



Arolygiaeth Ei Mawrhydi dros Addysg a Hyfforddiant yng Nghymru  
Her Majesty's Inspectorate for Education and Training in Wales

# Annual Report & Accounts

2014-2015



## Who we are...

**Estyn is the Education and Training Inspectorate for Wales. Our mission is to achieve excellence for all in learners in Wales. We do this by providing an independent, high-quality inspection and advice service to the Welsh Government and the citizens of Wales.**

We are independent of, but funded by, the Welsh Government (section 104 of the Government of Wales Act 1998).

As of 31 March 2015, Estyn employed 113 permanent and fixed-term members of staff, of which 62 are Her Majesty's Inspectors (HMI) or Additional Inspectors (AI - secondees) – inclusive of six Assistant Directors. We supplemented our internal inspection capacity by engaging 20 secondees over the course of 2014-2015, four of which were with Estyn for the whole financial year. We also procure and train Additional Inspectors, peer inspectors and nominees, who currently work in education and training, to work as part of inspection teams.

In addition, Estyn jointly employs a Joint Inspectorate Project Manager with the Care and Social Services Inspectorate Wales (CSSIW), the Health Inspectorate Wales (HIW) and the Wales Audit Office (WAO) as part of Inspection Wales, which is a collaborative initiative between the four main inspection, audit and review (IAR) bodies in Wales.

For the 2014-2015 financial year, 100% of school inspections were undertaken directly by HMI or Additional Inspectors directly engaged by Estyn. A small number of Additional Inspectors also carried out some aspects of survey work and training work on behalf of Estyn.

Our office is located in Anchor Court, Keen Road, Cardiff. All of Estyn's employed inspectors work from home rather than being office based, with the exception of our management team.

The word Estyn is a Welsh word and means 'to reach out' and 'to stretch'.

## What is this report about?

Estyn's Annual Report and Accounts summarise our progress over the last 12 months as we work towards our three strategic objectives and two delivery principles as set out in our Annual Plan 2014-2015, as well as providing a full set of our accounts for the financial year 2014-2015. For further information about Estyn please visit our website, [www.estyn.gov.wales](http://www.estyn.gov.wales)

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Where Estyn’s Performance Indicators (PIs) as outlined in the Annual Plan for 2014-2015 are referenced, the following symbol is used:



## Foreword

Welcome to Estyn's Annual Report and Accounts, which in Section 1 details what we have achieved during the financial year 2014-2015, and in Section 2 provides a full set of financial statements.

This year, we carried out a full programme of inspections, once again reviewing our documentation and updating our guidance handbooks and supplementary guidance documents, in particular clarifying arrangements for inspecting the progress of pupils from disadvantaged backgrounds. We also introduced more flexible scheduling of inspections from September 2014, following changes to regulations by Welsh Government. Providers will now be inspected at least once between September 2014 and August 2020, but without a time link to the last inspection. This means that providers are less able to predict when they are due to be inspected.

In May 2014 Estyn hosted a very successful and well-attended conference for education providers on the subject of poverty, during which we were able to highlight and discuss the main messages from previous reports we have produced on tackling poverty and disadvantage, and discuss the work of primary schools, secondary schools and local authorities on improving the achievement of disadvantaged learners.

The inspection of further education institutions this year underwent full review, with a new structure for future inspections established, a new inspection handbook prepared, and a pilot inspection carried out under the new arrangements, of Cardiff and Vale College. As described on page 6 of this report, the subsequent evaluation of the inspection methodology was very positive. The evaluation team identified that there were no changes required to the inspection guidance document, and only minor changes to the inspectors' toolkit.

Over the year, in addition to our core inspections we also carried out a total of 190 follow-up inspection visits to those education providers found during initial inspection to be in need improvement. Our processes have provided successful encouragement to providers in managing improvements to both outcomes and provision, as exemplified by the case study on page 7 of this report.

This year we have published a total of 14 thematic surveys on various topics as requested in the annual remit letter from the Minister of Education and Skills. The list of survey reports is provided on page 14. They are used by education and training providers as a benchmark for their own progress, and continue to receive good coverage in both the local and national Welsh print and broadcast media. Amongst those that received the most widespread interest this year were those relating to class observation and tackling bullying, and case studies for each of these are presented on pages 15 and 16.

In spring 2015, as part of our objective to build capacity, we provided bespoke training to regional consortia Challenge Advisers, in order to enable them to understand the process of inspection, the principles upon which the process is based and the criteria for making judgements. It is planned now for Challenge Advisers

attached to primary schools to be deployed to inspections annually (every two years in the case of those attached to secondary schools). Feedback on the training has been very positive, with trained advisers saying that they are now in a stronger position for sharing good practice and for helping schools to develop the skills that they need to carry out their own self-evaluation effectively.

Estyn staff have continued to demonstrate initiative and efficiency in implementing processes and procedures to further Estyn's delivery principle of being a "best value" organisation. During October 2014, for example, staff members worked to implement a new system for recording and updating Inspector Profiles system, which now provides inspectors with direct access to view and maintain their personal information. The results of this have been invaluable, enabling us to deploy team members with the most up-to-date information regarding their suitability for particular inspections.

In May 2015, Ann Keane, HMCI for the period of this report, retired from Estyn. During her five year term she oversaw the introduction of a new, more rigorous inspection framework, and increased the focus of inspection on low-performing providers through monitoring visit arrangements. Measured in her approach, she was admired for her ability to speak honestly and incisively whenever the occasion required. We all wish her well for the future. I also want to thank everyone who works for Estyn for the way in which they have worked to support the achievement of our all our objectives throughout the year.

**Meilyr Rowlands**

Her Majesty's Chief Inspector of Education and Training in Wales  
and Accounting Officer

The Accounting Officer authorised these financial statements for issue on **July 9<sup>th</sup> 2015**

## Section 1

### A review against our Annual Plan

**Objective 1: Provide public accountability to service users on the quality and standards of education and training provision in Wales**

What we've done...

<b>1</b>	<p><b>Inspection</b></p> <ul style="list-style-type: none"> <li>• We have completed our planned programme of core inspections, based on inspecting around one sixth of providers (page 10 provides details).</li> <li>• We have introduced more flexible scheduling of inspections from September 2014, following changes to regulations by Welsh Government. Providers will be now be inspected at least once between September 2014 and August 2020, but without a time link to the last inspection. This means that providers are less able to predict when they are due to be inspected.</li> <li>• We increased the emphasis on inspecting the impact of poverty on educational outcomes in all sectors, for example by requiring inspectors in all reports to evaluate the progress made by pupils eligible for free school meals and to comment on the impact of the Welsh Government's Pupil Deprivation Grant on their relative achievement.</li> <li>• We have monitored the implementation of inspection arrangements and we revised the recommendation judgements for follow-up visits and provided further guidance to inspectors on how to implement them.</li> <li>• We used the Inspection Policy and Conformance (IPC) group<sup>[1]</sup> to ensure that new and revised inspection regulations and arrangements are implemented consistently across sectors, and that any emerging issues are discussed and resolved, for example by agreeing guidance for the inspection of all-age schools.</li> <li>• We provided guidance and training to update inspectors and to address any quality issues in their work, for example by providing nine days of update training for over 400 peer inspectors in the primary sector.</li> <li>• We continued to improve our use of information technology and the virtual inspection rooms (VIRs) to ensure that inspection information is available, easily accessible and straightforward to use by inspectors, for example establishing a protocol with section 50 lead inspectors to access relevant sections of our VIRs, in order to aid their inspection activity and to reduce bureaucratic burdens on schools.</li> </ul>
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<sup>[1]</sup> The Inspection Policy and Conformance (IPC) group comprises Estyn's Assistant Directors and representative Lead Inspectors from the sectors, as well as representatives from Corporate Services. Its remit is to monitor the implementation of inspection arrangements, identifying issues and to agree any changes, and to ensure that quality issues are consistently addressed across all sectors through agreed quality assurance policies and procedures.

<p><b>2</b></p>	<p><b>External resources</b></p> <ul style="list-style-type: none"> <li>• We have monitored the cost effectiveness of our model for contracting additional inspectors that takes account of quality as well as price, and have agreed to continue using a model based on price and quality assurance outcomes.</li> <li>• We continued to use the outcomes of quality assurance to influence the award of contracts to independent inspectors in order to ensure that providers receive inspections of good quality, and that any weaknesses in the inspection work of individual inspectors receive attention through agreed action plans for improvement.</li> <li>• We recruited, selected and enrolled 200 new peer inspectors, as well as 30 cross-sector Challenge Advisers, to ensure that there is a wide enough pool to meet work programme commitments, as well as to improve levels of competition in tendering for inspection work.</li> <li>• We implemented plans for a new system whereby new Registered Inspectors will be able to receive opportunities to lead a team of HMI as part of their induction. This is planned for operation in 2015-2016, and the aim is for more serving headteachers (trained as Reporting Inspectors) to be encouraged to lead future inspections.</li> <li>• We continued to monitor the quality of inspections and reports and use the information from quality assurance to inform inspection training and guidance as needed, for example by publishing updates for inspectors on the Estyn website and via e-shots five times during the year.</li> <li>• We provided a total of 25 training update events for all inspectors for all sectors, which included eight one-day training events for peer inspectors in the primary sector in north Wales, mid Wales, south-east and south-west Wales.</li> </ul>
<p><b>3</b></p>	<p><b>New workstreams, including reviewing, piloting and updating the guidance on inspection</b></p> <ul style="list-style-type: none"> <li>• We consulted on, piloted and evaluated changes to inspection arrangements for the further education sector, compiling a new guidance handbook and inspector toolkit.</li> <li>• We further updated the existing guidance handbooks, toolkits and training materials on our website, for example publishing new supporting guidance on inspecting the approaches taken by schools to reduce the impact of poverty on educational attainment, and guidance for additional inspectors who join Estyn teams to inspect local authority specialist classes.</li> <li>• We communicated proposals and changes to inspection arrangements through newsletters, media articles and e-shots, for example five mailshot updates for all inspectors, and a new 'Frequently Asked Questions: Clarification for teachers' document in order to explain our inspection arrangements more clearly.</li> <li>• We ensured that information on the new inspection arrangements was included on the scheduled training courses for both internal and external inspectors.</li> </ul>

<p><b>4</b></p>	<p><b>Maintaining statutory and enhanced levels of follow-up inspection activity</b></p> <ul style="list-style-type: none"> <li>• We ensured that the Department for Education and Skills (DfES) was notified of the 21 schools in need of significant improvement and the 12 schools in need of special measures, and kept the department informed of the school’s progress against the recommendations.</li> <li>• We informed the DfES about the two non-maintained settings that were found to have cause for concern.</li> <li>• We continued to review and evaluate follow-up arrangements in order to respond proportionately to providers’ needs and ensure that schools improved in a timely manner, for example: tailoring a new, one-day visit to schools placed in a statutory category; agreeing a suitably challenging post-inspection action plan in response to provider and inspector feedback; producing clear definitions of our new judgements of progress for schools in follow-up; involving local authorities in follow-up activities through local authority monitoring of schools and settings; and, through trained officers’ involvement in Estyn monitoring visits.</li> <li>• We piloted opportunities to train and involve six experienced peer inspectors in joining one-day Estyn monitoring visits to primary schools.</li> <li>• We provided up-to-date follow-up guidance and information for schools and settings through our website and social media, for example through updated, detailed guidance about what schools and pupil referral units placed in follow-up should expect before, during and after our monitoring visits, and through updating and publishing guidance for local authority officers joining Estyn monitoring visits.</li> <li>• We shared sector-leading practice identified during inspections with other schools and providers, using our website and social media.</li> </ul>
<p><b>5</b></p>	<p><b>Keeping school inspections Estyn-led and maintaining the quality assurance of Estyn inspections and reports</b></p> <ul style="list-style-type: none"> <li>• We continued to operate and monitor a quality assurance system for the work of all inspectors, and refined the quality assurance database during the year to improve access to reports on the quality of inspection work.</li> <li>• We checked and quality assured all Estyn inspection reports prior to publication to ensure that judgements were evidence based, followed agreed protocols and were clear to readers.</li> <li>• We ensured that each inspection report contained clear text and judgements suitable for providers and users of services, and revised the Estyn writing guidance during the year to provide further help for inspectors, for example in relation to provision for those learners who are eligible for free school meals.</li> <li>• We monitored core inspection judgements carefully as part of the quality assurance process, including the judgements leading to follow-up activity.</li> <li>• We used the IPC group to review and refine as necessary the quality assurance procedures and targets for inspections and reports, all sectors producing annual reports for the IPC group on the quality of inspection work within their sectors to inform training and development.</li> </ul>



### **Case study – Changes to inspection methodology for further education**

In February 2015, we undertook a pilot inspection of Cardiff and Vale College as the final part of the development of new methodology for inspecting the large colleges, with dispersed sites, that have resulted from a number of significant college mergers. The pilot inspection followed several months of planning and development, stakeholder consultations and staff training.

In phase one of the pilot inspection, a team of four HMI and twelve peer inspectors undertook a five-day inspection of construction, engineering, hospitality and catering, and independent living skills as individual learning areas. Literacy and numeracy were inspected as learning areas in their own right, although the literacy and numeracy inspectors gathered their evidence across the whole of the college provision. Inspectors worked exclusively in their learning area teams and took responsibility for planning their timetables of observations, meetings and document scrutiny. Each learning area followed the structure of an individual inspection with regard to evidence gathering and judgement meetings. The RI and provider nominee undertook monitoring roles. A quality assurance inspector joined the inspection on the fourth and fifth days to challenge the inspection judgements.

