



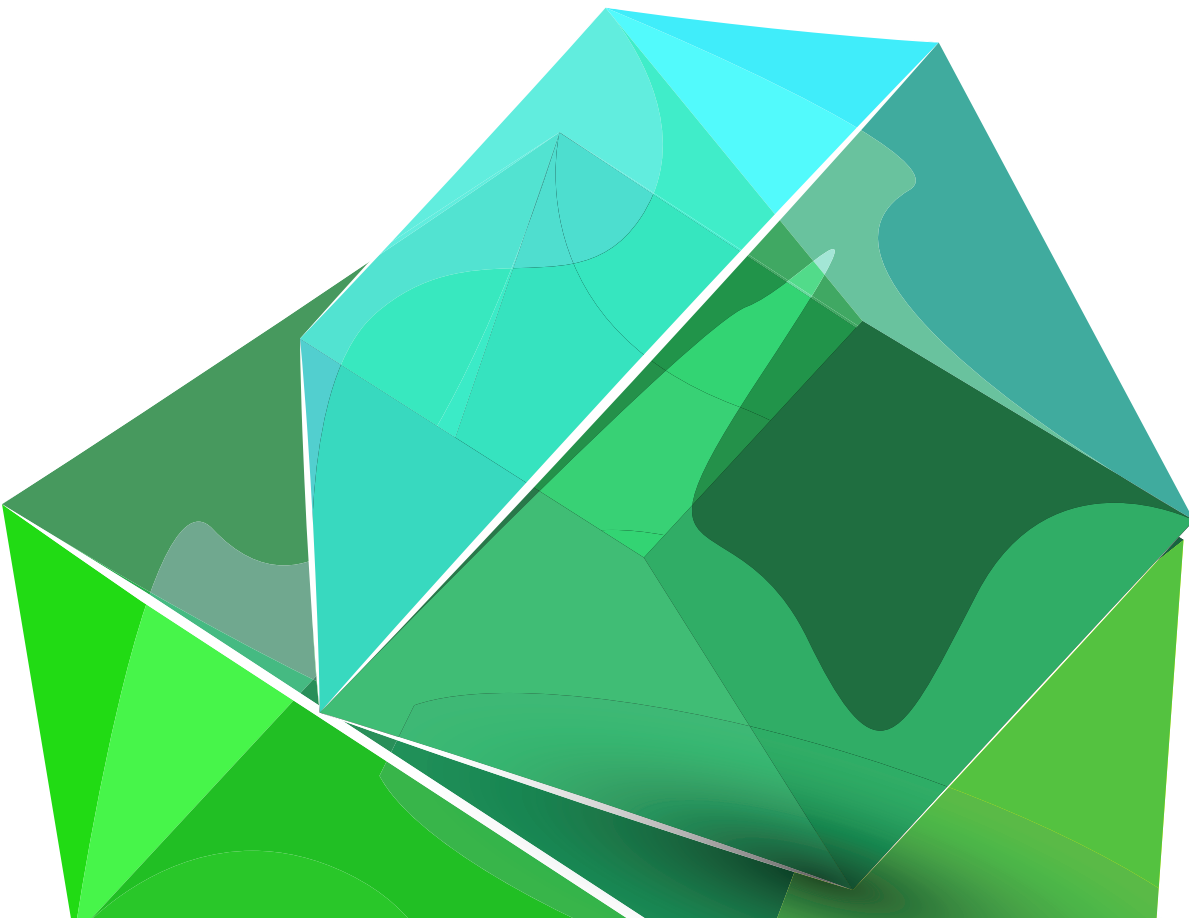
*Rhagoriaeth i bawb - Excellence for all*

Arolygiaeth Ei Mawrhydi dros Addysg  
a Hyfforddiant yng Nghymru

Her Majesty's Inspectorate  
for Education and Training in Wales

# Annual Report & Accounts

2013-2014



## Who we are...

**Estyn is the Education and Training Inspectorate for Wales. Our mission is to achieve excellence for all in learning 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 2014, Estyn employed 109 permanent and fixed-term members of staff (FTE) , of which 61 are Her Majesty's Inspectors (HMI) or Additional Inspectors (AI) – inclusive of five Assistant Directors. In addition, we supplemented our internal inspection capacity by engaging 18 secondees over the course of 2013-2014.

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 Secretariat 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. The secretariat manages and delivers a work programme between the four bodies.

For the whole of the 2013-2014 financial year, 100% of school inspections were undertaken directly by HMI or Additional Inspectors directly employed by Estyn. A small number of Additional Inspectors have also carried out aspects of survey work and training work on behalf of Estyn.

Our office is located in Anchor Court, Keen Road, Cardiff. Almost 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', 'to stretch' or 'to extend'.

## What is this report about?

Estyn's Annual Report and Accounts summarise our progress over the last 12 months as we work towards our strategic priority, which is to raise standards and quality in education and training in Wales. Specifically, we report on progress against our three strategic objectives and three delivery principles as set out in our Annual Plan 2013-2014, as well as providing a full set of our accounts for the financial year 2013-2014. For further information about Estyn please visit our website, [www.estyn.gov.uk](http://www.estyn.gov.uk)

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Where Estyn’s Performance Indicators (PIs) as outlined in the Annual Plan for 2013-2014 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 2013-2014, and in Section 2 provides a full set of financial statements.

After a review at the mid-point of our inspection cycle last year, we have this year delivered a full programme of inspections, using updated handbooks and revised guidance. New documentation produced during the course of the year includes revised supplementary guidance for the inspection of literacy and numeracy in primary and secondary schools. This guidance has supported inspectors in reporting on standards of literacy and numeracy and on learners' ability to apply these skills in work across the curriculum, in line with the expectations of the Literacy and Numeracy Framework that became statutory in September 2013.

Inspection guidance has also been published on inspection in relation to the recent Healthy Eating and Drinking Measure (Wales), and on identifying how schools can reduce the impact of poverty (or deprivation or disadvantage) on educational outcomes. Case studies on pages 7 and 15 demonstrate the initiatives that we have taken forward in this area and relevant training was provided to all our inspectors on the use of the new guidance and exemplars of good practice.

We have used innovative information technology to make inspection information easier to access by providers and inspectors. We continue to address new concerns as they arise and to agree any necessary modifications. The use of virtual inspection rooms to host and transfer information, and of inspection co-ordinators to administer inspections, continue to be successful and to generate positive feedback from both inspectors and those providers being inspected.

Ofsted has shown interest in our systems and I have been able to agree a secondment of staff to Ofsted to help them to set up systems like ours. This is just one part of a larger enterprise to share good practice with other inspectorates which includes exchanges of inspectors. In 2014 HMI from Estyn joined teams on inspections of further education providers in other UK countries and Eire and an inspector from Eire shadowed the team on a primary school inspection in Wales.

This year has proved to be a significant one in strengthening links with other inspectorates through joint and collaborative working. For example, in the summer of 2013, we hosted a workshop for senior managers from the education inspectorates of Wales, Scotland, Eire, England and Northern Ireland, in order to discuss high-level strategic risks, building capacity in the education workforce, and education and leadership. Activities such as this continue to provide good opportunities to learn from each other.

We continue to undertake follow-up inspections, which are a proportionate check on progress following core inspections, and providers who receive follow-up generally demonstrate a good capacity to improve. In a report published in December 2013, called "Improvement Journeys", we captured some insights into the common characteristics of schools that have made improvements from different starting

points. This year we can exemplify improvements by local authorities too (see page 8). Since being placed in special measures, several have made significant progress both in their education service and corporately with officers and elected members working well to establish consensus on improving identified priorities. More authorities and schools are being removed from follow-up categories annually and their improvements justify our investment in proportionate post-inspection monitoring.

We continue to make savings on our expenditure in response to the pressures on public spending while also managing to carry out operational delivery that supports our strategic objectives and delivery principles. For example, this year has seen the publication and launch of 12 thematic survey reports in response to the annual remit letter from the Minister of Education and Skills. These survey reports are used by education and training providers as a benchmark for their own progress, and receive good coverage in both the local and national Welsh print and broadcast media.

Estyn staff are aware of the need to be efficient in the context that Estyn strives to be a 'best value' organisation. This year we have implemented a new 'continuous performance management system' for all staff, which gives an equal weight to 'outcomes' achieved against objectives and 'behaviours' (against the Civil Service competencies framework) as demonstrated by staff. The new system has a focus on performance improvement with individuals taking greater ownership for managing performance and development. Furthermore, through self-assessment initiatives as well as in-house training, we continue to promote the use of Welsh language and this year we have increased the number of corporate staff who can speak Welsh.

This year we undertook a comprehensive internal review of progress and improvement and an Investors in People (IiP) review. The assessments were very positive and found that the ways in which we have implemented, reviewed and improved our leadership and management strategy has delivered excellent performance outcomes and improved staff engagement. We retain the award of gold for IiP.

I want to thank everyone who works for Estyn for the way in which they work to support the achievement of our objectives throughout the year.



**Ann Keane**

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

The Accounting Officer authorised these financial statements for issue on 15<sup>th</sup> July 2014

## 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>Maintained / reviewed our inspection arrangements</b></p> <ul style="list-style-type: none"><li>• consulted on changes to regulations dealing with the timing of inspections with Welsh Government in order to make the timing of inspections less predictable by providing greater flexibility over scheduling inspections;</li><li>• continued to carry out our programme of core inspections, based on analysing performance data, providers' self-evaluations, and 'lines of inquiry' arising from those;</li><li>• inspected around one-sixth of providers;</li><li>• improved our use of information technology and the virtual inspection rooms (VIRs) to ensure that inspection information is easily accessible and straightforward to use by providers and inspectors;</li><li>• piloted the use of the VIRs by section 50 inspectors in faith schools;</li><li>• monitored the implementation of inspection arrangements to identify any problems and to consider and agree any changes;</li><li>• provided guidance and training, including regular newsletters and email updates, to inform inspectors of changes to inspection arrangements and to address any quality issues;</li><li>• used the outcomes of quality assurance to influence the award of contracts to independent inspectors and provide relevant support, where required; and</li><li>• used the Inspection Policy and Conformance (IPC) group<sup>1</sup> to ensure consistent implementation of any revised inspection arrangements across sectors so that matters relating to quality are recorded and addressed through agreed policies and procedures, and that any emerging issues are discussed and resolved.</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 Estyn's 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.

