



Rhagoriaeth i bawb – Excellence for all

Arolygiaeth Ei Mawrhydi dros Addysg
a Hyfforddiant yng Nghymru

Her Majesty's Inspectorate
for Education and Training in Wales

Annual Report and Accounts

2011-2012



Who we are...

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

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

As of 31 March 2012, Estyn employed **99** permanent and fixed-term members of staff, of which **52** are Her Majesty's Inspectors (HMI) or Additional Inspectors (AI) – inclusive of four Assistant Directors. In addition, we supplemented our internal inspection capacity by engaging **eight** secondees over the course of 2011-2012. We also procure and train additional inspectors, peer assessors and nominees, who currently work in education and training, to work as part of inspection teams. In addition, Estyn jointly employs a Joint Inspectorate Secretariat with the Care and Social Services Inspectorate Wales (CSSIW), the Health Inspectorate Wales (HIW) and the Wales Audit Office (WAO). The secretariat manages and delivers the Joint Inspectorate Programme, a collaborative initiative between the four main inspection, audit and review bodies in Wales.

Up to the end of the summer term 2011, 50% of school inspections were undertaken directly by HMI or additional inspectors directly employed by Estyn, and the remaining 50% were carried out by organisations and individual independent inspectors who were contracted by Estyn. For the autumn of 2011 and the spring of 2012, the proportion of school inspections undertaken by HMI or additional inspectors directly employed by Estyn was increased to 75%. A small number of additional inspectors have also carried out aspects of survey work and training work on behalf of Estyn.

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

The word Estyn is a Welsh word and means 'to reach', 'to stretch' or 'to extend'.

What we do...

The purpose of Estyn¹ is to inspect and report on the quality and standards in education and training provided in Wales, including:

- how far education and training meets the needs of learners and contributes to their development and wellbeing;
- standards achieved; and
- the quality of leadership and management.

All education and training providers in Wales have a core inspection. This enables us to target more resources at those providers that require closer 'follow-up' inspections, while reducing the extent to which we inspect consistently good performers. Self-evaluation, using Estyn guidance, is a key part of providers' quality assurance process, which identifies their strengths and areas for improvement. Using the information from self-evaluation reports as a starting point, inspection teams feed back on the standards achieved by learners, the quality of the education or training provided and the quality of leadership and management. The inspection process is carried out in partnership between Estyn and the provider with an overall focus on meeting the needs of learners and raising standards.

We also contribute to the development of education and lifelong learning policy in Wales through our remit reports, providing high-quality advice on themes agreed with the Welsh Government and published in the annual Ministerial letter to Estyn. In addition, Estyn plays an active role in a variety of forums and policy working groups with key stakeholders and hosts various conferences on areas of improvement.

We continue to promote the spread of best practice in the delivery of education and training through our programme of inspector training and best practice events. Sector stakeholder events provide opportunities for the discussion of best practice at sector level, and a National Stakeholder event enabled the identification and discussion of common and overarching themes. We also use these events to consult on the evaluation and review of inspection arrangements. In addition, we highlight the best practice identified during inspection activity by publishing relevant case studies on the 'Best Practice' section of the Estyn website, and disseminate further information through our external newsletter.

Estyn has worked increasingly in collaboration with the Inspection, Audit and Regulation (IAR) bodies in Wales over the last few years. Since 2005 Estyn has been a member of the Heads of Inspectorate Forum, whose purpose is to foster further collaboration between IAR bodies and to inform Welsh Government policy concerning IAR.

In the spirit of the Welsh Government's 'Policy Statement on Inspection, Audit and Regulation' (2009), the IAR bodies established an Inspection Wales secretariat in 2010 to support collaborative and joint working. In the same year, the Heads of

¹ Estyn's principal functions are set out in Sections 75-78 of the Learning and Skills Act 2000 and Section 20 of the Education Act 2005.

Inspectorate published 'Working Collaboratively to Support Improvement – A Strategic Agreement', which sets out five overarching objectives for joint working between the inspectorate, audit and regulatory bodies in Wales and these, in turn, are underpinned by a range of groups and forums through which joint planning and working is delivered.

The day to day delivery of the joint programme is managed by a programme board led by the deputies from the four IAR bodies, supported by operational working groups for specific topics as well as geographical teams consisting of the staff working within a locality.

Joint working in the recent past, involving Estyn, has included a joint report on Child and Adolescent Mental Health Services, a joint inspection of Local Safeguarding Children Boards (LSCBs) in Wales and joint inspection and investigation work about Pembrokeshire local authority.

Current developments include:

- the publication of a provisional programme of joint national inspections or reviews;
- the development of robust and effective arrangements and protocols for sharing information and escalating concerns;
- an agreement to align individual inspectorate planning cycles to ensure that all key risks are identified and covered and to identify opportunities for meaningful collaboration in order to both minimise the burden and increase public assurance;
- arrangements to deliver jointly equalities training across the inspectorates in the context of the Equalities Act 2010; and
- the development of the Inspection Wales website (www.inspectionwales.com).

Estyn continues to strengthen its international profile through a range of links with other countries in Europe and further afield, including:

- a close association with The Standing International Conference of Inspectorates (SICI). HMI have attended several conferences and workshops in Europe over the past year, dealing with a variety of subjects, including measuring social outcomes and the impact of inspection;
- welcoming groups of international inspectors to presentations and training events about inspection in Wales;
- contributing to a comparative study of inspectorates in Europe; and
- updating Estyn's profile on the SICI website to reflect the current inspection framework and guidance.

In 2011-2012, Estyn was responsible for inspecting and reporting on the following:

- ⤴ nursery schools and settings that are maintained by, or receive funding from, local authorities;
- ⤴ primary schools;
- ⤴ secondary schools;
- ⤴ special schools;
- ⤴ pupil referral units;
- ⤴ independent schools;
- ⤴ further education;
- ⤴ adult community learning;
- ⤴ youth and community work training;
- ⤴ local authority education services for children and young people;
- ⤴ teacher education and training;
- ⤴ work-based learning;
- ⤴ the careers sector; and
- ⤴ offender learning.

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Where Estyn's Key Performance Indicators (KPIs) as outlined in the Annual Plan for 2011-2012 are referenced, the following symbol is used:

KPI

What is this report about?

Estyn's Annual Report and Accounts summarise our progress over the last 12 months as we work towards our strategic priority, to raise standards and quality in education and training in Wales. Specifically, we report on progress against our four strategic objectives as set out in our Annual Plan 2011-2012, as well as providing a full set of our accounts for the financial year 2011-2012. For further information about Estyn please visit our website, www.estyn.gov.uk

Foreword

Welcome to Estyn's Annual Report and Accounts, which in Section 1 details what we have achieved during the financial year 2011-2012, and in Section 2 provides a full set of financial statements.

After the challenges and innovations of last year, which saw the introduction of a new inspection model for education and training in Wales, 2011-2012 was a year of consolidation, in which we closely monitored the implementation of the new arrangements, in order to identify any issues, address any remaining concerns, and agree any modifications to the process. Virtual inspection rooms continued to be developed in order to ensure the efficient electronic transfer and housing of information. Inspection co-ordinators continued to be used successfully to administer the process of inspection and acted as the first point of contact for providers. The Inspection, Policy and Conformance working group met regularly to ensure that inspection arrangements were consistent across all sectors by identifying and resolving emerging issues.

