

Frank Field
Education Trust

Due Diligence: What is it and why is it required?

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Section 1. Introduction



If a school wishes to join a Multi Academy Trust (MAT) and the Regional School's Commissioner (RSC) supports this, then the MAT will need to undertake detailed due diligence on the school, as this is the process that investigates all aspects of the school prior to the MAT entering into a legal agreement when the school joins the MAT. Failure to undertake detailed due diligence leaves the MAT exposed to unforeseen issues that may subsequently arise at a later stage when the MAT has no recourse to any other party. As a result, due diligence must be very detailed and will require not just a significant amount of time commitment from the MAT's CEO and other Executive Team members, but also external specialist support including Legal advice whilst due diligence oversight is provided by the MAT's Board of Trustees. Whilst there is a lot of published information and guidance on due diligence that a MAT can draw upon, the information and guidance is generally based upon theory and not practice. As a result, this paper offers some thoughts and guidance on due diligence. These are based upon the experience of the Frank Field Education Trust (FFET) and Weaver Trust, two separate MATs that I am closely involved with as a Trustee.

The information obtained through the due diligence process forms the basis on which the MAT CEO provides an informed recommendation to the MAT Board of Trustees on the risks associated with the school joining the Trust. The MAT Board of Trustees can then make an informed decision on whether to conclude taking the school into the MAT. Before Birches Head Academy joined the FFET, the Trust had undertaken comprehensive due diligence. Some of the buildings of Birches Head Academy had been funded by a private finance initiative (PFI) and this added a further layer of complexity. In order to ensure the integration of Birches Head Academy into FFET went to plan, FFET's Executive Team created a comprehensive Project Definition Document (PDD) that identified the detailed tasks defined within the different sections of due diligence identified below, and this was subsequently used to track progress on those tasks. The Board of Trustees supported the creation and management of this PDD, thus ensuring that FFET maintained its reputation on punctual delivery.

Section 2. Ethos & Culture

The ethos and culture of the MAT is determined by the Members, trustees and CEO of the MAT, whilst the ethos and culture of a school is predominantly set by the Headteacher, in conjunction with the Chair of the Local Governing Body (LGB). However, ethos and culture are the hardest aspects to identify and quantify as these words leave the meaning open to significant variations in interpretation. Yet a mismatch of cultures is one of the main reasons why merged organisations fail to deliver the expected benefits. FFET originally provided Birches Head Academy with inter-school support for many months, with the support of the RSC, which helped to establish the ethos and culture of Birches Head Academy and whether the MAT and the Academy would work well together if the Academy subsequently join FFET.



Section 3. Vision and strategy



The school's vision and strategy and the MAT's vision and strategy should identify each organisation's key priorities and objectives over the next 3 to 5 years and should include having a positive impact on pupil outcomes. Whilst small differences in vision and strategy between a school and a MAT may be acceptable, major variances may well bring into question the 'likely fit' of the school with the MAT. FFET quickly established that Birches Head Academy shared our objectives for improving pupil outcomes. That in turn, ensured that the main focus would be putting FFET's systems and procedures in place at the Academy.



This was fully supported by FFET's Executive Team with training provided along with school improvement resources from the Trust's other secondary school, Ellesmere Port Church of England College. This helped to ensure positive pupil outcomes were produced quickly and effectively consistent with FFET's vision of improving pupil outcomes.

Section 4. Size and capacity

Schools and MATs vary hugely in size and there is currently no consensus on the optimal size of a MAT; although a MAT model comprising 12 to 20 schools, or 5,000 to 10,000 pupils appears to be gaining acceptance by RSCs, who ultimately determine each MAT's size. One school may relish the opportunities afforded by being part of a large MAT, whilst another school may feel more comfortable in a smaller, more focussed MAT. However, it is important that a school feels that there are other schools in the MAT that it can align with, that will understand their school's particular issues, and that it can be used for benchmarking.

FFET's Ellesmere Port Church of England College is a secondary school which has enjoyed a significant increase in the number of pupils over the last few years following the recent rapid improvements in pupil outcomes (despite the negative impact of Covid-19) although these pupil outcome improvements have still to be validated with an OFSTED inspection.

Birches Head Academy is also a secondary school with increasing pupil numbers. Indeed, from the outset of Birches Head Academy joining FFET, the alignment of the two secondary schools and sharing resources and expertise has produced some rapid early improvements in behaviour and teaching and learning through sharing of expertise and resources.