<b>2</b>	<b>Maintained enhanced levels of follow-up inspection activity</b> <ul style="list-style-type: none"><li>• monitored core inspections carefully through validation and moderation as part of quality assurance which includes careful scrutiny of the judgements resulting in follow-up visits;</li><li>• undertaken follow-up visits for those providers identified as needing further support;</li><li>• ensured that the Department for Education and Skills (DfES) was notified of any school, setting or provider in need of follow-up and of the outcomes of these activities;</li><li>• reviewed and evaluated current follow-up arrangements and made any necessary changes or improvements;</li><li>• piloted desk-based approaches to Estyn monitoring in the primary sector;</li><li>• extended, where appropriate, the time period for a school to remain at a level of follow-up to allow time for further development;</li><li>• focused the first visits to schools in special measures more on developmental issues, such as the design of the post-inspection action plan rather than on judging progress;</li><li>• continued to provide guidance and training for inspectors on the nature of follow-up activity in the sector handbooks available on our website; and</li><li>• identified case studies of sector-leading practice during inspections for dissemination on our website.</li></ul>
<b>3</b>	<b>Kept all school inspections as Estyn-led (led either by HMI or Additional Inspectors – AIs) and quality assured all inspection reports prior to publication by contracting directly with AIs and retaining the Registered Inspector (Rgi) list</b> <ul style="list-style-type: none"><li>• introduced a value-for-money model for contracting with Additional Inspectors which takes account of quality as well as price;</li><li>• recruited, selected and enrolled new inspectors on the basis of an assessment, including Additional Inspectors, peer inspectors and lay inspectors, to ensure that the pool is deep enough to meet work programme commitments and ensure competition;</li><li>• provided training updates for all inspectors on the inspection framework for all sectors;</li><li>• used post-inspection questionnaires to help assess the quality of inspections and reports; and</li><li>• continued to monitor the quality of all inspections and reports through rigorous moderation and validation as part of quality assurance and used the information from quality assurance to inform inspection training and guidance as needed.</li></ul>



<p><b>4</b></p>	<p><b>Reviewed, piloted and updated the guidance on inspection arrangements in preparation for the second half of the cycle (2013-2016)</b></p> <ul style="list-style-type: none"> <li>• made adjustments to inspection arrangements following our mid-cycle review and evaluation of current arrangements which became operational from September 2013;</li> <li>• taken action after joint consultation with DfES on regulations about the timing of inspections by scheduling inspections more flexibly for 2014-2015 in order to make their timing less predictable;</li> <li>• used our stakeholder forums for consultation on changes to inspection arrangements;</li> <li>• discussed any proposed changes and improvements to inspection arrangements internally in sector network and IPC group meetings and agreed them at executive board level;</li> <li>• piloted, evaluated and adapted any proposed changes to inspection arrangements following on from the outcomes of the joint consultation with DfES within the financial year; and</li> <li>• finalised and agreed changes to inspection arrangements and made appropriate changes to inspection handbooks, training materials and operational matters in time for September 2014, including an increased emphasis on inspecting how providers tackle the educational effects of poverty.</li> </ul>
<p><b>5</b></p>	<p><b>Taken account of the views of learners and stakeholders</b></p> <ul style="list-style-type: none"> <li>• listened to learners, parents and governors as appropriate during our school inspections;</li> <li>• used questionnaires to obtain the views of learners and parents on aspects of education in the school sectors, generated national benchmarks for their responses for inspectors to use on inspections as required, and published the benchmarks in appendices to school inspection reports;</li> <li>• used the responses from questionnaires from learners and other stakeholders in thematic reports where appropriate;</li> <li>• prepared guidance for inspector about how to report on Learner Voice for inspection purposes, and used Learner Voice for the annual reviews of Further Education Institutions we are currently conducting; and</li> <li>• canvassed the views of employers on aspects of education and training in the further education and work-based learning sectors.</li> </ul>
<p><b>6</b></p>	<p><b>Quality assured five per cent of HMI-led inspections, ten per cent of AI-led inspections and all inspection reports prior to publication</b></p> <ul style="list-style-type: none"> <li>• operated and monitored a rigorous quality assurance system for the work of all inspectors;</li> <li>• ensured that each inspection report contains clear text and judgements suitable for providers and users of services;</li> <li>• quality assured Estyn inspection reports prior to publication to ensure that judgements are evidence-based, follow agreed protocols and are clear to readers;</li> </ul>



	<ul style="list-style-type: none"><li>• reviewed and refined as necessary the quality assurance targets for inspections and reports;</li><li>• used the outcomes of quality assurance of inspections to provide relevant training for inspectors and to maintain a high standard of inspection work; and</li><li>• used the evidence and judgements from the quality monitoring of inspections and inspection reports in the assessment and award of contracts to Additional Inspectors;</li><li>• achieved 'full assurance' rating from Deloitte after an internal audit of the quality assurance arrangements for AI-led inspections.</li></ul>
7	<p><b>Focused on statutory requirements as they apply to Estyn</b></p> <ul style="list-style-type: none"><li>• made sure that all inspections evaluate providers' arrangements for safeguarding and report on them in each inspection report;</li><li>• reviewed and updated Estyn's safeguarding procedures for inspection, including supplementary guidance, pre-inspection self-evaluation forms, and safeguarding children and vulnerable adults policy;</li><li>• established a queries and advice support system for HMI on inspection and provided training for all HMI on safeguarding and child protection issues;</li><li>• established termly cross-Estyn safeguarding meetings to address our responsibilities as an employer and as an inspectorate, and our duties to refer intelligence;</li><li>• established regular intelligence sharing meetings with the Welsh Government, CSSIW and the Children's Commissioner for Wales (CCfW);</li><li>• updated and monitored our Welsh Language Scheme to take account of the requirements of new Welsh Language legislation;</li><li>• published " A guide to achieving excellence in the delivery of Welsh language training in work-based learning : a discussion paper"; and</li><li>• through our supplementary guidance and revised handbooks, taken account of new equalities and human rights legislation in inspection arrangements.</li></ul>

### **Case study – how Estyn responded to new legislation on healthy eating**

Since September 2010, Estyn has reported on the provision that schools make to help pupils understand how to be healthy, including teaching pupils about the importance of diet and exercise. We also report on how well pupils understand how to keep healthy.

In September 2013 the Healthy Eating and Drinking Measure (Wales) came into force for all maintained schools in Wales. In the two years before this, Estyn was involved in discussions with Welsh Government about the implications of this new statutory requirement.

The Measure laid a new responsibility on the Chief Inspector to report on whether schools make appropriate arrangements to provide healthy meals and drinks.

In order to ensure that the Estyn inspection framework included this duty we:

- amended the framework;
- revised the supplementary guidance on inspecting healthy living; and
- provided training to HMI, Additional Inspectors, peer inspectors and lay inspectors.

### **Case study – how follow-up work in Anglesey supported improvement**

In May 2012, we inspected Anglesey Council's education services for children and young people. Based on the inspection's findings, HMCI placed the authority in special measures and the Welsh Government appointed a recovery board to support the delivery of education services. We undertook follow-up work to monitor how effectively the authority was addressing the seven recommendations set out in the inspection report.

A team of three inspectors undertook the first of the monitoring visits in November 2013, followed by further visits in February and June 2014. Each of the first two visits focussed on progress against three recommendations and sought to identify any further need to improve. The final visit focused on progress against the remaining recommendation and considered the overall performance of the authority against its post-inspection plan.

During the visits, the team held discussions with the portfolio holder, the chief executive, elected members, senior officers, school headteachers, school governors and representatives of the authority's partners. Inspectors also scrutinised documentation, including the authority's evaluations of progress against Estyn's recommendations. At the end of each visit, the team reported to senior officers of the education service, the leader of the council and the chair of the recovery board on their findings.

We found that, since the 2012 inspection, the authority has made significant progress both within the schools' service and corporately. Leaders have worked well to establish political consensus around identified priorities. A restructuring at head of service level has strengthened the corporate capacity to lead transformational projects, which include school modernisation. Soon after the inspection, the Director of Lifelong Learning took up his post, and the authority moved to fill other key posts within the service on a permanent basis. The relationship between the service and its schools has changed significantly. Schools contribute effectively to the culture of continuing improvement firmly embedded within the authority.

Elected members have a clear understanding of the authority's responsibilities. They engage well with scrutiny arrangements to hold officers and schools to account. They monitor progress against improvement plans. Senior officers and elected members work well with the recovery board, which provides external challenge.

At the end of the monitoring period, Her Majesty's Chief Inspector of Education and Training in Wales considered that the authority no longer required special measures and would require no further follow-up activity.

**Inspection cycle performance measures**



**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%	100%	
Estyn led inspection reports published within statutory or agreed deadlines	100%	99%	<p>Four inspection reports were not uploaded to schedule this year.</p> <p>Reports for two providers – one school and one further education college – were delayed due to ongoing complaints investigations.</p> <p>One non-maintained inspection report was delayed for one day due to IT systems and email issues.</p> <p>One school inspection report published one day late, owing to communication issues during the school holiday period.</p>

### Estyn inspections 2013-2014

Sector	Number planned	Actual number	Comment
Non-maintained nursery settings	140	92	Number of inspections planned revised due to the de-registering of settings by local authorities
Primary and maintained nursery schools	208	214	Eight primary school inspections brought forward from 2014-2015 financial year
Secondary schools	41	39	Fewer secondary schools inspected due to closure and amalgamation
Special schools	6	6	
Independent schools including independent special schools	10	13	More inspections undertaken due to movement in the schedule of inspections
Pupil referral units (PRUs)	7	8	Additional new PRU added to schedule
Local authorities	4	3	All local authority inspections completed; number initially scheduled exceeded that necessary to ensure completion of cycle
Post-16	14	10	Reduction in post-16 Inspections being undertaken, owing to closure of providers and completion of cycle for relevant sectors

In addition, during the period 2013-2014, 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	21
Primary and maintained nursery schools	97
Secondary schools	37
Special schools and pupil referral units	13
Local authorities	12
Post-16	2
Teacher education centres	1

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

What we've done...

