
Annual Report
& Accounts
2017-2018



Every possible care has been taken to ensure that the information in this document/publication is accurate at the time of going to press. Any enquiries or comments regarding the content should be addressed to:

Publication Section

Estyn

Anchor Court

Keen Road

Cardiff

CF24 5JW or by email to publications@estyn.gov.wales

All Estyn publications are available on our website: www.estyn.gov.wales

This document is also available in Welsh.

© Crown Copyright 2018: This report may be re-used free of charge in any format or medium provided that it is re-used accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the document/publication specified

Section 1: The Performance Report	1
1.1 Overview	2
Chief Inspector's foreword	2
Yearbook of activities	4
Purpose and activities of the organisation	5
Performance summary	5
1.2 Performance analysis	8
Strategic Objective 1: Provide public accountability to service users on the quality and standards of education and training in Wales	8
Strategic Objective 2: Inform the development of national policy by the Welsh Government	18
Strategic Objective 3: Build capacity in the delivery of education and training in Wales	22
Delivery Principle 1: Develop Estyn as a 'best value' organisation and 'exemplary employer'	25
Delivery principle 2: Work collaboratively with other inspectorates to support improvement	33
Section 2: The Accountability Report	35
2.1 Corporate governance report	36
The Director's report	36
The Statement of Accounting Officer's responsibilities	38
The governance statement	39
2.2 Remuneration and staff report	46
2.3 Accountability and audit report	54
The Certificate and Report of the Auditor General for Wales to Estyn	54
Section 3: Financial statements	57
3.1 Statement of comprehensive net expenditure	58
3.2 Statement of financial position	59
3.3 Statement of cash flows	60
3.4 Statement of changes in taxpayers' equity	61
3.5 Notes to the departmental resource accounts	62
Annex 1: Glossary of acronyms used in this report	73

Section 1

The Performance Report



Section 1: The Performance Report

1.1 Overview

Chief Inspector's foreword

I am delighted to introduce the Annual Report and Accounts for 2017-2018. The report contains details of Estyn's year, which has included:

- Implementing new inspection arrangements across most of the sectors we inspect from September 2017 and piloting new inspection arrangements for local government education services and Welsh for Adults
- Supporting and advising Welsh Government, including on education reform, post compulsory education and training reform, and reform of initial teacher education
- Publishing and promoting our thematic survey reports and my Annual Report on the quality of education and training in Wales
- Helping to build capacity and promote improvement, including sharing of effective practice and supporting professional learning for education and training practitioners through our peer inspector training programme



The report also illustrates the breadth of joint-working carried out with our partner organisations.

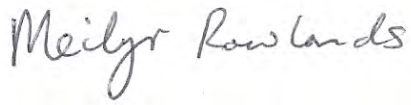
It has been a challenging but successful year in terms of delivering our statutory functions, rolling-out our new inspection arrangements and continuing our support work for education reform – all against a background of budgetary constraint.

I am proud to lead an organisation that continues to have highly-engaged staff who are committed to working collaboratively to deliver a high quality service to our stakeholders that provides public accountability and supports improvement.

I thank colleagues for delivering our work professionally and efficiently throughout the year and for rising to meet each challenge presented.

My ambition for the coming year will be to further develop Estyn's capabilities to deliver against our strategic objectives and to meet the new challenges which arise from 'A learning

inspectorate', the independent review of Estyn published in June 2018.

A handwritten signature in black ink that reads "Meilyr Rowlands". The signature is written in a cursive style with a large initial 'M'.

Meilyr Rowlands

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

The Accounting Officer authorised these financial statements in section 3 of this report for issue on 3rd July 2018.

Yearbook of activities

Summer 2017

- Inspection of Wales first federated secondary schools (Bryngwyn School, Llanelli and Ysgol Glan-y-Mor, Burry Port)
- Delivered series of training sessions for peer inspectors and additional inspectors on the New Inspection arrangements (NIA)
- Exhibited jointly with other inspectorates at the Royal Welsh Show, Builth Wells, and, exhibited at Eisteddfod yr Urdd, Pencoed with other inspectorate bodies
- Inspection 'try outs', including new questionnaires for school staff and governors



Autumn 2017

- Start of inspections under New Inspection Arrangements, with shortened notice period
- Four teams of staff from Estyn completed the Taff Trail Cycle Challenge, raising over £4k for Tŷ Hafan
- Launched Estyn Facebook page
- Piloted new inspection arrangement for Local Government Education Services in two authorities
- Held the Estyn Awards Evening – recognising 34 providers who achieved excellent judgements in the 2016-17 academic year
- Assessment against Corporate Health Standard – Silver Level awarded
- Annual staff conference 'Together towards tomorrow' organised by staff



Spring 2018

- Published HMCI Annual Report
- Held National Stakeholder Event in Llandrindod Wells
- Visit to OECD (Paris) to discuss development of a new national self-evaluation framework
- Assessment against Green Dragon Standard – Level 3 awarded
- Piloted new inspection arrangements for Welsh for Adults
- Independent review of Estyn undertaken by Professor Graham Donaldson



Purpose and activities of the organisation

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

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

Estyn's management team and corporate services staff are based in our office located in Anchor Court, Keen Road, Cardiff. Our Her Majesty's Inspectors (HMI) are home-based. We supplement our internal inspection capacity by engaging secondees from education and training providers. We also train and contract Additional Inspectors, peer inspectors (who currently work in education and training), challenge advisers, lay inspectors and nominees (who act as the provider's representative) to work as part of inspection teams.

Our [organisational structure](#) is available on our website.

We jointly employ an Inspection Wales Project Manager with the Care Inspectorate Wales (CIW), 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.

A [strategic overview](#) setting out our mission, vision and values together with our three strategic objectives and two delivery principles is available on our website.

The [about us](#) section on our website further explains the work we do in regard to inspections of providers of education and training, provision of advice and guidance, building capacity and spreading best practice, and partnership working with other inspectorates, education bodies and stakeholders.

Performance summary

Each year we publish an [Annual Plan](#) that sets out the key activities for the year that support the delivery of our mission, objectives and reflect Estyn's delivery principles. Achievement against Performance Indicators is monitored on a quarterly basis by the Estyn Strategy Board and the results are published throughout the year on our website [here](#). Each year, our performance targets are adjusted to emphasize continuous development. In 2017-2018, we met the majority of our performance indicators. Where a performance target was not met in full we have provided an explanation in our narrative reporting of each performance indicator. This performance summary highlights a number of performance measures and performance indicators published in our Annual Plan.



Performance indicator

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



345 core inspections completed, including 175 inspections under our new inspection framework



26% providers inspected in year require follow-up inspection to help drive improvement (3% higher than previous year)



100% of inspection reports were published within deadlines (PI 4)



Only 1 provider inspected indicated their dissatisfaction with the reliability and independence of Estyn's judgements following the publication of the inspection report (PI 3a)



Only 1% of providers indicated that their inspection did not help them to plan for improvement

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



HMCI's Annual Report published in January 2018, on schedule (PI 5)



All 13 thematic reports published to agreed deadlines – with 83 recommendations made in total (PI 6)



Provided advice to the Welsh Government through participation in over 40 committees and advisory groups, including to support curriculum reform

Strategic Objective 3: Building capacity for improvement of the education and training system in Wales



Published 64 best practice case studies



Held 28 training events and 18 stakeholder forum and best practice events



98% of delegates rated our training as good or excellent

Delivery Principle 1: Develop Estyn as a 'best value' organisation and 'exemplary employer'



High levels of staff engagement achieved - our engagement score in the annual civil Service People Survey increased from 76% to 78%. We achieved 2nd highest score of 98 civil service organisations. (PI 10)



Accredited at level 3 of the Green Dragon Environmental Standard



All complaints and requests for information (under FOIA and DPA) were completed within target timescales



Accredited with Silver level of Corporate Health Standard

Delivery principle 2: Work collaboratively with other inspectorates and other stakeholders to support improvement



Nine inspections, special investigations and joint thematic reviews were undertaken with other Welsh and UK inspectorates (PI 19a)



Engagement during the year with a representative body for each sector that we inspect (PI 19b)



Worked with 17 education-related organisations to produce shared resources to help reduce teachers' workload

Strategic Objective 1:

Provide public accountability to service users on the quality and standards of education and training in Wales

All education and training providers are inspected at least once within a cycle; the current inspection cycle is a seven-year period which started in September 2016.

We publish clear, evidence-based inspection frameworks and guidance that highlight what inspectors look at during inspections and how providers will be evaluated. A common inspection framework applies to all the sectors we inspect, other than local government education services and non-maintained settings, and is available on our website.

New inspection arrangements

From September 2017, all school inspections have been completed under our new inspection arrangements (NIA).

In addition to training our staff, we held seven multi-sector training events across Wales to provide training to external inspectors on the new arrangements. Nearly all delegates were very satisfied with the training and almost all comments received through questionnaires were positive about the training and about NIA.

‘Frankly, if all courses were run like this the teaching profession would be considerably better for it’

‘I felt the course was excellent. It was well paced, allowed discussions and questions. I left feeling ready for an inspection following the NIA’.

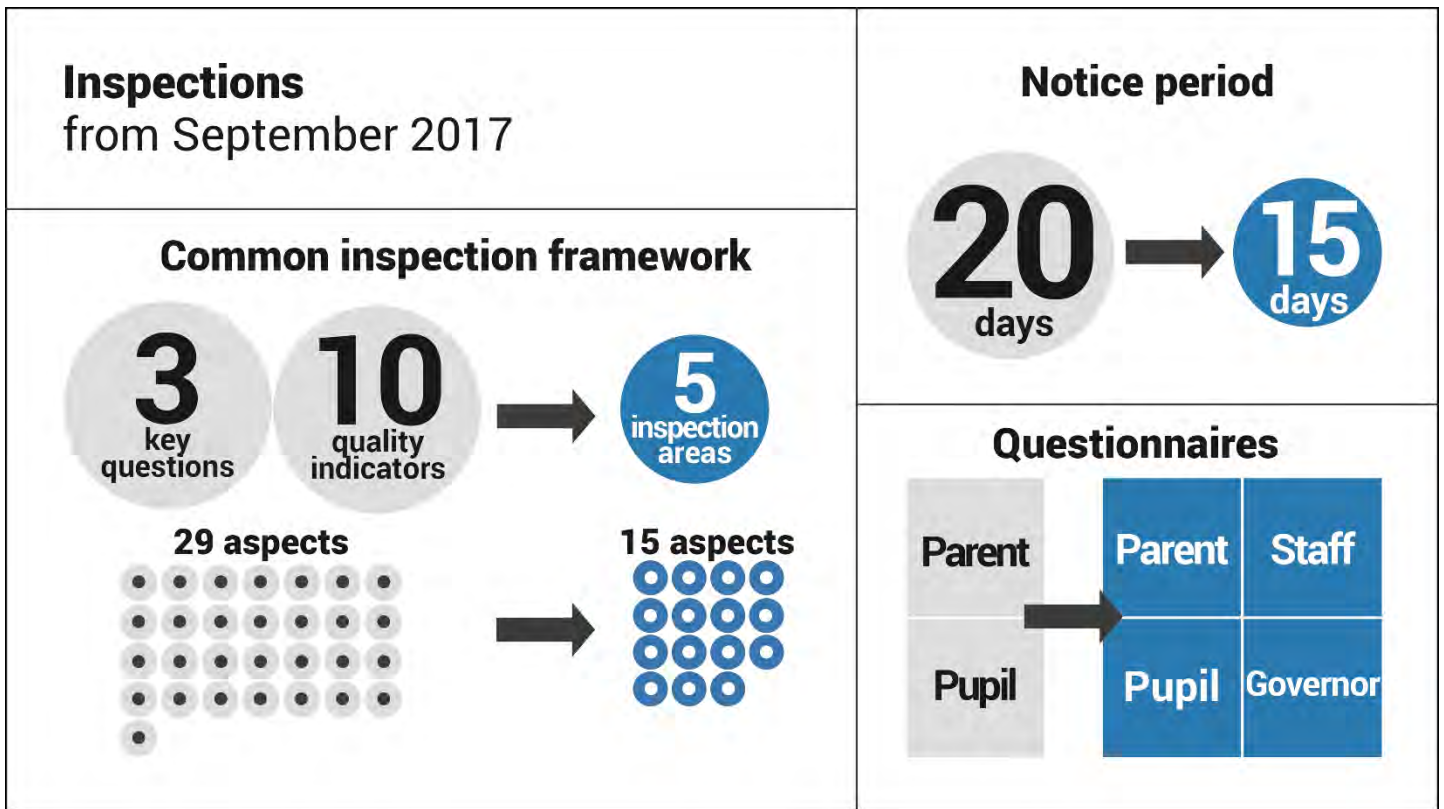
Under NIA, our inspections start with a provider’s self-evaluation, and learners’ progress and experiences continue to be at the heart of what we inspect. We have broadened our inspection approaches and clarified the mindset that inspectors should take with them into inspections:

- ✓ Inspectors will approach inspection with a **positive mindset** to ensure it is the best possible **professional learning experience** for the staff in each provider
- ✓ Inspectors will take a **learner-focused approach** to inspection
- ✓ Inspectors will always **focus strongly on the quality of teaching and learning**
- ✓ Inspectors will seek out **well-considered innovative practice**
- ✓ Inspectors will **tailor the inspection activities** according to the circumstances in each provider and they will be agile and responsive in using the **increased range of inspection tools and approaches** available
- ✓ Inspectors should consider everything in the new inspection framework, but should **report on the key strengths and weaknesses** for each provider

Our inspectors have continued to report without fear or favour, but it is important that we seek to make the experience of inspection as positive as it can be for staff, leaders and managers; they are far more likely to understand and act on the findings of the inspection team when questioning and discussion are open-ended, derive from positive expectations and support professional and mutually respectful dialogue between members of the provider and the inspection team.

