy, statutory expectations, and ATH requirements on related party reporting. (See 2.25)</p>

Framework	Breach	Issue
<p>Non-compliance with mandatory AFH/ATH requirements from 2017</p> <p><a href="#">*As per the ATH 2024</a></p>	<p>5.38 - The board must ensure related party transaction rules are followed across the trust, with the chair and accounting officer managing any personal relationships to avoid real or perceived conflicts of interest and uphold public integrity standards.</p>	<p>Principles applying to related party relationships:</p> <p>The trust did not manage personal relationships with related parties to avoid both real and perceived conflicts of interest, failing to promote integrity and openness in accordance with the 7 principles of public life.</p>
<p>Non-compliance with mandatory AFH/ATH requirements from 2017</p> <p><a href="#">*As per the ATH 2024</a></p>	<p>5.40 - The trust must keep clear records and make sufficient disclosures showing that all related party transactions meet public sector standards of accountability and transparency.</p>	<p>Principles applying to related party relationships:</p> <p>The trust failed to maintain adequate records and make sufficient disclosures in their annual accounts for related party transactions.</p>
<p>Non-compliance with mandatory AFH/ATH requirements from 2019</p> <p><a href="#">*As per the ATH 2024</a></p>	<p>5.41 - Trusts must report all related party contracts or agreements to ESFA in advance using the ESFA online form.</p>	<p>Reporting and approval of related party transactions:</p> <p>The trust failed to report all related party contracts and agreements identified during the investigation to the ESFA.</p>
<p>Non-compliance with mandatory AFH/ATH requirements from 2014</p> <p><a href="#">*As per the ATH 2024</a></p>	<p>5.49 - Where related parties use the trust's premises, an appropriate charge must be agreed unless they are carrying out work for the trust.</p>	<p>At cost requirements:</p> <p>The trust did not evidence that an appropriate sum was agreed for the use or occupation of its premises by a company.</p>

Framework	Breach	Issue
Non-compliance with mandatory AFH/ATH requirements from 2018  <a href="#">*As per the ATH 2024</a>	6.5 - The trust must keep records for at least six years to evidence provision delivered by itself or its subcontractors under the handbook and funding agreement.	Retention of records:  The trust did not retain records to verify provision delivered by it, or its sub-contractors, for at least 6 years after the period to which funding relates. This included related parties.

\*AFH/ATH non-compliance reported as per latest handbook when breaches occurred but were also included within previous versions. These are available at: [Archive Timeline - UK Government Web Archive \(nationalarchives.gov.uk\)](#)

## Action

Department for Education's Regions Group is working closely with the trust to ensure that the necessary improvements to financial management and oversight have taken place and are fully imbedded in its policies and procedures.

Issuing a Notice to Improve to this trust, containing timebound conditions, makes clear DfE expect to see rapid progress and tangible improvements to financial management and oversight. You can find letters issued to academy trusts by DfE and ESFA that serve as a written notice to improve at [Academy trust notices to improve - GOV.UK](#)

## Prevention

Upon the conclusion of the investigation, the DfE undertook a prevention analysis exercise to establish what could have been done to prevent the breaches that were identified in the investigation.

Issue	Prevention
The trust did not keep a register of relevant business and financial interests for members, trustees, local governors and senior employees.	Trusts should collect and update declarations of business and financial interests annually and whenever changes occur, keeping a complete and up-to-date register
The trust did not keep a register that identified relevant interests from close family relationships between the trust's members, trustees or local governors.	Trusts should maintain a clear, up-to-date register capturing relevant interests of members, trustees, local governors and their close family relationships.

Issue	Prevention
The trust's board of trustees did not keep their register of interests up-to-date at all times.	Trusts should carry out regular reviews to ensure the register remains accurate.
The trust was not able to show that public funds were used as intended by Parliament.	Trusts should maintain clear documentation showing spending decisions, procurement processes, and value for money evidence.
The trust failed to demonstrate propriety in the use of public funds in relation to actual or perceived conflicts of interest and that spending decisions always represented value for money.	Trusts should identify and record all actual and perceived conflicts of interest, including family links and connected parties - excluding conflicted individuals from decisions and documenting how this was ensured.
The trust did not ensure they were even handed in their relationships with related parties.	Trusts should ensure that they document value for money checks and ensure no preferential treatment is given.
The trust did not manage personal relationships with related parties to avoid both real and perceived conflicts of interest and failed to promote integrity and openness in accordance with the 7 principles of public life.	Trusts should ensure that they clearly identify and declare personal relationships with related parties, managing any real or perceived conflicts through transparent processes, ensuring those with conflicts step back from making decisions.
The trust failed to maintain adequate records and make sufficient disclosures in their annual accounts for related party transactions.	Trusts should maintain full records and make complete, transparent disclosures of all related party transactions in their annual accounts, supported by clear evidence and audit trails.
The trust did not refer and seek prior ESFA approval for transactions considered to be novel, contentious or repercussive.	<p>Trusts should ensure that any transaction that is novel, contentious, or repercussive is identified early and referred to the DfE for prior approval in full compliance with ATH requirements.</p> <p>Trusts that are unsure what is considered a novel, contentious or repercussive transaction, should refer to the <a href="#">DfE's good practice guidance</a>.</p>

Issue	Prevention
The trust failed to report all contracts and agreements with related parties to ESFA/DfE.	Trusts should ensure that every contract or agreement with a related party is promptly and accurately reported to the DfE in line with ATH requirements, supported by clear internal processes to capture and submit all relevant transactions.
The trust did not agree an appropriate sum to be paid to the trust for use or occupation of the premises.	Trusts should ensure that any third-party use or occupation of their premises is supported by a clearly agreed, documented, and properly valued charge that reflects fair market rates and complies with ATH requirements.

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