<b>1</b>	<p><b>Strengthened our current knowledge-management capabilities</b></p> <ul style="list-style-type: none"> <li>• undertaken thematic inspections as listed in the remit letter for 2013-2014 to the Chief Inspector from the Minister for Education and Skills (see page 14 for details);</li> <li>• provided advice and support to the DfES as required, including participating in a range of Welsh Government committees, working and advisory groups (see Appendix 3 for a list of working groups);</li> <li>• worked with the DfES to produce a provisional list of themes on which advice might be requested in 2014-2015 and beyond;</li> <li>• continued to identify and carry out 'longitudinal' thematic inspections and surveys that span several years, for example the three-year studies on the implementation of the literacy and numeracy components of the Literacy and Numeracy Framework;</li> <li>• undertaken thematic inspections on topics identified by Estyn when necessary;</li> <li>• linked thematic inspections closely to national priorities, for example in our reports on mitigating the impact of poverty and deprivation;</li> <li>• identified thematic inspections that would benefit from joint work with other IAR bodies, for example our 'Teacher absence' report was published together with a related WAO report;</li> <li>• contributed to reports on joint inspections and surveys involving other inspectorate, audit and regulatory bodies; and</li> <li>• continued to seek better ways to communicate thematic report findings to a wider audience to increase awareness and build capacity, for example inviting all secondary school leaders to attend a conference on 'Twelve secondary school improvement journeys'.</li> </ul>
<b>2</b>	<p><b>Produce an annual report on standards in education and training in Wales</b></p> <ul style="list-style-type: none"> <li>• published HMCI's annual report on the quality of education and training in Wales over the previous academic year (2012-2013), uploading it to the website and creating a media and marketing campaign to support its publication;</li> <li>• produced a video of providers explaining how they had used HMCI's annual report as part of the launch;</li> <li>• published the summary of thematic reports separately from HMCI's annual report in order to maximise opportunities to publicise findings;</li> <li>• implemented a new graphic design and simplified format for HMCI's annual report; and</li> <li>• continued to review the way we present HMCI's annual report with a view to making useful improvements.</li> </ul>



<b>3</b>	<b>Strengthened our internal capacity</b> <ul style="list-style-type: none"><li>• drawn together key messages from the work of education policy lead roles in a compendium to provide an annual overview;</li><li>• reviewed the time allocations for education policy lead roles to ensure best use of their time;</li><li>• piloted the use of peer inspectors on two thematic surveys;</li><li>• continued to develop education policy lead roles and asked all policy leads to provide updates during corporate weeks; and</li><li>• continued to develop leadership roles: for example, there have been opportunities for corporate staff to cover for higher grade colleagues, HMI to apply to cover Assistant Director (AD) roles and other secondment and shadowing opportunities.</li></ul>
<b>4</b>	<b>Developed new knowledge-management capabilities</b> <ul style="list-style-type: none"><li>• further developed our knowledge-management system by establishing the new SharePoint intranet, including automating the thematic report workflow;</li><li>• improved our website and related services to focus resources on where they have the greatest effect for learners, for example, by sending emails, newsletters and alerts about our thematic reports directly to practitioners, resulting in more downloading of those reports;</li><li>• developed our systems to collate our management information and inspection evidence, including a new follow-up database;</li><li>• appointed a new research lead officer and re-established our knowledge management group;</li><li>• identified the need to increase our research capacity and ability to support inspectors' knowledge management requirements and put in place plans to appoint a research and development officer;</li><li>• established links and worked more closely with the Welsh Government's Knowledge and Analytical Service;</li><li>• taken account of the work of the School Standards and Delivery Division and of any changes in the policies and organisation of the Welsh Government in order to complement rather than duplicate information-gathering about schools;</li><li>• provided information on the proportion of schools and post-16 providers inspected graded as good or excellent, to inform the Welsh Government in assessing the progress of its Programme for Government initiatives, including its School Improvement Action Plan;</li><li>• continued to work with CSSIW, HIW and the WAO to develop a common approach to data-management and data-hosting in relation to those areas where we inspect jointly; and</li><li>• developed our Statistical Unit to increase capacity for providing inspectors with relevant and timely data for use on inspection and remit activity.</li></ul>

## Thematic reports



In response to the Minister's annual remit, in 2013-2014 we published **12** reports on the following topics.

**All 12** reports published in 2013-2014 (**100%**) were within timescales agreed with the Welsh Government.

Name	Date of publication
Science in key stages 2 and 3	June 2013
Statutory INSET in schools	June 2013
Religious education in secondary schools	June 2013
Numeracy in key stages 2 and 3: a baseline study	June 2013
The effectiveness of learner-involvement strategies in further education institutions and Welsh for adults centres	July 2013
The impact of ICT on pupils' learning in primary schools	July 2013
The impact of teacher absence	September 2013
Training for construction, planning and the built environment	October 2013
Good practice in mathematics at key stage 4	October 2013
School size and educational effectiveness	December 2013
Welsh in the Foundation Phase: Developing Welsh as a first language in primary schools and the non-maintained sector	December 2013
Working together to tackle the impact of poverty on educational achievement	December 2013

### **Case study – how we responded to the importance of tackling poverty**

The Minister for Education and Skills, Huw Lewis, has highlighted the importance of tackling the impact of poverty. As a result, Estyn has received many invitations to share our findings about schools that are reducing the impact of poverty (or deprivation or disadvantage) on educational outcomes.

In December 2013 we published 'Working together to tackle the impact of poverty on educational achievement', the third in a series of surveys looking at how schools and local authorities in Wales are tackling child poverty and disadvantage to improve learners' achievement and wellbeing. The document presented a series of case studies, showing how different schools have taken specific actions, undertaken multi-agency work, co-ordinated and managed partnership working, collaborated with other schools and adopted a series of other initiatives to make progress. The report also looks at how local authorities are focusing more on tackling poverty and on developing strategies to evaluate the impact of their approaches on reducing the impact of disadvantage, for example through the use of a 'vulnerable families mapping tool' to identify and target need.

The survey recommends that schools adopt clear systems for working with other agencies to support disadvantaged learners, and that local authorities work with relevant services to map the specific needs of disadvantaged pupils and their families and share this information with schools and other agencies.

The survey was well received, and we have continued to make presentations on tackling poverty and disadvantage, for example recently at the Institute of Welsh Affairs, a Wales-based policy think tank, where representatives came from a broad range of backgrounds and included policy-makers. We have since then published further surveys and materials and have presented our own conference on the theme in May 2014.

**Case study – how the report on training in construction strengthened our relationship with key stakeholders**

In October 2013, we published a remit report on 'Training for construction, planning and the built environment'. The key message in the report is that all further education institutions and work-based learning providers that deliver construction, planning and the built environment programmes continue to deliver the core traditional construction skills qualifications that have been available and in demand for many years. However, whilst there have been recent changes in the content of construction, planning and built environment qualifications they do not always fully-meet learners' and local employers' needs.

The British Association of Construction Heads – Wales (BACH Wales) took the opportunity to consider the content of the report and its recommendations while emphasising their support for improvements in the construction training sector. They wrote a very helpful response to the report which has generated a very healthy dialogue between Estyn and the sector, including the offer for the sector lead for work-based learning to attend meetings of BACH Wales to discuss progress against the remit recommendations.

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

What we've done...

<b>1</b>	<p><b>Developed an Estyn-led programme of training events and conferences</b></p> <ul style="list-style-type: none"> <li>• delivered a comprehensive programme of update training for all external inspectors to ensure that they maintain up-to-date professional inspection skills;</li> <li>• trained a new cohort of lay inspectors for primary and secondary inspections.</li> <li>• delivered external peer inspector training to enable current practitioners to participate in inspection activity and ensure that they take new skills and expertise back to their organisations;</li> <li>• updated our web-based nominee training;</li> <li>• used a trained nominee (from the individual providers being inspected) to act as liaison for the provider and be a member of the inspection team;</li> <li>• published selected training materials on-line in the virtual inspection room for inspectors;</li> <li>• continued to deliver the national programme of system leader inspector training;</li> <li>• hosted a workshop of senior managers from the education inspectorates of Wales, Scotland, England, Ireland and Northern Ireland, in order to discuss high level strategic risks, building capacity in the education workforce and education and leadership;</li> <li>• delivered the improvement journey school leadership conference; and</li> <li>• continued to deliver sector training/conferences based on Estyn's remit reports.</li> </ul>
<b>2</b>	<p><b>Identified and disseminated best practice and supporting materials to help schools and other providers with their training programmes</b></p> <ul style="list-style-type: none"> <li>• familiarised Estyn staff with the Best Practice policy, drawing upon views, through corporate meetings, about the ways in which we define, identify and promote best practice;</li> <li>• used evidence from inspection and remit activity to identify best practice amongst practitioners;</li> <li>• made case studies of best practice accessible to inspectors, providers, partners and stakeholders on our website and HMCI's annual report;</li> <li>• highlighted and disseminated best practice as part of our inspection activities, through best practice conferences, sector network stakeholder forums, link inspector contacts with local authorities, Estyn newsletters and through our activities to inform the development of national policy by the Welsh Ministers and Welsh Government officials;</li> <li>• engaged with providers other stakeholders and IAR bodies to promote more effectively the use of the best practice that we identify and publish;</li> <li>• reviewed and monitored the best practice area of the Estyn website, to ensure that it provides access to good-quality case studies of best</li> </ul>

	<p>practice that provide compelling examples of best practice that influence providers' work;</p> <ul style="list-style-type: none"> <li>• as part of the requirements for developing a new Estyn website platform, included a design that will be responsive to mobile technology as well as categorised RSS feeds in order to promote best practice to stakeholders; and</li> <li>• although we have not yet developed multimedia resources to promote best practice, planned to create short case study films to support in-service training (INSET) materials for schools on tackling poverty and disadvantage.</li> </ul>
3	<p><b>Developed the use Estyn's national advice reports (remit) to provide materials that can be used by schools and other providers in their own training programmes</b></p> <ul style="list-style-type: none"> <li>• provided advance notice of the publication dates for Estyn remit reports through our website, our newsletter and sector stakeholder events so that local authorities, schools and other providers are aware of forthcoming reports to help them plan their own training events;</li> <li>• developed practitioner activity packs for heads of department or subject co-ordinators to use for subject-based remits;</li> <li>• identified existing conferences or meetings at which the messages from relevant remit reports can be shared through a series of slide presentations for each remit, providing a quick overview for staff to understand the key findings and recommendations;</li> <li>• developed training materials for each remit for use by schools and providers in their INSET programmes;</li> <li>• published an annual compendium of remit reports on the Estyn website, which should provide an easy reference to the key messages from all the remits published in the preceding year; and</li> <li>• piloted the use of peer inspectors on two of Estyn's remit surveys and planned opportunities for peer inspectors to apply to be part of these in 2014-2015.</li> </ul>
4	<p><b>Use HMCI's annual report for 2012/2013 to provide materials that can be used by schools and other providers in their own training programmes</b></p> <ul style="list-style-type: none"> <li>• published a webcast on the annual report on education and training, featuring a series of providers describing how they used the report; and</li> <li>• had a web-based launch of the report, with significant media attention.</li> </ul>
5	<p><b>Developed and fostered strong partnerships with our stakeholders and providers</b></p> <ul style="list-style-type: none"> <li>• completed a review of our Stakeholder Engagement Strategy, which has led to a new Stakeholder Engagement Strategy;</li> <li>• held successful national and sector stakeholder forums as part of the new Stakeholder Engagement Strategy;</li> <li>• shared our thinking with stakeholders through our forums and through information-sharing sessions;</li> </ul>