Between September 2017 and March 2018, we inspected 175 providers under the new arrangements. Overall, formal and informal feedback has been positive, with providers inspected indicating that inspections are thorough with inspectors understanding the school/provider quickly; and providers expressed that '**there is no place to hide**' and that the process is supportive with inspectors '**doing good as they go**'.

How we changed inspections from September 2017



Core inspection programme

Estyn Core Inspections by sector
2017 - 2018

● Number in Annual Plan
● Actual number

Non-maintained nursery settings	90	90	Primary and maintained nursery schools	196	196
Secondary schools	28	28	All age schools	3	3
Special schools <small>* Inspection added to the programme of inspections in-year.</small>	4	5	Pupil referral units (PRUs)	3	3
Independent schools, independent special schools and independent specialist colleges <small>* Two schools closed at short notice, and one school was undergoing significant change, so an annual monitoring visit took place instead.</small>	14	11	Local Government Education Services <small>Two pilot inspections and one improvement conference.</small>	3	3
Work-based learning (WBL) providers	3	3	Further education institutions <small>One inspection deferred to run as a NIA pilot in April 2018.</small>	3	2
Welsh for Adults <small>Pilot inspection.</small>	1	1	Total number of inspections	348	345

Local government education services (LGES)

In addition to the 'improvement conferences' for Pembrokeshire and Powys first piloted in Spring 2017, we held another improvement conference for Wrexham in Summer 2017, which was attended by senior officers and elected members from the local authority, the Welsh Government, the Wales Audit Office, the regional consortium and other relevant organisations. Each of the three authorities produced an agreed action plan for improvement.

During the spring and summer of 2018, Estyn revisited each of these local authorities to review their progress. Each authority will be expected to outline what actions it has taken to address the issues and, importantly, what impact these actions have had to date. Estyn will write to each authority's Chief Executive following the conference to set out Estyn's views on the progress made.

Also during 2017-2018, we ran two pilot inspections for the new LGES inspection framework, for Neath Port Talbot and for Denbighshire. We will review and discuss improvements to the inspection framework and arrangements with our LGES stakeholder advisory group, Association of Directors of Education in Wales (ADEW) and the regional consortia, prior to a wider public consultation.

Throughout the year, we maintained other inspection activity through our programme of link inspector visits to authorities, as well as gathering evidence for thematic remits.

Initial teacher education (ITE)

During the year, we made good progress in our work with external stakeholders to support the reform of ITE, and in developing procedures and documents for the future inspection arrangements of ITE. Our reform work included supporting the Teacher Education Accreditation Board (TEAB); including drawing up a memorandum of understanding with the Education Workforce Council (EWC), which includes arrangements for sharing information in respect of accreditation visits.

We attended all six accreditation events (January to April 2018) with the TEAB. We drew successfully on Estyn's intelligence about the providers of ITE to contribute to these events. Feedback from EWC and TEAB has been positive about Estyn's contributions. We also met with the Welsh Government and EWC to draft ways forward following the accreditation outcomes.

We also supported the Welsh Government advisory group, the Teacher Recruitment and Retention Advisory Board (TRRAB). The board will inform key areas of workforce planning policy development and will provide expert advice to the Welsh Government on the continued progress of ITE reform and supporting the existing teaching workforce, taking into account excellent practice elsewhere in the UK and internationally.

In October 2017, we held a stakeholder event in mid-Wales. The purpose of the event was:

- to provide an opportunity for stakeholders to contribute to the development of the new inspection arrangements for ITE
- to share the findings of our survey into effective practice in ITE

The event was very well attended and included delegates from universities and their partner schools, representatives from the regional consortia, Welsh Government officials and TEAB members. The level of engagement was particularly high, and delegates commented positively on the opportunities provided to them to be involved in dialogue with a wide range of stakeholders about the reform of ITE. All delegates evaluated the event as good or excellent. Further events are planned, with the intention that this becomes an annual feature in the sector calendar.

During 2018-2019, we will write the framework and guidance for the new inspection arrangements for ITE and create an outline plan for the next cycle of inspections in ITE, including core inspections and monitoring visits.

Welsh for Adults

Due to the national re-organisation of the Welsh for Adults (WfA) sector, no inspections have taken place since 2014-2015 to allow time for the new structures to embed themselves fully. In June 2017, we published a thematic survey to provide an interim report on the effectiveness and impact of these new arrangements on the quality of the provision for Welsh learners. We used this survey to help inform how we will inspect WfA, with our first pilot inspection in this sector taking place in January 2018.

Adult community learning

Changes in policy for the adult community learning (ACL) sector has also meant that no inspections have taken place since 2015. We undertook a thematic survey that provided an overview of standards, provision and leadership in ACL in Wales during 2016 and followed this up in 2017-2018 by consulting on future inspection arrangements with stakeholders, including, the adult community learning partnership network and the Welsh Government. From September 2017, the sector is now known as adult learning.

Further education

During 2017-2018, we inspected two colleges under the 2015 inspection arrangements and have continued our engagement with colleges through our link inspector visits in spring 2018.

From summer 2017 onwards, we have been consulting with the further education sector on changes to our inspection arrangements, including sharing information about our new pilot arrangements at Colegau Cymru meetings, such as their governor workshops in January 2018. In spring 2018, we trained peer inspectors and nominees from all the colleges in the new arrangements and piloted these in one college inspection in early summer 2018.

Statutory and enhanced inspection follow-up activity

Throughout 2017-2018, we continued to monitor the progress of providers found to require [follow-up](#) at their core inspection.

There are two statutory categories of follow up for schools:

- Special measures – the most intensive form of monitoring for providers with significant shortcomings
- Significant improvement – for providers with urgent shortcomings but who have more capacity to improve than those in special measures

In addition to statutory categories, where our inspections identify that a provider has a few important shortcomings, including minor areas for improvement in leadership, we place them into a category called 'Estyn review' (previously called 'Estyn monitoring' but changed as part of NIA from September 2017).

For post-16 sectors, we have two levels of follow up:




- Re-inspection – where providers have urgent shortcomings to address
- Estyn review – where providers' progress is reviewed following inspections which identify a few important areas for improvement, particularly in leadership

In 2017-2018, 25 providers went into a statutory category, and 17 of 44 already in a statutory category at the start of the year came out. Similarly, 66 providers went into Estyn monitoring/review during the year, and 39 of 72 already in this category at the start of the year came out.

Percentage of providers inspected requiring follow up activity, 2010-2011 to 2017-2018			
Financial year	Number of core inspections	Number inspected found to require follow-up	Percentage found to require follow-up activity
2010-2011	269 ^a	51	19%
2011-2012	445	113	25%
2012-2013	419	116	28%
2013-2014	391	128	33%
2014-2015	409	123	30%
2015-2016	376	111	29%
2016-2017	343	79	23%
2017-2018	345	90	26%




^a From September 2010 (start of the new cycle of inspections) rather than April 2010

The percentage of Estyn core inspections requiring follow-up activity by sector 2015-16 to 2017-18

-  Total core inspections (includes joint pilot inspections with CIW and pilot inspections of Estyn's new inspection arrangements)
-  % requiring statutory follow-up
-  % requiring Estyn monitoring or Estyn review

Non-maintained nursery settings <small>*Not a statutory follow up but reflects a provider causing seniors concerns.</small>	2015 - 2016	116	1%*	16%
	2016 - 2017	92	0%	10%
	2017 - 2018	90	0%	19%
Primary schools	2015 - 2016	202	4%	26%
	2016 - 2017	186	4%	22%
	2017 - 2018	196	7%	19%
Secondary schools	2015 - 2016	35	14%	46%
	2016 - 2017	30	23%	20%
	2017 - 2018	28	21%	32%
All age schools	2015 - 2016	1	100%	0%
	2016 - 2017	3	0%	67%
	2017 - 2018	3	33%	33%
Special schools	2015 - 2016	6	33%	33%
	2016 - 2017	7	0%	29%
	2017 - 2018	5	20%	20%

The percentage of Estyn core inspections requiring follow-up activity by sector 2015-16 to 2017-18

-  Total core inspections (includes joint pilot inspections with CIW and pilot inspections of Estyn's new inspection arrangements)
-  % requiring statutory follow-up
-  % requiring Estyn monitoring or Estyn review

Pupil Referral Units

2015 - 2016	2	100%	0%
2016 - 2017	5	40%	20%
2017 - 2018	3	67%	33%

Independent schools, independent special schools and independent specialist colleges

2015 - 2016	7	n/a	14%
2016 - 2017	11	n/a	18%
2017 - 2018	11	n/a	45%

Post-16 providers

*Includes Local Government Education Services

2015 - 2016	6	0%	17%
2016 - 2017	6	17%*	33%
2017 - 2018	9	n/a	0%

All inspections

2015 - 2016	376	5%	24%
2016 - 2017	343	5%	18%
2017 - 2018	345	7%	19%

Case study – follow-up inspection

Eastern High School is a mixed 11 to 16 comprehensive school situated in the East of Cardiff, opened in September 2014, having been formed following the closures of Rumney High School and Llanrumney High School. The school's catchment area includes some areas of significant social deprivation, and the proportion of pupils eligible for free school meals is well above the national average.

When Eastern High School was inspected by Estyn in December 2014, all aspects of the school's work were judged to be unsatisfactory. As a result, the school was judged to require special measures. Inspectors made recommendations that the school should address health and safety and safeguarding issues, strengthen leadership at all levels and improve standards, behaviour and the quality of teaching. In the following term, inspectors visited the school to work with the school and local authority to ensure that a suitable post-inspection action plan was in place. Over the next two and a half years, a team of inspectors monitored the school's progress for two and a half days each term.

Over time, inspectors noted substantial improvements to pupils' behaviour and attitudes to learning. Strengthened leadership addressed safeguarding issues, established strong links with the local community and developed a strong culture of reflecting on and sharing good practice. A range of professional learning activities, including an individual coaching programme, had a substantial impact on the quality of teaching. The improvements in teaching and leadership had a significantly positive impact on pupils' wellbeing and the standards they achieved. In November 2017, after eight monitoring visits, inspectors judged that the school no longer required special measures.

The quality assurance of Estyn inspections and reports

Stakeholder confidence in the quality of inspections is very important to us. In 2017-2018, we quality assured, validated and moderated all Estyn-led inspection reports, including scrutiny of the supporting evidence, prior to agreement on the findings, judgements and level of follow-up activity, if required. The quality assurance process for all inspections is undertaken by HMI who are not part of the original inspection team. In addition, we undertook quality assurance visits to about 10% of inspections not led by HMI, in the primary and non-maintained nursery sector. We also visited about 5% of inspections led by HMI as part of our quality assurance processes.

In 2017-2018:

None of our published inspection reports required amendment after publication as a result of substantial challenge to judgements



Less than 1% of providers (only one provider) expressed dissatisfaction with the reliability and independence of our judgements following publication of the inspection report



Post-inspection survey results show that less than 1% of providers expressed some disagreement that inspections are experienced by providers as a positive process that promotes improvement



All our inspection reports were published in a timely manner, none were published outside of statutory / agreed deadlines.



Here are a selection of compliments we have received from providers following inspection under the new arrangements from September 2017:

I would just like to have it noted that I was highly impressed with the inspection team that visited our school last week. [The inspectors] were highly professional but also sensitive to the school, its community and staff. It was a very thorough inspection and an experience that can be seen as an integral part of our schools development. We felt very challenged in school but the quality of the inspectors has resulted in us feeling that this has been a highly positive experience, consolidating what we are doing well but also guiding us on the next steps to maintain our schools progress for the future.

Primary school headteacher

While the visit was an intense week (as you would expect), I wanted to express my thanks to you and the inspection team for producing a report which, we believe, not only captures a true reflection of our school but has identified specific examples of the school's work which makes it recognisable to the whole community. This is not an easy task but I believe you and the team have done this skillfully and I wanted you to know this.

Secondary school headteacher

Strategic Objective 2:

Inform the development of national policy by the Welsh Government

In January 2018, HMCI published his 2016-2017 Annual Report on the quality of education and training in Wales; this was the 25th consecutive report published in Wales since the Education (Schools) Act 1992 was introduced.

The Report is web-based and accessible as a pdf document that can be read by online screen readers. It contains sections outlining current themes and sector reports, and provides a review of strengths and areas for development across education and training in Wales in the seven year period (2010-2017) of our common inspection framework.

The key findings of the Report have been shared with stakeholders at various fora meetings, alongside production of an online film featuring HMCI. The Report has been used to showcase practice that is interesting, innovative and worthy of emulation, and to provide materials to stakeholders to help drive improvements in their particular sectors.