In phase two of the inspection, the following week, a team of three HMI and two peer inspectors undertook a five-day inspection of the college as a whole. Two of the HMI had been part of the phase one team and one HMI and the two peer inspectors were new to the inspection. They carried out document scrutiny and held meetings with managers. They followed up lines of inquiry identified from the college self-assessment report and from the evidence gathered in week one. They did not undertake any further observations, although the inspectors who had not been part of phase one carried out 'learning walks'. 'Learning walks' allow the inspector to visit any part of a college and stop and collect evidence as they go along. They may talk to teachers, learners or college visitors, drop in to classes, observe sessions or sit with learners in the cafés and refectories.

The subsequent evaluation of the inspection methodology was very positive. The evaluation team identified that there were no changes required to the inspection guidance document. Several small changes were made to the inspectors' toolkit on reflection of the step by step procedures. Most of these were to improve the timings of pre-inspection preparation and to adjust the allocation of tasks between the RI and the learning area leads. The significant changes to the inspection methodology worked well. The concept of rolling evidence, rather than individual classroom evidence, to form judgements for standards and teaching was effective. The role of the quality assurance inspector provided a robust challenge to the process.

We are now planning the remainder of the inspections in this cycle and undertaking a number of training events for a new cohort of peer inspectors.

### **Case study – The impact of follow-up – special measures <sup>1</sup>**

In March 2015, two secondary schools made sufficient progress to be removed from requiring special measures. St Illtyd's RC High School in Cardiff was placed in special measures in November 2012 and Ysgol Clywedog in Wrexham was placed in special measures in January 2013. At the time of the core inspection, standards, teaching and leadership in both schools were unsatisfactory. In addition, in Ysgol Clywedog, the key stage 4 curriculum was unsatisfactory as it did not provide a broad and balanced range of experiences to meet the needs of all pupils. Following inspection, Estyn published a detailed report, outlining the strengths and areas for improvement. Reports included clear recommendations to help the schools focus on the important areas for improvement.

Once the report was published, schools produced an action plan outlining what they were going to do to meet each of the recommendations. Estyn then provided supportive feedback about the plan, noting improvements that were necessary to make it an effective tool to support school improvement.

St Illtyd's RC High School had six monitoring visits before being removed and Ysgol Clywedog received five monitoring visits before being removed from special measures.

Planning for each monitoring visit ensured that, while the reporting inspectors for each visit changed, there were HMI on the team for every visit who had either inspected the schools in the core inspection or had been on a previous monitoring visit. This consistency in team membership was helpful to the schools in reassuring them that team members were aware of the schools' context, and previous progress and areas of concern, from direct experience. It also allowed for consistency in making professional judgements about the progress made each term.

Termly monitoring by Estyn ensured that there were regular opportunities for professional dialogue between the school and inspectors. Following each visit, Estyn provided a detailed report evaluating progress, acknowledging progress as well as providing a clear picture of the areas still in need of improvement. This helped leaders to formulate clear actions for improvement, which Estyn evaluated during the following term's visit.

During the last few visits to these schools, Estyn published new judgement descriptors, which helped the schools to consider carefully the impact of their work on progress against the recommendations.

The impact of the core inspection and the subsequent follow-up inspections can be

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<sup>1</sup> If a provider is identified as requiring special measures, Estyn will inform the Welsh Government that it has been placed in a statutory category. The provider must send its action plan to Estyn for approval. A small team of Estyn inspectors will usually visit the provider every term following the publication of the inspection report. Inspectors will focus on the progress the provider has made towards addressing the recommendations highlighted in the report. Estyn will continue to carry out monitoring visits until the Chief Inspector decides that the provider has improved enough to remove it from special measures.

seen across many areas of the schools' work. Both schools made strong progress in improving attendance and reducing fixed-term exclusions. In both schools, attendance rates improved by two percentage points and persistent absences have declined.

Both schools have improved standards in the level 2 threshold including English and mathematics by over 14 percentage points and performance in their schools now compares favourably with that of similar schools. In both schools, the performance of pupils eligible for free school meals has improved significantly in the level 2 threshold including English and mathematics and the level 2 threshold. However, in both schools there are a few aspects that still require further improvement.

A notable feature in the schools' final monitoring visit was the strong progress in improving the quality of teaching and assessment. The monitoring teams' robust evaluation of the quality of teaching raised leaders' expectations of their teachers and focused them on the impact that teaching has on improving learning. Leaders at both schools have provided a beneficial programme of training to improve the quality and consistency of teaching and assessment. As a result, the overall quality of teaching, assessment and pupils' attitudes to learning has significantly improved since the core inspection.

By the time of each school's final monitoring visit, the teams judged both schools to have made strong progress in strengthening middle and senior leadership and self-evaluation. Since the core inspection, staffing in St Illtyd's has changed significantly with the appointment of a new headteacher, two deputy headteachers and two assistant headteachers. In addition, around half of the middle leaders have been appointed since the 2012 inspection. Leadership now has the capacity to hold staff to account and secure further improvement. In Clywedog, the headteacher and deputy headteacher were both new to their posts at the time of the core inspection. Since the core inspection, the school has made strong progress in developing the role of middle leaders in self-evaluation and development planning. In many areas, this is impacting well on pupil progress.

The headteacher and deputy headteacher in both schools will be presenting their improvement journey, detailing the steps they took to improve teaching, standards and leadership in our annual secondary update training in June 2015.

**Inspection cycle performance measures**

PI

**Estyn-led inspection reports**

	<b>Target percentage</b>	<b>Actual percentage</b>	<b>Comment</b>
Estyn-led inspection reports not amended after publication as a result of substantiated challenge	100%	99.8%	Decision taken to amend one inspection report judgement from "adequate" to "good" following publication of report. This was as a result of a complaint from the provider, which was investigated by the sector lead inspector.
Estyn-led inspection reports published within statutory or agreed deadlines	100%	100%	Target met

**Estyn core inspections 2014-2015**

<b>Sector</b>	<b>Number planned</b>	<b>Actual number</b>	<b>Comment</b>
Non-maintained nursery settings	128	122	Six inspections planned were not required due to the de-registering of settings by local authorities
Primary and maintained nursery schools	216	221	Five primary school inspections were brought forward from 2015-2016 financial year
Secondary schools	34	34	
Special schools	7	7	
Pupil referral units (PRUs)	9	4	Fewer PRUs inspected owing to closures and amalgamations of this provision in various local authorities
Independent schools including independent special schools	11	7	Fewer inspections undertaken due to movement in the schedule of inspections, with some inspections initially planned for 2014-2015 carried out at the end of 2013-2014
Independent specialist colleges	1	3	Two inspections brought forward from 2015-2016 financial year
Post-16	9	12	Three inspections brought forward from 2015-2016 financial year

In addition to core inspections, during the period 2014-2015, Estyn undertook the following numbers of follow-up inspections where it was necessary to monitor progress:

<b>Sector</b>	<b>Number of follow-up visits</b>
Non-maintained nursery settings	15
Primary and maintained nursery schools	99
Secondary schools	43
Special schools and pupil referral units	10
Local authorities	16
Post-16	4
Teacher education centres	2

**Objective 2: Inform the development of national policy by the Welsh Government**

What we've done...

<b>1</b>	<p><b>Publication of thematic reviews in response to the annual Ministerial remit letter and provision of other advice to Welsh Government</b></p> <ul style="list-style-type: none"> <li>• We have evaluated the use of peer inspectors on thematic inspections and added a peer inspector, as an additional resource, to six of our surveys.</li> <li>• We developed a toolkit for thematic inspection lead inspectors and provided training for all leads and editors.</li> <li>• We developed a tool for collating the notes of visits from thematic reviews to aid more efficient analysis of findings.</li> <li>• We introduced a new administrative role to support thematic lead inspectors, in order to ensure improved links with Estyn's work programmes and improved planning and deployment of inspectors carrying out visits to providers.</li> <li>• We developed a new database to track thematic inspection visits to schools.</li> </ul>
<b>2</b>	<p><b>Production and publication of HMCI's Annual Report</b></p> <ul style="list-style-type: none"> <li>• We produced and published a web-based HMCI's Annual Report on the quality of education and training for the academic year 2013-2014.</li> <li>• We liaised with the office of the Minister for Education and Skills and Welsh Government officials, in order to illustrate and explain our findings from inspections carried out in the 2013-2014 academic year.</li> <li>• We designed and implemented a media campaign to support the launch of the Annual Report and promoted its findings to stakeholders, including through social media. The Report received coverage on television news and the level of interest on our website was maintained.</li> </ul>
<b>3</b>	<p><b>Continue to develop distributed leadership through Lead Inspector / Lead Officer (LILO) roles</b></p> <ul style="list-style-type: none"> <li>• We reviewed and revised the time allocation for each LILO role, in order to ensure appropriate time allocated for the carrying out of each function.</li> <li>• We established a new poverty/deprivation LILO role, in order that the designated inspector could provide advice and information in this area, preparing new supplementary guidance in addition to advising on amendments to the guidance handbooks and feeding into training events for internal and external inspectors.</li> <li>• We established a new knowledge management LILO role, providing more opportunity for co-ordinating regular research updates and improving knowledge management systems through discussion with internal staff and external organisations.</li> <li>• We reviewed the roles of post-16 link inspectors, taking account of revised inspection arrangements and plans and schedules for inspecting each of</li> </ul>

	<p>the post-16 sectors.</p> <ul style="list-style-type: none"> <li>• We included regular inputs from each of the LILOs in professional development weeks, in order to ensure that all HMI were properly informed and were able to discuss issues of relevance identified on inspection, with LILOs where appropriate.</li> <li>• We produced an annual overview of key messages from the work of education policy lead officers.</li> </ul>
<b>4</b>	<p><b>Developed new knowledge-management capabilities</b></p> <ul style="list-style-type: none"> <li>• We appointed an officer to take a lead role in developing our research and evaluation activities and capability.</li> <li>• We further developed our knowledge management framework by refining the policy, strategy and action plans to develop and implement more efficient knowledge flow systems and mechanisms.</li> <li>• We introduced a monthly research update for Estyn staff, outlining up-to-date key educational research publications and reports.</li> <li>• We made effective use of our monthly research updates and refined knowledge management systems to synthesise inspection intelligence and maximise the use of our collective knowledge to contribute to our work such as producing reports to inform policy and briefing packs for thematic surveys.</li> <li>• We continued the development of electronic systems (SharePoint) to collate our management information and inspection evidence.</li> <li>• We further developed our statistical unit to expand and tailor the range of data provided to better suit the needs of our inspection and thematic survey work, including the provision of contextual and performance data across all sectors and expanding our analysis of inspection outcomes and follow-up activities.</li> <li>• We established links and worked more closely with organisations such as the Public Policy Institute Wales and continued to liaise with the Welsh Government's Knowledge and Analytical Service to share knowledge and make the best use of information and resources.</li> <li>• We continued to work with CSSIW, HIW and the WAO, through Inspection Wales, to develop a common approach to data-management and data-hosting in relation to those areas where we inspect jointly.</li> </ul>
<b>5</b>	<p><b>School reorganisation workstream</b></p> <ul style="list-style-type: none"> <li>• We adapted and amended the internal guidance for inspectors on how to evaluate the school reorganisation proposals to ensure consistency in approach. Our internal quality assurance process ensures that each response accurately assess the overall merits of the proposal.</li> <li>• We held discussions with officers in the Welsh Government to evaluate the usefulness of our responses. Feedback was positive and minor amendments made to guidance.</li> <li>• We dispersed the work in order to extend our capacity to manage work programme pressure points and develop individuals. During 2014-2015, 20 inspectors responded to a total of 51 proposals.</li> </ul>



**Thematic reports**

PI

In response to the Minister's annual remit, in 2014-2015 we published **14** reports on the following topics.

**All 14** reports published in 2014-2015 (**100%**) were within timescales agreed with the Welsh Government.

<b>Name</b>	<b>Date of publication</b>
Pupil deprivation	May 2014
Learner support services for pupils aged 14-16	May 2014
English in key stages 2 and 3	June 2014
ESDGC: Progress in education for sustainable development and global citizenship	June 2014
Action on bullying	June 2014
ICT at key stage 3: The impact of ICT on pupils' learning at key stage 3 in secondary schools	July 2014
Attendance in secondary schools	September 2014
Effective classroom observation in primary and secondary schools	October 2014
Numeracy in key stages 2 and 3: an interim report	November 2014
Linguistic progression and standards of Welsh in ten bilingual schools	November 2014
The effectiveness of learner-involvement strategies in adult community learning and work-based learning	November 2014
Barriers to apprenticeship	November 2014
Literacy in key stage 3: An interim report	January 2015
Good practice in mathematics at key stage 3	February 2015

### **Case study – thematic survey – Effective classroom observation in primary and secondary schools**

Amongst the thematic surveys that Estyn published in 2014-2015 was one on classroom observation. This report followed from a study of how primary and secondary schools use classroom observation to improve pupils' achievement. It was found that, in schools where classroom observation is effective, leaders have established a positive culture of improvement through self-evaluation and professional learning. In these schools, staff are keen to share practice and they view classroom observation as an entitlement.

Estyn inspectors had visited recently-inspected, successful and improving schools as part of the survey. In these schools, inspectors found that classroom observation is used to enable teachers to share ideas and to support them in developing the way they teach. During observations there was a strong focus on how well pupils responded to the strategies used by the teacher and how much they learnt.

It was also found that, where classroom observation is successful, leaders also encourage other kinds of professional learning, development and team work. In one school visited, Cefn Hengoed Community School in Swansea, senior leaders have a clear vision for teaching and learning that is shared with staff and pupils through a "Teaching and Learning Policy Statement". The statement sets clear expectations and staff are clear about their roles in achieving high-quality teaching.