	<ul style="list-style-type: none"> <li>• developed and monitored our website and extranet to ensure that they continue to support and provide information for stakeholders;</li> <li>• developed 'Estyn News', which is our external newsletter, to make it more visually attractive and accessible to all stakeholders; in addition, our monthly e-shots to stakeholders include new case studies;</li> <li>• continued links with professional and teaching bodies, such as the Association of School and College Leaders (ASCL), National Association of Head Teachers (NAHT), Undeb Athrawon Cymru (UCAC), Association of Lecturers and Teachers (ATL); and</li> <li>• continued links with professional networking bodies, such as the Association of Directors of Education in Wales (ADEW), ColegauCymru/CollegesWales, the National Institute of Adult Continuing Education Dysgu Cymru (NIACE), the National Training Federation for Wales (NTfW), Society of Local Authority Chief Executives (SOLACE), the Welsh Local Government Association (WLGGA) and teacher and lecturer professional associations.</li> </ul>
<p><b>6</b></p>	<p><b>Supported the continuous development of providers</b></p> <ul style="list-style-type: none"> <li>• used evidence from inspection and remit activity to identify best practice amongst practitioners;</li> <li>• ensured that our inspection reports and follow-up activity, where appropriate, include comments on best practice to inform other providers when they are developing their own provision;</li> <li>• highlighted and disseminated best practice as part of our follow-up activity;</li> <li>• continued to ensure that stakeholders have up-to-date knowledge of most recent case studies – yet the challenge remains to encourage more practitioners to access our case studies through Estyn's website and to identify effective strategies to promote best practice more widely;</li> <li>• engaged with providers to assist in disseminating best practice, including through stakeholder forums, discussions during inspections, remit activities, conferences and presentations to a range of groups including the WLGGA, ADEW, local authority members and officers, regional consortia officers, headteachers, teachers and governors;</li> <li>• continued to share good practice across sectors and between IAR bodies more widely, through Inspection Wales and Estyn's website, events and publications;</li> <li>• monitored the effectiveness of our guidance to providers on self-evaluation through evidence from inspection, follow up, link visits and discussion with providers; and</li> <li>• carried out a refresh of our self-evaluation manuals for all sectors as a result of a review in 2013.</li> </ul>



<b>7</b>	<b>Enhanced our technological capacity</b> <ul style="list-style-type: none"><li>• improved the collation and uploading of good practice case studies through grouping information, such as remit and best practice, against the Welsh Government's national priorities;</li><li>• communicated outcomes on our website and by means of email alerts;</li><li>• maintained a statistical specialist to advise and support HMI in relation to relevant databases;</li><li>• used the 'Building Capacity' section of the Estyn website to disseminate on-line training, training materials and best practice to the education and training sectors;</li><li>• incorporated IT-based learning approaches in the training of peer inspectors, using online interactive technologies; and</li><li>• developed Estyn's Extranet and Virtual Inspection Rooms (VIR) as appropriate to support the achievement of Strategic Objective 3.</li></ul>
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## 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 2013-2014, we dealt with 11 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 2013-2014: **11**

Date	Outcome	Subject of complaint
April 2013	Not upheld	Freedom of Information review related to secondary school inspection
May 2013	Not upheld	Secondary school inspection judgements, conduct, process, and the standard and quality of Estyn's work
May 2013	Not upheld	Preparation times for lessons, out of hours working
May 2013	Not upheld	Inspector conduct; the quality assurance process on inspectors
May 2013	Partly upheld	Content of inspection report and judgements
July 2013	Not upheld	Communication issues between parent and school
July 2013	Partly upheld	Inspector conduct and security of judgements
July 2013	Partly upheld	Inspection process and reaching of judgements
August 2013	Partly upheld	Draft report recommendations
October 2013	Not upheld	The inspection process, RI conduct and judgements
March 2014	Partly upheld	Judgment change for report and RI communication/conduct

### Requests received under FOI Act:

PI

**27** requests

26 completed within target of 20 working days. Five reviews took place during 2013-2014.

### Requests received under the DPA

PI

**18** requests

**100%** completed within target of 40 calendar days from receipt of fee and 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 – how Estyn supports and promotes ‘Improvement journeys’**

In a report published in December 2013, we provided an insight into the common characteristics displayed by schools that have improved their provision from different starting points. The report on *Twelve secondary school improvement journeys* features case studies from current headteachers to describe how they have boosted standards and performance in their school.

John Summers High School, Flintshire, provides one of the case studies in the report and is a school that has travelled from being unsatisfactory in 2005, to being good in 2011. In the report, the headteacher reflects on the three factors that had the biggest impact on improving standards. These were: the school's culture, the quality of teaching and learning, and the processes of quality assurance.

The ‘best practice’ case study schools included in the report are:

- Cefn Hengoed Community School, Swansea
- Connah's Quay High School, Flintshire
- John Summers High School, Flintshire
- Mary Immaculate High School, Cardiff
- Newtown High School, Powys
- Oakdale Comprehensive School, Caerphilly
- Olchfa School, Swansea
- Sandfields Comprehensive School, Neath Port Talbot
- Ysgol Bryn Elian, Conwy
- Ysgol Cwm Rhymni, Caerphilly
- Ysgol Glan-y-Mor, Gwynedd
- Ysgol Gyfun Gwyr, Swansea

In the summer of 2013 we hosted three conferences for headteachers that showcased the case study schools and presented a model for school improvement based on the work of the case study schools and our findings from inspection. These conferences were well attended and very well received.

### **Case study – how 'Virtual Inspection Rooms' make inspection more efficient**

Estyn's development of the web-based virtual inspection room (VIR) has been recognised as an important tool in the efficient management and delivery of today's inspections. The system allows schools to upload information for the inspectors before their visit and to download guidance from the inspectorate about the inspection process. The VIR is also the place where schools can access the nominee's guidance on preparing for the inspection and the post-inspection questionnaires. There is a comprehensive set of guidance documents and videos available on Estyn's website to help providers to understand and use the system.

The VIR allows administrators to set up and manage inspections; inspectors can then capture inspection judgements offline and share them with team members by uploading them to the VIR. Estyn's Judgement Form (JF) is central to the inspection process. Bespoke web parts provide complex functionality to collate judgements from several Word documents, ultimately producing a final Inspection Report.

Due to varying levels of internet connectivity across Wales, Estyn has also developed an offline tool, which allows inspectors to carry out some of the work that the online VIR does on their own computers, without the need for internet access when they are out in the field.

Online questionnaires can also be accessed in the VIR allowing learners, parents and providers to complete pre- and post-inspection questionnaires. The questionnaire structure and questions provide inspectors with a suite of reports and a detailed questionnaire analysis. These are displayed, for the Reporting Inspector, within the 'inspection documents' area of the VIR.

The VIRs are also used for related inspection work including:

- administration of follow-up inspections;
- recording annual monitoring visits; and
- as a shared platform for local authorities to deposit documents for our link officers.

Enhancements to our services and further innovation within the IT arena will see further developments to the VIR. This will also include working collaboratively with other inspectorates via the VIR, such as in the delivery of section 50 inspections of denominational education.

## Delivery principle 1: Develop Estyn as a 'best value' organisation

What we've done...

### Developed Estyn as a 'best value' organisation

- maintained robust governance arrangements throughout the year – our assurance framework has been summarised diagrammatically (see the Governance Statement, page 54). Our Strategy Board and Audit and Risk Assurance Committee were strengthened by the addition of a co-opted non-executive director/member;
- through our risk management processes, ensured regular review and assessment of risks across the organisation (our risk register transferred to a SharePoint platform to enhance tracking of risk management actions and controls);
- worked closely with: our internal auditors to develop an audit programme that provided management assurance over key processes and risk areas; and, our external auditors so that Estyn delivered prompt publication of unqualified accounts for the 2012-2013 financial year;
- maintained close control over expenditure, increasing the number of staff involved in the budget management process. (We provided substantial savings against our initial budget allocation, which has supported the virement of funds to other programme areas within the Welsh Government's Department for Local Government and Communities overall budget, which includes Estyn's budget);
- recruited new HMI in order to deliver an expanding work programme and to increase the number of inspections delivered by in-house inspection teams – but also maintained budget flexibility through the continued use of seconded Additional Inspectors. Our secondment programme continued also to support the development of skills and knowledge within the providers/sectors that employ each secondee;
- maintained budget flexibility within our support functions by meeting additional resource demands and delivering new development projects through temporary staff arrangements;
- continued to use feedback on support services to refine and improve services, for example by enhancing our inspection support arrangements and contracting processes. SharePoint has been a major development throughout the year, facilitating improved communications, automated workflows and higher visibility/reporting against performance indicators;
- initiated a number of information technology developments, including work on a refresh of Estyn's website and development of a web-based site for maintenance and update of (external) Inspector Profiles;
- reviewed our information systems hosting arrangements and initiated changes to improve cost-effectiveness and business continuity arrangements;
- successfully delivered the final phase of a staff development programme for all Corporate Services staff. A series of workshops evaluated the programme and was used to identify the next steps required to maintain

	<p>high levels of staff engagement and continuous service improvement; and</p> <ul style="list-style-type: none"><li>• implemented a new 'continuous performance management system' for all staff, which puts equal weight on the 'outcomes' achieved against objectives and 'behaviours' (against the Civil Service competencies framework) as demonstrated by staff. The new system has supported a focus on performance improvement with individuals taking greater ownership for managing their performance and development.</li></ul>
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## Delivery principle 2: Develop Estyn as an 'exemplary employer'

What we've done...

	<p><b>As an organisation, Estyn has promoted:</b></p> <ul style="list-style-type: none"><li>• <b>bilingualism;</b></li><li>• <b>sustainability;</b></li><li>• <b>equality and diversity;</b></li><li>• <b>health and wellbeing;</b></li><li>• <b>human rights; and</b></li><li>• <b>inclusion.</b></li></ul> <p>We have:</p> <ul style="list-style-type: none"><li>• implemented our action plan in relation to our Welsh Language Scheme, offered Welsh language training throughout the year to all staff and groups with sessions facilitated at various competency levels;</li><li>• continued to recruit Welsh-speakers to maintain our levels of staff who can inspect through the medium of Welsh and we increased the number of Welsh-speakers within our corporate support function;</li><li>• maintained our commitment to sustainability, both within our inspection processes and in the way we deliver our work;</li><li>• prepared for a re-assessment of the Green Dragon accreditation, updating our environmental objectives and promoting sustainability initiatives. A pre-assessment audit complimented us on our practices, in particular our use of information technology to cut down paper-usage and reduce carbon footprint (see our website for more information);</li><li>• implemented the action plan that supports delivery of our Strategic Equality Plan, and published an annual report on progress. We incorporated a regular feature on equality issues in our internal newsletter 'Your Estyn' to further raise awareness of equality matters. In collaboration with The Inspection Wales Learning and Development Group we sourced an e-learning package to promote knowledge, awareness and understanding of the Equality Act across the four Inspectorates. The programme devised is an interactive e-learning resource that provides insight into the key themes of the Equality Act 2010 and the protected characteristics, and also provides a practical introduction to identifying and responding to bullying</li></ul>
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	<p>and harassment and understanding unconscious biases. This training was undertaken by all new starters in Estyn during 2013-2014;</p> <ul style="list-style-type: none"><li>• continued to maintain the good practices that led to our accreditation of liP 'Gold' status awarded three years ago (see case study on page 30). Our Employee Engagement Group continued to implement appropriate actions identified from internal reviews, direct feedback from staff and from the results of our annual Civil Service People Survey which, again, showed that Estyn staff are highly engaged and committed to the objectives of the organisation;</li><li>• continued to have high concern for staff welfare, for example by undertaking regular reviews of work programme pressures and increasing our internal inspection capacity to help meet work demands. We also maintained and promoted our employee support mechanisms such as our Employee Assistance Programme and annual health checks;</li><li>• reviewed our impact assessments for plans and policies not only to cover the statutory requirements of equalities and human rights but also to consider the full range of business objectives and our overarching delivery principles;</li><li>• maintained a regular dialogue with recognised trade unions and engaged with representatives in respect of staff policy development (updates to Estyn policies reflected good practice and guidelines from centrally developed policies) and also agreed to continue to shadow the pay award of the Welsh Government as far as our budget allows;</li><li>• continued the development of our intranet site, based on a SharePoint platform, which has helped to streamline our records management and enhanced communications with staff. We have also extended our external communication processes, with increased usage of e-shots and regular newsletters to stakeholders, and additional website content (our website was audited and we developed a specification for a new site which will be developed and launched during 2014); and</li><li>• continued to deliver a training and development strategy that builds internal knowledge, skills and expertise and supports succession planning, with specific training areas including: advanced writing skills, media skills and mentoring. We used termly corporate professional development sessions for colleagues to update one another on organisational developments and developments within particular inspection sectors. Our annual staff conference was themed around 'communications'. In addition to staff training, we continued to develop our external inspection capacity through our programme of training for Additional Inspectors and peer inspectors. All training was evaluated and an end-of-year report produced.</li></ul>
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**Delivery principle 3: Work collaboratively with other inspectorates to support improvement**