HMCI Annual Report was published in January 2018, in line with the target date within our Annual Plan 2017-2018



During 2017-2018, we published 13 [thematic reports](#) on a range of topics in response to the [Minister's annual remit letter](#). These reports contained over 80 recommendations, with around a quarter of these recommendations relating directly to actions for the Welsh Government itself to consider.

Name	Date of publication
A review of healthy relationships education	June 2017
A review of the work of the National Centre for Learning Welsh	June 2017
Learner progress and destinations in independent living skills learning areas in further education colleges	June 2017
Welsh-medium and bilingual teaching and learning in further education	June 2017
Science and design and technology at key stage 2	July 2017
Managing money: Financial education in primary and secondary schools in Wales	July 2017

School-to-school support and collaboration – a summary and discussion paper	September 2017
Science at key stage 3 and key stage 4	September 2017
Careers – The implementation of the careers and world of work framework in secondary schools	September 2017
Good practice in the humanities	October 2017
Active and experiential learning	December 2017
Managed Moves: Effective use of managed moves by Local Authorities and schools	March 2018
Supporting more able and talented pupils - How best to challenge and nurture more able and talented pupils: Key stages 2 to 4	March 2018

Some examples of how our thematic reports help inform policy include:

- HMI presentation of the findings of the ‘Managing money’ report to the mathematics and numeracy curriculum group, which informed the group thinking in their developing statements for the new curriculum
- the report on ‘Learner progress and destinations in independent living skills learning areas in further education colleges’ was drawn upon in developing WG policy and funding through the Creative Solutions project to address the demand of English for Speakers of Other Languages (ESOL)

All thematic reports were published within timescales agreed with the Welsh Government



Over 90% of recommendations made for the Welsh Government were accepted



During 2017-2018, we continued to provide advice and support to the Welsh Government’s Department for Education and Skills (DfES) as required, including participating in over 40 committees, working and advisory groups. Through our structure of lead inspectors, we continued to provide high-quality advice to Welsh Ministers and National Assembly committees, including oral and written evidence to, for example: the Children, Young People and Education Committee – on the Inquiry into Teacher’s Professional Learning and Education; and the Health, Social Care and Sport Committee – on the Inquiry into physical activity of children and young people.

We also responded to 18 consultations on educational matters ranging from the Inquiry into Apprenticeships in Wales 2017 to the Inquiry into Emotional and Mental Health of Children and Young People.

Support for curriculum reform

During the period 2017-2018, Estyn's support for Curriculum for Wales has included:

- supporting pioneer schools, consortia representatives and the Welsh Government with discussions and developments by attending AoLE meetings and other events
- providing a termly analysis to the Welsh Government and regional consortia about the strengths and weaknesses in pioneer schools as they develop their curricular provision, provision for the digital competence framework and professional learning arrangements
- contributing to decision-making by attending a range of meetings chaired by the Welsh Government such as operational delivery board and change board
- outlining and discussing our support for Curriculum for Wales with stakeholders at stakeholder forums and regional consortia organised events
- further developing our communications with stakeholders, including our myth busting campaign to tackle common misconceptions about inspection
- conducting thematic inspections to evaluate subjects or areas of learning, summarising strengths and areas for improvement, sharing best practice and developing tools to support self-evaluation

Curriculum for Wales



Estyn's support for the Welsh Government's curriculum reforms

These reports support curriculum reform. Already published:

Literacy in key stage 3	Good practice in mathematics key stage 3	Best practice in teaching and learning in the creative arts at key stage 2	Modern foreign languages
Best practice in the creative arts at key stages 3 and 4	Moderation of teacher assessment key stages 2 and 3	A review of healthy relationships education	Science and Design Technology at key stage 2
Managing money: Financial education in primary and secondary schools in Wales	Science at key stages 3 and 4	Careers	Good practice in the humanities
Active and experiential learning	Supporting more able and talented pupils	The impact of the Learning and Skills Measure on vulnerable learners	
	Welsh at key stages 2 and 3		Preparing for the new curriculum: curriculum innovation in primary schools

Published from summer 2018 onwards:

Preparing for the new curriculum: Digital Competency	Religious education at key stages 2 and 3	Improving teaching and building capacity	Teaching the new GCSEs and Welsh Baccalaureate in schools and colleges
A levels in sixth forms and colleges	Preparing for the new curriculum: professional learning	Health and wellbeing area of learning and experience	ALN provision in mainstream schools
Young carers	Support for learners with Adverse Childhood Experiences (ACEs)	A level review – social studies	

Sign up at www.estyn.gov.wales to receive the latest thematic reports or follow @EstynHMI on Twitter.

Development of national approach to school self-evaluation

Toward the end of 2017-2018, the Welsh Government asked Estyn to work with the Organisation for Economic Co-operation and Development (OECD) to develop a national approach to school self-evaluation for Wales. In March 2018, we visited OECD to discuss the project and we learned about trends in school self-evaluation from around the world, and shared what our inspections have taught us about self-evaluation in Wales. We look forward to working closely with schools across Wales to take forward the project during 2018-2019.

Consultee on school reorganisation



We responded to 26 school reorganisation proposals and concluded that all were likely to at least maintain or improve educational outcomes.

Independent schools

During 2017-2018, we:

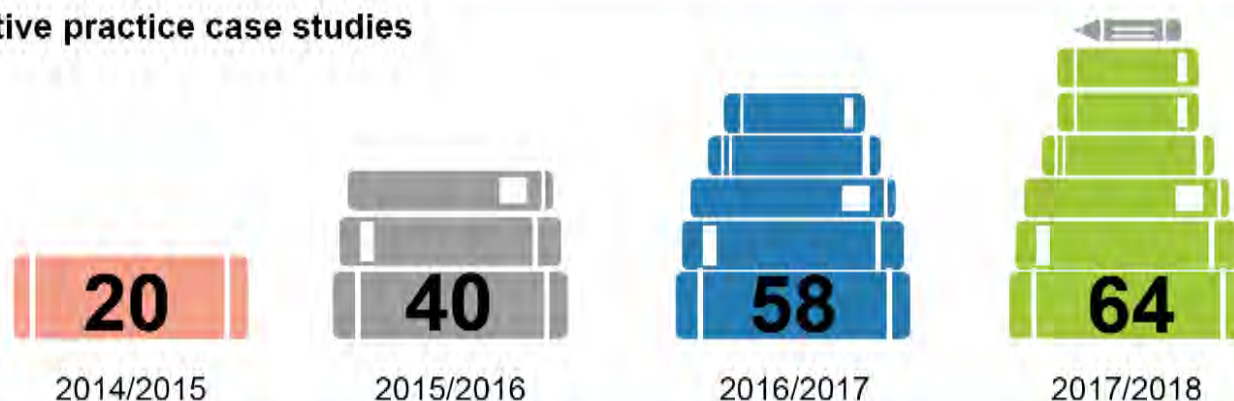
- advised Welsh Ministers on the initial registration of seven new independent schools
- undertook three follow up registration visits
- undertook annual monitoring visits to 15 independent schools and seven independent specialist colleges
- undertook focused visits to five schools to provide advice to the Welsh Government about an aspect of their compliance with the Independent School Standards (Wales) Regulations that was causing them concern

Strategic Objective 3:

Building capacity for improvement of the education and training system in Wales

We use information gathered from inspection work and thematic survey work to help inform our building capacity work, which includes effective practice conferences, stakeholder events and published good practice case studies on our website, [here](#).

Effective practice case studies



We held 18 stakeholder forum meetings and events in 2017-2018

We held 28 inspection-related training activities for education and training

As a leading partner in a national drive to reduce teachers' workload we published ['Reducing workload – a guide for teachers and headteachers'](#)

Our stakeholder and education professionals are able to access our thematic report recommendations, guidance and case studies through a range of communication channels. We actively promote our resources through social media and our website using graphics and videos to boost engagement and attract the attention of busy headteachers, teachers and others who work in or support education and training. For one project, we created a series of postcard-sized infographics of key messages about Estyn's role in curriculum reform, which we have distributed through our own and partners' conferences. Another success was the joint project we led with 17 education-related organisations in Wales to reduce teachers' workload. These print

and online resources have reached every school in Wales and continued to be one of the most popular downloads on our website up until the end of the year. One of our key thematic reports was a guide for foundation phase practitioners on [active and experiential learning](#). On Twitter alone, the report together with a series of good practice films, generated over 160,000 impressions and over 16,000 views.

Link inspectors

Our system of link inspectors for further education, work-based learning, local authorities and regional consortia enabled us to maintain constructive working relationships with providers and share best practice where relevant. They engaged with a range of senior leaders. For example, local authority link inspectors discussed issues with chief executive officers, directors, elected members and scrutiny officers in order to triangulate their views about the effectiveness of local authority services and their delivery.

Our link inspectors discussed our thematic reports within their sectors and met with senior leaders in local authorities to challenge them on how they had responded to the recommendations in the reports and taken account of good practice.

Celebrating success

In October 2017, we held our Annual Awards Evening and celebrated the success of 34 providers judged during the 2016-2017 academic year to have 'excellent' performance. Keynote speeches were delivered by Meilyr Rowlands and Kirsty Williams, Cabinet Secretary for Education.

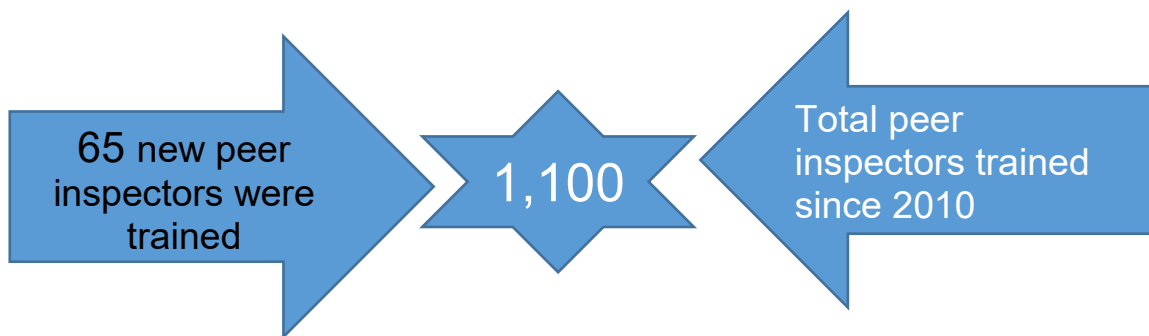


Peer inspectors

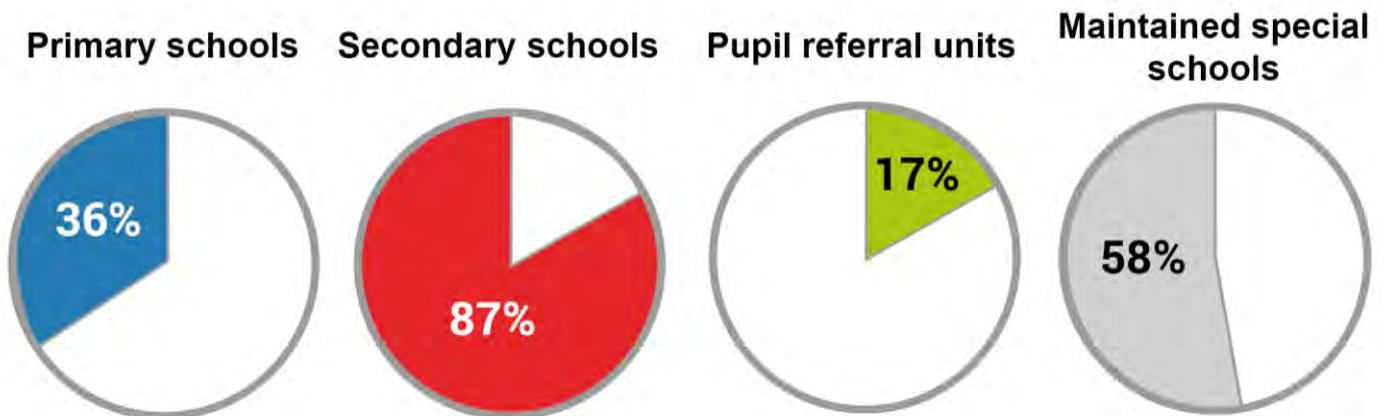
Peer inspectors (professional practitioners who have a managerial role in a school or provider and have teaching or training experience in the relevant sector) remained an integral part of our inspection processes under our new inspection arrangements.

We recruit and train peer inspectors for all sectors apart from non-maintained nursery inspections – these practitioners continue to express high regard for this training and for their experience on inspection, which is seen as excellent professional development and supports improvement being made within their settings. In 2017-2018, we extended the training and use of peer inspectors to include more support to thematic survey work – 83 peer inspectors received this training.

During 2017-2018, more than 300 existing peer inspectors received update training on the new inspection arrangements and, in addition:



Percentage of providers who have at least one peer inspector



We collated feedback from peer inspector self-evaluation forms - all who had joined a NIA inspection agreed that the experience was positive, had enhanced their own professional development and supported improvement in their own school or provider



Delivery Principle 1:

Develop Estyn as a 'best value' organisation and 'exemplary employer'

Throughout 2017-2018, we maintained our focus on being a well-run and efficient organisation that values its staff and is seen as a great place to work. Our actions have delivered against our Annual Plan and continue to support the principles of the Well-being of Future Generations (Wales) Act 2015.