The report identified the practical arrangements that are likely to lead to successful lesson observation, as well as recommendations for schools, local authorities and the Welsh Government.

It was [published](#) on Estyn's website in October 2014.

### **Case study – thematic survey – Action on Bullying**

One of the reports that attracted a great deal of interest during the year was that produced on bullying in education providers. The report found that too many pupils suffer from bullying during their school lives, and stated that education providers have a responsibility to tackle bullying in all forms under the Education Act 2002.

The report examined how effectively schools take action to address all instances of bullying. It highlighted the fact that the majority of pupils know how to report bullying, and drew attention to the proactive approach taken by the best schools in preventing bullying. Good schools, it was found, also provide counselling services and use external agencies to support pupils who experience bullying.

Best-practice case studies in the report also explored strategies to address bullying, which include making effective support available to pupils at unstructured times of the day. For example one school, Crickhowell High School in Powys, had created a more tolerant environment by ensuring that issues of diversity and equality are explored in the curriculum. The school also has a student support officer who provides counselling and advises staff on issues like cyberbullying.

The report contained a series of recommendations for schools and local authorities, with schools being advised to ensure that staff know how to deal with and record incidents of bullying. Local authorities and regional consortia were advised to provide training and support for school staff and governors on this issue.

It was [published](#) on Estyn's website in June 2014.

**Objective 3: Build capacity in the delivery of education and training in Wales**

What we've done...

<p><b>1</b></p>	<p><b>Estyn-led training events and conferences</b></p> <ul style="list-style-type: none"> <li>• We delivered external and assessed training on skills for inspection for 30 school Challenge Advisers from local authorities and regional consortia, providing them with opportunities to develop their skills by joining school inspections as part of their continuous professional development.</li> <li>• We provided a comprehensive update programme for all inspectors, over a series of 25 scheduled events during the course of 2014-2015.</li> <li>• We increased the pool of peer inspectors by providing a rolling programme of assessed training, training 200 new peer inspectors (185 for schools, 15 for further education colleges), facilitating their use as full members of inspection teams and ensuring that they take new skills and expertise back to their organisations.</li> <li>• We delivered online training for all nominees (a representative from the individual providers being inspected) to act as liaison between the provider and the inspection team on all inspections.</li> <li>• We provided a range of training materials to support external inspectors from every sector.</li> </ul>
<p><b>2</b></p>	<p><b>Best practice</b></p> <ul style="list-style-type: none"> <li>• We used evidence from inspection and remit activity to identify and publish 32 best practice case studies on Estyn's website and in the HMCI Annual Report.</li> <li>• We widened the scope of best practice to include case studies from providers who make very good progress after being placed in follow-up.</li> <li>• We highlighted and disseminated best practice as part of our inspection activities, through sector network stakeholder forums and link inspector contacts with local authorities.</li> <li>• We continued to encourage and promote the involvement of current practitioners as peer inspectors and nominees on inspections to promote cross-fertilisation of best practice.</li> <li>• We used best practice case studies in our activities to inform the development of national policy by the Welsh Government and its officials.</li> <li>• We held a national conference to disseminate best practice in tackling deprivation and raising standards.</li> </ul>
<p><b>3</b></p>	<p><b>More effective use of thematic reports</b></p> <ul style="list-style-type: none"> <li>• We held a conference and published INSET materials for primary and secondary schools on tackling disadvantage.</li> <li>• We used our National Stakeholder Forum conference in February 2015 to seek stakeholder views on how best to publicise thematic inspection reports.</li> </ul>

	<ul style="list-style-type: none"> <li>• We worked with a multi-media company to produce a film to present best practice and the main messages from the 'Best practice in teaching and learning in the creative arts at key stage 2' thematic inspection report.</li> </ul>
<p><b>4</b></p>	<p><b>Develop strong partnerships with stakeholders</b></p> <ul style="list-style-type: none"> <li>• We held an annual National Stakeholder Forum in February 2015 for a representative from each official body listed in our stakeholder list, at which we sought views on how best to get Estyn's messages to classroom practitioners. Thirty-three representatives attended.</li> <li>• We held a series of Sector Network Forum meetings, at least once for each sector during the year.</li> <li>• Assistant Directors and/or the relevant sector lead inspector attended workshops and events hosted by official bodies, including the Association of Directors of Education in Wales (ADEW), Colegau Cymru, the National Training Federation for Wales (NTfW), Governors Wales and Councils.</li> <li>• We published Estyn's stakeholder newsletter, twice in the year, through email to all additional, peer and lay inspectors, HMI, education and training providers and anyone who had registered through our website.</li> <li>• We continued our engagement with the Welsh Government as a stakeholder through meetings between HMCI, Strategic Directors and Assistant Directors and their equivalent Welsh Government officials, as part of a programme of regular meetings to provide advice to Government.</li> <li>• We carried out development work on our website and extranet to ensure that they continue to provide information to our stakeholders on the work of Estyn and to support the use of best practice by leaders and practitioners.</li> </ul>

## Comments, queries and complaints

As an organisation, we take all comments, queries and complaints seriously and will respond to all complaints fully, fairly and as quickly as possible. In 2014-2015, we dealt with 12 formal complaints.

Estyn also has a statutory duty to respond to any Freedom of Information (FOI) and Data Protection Act (DPA) requests in a timely manner.

### Response to complaints:

Total number of formal complaints received in 2014-2015: **12**

Date	Outcome	Subject of complaint
15/07/2014	Partially upheld	Use of Welsh language in inspection (Chair was not a Welsh speaker and felt excluded from proceedings)
15/07/2014	Partially upheld	Conduct and administration of inspection
31/07/2014	Not upheld	FOI review
21/11/2014	Not upheld	Inspector conduct and judgements
09/12/2014	Partially upheld	Inspector conduct
09/12/2015	Not upheld	Disclosure of information
22/12/2014	Not upheld	Inspector conduct
14/01/2015	Partially upheld	Inspection administration
19/01/2015	Partially upheld	Inspector conduct
23/01/2015	Partially upheld	Inspector conduct
06/02/2015	Not upheld	Recruitment process
18/03/2015	Not upheld	Inspection process

### Requests received under FOI Act:



27 requests

100% completed within target of 20 working days. Two reviews took place during 2014-2015.

### Requests received under the DPA



46 requests

**100%** completed within target of 40 calendar days from receipt of ID.

Subject access requests that include lesson observation forms are issued under both the DPA and FOI Act. The target for completion of such requests is 20 working days, in line with the target for responding to FOI requests.

### **Case study – Poverty conference**

As part of Estyn's commitment to building capacity and sharing best practice, on 7 May 2014 we held a national conference to highlight approaches taken by schools to tackle the impact of deprivation and raise standards.

To coincide with the conference, Estyn also published a compendium summarising the main messages from Estyn reports published since 2007 outlining effective strategies to tackle poverty and disadvantage in schools. During the conference, Strategic Director Meilyr Rowlands also announced that Estyn would publish new guidance on 1 September 2014 about how inspectors would evaluate the approaches taken by schools to reduce the impact of poverty on educational attainment. This guidance included helpful questions to guide inspectors as well as prompts to support schools with their own self-evaluation.

The purpose of the conference was to showcase examples of best practice for and from schools in deprived areas around Wales with seven schools invited to present. Estyn invited senior leaders from primary and secondary schools, regional poverty champions and local authority / consortium representatives.

The Minister for Education and Skills, Huw Lewis provided a keynote speech, outlining Welsh Government's commitment to raising the achievement and improving the life chances of Wales' most vulnerable children.

Delegates welcomed the opportunity to listen to practical strategies from schools about how they are tackling deprivation. Ysgol Bryn Elian in Conwy outlined how they have reorganised their pastoral system to cater for the needs of its disadvantaged learners. Mount Stuart Primary School in Cardiff discussed how they have developed effective strategies to engage with parents and carers and Ysgol Coedcae shared how they had established stronger links with parents and refined their pastoral system to establish a 'team around the family' approach.

They also enjoyed the opportunity to hear from schools about how they had made best use of Welsh Government funding, established effective partnership working, involving parents, families and communities as a pivotal element of raising standards. Delegates noted that all of the schools presenting had adopted a whole school approach with all staff involved in work to tackle deprivation, demonstrating a clear commitment.

### **Case study – Building Capacity**

As part of the new regional education consortia arrangements, the Welsh Government expects all Challenge Advisers from September 2014 to be trained and practicing inspectors. Participating in inspection work provides valuable insight and experience for Challenge Advisers that supports them in their usual work with schools. Those taking up Challenge Adviser posts are often already trained inspectors, usually having been peer inspectors in the schools sectors. For Challenge Advisers who were not already trained inspectors, Estyn provided bespoke training in Spring 2015. Almost all the Challenge Advisers passed the assessed component of the training. The objectives of the Challenge Adviser Inspector Training course and annual update training are to enable prospective Challenge Adviser Inspectors to understand the process of inspection, the principles upon which the process is based and the criteria for making judgements. The training is complete once the adviser has successfully taken part in a school inspection as a team member.

Following initial training, Estyn will normally aim to deploy Challenge Adviser Inspectors attached to primary schools once in each academic year. Those Challenge Adviser Inspectors who are attached to secondary schools will inspect one school every two years.

All Challenge Adviser Inspectors are full members of the team and have the same range and type of responsibilities as other team members. During the first year of deployment, lead inspectors reported that most Challenge Adviser Inspectors contributed effectively to the expertise of inspection teams and enhanced schools' ownership of the inspection process. Many Challenge Adviser Inspectors agree that being a member of an inspection team enables them to gain a better insight into the inspection process as well as providing valuable opportunities for their own professional development. They also note that they are in a stronger position to share good practice and develop the skills schools need to carry out their own self-evaluation effectively.

At the end of each inspection, the Reporting Inspector provides feedback to the Challenge Adviser Inspector about the quality of his/her work during the inspection and completes the inspector evaluation form. This feedback is used to prioritise future training events.



**Delivery principle 1: Develop Estyn as a ‘best value’ organisation and ‘exemplary employer’**

What we’ve done...

**Develop Estyn as a ‘best value’ organisation and ‘exemplary employer’**

- We met business needs and maintained budget flexibility through engaging a mix of permanent, fixed-term, temporary and seconded staff. Our programme of secondments continued to support delivery of our inspection schedule and also support the transfer of skills and knowledge to stakeholders, strengthening capacity across education providers. Eight new Additional Inspectors were engaged on secondment during the year. To help rebalance our inspection skills mix we ran an Early Exit Scheme, which resulted in four HMI leaving Estyn at the year-end. A permanent staff recruitment campaign in spring 2015 resulted in nine new HMI appointees who will be joining Estyn in September 2015.
- We maintained our commitment to equality and diversity and delivered the planned actions for year three of our Strategic Equality Plan; the review of actions delivered in 2014-2015 will be published in Autumn 2015.
- We maintained the high level of staff engagement as evidenced within the civil service People Survey 2014 results, with Estyn ranked fourth highest of 102 organisations in terms of the proportion of staff completing the survey.
- We delivered a comprehensive training programme for all staff, which addressed core organisational requirements and individual development needs; areas covered included Health & Safety, Leadership and Management, and Welsh Language. Estyn’s average spend per employee was around 16% higher than the median value for organisations reported by the Chartered Institute for Personal Development in 2014, supporting our commitment to be a learning and improving organisation.
- We continued to support Welsh language learning, from beginner to advanced level, as part of our commitment to meeting the Welsh Language Standards, with 28 staff members in total attending courses. In addition, we have continued to develop bilingualism both within the organisation and in communications with external stakeholders by modifying our IT systems to enhance bilingual functionality. At the year-end a review was undertaken by the Welsh Language Commissioner to identify standards which will apply to Estyn – the full implications and further actions required by Estyn will become known later in 2015.
- We ensured that staff welfare remains high on our agenda, promoting awareness of health issues, offering staff annual health checks and providing an Employee Assistance Programme. In 2014 we achieved accreditation of Corporate Health Standard (Silver). Also, our Health and Safety induction process was reviewed by internal audit and given a ‘substantial’ assurance rating.
- We embedded the Continuous Performance Management system that we introduced in 2013. The system was slightly modified during 2014-2015 in light of staff feedback and is widely viewed as a positive process, which recognises and supports improvement in staff performance.

	<ul style="list-style-type: none"> <li>• We evidenced our commitment to sustainability by achieving Level 3 of the Green Dragon accreditation. Our Environmental Policy is championed by senior management and our performance against targets was monitored and reviewed quarterly by our Service Delivery Group.</li> <li>• We continued to maximise opportunities to implement low-cost IT solutions that enhance business processes and quality. For example, we implemented a workflow management system within our Inspection Co-ordination function to ensure that key processes, from inspection notification through to publication of final inspection report, are completed to deadline and quality standard. Our Inspector Profiles system went live in 2014 (see case study on page 25) and work was also undertaken in-year to develop a new website, to be launched in 2015.</li> <li>• We enhanced our internal research capacity through the appointment of a Research Officer, who took up post in September 2014. This role has strengthened our thematic and research capability, for example through supporting the collation and dissemination of external research and other information, and development of our knowledge management systems.</li> <li>• We maintained robust corporate governance arrangements and achieved high levels of assurance, as detailed within our Governance Statement (page 47). We have revised and published a range of policies supporting good governance, including, our Information Governance Framework, Whistleblowing Policy and Anti-Fraud Policy. During the year we used open-competition to appoint three Non-Executive Director posts and achieved both continuity and new challenge within the membership of our Audit and Risk Assurance Committee and Strategy Board.</li> </ul>
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**Delivery principle 2: Work collaboratively with other inspectorates to support improvement**

What we've done...

