



# Education Trust

Inspiring the individuals of today, for a better society tomorrow, through our core values

“Aspire, Belong, Collaborate”

## DUE DILIGENCE PROCESSES FOR NEW SCHOOLS JOINING THE TRUST

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## Introduction

This Policy sets out the framework and requirements that are imperative, before the Trust agrees to a school(s) joining the Trust; and outlines the essential due diligence process and activities which will be undertaken. This is in order to ensure that the Trustees are fully aware of process; the benefits and risks of taking on the school(s); the effect this could have on the Trust as a whole and have all the supporting information in order to make an informed decision.

There are two key purposes to undertaking due diligence:

- To obtain sufficient information about the organisation joining the Trust in order to decide whether the transfer should go ahead and would be beneficial to the Trust;
- That any information revealed can be used to provide a better negotiating position in respect of the terms of the transfer.

The aim of this Policy is to ensure that:

- Every Member, Trustee, Governor and Senior Employee understands why the due diligence process is needed, what the process entails and what specific and non-negotiable checks are required;
- The Trust understands exactly what it is acquiring, (ie assets/liabilities/resources), that the transferor has the legal right to transfer such assets and the full extent of such liabilities for which the Trust will become responsible; and what areas have been identified within the school improvement plan.
- The Trust obtains sufficient information through the due diligence exercise, which is appropriately recorded and assessed, thus ensuring that the Board of Trustees can make a fully informed decision on whether the transfer should proceed and that the terms of the transfer are appropriate.

## Definition of Due Diligence

Due diligence is an investigation of an organisation prior to signing a contract.

For the purpose of this document:

- Members, and Trustees are referred to as Trustees;
- The Rivera Education Trust is referred to as The Trust.

## Legal Framework

This Policy takes its legal framework from the following legislation and statutory guidance:

- The Companies Act 2006;
- The Academy Trust Handbook 2025;



- The Articles of Association of the Riviera Education Trust.

## **Due Diligence Tests**

The following sets out the due diligence testing areas that should be covered, which have been formulated into a Due Diligence Checklist at Appendix A. Further explanation of the areas to be covered are included in the supplementary information at the end of this document.

The due diligence to be undertaken will be appropriate and proportionate to the circumstances of the potential transfer. A project timetable would be required.

- Human Resources
- Finance
- Organisational
- Performance
- Commercial
- Legal

## **Due Diligence Process**

Once the Board of Trustees have provisionally agreed to a school(s) joining the Trust, an instruction is to be given to the Chief Executive Officer and HR to undertake and complete the Due Diligence checklist in Appendix A. Use of a third party to examine details in the school will be resourced as required.

An initial report will be compiled by the Chief Executive Officer, circulated to all Trustees and presented at the next meeting for discussion and review. The report will include:

- Due Diligence Checklist
- Summary of key findings
- Potential Impact that the incorporation could have on the other schools within the Trust
- Whether the school (s) can be aligned to the Trust's vision and values
- Potential Impact on the Trust's governance structure
- Benefits to the Trust
- Risks and opportunities

A section of this report shall include a risk register which identifies the threats and opportunities to achieving the objective of a successful transfer for all parties. This information should be gained from the due diligence checklist activity as detailed above. Part of this register must indicate the expected impact such risks pose should they occur, and importantly must include those actions that the Trust should take to ensure that any perceived threat can be managed and does not expose the Trust to



unnecessary, financially exhaustive or un-manageable levels of risk. Likewise, it should help in identifying early actions that can be taken to maximise opportunities that the transfer may generate.

The findings of the report are then assessed by Trustees. This assessment should include any potential impacts to the Trust and activities which are recommended to be taken to reduce the risk (s); a simplified ranking colour scheme will be used to simplify this process. A recommendation (which could at this stage be to undertake further investigation) is then tabled for a vote/decision.

This decision will be voted on by all Trustees either at a meeting or by email; no verbal acceptance will be recorded. This vote will not happen during the main summer break.

Members will be given the opportunity to provide feedback before the final vote.

### **Confidentiality and GDPR**

Trustees or Senior Employees cannot use information obtained from the Trust, or from the Due Diligence process for their own benefit or that of another organisation if it has been obtained in confidence or has special value such as commercial sensitivity.

