



Introducing our expertise:
Academy Due Diligence

It's what we
bring together
that sets us apart

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Due Diligence

Our specialist team at Bishop Fleming has undertaken a number of due diligence assignments in relation to Academy mergers.

At Bishop Fleming we are passionate about the Academy sector. We have an unrivalled reputation on advisory work which ranges from a full governance review through to deal negotiations in a growing Trust.

Trusts are responsible for the safeguarding of millions of pounds of public money and there is an expectation that the governance is therefore robust and in line with best practice. We have genuine experts who understand all the governance frameworks as they work with them everyday, both at Bishop Fleming and in their own positions as Trustees of Multi Academy Trusts.

The regularity framework for the sector is onerous and Trusts often find it difficult to navigate their way through all the legislations and handbooks. We can ensure you comply fully with the Governance Handbook, Academy Trust Financial Handbook, The Companies Act 2006 and The Charities Acts.

In this document we give examples of where you may need our help plus some case studies of projects we have recently completed.

Typical scenarios of where we find Trusts need our help are as follows:

- A single academy planning its future
- Multi Academy Trust developing its growth strategy
- Academy Trust in financial difficulty
- Academy Trust looking for financial efficiency
- Academy Trust with internal conflict between teams
- Academy Trust taking on new schools
- Our advisory team are at the forefront of the sector and regularly meet with policy makers at the DfE, ESFA and RSC. We are able to advise on a wide range of tactical scenarios and support the Trustees in their role as non-executives.

What is due diligence?

Due diligence is an investigation into the background, financial condition, business operations and contractual obligations of a person, charitable Trust or company.

Due diligence is undertaken to establish a complete, accurate and reliable vision of the subject so that realistic, fact-based decisions can be made by the investigating entity when considering any potential transaction or relationship.

Due diligence contributes significantly to informed decision making by enhancing the amount and the quality of information available to decision makers.

Specifically applied to Academies, it means ensuring that you fully understand all of the risks, assets, liabilities and relevant information to make an informed decision about whether entering into a Multi Academy Trust with a particular Academy is the right decision for your own organisation.

It is essential that due diligence is carried out before any decisions are formally made. It should be clearly documented that all Trustees have been made aware of this information, and that the findings are minuted in case of the need for referral at a later date.



Recent projects and outcomes

Our specialist team at Bishop Fleming has undertaken a number of due diligence assignments in relation to Academy mergers.

Proposed Merger A

Merger between a Secondary School Academy and a MAT with Secondary and Primary Schools

Acting on behalf of the Secondary School Academy, we undertook a full scope due diligence exercise. As the result of a number of concerns relating to financial governance and forward looking budgets, along with differing Academy cultures and concerns raised by Trust, the merger did not go ahead.

Proposed Merger B

Merger between a MAT of Secondary and Primary schools and a Secondary Academy

Acting on behalf of the MAT, we undertook a full scope due diligence exercise. A number of concerns were raised regarding the budgets and ongoing operations of the proposed partner. As a result an agreement was reached with the ESFA restricting the use of existing MAT funds to support the new Academy.

Proposed Merger C

Merger between a MAT consisting of Primary Schools only and a Local Authority Primary Academy Converter

Acting on behalf of the MAT, we undertook a limited scope due diligence exercise. The low risk nature of the assignment and lack of significant issues identified by the due diligence process, resulted in completion of the merger on the planned time-scales.

Proposed Merger D

Merger between a Primary Schools only MAT and a Primary Academy Converter specialising in High Needs Education

On behalf of the MAT, a limited scope due diligence exercise was undertaken. The low risk nature of the assignment and lack of significant findings by the due diligence process resulted in completion of the merger on the planned time-scales.

Proposed Merger E

Merger between a Primary Schools only MAT and a Secondary School Academy

Acting on behalf of the MAT, we undertook a limited scope due diligence exercise focused on staffing costs and forward looking budgets. No significant issues were identified as a result of the exercise and the merger completed as planned.

Who should carry out due diligence?

You will need a multi-disciplinary team to carry out due diligence, which may include:

- accounting and auditing advisors
- legal advisors
- building surveyors/ property specialists
- health and safety specialists
- human resources advisors
- safeguarding and data specialists
- any other specialist deemed necessary depending on initial findings

The professional fees associated with due diligence will vary depending on the scope of the exercise. Whilst these sums may appear high, they are necessary and can help avoid much higher costs at a later date, and in some cases, could result in additional income from the government.

As an existing Academy Trust/MAT, you may also have the skills and resources “in-house” to carry out many aspects of a due diligence review, mitigating some of the associated costs.

Whilst external advice will be an additional cost, it will provide reassurance to the trustees that risks have been identified and the Trust's responsibilities to the Government need to be addressed.



What should be investigated under due diligence?

Due diligence is relevant to the following scenarios:

- An existing Multi Academy Trust (MAT) considering taking a new establishment into the MAT
- An existing single Academy Trust considering joining a MAT
- A Local Authority maintained school considering Academy conversion and joining an existing MAT
- An Academy being rebrokered
- Scrutiny of all board meeting minutes for at least the most recent years
- Review of all legal contracts including suppliers, leases and consultants and potential contingent liabilities (e.g. grant conditions)
- Review of compliance with regularity
- Scrutiny of legal documents, insurance, H&S audits, Audit outcomes, 'Near miss' reports and potential liability claims

Depending on the level of risks of the proposed merger, financial due diligence work could involve obtaining an understanding of:

- Income and expenditure profile over a number of historic periods
- Historic budget position and any future changes that are known
- Predicted budgetary position (assuming business as usual) for a number of forthcoming years
- Pupil forecast numbers on roll and any housing development or population decline in the area
- Details of any fraud or financial irregularity
- Review of all internal processes and controls including checks as to whether practice reflects policies. This will include a review of the work of internal audit.
- Review of the risk register to ensure risks are being addressed appropriately.
- Review of budgeting assumptions, especially key areas such as inflation and energy.



Our approach

Given the varied nature of each potential Academy merger, we suggest undertaking a pre-merger review in a two stage process.

Stage 1 would cover an initial review of financial forecasts, with comparison to prior year results and sector benchmarking data, a review of regularity aspects including procurement policies and related party transactions, and consideration of a work plan to be undertaken in Stage 2.

Stage 2 would consist of a detailed and focused review into any key issues or risks highlighted during Stage 1. It may be at this stage you decide that no further work is required, or that you wish to undertake further investigations internally. We will discuss this with you prior to commencing work.

Our aim is to provide a flexible, focused and cost effective review, in order to help you make the right decision for your Academy.



How Bishop Fleming can help

If you are contemplating any form of Academy merger, Bishop Fleming can provide valuable assistance to help drive the merger process.

We have undertaken due diligence assignments for a number of Academy mergers and not for profit transactions. We can improve the chances of achieving the right outcome for your Academy.

No obligation initial meeting

If you believe that you require professional advice or due diligence services, and would like to work with Bishop Fleming, we would be happy to arrange a no obligation meeting with you.

Contacts

For more information or to arrange for an initial exploratory meeting, please contact a member of the Academies team:



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If you look ahead
you stay ahead





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Audit · Accountancy · Tax · Advisory

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