<b>1</b>	<p><b>Undertake joint working, where appropriate, on the basis of the Welsh Government's policy statement on Inspection, Audit and Regulation (IAR) in Wales</b></p> <ul style="list-style-type: none"> <li>• We have continued to ensure that our joint and collaborative working is guided by a common vision and purpose agreed between the IAR bodies in Wales and the UK through Inspection Wales and the Heads of UK Inspectorates forum.</li> <li>• We contributed fully to Phase 1 of the Welsh Government review of inspection, regulation and audit (IAR) through written responses to consultations, attendance at Welsh Government workshops and contribution to agreed wording for the White Paper on Devolution, Democracy and Delivery – Reforming Local Government.</li> <li>• We co-ordinated our inspection activities, where appropriate, with those of the other IAR bodies so that they resulted in proportionate programmes of</li> </ul>
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	<p>work that avoided duplication and ensured that key risks and concerns were examined, such as joint follow-up work with the WAO in Monmouthshire.</p> <ul style="list-style-type: none"> <li>• We continued to develop approaches to information and knowledge sharing between Estyn and other IAR bodies to help ensure that intelligence is actively and promptly shared and used to support service improvement, inform policy making and strengthen public accountability.</li> <li>• We monitored the progress we made with joint and collaborative working and reported this openly and transparently to key stakeholders and to Estyn's Strategy Board.</li> </ul>
<p><b>2</b></p>	<p><b>Undertake inspections and remit work jointly with other inspectorates and regulatory bodies as appropriate</b></p> <ul style="list-style-type: none"> <li>• We co-ordinated our thematic inspection work, where appropriate, with those of the other IAR bodies so that this work avoided duplication of effort and ensured that shared concerns were examined, such as our joint work with WAO on school improvement services delivered by regional consortia.</li> <li>• We contributed to the full joint inspection of Youth Offending Work in Newport, led by HMI Probation.</li> <li>• We contributed to CSSIW's Inspection Project Board on their development of a judgement framework for the inspection of care and social services.</li> <li>• We ensured the effective co-ordination by Estyn and CSSIW of inspections of schools and colleges that have residential provision.</li> <li>• We worked with Education Scotland, ETI (Northern Ireland) and Ofsted to share lessons learnt from our new approach to the inspection of further education, in particular lessons learnt from Estyn's pilot inspection.</li> <li>• We worked with the Standing International Conference of Inspectorates (SICI) on developing post-16 themes at their international events such as the inaugural FE and WBL conference in London in February 2015.</li> <li>• We continued to work with the Quality Assurance Agency for Higher Education (QAA), where our areas of responsibility overlap, to share information and identify causes for concern.</li> <li>• We continued to liaise with the Home Office over the educational oversight of providers wishing to become a Tier 4 sponsor.</li> <li>• We worked closely with the Welsh Government, the Higher Education Funding Council for Wales (HEFCW) and the Education Workforce Council on issues relating to the Furlong Report.</li> </ul> <p>In addition:</p> <ul style="list-style-type: none"> <li>• We continued our work with CSSIW, HIW and the WAO to further develop the 'Inspect Wales' joint website portal for IAR bodies in Wales.</li> <li>• We supported the work of the Inspection Wales Project Manager and Inspection Wales Co-ordinator through our facilitation of office accommodation and ICT facilities at Estyn.</li> <li>• We responded to and advised the Welsh Government and other stakeholders on consultations and reviews relating to joint IAR work on education and training as required.</li> </ul>

### **Case study – Inspector profiles**

In October 2014 we implemented the Inspector Profiles system, which provides inspectors with direct access to view and maintain their personal information and aids Estyn in accurately deploying team members to inspections.

This web-based system enables inspectors easily and securely to amend and record their current up-to-date information on skills, experience and availability for inspection, incorporating any relevant information which might preclude an inspector from being a member of a particular inspection team due to a potential conflict of interest.

Within their profile, inspectors are able to view details of the composition of inspection teams to which they have been assigned and can also access a record of their previous inspections and other history, for example Estyn training they have undertaken.

The profiles have reduced email traffic to inspectors and we no longer request that inspectors complete and update individual peer inspector profiles on Microsoft Word documents. It also facilitates an efficient and secure line of communication between Estyn and its inspectors and has reduced the time taken when dealing with individual inspector queries.

In future, the system will be further developed to include additional functionality to support streamlining of electronic tendering and award of contracts for additional inspector roles.

### **Case study – Working with Monmouthshire**

Delivery principle two of Estyn's annual plan 2014-2015 states that we would work collaboratively with other inspectorates to support improvement. The plan also states that we would ensure that our planning and programming activities would be co-ordinated, where appropriate, with those of the other IAR bodies so that they result in proportionate programmes of work that avoid duplication and ensure that key risks and concerns are being examined.

During March 2015, we undertook a monitoring visit of Monmouthshire local authority at the same time as the Wales Audit Office's Corporate Assessment of the local authority's corporate services. Prior to the visit, our reporting inspector for the monitoring visit met with staff from the Wales Audit Office to share with them the scope of our work and to plan how we could work together on aspects of the visit. Our visit focused on the local authority's performance management procedures and their effectiveness within education services in allowing elected members and senior officers to identify and address underperformance.

We arranged that the Wales Audit Office staff had full access to our Virtual Inspection room and Monmouthshire local authority were able to deposit all their documents for both inspectorates in one place. We identified a series of interviews where local authority officers could provide evidence to inform both the Wales Audit Office staff and ourselves of the local authority's performance management procedures and their impact on delivering the authority's targets. These interviews enabled us to develop a good understanding of performance management procedures across the whole of the local authority's services. This gave us a useful context for evaluating the effectiveness of performance management in the Children and Young People's Directorate. Being on site at the same time also provided opportunities for both teams to share intelligence and discuss issues and emerging findings.

## Estyn Board members

During 2014-2015, the following persons were members of the Estyn Strategy Board for the full year unless indicated otherwise.

### Non-executive directors (NEDS)

**Mr Andrew Bellamy**, a former senior executive in the NHS with experience in change management and corporate governance (term as Estyn NED ended in August 2014)

**Dr Haydn Edwards**, an educational consultant with experience in senior management and public sector governance

**Mr Rheon Tomos**, currently partner of TDE Associates, a qualified accountant specialising in public sector best practice and effective governance

**Mr Arwel Thomas**, former Deputy Director of Corporate Governance and Assurance in the Welsh Government

**Ms Judith Fabian** (commenced February 2015), former education consultant and teacher, with experience in senior leadership in international education and curriculum development

### Senior officers

**Mrs Ann Keane** – Her Majesty’s Chief Inspector of Education and Training in Wales and Accounting Officer (departure date 31 May 2015)

**Mr Simon Brown** – Strategic Director

**Mr Meilyr Rowlands** – Strategic Director (appointed HMCI with effect from 1 June 2015)

Estyn maintains a register of interest for Board members and a register of interest for all permanent employees, secondees and temporary staff. No member of the Board holds directorships or other significant interests which might conflict with their management responsibilities.

### Remuneration

Details of the remuneration of Her Majesty’s Chief Inspector of Education and Training in Wales and other senior officers of the Estyn Board are set out in the Remuneration report contained within Section 2 (Annual accounts 2014-2015).

Non-executive directors are not remunerated, but are entitled to claim a monthly honorarium of £352.50 (£455.08 per month for the chair of Audit Committee) plus travel and subsistence claims, as well as honorarium payments for additional consultancy work such as involvement in recruitment panels. In 2014-2015, the total

value of honorarium claims was £17,980 and a total amount of £430 was also claimed as reimbursement of travel and subsistence expenses.

### **Audit and Risk Assurance Committee**

The Audit and Risk Assurance Committee comprises non-executive directors of Estyn's Strategy Board and is chaired by one of the non-executive directors. Supporting the Accounting Officer in their responsibilities for issues of risk, control, governance and assurance, the Committee was attended fully at its four meetings during 2014-2015. There were no significant events or issues of judgement or control that had to be considered by the Committee during the year. The Annual Report of the Chair of Audit and Risk Assurance Committee is published on Estyn's website.

### **Remuneration Committee**

Estyn's Remuneration Committee is an established sub-committee of the Strategy Board, with the specific purpose of providing advice and recommendations on HMCI's remuneration, and for determining the remuneration of other Senior Civil Service members of Estyn, based on the advice and recommendations of HMCI. It is chaired by one of Estyn's non-executive directors. It met once during 2014-2015, and was fully attended at the meeting. (Further information is available on page 40 in Section 2 of this report.)

## **Section 2**

# **Annual Accounts 2014-2015**



## Management commentary

### Format of the accounts

These financial statements have been prepared in accordance with Paragraph 5(2) of Schedule 6 to The Government of Wales Act 1998 as per the Accounts direction issued by HM Treasury. A copy of that direction can be obtained from Estyn at Anchor Court, Keen Road, Cardiff CF24 5JW.

These accounts reflect the assets, liabilities and financial outturn of Estyn. Estyn has no subsidiaries.

### Background statutory information and funding

Estyn is the office of Her Majesty's Chief Inspector of Education and Training in Wales. It is a Crown body, established under the Education Act 1992. Estyn is independent of the National Assembly for Wales but receives its funding from the Welsh Government under Section 104 of the Government of Wales Act 1998.

### Principal activities

Her Majesty's Chief Inspector of Education and Training in Wales has a wide range of statutory inspection responsibilities. These responsibilities are carried out through an annual inspection programme that generates reports and data on all sectors of education and training in Wales. Inspection is the dominant area of Estyn's activity in terms of the resources consumed.

In addition, Estyn undertakes a range of thematic reviews and investigations each year, which are agreed with the Welsh Government Minister for Education and Skills. These are designed to provide advice to inform the development, implementation and review of national policy. In some cases the Chief Inspector also initiates reviews and investigations at his own instigation.

### Principal aim and strategic objectives

#### Our mission and vision

Our mission is to achieve excellence for all learners in Wales by providing an independent, high quality inspection and advice service. Our vision is to be recognised through the expertise of our staff as an authoritative voice on education and training in Wales.

#### Our values

Everything we do reflects our mission, vision and our values, which are to:

- keep **learners** and citizens **at the centre of our work**
- act with **openness, integrity** and **objectivity**, demonstrating the highest standards of public service

- work in **partnership** with others, whilst maintaining our **independence**
- demonstrate effective **leadership** and **teamwork** at all levels
- **value people** and the contributions they make
- encourage **responsibility**, **initiative** and **innovation**
- foster an **engaging** and **healthy** working environment

### **Our strategic objectives**

Estyn has a unique role in supporting the drive for excellence in learning, through:

- providing public accountability to service users on the quality and standards of education and training provision in Wales
- informing the development of national policy by the Welsh Government Ministers and officials
- building capacity in the delivery of education and training in Wales

These are the core purposes of our work and it is vital that all are delivered as effectively as possible.

In doing so, it is equally important that Estyn follows its delivery principles by continuing to work collaboratively with other inspectorates to support improvement, and by developing further as a “best value” organisation and exemplary employee.

### **Equal opportunities**

Estyn is an equal opportunities employer, committed to ensuring that our organisation is free from any form of unlawful discrimination, victimisation, bullying or harassment because of age; disability; gender; gender identity (transgender); gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation; responsibilities for dependents; working patterns (such as the need, or desire, to work part-time hours); or other irrelevant considerations.

No person should receive less favourable treatment because of any of the protected characteristics listed above. Furthermore, we will ensure that no person is disadvantaged by conditions or requirements that we cannot show to be justifiable.

All employees, secondees, and others who undertake work on our behalf, are expected to act in accordance with our equal opportunities policy both in terms of their dealings with members of the public and relationships with colleagues.

Estyn will not tolerate discrimination, victimisation, bullying or harassment, direct or indirect, intentional or unintentional, against any person on any grounds whatsoever including, but not limited to, those mentioned above.

Estyn follows the Civil Service Code of Practice on the employment of disabled people, which aims to ensure that there is no discrimination on the grounds of disability, and that access to employment and career advancement within Estyn is based solely on ability, qualifications and suitability for the work.

Estyn's Strategic Equality Plan, covering 2012 to 2015, sets out Estyn's commitment to ensuring Equality and the ways in which this will be achieved. A copy of the Plan and the latest report on progress against objectives can be obtained from the Estyn website.

### Sickness absence data

PI

Headline measures		
Measure	2014-2015	2013-2014
Sickness absence rate	3.6%	3.3%
Proportion of staff accruing sickness absence	52.8%	52%
Average working days lost per employee	7.5 days	7.8 days
Average length of absence	7.3 days	7.6 days
Sickness absence occurrences	128 occurrences	118 occurrences

### Dissemination of information

Estyn advocates the sharing of information and ideas and seeks to take full advantage of modern technology to achieve these aims. Estyn has a website through which information about the organisation, together with its reports and advice, can be accessed. Publications on this site are based on inspection evidence covering a variety of topics in the field of education and training. An intranet site based on the Microsoft SharePoint platform is also available to all staff. Estyn regularly issues 'Work Matters' to all staff, which provide information and updates in relation to policies, procedures, general guidance and events affecting staff and the organisation as a whole. Structured management groups have been established to discuss and to disseminate information at strategic, corporate and operational levels. Corporate and group meetings are held regularly to share ideas and information. Outcomes from meetings are shared via minutes that are available to staff. Estyn operates a number of protocols, mostly through Memoranda of Understanding, with other public bodies.

### Sustainability

Estyn is not required to produce a full sustainability statement as part of this Annual Report and Accounts. However, last year we continued our commitment to sustainability by working to deliver our environmental action plan and adhere to our [Environmental Policy](#). Our inspection processes also look at and report on sustainability and its promotion within individual education and training providers.