During the year, HMI also carried out monitoring visits to a number of schools identified as requiring special measures, significant improvement or Estyn monitoring. The case study on page 9 of this report exemplifies how constructive this part of the inspection process has proved to be. Reducing the size of initial inspections and following up on identified areas of concern enable us to target our efforts where they are needed most. And in this period we also successfully in-housed a larger proportion of inspections. Whereas last year 50% of inspections were Estyn-led, this year 75% of all school inspections were Estyn led (either by HMI or by additional inspectors directly contracted and quality assured by Estyn).

Estyn has continued to scrutinise and control expenditure over the year in response to the Comprehensive Spending Review. Further substantial savings have been made, while ensuring the full protection of our statutory duties and the appointment of new staff to business-critical posts. And again the need to make efficiencies has not prevented us from carrying out work to further all of our strategic objectives.

Thematic surveys have continued to be linked to national priorities, and we have worked closely with the Welsh Government in developing a provisional list of advice to be requested by the Minister in the coming year. The intention is to focus some

work on more strategic themes and this will be completed over a longer period in order to provide a longer term perspective.


This year we have also made considerable progress in formalising and implementing joint working arrangements between the Wales inspectorates for the benefit of public services in Wales. The co-ordination of the planning and delivery of our respective work programmes has increased the efficiency of our work, and the sharing of knowledge and information has enabled us to be better informed in our national advice, inspection and best practice activity.

Best practice activity has been extended this year. We have identified more sector-leading case studies for our website. We have organised a number of stakeholder forum events and we have provided the opportunity for delegates from education and training sectors across Wales to discuss relevant and emerging issues. In March 2012 we ran a series of conferences to promote best practice in the development of pupils' literacy skills across the curriculum. Over 250 delegates from schools attended, and the response was very positive, with feedback highlighting its success in emphasising the need for schools to place literacy skills at the heart of the curriculum in Wales.

As highlighted elsewhere in this report, we have continued to strengthen our international profile through our links with countries around the world. We maintain a close relationship with the Standing International Conference of Inspectorates (SICI), and in updating our SICI website profile we have enabled more people to understand our role in implementing education and training in Wales. We have also welcomed groups of inspectors from Poland, Scotland, Japan and Malta to presentations and events about how we work in Wales, providing an overview of our work, and enabling us to support others in their inspection systems and compare our practices with those of other countries.

Throughout the year Estyn staff have continued to further the efficiency of Estyn as a 'best value' organisation. In our strategic awayday planning and our annual staff conference, many positive contributions helped to steer our future direction, encouraging us to review and update our strategic objectives so that they remain pertinent and relevant to key and emerging issues. The 2011 results of the Civil Service 'People Survey' illustrate that Estyn continues to have high levels of engagement by comparison to other Civil Service departments. Our Employee Engagement working group assesses all feedback carefully so as to take action to address key issues and improve engagement further.

I want to thank all of Estyn's staff for their help and commitment in carrying forward work to help us to achieve our objectives throughout the year.



Ann Keane

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

The Accounting Officer authorised these financial statements for issue on 12th July 2012

Section 1

A review against our Annual Plan

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

What we said we would do...

What we've done...

<p>1</p> <p>Maintain a streamlined framework of inspection arrangements that:</p> <ul style="list-style-type: none"> • has shorter notice periods; • is more proportionate, focusing our efforts where they will have most impact; and • is based firmly on analysis of the provider self-evaluation and any lines of inquiry arising from this and other data on performance. 	<ul style="list-style-type: none"> • continued our programme of core inspections, based on analysis of performance data, providers' self-evaluations and on 'lines of inquiry' arising from those; • inspected around one sixth of providers; • continued to develop additional guidance on 'lines of inquiry' as needed; • made use of information technology and the virtual inspection rooms (VIRs) to ensure the efficient transfer of information and consistent implementation and use by providers and inspectors; • monitored the implementation of the new inspection arrangements, which began in September 2010, including the shorter notice period of four weeks in most sectors we inspect, in order to identify issues and agree any changes; • used the Inspection Policy and Conformance group to ensure that: the revised inspection arrangements are implemented consistently across sectors; matters to do with quality are addressed through agreed quality assurance policies and procedures; and emerging issues are discussed and resolved; • identified post-16 inspection work that can be carried out by one inspection rather than separate inspections of further education institutions and adult community learning; and • undertaken a mid-cycle consultation to identify any aspects of our inspection arrangements that could be improved for piloting in 2012 and implemented from September 2013 onwards.
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<p>2</p>	<p>Introduce enhanced levels of follow-up activity for providers who are under-performing and need further support.</p>	<ul style="list-style-type: none"> • undertaken relevant follow-up inspection activity for those providers identified as needing further support; • monitored core inspections carefully, including the judgements leading to follow-up activity, by implementing robust quality assurance of reports, corroborating follow-up judgements and recording and monitoring outcomes in the inspection outcome database; • notified the Department for Education and Skills (DfES) of all schools identified as requiring significant improvement or special measures and provided summaries of the numbers of schools requiring Estyn monitoring and local authority monitoring; • included local authority representatives on Estyn monitoring visits and worked closely with local authorities to identify whether schools requiring local authority monitoring have made good progress; • amended, as necessary, guidance for inspectors on the nature of follow-up activity in the sector handbooks available on our website and provided regular update training on follow-up for registered inspectors and HMI; and • disseminated on our website case studies of the sector-leading practice identified in inspections.
<p>3</p>	<p>Improve public confidence and assurance in the quality of inspections and reports through:</p> <ul style="list-style-type: none"> • bringing more school inspections in-house in line with expectations from our public consultation on the new inspection arrangements; • the continuing provision of inspector guidance and training; and • monitoring to secure consistency and high quality in inspections. 	<ul style="list-style-type: none"> • further extended the proportion of Estyn-led inspections and reduced the proportion of contractor-led inspections in the maintained school sector, and retained in-house inspections for all other sectors; • continued to work with school inspection contractors to ensure the high quality of inspections that are not Estyn-led; • provided further guidance and update training for registered inspectors, additional inspectors, peer inspectors and lay inspectors in the school sectors, including implementing web-based, blended-learning training packages; • provided training updates for additional inspectors and peer inspectors in the inspection framework for all post-16

		<p>sectors;</p> <ul style="list-style-type: none"> • used post-inspection questionnaires to assist our procedures for assessing the quality of inspections and reports; • continued to monitor the quality of inspections and reports and used the outcomes from quality assurance to inform inspection training and updates; and • operated and monitored a new web-based quality assurance system for all inspections and reports and for monitoring the work of additional, peer and lay inspectors.
4	<p>Introduce new, shorter, more user-friendly and accessible inspection reports, focusing on the most important features identified.</p>	<ul style="list-style-type: none"> • ensured that each inspection report contains clearer evaluations and judgements suitable for providers and users of services; • published a commentary on performance data in an appendix to every inspection report and summarised main messages arising from performance data in the standards section of the report; • continued to publish reports on learner and/or parent satisfaction in an appendix to every inspection report; • ensured that every Estyn-led inspection report receives robust editing prior to publication; and • developed the role of the Inspection Policy and Conformance Manager and sector lead inspectors in managing the checking and quality assuring of Estyn inspection reports via a new QA database to ensure that they are evidence-based and clear to readers.

