

Small free school trust spent more than tenth of income on related party contracts 29 Nov 2017

by Ann McGauran



A small academy trust, running just one primary free school at the time, paid out more than a tenth of its annual income to educational consultancy and project management companies related to three senior figures within its governance structure.

Midlands-based Knowledge School Trust (KST) - now known as Learning Today Leading Tomorrow (LT2) - paid £106,832 of its 2015/16 income of £987,000 for services from the three related party companies. The payments were declared as related party transactions in the audited annual accounts.

Set up in 2014, the trust opened Rugby Free Primary School in Warwickshire with two reception classes in September 2015. The trust opened a second school - Rugby Free Secondary School - in September 2016.

KST paid Place Group Limited - a company which employs one of KST's "members", Bernard Abrams - £19,101 for educational consultancy work in 2015/16. It also paid Place Group Limited £55,386 in 2014/15, when Mr Abrams was neither a member nor a trustee. (Academy members sit at the top of a trust's governance structure, with hire-and-fire powers over trustees).

Tom Legge, who is vice-chair of LT2, has a majority interest in and is a director of a management consultancy firm, Waddington Matthews Ltd. His company provided project management services to KST totalling £52,731 in 2015/16 and £34,500 in 2014/15.

David Johnson, the chair of LT2, has a directorship and majority interest in Castle Gate Legal and Commercial Ltd. His company received a payment of £35,000 from KST in 2015/16 for project management services. In 2014/15 his company was paid £25,224 for services to the trust.

All three related party transactions are declared in the audited 2015/16 accounts, as are the two related party transactions in the audited 2014/15 accounts. Both sets of accounts declare all were conducted at arm's length and at cost in accordance with its financial regulations. They add that none of the individuals concerned "participated in, nor influenced" the purchases.

The accounts for 2015/16 also report that Rugby Free Primary School's freehold land and buildings were purchased by the Education Funding Agency (EFA - now the Education and Skills Funding Agency) for £2.9m and donated to Knowledge School Trust. Refurbishment was then carried out with further funding from the EFA of £2.3m. The 2015/16 accounts show the trust owed £1.1m to the EFA in value added tax for the year ended 31 August 2016, due within a year.

Education Uncovered asked LT2 to provide details of how it had ensured its awarding of the contracts complied with the requirements of the EFA handbook, and questioned if it was acceptable for the trust to commit a significant proportion of its expenditure to companies in which three trustees/members had a related party interest. It also asked why the trust owed £1.1m in VAT to the former EFA in 2015/16 and whether the amount had been repaid in full.

LT2 responded: "The audited accounts provide the information relevant to the related party transactions and you will note that auditors have confirmed that the trust made the appointments in accordance with the ESFA handbook, which sets out the legislative and regulatory procurement requirements with which the trust must comply."

Further background

Legge seems to be an influential figure behind the scenes of the free schools programme.

He is a former director of the free schools operator Bellevue Place Education Trust (BPET). BPET is a joint venture between Place Group and Bellevue Education Ltd, which operates 17 independent schools.

BPET sponsors seven primary free school trusts in and around London, having opened its first free school in September 2013. Mr Legge held a directorship with BPET from January 2014 until September 2016.

According to LT2's website Mr Legge has been "involved with the free schools programme from its inception and has worked with over 100 applicant groups on their plans". He is also the founding director of Premier Early Years/Premier New Schools (Premier Advisory Group Ltd), which provides intensive project management support with free school applications and academy conversion services.

This latter company has other connections with LT2, as two other LT2 trustees – Keith Warburton and David Noble – are also directors of Premier Advisory Group Ltd. Mr Johnson was also a director of Premier Advisory Group Limited from March 2015 to October 2016.

Rugby free primary school received high-profile support in April 2016, when, during a visit to it a political capacity while education secretary, **Nick Morgan praised free schools** for creating extra places in areas with a shortage, but also backed them in districts with a surplus of places.