Our Health, Safety, Wellbeing and Engagement Group continued to identify, monitor and implement improvement actions – including those raised through external accreditation processes, such as Investors in People. Estyn was re-accredited at Gold level in May 2018.

During the year, we published our 'Working for Estyn' guide, which promoted the wide range of benefits available to staff, including new initiatives such as our 'cycle to work' scheme.

Our **Civil Service People Survey 2017** results reflected a high (and increasing) level of staff engagement, with increased scores against most themes of the survey.

Staff engagement score:
78% (civil service average was 61%)

2nd highest engagement level of the 98 organisations completing the survey

Ranked within the top four of all organisations completing the survey during each of past five years



Full details of survey can be accessed [here](#).

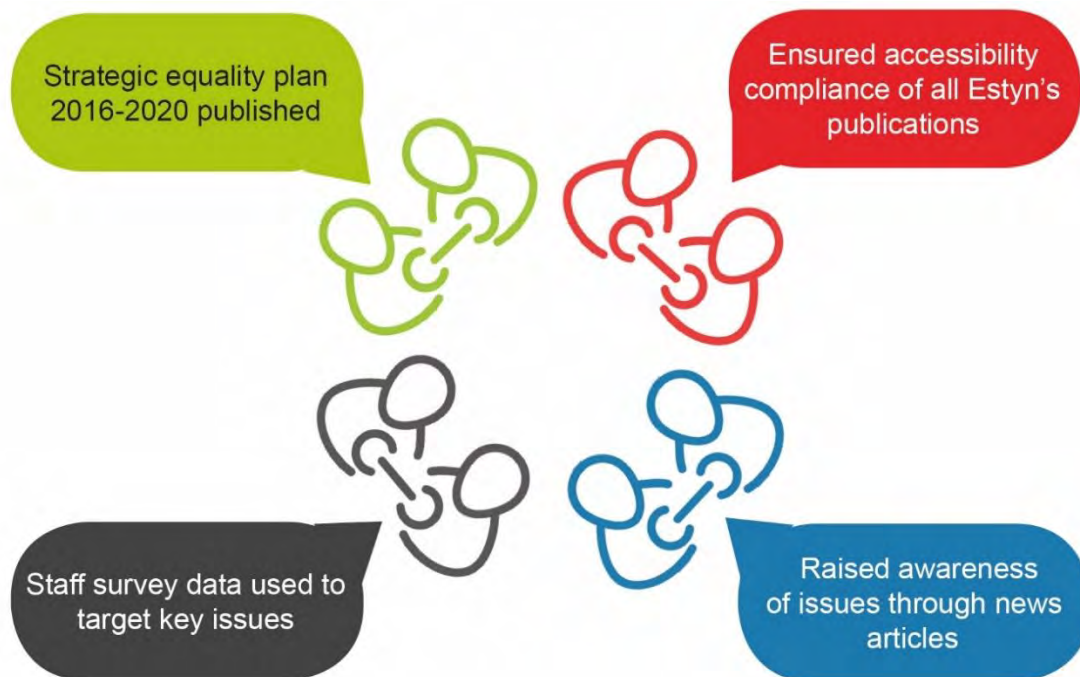


Our concern for the health and wellbeing of staff was evidenced by our accreditation of the Silver Level of Corporate Health Standard (previous year, Bronze level).

Throughout 2017-2018, we continued to: promote health awareness events and activities; provide access to our Employee Assistance Programme; and offer free annual health checks for all staff.

Equality

2017-2018 was the second year of our [Strategic Equality Plan \(SEP\) 2016-2020](#) and work continued in ensuring compliance with our responsibilities under the Equality Act 2010.



Further details will be available in our annual review of Estyn's Strategic Equality Plan 2016-2020, which will be published in October 2018.

A number of our thematic reviews and best practice case studies cover how equality and diversity issues can impact on learners and how providers can tackle these important issues, for example:

- ❖ [Review of healthy relationships education](#)
- ❖ [Effective Practice innovation through teamwork](#)
- ❖ [Learner progress and destinations in independent living skills learning areas in further education colleges](#)
- ❖ [Ensuring the best provision for pupils with additional learning needs](#)

Welsh language standards

We made good progress in terms of our 2017-2018 priorities during the year, including:

- Publishing, in November 2017, our Welsh Language Policy
- Updating our Writing Guide to reflect the new inspection arrangements – and providing training to inspectors
- Producing a strategy that encompasses and reflects all strands of Welsh language training

We continue to offer Welsh language training to staff in order to develop their language skills and Welsh language capacity within Estyn. For example, seven staff members attended a week long residential course, free of charge, as part of the newly launched Cymraeg Gwaith scheme run by the National Centre for Learning Welsh. In addition, all new staff members complete the National Centre's 'Cwrs Cyfarch' (Meet & Greet) online course and received Welsh language awareness sessions during induction.

Met the requirements of Welsh Language Standards



Comments, complaints and requests for information

As a learning organisation, we take comments and complaints seriously and respond fully, fairly and as quickly as possible to complaints and requests for information.

In 2017-2018:

4 complaints were made using our formal process, of which, 3 were partly upheld and 1 was not upheld.

All complaints were responded to within target deadlines.

We used the complaint information to make a few minor improvements to administrative processes and add some focused guidance as part of training for inspectors.

10 requests received under the Freedom of Information Act (FOIA).

All requests responded to within statutory deadline.

Information held by Estyn was released in all but one case, which was subject to FOIA Schedule 33 and Schedule 40 exemptions.

Details of FOIA requests and responses are published on our website and can be found [here](#).

Sustainability



We maintained our environmental management system and we were re-accredited with the 'Green Dragon Standard' (level 3) in February 2018. We use the accreditation process to identify opportunities to improve our environmental management activities further and set these out in our [Environmental Policy and Statement](#).

Our impact on the environment is mainly through energy usage and waste generation (office materials), in relation to our single-site office accommodation, and through carbon dioxide (CO₂) emission in relation to travel when our inspectors visit schools and providers.

Our total CO₂ emission in 2017-2018 was 169,737 kg. While this is a slight increase on the previous year figure of 168,562 kg, the total is in line with our target of 195,327 by 2017-2018.

In 2017-2018, we recycled 91% of waste, exceeding our target of 76%.

Performance against environmental objectives for 2017-2018 can be found on our website in our Sustainability Report 2017-2018.

Charity fund-raising

In 2017-2018, our staff continued to be enthusiastic supporters of charity events, raising significant sums for a number of good causes, including, Velindre Cancer Centre, Cancer Research Council and Breast Cancer Care.

The main funding-raising event of the year was the Taff Trail Cycle Challenge in aid of Ty Hafon, held on 3 September 2017. Four teams of four staff from Estyn took part and raised over £4,000.



Financial performance highlights¹

Results for the year

Total net operating costs of £10.925m were around 1% lower than the previous year. Excluding depreciation, revenue expenditure was close to a full spend of budget allocated by the Welsh Government.

Despite incurring additional costs of a staff pay award from 1 April 2017, which maintained alignment of Estyn pay with Welsh Government pay scales, total staff costs of £8.18m represent a slight reduction in the staffing levels compared to the previous year, and were in line with the budget allocation within our Annual Plan 2017-2018. Details of Estyn's remuneration policy and pay rates can be found within our published [Pay Policy Statement](#).

Non-staff costs, at £2.58m (excluding depreciation), were slightly under budget and around 3% lower than the previous year; details are shown within Table 4 of the Notes to the Accounts. Most areas of expenditure were broadly in line with previous year expenditure; there was a small increase in expenditure on information technology (IT) in order to modify our inspection systems for the new inspection arrangements, but there were also reductions in expenditure across the range of other budget heads, which reflect degrees of variability in our year-to-year programme of work, and expenditure caps we put in place to ensure we remained within the total budget allocated by the Welsh Government.

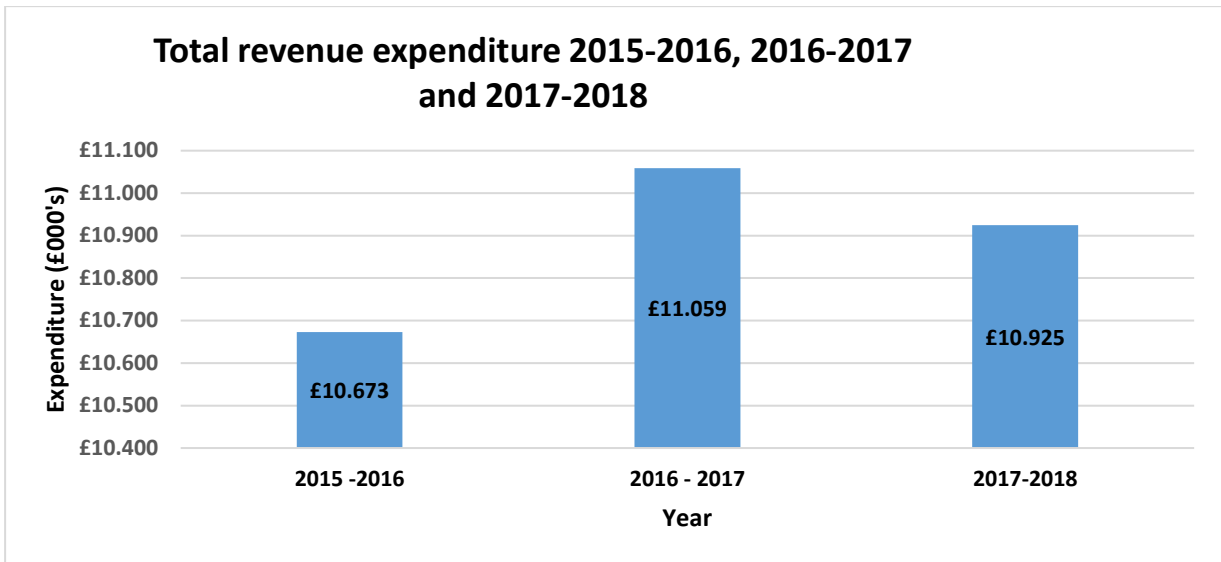
In 2017-2018, we used £59k of the £281k capital funding budget allocated by the Welsh Government; most of this expenditure was used for a telephony refresh, essential to support our mobile workforce of inspectors.

The Statement of Financial Position (SofFP) as at the year-end 31 March 2018 shows net liabilities of £42k (2016-2017: £117k). The change relates to the net effect of the increase in fixed assets and bank balance, debtors, provisions and accruals. It is not unusual for Estyn's SofFP to show a deficit position at the end of a financial year due to the high level of payables. Payables are a normal consequence of Estyn's arrangements for resourcing inspections with peer inspectors, lay inspectors and Additional Inspectors (including secondees) and result from the timing of the receipt of the invoice.

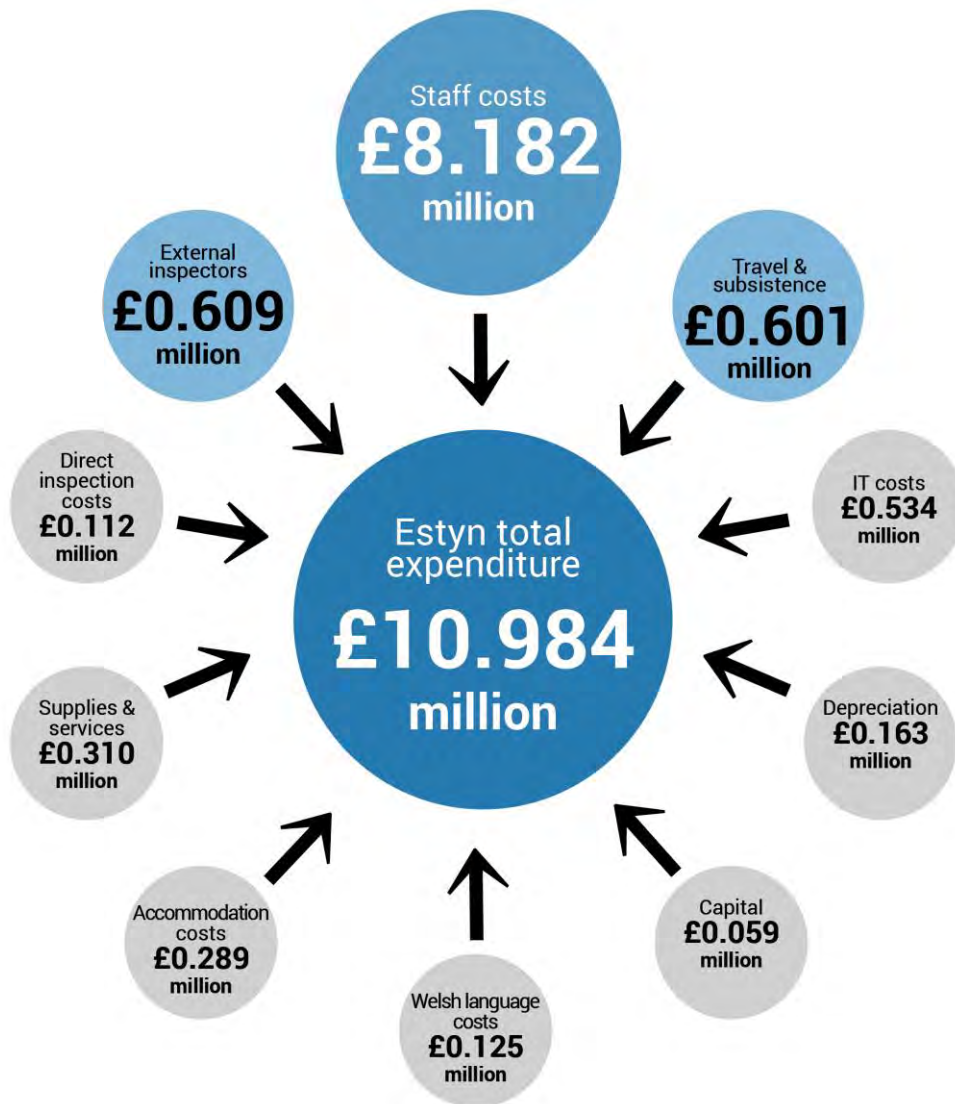
Estyn receives a very small amount of income each year, the majority of which is fees for the registration of inspectors.