The information collected by the Riviera Education Trust will be as per the Human Resources due diligence activities. All information collected will be for a legitimate and legal purpose and will be treated and retained as per our GDPR policies. These policies can be obtained from the Trust Data Protection Officer by contacting the Trust directly.

### **Policy Circulation**

This Policy will be published on the Trust's website and included in the Trust's Policy Monitoring Schedule

This Policy will be circulated to every Member, Trustee, Governor and Senior Employee by sending an email to the link on the Trust's website when each new Member, Trustee, Governor and Senior Employee joins the Trust.

The CEO, in consultation with the Senior Leadership Team and Trustees will be responsible for overseeing, reviewing and organising the revision of the Due Diligence Policy.

### **Adoption of the Policy**

This Policy was originally adopted by the Trustees of the Riviera Education Trust 2019



## Supporting Information - Overview and Context for policy

Due diligence is a vital part of any acquisition or merger of schools into a MAT. Handled sensitively and proactively it can lay the foundations for creating genuine 'marriage value' by allowing each party to get to know each other, explore the respective strengths and weaknesses of the other and find real opportunities to improve the life chances and attainment of pupils across all the schools involved. Contrary to popular belief, it is not a rigid process designed to unearth 'dealbreakers'. Neither is the process an exercise in box-ticking: it needs to be a dynamic and living one deploying a range of skills and a healthy dose of emotional intelligence. Addressing soft issues such as cultural compatibility and management succession can be just as important as hard issues, such as legal and financial aspects. Professional advice from advisers familiar with the sector can provide very valuable intelligence and support. Remember the maxim 'due diligence is cheap, litigation is not'. Leaders need to be as sure as they can be before taking the plunge to merge their schools.

### The different steps of the process are summarised below:

- Initial discussions about the trust/ school;
- Presentation to Trustees/Governors
- Follow up conversations;
- Request by the school to apply to join the trust;
- Due Diligence starts;
- Application to the Regional Director;
- Discussions with Regional Director / Trust/ School
- Academy order produced (if required)
- Legal processes;
- School joins the trust. (This assumes a successful outcome)

### Note on Fraud

- The most common areas of fraud in academies identified by the National Audit Office (2015) were:
- Inappropriate expenses claims or undocumented salary increases
- Inappropriate or unauthorised purchases (e.g. luxury goods, alcohol, cars)
- Non-compliance with procurement and tendering rules for major purchases or building projects
- Related party transactions (i.e. buying from business connected with management or governors)



## Human Resources due diligence activities

- Obtain an organisation chart and biographies of key staff. Check historical and projected headcount. Any recent changes of leadership or restructuring?
- Details of all staff, including date of birth, age, date of starting employment, length of service, salary, benefits, notice period, pension details.
- Are appropriate contracts in place for all staff? Arrange to review a sample. Any consultants or self-employed contractors who regularly provide services?
- Have any local agreements been made with staff outside of their formal contract?
- Are personnel records up to date and securely stored? Will they be handed over on the transfer date?
- Are payroll records up to date and complete? Have all necessary deductions been made and accounted for to HMRC and others? Do the figures tally with the contractual entitlements? Who provides the payroll services and what is the length of the commitment with them?
- Does the school(s) follow the NJC pay scales or have they agreed pay scales locally? When is the pay award date? Are all the job roles in line with job evaluation?
- What are the figures for staff turnover? Are there any pending disciplinary or grievance investigations? Have any staff been dismissed recently?
- Details of sickness records, employees on maternity leave or secondment.
- Does the Academy subscribe to an Occupational Health service? With whom? What is the cost and length of the current contracts?
- How is absence management dealt with and what future plans does the academy have for dealing with this post-transfer?
- Are DBS checks on all staff/governors/trustees up-to-date and relevant
- Have the correct Right to Work checks been completed on all staff?
- Does the school(s) have an HR service contract, with whom, its duration and cost
- Is the SCR up to date and available for inspection? Has the school(s) Safeguarding Governor or Trustee reviewed it?
- Are all the GDPR policies up to date, have all staff signed and is there a record of them signing a GDPR privacy notice?
- Does the school(s) have a Data Protection Officer, who is it and what is their connection to the school(s)?
- This is not an exhaustive list, however the only information that will be requested will be used for legitimate and legal purposes and will be stored as per our GDPR policies. Prior to the transfer all information will not contain the names of individuals to protect their identity.