What we've done...

<p><b>1</b></p>	<p><b>Undertaken 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>• ensured that our joint and collaborative working was guided by the common vision and purpose agreed between the IAR bodies in Wales as set out in Strategic Agreement on Joint Working;</li> <li>• initiated the production of a protocol for the handling of joint special inspection and investigation in exceptional circumstances;</li> <li>• ensured that our planning and programming activities are 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, including thematic inspection work;</li> <li>• developed new approaches to information and knowledge sharing between Estyn and other IAR bodies that help to ensure that intelligence is actively and promptly shared;</li> <li>• identified opportunities to bring together the knowledge and intelligence we collectively hold as IAR bodies in Wales on public services, and report on this in ways that support service improvement, inform policy making and strengthen public accountability, such as in our joint improvement work on scrutiny in local government; and</li> <li>• continuously monitored the progress we made with joint and collaborative working and reported this openly and formally 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>• contributed to joint inspections of offender learning with HMI Prisons and HMI Probation;</li> <li>• worked with the WAO and relevant stakeholders to develop an inspection framework and remit for regional consortia;</li> <li>• continued to work with CSSIW and the WAO under the powers of the Local Government (Wales) Measure 2011;</li> <li>• ensured the effective co-ordination by Estyn and CSSIW of inspections of schools and colleges that have residential provision;</li> <li>• continued to involve inspectors from CSSIW and the WAO in the inspection of local authority education services for children and young people, as appropriate;</li> <li>• worked jointly with other inspectorates, auditors and regulators, in particular CSSIW, HIW and the WAO, in respect of the inspection of public services and thematic work, including any special inspections or</li> </ul>

	<p>investigations where appropriate;</p> <ul style="list-style-type: none"><li>• worked jointly with Education Scotland to develop a system to provide advice to Welsh Government on school amalgamations and closures;</li><li>• worked with Ofsted on joint inspections of providers where appropriate;</li><li>• worked with Ofsted, Education Scotland and the Education and Training Inspectorate (ETI) in Northern Ireland to facilitate the shadowing of further education institution and school inspections in our respective countries by HMI;</li><li>• 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; and</li><li>• continued to work with the Welsh Government, the Higher Education Funding Council for Wales (HEFCW) and the General Teaching Council for Wales (GTCW) on issues relating to standards for teachers, continuous professional development and the inspection of initial teacher training in Wales.</li></ul> <p>In addition, we have:</p> <ul style="list-style-type: none"><li>• continued our work with CSSIW, HIW and the WAO to develop further a joint digital information sharing system for IAR bodies in Wales;</li><li>• supported the work of the Inspection Wales Project Manager and Inspection Wales Co-ordinator in facilitating joint working through the provision of office accommodation and ICT facilities at Estyn;</li><li>• used the outcomes of collaborative work in inspection and remit activity to enhance the quality of advice on policy formulation and public assurance; and</li><li>• responded to Phase 1 of the Welsh Government's review of inspection, audit and regulation in Wales.</li></ul>
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### **Case study – how inspectorates benefit from working together**

Estyn's annual plan for 2013-2014 had a specific delivery principle about working collaboratively with other inspectorates to support improvement, which covered a wide range of activities:

- 1 In November 2013, Estyn contributed a workshop on the effective scrutiny of education in local authorities for elected members and senior officers at a Wales Audit Office national conference 'Scrutiny in the Spotlight'. The Auditor General for Wales commented that Estyn's contribution to the conference was a good example of how inspectorates share knowledge and intelligence to have a positive impact on public service delivery.
- 2 In March 2014, Estyn participated in the first stage of an exchange visit with the Department of Education and Skills in Eire. An inspector from Eire shadowed an HMI during a primary school inspection in Swansea. This provided good opportunities to compare and contrast the different systems used by the inspectorates. Of particular interest to the Irish inspector was how Estyn use peer and lay inspectors as part of the inspection team. It was extremely interesting to have discussions about the standards pupils achieve in literacy and numeracy and whether or not these are comparable across Wales and Eire. An inspector from Estyn is to visit Eire at the end of April 2014.
- 3 Early in 2013, CSSIW asked whether one of their inspectors could shadow an Estyn inspection of a non-maintained setting. Arrangements were made for a CSSIW inspector to join an inspection in May 2013 of a large setting in an independent school. The lead inspector contacted both the school and the CSSIW inspector prior to inspection to agree on their role. The school agreed that CSSIW might observe sessions jointly with Estyn and attend interviews with key personnel. The CSSIW inspector attended all team meetings where the team 'weighed the evidence' and discussed judgments. Feedback from the CSSIW inspector was very positive as to the inclusivity of the team and the benefit to her from the professional development.
- 4 During 2013 there were visits from Ofsted's IT Director and colleagues to discuss certain aspects of IT, including the virtual inspection rooms and our procurement experience of 'G-cloud'. Corporate Services staff shared their knowledge and experience of current IT products such as the VIR and benchmarked our delivery and responses to request for information under the Freedom of Information Act.

### **Case study – how Estyn was reviewed by liP**

In November 2013 we undertook a comprehensive review of progress and improvement since the 2011 Investors in People (liP) review. This review helped us to identify four forward-looking business priorities for the external assessors from liP to focus upon in their re-accreditation assessment visit during March/April 2014. The priorities were to:

- ensure that staff have a clear understanding of and commitment to Estyn's business strategy.
- plan and develop leadership and management capacity (succession planning) to meet future business requirements.
- ensure that Estyn's culture and processes support individual and organisational improvement by encouraging and providing a safe environment for constructive challenge to be made; and
- continuously improve performance through the improvement and sharing of organisational knowledge throughout Estyn.

The external liP assessor confirmed that we continue to meet the liP framework at Gold level, meeting 191 of the 196 indicators in the liP Framework (up from 166 in 2011).

The assessor found that the ways in which we have implemented, reviewed and improved our leadership and management strategy has delivered excellent performance outcomes and improved staff engagement. The assessor commended each and every employee for their courage and determination in maintaining the focus that has delivered great results.

The assessor was particularly impressed by:

- the high levels of engagement and an impressive, comprehensive and universal understanding of Estyn's objectives;
- our outcome and behaviour focused performance management framework;
- reinforcement of the distributed leadership approach resulting in a flexible matrix-based structure with people taking on a range of projects, tasks, work streams and lead opportunities;
- our creative approach to building capacity with a clear structure for the development of inspectors (internal and external);
- embedding of the virtual inspection room (VIR) approach which is efficient, effective and the development of which has been led by staff;
- the considerable effort invested in developing inspection coordination and support mechanisms which have encouraged the development of cross-functional team working and closer working relations; and
- continued efforts to improve communication.

### **Case study – how its staff see Estyn**

Estyn participates in the annual Civil Service People Survey – a survey of staff engagement, attitudes and experiences of work across the UK-wide civil service. The results help us to understand how our employees feel about their role and what they think of Estyn.

The 2013 People Survey results demonstrated that Estyn continues to have high levels of engagement significantly above the civil service and high performers' benchmarks. With an engagement index of 69%, we are placed fourth out of the 98 civil service organisations that took part in the survey.

Overall staff said they are interested in their work and have a clear understanding of organisational objectives and purpose. In particular, corporate services' engagement has improved significantly in the last year.

The results and staff feedback have enabled Estyn's Employee Engagement Group to develop an action plan to address key issues. The action plan captures areas for improvement, including the following:

- communication;
- IT training to support new developments;
- continued development opportunities for Corporate Services staff;
- addressing work programming issues;
- raising awareness of bullying, harassment and discrimination; and
- promoting consistency in performance management and managing poor performance and behaviours.

Estyn's 2013 People Survey results are available at [www.estyn.gov.uk](http://www.estyn.gov.uk)

## **Estyn Board members**

During 2013-2014, 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

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

**Mr Rheon Tomos**, currently partner of TDE Associates, appointed member and Vice Chairman of S4C Authority and Chair of the Audit and Risk Committee, and member of the Welsh Language Commissioner Audit Committee

**Mr Arwel Thomas** (commenced January 2014), former Deputy Director of Corporate Governance and Assurance in the Welsh Government

### **Senior officers**

**Mrs Ann Keane** – Her Majesty's Chief Inspector of Education and Training in Wales and Accounting Officer

**Mr Simon Brown** – Strategic Director

**Mr Meilyr Rowlands** – Strategic Director

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 2013-2014).

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 2013-2014, the total value of honorarium claims was £17,096.25 and a total amount of £313.85 was also claimed as reimbursement of travel and subsistence expenses.

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

The Audit 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 her responsibilities for issues of risk, control, governance and assurance, the Committee was attended fully at its four meetings during 2013-2014. There were no significant events or issues of judgement or control that had to be considered by the Committee during the year.

### **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 three times during 2013-2014, and was fully attended at the meetings. (Further information is available on page 46 in Section 2 of this report.)



## **Section 2**

# **Annual Accounts 2013-2014**

## 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 her 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**; and
- 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; and
- 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	2013-2014	2012-2013
Sickness absence rate	3.3%	3.6%
Proportion of staff accruing sickness absence	52%	54%
Average working days lost per employee	7.8 days	8.4 days
Average length of absence	7.6 days	8.2 days
Sickness absence occurrences	118 occurrences	115 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 2013-2015 have been produced in order to improve environmental management and performance and reduce Estyn's environmental impacts.