Estyn's main impacts on the environment arise from the consumption of energy, transport, the generation of waste and the consumption of office materials.

Objectives and targets for 2014-2015 have been produced in order to improve environmental management and performance and reduce Estyn's environmental impacts.

**Objective 1** To continue to monitor CO<sub>2</sub> generation with the aim of a 5% reduction over the next five years (based on 2012-2013 figures)

**Objective 2** In line with the WG “Towards Zero Waste” commitment, to increase recycling by 5% over the next five years (based on 2012-2013 figures)

**Objective 3** In line with the WG “Towards Zero Waste” commitment, to reduce waste arising by 1.2% year on year until 2050

**Objective 4** Reduce the organisations Transport impact contributing to the CO2 reduction target (T01)

**Objective 5** Communicate environmental initiatives to the public and staff

**Objective 6** Continue to embed environmental considerations into purchasing procedures

The table below shows the environmental data collated for 2014-2015 as required by the **Financial Reporting Manual (FRM)**.

<b>FRM requirements for sustainability reporting</b>		
<b>Area</b>	<b>Non-financial information</b>	<b>Financial information</b>
Greenhouse gas emissions: <ul style="list-style-type: none"> <li>• Scope 1</li> <li>• Scope 2</li> <li>• Scope 3</li> </ul>	Electricity 152,494 kilo watts  Gas 31,116 kilo watts  No measure of water used – landlord controlled  Transport 107,526 kg CO2	£24,612 paid on electricity during 2014-2015  £1,721 paid on gas during 2014-2015  £672 paid on water in 2014-2015  £121,267 paid in mileage
Waste minimisation and management	<ul style="list-style-type: none"> <li>• Landfill 21%, 1,435kg</li> <li>• Recycled 79%, 5,456 kg</li> </ul>	Total expenditure £2,908
Finite resource consumption	N/A	N/A
Biodiversity action plan	N/A	N/A
Sustainable procurement	Extract from Estyn’s Terms & Conditions of Contracts <b>“12. SUSTAINABILITY</b> 12.1. The Contractor shall, when working on the Client’s Premises, perform the Contract in accordance with the Client’s environmental policies as notified to the Contractor from time to time and in any event will use all reasonable endeavors to – 12.1.1. conserve energy, water, wood, paper and other resources; 12.1.2. reduce waste; 12.1.3. phase out the use of ozone depleting substances;and 12.1.4. minimise the release of greenhouse gases, volatile organic compounds and other substances damaging to health or the environment.”	

We continue to review and implement processes in support of our environmental targets. These processes were subject to external review toward the end of the financial year and Estyn was awarded the Green Dragon Level 3 accreditation in July 2015.

### **Payment policy**



In 2014-2015 we worked to achieve compliance with our responsibilities under the Late Payment of Commercial Debts (Interest) Act 1998 to pay undisputed suppliers' invoices within 30 days of receipt of goods or services or valid invoice, whichever is the later. This policy is stated in the Terms and Conditions covering Estyn Contracts. This was achieved for 99.2% of all such payments made in 2014-2015 (2013-2014: 99.4%).

### **Personal data related incidents**

In the Cabinet Office's Interim Progress Report on Data Handling Procedures, published on 17 December 2007 ('Official Report', column 98WS) the government made a commitment that government departments will cover information risk management in their annual reporting. Accordingly, Estyn is required to report information in respect of personal-data-related incidents in its annual resource accounts.

### **Minimum scope of protected personal data**

In line with Cabinet guidance, Estyn is required to identify data that it or its individual delivery partners hold whose release or loss could cause harm or distress to individuals. This must include as a minimum all data falling into one or both categories below.

- A Any information that links one or more identifiable living persons with information about them whose release would put them at a significant risk of harm or distress, as shown in the table below.

1 One or more of the pieces of information which can be used along with the public domain information to identify an individual	Combined with	2 Information about that individual whose release is likely to cause harm or distress
Name/address (home or business or both)/postcode/ email/telephone numbers/ driving licence number/date of birth  [Note that driving licence number is included in this list because it directly yields date of birth and first part of surname.]		Sensitive personal data as defined by S.2 of the Data Protection act, including records relating to the criminal justice system, and group membership  DNA or finger prints/bank, financial or credit card details/mother's maiden name/National Insurance number/Tax, benefit or pension records/health records/employment record/school attendance or records/material relating to social services including child protection and housing

The above are not exhaustive lists.

- B Any source of information about 1,000 or more identifiable individuals, other than information sourced from the public domain. This could be a database with 1,000 or more entries containing facts mentioned in box 1, or an electronic folder or drive containing 1,000 or more records about individuals. Again, this is a minimum standard. Information on smaller numbers of individuals may warrant protection because of the nature of the individuals, nature or source of the information, or extent of information.

Incidents, the disclosure of which would in itself create an unacceptable risk of harm, may be excluded in accordance with the exemptions contained in the Freedom of Information Act 2000 or may be subject to the limitations of other UK information legislation.

There have been no protected personal data related incidents during 2014-2015 (no incident in 2013-2014).

<b>Summary of protected personal data related incidents formally reported to the Information Commissioner's Office in 2014-2015</b>				
<b>Date of incident (month)</b>	<b>Nature of incident</b>	<b>Nature of data involved</b>	<b>Number of people potentially affected</b>	<b>Notification steps</b>
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
<b>Further action on information risk</b>	There were no incidents to report. However, Estyn will continue to monitor and assess its information risks in order to identify and address any weaknesses and ensure continuous improvement of systems.			

<b>Summary of other protected personal-data-related incidents in 2014-2015</b>		
Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but which are recorded centrally within Estyn are set out in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures.		
<b>Category</b>	<b>Nature of incident</b>	<b>Total</b>
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	Nil
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	Nil
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	Nil
IV	Unauthorised disclosure	Nil
V	Other	Nil

<b>Year-on-year total numbers of protected personal-data-related incidents prior to 2014-2015</b>													
<b>Total number of protected personal-data-related incidents formally reported to the Information Commissioner's Office, by category number</b>							<b>Total number of other personal-data-related incidents, by category number</b>						
	<b>I</b>	<b>II</b>	<b>III</b>	<b>IV</b>	<b>V</b>	<b>Total</b>		<b>I</b>	<b>II</b>	<b>III</b>	<b>IV</b>	<b>V</b>	<b>Total</b>
<b>2014-2015</b>	Nil	Nil	Nil	Nil	Nil	Nil	<b>2014-2015</b>	Nil	Nil	Nil	Nil	Nil	Nil
<b>2013-2014</b>	Nil	Nil	Nil	Nil	Nil	Nil	<b>2013-2014</b>	Nil	Nil	Nil	Nil	Nil	Nil
<b>2012-2013</b>	Nil	Nil	Nil	Nil	Nil	Nil	<b>2012-2013</b>	Nil	Nil	Nil	Nil	Nil	Nil
<b>2011-2012</b>	Nil	Nil	Nil	Nil	Nil	Nil	<b>2011-2012</b>	Nil	Nil	Nil	Nil	Nil	Nil

### Results for the year

In 2014-2015 Estyn delivered its core and follow-up programme of inspections, thematic reviews, policy advice, and capacity building objective with a similar level of resources as utilised in the previous financial year, i.e. total revenue expenditure of £10.9 million. £227k of available revenue budget and £60k of available capital budget was unused and surrendered to the Welsh Government at the year-end.

Staffing costs account for over 70% of Estyn's budget; in 2014-2015 there was a small increase in overall staffing numbers with a slight rise in total staffing expenditure (1.9%) against the previous year. At the end of the financial year four of Her Majesty's Inspectors (HMI) left Estyn under the terms of an Early Exit Scheme (EES) that was initiated to rebalance Estyn's in-house skillset to meet a higher proportion of inspection activities within the schools sectors. The EES was approved by the Cabinet Office with a total cost of £238k incurred in 2014-15; details are shown within the Exit Package Table on page 45 and Note 3 in the accounts. A recruitment campaign undertaken in January 2015 will see a total of nine new permanent HMI take up their posts in September 2015 to replace EES and other staff leavers.

There has also been limited change in the overall pattern of other expenditure from the previous year. Net Administration Costs (NAC), made up of a number of budget heads shown in Note 4 in the notes to the accounts, has reduced overall by £163k (8%). However, within NAC it is noted that there has been a rise of £49k (9%) in travel and subsistence (T&S) expenditure; this expenditure relates to expenses for essential travel, including the cost of overnight accommodation, incurred in the main for staff and peer inspectors in delivery of Estyn's inspection programme. The year-to-year variability in T&S costs is predominantly linked to variability in the inspection programme, including annual changes to the number of inspections carried out by Estyn staff and differences in the geographic dispersion of inspections and the subsequent distance of travel and accommodation requirements for



inspectors. As in previous years, Estyn has sought to minimise travel by deploying inspectors who live as near as possible to the provider being inspected whilst at the same time avoiding potential conflicts of interest such as an inspector inspecting in the same local authority that they are employed or were recently employed.

Programme expenditure, which relates largely to the cost of training and contracting with Additional Inspectors (AI) and Peer Inspectors (PI) and includes the cost of parent and provider inspection questionnaires and the translation of inspection reports into Welsh, were also broadly in line with the previous financial year. There was a notable variation in that local authority inspections were suspended during 2014-2015 and therefore no costs were incurred against this expenditure line. Against the previous year there was an overall 10% increase in average contract prices for AIs and a continuation of the pattern of significant price variability in the tenders submitted by individual inspectors for the same type of inspection. However, the impact of rising prices was mitigated by fewer contracts being issued in 2014-2015 than in the previous year and a greater number of inspection team roles being filled by HMI and PI. The 2014-2015 inspection programme was delivered through an appropriate mix of inspection resources with inspection teams comprised of configurations of HMI, PI and AI, HMI and PI, and, AI and PI. The 'mix' helps Estyn to achieve multiple business objectives, including: generation of in-house insight and knowledge of education sectors to inform advice and policy, through the deployment of in-house inspectors (HMI); supporting capacity building (skills and knowledge) within providers through the training and deployment of PIs on inspections; and maintaining flexibility of resources and value for money through the use of AIs as team members in various sectors and to lead around half of primary school core inspections.

A relatively low level (£21k) of capital expenditure was incurred in 2014-2015 on equipment to support Estyn meetings, conferences and training events, and to implement a system to record and manage staff time and attendance. Depreciation charges, shown within Note 4 to the accounts, were significantly lower for 2014-2015 in comparison with previous years due to both the low level of in-year capital spend and the deferred replacement (extended use) of IT equipment which had already been fully-depreciated.

The Statement of Financial Position (SofFP) as at the year-end 31 March 2015 shows net liabilities of £508k (2013-2014: £122k). It is usual for Estyn's SofFP to show a deficit position at the end of a financial year due to the high level of payables. Payables are a normal consequence of Estyn's arrangements for resourcing inspections with Peer Inspectors, Lay Inspectors and Additional Inspectors (including secondees) and result from timing of the receipt of the invoice.

During 2015-2016 Estyn will receive funding from the Welsh Government to meet all of the above liabilities in line with the 'going-concern' basis adopted in the preparation of these financial statements.

### **Looking ahead**

In 2015-2016 we will begin planning for the next cycle of inspections and will explore opportunities for expanding the use of Peer Inspectors, including provision of training

to support Peer Inspector involvement in our thematic survey work as well as potentially expanding deployment to inspection work.

During the same period we will be alert and responsive to the changes and challenges that are likely to arise from several reports and White Papers which are set to open up new possibilities for education and the wider range of public services in Wales. Our contingency plans for addressing potential new work streams that may emerge from the above reviews and, also, to respond to potential further austerity measures which might arise from the next Comprehensive Spending Review, will be updated and initiated, as required.

On a more general level, as part of our commitment to improving the way we work and promote best practice we will review how we communicate and engage with stakeholders, and in 2015 we will launch a new Estyn website. We will also continue to develop and support our work with other inspectorates, for example, piloting new joint inspection arrangements for non-maintained nursery settings with the Care and Social Service Inspectorate Wales (CSSIW).

Further information on our plans and objectives for 2015-2016 can be found within our Annual Plan 2015-2016.

<http://www.estyn.gov.uk/download/publication/360987.9/annual-plan-2015-2016/>

### **Auditor**

The Auditor General for Wales audits Estyn's accounts in accordance with Paragraph 5(2) of Schedule 6 to the Government of Wales Act 1998.

So far as the Accounting Officer is aware:

- there is no relevant audit information of which Estyn's auditors are unaware
- the Accounting Officer has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that Estyn's auditors are aware of that information

### **Events since the end of the financial year**

There have been no events since the balance sheet date that affect the understanding of these financial statements.

### **Meilyr Rowlands**

Her Majesty's Chief Inspector of Education and Training in Wales and  
Accounting Officer

9 July 2015

## Remuneration report

The remuneration of Her Majesty's Chief Inspector of Education and Training in Wales is determined by the National Assembly for Wales under paragraph 3 of Schedule 2 to the Education Act 2005.

For other permanent senior staff members of the Board, remuneration was determined by Estyn's Remuneration Committee comprising the Chief Inspector of Education and Training in Wales and three non-executive directors, in accordance with Cabinet Office guidance on Senior Civil Service (SCS) remuneration.

In reaching its recommendations, the Estyn Remuneration Committee has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities
- benchmarking information available from Cabinet Office and other Government departments, including those closest to Estyn in location and work type
- the funds available to the department and the advice available annually from Cabinet Office
- government policies for improving public service delivery and the role of performance management in securing and recognising value to the organisation and rewarding contributions to business and corporate objectives

The Estyn Remuneration Committee takes account of the evidence available in respect of wider economic considerations and the affordability of its recommendations. As a result of the last Comprehensive Spending Review, Estyn has already reduced the number of its senior civil service posts from four to three by maintaining one post as vacant.