<p>5</p>	<p>Take greater account of the views of learners to provide an insight into the learning experience and to test learning.</p>	<ul style="list-style-type: none"> • conducted questionnaires to obtain the views of learners and parents on aspects of education received in the school sectors; • listened to learners and parents as appropriate during our inspections; • used the DfES Learner Voice outcomes where available or conduct our own questionnaires to obtain the views of learners in post-16 settings; • canvassed the views of employers in the further education and work-based learning sectors; • trained adult learners as 'learner inspectors', preparing to deploy them on inspection; and • produced our learner questionnaire in Widget format for use with learners in special schools for whom it is relevant.
<p>6</p>	<p>Foster strong partnerships with our stakeholders, working collaboratively with the Welsh Government and with other inspection, audit and regulation bodies and providers to ensure that joint initiatives are delivered transparently, in an atmosphere of mutual trust and respect.</p>	<ul style="list-style-type: none"> • worked within the Welsh Government's policy statement on IAR to ensure that our inspection and best practice work is closely aligned, where appropriate, with that of the other IAR bodies in Wales; • used the Heads of Inspectorates Group¹ and its Strategic Agreement on Joint Working to deliver the principles and practice of the Welsh Government IAR statement for joint working between the IAR bodies in Wales, increasing the collective impact whilst reducing the resource demands on those being inspected; • increased the efficiency of our work through better co-ordination of the planning and delivery of our respective work programmes; • strengthened existing mechanisms for planning and delivering external review work in a co-ordinated and proportionate manner; • used the Heads of Inspectorate Group to identify thematic review work where joint working can add value;

¹ The Heads of Inspectorates Group is a working group comprised of representatives of Estyn, CSSIW, HIW and the WAO, which has been set up to explore and develop opportunities for joint working approaches.

		<ul style="list-style-type: none">• shared knowledge and information between the IAR bodies within Wales and the wider UK inspectorates so that we are better informed in our inspection, national advice and best practice work;• continued our work with CSSIW, HIW and the WAO to further develop 'Inspection Wales', which is the joint website portal for IAR bodies in Wales;• ensured that joint working visibly demonstrates the value it adds to our respective activities through the use of the 'Inspection Wales' website¹, individual IAR websites and the DYSG² or similar newsletters;• supported the work of a Joint Inspectorate Project Manager and a Joint Inspectorate Co-ordinator in facilitating ongoing joint working between Estyn, CSSIW, HIW and the WAO in progressing the Welsh Government's policy statement on IAR;• ensured that our Annual Plan and key strategies and policies are aligned, where appropriate, to the Welsh Government policy statement on IAR in Wales;• used the outcomes of collaborative work in inspection and remit activity to enhance the quality of advice on policy formulation and public assurance;• responded to and/or advised the Welsh Government and other stakeholders on consultations and reviews relating to joint IAR working that is appropriate for education and training as required;• ensured the effective co-ordination by Estyn and CSSIW of inspections of non-maintained nursery settings, and schools and colleges that have residential provision;• worked jointly with other inspectorates, auditors and regulators, in particular CSSIW, HIW and the WAO and other UK inspectorates, in respect of the
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¹ The newly developed joint website of the IAR bodies, set up to highlight and explain joint working approaches

² A Welsh Government newsletter providing information on post-11 education and training developments in Wales and England

		<p>inspection of public services and thematic work, including any special inspections and investigation of one local authority;</p> <ul style="list-style-type: none"> • worked with Ofsted on joint inspections of providers where appropriate; • continued to work with the Quality Assurance Agency for Higher Education (QAA), where our areas of responsibility overlap, to share information and identify causes for concern; and • worked closely with the Welsh Government, the Higher Education Funding Council for Wales (HEFCW) and the General Teaching Council for Wales (GTCW) on issues relating to standards for teachers, continuous professional development and the inspection of initial teacher training in Wales.
7	<p>Take account of legislation and standards as they apply to education and training providers, such as safeguarding, bilingualism, sustainability, equality and diversity, health and wellbeing, human rights and inclusion.</p>	<ul style="list-style-type: none"> • prepared a new Welsh language scheme and action plan; • ensured that our policy on safeguarding children and vulnerable adults is firmly embedded in the organisation and that we have worked with other agencies as necessary; • made sure that all inspections focus on providers' arrangements for safeguarding and reported on them in each inspection report; • worked with the Welsh Government officials and others in the development of guidance on healthy eating and drinking; reform of additional learning needs; post 16 special educational needs funding; and the behaviour and attendance action plan; • continued to take account of current and new equalities and human rights legislation in inspection arrangements, including impact assessments for any significant new developments; and • worked with the Welsh Government to consider any changes to legislation that may be required.

Case study – Follow-up

Throughout the year, HMI carried out monitoring visits to schools identified as requiring special measures, significant improvement or Estyn monitoring.

In December 2010, Trelai Primary School was identified as requiring Estyn monitoring, following a core inspection.

The overall judgements were 'adequate' and the report identifies five recommendations:

- raise standards in literacy and numeracy to ensure that all pupils make good progress and can access the curriculum effectively;
- improve teaching, especially by raising staff expectations of pupils to ensure that all pupils are appropriately challenged;
- use assessment data more effectively to identify and address pupils' learning needs;
- improve long-term planning for skills development; and
- improve the links between self-evaluation and school improvement planning so that targets are clearly focused on pupil achievement.

Estyn returned to the school in March 2012 to monitor the school's progress. A senior primary adviser from the local authority, who had been trained by Estyn, joined the team. He had worked closely with the school during the previous year.

The school has made good progress and has been removed from the list of schools requiring Estyn monitoring.

- Standards in literacy have risen. Reading test data and evidence in pupils' books support this. Standards in mathematics have improved.
- Teaching is better. Lessons have good pace and clear learning objectives. Teachers have high expectations of pupils. They ensure that pupils know how to assess and improve their own work.
- Leaders and governors understand data well. Staff use assessment outcomes effectively to identify pupils' learning needs and target individuals and groups. This helps to raise standards. Teachers evaluate pupils' progress carefully and use the information to plan appropriate work.
- Long-term planning for skills is in place, which enables pupils to develop their skills systematically.
- Self-evaluation takes appropriate account of a wide range of evidence. Leaders understand what needs improving and development plans identify relevant actions, responsibilities, resources and timescales. They monitor progress and evaluate impact effectively.

The team left the school with three recommendations. These will help leaders to build on the good progress made over the past year.

The outcome of this visit demonstrates how effective identifying a school as requiring Estyn monitoring can be in encouraging schools and local authorities to work together with a specific focus and within set timescales.