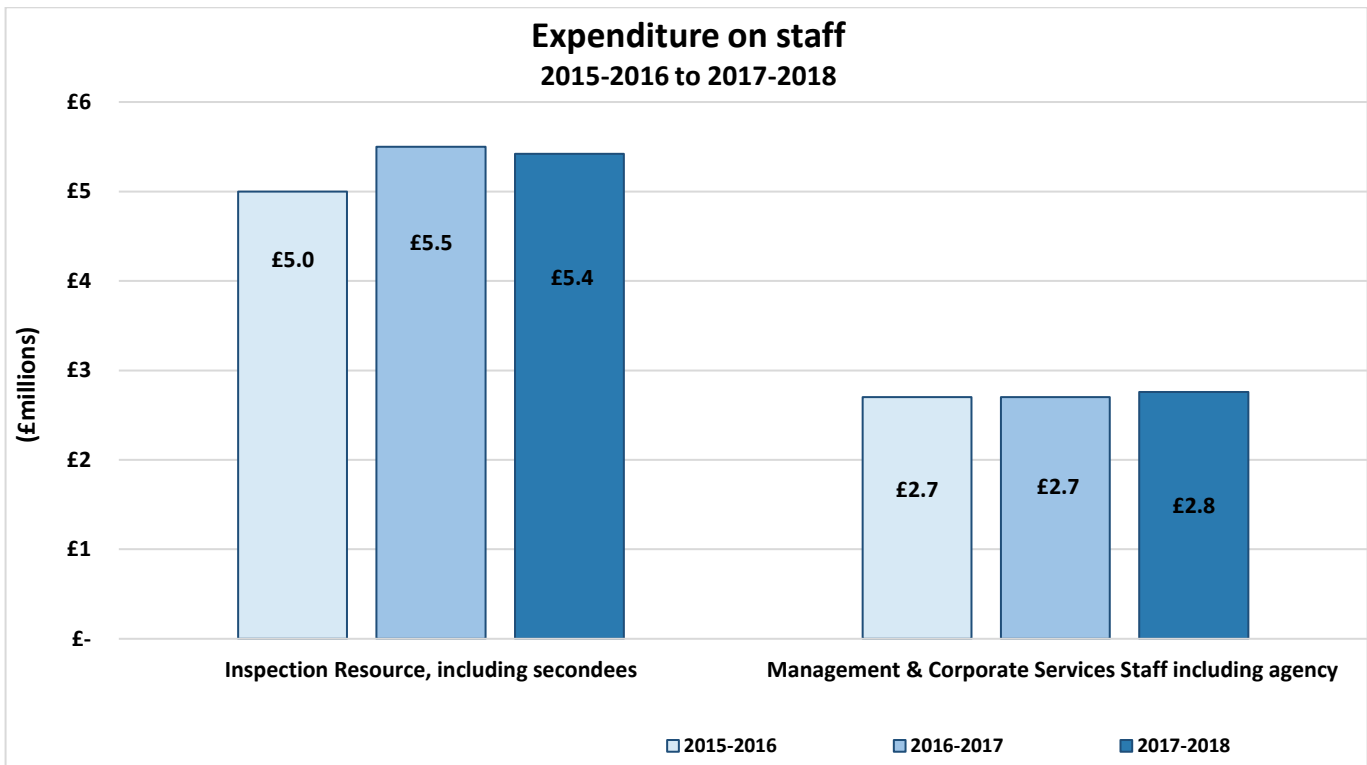
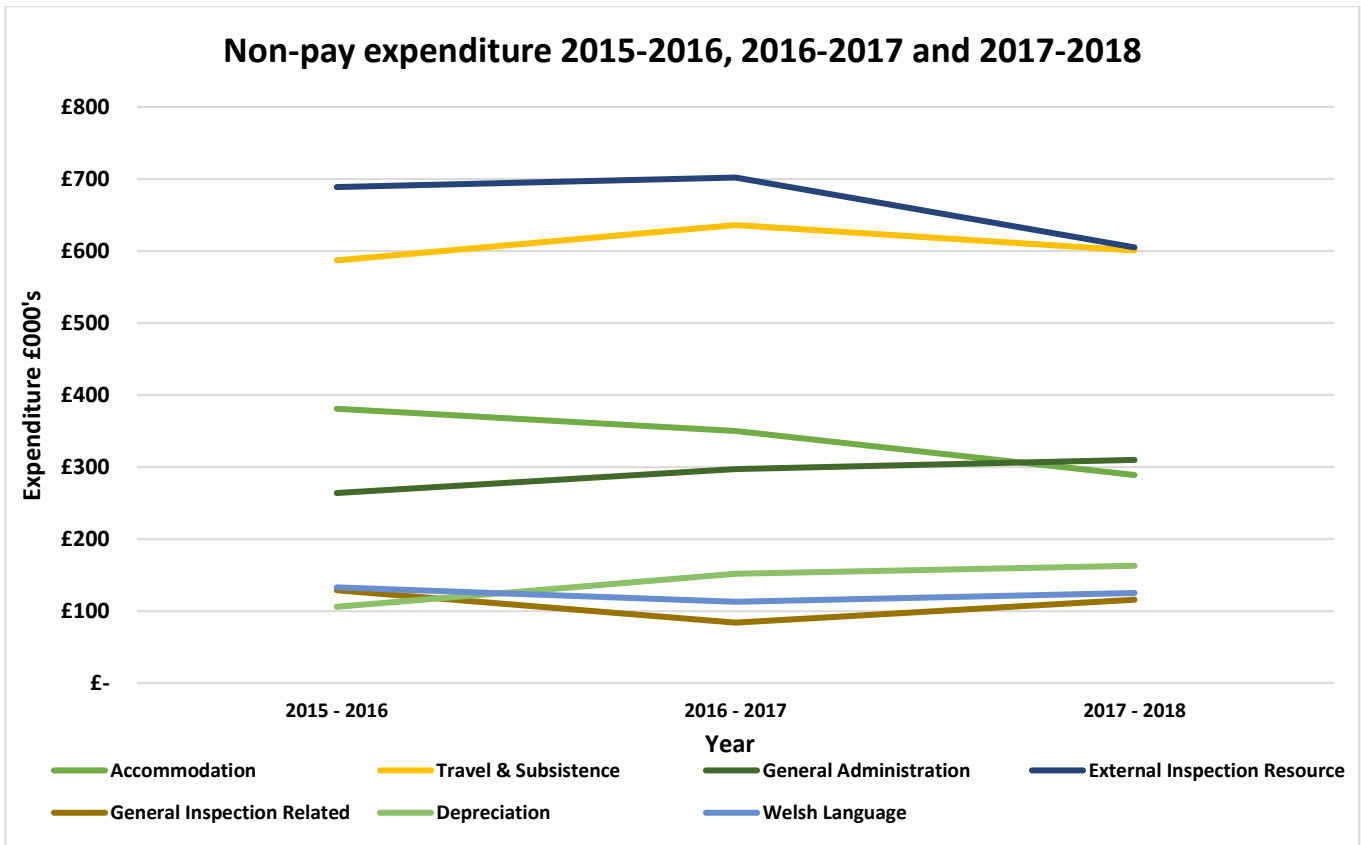
During 2018-2019, Estyn will receive funding from the Welsh Government to meet all of the above liabilities in line with the 'going-concern' basis adopted in the preparation of these financial statements. No losses or special payments have been incurred in 2017-2018. Costs for the Voluntary Early Departure Scheme are shown on page 53. Estyn's budgeted expenditure for future years is determined by the Welsh Government and any long-term expenditure trends will be impacted by the increase or decrease in this budget.

¹ Section 3 provides the financial statements and notes to the accounts.



Total expenditure across all budget heads for 2017-2018





Delivery Principle 2:

Work collaboratively with inspectorates and other stakeholders to support improvement

Joint working with Inspection Wales bodies

Throughout the year, the planning and programming activities of Estyn, the Wales Audit Office (WAO), Care Inspectorate Wales (CIW) and Healthcare Inspectorate Wales (HIW) continued to be co-ordinated, so that they resulted in proportionate programmes of work that avoided duplication and ensured that key risks and concerns were examined.

During autumn 2017, we carried out follow up inspection activity in the four regional education consortia that provide school improvement services, supported by inspectors from WAO where there were relevant recommendations. We also worked closely with WAO to develop our new inspection arrangements for local government education services (LGES) and their inspectors joined our two pilot inspections in autumn 2017 and spring 2018.

In spring 2018, we joined a WAO inspection of safeguarding arrangements in Monmouthshire local authority, along with inspectors from CIW.

We continued to work closely with CIW on the effective co-ordination of inspections of schools and colleges that also have residential provision. We also worked with CIW to continue the development of a joint inspection framework for early years.

Other areas of joint working

We joined three prison inspections led by Her Majesty's Inspectorate of Prisons (HMI Prisons) and worked closely with Her Majesty's Inspectorate of Probation (HMI Probation). In particular, we have contributed closely to the development of the new guidance and inspection arrangements for both inspectorates. In summer 2017, we published our new guidance for inspecting learning and skills in adult prisons which mirrors the expectations published by HMI Prisons.

As in previous years, we worked with the Quality Assurance Agency for Higher Education (QAA), where our areas of responsibility overlap, to share information and identify causes for concern.

We also continued to work closely with the Welsh Government, the Higher Education Funding Council for Wales (HEFCW) and the Education Workforce Council for Wales (EWC) on issues relating to standards for teachers, continuous professional development and initial teacher training in Wales.

We met regularly with Qualifications Wales, to discuss matters relating to qualifications, inspection and education reform. We have liaised closely, to share information and avoid duplication relating to research findings on common topics for our thematic survey work.

In addition, we liaised with the UK Border Agency (UKBA) regarding the Highly Trusted status for colleges and other training providers and with Welsh Government and Colegau Cymru regarding the Prevent programme in post-16 providers.

Working closely with regional education consortia, local authorities, Education Workforce Council, unions representing the education workforce and the Welsh Government, we developed a jointly agreed [Guide for Teachers and Headteachers on Reducing Workload](#), and ensured our inspection guidance supported this shared commitment.

Over Whitsun, we shared a stand at the Urdd Eisteddfod held in Pencoed, with Qualifications Wales and the Education Workforce Council. It was a great opportunity to discuss our work and the changes to our inspection arrangements with teachers, parents, governors and the like, as well as drum up visitors' interest in becoming peer inspectors.

In July 2017, we attended the Royal Welsh Agricultural Show, as part of a joint presence with our Inspection Wales partners. During the week, we had over 1,000 conversations with members of the public on topics ranging from our new inspection arrangements to parent questionnaires and peer inspectors.



Throughout 2017-2018, we remained an active member of the Standing International Conference of Inspectorates (SICI), including attending a workshop in Vienna to gain an understanding of the Austrian education system and the role played by its inspectors, and a workshop in Malta on self-evaluation.

We met all requests from IAR bodies and other national educational organisations for joint work within our remit.



We engaged, through attending meetings, fora, and other communication channels with a representative body of each sector that we inspect.



Section 2

The Accountability Report



2.1 Corporate governance report

The Directors report

An **Executive Board**, comprised of executive members ([HMCI](#) and [strategic directors](#)), supports and assists HMCI in leading and managing Estyn.

A **Strategy Board**, consisting of executive members and non-executive members ([non-executive directors](#)), sets and monitors our strategic agenda. The Strategy Board has two sub-committees; the Audit and Risk Assurance Committee and the Remuneration Committee.

During 2017-2018, an additional component of Estyn's management and governance arrangements was inaugurated; the **Inspection and Policy Advice Committee** (IPAC). IPAC is attended by HMCI and all Estyn directors: its purpose is to support and assist HMCI in leading and managing Estyn's inspection and policy advice work and strategic objectives.

A full record of [Strategy Board / Committee membership and attendance](#) can be found on our website.