In agreeing pay awards for individual staff, the Estyn Remuneration Committee take particular regard of the following criteria:

- the individual's growth in competency
- challenge associated with the job
- confidence in the individual's future performance

No SCS staff bonuses were paid in 2014-2015.

In line with the pay award for Welsh Government SCS officials (1<sup>st</sup> April 2014) Estyn SCS officials were awarded a consolidated pay uplift of 2% effective from 1<sup>st</sup> August 2013 but no increase for 2014-2015.

### Service contracts

Civil Service appointments are made in accordance with the Civil Service Commission's Recruitment Principles. The Principles require appointments to be on merit on the basis of fair and open competition but also include the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

The rules of appointment are set out in the Civil Service Management Code.

Further information about the work of the Civil Service Commission can be found at: [www.civilservicecommission.independent.gov.uk](http://www.civilservicecommission.independent.gov.uk).

### Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of the most senior officials (i.e. Board members) of Estyn.

#### Remuneration (salary and payments in kind) \*

Officials	2014-2015					2013-2014				
	Salary £'000	Non-Consolidated Performance Pay £'000	Benefits in kind (to nearest £100)	Pension benefits to nearest £1,000 <sup>2</sup>	Total £'000's	Salary £'000	Non-Consolidated Performance Pay £'000	Benefits in kind (to nearest £100)	Pension benefits to nearest £1,000	Total £'000's
Ann Keane Her Majesty's Chief Inspector of Education & Training in Wales	110-115	-	-	-	110-115	110-115	0	-	8	120-125
Simon Brown Strategic Director	75-80	-	-	28	100-105	75-80	0	-	-3	70-75
Meilyr Rowlands Strategic Director	75-80	-	-	12	85-90	75-80	0	-	7	80-85
Band of Highest Paid Director's Total Remuneration	110-115					110-115				
Median total	£60,050					£62,500				
Ratio using the mid-point of salary band	1.87					1.80				

\*audited figures

<sup>2</sup> The value of pension benefits accrued during the year is calculated as (the real increase in pension x 20) + (the real increase in any lump sum) – (contributions made by the individual)

## Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on payments made by Estyn and thus recorded in these accounts.

### Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument.

### Pension benefits\*

Pension benefits for current employees no longer in the pension scheme

Officials	Accrued pension at pension age as at 31/3/14 and related lump sum £'000's	Real increase/ (decrease) in pension and related lump sum at pension age £'000's	CETV at 31/3/14 £'000's	CETV at 31/3/13 £'000's	Real increase/ (decrease) in CETV £'000's
Ann Keane <sup>3</sup> Her Majesty's Chief Inspector of Education & Training in Wales	55-60  plus lump sum  of 165-170	0-2.5  plus lump sum of  0-2.5	1185	1164	7

<sup>3</sup> Figures quoted are for 2013-2014 as Ann Keane is no longer contributing to the pension scheme.

## Pension benefits for current employees in the pension scheme

Officials	Accrued pension at pension age as at 31/3/15 and related lump sum £'000's	Real increase/ (decrease) in pension and related lump sum at pension age £'000's	CETV at 31/3/15 £'000's	CETV (restated) at 31/3/14 £'000's	Real increase/ (decrease) in CETV £'000's	Employer contribution to partnership pension account nearest £100
Simon Brown Strategic Director	35-40 plus lump sum of 65-70	0-2.5 plus lump sum of 0-2.5	813	748 <sup>4</sup>	26	-
Meilyr Rowlands Strategic Director	30-35 plus lump sum of 100-105	0-2.5 plus lump sum of 0-2.5	702	659	10	-

\*audited figures

### Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 1.5% and 6.25% of pensionable earnings for **classic** and 3.5% and 8.25% for **premium**, **classic plus** and **nuvos**. Increases to employee contributions will apply from 1 April 2013. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic

<sup>4</sup> Figure restated

lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

New Career Average pension arrangements will be introduced from 1<sup>st</sup> April 2015 and the majority of **classic**, **premium**, **classic plus** and **nuvos** members will join the new scheme. Further details of this new scheme are available at <http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/>

### **Cash Equivalent Transfer Values**

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

## Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

## Exit Package: Reporting of Civil Service and other compensation schemes – exit packages

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	-	-	-
£10,000 - £25,000	-	-	-
£25,000 - £50,000	-	1	1
£50,000 - £100,000	-	3	3
£100,000 - £150,000	-	-	-
£150,000 - £200,000	-	-	-
<b>Total number of exit packages</b>	-	4	4
<b>Total resource cost/£000</b>	-	-	£200 - £250

## Redundancy

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where Estyn has agreed early retirements, the additional costs are met by Estyn and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

## Meilyr Rowlands

Her Majesty's Chief Inspector of Education and Training in Wales and  
Accounting Officer

9 July 2015



## Statement of accounting officer's responsibilities

Under Schedule 6, paragraph 5(2) of the Government of Wales Act 1998, HM Treasury has directed Estyn to prepare for each financial year resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by Estyn during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Estyn and of its net resource outturn, financial position, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts the Accounting Officer is required to comply with the requirements of 'Government Financial Reporting Manual' and in particular to:

- observe the Accounts Direction issued by HM Treasury in accordance with paragraph 5(2) of Schedule 6 to the Government of Wales Act 1998, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards, as set out in the 'Government Financial Reporting Manual', have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a 'going-concern' basis

The Treasury has appointed Her Majesty's Chief Inspector of Education and Training in Wales as Accounting Officer of Estyn. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping of proper records and for safeguarding Estyn's assets, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in Government Accounting (The Stationery Office).

## Governance statement

### Introduction

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Estyn's policies, aims and objectives whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

In discharging this overall responsibility, I have maintained proper arrangements for the governance of Estyn's affairs. Estyn has a sound system of internal control that facilitates the effective exercise of Estyn's functions and includes arrangements for the management of risk. The principles of **The Corporate governance in central government departments: Code of Good Practice 2011 (The Code)**, within the context of Estyn's circumstances as a non-ministerial department, are reflected in Estyn's governance arrangements.

This annual governance statement outlines how good governance has been maintained within Estyn and explains the main risks facing the organisation and how these risks are being managed.

### The governance framework

I have established a governance framework that describes the systems, processes, culture and values by which Estyn is directed and controlled and by which we monitor the achievement of our strategic objectives and engagement with our stakeholders. Estyn's corporate governance framework is published on our website. The diagram at Annex 1 of this statement succinctly illustrates the range and level of assurances which underpin Estyn's governance arrangements.

A clear statement of Estyn's purpose and vision is set out in its Annual Plan. The Annual Plan outlines Estyn's overarching vision and sets out its principal aims and objectives. Information on Estyn's performance and delivery against the Annual Plan is provided within Section 1 of the Annual Report and Accounts.

Oversight of Estyn is exercised through the Strategy Board and its sub-committees (Audit and Risk Assurance Committee and Remuneration Committee). During 2014-2015, the Strategy Board and the Audit and Risk Assurance Committee met on a quarterly basis and all meetings were attended in full by all members. In the final quarter of the year membership of the above board and committee was further strengthened with the addition of a co-opted member, Judith Fabian, education consultant and teacher, with experience in senior leadership in international education and curriculum development.

The non-executive directors of the Strategy Board advised on strategic matters and risk management as part of providing challenge and support to Estyn's executive. Key areas of review and discussion by the Board during 2014-2015 included:

- Estyn's Annual Plan, incorporating Estyn's Key Performance Indicators

- HMCI's Annual Report
- Action Plan to meet Welsh Language Standards
- Future work streams and possible service reductions required to meet potential future budget cuts

An annual self-evaluation of board effectiveness provided confirmation that non-executive directors are content with proceedings and the quality of information presented and discussed at meetings, that they have appropriate input to agenda and have sufficient opportunity to raise any concerns. Whilst Estyn maintains close links with the Department for Education and Skills it receives its funding via programmes funded by the Department of Local Government and Communities – this helps support Estyn to maintain its independence in education and training matters.

### **Audit and impact**

An annual report of the Chair of the Audit Risk and Assurance Committee (ARAC) is published on Estyn's website; the report highlights some of the work undertaken during the year and comments on the internal audit reviews undertaken and reported to the committee. The Chair's report for 2014-2015 provides assurances on the quality of audit work and the effectiveness of the committee. The committee remained satisfied that Estyn has appropriate arrangements for governance and has an effective risk management policy which is overseen by the Strategy Board (non-executive directors serve on both the Strategy Board and ARAC).

Estyn's internal audit coverage is planned using a risk-based approach. The ARAC approved the annual programme of audits for 2014-2015 and ensured that there was sufficient coverage of key areas in line with an agreed three-year audit programme. Progress against the audit plan was monitored and at the year-end an annual report of the Internal Auditor (Deloitte) was considered. This report advised on the work undertaken during the year and furnished an overall view on the internal control environment for consideration by members of the ARAC.

The outcome from the internal audit coverage informed the Head of Internal Audit's opinion on the overall adequacy of Estyn's internal control framework; 'Based on the work we have undertaken during the year we are able to conclude that Estyn has a basically sound system of internal control, which should provide **substantial assurance** regarding the achievement of Estyn's objectives'. Work completed by Estyn's internal auditors during 2014-2015 resulted in reports that included an independent opinion on the adequacy and effectiveness of the system of internal control together with recommendations for improvement. All internal audit reports were reviewed and the main issues arising discussed by the ARAC, which was satisfied that all management actions had been implemented or were being actioned.

In addition to the internal audit programme reported in Table 1, Internal Audit also undertook a programme of unannounced compliance 'spot-checks' – there were no significant concerns raised during 2014-2015.

<b>Table 1 2014-2015 internal audit programme</b>					
<b>Internal audit area</b>	<b>Assurance</b>	<b>High priority</b>	<b>Medium priority</b>	<b>Low priority</b>	<b>Total</b>
Safeguarding	Substantial	-	1	2	<b>3</b>
Corporate Governance - KPIs	Full	-	-	1	<b>1</b>
Risk Management	Substantial	-	2	-	<b>2</b>
Financial Risk Management Processes	Substantial	-	-	2	<b>2</b>
Budgets, General Ledger and Accounting	Full	-	-	-	-
Purchasing and Payments	Substantial	-	-	1	<b>1</b>
Cash Management, Revenues and Receivables	Full	-	-	-	-
Procurement & Contract Management	Substantial	-	1	4	<b>5</b>
Travel, Subsistence & Other Expenses	Substantial	-	-	3	<b>3</b>
IT General Controls	Substantial	-	-	2	<b>2</b>
<b>Total</b>		-	<b>4</b>	<b>15</b>	<b>19</b>

Estyn's Remuneration Committee met once (with all members in attendance) during 2014-2015 to consider the performance and remuneration of Estyn's senior staff, including HMCI. Non-senior staff remuneration is subject to local agreement and is based on standard civil service pay grades; there was no pay award increase during 2014-2015.

In compliance with DAO (Wales)1/13, Estyn has obtained appropriate assurances and evidence to confirm that the tax obligations of off-(Estyn) payroll staff, i.e. agency staff and secondees, have been duly met.

Estyn maintains a register of interest for Strategy Board members and a register of interest for all permanent employees, secondees and temporary staff. No member of the Strategy Board held directorships or other significant interests which conflicted with their Estyn responsibilities.

### **Managing risk**

Estyn's risk-management system is based on an ongoing process designed to identify and prioritise the risks to the achievement of Estyn's aims and objectives, and to evaluate the likelihood of these risks being realised and the impact should they be realised. For 2014-2015 risk registers continued to be maintained at a strategic level by the Executive Board, at a corporate level by Estyn's Directors Group and at operational levels by working groups, functional teams and project teams. Each risk has an individual owner responsible for detailing and recording the controls in place and further actions planned to mitigate the risk – and there is an escalation process in place to raise risks to a higher level of management.

Annual assurance statements for 2014-2015 completed by all Estyn directors provided confirmation that there were no major concerns and that action had been taken where minor issues of control had been identified; there are no reportable breaches of security and no reportable losses of personal data in 2014-2015. Estyn also received an assurance from the Welsh Government in respect of the payroll and human resources services it provides to Estyn under a formal service level agreement.

Some of the key matters raised and managed during the year included:

- **Meeting additional work pressures and planning for new work streams** – including the prospect of Estyn representation on additional working groups arising from Welsh Government initiated reviews such as Donaldson and Furlong
- **Developing options within future budget scenarios to deliver core objectives of our Annual Plan.** The Executive Board and Strategy Board continued regularly to review the approach to potential budget scenarios and to assess the potential impact of any reductions on Estyn's operations and the achievement of its objectives.
- **Running a Voluntary Exit Scheme** – to create vacancies so that new staff with the requisite skillset to meet increasing inspection demands within the schools sector may be recruited
- **Responding to the requirements of the new Welsh language standards** – assessing the impact in relation to the way Estyn delivers its work and implementing appropriate actions to mitigate the risk of failing to meet the standards, including providing additional Welsh language training opportunities for Estyn staff and developing bilingual internal systems and processes
- **Enhancing joint working undertaken with CSSIW** – developing arrangements to pilot joint inspections of Early Years in non-maintained nurseries in 2015

A case of fraud, which involved supplier invoice payments amounting to just under £10k being processed to a fraudulent bank account, was identified during the year. This incident was duly reported to relevant authorities and investigated by the Action Fraud (Metropolitan Police). Learning from the experience, actions taken by Estyn to further mitigate the risk of fraud, included: review and update of financial procedures and processes to include additional checks against potential fraud (with procedure manual updates reviewed by internal audit); fraud awareness sessions for finance staff (with plans to run sessions for all Estyn staff in near future); amplification of fraud management responsibilities within job objectives and job descriptions; and, a comprehensive review of financial/fraud risks and discussion of risk register by Audit and Risk Assurance Committee.