Inspection cycle performance measures

KPI

	Target percentage	Actual percentage	Comment
Contracted-out inspections that met Estyn's quality standards as set out in Estyn's guidance	95%	100%	
Contracted-out inspection reports that met Estyn's quality standards as set out in Estyn's guidance	95%	95%	One non-maintained nursery inspection report found not to meet quality standards; matter addressed with contracted nursery inspector.
Maintained school and PRU contracted inspections directly quality assured by HMI monitoring	10%	10%	
Non-maintained nursery setting contracted out inspections directly quality assured by HMI monitoring	5%	11%	A relatively high number of quality assurance visits was undertaken in the third and fourth quarters in order to gain coverage of specific inspectors working in this area.
Contracted inspection reports directly quality assured by HMI monitoring	25%	26%	

Estyn led inspection reports

	Target percentage	Actual percentage	Comment
Estyn led inspection reports not amended after publication as a result of substantiated challenge	100%	99.5%	A deletion of text agreed on one school inspection report following query from parent over a "proportion" reference that might have identified a specific family.
Estyn led inspection reports published within statutory or agreed deadlines	100%	100%	

Estyn inspections 2011-2012

Sector	Number planned	Actual number	Comment
Non-maintained nursery settings	100	150	Increased numbers of non-maintained nursery inspections following further assessment of information relating to the number of providers in Wales and provision of updated lists from local authorities
Primary and nursery schools	234	228	Slightly fewer primary and secondary schools inspected than originally projected in the Annual Plan, owing to some school closures and amalgamations, as well as approved deferments to summer 2012
Secondary schools	31	30	
Special schools	7	9	Assessment of special school numbers led to revised planned figure of 10, subsequently reduced to nine following single inspection cancellation
Independent schools including independent special schools	16	10	Fewer independent schools inspected than originally planned, owing to closures and the deferment of inspection to summer 2012 following approved request
Pupil referral units (PRUs)	9	5	Fewer PRUs inspected than planned owing to deferments, closures and the combining of provision in one local authority
Local authorities	8	8	On target
Post-16	13	12	One work-based learning inspection cancelled following cancellation of provider funding

Objective 2: Informing the development of policy by the Welsh Government

What we said we would do...

What we've done...

<p>1</p>	<p>Devise and implement an approach to support the development of education and training policy in and for Wales and strengthen our knowledge-management capabilities through greater emphasis on thematic reviews.</p>	<ul style="list-style-type: none"> • undertook thematic reviews as set out in the 'remit' letter for 2011-2012 to the Chief Inspector from the Minister for Education and Skills; • provided advice and support to DfES as required and including participation in a range of Welsh Government committees, working groups and advisory groups; • worked with DfES to produce a provisional list of advice for 2012-2013, by planning for some remit survey work that focuses on more strategic themes, to be completed over a longer period, so that a more longitudinal perspective is possible; • agreed with the Welsh Government a plan for carrying out subject based thematic reviews; • linked surveys more closely to national priorities for improving literacy, numeracy and to narrow the gap; and • communicated policy findings better to a wider audience through: <ul style="list-style-type: none"> ➢ improving remit reports; ➢ having a greater focus on best practice; and ➢ developing channels of e-communication to help disseminate the reports to a wider audience.
<p>2</p>	<p>Produce an Annual Report that summarises our views about the quality and standards of education and training provision in Wales and which helps inform the development of education and training policy.</p>	<ul style="list-style-type: none"> • successfully produced HMCI's annual report on the quality of education and training over the previous year (2010-2011) in line with the objectives set in the project implementation document; • published HMCI's annual report and a webcast on our website and constructed a media campaign to support its publication; • produced a new section 'Parents' pages' that summarises the key findings from our inspections of primary, secondary and special schools and contains links to

		<p>school inspection reports;</p> <ul style="list-style-type: none"> • provided materials to help stakeholders drive improvements in their particular sectors and showcase best practice; • achieved a great deal of positive publicity and generated considerable media debate and discussion; • presented the main messages in HMCI's annual report to the Children and Young People Committee's meeting and responded in detail to a number of specific questions members raised; • used the key messages in the report to drive our improvement agenda; • reviewed the way we present HMCI's annual report with a view to making useful improvements, particularly to accessibility and impact; and • contributed to reports on joint inspections and surveys involving other inspectors, auditors and regulators.
3	<p>Strengthen our internal capacity through developing specific roles that cover key policy education issues and sectoral responsibilities.</p>	<ul style="list-style-type: none"> • worked with the lead officers to develop expertise in relation to education and corporate policy areas; • ensured that we make very good use of current expertise and develop new areas of expertise that allows Estyn to be more influential and more knowledgeable; and • evaluated the work of the lead officers and provided further advice and support on how to further develop and make use of the work of lead officers.
4	<p>Strengthen our knowledge-management capabilities based on the evidence from our inspections and our understanding of education and training matters.</p>	<ul style="list-style-type: none"> • making use of the latest technology, continued developing our knowledge-management framework, focusing our attention and resources on matters that have the greatest effect on generating improvements for learners; • further developed the way we analyse and use inspection evidence through improved management information systems; • used our inspection intelligence to inform remit survey work; • worked jointly with CSSIW, HIW and the WAO through the work of Inspection Wales to develop approaches to the use

		of data; <ul style="list-style-type: none"> • further developed the work of our Statistical Unit to provide inspectors with relevant and timely data for use on inspection and remit activity; and • continued to build our research capacity to provide an easily accessible bank of specialist knowledge for inspectors.
5	Undertake joint working, where appropriate, on the basis of the principles outlined in the Welsh Government's policy statement on Inspection, Audit and Regulation (IAR) in Wales.	Progress addressed under Objective 1, item 6 above.

Remit reports



In response to the Minister's annual remit, in 2011-2012 we published 16 reports on the following topics:

All 16 reports published in 2011-2012 (**100%**) were within timescales agreed with the Welsh Government.

Name	Date of publication
Money matters: the provision of financial education for 7 to 19-year-olds in primary and secondary schools in Wales	7 June 2011
Area inspection report on the quality and standard of provision for 14 to 19-year-old learners in Flintshire	9 June 2011
The education of Gypsy Traveller pupils: an update on provision in secondary schools	14 June 2011
Review of Disability Equality Schemes and practice in schools and pupil referral units	16 June 2011
The 'Developing thinking skills and assessment for learning' programme	29 June 2011
The impact of deprivation on learners attainment in further education and work-based learning	4 July 2011
Tackling poverty and disadvantage in schools: working with the community and other services	12 July 2012

The skills framework at key stage 2: an evaluation of the impact of the non-statutory Skills framework for 3 to 19-year-olds in Wales at key stage 2	13 July 2011
Supporting more able and talented pupils in primary schools	14 July 2011
Numeracy for 14 to 19-year-olds	18 July 2011
Outdoor learning: an evaluation of learning in the outdoors for children under five in the Foundation Phase	6 September 2011
Literacy and the Foundation Phase: an evaluation of the implementation of the Foundation Phase for five to six-year-olds in primary schools, with special reference to literacy	13 September 2011
The effectiveness of sub-contracting arrangements in work-based learning	9 November 2011
A survey of the arrangements for pupils' wellbeing and behaviour management in pupil referral units	23 January 2012
Skills for older learners: the impact of adult community learning on the wellbeing of older learners	23 January 2012
Physical education in secondary schools	14 February 2012

Case study – the joint Inspection of Local Safeguarding Children Boards in Wales

From November 2010 to March 2011, Estyn took part in a Joint Inspection of Local Safeguarding Children Boards (LSCB) working in collaboration with the Care and Social Services Inspectorate in Wales (CSSIW), Healthcare Inspectorate Wales (HIW), Her Majesty's Inspectorate of Probation (HMI Probation) and Her Majesty's Inspectorate Constabulary (HMIC). This arose from a clear commitment of the five inspectorates in 2008 to resource a joint national inspection of LSCBs to reinforce the multi-agency nature of safeguarding and child protection.