Significant interests held by members

We maintain [a register of interest](#) for Board members. Declarations are also made by all permanent employees, secondees and temporary staff in line with our [managing potential conflicts of interest policy](#).

No member of the Board holds directorship or other significant interests that might conflict with their management responsibility.

Personal data related incidents

There have been no personal data related incidents to report to the Information Commissioner's Office during the year. Staff refreshed their awareness of their role in protecting information by completing the online training course provided through Civil Service Learning. All information asset owners also undertook specific training in preparation for the General Data Protection Regulations (GDPR) 2016.

In line with good practice, we have a board level officer designated as Senior Information Risk Owner and a designated Data Protection Officer who is responsible for Estyn's information charter.

Throughout 2017-2018, our Information Governance Group monitored and reviewed information governance arrangements across the organisation and reviewed and updated policies under our [information governance framework](#) for issue in early in the next financial (2018-2019). Controls over information governance processes and preparations for GDPR were reviewed within our internal audit programme, with appropriate assurances provided to management and our Audit and Risk Assurance Committee members.

Payment policy

In 2017-2018, 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.

All undisputed invoices were paid within 30 days.



92.6% of undisputed invoices were paid within 10 days (against a target of 95%).



Statement of accounting officer's responsibilities

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

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

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

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

As Accounting Officer, I can confirm that:

- as far as I am aware, there is no relevant audit information of which the Estyn's auditors are unaware
- I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Estyn's auditors are aware of that information
- this annual report and accounts as a whole is fair, balanced and understandable and that I take personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable

The 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 while 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 2017 (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 challenges facing the organisation and how these 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 the end 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 on our website and in our 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 also published on our website.

Oversight of Estyn is exercised through the Strategy Board and its sub-committees (Audit and Risk Assurance Committee and Remuneration Committee). During 2017-2018, the Strategy Board and the Audit and Risk Assurance Committee (ARAC) met on a quarterly basis; all ARAC meetings were attended in full by all members. However, it was necessary for one non-executive director to give apologies for absence for one Strategy Board meeting held during the year.

The Strategy Board has received sound external advice on strategic matters and risk management as part of the non-executive director role to provide challenge and support to Estyn's executive. Some of the key areas of review and discussion by the Strategy Board during 2017-2018 included:

- Estyn's Annual Plan, incorporating monitoring of performance against strategic objectives and targets (Key Performance Indicators)
- HMCI's Annual Report
- Impact of education reform in Wales and Estyn's support to Welsh Government initiatives, including curriculum reform
- Development and implementation of Estyn's new inspection arrangements

Each meeting concludes with a self-evaluation of the effectiveness of the meeting; non-executive directors have confirmed they 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. The Strategy Board is satisfied that Estyn's whistleblowing arrangements are effective; no whistleblowing cases were raised in 2017-2018.

Liaison between Estyn and the Welsh Government on matters of financial management and accountability is managed through an Accounting Officer Agreement between HMCI and the Welsh government designated Additional Accounting Officer, Andrew Goodall, Director General and Chief Executive Officer of NHS Wales. This link governance arrangement helps maintain Estyn's independence in training and education matters, although close links with the Department for Education and Skills continue to develop a strategic and coherent approach on key matters such as development of thematic reviews and other advisory work. During the year, non-executive directors liaised with Julie Rogers, Director of Workforce and Organisational Development, whose role is to represent Mr Goodall in his role as Estyn's Additional Accounting Officer within the Welsh Government. Non-executive directors also fed into the independent review of Estyn undertaken by Professor Graham Donaldson; we will carefully consider all recommendations arising from the review, including any recommendations that relate specifically to governance arrangements.

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 2017-2018 provides assurances on the quality of audit work and the effectiveness of the committee; the committee is satisfied that Estyn's arrangements for governance and risk management were appropriate throughout 2017-2018.

RSM are contracted by Estyn to provide its internal audit. The ARAC approved the annual programme of audits for 2017-2018, continuing to use a risk-based approach to establish areas of coverage within a three-year audit programme agreed with RSM; 2017-2018 was the third year of the programme. Progress against the audit plan was monitored and at the year-end an annual report of the Internal Auditor 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; *'the organisation has an adequate and effective framework for risk management, governance and internal control'*. Work completed by Estyn's internal auditors during 2017-2018 resulted in reports that included an independent opinion on the adequacy and effectiveness of the system of internal control together with recommendations for improvement – the Annual internal audit report stated *'All opinions from our reviews this year resulted in positive levels of assurance'*. All internal audit assurance 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 below, Internal Audit also undertook a programme of unannounced compliance ‘spot-checks’ and Expense Claim validations – overall compliance was deemed to be good and there were no significant concerns raised during 2017-2018.

Table 1
2017-2018 internal audit programme

Internal audit area	Assurance level	Number of enhancement actions agreed by management			
		High priority	Medium priority	Low priority	Total
Health & Safety	Substantial	0	0	1	1
Safeguarding arrangements	Substantial	0	0	2	2
Key financial controls: Payroll, Creditors and Procurement, Budgetary control	Substantial	0	0	1	1
Strategic planning and performance monitoring	Substantial	0	0	0	0
Totals		0	0	4	4
GDPR readiness (advisory report)	‘Estyn is continuing to take action to fully implement the requirements of GDPR and has the capability and capacity to complete their identified key action plan’				

Estyn’s Remuneration Committee met (with all members in attendance) during 2017-2018 and considered the review of Strategic Directors performance undertaken by HMCI. Committee members also provided advice to HMCI regarding pay levels and allowances for Estyn staff.

As in previous years, Estyn has ensured compliance with Managing Welsh Public Money and extant Welsh Dear Accounting Officer (DAO) letters. Estyn obtained appropriate assurances and evidence to confirm that the tax obligations of off-(Estyn) payroll staff were duly met, i.e. for all individuals seconded to Additional Inspector posts during 2017-2018. Throughout the year Estyn engaged a small number of temporary administrative staff through an employment agency and, although none of these staff were paid above the threshold for obtaining assurances regarding the meeting of tax obligations, Estyn nevertheless ensured that such assurances were provided through contractual terms.

Estyn works closely with the Welsh Government but maintains its status as an independent body; as a non-ministerial department Estyn is not subject to Ministerial Directions.

Estyn maintains a register of interest for Strategy Board members, published on our website. No member of the Strategy Board held directorships or other significant interests that conflicted with their Estyn responsibilities. A register of interest and Gifts and Hospitality Register is maintained for all permanent employees, secondees and temporary staff.

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 2017-2018, risk registers continued to be maintained at a strategic level by the Executive Board (and further reviewed at Strategy 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; there is also an escalation process in place to raise risks to a higher level of management. A requirement for risk owners to provide assurance and evidence that key controls for managing risks are in place and are working effectively forms part of the overall risk management process.

Annual assurance statements for 2017-2018 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 2017-2018. Estyn 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 challenges during 2017-2018 were:

- ❖ **Implementing processes and systems for new inspection arrangements from September 2017** – we adopted robust project management processes and used pilot inspections and 'try-outs' to inform implementation. Our governance arrangements were further strengthened through the establishment of our Inspection Policy and Advice Committee, comprised of HMCI and all directors.
- ❖ **Capacity to support a broad range of work streams** – most significantly, we have continued, through our distributed leadership model, to provide substantial support to curriculum reform working groups established by the Welsh Government.
- ❖ **Delivering on-going efficiency savings to meet continuing budget reductions** – initiatives, such as our new inspection frameworks, have been developed under a set of principles which has included budgetary constraints.
- ❖ **Enhancing joint working arrangements** – in particular, we continued to develop arrangements with CIW for joint inspections of Early Years in non-maintained nurseries.

The most significant risk Estyn continues to manage each year relates to resourcing core activities and continuing to provide support to education reform initiatives in the context of 'real terms' reductions in funding from the Welsh Government. We have continued to operate flexible resourcing models which take account of existing and worsening cost constraints. In the final quarter of 2017-2018, five members of staff left Estyn under a voluntary exit scheme (VES), approved by Cabinet Office; these leavers received payments based on the standard terms of the Civil Service Compensation Scheme 2010. The VES will help manage the cut in Estyn's funding from 2018-2019.

Managing our budget to deliver the priorities in the strategic three-year plan



Our three-year strategic plan, including options to meet small or medium-scale cuts, is rebuilt annually and regularly refined in light of developments.

Executive Board and Strategy Board review approaches to emerging budget scenarios and assess options and evaluate impact.

Ensuring that we have the people resource to deliver our plan



Detailed work planning informs future inspection resource requirements.

Flexible resource models are used, including contracted Additional Inspectors.

Ensuring the quality of our work



We use experienced inspectors to monitor a proportion of inspections, as well as to quality assure and proofread every inspection report published.

Our internal audit programme is focused on key risk areas and provides assurances against key processes and systems.

Maximising our impact on policy making



Our directors have established strong links with relevant contacts in Welsh Government departments and meet with them as appropriate. Discussions focus on matters such as planned education and legislation changes and identifying opportunities for Estyn to inform policy.

Established links with WG Knowledge and Analytical Services (KAS) and Public Policy Institute for Wales (PPIW) ensure that we are sighted of commissioned reviews and publications.

Maintaining public and professional respect for Estyn



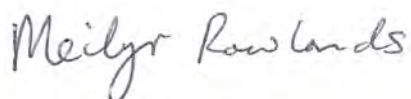
We keep open channels of communication with key stakeholders such as Ministers and Welsh Government, Welsh Local Government Association, Local Authorities and teacher unions.

We have a communications strategy to ensure that stakeholders, including professionals and the public, are aware of Estyn's work and publications.

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 very few recommendations (four low-priority) that required management action. I am pleased that the organisation continues to seek opportunities for enhancing governance and internal controls. For example, we have implemented new quarterly reporting to ARAC on a wide range of assurance matters, including providing specific reporting on cyber security arrangements.

In 2017, Estyn maintained its high placing in the list of organisations reporting staff engagement levels within the Civil Service People Survey. I am delighted that the survey results continue to evidence the high levels of positive staff engagement, reflective of a positive and supportive culture within Estyn which helps to underpin good governance and signals the commitment by staff to our values and the civil service code. As a learning organisation, we continue to use the results of this survey and other external reviews/accreditation processes to identify and take forward actions for improvement.

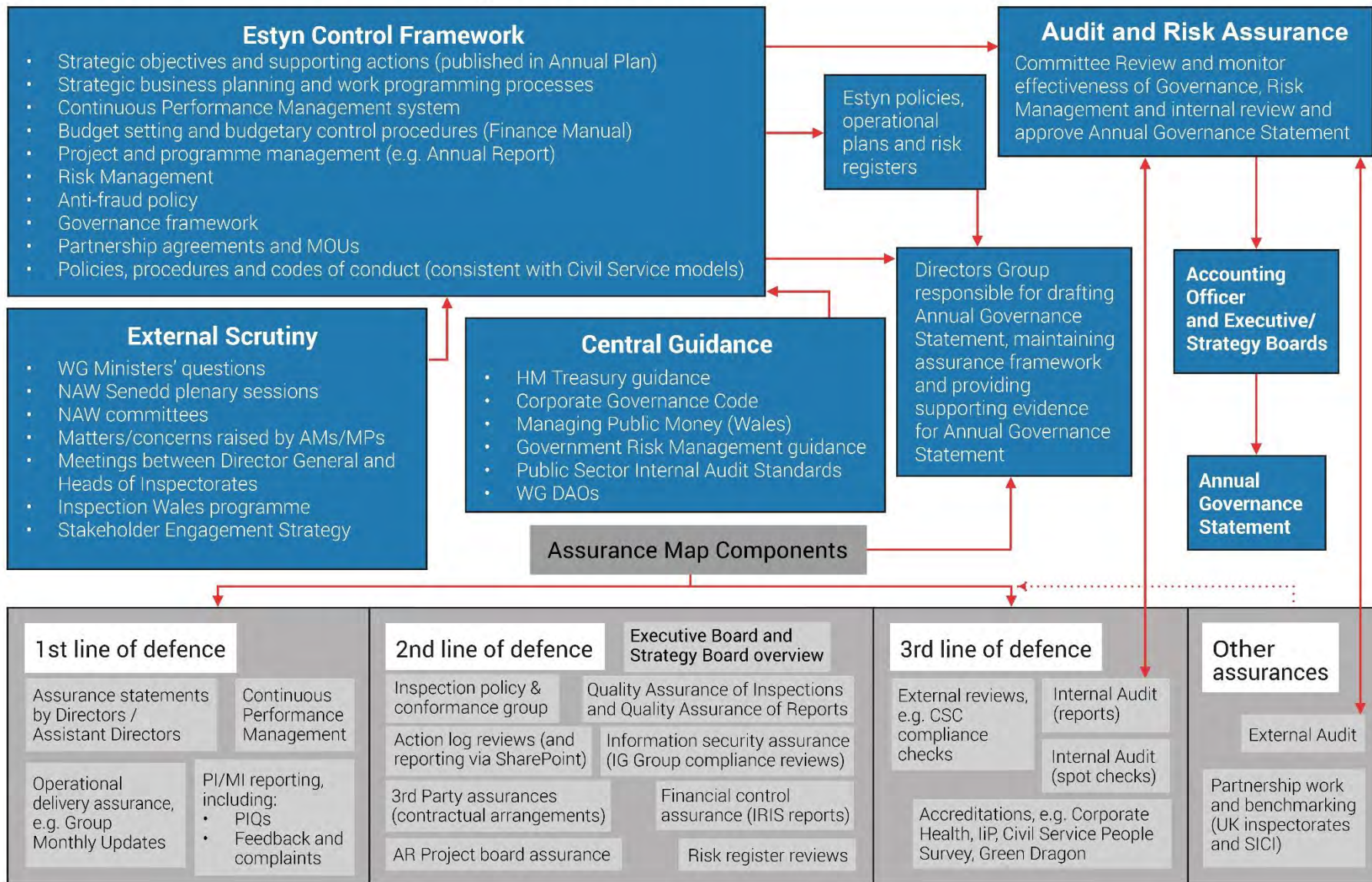


Meilyr Rowlands

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

5th July 2018

Our assurance and scrutiny framework



2.2 Remuneration and staff report

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

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

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

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities
- benchmarking information available from Cabinet Office and other Government departments, including those closest to Estyn in location and work type
- the funds available to the department and the advice available annually from Welsh Government
- 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