### **Significant governance issues**

No significant issues have been identified during the year in relation to Estyn's overall governance framework. Internal audit reviews covered substantial areas of Estyn's business and it is pleasing to report that there were no significant areas of control weaknesses identified and no high-priority recommendations which required management action. I am satisfied that specific opportunities for enhancing governance and internal controls that were identified as part of Estyn's assurance

processes have been duly reported to the Audit and Risk Assurance Committee and actioned by management. Estyn's external scrutiny and assurance components were discussed by the Strategy Board during the year and further detail added to the framework shown in Annex 1.

For the period this statement covers Ann Keane held the post of HMCI and Accounting Officer. I was appointed from my former position as Strategic Director within Estyn to succeed Ann with effect from 1 June 2015. My appointment has helped provide continuity and achieve a smooth handover of responsibilities; prior to Ann leaving Estyn we discussed and agreed this statement.

In 2014-2015 Estyn remained within the top 5% of organisations reported within the results of the annual Civil Service People Survey. It is particularly pleasing to maintain a high level of positive staff engagement, which I believe helps underpin good governance and signals the commitment by staff to Estyn's values and the civil service code.

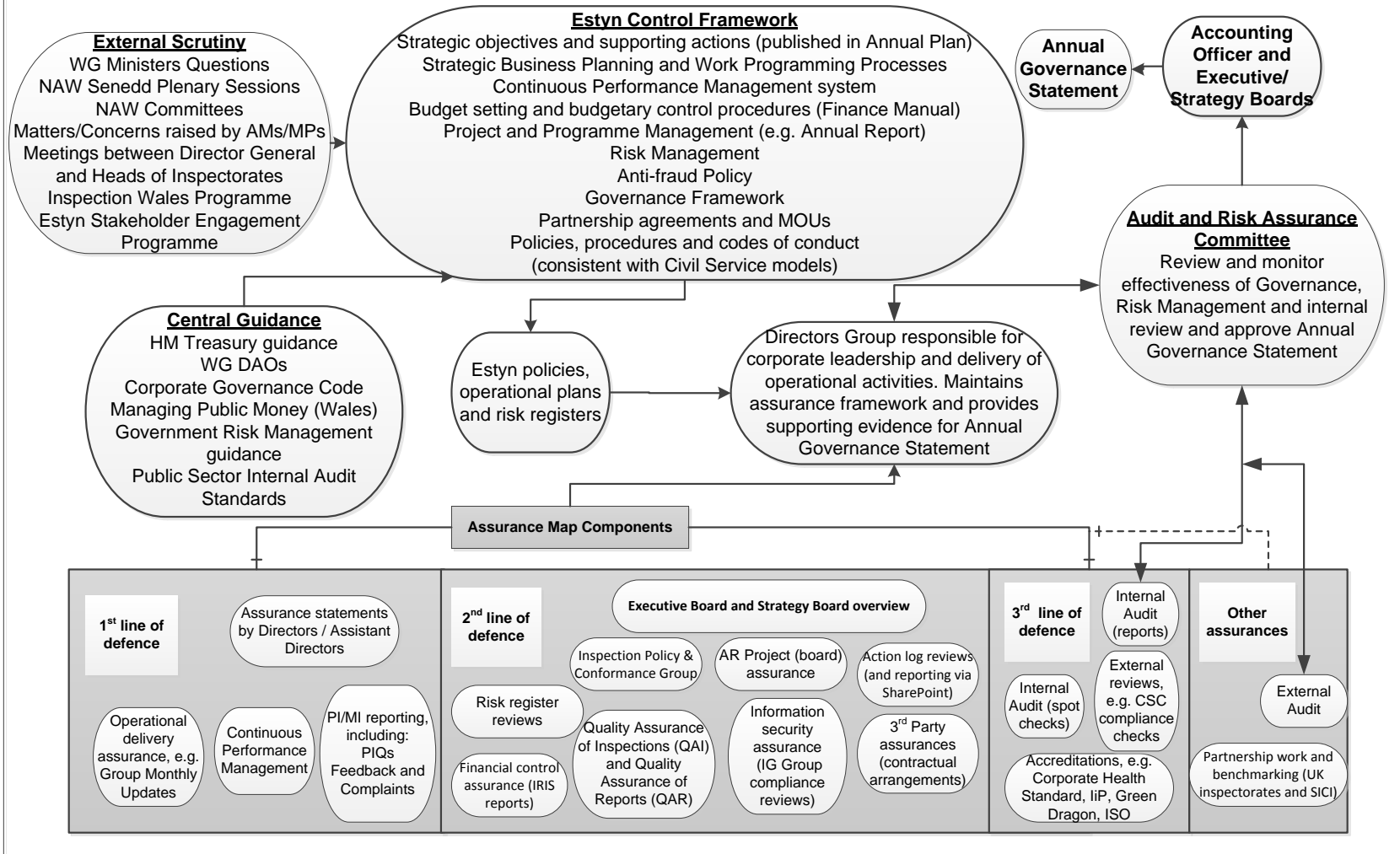
**Meilyr Rowlands**

Her Majesty's Chief Inspector of Education and Training in Wales and Accounting Officer

9 July 2015

# Annex 1

## Estyn assurance and scrutiny framework arrangements



## **The Certificate and Report of the Auditor General for Wales to Estyn: Her Majesty's Inspectorate for Education and Training in Wales**

I certify that I have audited the financial statements of Estyn: Her Majesty's Inspectorate for Education and Training in Wales for the year ended 31 March 2015, under the Government of Wales Act 1998. These comprise the Statement on Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash flows, the Statement of Changes in Taxpayers Equity and related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **Respective responsibilities of the Accounting Officer and auditor**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report and the financial statements, in accordance with the Government of Wales Act 1998 and HM Treasury directions made there under and for ensuring the regularity of financial transactions.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with applicable law and with International Standards on Auditing (UK and Ireland). These standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to Estyn's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by Estyn; and
- the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities that govern them.

In addition, I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.



## **Opinion on Financial Statements**

### **In my opinion the financial statements:**

- give a true and fair view of the state of Estyn's affairs as at 31 March 2015 and of its net cash requirement, net resource out-turn and net operating cost, for the year then ended; and
- have been properly prepared in accordance with HM Treasury directions issued under the Government of Wales Act 1998.

## **Opinion on Regularity**

In my opinion, in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

## **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government of Wales Act 1998; and
- the information in the Annual Report is consistent with the financial statements.

## **Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- the Annual Governance Statement does not reflect compliance with HM Treasury guidance;
- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns;
- information specified by HM Treasury regarding the remuneration and other transactions is not disclosed; or
- I have not received all of the information and explanations I require for my audit.

## **Report**

I have no observations to make on these financial statements

Huw Vaughan Thomas  
Auditor General for Wales

15 July 2015

Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

**Estyn Annual Accounts 2014-2015  
(International Financial Reporting Standards – IFRS)**
**Statement of Comprehensive Net Expenditure for the year ended 31st March  
2015**

		2014-2015			2013-2014
	Note	Budget	Actual Outturn	Net Total Outturn compared with Estimate (saving)/excess	Prior Year Outturn
		£000	£000	£000	£000
<b>Resources:</b>					
Staff costs	3a	7,900	7,879	(21)	7,735
Depreciation	6	150	52	(98)	122
Other costs	4	3,064	2,956	(108)	3,065
<b>Gross Operating Costs</b>		<b>11,114</b>	<b>10,887</b>	<b>(227)</b>	<b>10,922</b>
<b>Operating income</b>	5	<b>-</b>	<b>(1)</b>	<b>(1)</b>	<b>(3)</b>
<b>Net Operating Costs for the Year</b>		<b>11,114</b>	<b>10,886</b>	<b>(228)</b>	<b>10,919</b>

Net expenditure is reported as a single segment in line within Estyn's Annual Plan 2014-2015 (available at [www.estyn.gov.wales](http://www.estyn.gov.wales)).

The notes on pages 59 to 68 form part of these accounts.

**Statement of financial position** as at 31st March 2015

	Note	31st March 2015		31st March 2014	
		£000	£000	£000	£000
<b>Non-current assets</b>					
Property, plant and equipment	6	46		77	
Intangible assets		-		-	
<b>Total non-current assets</b>			<b>46</b>		<b>77</b>
<b>Current assets</b>					
Trade and other receivables	8	154		175	
Cash and cash equivalents	9	694		947	
<b>Total current assets</b>			<b>848</b>		<b>1,122</b>
<b>Total assets</b>			<b>894</b>		<b>1,199</b>
<b>Current liabilities</b>					
Trade and other payables	10	(1,267)		(1,183)	
Provisions within one year	11	(135)		(6)	
<b>Total current liabilities</b>			<b>(1,402)</b>		<b>(1,189)</b>
<b>Total assets less current liabilities</b>			<b>(508)</b>		<b>10</b>
<b>Non-current liabilities</b>					
Provisions:	11	-			
Between two and five years	11	-		(132)	
<b>Total non-current liabilities</b>			<b>-</b>		<b>(132)</b>
<b>Assets less liabilities</b>			<b>(508)</b>		<b>(122)</b>
<b>Taxpayer's equity</b>					
General fund		-		(122)	
<b>Total taxpayers' equity</b>			<b>(508)</b>		<b>(122)</b>

**Meilyr Rowlands**

Her Majesty's Chief Inspector of Education and Training in Wales and  
Accounting Officer  
9 July 2015

**Statement of cash flows** for the year ended 31<sup>st</sup> March 2015

	<b>Note</b>	<b>2014- 2015 £000</b>	<b>2013- 2014 £000</b>
<b><u>Cash flow from operating activities</u></b>			
Net operating cost	2	(10,886)	(10,919)
<b>Adjustments for non-cash transactions:</b>			
Depreciation	6	52	122
Salaries Provision	3a	-	6
Other costs (provision)	4	3	-
Increase / (decrease) in trade and other payables	10	84	(288)
(Increase) / decrease in trade and other receivables	8	21	(71)
<b>Less movements not passing through the Statement of Comprehensive Net Expenditure</b>			
Capital creditors	6	(12)	(55)
Use of provisions	11	(6)	(12)
<b>Net cash outflow from operating activities</b>		<b>(10,744)</b>	<b>(11,217)</b>
<b><u>Cash flows from investing activities</u></b>			
Purchase of property, plant and equipment	6 <sup>5</sup>	(9)	(34)
<b>Net cash flow from investing activities</b>		<b>(9)</b>	<b>(34)</b>
<b><u>Cash flows from financing activities</u></b>			
<b>Net financing (from the Welsh Government)</b>		<b>10,500</b>	<b>12,150</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	9	<b>(253)</b>	<b>899</b>
<b>Cash and cash equivalents at the beginning of year</b>	9	<b>947</b>	<b>48</b>
<b>Cash and cash equivalents at the end of the year</b>	9	<b>694</b>	<b>947</b>

The notes on pages 59 to 68 form part of these accounts.

<sup>5</sup> Excludes capital accruals of £12k

**Statement of changes in taxpayers' equity** for the year ended 31st March 2015

<b>Changes in taxpayers' equity</b>	<b>2013-2014 £000</b>
<b>Balance as at 31 March 2013</b>	(1,353)
Net operating cost for the year	<u>(10,919)</u>
Total recognised income and expense for 2013-2014	(10,919)
Net Welsh Government funding	12,150
<b>Balance at 31 March 2014</b>	<u>1,231</u> <b>(122)</b>
	<b>2014-2015 £000</b>
<b>Balance at 31 March 2014</b>	(122)
<b>Changes in taxpayers' equity for 2014-2015</b>	
Net operating cost for the year	<u>(10,886)</u>
Total recognised income and expense for 2014-2015	(10,886)
Net Welsh Government funding	<u>10,500</u>
<b>Balance at 31 March 2015</b>	<u>(386)</u> <b>(508)</b>

The notes on pages 59 to 68 form part of these accounts.

## Notes to the departmental resource accounts

### 1 Statement of accounting policies

The financial statements have been prepared in accordance with the Government Financial Reporting Manual (FReM) 2014-2015 issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, Estyn has selected the policy it judged to be the most appropriate to its particular circumstances, for the purpose of giving a true and fair view. The particular accounting policies adopted by Estyn for 2014-2015 are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

In consultation with HM Treasury and the Welsh Government, Estyn agreed a revised accounts direction in 2011-2012 which continues to be used.

#### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of fixed assets and intangible assets at their fair value.

#### 1.2 Property, plant and equipment and Intangible assets

Expenditure is capitalised where the asset purchased is expected to have a useful life extending over a number of years and the cost of the item(s) exceeds £1,000. Fixed assets are shown at cost less an allowance for depreciation (see note 1.3 below). In the opinion of Estyn, there is no material difference between the historic net book value of the assets and their fair value.

#### 1.3 Depreciation

Depreciation is provided at rates calculated to write off the value of fixed assets by equal instalments over their estimated useful lives. A full year's depreciation is charged in the year of acquisition of an asset. Lives are as follows:

- IT Equipment 3-5 years
- Furniture & Fittings 5 years
- Office Equipment 5 years
- IT Systems 5 years
- Intangible Assets 3 years

Where an impairment of a tangible fixed asset has occurred the net impairment is charged to the Statement of Comprehensive Net Expenditure in the year in which it has occurred.