**Objective 1** To continue to monitor CO2 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 (based on 2012-2013 figures)

**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 2013-2014 as required by the **Financial Reporting Manual (FReM)**.

<b>FReM 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 186,515 kilo watts  Gas 75,703 kilo watts  Water 434.8 cubic metres  Transport 95,422 kg CO2	£22,666 paid on electricity during 2013-2014.  £3,028 paid on gas during 2013-2014.  £587 paid on water in 2013-2014.  £115,014 paid in mileage.
Waste Minimisation and Management	<ul style="list-style-type: none"> <li>• Landfill 32%, 7,230 kg</li> <li>• Recycled 68%, 15,410 kg</li> </ul>	Total expenditure £3,500.
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. <i>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 endeavours to –</i> 12.1.1. <i>conserve energy, water, wood, paper and other resources;</i> 12.1.2. <i>reduce waste;</i> 12.1.3. <i>phase out the use of ozone depleting substances; and</i> 12.1.4. <i>minimise the release of greenhouse gases, volatile organic compounds and other substances damaging to health or the environment."</i>	

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 May 2014.

### **Payment policy**



In 2013-2014 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 99.4% of all such payments made in 2013-2014 (2012-2013: 99.9%).

### **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.

<b>Summary of protected personal data related incidents formally reported to the Information Commissioner's Office in 2013-2014</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 2013-2014</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 2013-2014</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>						
	I	II	III	IV	V	Total		I	II	III	IV	V	Total
<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
<b>2010-2011</b>	Nil	Nil	Nil	Nil	Nil	Nil	<b>2010-2011</b>	Nil	Nil	Nil	Nil	Nil	Nil
<b>2009-2010</b>	Nil	Nil	Nil	Nil	Nil	Nil	<b>2009-2010</b>	Nil	Nil	Nil	Nil	Nil	Nil

### Results for the year

In 2013-2014, Estyn's total revenue expenditure, net of income, was £10.92 million (£9.98m: 2012-2013) against an expenditure forecast of £10.95 million agreed with the Welsh Government as part of the total approved budget for the Department of Local Government and Communities. Estyn's financial statements report its total revenue budget for 2013-2014 as £10.65 million, in accordance with the Welsh Government's Spring 2014 Supplementary Budget (Estyn's initial budget for 2013-2014 was set at £11.464m). The Welsh Government has the flexibility to adjust for variations between spending plans set out in its final Supplementary Budget of the year and the subsequent year-end outturn. In applying this flexibility, the Department for Local Government and Communities approved Estyn expenditure of up to £10.95 million as this amount would be accommodated within the Department's overall budget for funded programmes. Therefore the apparent excess (budget overspend) is not a concern as it does not reflect the ongoing dialogue and agreement which took place between Estyn and the relevant Welsh Government finance officials.

The results for the year are detailed in the following statements and accompanying notes. During 2013-2014, Estyn increased the number of staff engaged in order to deliver an expanding work programme, which included an increase in inspection and monitoring work and additional responsibilities such as provision of advice to Welsh Government on school closures and amalgamations. Following a four-year pay freeze, Estyn implemented a two-year pay award effective from 1 August 2013 which shadowed the April 2014 pay award of the Welsh Government and gave individuals a maximum inflationary uplift of 2%. The cost of additional staffing and pay increases accounts for over half of the total annual increase in Estyn expenditure from the previous year. The staff pay costs for 2013-2014 also include an increase of £91k in relation to accrued leave (annual leave entitlement that has been accrued but not taken by 31 March 2014), although it should be noted that this amount is an accounting entry rather than an actual additional cash expenditure requirement.

In 2013-2014, Estyn continued to invest in the development of IT systems required to support the delivery of our programme of work, recognising that systems which support efficiencies in work processes will be essential to meet potential future budget challenges. Projects included the development of an Inspection Outcomes Database and a system to maintain Inspector Profiles, in addition to enhancements to our VIR and migration of our intranet site (SharePoint). During the year we hosted visits from several other organisations, including inspectorates from outside of Wales and local bodies funded by the Welsh Government, who were interested in Estyn's use of technology. Some of our ideas and innovations are now being picked up and used by other public sector bodies. For example, Ofsted has recently adopted the same Inspection, Planning and Deployment system as used by Estyn and they are also seeking to develop their own version of VIR (an Estyn member of staff will be joining Ofsted on secondment to assist with this project).

During 2013-2014, Estyn extended its cloud-based hosting arrangement for information systems. Rented server arrangements were used to develop and expand systems using an 'agile' methodology. Towards the year-end we undertook a re-appraisal of hosting arrangements and due to escalating rental costs decided to move to a more cost-effective option whereby we purchased (through capital expenditure) a small number of powerful servers, with hosting arrangements for these servers remaining within an external data centre. This new arrangement will be implemented in the first quarter of 2014-2015 and will help reduce future running costs.

In terms of Estyn's administrative costs (see Note 4) there are a few other notable increases in expenditure. Our accommodation costs, while appearing to have substantially increased, have actually remained fairly static and the variation between years is largely due to a substantial rate rebate which was received in 2012-2013. In line with an increase in inspections undertaken by HMI, expenditure on Travel and Subsistence (T&S) has continued to increase year-on-year. (T&S costs also include the costs incurred in deploying Peer Inspectors). There has been no change to the T&S policy or rates used by Estyn and the increase in expenditure largely reflects the distribution of inspections and the necessity for travel, accommodation, etc to deliver our programme of work. Efforts are made to deploy HMIs and Peer Inspectors to inspect providers that are as close to their home as possible, however, potential conflicts of interest and availability of individuals sometimes impose restrictions on the scheduling arrangements.

Overall programme expenditure remained at the same level as the previous year. Schools and local education authority inspection costs both reduced as a result of using fewer external inspectors in line with changes in the number of inspections carried out within particular sectors. General inspection related costs consist of a number of budget elements. Within 2013-2014 accounts, the notable increases in expenditure against the previous year were in relation to: a rise in the number of schools requesting bilingual inspection reports (in addition to an increase in the overall number of reports produced by Estyn) which lead to extra cost for translation, printing and distribution; and, a greater number of events (and delegate attendees) organised by Estyn to share best practice and train new and existing inspectors.

The Statement of Financial Position as at the year-end 31 March 2014 shows net liabilities of £0.122 million (2012-2013: £1.353 million). The significant reduction in the end of year balance of net liabilities is largely the result of a transfer of funding from the Welsh Government to Estyn's bank account at the end of March 2014. It is usual for Estyn's Statement of Financial Position to show a deficit position at the end of a financial year due to the high level of creditors. Most of these creditors 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. In respect of reimbursement to schools to cover the expense of providing Peer Inspectors, Estyn will be moving to a process in 2014-2015 whereby payment to the school will be automated – this is expected to significantly reduce the level of accruals in the 2014-2015 accounts.

Estyn will receive funding from the Welsh Government to meet all of the above liabilities when they mature in the 2014-2015 financial year and it has accordingly been considered appropriate to adopt a 'going-concern' basis for the preparation of these financial statements.

For 2013-2014 the Welsh Government provided Estyn with a capital budget of £150k of which £89k was spent. Expenditure was mostly on essential computer equipment, including the setting-up of video-conferencing facilities and a new hosted server platform that in addition to reducing system hosting costs will also enhance business continuity arrangements.

## **Looking ahead**

During 2014-2015 we will be reviewing and adapting inspection arrangements within several sectors and will modify the pattern of school inspections to make the timing of inspections less predictable by providers. Our remit and advice services will continue to inform the development of national policy by the Welsh Government and there will be an expansion in our advice workstreams.

As with many other public sector bodies, we will continue to face budgetary pressures to do 'more with less' which will require us to examine very closely the cost-effectiveness of our delivery model and to retain a flexible approach in enhancing a skilled, knowledgeable and motivated workforce which delivers continuous improvement.

Further information on the focus of our future work and our planned programme of activities can be found within our Annual Plan 2014-2015 on our website:  
<http://www.estyn.gov.uk>

## **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; and

- the Accounting Officer has taken all steps that she ought to have taken to make herself 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.



**Ann D Keane**

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

15th July 2014

## 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 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; and
- 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; and
- confidence in the individual's future performance.

No SCS staff bonuses were paid in 2013-2014.

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.

### 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 (ie Board members) of Estyn.

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

Officials	2013-2014					2012-2013				
	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	0	-	8	120- 125	105- 110	5-10	-	1	110- 115
Simon Brown Strategic Director	75-80	0	-	-3	70-75	75-80	0	-	44	115- 120
Meilyr Rowlands Strategic Director	75-80	0	-	7	80-85	75-80	0	-	2	75-80
Band of Highest Paid Director's Total Remuneration	110-115					105-110				
Median total	£62,500					£54,500				
Ratio using the mid- point of salary band	1.8					1.97				

\*audited figures

**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.

<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)

## 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\*

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 in CETV £'000's
Ann Keane 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	1,185	1,164	7
Simon Brown Strategic Director	35-40 plus lump sum of 65-70	0-2.5 plus lump sum of 0-2.5	737	695	-4
Meilyr Rowlands Strategic Director	30-35 plus lump sum of 95-100	0-2.5 plus lump sum of 0-2.5	659	614	5

\*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 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)

### **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.

### **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 the department has agreed early retirements, the additional costs are met by the department 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.



### **Ann D Keane**

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

15<sup>th</sup> July 2014

## 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; and
- 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 2013-2014, 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, Mr Arwel Thomas, former Deputy Director for Governance (Welsh Government).

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 2013-2014 included:

- Estyn's Annual Plan, incorporating Estyn's Key Performance Indicators;
- HMCI's Annual Report;

- three-year business plan and assessment of impact of potential budget cuts;
- manpower planning; and
- potential implications of the review of Inspection, Audit and Regulation (AIR) bodies in Wales, and, the Williams Commission on Public Service Governance and Delivery.

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. In addition to having direct access to HMCI throughout the year, non-executive directors held an annual meeting with the Director General of Local Government and Communities (Estyn's funding department within Welsh Government) - no concerns were raised during 2013-2014.

### **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 2013-2014 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 2013-2014 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 2013-2014 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 2013-2014.

<b>Table 1 2013-2014 internal audit programme (opinion)</b>					
<b>Internal audit area</b>	<b>Assurance</b>	<b>High priority</b>	<b>Medium priority</b>	<b>Low priority</b>	<b>Total</b>
Corporate Governance. Risk Management (follow-up) & Strategic Management	Full	-	-	-	-
Complaints Management	Full	-	-	1	1
Human Resources: Recruitment, New Appointments and Staff Performance Management (follow-up)	Substantial	-	-	3	3
Budgets, General Ledger and Accounting	Substantial	-	-	1	1
Purchasing and Payments	Substantial	-	-	2	2
Cash Management, Revenues and Receivables	Substantial	-	1	1	2
Payroll	Substantial	-	-	1	1
Health and Safety: Induction Risk Assessment	Substantial Advisory	-	1	2	3
IT General Controls	Advisory	-	-	-	-
<b>Total</b>		-	2	11	13

Estyn's Remuneration Committee met three times (with all members in attendance) during 2013-2014 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; in 2013-2014 Estyn aligned its staff pay deal with that of the Welsh Government.

