

## Due Diligence Checklist (as provided by Bishop Fleming)

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 – Woodleigh Governing Body have undertaken the following work.**

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

- **Income and expenditure profile over a number of historic periods**

The Link Academy Trust (LAT) opened as an academy on 1<sup>st</sup> April 2016 with six primary schools. Academies' financial years run from September to August, therefore the first set of accounts for the LAT ran from 1<sup>st</sup> April 2016 to 31<sup>st</sup> August 2016 (5 months) whilst the second set of accounts is for a full financial year from 1<sup>st</sup> September 2016 to 31<sup>st</sup> August 2017. A brief summary of the accounts is below with full details available on the LAT website.

	2015/16	2016/17
Net income/(expenditure) before other gains and losses (per SOFA)	9,025,569	31,300
Less on conversion	(9,047,830)	
Subtotal	(22,261)	31,300
Add back depreciation	183,495	123,684
Add back FRS102 pension expense (see funds note 20/19)	17,000	103,000
Less capital grants	(29,931)	(233,491)
Add transfer from fixed asset fund		29,841
Net movement	148,303	54,334

A good place to see this most clearly is in the 2017 accounts, on page 42 – revenue fund by school.

It clearly shows a positive trend in carry forwards amounts: for 2016 of £492,927, and £547,261 in 2017. The brought forward revenue funds at conversion were £344,624.

Total revenue funds	
On conversion	344,624
16 revenue surplus – per above	<u>148,303</u>
At 31/8/16	492,927
2017 revenue surplus per above	<u>54,334</u>
At 31/8/17	547,261

Woodleigh governors have seen the LAT accounts and have visited their offices to see in person how business matters are managed and have an understanding of how the LAT works financially.

- **Historic budget position and any future changes that are known**

As above, Woodleigh governors have looked at the accounts. Future changes are expected in that the LAT plans to expand by taking on more small schools. This is being actively pursued by the LAT and the Woodleigh governing body will assist, if and where required.

- **Predicted budgetary position (assuming business as usual) for a number of forthcoming years**

As shown on the accounts under the Reserves Policy section, the LAT hold current free reserves of £360,595 (just over two months' operating costs) with a further £120,000 identified for MAT growth and improvement. The Reserves Policy takes into consideration future income and expenditure streams with growth and development reviewed on a continual basis.

- **Student forecast numbers on roll and any housing developments or population decline in the area**

The LAT are keen on advertising the schools in the Trust within their local areas and further afield, where appropriate. The Woodleigh schools have already started advertising more within their villages and are now looking to promote the school in the local community and further afield. Cheriton Bishop in particular has a new housing development and student numbers are expected to rise again.

Local pre-schools are a very important asset. The LAT have forged very good relationships with their local pre-schools and also have foundation stage units at some of their schools. It is anticipated that Yeoford will have its own foundation stage unit running from September, which in time should boost its numbers again.

All the schools currently within the LAT and the Woodleigh schools are classed as small schools.

- **Scrutiny of all board meeting minutes for at least the most recent years**

Woodleigh governors have read the board minutes which are available on the LAT website.

- **Review of all legal contracts including suppliers, leases and consultants and potential contingent liabilities (e.g. grant conditions)**

These are managed by the LAT Business Manager who actively seeks Value for Money (VfM) as a matter of routine on all items purchased or leased. The Woodleigh Governors were shown examples that demonstrate the LAT is very proactive in this area.

- **Analysis of all HR contracts including any existing TUPE requirements and special conditions/clauses relating to that particular Academy**

The LAT and the Woodleigh staff had a meeting on Tuesday 16<sup>th</sup> January 2018 (with the unions present) to discuss TUPE requirements. Everyone was satisfied with the outcome.

- **Inspection of the physical assets of the Academy including the condition of the buildings and facilities**

Woodleigh governors have had discussions with the LAT about building conditions. The LAT have been upgrading their buildings using grants obtained over the year and all of the six schools have been almost fully redecorated. Once the conversion date has arrived, the 3 Woodleigh schools will undergo full surveys for the next CIF round and the LAT Business

Manager is already assisting Tedburn St Mary in obtaining designs, costs and planning permission for a new preschool classroom.

The “conveyancing” aspect of the Woodleigh schools joining the LAT will be undertaken by Michelmores as part of the conversion process.

- **Scrutiny of all legal documents, insurance, H&S audits, Audit outcomes, ‘Near miss’ reports and potential liability claims**

The LAT is fully audited by an external H&S advisor on an annual basis and undertakes its own ‘in house’ audit on a termly basis. There were no legal, insurance or liability issues found.

- **Scrutiny of safeguarding complaints**

Safeguarding issues and complaints are treated as confidential and directly reported to each School’s Designated Safeguarding Lead (DSL) who then reports directly to the CEO. It was seen that the LAT has robust procedures in place.

- **Scrutiny of Freedom of Information requests received (and responses)**

Nil FOI’s received to date but the Trust is knowledgeable on dealing with such matters and retains legal advisors where necessary.

- **Details of any fraud or financial irregularity**

The LAT accounts are in the public domain and there has not been any reports of fraud or financial irregularity. The LAT maintains tight control over its finances with strict protocols in place.

### **Review of all Internal processes and controls including checks as to whether practice reflects policies.**

Woodleigh governors have visited the LAT Business Manager and he has attended numerous meetings with us. He has also been instrumental in assisting the Woodleigh Governors and our finance administrator in splitting out our three schools in the budget (there is currently one budget for the Woodleigh Federation but the Heads of School need to be able to see where they are with their own school’s portion of that budget. This had historically been managed by Sue Leyman as one budget.)

The LAT maintains tight financial control managed by an experienced and capable finance team. Internal processes are regularly checked by the Internal Audit Officer as well as by Directors from the Audit Committee. The Trust is also subject to an annual external audit by Bishop Fleming who are the sector leaders in the South West. One of the Woodleigh governors (who is a school internal auditor by profession) has visited the LAT and looked at the internal financial control framework around procurement and budgets and found the framework to be robust and well controlled.

In addition, the LAT are also expecting a ‘growth check’ by the DfE in the near future that will include a review of the financial management of the Trust.

The Department of Education have positively endorsed the LAT operations via the Regional Commissioner ahead of the Headteachers’ Board meeting which approved our Academy Orders.