#### 1.4 Provisions

Provisions are included in the accounts for liabilities that are likely or certain to arise but uncertain as to the amount or dates on which they will arise. Provisions are created or increased by making a charge to revenue expenditure in the year of creation. When the expenditure is actually incurred, the expenditure is charged

directly to the provision. The provisions included within these accounts are regarded as short-term, subject to annual review and been discounted in line with Public Expenditure System (PES) (2012) 15.

### **1.5 Operating income**

Operating income is income that relates directly to the operating activities of Estyn. It principally comprises fees and charges for services provided and other miscellaneous income. HM Treasury has issued a receipts direction allowing Estyn to retain such receipts.

### **1.6 Staff costs and other costs**

The Statement of Comprehensive Net Expenditure is analysed between Staff and Other costs incurred in the undertaking of Estyn's purpose. The Welsh Government provides Estyn with a single budget line for Revenue expenditure and a separate budget line for Depreciation. Estyn has discretion to allocate its revenue budget in accordance with its operational requirements. For transparency, 'Other costs' are reported in Note 4 against sub totals for Administration expenditure and Programme expenditure.

### **1.7 Value Added Tax**

Most of Estyn's activities are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

### **1.8 Pensions**

Present and past employees are covered by the provisions of the Civil Service Pension Schemes, which are described in Note 3. The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependents' benefits. Estyn recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Schemes (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the schemes, Estyn recognises the contributions payable for the year.

### **1.9 Early departure costs**

Estyn is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. Estyn provides for this cost in full when the liability arises. Early departure payments were made to 4 employees in line with an approved scheme from HM Treasury. There were no redundancies in 2014-2015.

### **1.10 Operating leases**

Operating lease rentals are charged to the Statement of Comprehensive Net Expenditure in equal amounts over the lease term.

## 1.11 Cash and Cash Equivalents

Cash and cash equivalent is solely composed of the balance held at Estyn's bank accounts.

## 1.12 Going Concern Concept

Estyn is expected to remain in existence for the foreseeable future and will receive funding from the Welsh Government to meet all of its current liabilities when they mature in the 2015-16 financial year. It has accordingly been considered appropriate to adopt a 'going-concern' basis for the preparation of these financial statements.

## 2 Reconciliation of net resource outturn to net cash requirement against Welsh Government approved funding

	Note	2014-2015 Budget £000	2014-2015 Outturn £000	Outturn compared with estimate (saving) / excess £000	2013- 2014 £000
<b>Resource Outturn</b>		11,114	10,886	(228)	10,919
<b>Capital Outturn</b>	6	81	21	(60)	89
<b>Accruals to cash adjustments:</b>					
<b>Adjustments to remove non-cash items:</b>					
Depreciation	6	(150)	(52)	98	(122)
New provisions and adjustments to previous provisions	11		(3)	(3)	(6)
<b>Adjustments to reflect movements in working balances:</b>					
Increase/(decrease) in receivables	8	-	(21)	(21)	71
(Increase)/decrease in payables	10	-	(84)	(84)	288
Use of provisions	11	-	6	6	12
<b>Net cash requirement</b>		<b>11,045</b>	<b>10,753</b>	<b>(292)</b>	<b>11,251</b>



### 3 Staff costs and numbers

#### Staff costs consist of:

	<b>Total 2014- 2015 £000s</b>	<b>Permanently employed staff £000s</b>	<b>Others £000's</b>	<b>2013-2014 £000's</b>
Wages and salaries	4,844	4,844		5,143
Social security costs	472	472		489
Other pension costs	1,016	1,016		1,051
<b>Total net costs</b>	<b>6,332</b>	<b>6,332</b>		<b>6,683</b>
Plus:				
Secondees in	702		702	760
Secondees out	(16)		(16)	(20)
Agency staff	272		272	305
Fixed Term Contract	351		351	
Early departure costs –in- year	238		238	1
Early departure costs – provisions	-		-	6
<b>Total</b>	<b>7,879</b>	<b>6,332</b>	<b>1,547</b>	<b>7,735</b>

There were four early departures during 2014-2015 with no ongoing liability.

All Estyn employees are members of the Principal Civil Service Pension Scheme (PCSPS) which is an unfunded multi-employer defined benefit scheme. Estyn is unable to identify its share of the underlying assets and liabilities of this scheme. The scheme actuary valued the scheme as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (<http://www.civilservice.gov.uk/pensions>).

For 2014-2015, employers' contributions of £1.016m were payable to the PCSPS (2013-2014: £1.051m) at one of four rates between 16.7% to 24.3%, in the range to of pensionable pay (2013-2014: 17.1% to 25.5%) based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2015-2016, the rates are will be in the range 20% to 24.5%. The contribution rates are set to meet the cost of the benefits accruing during to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees joining after 1 October 2002 can opt to open a partnership pension account, a stakeholder pension with an employer contribution. No Estyn employees have exercised this option.

The average number of whole-time equivalent persons employed (including senior management) during the year was as follows:

Permanently employed staff	Others <sup>6</sup>	Total staff 2014-2015	Total staff 2013-2014
99	21	120	119

#### 4 Other costs

	2014-2015 £000	2013-2014 £000
Rental under operating leases: accommodation	132	125
Other accommodation costs	184	225
IT & telecommunications	616	723
Welsh Government central services	19	13
Travel and subsistence	626	577
Auditor's remuneration – audit of accounts	32	32
General administration expenditure	266	278
<b>Non-cash items:</b>		
- provision for accommodation dilapidation	3	-
- tangible asset depreciation	52	122
	<b>1,930</b>	<b>2,095</b>
Less: Operating income (Note 5)	(1)	(3)
<b>Subtotal: Net administration costs</b>	<b>1,929</b>	<b>2,092</b>
Post 16 education inspections and associated costs	21	14
School inspections and associated costs	750	774
Local education authority inspections and associated costs	-	25
General inspection related costs	278	271
Remit costs	29	8
<b>Subtotal: Programme costs</b>	<b>1,078</b>	<b>1,092</b>
<b>Total other costs</b>	<b>3,007</b>	<b>3,184</b>
<b>Total Other costs without income and depreciation</b>	<b>2,956</b>	<b>3,065</b>

<sup>6</sup> Other staff refers to secondees, fixed term contract staff and agency staff.

## 5 Income

	2014-2015 £000	2013-2014 £000
<b>Income</b>		
- registration fees	(1)	(3)
- miscellaneous	-	-
<b>Total</b>	<b>(1)</b>	<b>(3)</b>

As the amount of income received is small and can vary year on year, it is excluded from Estimate figures in the Statement of net comprehensive expenditure.

## 6 Property, plant and equipment

	IT systems	IT equipment	Furniture & fittings	Office equipment	Total
	£000	£000	£000	£000	£000
<b>Cost or valuation</b>					
At 1 April 2014	196	682	250	90	1,218
Additions	-	21 <sup>7</sup>	-	-	21
Disposals	-	(11)	(4)	-	(15)
<b>At 31 March 2015</b>	<b>196</b>	<b>692</b>	<b>246</b>	<b>90</b>	<b>1,224</b>
<b>Depreciation</b>					
At 1 April 2014	196	612	243	90	1,141
Charged in year	-	51	1	-	52
Disposals	-	(11)	(4)	-	(15)
<b>At 31 March 2015</b>	<b>196</b>	<b>652</b>	<b>240</b>	<b>90</b>	<b>1,178</b>
<b>Carrying amount</b>					
<b>At 31 March 2015</b>	<b>-</b>	<b>40</b>	<b>6</b>	<b>-</b>	<b>46</b>
At 1 April 2014	-	70	7	-	77

<sup>7</sup> Includes capital creditors of £12k.

## 7 Financial instruments

Whilst Estyn receives its money via the Welsh Government and not through the normal supply estimates, the majority of the financial instruments relate to contracts for non-financial items in line with their expected purchase and usage requirements and Estyn is therefore exposed to little credit, liquidity or market risk. Estyn does not hold financial instruments that are complex or play a significant medium to long term role in the financial risk profile of Estyn.

### Liquidity risk

Estyn relies primarily on funding from the Welsh Government for its resource requirements and is not therefore exposed to significant liquidity risks.

### Interest rate and foreign currency risk

Whilst the bank balance that Estyn holds is material, the risk related to the balance is minimal as it is held within the Government Banking Service (GBS) set of bank accounts. All material deposits and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or foreign currency risk.

## 8 Trade receivables and other current assets

### 8a Analysis by type

	At 31 <sup>st</sup> March 2015 £000	At 31 <sup>st</sup> March 2014 £000
<b>Amounts falling due within one year:</b>		
Other receivables	46	63
Prepayments and accrued income	108	112
<b>Total</b>	<b>154</b>	<b>175</b>

### 8b Intra-Government balances

	At 31 <sup>st</sup> March 2015 £000	At 31 <sup>st</sup> March 2014 £000
<b>Amounts falling due within one year:</b>		
Balances with other central government bodies	46	61
Balances with bodies external to government	108	114
<b>Total</b>	<b>154</b>	<b>175</b>

## 9 Cash and cash equivalents

	At 31 <sup>st</sup> March 2015 £000	At 31 <sup>st</sup> March 2014 £000
Balance at 1 April 2014	947	48
Net change in cash and cash equivalent balances	(253)	899
<b>Balance at 31 March 2015</b>	<b>694</b>	<b>947</b>

Estyn uses the Government Banking Service and operates two bank accounts. The Citi Bank is used for collection of BACS income and the NatWest account provides a BACS payment service and local banking facilities. The following balances were held at 31 March 2015:

	At 31 <sup>st</sup> March 2015 £000	At 31 <sup>st</sup> March 2014 £000
Balances at Citi Bank	694	947
Balances at NatWest	-	-
	<b>694</b>	<b>947</b>

## 10 Trade payables and other current liabilities

### 10a Analysis by type

	At 31 <sup>st</sup> March 2015 £000	At 31 <sup>st</sup> March 2014 £000
Amounts falling due within one year		
Trade payables	190	217
Payroll funding	220	253
Accruals & deferred income	857	713
	<b>1,267</b>	<b>1,183</b>

### 10b Intra-Government balances

	At 31 <sup>st</sup> March 2015 £000	At 31 <sup>st</sup> March 2014 £000
Balances with other central government bodies	53	71
Balances with local authorities	178	223
Balances with bodies external to government	1,036	889
<b>Total</b>	<b>1,267</b>	<b>1,183</b>

## 11 Provisions for liabilities and charges

**Accommodation refit:** Obligations arising for refitting of leased office property to its original condition on termination of a lease

**Early departure:** Obligations to meet future pension costs of staff leaving Estyn under Civil Service early retirement scheme

Provisions	Accommodation refit £000	Early departure £000	Total £000
Balance at 1 April 2014			
- Within one year	132	6	138
- Between two and five years	-	-	-
- After five years	-	-	-
Increase/(Decrease) in provision	3	-	3
Amounts utilised in the year	-	(6)	(6)
Remaining provision:	135	-	135
- Within one year	135	-	135
- Between two and five years	-	-	-
- After five years	-	-	-
Total provision as at 31st March 2015	135	-	135

## 12 Capital commitments

There are no capital commitments as at 31<sup>st</sup> March 2015.

## 13 Commitments under leases

### Operating leases

	2014-2015 Land & Buildings £000's	2013-2014 Land & Buildings £000's
At 31 March 2015 Estyn was committed to making the following payments during future years in respect of operating leases expiring:		
- within one year	86	106
- between two and five years	-	86
- after five years	-	-
	86	192

#### **14 Other commitments**

Estyn has not entered into any non-cancellable contracts (which are not operating leases) as at 31st March 2015 (There were no non-cancellable contracts as at 31<sup>st</sup> March 2014).

#### **15 Contingent liabilities**

There were no contingent liabilities at the end of 2014-2015 (there were no contingent liabilities as at 31<sup>st</sup> March 2014).

#### **16 Related party transactions**

Estyn has had a small number of material transactions during the year with the Welsh Government and the following Government organisation that is regarded as a related party:

- Wales Audit Office

No board member, key manager or other related parties have undertaken any material transactions with Estyn during the year.

#### **17 Events after the reporting period.**

There have been no events since the Statement of Financial Position date that affect the understanding of these financial statements.

## Glossary of acronyms used in this report

ADEW	Association of Directors of Education in Wales
AI	Additional Inspector
ARAC	Audit Risk and Assurance Committee
BACS	Bankers' Automated Clearing Services
CETV	Cash Equivalent Transfer Value
CSSIW	The Care and Social Services Inspectorate Wales
DfES	The Department for Education and Skills
DPA	Data Protection Act
EES	Early Exit Scheme
ETI	Education and Training Inspectorate (Northern Ireland)
FOI	Freedom of Information
FReM	Financial Reporting Manual
GBS	Government Banking Service
HEFCW	The Higher Education Funding Council for Wales
HIW	The Health Inspectorate Wales
HMCI	Her Majesty's Chief Inspector of Education and Training in Wales
HMI	Her Majesty's Inspector
IAR	Inspectorate, Audit and Regulation
ICT	Information and communication technology
IFRS	International Financial Reporting Standards
INSET	In-service Training
IT	Information technology
IPC	Inspection Policy and Conformance
LILO	Lead inspector / Lead officer
NAC	Net Administration Costs
NED	Non-Executive Director
Ofsted	Office of Standards in Education (England)
PCSPS	Principal Civil Service Pension Scheme
PI	Performance Indicator
PRU	Pupil referral unit
QAA	The Quality Assurance Agency for Higher Education
RI	Reporting Inspector



SICI	Standing International Conference of Inspectorates
SCS	Senior Civil Service
T&S	Travel and subsistence
VAT	Value Added Tax
VIR	Virtual inspection room
WAO	The Wales Audit Office
WG	Welsh Government