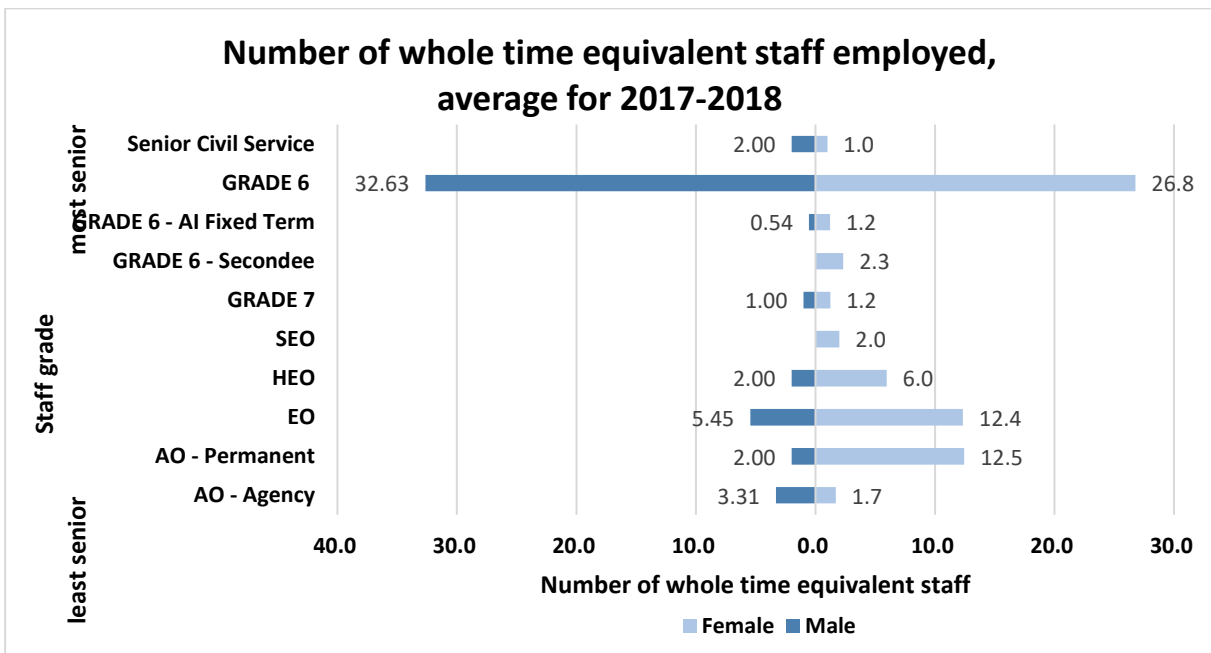
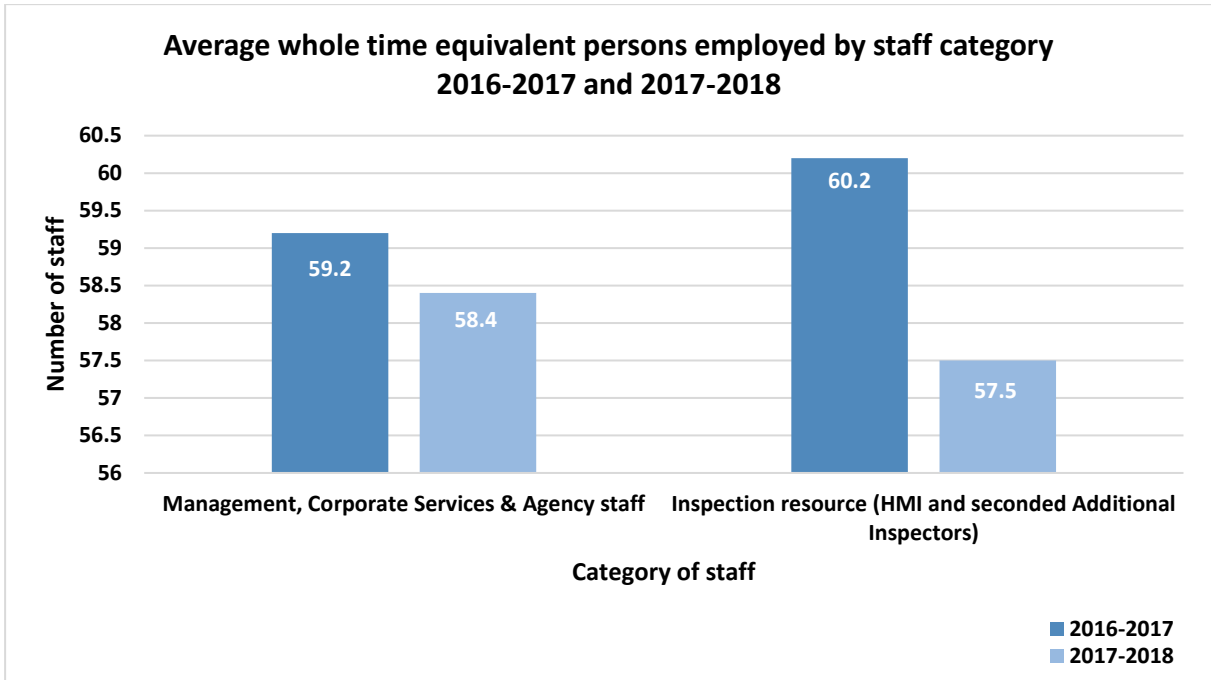
The Estyn Remuneration Committee takes account of the evidence available in respect of wider economic considerations and the affordability of its recommendations. Estyn has already streamlined its senior management as a consequence of budget cuts.

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

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

No SCS staff bonuses were paid in 2017-2018.

In line with the pay award for Welsh Government SCS officials (1st April 2017) Estyn SCS Band 1 officials were awarded a consolidated pay uplift of 2% effective from 1st April 2017.



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

Year	Permanently employed staff	Other ²	Total staff
2017-2018	108.6	7.3	115.9
2016-2017	103.1	16.3	119.4

Staff Sickness rates are as follows:

Headline staff measures		
Measure	2017-2018	2016-2017
Sickness absence rate	4.7%	2.7%
Proportion of staff accruing sickness absence	47.7%	45.5%
Average working days lost per employee	9.7 days	5.5 days
Average length of absence	10.9 days	6.8 days
Sickness absence occurrences (new)	114 occurrences	104 occurrences

Total sickness rate of 4.7% against a target of <4%
Over three-quarters of absence was due to long term sickness
The number of days lost due to long term absences doubled from 2016-2017
Over 42% of all days lost were due to tumours/cancer
We are committed to supporting employees who have been diagnosed with a terminal illness. Very sadly, two members of staff passed away during the year



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.

² Other staff refers to secondees, fixed-term contract staff and agency staff.

Further information about the work of the Civil Service Commission can be found at: <http://civilservicecommission.independent.gov.uk/>

Remuneration (including salary), benefits and pension entitlements

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

Remuneration (salary, benefits in kind and pensions) ³										
Officials	2017-2018					2016-2017				
	Salary £000's	Non-Consolidated Performance Pay £000's	Benefits in kind (to nearest £100)	Pension benefits to nearest £1,000 ⁴	Total £000's	Salary £000's	Non-Consolidated Performance Pay £000's	Benefits in kind (to nearest £100)	Pension benefits to nearest £1,000	Total £000's
Meilyr Rowlands Her Majesty's Chief Inspector of Education & Training in Wales	110-115	-	-	15	125-130	110-115	-	-	72	180-185
Simon Brown Strategic Director	80-85	-	-	3	80-85	75-80	-	-	12	90-95
Claire Morgan Strategic Director	80-85	-	-	32	110-115	75-80	-	-	31	105-110
Band of Highest Paid Director's Total Salary	110-115					110-115				
Median total	£66,650					£63,350				
Ratio using the mid- point of salary band	1.69					1.78				
Range of staff remuneration	£19,350 - £112,475					£17,200 - £110,000				

Salary

'Salary' includes gross salary; 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 accrued payments made by Estyn and thus recorded in these accounts.

Benefits in kind

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

³ Audited

⁴ 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)

Pension entitlements for senior managers⁵						
Officials	Accrued pension at pension age as at 31/3/18 and related lump sum £000's	Real increase/ (decrease) in pension and related lump sum at pension age £000's	CETV at 31/3/18 £000's	CETV at 31/3/17 £000's	Real increase/ (decrease) in CETV £000's	Employer contribution to partnership pension account nearest £100
Meilyr Rowlands 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 2.5 - 5	1,286	1,192	15	-
Simon Brown Strategic Director	40 – 45 plus lump sum of 70 – 75	0 – 2.5 plus lump sum of (0 – 2.5)	933	916	2	-
Claire Morgan Strategic Director	15 – 20 plus lump sum of 0	0 – 2.5 plus lump sum of 0	253	222	18	-

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

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, nuvos and alpha are increased annually in line with Pensions Increase

⁵ audited

legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) 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 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. 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. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. 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 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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 0.5% 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, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.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 member 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 in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 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.

Compensation for loss of office

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

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	-	-	-
£10,000 - £25,000	-	2	2
£25,000 - £50,000	-	2	2
£50,000 - £100,000	-	1	1
£100,000 - £150,000	-	-	-
£150,000 - £200,000	-	-	-
Total number of exit packages	-	5	5
Total resource cost/£000	-	-	£100 - £150

Meilyr Rowlands

Meilyr Rowlands

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

5th July 2018

2.3 Accountability and audit report

The Certificate and independent auditor's report of the Auditor General for Wales to the National Assembly for Wales

Report on the audit of the financial statements

Opinion

I certify that I have audited the financial statements of Estyn: Her Majesty's Inspectorate for Wales Education and Training in Wales for the year ended 31 March 2018 under the Government of Wales Act 1998. These comprise the Statement on Comprehensive 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. The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In my opinion the financial statements:

- give a true and fair view of the state of Estyn's affairs as at 31 March 2018 and of its net cash requirement, net resource outturn and net operating cost, for the year then ended; and
- have been properly prepared in accordance with HM Treasury directions issued under the Government of Wales Act 1998.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Accounting Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Accounting Officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

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

Opinion on regularity

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

Report on other requirements

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.

In my opinion, based on the work undertaken in the course of my audit:

- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with HM Treasury guidance;
- the information given in the Performance Report with the financial statements for the financial year for which the financial statements are prepared is consistent with the financial statements and the Performance Report provided with the financial statements has been prepared in accordance with the Government of Wales Act 1998.

Matters on which I report by exception

In the light of the knowledge and understanding of the body and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance Report provided with the financial statements or the Governance Statement.

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

- proper accounting records have not been kept;
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns;

- information specified by HM Treasury regarding the remuneration and other transactions is not disclosed; or
- I have not received all of the information and explanations I require for my audit.

Report

I have no observations to make on these financial statements.

Responsibilities

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for preparing the financial statements in accordance with the Government of Wales Act 1998 and HM Treasury directions made there under, for being satisfied that they give a true and fair view and for such internal control as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accounting Officer is responsible for assessing the body's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Responsibilities for regularity

The Accounting Officer is responsible for ensuring the regularity of financial transactions.

I am required to obtain sufficient evidence 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.

Huw Vaughan Thomas
Auditor General for Wales
10 July 2018

24 Cathedral Road
Cardiff
CF11 9LJ

Section 3

Financial statements



Estyn Annual Accounts 2017-2018
(International Financial Reporting Standards – IFRS)
3.1 Statement of comprehensive net expenditure for the year ended 31st March 2018

	Note	2017-2018			2016-2017
		Budget	Actual Outturn	Net Total Outturn compared with Estimate (saving)/excess	Prior Year Outturn
		£000's	£000's	£000's	£000's
Resources:					
Staff costs	3	8,200	8,182	(18)	8,241
Depreciation	6&7	400	163	(237)	152
Other costs	4	2,713	2,581	(132)	2,667
Gross Operating Costs		11,313	10,926	(387)	11,060
Operating income	5	-	(1)	(1)	(1)
Net Operating Expenditure for the Year		11,313	10,925	(388)	11,059

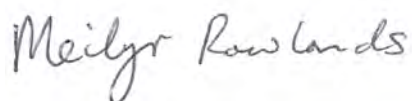
Net expenditure is reported as a single segment in line within [Estyn's Annual Plan 2017-2018](#).