A significant programme of work followed across five inspectorates to develop a shared inspection framework for Local Safeguarding Children Boards, including the use of a Self-Assessment and Improvement Tool (SAIT). The purpose of this was to provide:

- LSCBs with a mechanism for evaluating their own performance;
- shared descriptors for the functioning of LSCBs; and
- a base line for multi-agency inspection of LSCBs.

The SAITs were completed by all LSCBs and reviewed by CSSIW in order to secure improvements in the work of the LSCBs. The inspection evaluated the effectiveness of LSCBs using this framework against a sample of one LSCB in each health region of Wales.

The findings of the national joint inspection, which included fieldwork visits to seven LSCB, show that LSCBs lack focus on improving outcomes for children and are not fulfilling their statutory responsibilities. LSCBs are consequently unable to demonstrate the impact of their work on improving the lives of children.

This joint inspection, although highly complex, demonstrated how successfully six inspectorates are able to work together and bring their different specialist expertise to bear on a national review.

Case study – remit activity

During the financial year, Estyn produced remit survey reports on areas that encompassed the full range of education and training activity in Wales.

In 'Literacy and the Foundation Phase', we found that the majority of primary schools in Wales provide a varied, productive and motivating environment for children to thrive and develop their skills in reading and writing. Generally, children are more engaged and eager to learn, particularly the boys, who are benefiting from more active learning including greater use of the outdoors. We found that in a minority of schools there is a lack of understanding of the principles and practices of the Foundation Phase and that, in a few schools, staff are not convinced about the educational value of the Foundation Phase. In these schools, children are not offered challenging enough opportunities to develop and practise their reading and writing skills.

The report included a number of best practice case studies, and Estyn made a number of recommendations for schools, local authorities and the Welsh Government including publishing guidance on good practice, developing systems for gathering robust qualitative and quantitative evidence to evaluate the impact of the Foundation Phase and ensuring that all leaders and practitioners have a solid understanding of the principles of the Foundation Phase.

In 'Skills for older learners', Estyn concludes that learners over the age of 65 do not have enough access to education or skills development opportunities that would help to improve their quality of life. The 15 adult community learning (ACL) partnerships across Wales provide lifelong learning for older learners in the community. However, because the emphasis is on developing skills for employment, this does not suit much older learners, who are more interested in enrichment activities at their stage of life. These activities could be courses in hobby or craft skills or courses that help them to live a healthy life and maintain their wellbeing.

We also found failures in collaboration between education, health and social services to support wellbeing into old age and an absence of a clear strategy by Welsh Government departments and local authorities to meet the needs of a growing older population.

In the report, we outlined a series of recommendations such as calls for ACL partnerships to review the type of courses on offer and how they assess the achievements of older learners. Local authorities were urged to ensure that local service boards improve their use of the ACL partnership in delivering lifelong learning and joined up services for older people, and the Welsh Government was encouraged to improve joint working across departments and gather and assess data more effectively.

Objective 3: Promoting the spread of best practice in the delivery of education and training in Wales

What we said we would do...

What we've done...

What we said we would do...		What we've done...
1	<p>Develop and implement an approach that sets out how we will share best practice and deliver an engagement programme with providers and other organisations that promotes collaborative working and debate on key education and training issues.</p>	<ul style="list-style-type: none"> • used evidence from inspection and remit activity to identify best practice amongst practitioners; • made reference in our reports to specific areas of best practice to inform other providers when developing their own provision; • published case studies of sector-leading practice on our website for inspectors, providers, partners and stakeholders; • engaged with providers to assist in disseminating best practice; • highlighted and promoted best practice as part of our inspection dialogue and 'follow-up' activity; • monitored our website and extranet to ensure that they continue to support and provide information on best practice and detailed case studies; • modified the lay-out and design of our website to improve the accessibility of case studies; • reviewed the content and quality of our case studies to identify areas for improvement to increase impact; and • through our work with others, improved the promotion of good practice across sector and IAR bodies.
2	<p>Support the continuous development of provider self-improvement through high-quality professional dialogue during inspection and the introduction of a set of self-evaluation tools across all sectors.</p>	<ul style="list-style-type: none"> • monitored the effectiveness of our guidance to providers on self-evaluation; • shared our decisions on inspection policy with stakeholders through our sector forums and through information-sharing sessions; and • further developed effective links with professional networking bodies, such as teacher unions, ColegauCymru/ CollegesWales, the National Training Federation for Wales and the National Institute of Adult Continuing Education Dysgu Cymru.

<p>3</p>	<p>Work with the Welsh Government to ensure that its education and training policy, including the IAR Statement and our inspection and best practice work, are closely aligned.</p>	<ul style="list-style-type: none"> • aligned our activities with the School Effectiveness Framework (SEF) and the Quality and Effectiveness Framework (QEF); • worked with DfES to improve the quality of education and training; • worked in line with the principles outlined in the Welsh Government's policy statement on IAR in Wales; and • used the outcomes of collaborative work in inspection and remit activity to enhance the quality of advice on policy formulation and public assurance.
<p>4</p>	<p>Increase our capacity to identify and record best practice as a result of bringing more maintained school inspection activities in-house.</p>	<ul style="list-style-type: none"> • continued the publication of case studies of sector-leading practice as identified during inspection and remit activity, promoting these through our website and the Annual Report.
<p>5</p>	<p>Establish the means to collate, monitor and analyse best practice through the introduction of sector lead inspector roles.</p>	<ul style="list-style-type: none"> • used evidence from inspection and remit activity to identify best practice amongst practitioners; • ensured that sector lead inspectors quality assure all inspection reports to confirm that references in our reports to specific areas of best practice are robust and clearly sector leading; and • set up systematic arrangements whereby sector lead inspectors edit, review and approve all best practice case studies before they are refined and published on website.
<p>6</p>	<p>Enhance our technological capacity to improve the sharing of knowledge and best practice.</p>	<ul style="list-style-type: none"> • analysed and interpreted inspection outcomes, including examples of best practice, gathered through our cyclical and thematic inspection activities, and communicated outcomes on our website and by means of email alerts; • maintained a statistical specialist to advise and support HMI in relation to relevant databases; • improved the use of electronic records management and other ICT systems in the development of our knowledge management resource;