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 2013-2014 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 2013-2014 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 2013-2014. 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 risk areas and issues handled by management during the year included:

- **The migration of information systems to a data centre via the government G-cloud framework.** The move has allowed Estyn to adopt more agile working practices to support remote working, and is in line with recommended government practices. However, it presented a number of challenges in terms of achieving system configurations which are both cost effective and provide robust business continuity. The learning points from the migration project have helped Estyn to implement hosting options which will further minimise risks and provide better value-for-money in 2014-2015.
- **Increasing the in-house inspection capacity to resource an extensive work programme, in particular, the increasing demands of delivering follow-up inspections.** We continued with our recruitment programme, including the secondment of Additional Inspectors, but we fell just short of our target for in-house-led inspections and therefore needed to make greater use of contracted-in Additional Inspectors. A successful recruitment campaign in the last quarter of the year resulted in seven new HMI being appointed (starting in autumn 2014) to provide the required capacity going forward.
- **Maintaining and, indeed, improving the quality of Estyn's work.** During the year: we implemented a quality/price model for the award of contracts to our external Additional Inspectors; and a report produced by our internal auditor provided a 'full assurance' rating on our quality assurance processes. For Estyn staff, we implemented a new Continuous Performance Management process based on the civil service competency framework. The new process has helped individuals (staff and managers) to maintain a constant focus on performance matters – a full evaluation of the first year of the new system will be undertaken during the summer of 2014.
- **Managing appropriately the Welsh Government's strategic engagement with us to maximise our impact on evidence based policy making.** Throughout 2013-2014, we continued to strengthen working relationships and links with colleagues in the Department for Education and Skills in order to influence initiatives in education and training in Wales.
- **Managing within budget constraints to deliver core objectives of our Annual Plan.** The Executive Board and Strategy Board continued to regularly review the approach to emerging budget scenarios. Options to provide flexibility to meet potential future changes have been identified and the potential impact on Estyn's operations and the achievement of its objectives have been assessed.

## **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. Estyn did suffer a minor incident whereby one of its telecommunication lines was compromised resulting in costs of around £1k being incurred for fraudulent calls. This incident was identified and dealt with swiftly; a full report, including actions taken to prevent a reoccurrence was presented to Estyn's Audit and Risk Assurance Committee in April 2014 and relevant authorities were also informed. I am satisfied that specific opportunities for enhancing governance and internal controls that were identified as part of Estyn's assurance processes have either been addressed or are included in action plans for the relevant managers.

With reference to some of Estyn's external assurance components, it is very pleasing to report another set of highly positive staff engagement results arising from the annual Civil Service People Survey. Furthermore, in April 2014 Estyn received the results of an Investors in People review which assessed the organisation at the 'gold' level, and we also achieved a 'silver' accreditation for the Corporate Health Standard.



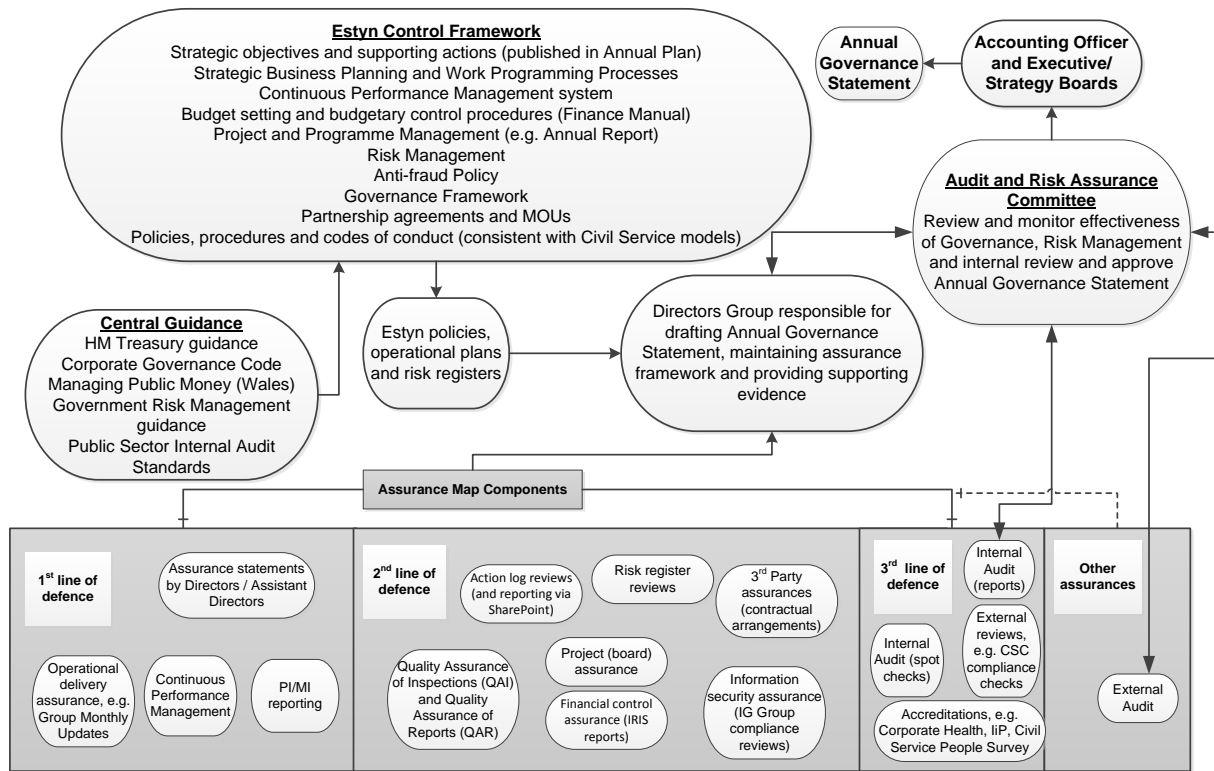
**Ann D Keane**

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

15<sup>th</sup> July 2014



Annex 1: Estyn assurance 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 2014 under the Government of Wales Act 1998. These comprise the Statement of 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 Auditing Practice Board'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 which govern them.

In addition I read all the financial and non-financial information in the Annual Report and Management Commentary to identify material inconsistencies with the audited financial statements. 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 2014 and of its 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 which comprises Annual Report, Management Commentary and the unaudited part of the Remuneration Report, included within 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;
- 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

Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

22<sup>nd</sup> July 2014

**Estyn Annual Accounts 2013-2014  
 (International Financial Reporting Standards – IFRS)**

**Statement of Comprehensive Net Expenditure** for the year ended 31st March 2014

	Note	2013-2014			2012-2013
		Budget	Actual Outturn	Net Total Outturn compared with Estimate (saving)/excess	Prior Year Outturn
		£000	£000	£000	£000
<b>Resources:</b>					
Staff costs	3	7,638	7,735	97	7,072
Depreciation	6	150	122	(28)	137
Other costs	4	2,862	3,065	203	2,770
<b>Gross Operating Costs</b>		<b>10,650</b>	<b>10,922</b>	<b>272</b>	<b>9,979</b>
<b>Operating income</b>	5	-	<b>(3)</b>	<b>(3)</b>	<b>(4)</b>
<b>Net Operating Costs for the Year</b>		<b>10,650</b>	<b>10,919</b>	<b>269</b>	<b>9,975</b>

Net expenditure is reported as a single segment in line within Estyn's Annual Plan 2013-2014 (available at [www.estyn.gov.uk](http://www.estyn.gov.uk)).

The notes on pages 65 to 74 form part of these accounts.

**Statement of financial position as at 31st March 2014**

	Note	31st March 2014		31st March 2013	
		£000	£000	£000	£000
<b>Non-current assets</b>					
Property, plant and equipment	6&7	77		110	
Intangible assets		-		-	
<b>Total non-current assets</b>			<b>77</b>		<b>110</b>
<b>Current assets</b>					
Trade and other receivables	9	175		104	
Cash and cash equivalents	10	947		48	
<b>Total current assets</b>			<b>1,122</b>		<b>152</b>
<b>Total assets</b>			<b>1,199</b>		<b>262</b>
<b>Current liabilities</b>					
Trade and other payables	11	(1,183)		(1,471)	
Provisions within one year	12	(6)		(12)	
<b>Total current liabilities</b>			<b>(1,189)</b>		<b>(1,483)</b>
<b>Total assets less current liabilities</b>			<b>10</b>		<b>(1,221)</b>
<b>Non-current liabilities</b>					
Provisions:					
Between two and five years	12	(132)		(132)	
<b>Total non-current liabilities</b>			<b>(132)</b>		<b>(132)</b>
<b>Assets less liabilities</b>			<b>(122)</b>		<b>(1,353)</b>
<b>Taxpayer's equity</b>					
General fund		(122)		(1,353)	
<b>Total taxpayers' equity</b>			<b>(122)</b>		<b>(1,353)</b>

**Ann D Keane**

Her Majesty's Chief Inspector of Education and Training in Wales and  
 Accounting Officer  
 15th July 2014

**Statement of cash flows** for the year ended 31<sup>st</sup> March 2014

	<b>Note</b>	<b>2013- 2014 £000</b>	<b>2012- 2013 £000</b>
<b><u>Cash flow from operating activities</u></b>			
Net operating cost		(10,919)	(9,975)
<b>Adjustments for non-cash transactions:</b>			
Depreciation	6	122	137
Other costs (provision)	4&12	6	2
Increase / (decrease) in trade and other payables	11	(288)	(81)
(Increase) / decrease in trade and other receivables	9	(71)	(5)
<b>Less movements not passing through the Statement of Comprehensive Net Expenditure</b>			
Capital creditors	6	(55)	-
Use of provisions	12	(12)	(47)
<b>Net cash outflow from operating activities</b>		<b>(11,217)</b>	<b>(9,969)</b>
<b><u>Cash flows from investing activities</u></b>			
Purchase of property, plant and equipment	6	(34)	(53)
<b>Net cash flow from investing activities</b>		<b>(34)</b>	<b>(53)</b>
<b><u>Cash flows from financing activities</u></b>			
<b>Net financing (from the Welsh Government)</b>		<b>12,150</b>	<b>10,000</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>899</b>	<b>(22)</b>
<b>Cash and cash equivalents at the beginning of year</b>	10	<b>48</b>	<b>70</b>
<b>Cash and cash equivalents at the end of the year</b>	10	<b>947</b>	<b>48</b>

Note: Purchase of property, plant and equipment in 2013/14 excludes creditors of £55k.