## Financial due diligence activities

- The main aspect of Financial due diligence is to look to determine the current financial position, as well as identifying any support or training needed for managers going forward.



- New joiners will need to understand how : The Trust central overheads are funded, e.g. by a ‘top slice’ deduction to their school budget to pay for central support services will be applied and whether it represents value for money.
- Are the service levels to be expected from central support services in return for this deduction clearly documented?
- Does the Trust ‘pool’ General annual Grant (Gag) and reallocate funding out to schools
- Typical areas requiring examination will include:
  - Income / Expenditure Budget reports and cashflow projections
  - Summary of month end bank and cash book position for current year and last two years, explanation of variances and major inflows/ outflows
  - Five-year financial forecast for the school. Are assumptions realistic? Particularly with respect to pupil numbers, which is ultimately the key financial driver.
  - Any negative balances, deficits or outstanding loans (e.g. for capital projects funded by local authority, SALIX or Targeted Basic Need)?
  - Any grant funding with restrictive conditions or claw-back provisions (e.g. for sports facilities)?
  - Details of revenue generating activities – e.g. room or outdoor space hire, paid-for services.
  - Any significant debtor balances?
  - Any significant off balance sheet liabilities (e.g photocopier leases or vehicle leases)?
  - Any VAT or corporation tax issues?
  - Any pension fund deficit?
- How is payroll currently organised? Do all staff have up to date contracts? – HR responsibility?
- How is banking currently organised? Who are the signatories on accounts?
- What are the financial controls and checks? Skills audit of finance staff
- What are the main financial risks facing the organisation? Are these documented in a risk register?
- Discussions with the relevant section of the Local Government Pension Scheme should take place early in the process to find out their methodology regarding transfer values, which will have an effect on future employer contribution rates.
- What accounting systems and current reporting arrangements are in place?
- The new joiner will be keen to see the last 3 years’ audited accounts for the MAT and the auditors’ management letters – available on website/companies house
- Insurance arrangements
- Contractual arrangements with service providers
- Ongoing capital schemes/grant bids

### Organisational due diligence activities

- Can the school show evidence of strong governance?
- How do governors support the senior leadership team (SLT)?
- How do governors challenge the SLT?
- How are governors involved in the strategic direction of the school?



- Does the school have strong leadership?
- Does the school have strong financial management?
- Are there effective and robust safeguarding processes and procedures in place?

#### **Performance due diligence activities**

- Are national standards met for each Key Stage (KS)?
- Do pupils make good progress through each KS?
- What are the school's attendance figures for the year?
- How have the school's attendance figures changed over the past five years?
- Are any groups of pupils falling behind or making inadequate progress?
- Are interventions in place to address such groups?
- Commercial due diligence activities
- Is the school's vision compatible with that of the MAT?
- Are the school's values compatible with those of the MAT?
- Are stakeholders, including pupils, parents and staff, happy with the school's provision?
- How has the number of pupils on roll changed over the past five years?
- Is the number of pupils on roll likely to change over the next five years?
- Does the school have any issues with its reputation?
- Legal due diligence activities
- Are there any complaints or appeals against the school currently pending from:
  - Staff
  - Parents/carers
  - Neighbours
- Are there any land registry issues that may affect the school?
- Does the school have any current partnerships or legal agreements?
- Does the school have any other associations with another MAT?
- What current contracts does the school have with services and suppliers?
- When are any current contracts due for renewal?



## DETAILS OF AMENDMENTS

### **2019**

- First edition of the policy.

### **May 2021**

- Reviewed without change.

### **September 2023**

- Removed Finance Director title.

### **March 2025**

- P6 – updated RSC to Regional Director
- P8 – altered building schools programme to SALIX in reference to loans

### **January 2026**

- P3 – ESFA Academies Financial Handbook removed and new name added : The Academy Trust Handbook 2025