Section 5. Performance, challenge and support

Due diligence of a school will ensure that the MAT understands the school's performance over the last few years through establishing the school's current and historic educational standards and pupil outcomes. The Covid-19 pandemic has resulted in extended time intervals between OFSTED assessments of schools which may mean that a school's OFSTED evaluation is several years out of date, although any OFSTED report will help in assessing where the school is on the journey to improving pupil outcomes. This information can then be used by the MAT to determine what level of school support will be required if the school joins the MAT. FFET was already working closely with Birches Head Academy, providing school support, when Birches Head Academy indicated that it wished to join FFET. As a result, FFET had already established what level of challenge and support would be required post-integration, to ensure continued improvement in pupil outcomes.





Section 6. Governance, Leadership and People

When a school joins a MAT, the MAT's governance model will apply to the school and this includes any MAT Scheme of Delegation. Exploring the school's current governance model as part of due diligence allows the MAT to determine what level of school governance change will be required. An appropriate governance model is fundamental both to successful integration of a school into a MAT but also to the subsequent efficient and compliant operation of the MAT.

An integral part of governance due diligence includes the school's leadership, the role of the school's Headteacher and the level of delegated authority that will apply when the school joins the MAT. A highly effective working relationship between the MAT's CEO and the school's Headteacher is essential to improving school pupil outcomes. FFET's integration of Birches Head Academy identified that the positive working relationship between the CEO and Headteacher needs to be continually supported even after the Academy joined the Trust.

A fundamental aspect of the integration of the school into the MAT is that the MAT becomes the employer of all the school's employees. The MAT therefore needs to understand fully the impact of integrating the school employees into the MAT and the ways in which this integration will affect existing MAT and school staff, including both the MAT's and the school's organisational structures.

FFET's experience of integrating Birches Head Academy with 59 teaching staff and 40 non-teaching staff into the Trust clearly shows that regularly and open communication between the MAT and all school employees takes up a considerable amount of MAT CEO and school Headteacher time. However, regular employee updates are necessary to ensure employees remain supportive of the MAT's aims and objectives as employees are an integral part of delivering improved pupil outcomes.



Section 7. Finances


Sound and effective financial management is very important, as it underpins improving pupil progress and outcomes. Exploring the school's current LA funding model as part of due diligence will identify any funding, spending or governance issues that will need corrective action when the school joins the Trust.

This includes evaluating the school's Management Accounts, but also examining the school's 3 to 5 year forecast, and specifically the key assumptions that underpin the forecast. Whilst the school financial assessment model applies regardless of school size, experience from FFET and Weaver Trust shows that significant differences in pupil numbers between Primary and Secondary schools adds a level of complexity to the financial due diligence as a result of the large differences in the amount of funding provided.

Finally, it is worth noting that, although the MAT's purchasing power through group discounts for increased volumes is likely to generate cost savings for a school joining the Trust over the medium term; such cost savings are unlikely to be included in the school's 3 to 5 year budget forecast.



Section 8. Legal and commercial



A MAT will want to ensure that any school that wishes to join the Trust is fully compliant with relevant legal, regulatory and statutory requirements and DfE guidance. This will require the MAT, school and the LA to work closely together to ensure the transfer of the school into the MAT addresses all legal, regulatory and compliance aspects. The legal transfer of the school to a MAT is further complicated when the school/LA has a PFI school buildings contract in place, as this PFI contract will also be legally transferred to the MAT. FFET's experience of negotiating this MAT PFI contract transfer through the LA with the PFI provider suggests that the process is likely to lengthen the time required for the school's integration into the MAT. However, regardless of whether the school buildings are included in a PFI contract, a School Buildings' Report should be provided, which allows the MAT to establish what large scale capital infrastructure buildings projects may be required in future.

In addition, commercial due diligence needs to be undertaken to understand the school's current contractual arrangements with all 3rd parties including IT systems suppliers. Commercial due diligence covers all contracts including contract term, end date, contract extension options as well as service levels for each contract.

Experience of school integration with FFET and Weaver Trust suggests that this level of detail on all the school's contractual agreements is unlikely to be readily available, and therefore, a school should anticipate the need to allocate resources to extract the contractual information for the MAT.

Section 9. Summary

Asking a clear set of robust questions is an integral part of due diligence, as is carefully assessing the answers. The resultant qualitative and quantitative analysis of all the information obtained will form the basis of the CEO's recommendation to the MAT Board of Trustees on whether the school should proceed and join the MAT. The outcome of the MAT due diligence on the school allows the MAT to identify any key issues that are likely to arise when the school joins the MAT, and to put in place corrective measures in a timely manner.

The successful integration of a school into the MAT, when properly managed, benefits all schools within the MAT as well as the new school joining the MAT with improving pupil outcomes across all schools within the MAT.