		<ul style="list-style-type: none"> • developed the 'Best Practice' section of the new Estyn website to include over 60 case studies of sector-leading practice from education and training providers; • improved the website's search facility to make it easier for users to find information they are looking for by 'tagging' our case studies by theme and key words; and • established regular media and marketing activities to promote these case studies to education and training professionals.
7	<p>Increase the involvement of current practitioners as peer inspectors and nominees on inspections to promote cross-fertilisation of good practice.</p>	<ul style="list-style-type: none"> • trained and updated peer inspectors to facilitate their use as full members of an inspection team and ensured that they take new skills and expertise back to their organisations; • monitored and reviewed the terms and conditions for peer inspectors that clearly set out the roles and responsibilities of each party; • increased the pool of peer inspectors for the schools, post-16 and local authority sectors incrementally by providing a rolling programme of assessed training; • streamlined the arrangements for deploying peer inspectors and evaluated the peer inspector programme to ensure that it continues to add value to the inspection process; and • used a trained nominee (from the individual providers being inspected) to act as liaison for the provider and be a member of an inspection team.

Comments, queries and complaints

As an organisation, we take all comments, queries and complaints seriously and will respond to all complaints fully, fairly and as quickly as possible. In 2011-2012, we dealt with **nine** complaints.

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

Response to complaints:

Total number of formal complaints received in 2011-2012: **9**

Stage ¹	Year	Outcome	Subject of complaint
2	2011	Not upheld	Judgements
2	2011	Partly upheld	Judgements Conduct of staff Nominee not fully involved in the process
2	2011	Not upheld	Conduct of staff
2	2011	Partly upheld	Conduct of staff
2	2011	Partly upheld	Judgements
3	2012	Not upheld	Judgements
3	2012	Partly upheld	Judgements Conduct of staff
2	2012	Not upheld	Conduct of staff Inaccuracies in the inspection report
2	2012	Not upheld	Judgements Conduct of staff

Requests received under FOI Act:

KPI

12 requests

100% completed within target of 20 working days. No referrals took place during 2011-2012.

Requests received under the DPA

KPI

13 requests

100% completed within target of 40 calendar days from receipt of fee and ID. Requests include lesson observation forms that are issued under both the DPA and FOI Act. The target for completion of such requests is 20 working days (28 calendar days) in line with the target for responding to FOI requests.

¹ Estyn's complaints process comprises three stages.

Stage 1 is the informal resolution stage, where a concern is addressed with the person to whom it applies, or their line manager, through face-to-face discussion, a telephone call or correspondence.

Stage 2 entails the formal investigation of a complaint, carried out by Estyn or, in the case of contracted-out school inspections, by the relevant inspection contractor.

Stage 3 reviews are undertaken by Estyn should the complainant not be satisfied after Stage 2. Each review comprises an assessment of the way the Stage 2 investigation was carried out.

Case study – International links

Estyn recognises the importance of raising and maintaining its international profile through developing a range of links with other countries in Europe and further afield. Updating Estyn's profile on the website of The Standing International Conference of Inspectorates (SICI) has encouraged international understanding of Estyn's role in impacting education and training in Wales. It has ensured that information available on the website is relevant and reflects the current inspection framework and guidance accurately. Closely linked to this was Estyn's contribution to a comparative study of seven inspectorates in Europe by Ilse de Volder of the Inspectorate of Flanders.

Estyn has a close association with SICI. Over the past year, eight HMI have attended conferences and workshops in Norway, Holland, Sweden and Estonia dealing with a variety of subjects. The workshop in Norway on measuring social outcomes linked closely to Estyn's work on wellbeing. Many European inspectorates were interested in how Estyn makes judgements on standards of pupils' wellbeing, whilst their focus tends to be simply on provision. The conference in Sweden about the impact of inspection led to the conclusion that many countries have no clear evidence of the impact of inspection on improved outcomes for learners. Estyn is one of the few inspectorates that conduct follow-up visits to evaluate the progress schools have made and the impact this progress has on standards. The HMI who visited Estonia felt that there was no clear explanation why Estonia does so well in the PISA assessments. Everyone who makes these visits prepares a brief, evaluative report so that their experiences can be shared amongst colleagues through publication on Sharepoint and in Your Estyn. This heightens awareness of Estyn's international work, but also draws interesting comparisons between inspection systems and raises fundamental questions about the purpose and outcomes of inspection.

Estyn has welcomed groups of inspectors from Poland and Malta to presentations and training events about inspection in Wales. A Japanese delegation will be joining us for a morning in June. We provide our international visitors with a broad overview of inspection in Wales and respond to their specific questions. This fosters positive international relationships, allows Estyn to support others in the development of their inspection systems and enables us to compare our practices with those of other countries.

Case study – literacy conference

On 14, 15, 20 and 22 March, Estyn hosted a series of conferences to promote best practice in the development of pupils' literacy skills across the curriculum. Each event was attended by delegates from primary and secondary Welsh and English-medium schools, who represented around 15% of all schools across Wales. Over 250 delegates attended; headteachers, senior managers and leaders of literacy as well as local authority advisers.

The aim of the conference was to support schools in giving greater priority to literacy skills when designing and planning the curriculum. HMCI and one of Estyn's Strategic Directors took turns to open the conference and their involvement emphasised the status and importance of the focus for schools. The programme emphasised the need for better progression and more challenge in activities that promote pupils' literacy skills across the curriculum. The conference also included a focus on ways to improve the assessment and tracking of pupils' literacy skill development across the curriculum.

Each of the four conferences included two workshops presented by schools where inspection has identified best practice. A third workshop was provided by Estyn and gave delegates an opportunity to hear about Estyn's strategy and guidance on the inspection of literacy.

The response to the conference by the delegates was very positive. Many of the evaluations indicate that it was successful in emphasising the need for schools to place literacy skills at the heart of the curriculum. In addition, delegates believe that the examples of best practice will help them find ways to ensure that improving pupils' literacy skills is central to the design of the curriculum as well as giving pupils better and more effective opportunities to apply and develop their literacy skills in a wide range of work.

Objective 4: Developing Estyn as a 'best value' organisation and as an employer of choice

What we said we would do...

What we've done...