The notes on pages 65 to 74 form part of these accounts.

**Statement of changes in taxpayers' equity** for the year ended 31st March 2014

<b>Changes in taxpayers' equity</b>	<b>2012-2013</b>
<b>Balance as at 31 March 2012</b>	(1,378)
Net operating cost for the year	<u>(9,975)</u>
Total recognised income and expense for 2012-2013	(9,975)
Net Welsh Government funding	10,000
<b>Balance at 31 March 2013</b>	<u>25</u> <b>(1,353)</b>
	<b>2013-2014</b>
<b>Balance at 31 March 2013</b>	(1,353)
<b>Changes in taxpayers' equity for 2013-2014</b>	
Net operating cost for the year	<u>(10,919)</u>
Total recognised income and expense for 2013-2014	(10,919)
Net Welsh Government funding	<u>12,150</u>
<b>Balance at 31 March 2014</b>	<u>1,231</u> <b>(122)</b>

The notes on pages 65 to 74 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) 2013-2014 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 2013-2014 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 (on a full-cost basis to external customers) 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. There was no staff early departure or redundancy in 2013-2014.

### **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 2013-2014 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	2013-2014 Budget £000	2013-2014 Outturn £000	Outturn compared with estimate (saving) / excess £000	2012- 2013 £000
<b>Resource Outturn</b>		10,650	10,919	269	9,975
<b>Capital Outturn</b>	6	150	89	(61)	53
<b>Accruals to cash adjustments:</b>					
<b>Adjustments to remove non-cash items:</b>					
Depreciation	6	(150)	(122)	28	(137)
New provisions and adjustments to previous provisions	12	-	(6)	(6)	(2)
<b>Adjustments to reflect movements in working balances:</b>					
Increase/(decrease) in receivables	9	-	71	71	5
(Increase)/decrease in payables	11	-	288	288	81
Use of provisions	12	-	12	12	45
<b>Net cash requirement</b>		<b>10,650</b>	<b>11,251</b>	<b>601</b>	<b>10,022</b>

### 3 Staff costs and numbers

Staff costs consist of:

	<b>Total 2013- 2014 £000s</b>	<b>Permanently employed staff £000s</b>	<b>Others £000's</b>	<b>2012-2013 £000's</b>
Wages and salaries	5,143	5,143	-	4,690
Social security costs	489	489	-	460
Other pension costs	1,051	1,051	-	996
<b>Total net costs</b>	<b>6,683</b>	<b>6,683</b>	<b>-</b>	<b>6,146</b>
Plus:				
Secondees in	760		760	720
Secondees out	(20)		(20)	(25)
Agency staff	305		305	231
Early departure costs – in-year	1		1	-
Early departure costs – provisions	6		6	
<b>Total</b>	<b>7,735</b>	<b>6,683</b>	<b>1,052</b>	<b>7,072</b>

There were no new early departure costs incurred in 2013-14. The total of early departure costs shown in the above table (£7k) relate to a deficit in the original provision of costs for a member of staff who left Estyn on 31 March 2011, i.e. £1k of additional costs were incurred in 2013-14 and a further £6k of costs will be incurred in 2014-15.

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 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (<http://www.civilservice.gov.uk/pensions>).

For 2013-2014, employers' contributions of £1,051k were payable to the PCSPS (2012-2013: £996k) at one of four rates, 17.1% to 25.5%, in the range of pensionable pay (2012-2013: 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 2014-2015, the rates will be in the range 17.1% to 25.5%. 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>1</sup>	Total staff 2013-2014	Total staff 2012-2013
100	19	119	113

#### 4 Other costs

	2013-2014 £000	2012-2013 £000
Rental under operating leases: accommodation	125	125
Other accommodation costs	225	144
IT & telecommunications	723	562
Welsh Government central services	13	20
Travel and subsistence	577	505
Auditor's remuneration – audit of accounts	32	30
General administration expenditure	278	284
<b>Non-cash items:</b>		
- provision for accommodation dilapidation	-	2
- tangible asset depreciation	122	133
- Intangible asset depreciation	-	4
	<b>2,095</b>	<b>1,809</b>
Less: Operating income (Note 5)	<b>(3)</b>	<b>(4)</b>
<b>Subtotal: Net administration costs</b>	<b>2,092</b>	<b>1,805</b>
Post 16 education inspections and associated costs	14	7
School inspections and associated costs	774	829
Local education authority inspections and associated costs	25	85
General inspection related costs	271	163
Remit costs	8	14
<b>Subtotal: Programme costs</b>	<b>1,092</b>	<b>1,098</b>
<b>Total other costs</b>	<b>3,184</b>	<b>2,903</b>
<b>Total Other costs without Income and depreciation</b>	<b>3,065</b>	<b>2,770</b>

#### 5 Income

	2013-2014 £000	2012-2013 £000
<b>Income</b>		
- registration fees	(3)	(3)
- miscellaneous	-	(1)
<b>Total</b>	<b>(3)</b>	<b>(4)</b>

<sup>1</sup> Other staff refers to secondees and agency staff.

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 2013	196	624	243	90	1,153
Additions	-	82	7	-	89
Disposals	-	(24)	-	-	(24)
<b>At 31 March 2014</b>	<b>196</b>	<b>682</b>	<b>250</b>	<b>90</b>	<b>1,218</b>
<b>Depreciation</b>					
At 1 April 2013	196	516	241	90	1,043
Charged in year	-	120	2	-	122
Disposals	-	(24)	-	-	(24)
<b>At 31 March 2014</b>	<b>196</b>	<b>612</b>	<b>243</b>	<b>90</b>	<b>1,141</b>
<b>Carrying amount</b>					
<b>At 31 March 2014</b>	<b>-</b>	<b>70</b>	<b>7</b>	<b>-</b>	<b>77</b>
At 1 April 2013	-	108	2	-	110

## 7 Intangible assets

	Software £000	DVD £000	Total £000
<b>Cost</b>			
At 1 April 2013	11	109	120
Additions	-	-	-
Disposals	-	-	-
At 31 March 2014	11	109	120
<b>Depreciation</b>			
At 1 April 2013	11	109	120
Charged in year	-	-	-
Disposals	-	-	-
At 31 March 2014	11	109	120
<b>Carrying amount</b>			
At 31 March 2014	-	-	-
At 1 April 2013	-	-	-

## 8 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.

## 9 Trade receivables and other current assets

### 9a Analysis by type

	At 31 <sup>st</sup> March 2014 £000	At 31 <sup>st</sup> March 2013 £000
<b>Amounts falling due within one year:</b>		
Trade receivables	-	-
Other receivables	63	37
Prepayments and accrued income	112	67
<b>Total</b>	<b>175</b>	<b>104</b>

### 9b Intra-Government balances

	At 31 <sup>st</sup> March 2014 £000	At 31 <sup>st</sup> March 2013 £000
<b>Amounts falling due within one year:</b>		
Balances with other central government bodies	61	17
Balances with local authorities	-	-
Balances with bodies external to government	114	87
<b>Total</b>	<b>175</b>	<b>104</b>

## 10 Cash and cash equivalents

	At 31 <sup>st</sup> March 2014 £000	At 31 <sup>st</sup> March 2013 £000
Balance at 1 April 2013	48	70
Net change in cash and cash equivalent balances	899	(22)
<b>Balance at 31 March 2014</b>	<b>947</b>	<b>48</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 2014:

	At 31 <sup>st</sup> March 2014 £000	At 31 <sup>st</sup> March 2013 £000
Balances at Citi Bank	947	48
Balances at NatWest	-	-
	<b>947</b>	<b>48</b>

## 11 Trade payables and other current liabilities

### 11a Analysis by type

	At 31 <sup>st</sup> March 2014 £000	At 31 <sup>st</sup> March 2013 £000
Amounts falling due within one year		
Trade payables	217	94
Payroll funding	253	542
Accruals & deferred income	713	835
	1,183	1,471

### 11b Intra-Government balances

	At 31 <sup>st</sup> March 2014 £000	At 31 <sup>st</sup> March 2013 £000
Balances with other central government bodies	71	655
Balances with local authorities	223	157
Balances with bodies external to government	889	659
<b>Total</b>	<b>1,183</b>	<b>1,471</b>

## 12 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 2013			
- Within one year	-	12	12
- Between two and five years	132	-	132
- After five years	-	-	-
Increase/(Decrease) in provision	-	6	6
Amounts utilised in the year	-	(12)	(12)
Remaining provision:			
- Within one year	-	6	6
- Between two and five years	132	-	132
- After five years	-	-	-
Total provision as at 31st March 2014	132	6	138



### 13 Capital commitments

There are no capital commitments as at 31<sup>st</sup> March 2014.

### 14 Commitments under leases

#### Operating leases

	2013-2014 £000		2012-2013 £000	
	Land & Buildings	Other	Land & Buildings	Other
At 31 March 2014 Estyn was committed to making the following payments during future years in respect of operating leases expiring:				
- within one year	106	-	106	-
- between two and five years	86	-	192	-
- after five years	-	-	-	-
	<b>192</b>	<b>-</b>	<b>298</b>	<b>-</b>

### 15 Other commitments

Estyn has not entered into any non-cancellable contracts (which are not operating leases) as at 31<sup>st</sup> March 2014 (There were no non-cancellable contracts as at 31<sup>st</sup> March 2013).

### 16 Contingent liabilities

There were no contingent liabilities as at 31<sup>st</sup> March 2014 (there were no contingent liabilities as at 31<sup>st</sup> March 2013).

### 17 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.

### 18 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

AD	Assistant Director
ADEW	Association of Directors of Education in Wales
AI	Additional Inspector
ARAC	Audit Risk and Assurance Committee
ASCL	Association of school and College Leavers
ATL	Association of Lecturers and Teachers
BACH	The British Association of Construction Heads
BACS	Bankers' Automated Clearing Services
CCfW	Children's Commissioner for Wales
CETV	Cash Equivalent Transfer Value
CSSIW	The Care and Social Services Inspectorate Wales
DfES	The Department for Education and Skills
DPA	Data Protection Act
ETI	Education and Training Inspectorate (Northern Ireland)
FOI	Freedom of Information
FReM	Financial Reporting Manual
GBS	Government Banking Service
GTCW	The General Teaching Council for Wales
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
liP	Investors in People
INSET	In-service Training
IT	Information technology
IPC	Inspection Policy and Conformance
JF	Judgement form
NAHT	National Association of Head Teachers
NED	Non-Executive Director
NIACE	National Institute of Adult Continuing Education

NTFW	National Training Federation for Wales
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
Rgl	Registered Inspector
RSS	Rich Site Summary
SOLACE	Society of Local Authority Chief Executives
T&S	Travel and subsistence
UCAC	Undeb Athrawon Cymru
VAT	Value Added Tax
VIR	Virtual inspection room
WAO	The Wales Audit Office
WG	Welsh Government
WLGA	Welsh Local Government Association