The notes on pages 62 to 72 form part of these accounts.

3.2 Statement of financial position as at 31st March 2018

	Note	31st March 2018		31st March 2017	
		£000's	£000's	£000's	£000's
Non-current assets					
Property, plant and equipment	6	149		246	
Intangible assets	7	-		7	
Total non-current assets			149		253
Current assets					
Trade and other receivables	9	113		150	
Provisions within one year		873		915	
Total current assets			986		1,065
Total Assets			1,135		1,318
Current liabilities					
Trade and other payables	11	(963)		(1,144)	
Provisions within one year	12	(59)		(136)	
Total Current Liabilities			(1,022)		(1,280)
Total assets less current liabilities			113		38
Non-current liabilities					
Provisions:					
Between two and five years		(155)			
			(155)		(155)
Assets less liabilities			(42)		(117)
Tax Payers' Equity			(42)		(117)
Total Tax Payers Equity			(42)		(117)

The notes on pages 62 to 72 form part of these accounts.



Meilyr Rowlands

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

5th July 2018

3.3 Statement of cash flows for the year ended 31st March 2018

	Note	2017-2018 £000's	2016-2017 £000's
<u>Cash flow from operating activities</u>			
Net operating cost		(10,925)	(11,059)
Adjustments for non-cash transactions:			
Depreciation	6&7	163	152
Other costs (provision)	12	-	136
Increase / (decrease) in trade and other payables	11	(181)	202
(Increase) / decrease in trade and other receivables	9	37	(35)
Less movements not passing through the Statement of Comprehensive Net Expenditure			
Use of VAT provision		(77)	-
Capital creditors	6	-	(84)
Net cash outflow from operating activities		(10,983)	(10,688)
<u>Cash flows from investing activities</u>			
Purchase of property, plant and equipment	6	(59)	(167)
Purchase of Intangible Assets	7	-	-
Net cash flow from investing activities		(59)	(167)
<u>Cash flows from financing activities</u>			
Net financing (from the Welsh Government)		11,000	11,123
Net increase (decrease) in cash and cash equivalents	10	(42)	268
Cash and cash equivalents at the beginning of year	10	915	647
Cash and cash equivalents at the end of the year	10	873	915

The notes on pages 62 to 72 form part of these accounts.

3.4 Statement of changes in taxpayers' equity for the year ended 31st March 2018

Changes in taxpayers' equity	2016-2017 £000's
Balance as at 31 March 2016	(181)
Net operating cost for the year	(11,029)
Auditors Remuneration	<u>(30)</u>
Total recognised income and expense for 2016-2017	<u>(11,059)</u>
Net Welsh Government funding	11,123
Balance at 31 March 2017	<u>64</u> (117)
	2017-2018 £000's
Balance at 31 March 2017	(117)
Changes in taxpayers' equity for 2017-2018	
Net operating cost for the year	(10,898)
Auditors Remuneration	<u>(27)</u>
Total recognised income and expense for 2017-2018	<u>(10,925)</u>
Net Welsh Government funding	<u>11,000</u>
Balance at 31 March 2018	<u>75</u> (42)

The notes on pages 62 to 72 form part of these accounts.

3.5 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) 2017-2018 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 2017-2018 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. Expenditure on services, licences and subscriptions which straddle more than one financial year are treated as costs within the financial year that a payment is made, where the individual transaction does not exceed £1k.

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, within one year and medium term, between two and five years. All provisions are subject to annual review, to ensure they are still relevant and sufficient to fund the specific future liability.

1.5 Operating income

Operating income is income that relates directly to the operating activities of Estyn.

It principally comprises fees and charges for services provided and other miscellaneous income. HM Treasury has issued a receipts direction allowing Estyn to retain such receipts.

1.6 Staff costs and other costs

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

1.7 Value Added Tax

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

1.8 Pensions

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

1.9 Early departure costs

Estyn is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. Estyn provides for this cost in full when the liability arises.

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 2017-2018 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	2017- 2018 Budget	2017-2018 Outturn	Outturn compared with estimate (saving) / excess	2016- 2017
		£000's	£000's	£000's	£000's
Resource Outturn		11,313	10,925	(388)	11,059
Capital Outturn	6&7	281	59	(222)	251
Accruals to cash adjustments: Adjustments to remove non-cash items:					
Depreciation	6&7	(400)	(163)	237	(152)
New provisions and adjustments to previous provisions	12	-	77	77	-
Adjustments to reflect movements in working balances:					
Increase/(decrease) in receivables	9	-	(37)	(37)	35
(Increase)/decrease in payables	11	-	181	181	(202)
Increase in provisions	12	-	-	-	(136)
Net cash requirement		11,194	11,042	(152)	10,855

	Permanently employed staff			2016-2017 £000's
	Total 2017-2018 £000's	£000's	Others £000's	
Wages and salaries	5,820	5,820		5,610
Social security costs	672	672		635
Other pension costs	1,270	1,270		1,192
Total net costs⁶	7,762	7,762		7,437
Plus:				
Secondees in ⁷	122		122	648
Secondees out	(18)		(18)	-
Agency staff	140		140	139
NEDs costs ⁸	15		15	17
Early departure costs –in-year	148		148	-
Apprenticeship Levy	13		13	-
Total	8,182	7,762	420	8,241

Payments to NEDs for 2016-2017 and 2017-2018				
Name	2017-2018 Total		2016-2017 Total	
	£000's		£000's	
J Fabian	5		6	
A Thomas	5		5	
R Tomos	5		6	
Total	15		17	

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as “Alpha” – are unfunded multi-employer defined benefit schemes but Estyn is unable to identify its share of the underlying assets and liabilities.

The scheme actuary valued the PCSPS as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation [here](#).

For 2017-2018, employers' contributions of £1,270k were payable to the PCSPS (2016-2017 £1,192k) at one of four rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands.

The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2017-2018 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

⁶ Includes fixed term appointment staff previously shown separately

⁷ Includes £77k credit in 2017-2018 for VAT provision deemed no longer required

⁸ Individual details in table

4 Other Costs

	2017-2018 £000's	2016-2017 £000's
Rental under operating leases: accommodation	124	126
Other accommodation costs	165	224
IT & telecommunications	534	484
Welsh Government central services	16	16
Travel and subsistence	601	636
Auditor's remuneration – audit of accounts	27	30
General administration expenditure	287	280
Non-cash items:		
- change in provision for accommodation dilapidation	-	-
- tangible asset depreciation	156	144
- intangible asset depreciation	7	8
	1,917	1,948
Less: Operating income (Note 5)	(1)	(1)
Subtotal: Net administration costs	1,916	1,947
Post 16 education inspections and associated costs	1	4
School inspections and associated costs	604	697
General inspection related costs	218	169
Remit costs	4	1
Subtotal: Programme costs	827	871
Total other costs	2,743	2,818
Total Other costs without Income and depreciation	2,581	2,667

5 Income

	2017-2018 £000's	2016-2017 £000's
Income		
- registration fees	(1)	(1)
Total	(1)	(1)

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's	£000's	£000's	£000's	£000's
Cost or valuation					
At 1 April 2017	196	596	287	5	1084
Additions	-	59	-	-	59
Disposals	-	(103)	-	-	(103)
At 31 March 2018	196	552	287	5	1,040
Depreciation					
At 1 April 2017	196	419	218	5	838
Charged in year	-	138	18	-	156
Disposals	-	(103)	-	-	(103)
At 31 March 2018	196	454	236	5	891
Carrying amount					
At 31 March 2018	-	98	51	-	149
At 1 April 2017	-	177	69	-	246

7 Intangible assets

	Software	DVD	Total
	£000's	£000's	£000's
Cost at 1st April 2017	11	21	32
Additions	-	-	-
Disposals	-	-	-
At 31 March 2018	11	21	32
Depreciation			
At 1 April 2017	11	14	25
Charged in year	-	7	7
Disposals	-	-	-
At 31 March 2018	11	21	32
Carrying amount at 31 March 2018	-	-	-
At 1 April 2017	-	7	7

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 exposure to credit, liquidity or market risk is minimal. 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 and other receivables

9a Analysis by type

	At 31/03/2018 £000's	At 31/03/2017 £000's
Amounts falling due within one year:		
Other receivables	55	27
Prepayments and accrued income	58	123
Total	113	150

9b Intra-Government balances

	At 31/03/2018 £000's	At 31/03/2017 £000's
Amounts falling due within one year:		
Balances with other central government bodies	52	26
Balances with bodies external to government	61	124
Total	113	150

10 Cash and cash equivalents

	2018 £000's	2017 £000's
Balance	915	647
Net change in cash and cash equivalent balances	(42)	268
Balance at 31st March	873	915

Estyn uses the Government Banking Service and operates one bank account. The NatWest account provides a BACS payment service, collection of BACS income and local banking facilities. The following balance was held at 31st March 2017 and 31st March 2018:

	At 31/03/2018 £000's	At 31/03/2017 £000's
Balance at NatWest	873	915
	873	915

11 Trade and other payables**11a Analysis by type**

	At 31/03/2018 £000's	At 31/03/2017 £000's
Amounts falling due within one year:		
Trade payables	36	150
Payroll funding	516	416
Accruals & deferred income	411	578
	963	1,144

11b Intra-Government balances

	At 31/03/2018 £000's	At 31/03/2017 £000's
Balances with other central government bodies	200	30
Balances with local authorities	134	198
Balances with bodies external to government	629	916
Total	963	1,144

12 Provisions for liabilities

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

VAT: Obligations arising from invoices charged exclusive of VAT where VAT may have been applicable

Provisions	VAT £000's	Accommodation refit £000's	Total £000's
Balance at 1 April 2017			
- Within one year	136	-	136
- Between two and five years	-	155	155
- After five years	-	-	-
Increase/(Decrease) in provision	-	-	-
Amounts utilised in the year	(77)	-	(77)
Remaining provision:	59	155	214
- Within one year	59	-	59
- Between two and five years	-	155	155
- After five years	-	-	-
<u>Total provision as at 31st March 2018⁹</u>	59	155	214

13 Capital commitments

There are no capital commitments as at 31st March 2018.

⁹ Accommodation provision is subject to re-assessment by professional surveyor every two to three years

14 Commitments under leases

Operating leases

	2018 Land & Buildings £000's	2017 Land & Buildings £000's
At 31 March Estyn was committed to making the following payments during future years in respect of operating leases expiring:		
- within one year	136	136
- between two and five years ¹⁰	260	396
- after five years	-	-
	396	532

IFRS16 issued in January 2016 but not effective until 1st January 2019, requires that all leases with a lease term of more than 12 months be recognised as assets and liabilities in financial statements. It is not yet known if this standard will be adopted within the FReM but if it had been for 2017-2018, there would have been an increase in both assets and liabilities of £396k.

15 Other commitments

Estyn has not entered into any non-cancellable contracts (which are not operating leases) as at 31st March 2018 (there were no non-cancellable contracts as at 31st March 2017).

16 Contingent liabilities

There were no contingent liabilities at the end of 2017-2018 (there were no contingent liabilities as at 31st March 2017).

17 Related party transactions

The Welsh Government is as a related party to Estyn. Material transactions with Welsh Government during 2017-2018 are:

- funding of £11m from Welsh Government (£11.123m 2016-2017)
- we paid Welsh Government £7.803m, mainly for reimbursement of staff salaries and corresponding deductions they pay on our behalf (£7.395m in 2016-2017)
- Welsh Government accruals for 2017-2018 were £16k (£4k 2016-2017)

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.

¹⁰ Lease for office accommodation

Annex 1: Glossary of acronyms used in this report

ACL	Adult community learning
ADEW	Association of Directors of Education in Wales
AoLE	Areas of learning and experience
ARAC	Audit Risk and Assurance Committee
BACS	Bankers' Automated Clearing Services
CETV	Cash Equivalent Transfer Value
CIW	The Care Inspectorate Wales
CSOPS	Civil Servant and Other Pension Scheme
DAO	Welsh Dear Accounting Officer letters
DfES	The Department for Education and Skills
ESOL	English for Speakers of Other Languages
EWC	Education Workforce Council
FOI	Freedom of Information
FReM	Financial Reporting Manual
GBS	Government Banking Service
GDPR	General Data Protection Regulations
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
IFRS	International Financial Reporting Standards
IPAC	Inspection and Policy Advice Committee
ITE	Initial teacher education
LGES	Local government education services
NED	Non-Executive Director
NIA	New inspection arrangements
OECD	Organisation for Economic Co-operation and Development
PCSPS	Principal Civil Service Pension Scheme
PI	Performance Indicator
QAA	The Quality Assurance Agency for Higher Education
SCS	Senior Civil Service
SEP	Strategic Equality Plan
SICI	Standing International Conference of Inspectorates
TEAB	Teacher Education Accreditation Board
TRRAB	Teacher Recruitment and Retention Advisory Board
VAT	Value Added Tax
VES	Voluntary exit scheme
WAO	The Wales Audit Office
WfA	Welsh for Adults