<p>1</p> <p>Promote:</p> <ul style="list-style-type: none"> • bilingualism; • sustainability; • equality and diversity; • health and wellbeing; • human rights; and • inclusion. 	<ul style="list-style-type: none"> • developed a new Welsh Language Scheme, which maintains our commitment to the Welsh Government's strategic vision and direction set out in 'Better Wales'¹; • maintained our commitment to a sustainable future, as set out in national policies, attending seminars organised by the Welsh Government and implementing our environmental action plan and preparing for re-accreditation of Green Dragon standard in 2012; • produced our Strategic Equality Plan, which further develops our approach to equality and diversity in all our activities, building on the duties in the Equality Act 2010; • maintained our commitment to employee health and wellbeing, for example by providing annual health checks for staff and other activities supporting accreditation of the Corporate Health Standard; • promoted an appropriate work-life balance for our staff by supporting those who have moved to home-working through a 'keeping in touch' strategy, including monitoring the continued efficiency and effectiveness of these arrangements; and • continued to build on the good practice recognised in the 2011 Investors in People (IiP) review, working in partnership with staff and trade unions to implement points of continuous improvement identified through IiP and the 2011 Civil Service People Survey (see case study for further details).
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¹ <http://wales.gov.uk/topics/improvingservices/bettervfm/?lang=en>

<p>2</p>	<p>Continue to develop and implement our transformation plans, whilst ensuring safe delivery of our statutory obligations.</p>	<ul style="list-style-type: none"> • embedded our transformation projects (BRISK¹) into operational working groups; • maintained high levels of trust and co-operation between management and staff in matters affecting Estyn (evidence through the People Survey results), with a view to enhancing both our business performance and the wellbeing of the people who work here, and to building on the successful working relationships established through the TUS/Management strategic and operational forums; and • continued our programme of policy development and review by updating our Human Resources policies to reflect statutory changes and current and best practice.
<p>3</p>	<p>Develop and embed a culture that reflects our new values and effectively communicates these both internally and externally.</p>	<ul style="list-style-type: none"> • continued to develop a flexible workforce structure and organisation programme to meet evolving business needs such as the in-housing of inspections; • within Civil Service restrictions and affordability levels, recruited and retained staff, ensuring that they are fully engaged in all that they do in order to make our vision a reality; • reviewed job descriptions and completed a job evaluation exercise for Corporate Service staff posts and reviewed Lead Officer and Sector Lead roles for HMI staff to focus on achieving strategic objectives, enhancing distributed leadership and securing job satisfaction; • responded appropriately to the findings of the 2011 Civil Service People Survey and worked with staff to address any issues of concern, through Estyn's Training and Development Group; • used our intranet system to engage with staff and develop new ways to involve and communicate with them; and

¹ The BRISK working group manages the **delivery** of projects in relation to **B**est Practice, **P**olicy Advice and **R**emit Strategy, **I**S Strategy, and **K**nowledge Management.

		<ul style="list-style-type: none"> continued to deliver an external communications strategy that underpins and supports our strategic objectives and values, and maximises the potential of our new website.
4	<p>Develop a stronger staff deployment and workforce planning capability that delivers value for money and underpins our strategic objectives.</p>	<ul style="list-style-type: none"> continued to operate our workforce planning programme to reflect the reductions in our budget and manage requirements for directly contracted-in Additional Inspectors; based our workforce planning on project-management disciplines and encouraged flexibility, responsibility, initiative and innovation; and strengthened internal capacity in the use of our business planning tool COBAS to design a work programme which deploys inspectors efficiently and responds quickly and flexibly to unforeseeable changes in manpower requirements.
5	<p>Provide training and development opportunities for our staff to ensure that they have the skills, knowledge and capability to carry out their tasks with confidence.</p>	<ul style="list-style-type: none"> implemented the training and development strategy, maintaining and building upon our expertise; continued to support and develop staff knowledge and skills by reviewing the skills of all our staff and maintaining our training development programme, including a specific programme aimed at developing Estyn's middle-management tier within Corporate Services; continued to provide training and shadowing opportunities for all inspectors to develop a workforce that can inspect across multiple sectors; provided opportunities for staff to experience new roles and responsibilities, for example as Lead Officers, to enhance the organisational capacity necessary to deliver our strategic objectives; and implemented a corporate training programme to support continuing professional development.

<p>6</p>	<p>Develop and implement policies and planning processes to make sure we deliver our strategic objectives.</p>	<ul style="list-style-type: none"> • continued to implement the Information Systems Strategy that will support the delivery of Estyn's objectives and enable more agile and flexible working; • enhanced our inspection systems to automate the setting up of our Virtual Inspection Rooms and facilitate the capture of information within our database systems; • used our business planning system as a tool to allocate workloads flexibly, to ensure the most efficient and effective use of our resources; • developed an in-house conference facility to provide a flexible and low-cost option for providing training to Estyn staff and external inspection resources (additional inspectors, lay inspectors and peer inspectors); • used our Information Governance Group to develop and embed good practice in information management, and refreshed our Information Governance-related policies; and • continued to use sustainable practices to reduce environmental impact and minimise costs.
<p>7</p>	<p>Develop and implement financial planning processes that deliver value for money and underpin our strategic objectives.</p>	<ul style="list-style-type: none"> • reviewed budget management processes, updated our Finance Manual and improved guidance and support for managers who are responsible for budgets, and ensured that internal processes are in place to safeguard against the misuse of funds; • continued to operate a project management process to streamline processes and quality assurance tasks in respect of the production of Estyn's Annual Report and Accounts; • continued to provide consistent controls and standards for our procurement practices, extending further our use of e-procurement, particularly in relation to inspection contracts, and thereby helping to reduce costs and lower the environmental impact of paper-based systems; and • maintained high levels of internal audit assurance in respect of our financial systems and processes.

Employee engagement case study

Estyn participates in the 'People Survey', the annual Civil Service-wide survey of staff attitudes and experiences of work that provides consistent measures of employee engagement and staff attitudes across the Civil Service. The results of the survey provide us with high quality information on engagement and the key drivers of engagement in Estyn, helping us to understand how our employees feel about their job and the organisation. Since we first participated in the survey in 2010, we have taken action to address a number of issues that our employees told us are important to them.

The 2011 survey results illustrate that Estyn continues to have high levels of engagement significantly above the Civil Service 2011 and high performers'¹ benchmarks. Our engagement index² increased by three percentage points to 70% from 2010, placing us sixth out of the 97 organisations who participated in the survey. The results highlighted where improvements have been made since 2010, including a significant increase in engagement levels within Corporate Services.

In 2011, the themes with the greatest influence on engagement levels within Estyn were 'leadership and managing change', 'my work', and 'my manager'. Our employees find their work interesting, challenging and feel it gives them a sense of personal accomplishment, and employee opinion regarding change has improved, particularly in relation to change being managed well and that when changes are made they are for the better.

However, there are opportunities to improve engagement and the results will enable our Employee Engagement Working Group to plan and take action over the coming year to address key issues and improve engagement in Estyn.

Estyn's 2011 People Survey results are available from www.estyn.gov.uk

¹ The top 25% of all participating organisations

² The engagement index measures how engaged our employees are with the organisation.

Estyn Board members

During 2011-2012, the following persons were members of the Estyn Strategy Board for the full year unless indicated otherwise.

Non-executive directors (NEDS)

Mrs Julie James holds a number of public appointments. She is an independent Board Member of the Hywel Dda Local Health Board, Vice Chairman of the Brecon Beacons National Park Authority, Director of the South Wales Regional Tourism Partnership, and Vice Chairman of the Carmarthenshire Standards Committee. She is also Vice Chairman for Keep Wales Tidy. Previously, she was the Director of Personnel for Monarch Airlines. Julie James' second (final) 3-year appointment as Non-executive director ended on 31 March 2012.

Mr Andrew Bellamy is a member of the Adjudication Panel for Wales and carries out work as a peer reviewer for Health Inspectorate Wales. Previously, he was the Chief Executive of Glan Y Mor NHS Trust and Executive Director of Swansea NHS Trust.

Dr Haydn Edwards, following a career in education, retired as the Principal and Chief Executive of Coleg Menai in 2009. Currently, he is Vice President and Trustee of Amgueddfa Cymru – the National Museum Wales, Chairs the Food and Farming Sector Panel and is Chair and non-executive Director of Rheilffordd Llyn Padarn.

Senior officers

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

Mr Simon Brown – Strategic Director

Mr Meilyr Rowlands – Strategic Director

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

Remuneration

Details of the remuneration of Her Majesty's Chief Inspector of Education and Training in Wales and other senior officers of the Estyn Board are set out in the Remuneration report contained within Section 2 (Annual accounts 2011-2012).

Non-executive directors are not remunerated, but are entitled to claim a monthly honorarium of £423.00 (£582.00 per month for Chair of Audit Committee) plus travel and subsistence claims, as well as honorarium payments for additional consultancy work such as involvement in recruitment panels. In 2011-2012, the total value of

honorarium claims was £19,343.07 and a total amount of £439.19 was also claimed as reimbursement of travel and subsistence expenses.

Audit Committee

The Audit Committee comprising non-executive directors of Estyn's Strategy Board is chaired by one of the non-executive directors. Supporting the Accounting Officer in her responsibilities for issues of risk, control, governance and assurance, the Committee was attended fully at its four meetings during 2011-2012. There were no significant events or issues of judgement or control that had to be considered by the Committee during the year.

Remuneration Committee

Estyn's Remuneration Committee is an established sub-committee of the Strategy Board, with the specific purpose of providing advice and recommendations on HMCI's remuneration, and for determining the remuneration of other Senior Civil Service members of Estyn, based on the advice and recommendations of HMCI. It is chaired by one of Estyn's non-executive directors. It met once during 2011-2012, and was fully attended at the meeting. (Further information is on page **40** in Section 2 of this report.)

Section 2

Annual accounts 2011-2012

Management commentary

Format of the accounts

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

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

Background statutory information and funding

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

Principal activities

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

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

Principal aim and strategic objectives

Our mission and vision

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

Our values

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

- keep **learners** and citizens **at the centre of our work**;
- act with **openness, integrity** and **objectivity**, demonstrating the highest standards of public service;
- work in **partnership** with others, whilst maintaining our **independence**;
- demonstrate effective **leadership** and **teamwork** at all levels;
- **value people** and the contributions they make;

- encourage **responsibility, initiative and innovation**; and
- foster an **engaging and healthy** working environment.

Our strategic objectives

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

- providing public accountability to service users on the quality and standards of education and training provision in Wales;
- informing the development of national policy by the Welsh Government Ministers and officials; and
- promoting the spread of best practice in the delivery of education and training in Wales.

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

In doing so, it is equally important that Estyn continues to develop as a dynamic, **'best value' organisation and 'employer of choice'**.

Equal opportunities

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

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

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

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

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

In 2011-2012 Estyn produced its first Strategic Equality Plan to comply with the Equality Act 2010. This sets out Estyn's commitment to ensuring Equality and the ways in which this will be achieved. A copy of the Plan can be obtained from the Estyn website.

Sickness absence data

KPI

Headline measures		
Measure	2011-2012	2010-2011
Sickness absence rate	3.20%	2.37%
Proportion of staff accruing sickness absence	47.6%	49.5%
Average working days lost per employee	6.8 days	5.4 days
Average length of absence	8.2 days	5.66 days
Sickness absence occurrences	87 occurrences	99 occurrences

Dissemination of information

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

Sustainability

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

We continue to review and implement processes in support of our environmental targets. During the year, eg use of the Virtual Inspection Rooms (VIRs) has reduced the amount of paper, courier, travel and associated costs.

Payment policy

KPI

In 2011-2012 we worked to achieve compliance with our responsibilities under the Late Payment of Commercial Debts (Interest) Act 1998 to pay undisputed suppliers' invoices within 30 days of receipt of goods or services or valid invoice, whichever is the later. This policy is stated in the Terms and Conditions covering Estyn Contracts. This was achieved for 99.9% of all such payments made in 2011-2012 (2010-2011: 99.9%).

Personal data related incidents

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

Minimum scope of protected personal data

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

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

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

The above are not exhaustive lists.

- B Any source of information about 1,000 or more identifiable individuals, other than information sourced from the public domain.

This could be a database with 1,000 or more entries containing facts mentioned in box 1, or an electronic folder or drive containing 1,000 or more records about individuals. Again, this is a minimum standard. Information on smaller numbers of individuals may warrant protection

because of the nature of the individuals, nature or source of the information, or extent of information.

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

Summary of protected personal data related incidents formally reported to the Information Commissioner's Office in 2011-2012				
Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Further action on information risk	There were no incidents to report. However, Estyn will continue to monitor and assess its information risks in order to identify and address any weaknesses and ensure continuous improvement of systems.			

Summary of other protected personal-data-related incidents in 2011-2012		
Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but which are recorded centrally within Estyn are set out in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures.		
Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	Nil
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	Nil
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	Nil
IV	Unauthorised disclosure	Nil
V	Other	Nil

Year-on-year total numbers of protected personal-data-related incidents prior to 2011-2012													
Total number of protected personal-data-related incidents formally reported to the Information Commissioner's Office, by category number							Total number of other personal-data-related incidents, by category number						
	I	II	III	IV	V	Total		I	II	III	IV	V	Total
2011-2012	Nil	Nil	Nil	Nil	Nil	Nil	2011-2012	Nil	Nil	Nil	Nil	Nil	Nil
2010-2011	Nil	Nil	Nil	Nil	Nil	Nil	2010-2011	Nil	Nil	Nil	Nil	Nil	Nil
2009-2010	Nil	Nil	Nil	Nil	Nil	Nil	2009-2010	Nil	Nil	Nil	Nil	Nil	Nil
2008-2009	Nil	Nil	Nil	Nil	Nil	Nil	2008-2009	Nil	Nil	Nil	Nil	Nil	Nil
2007-2008	Nil	Nil	Nil	Nil	Nil	Nil	2007-2008	Nil	Nil	Nil	Nil	Nil	Nil

Results for the year

In 2011-2012, Estyn's total revenue expenditure, net of income, was £9.7million (£11.3m: 2010-2011) against funding of £10.437million available from the Welsh Government.

The results for the year are detailed in the following statements and accompanying notes and show a total reduction in revenue expenditure of £1.7million against the previous year's figure, continuing to reflect Estyn's efficiencies programme to meet targets set under the most recent Comprehensive Spending Review.

During 2011-2012, Estyn continued its programme of in-housing school inspections. The proportion of primary and secondary school inspections that were 'Estyn-led', rather than being undertaken by contractors, rose from 44% in 2010-2011 to 67% in 2011-2012. In the same period, the total number of primary school inspections in 2011-2012 was 14% lower than the previous year (it is usual to see a small year-to-year variation in the in the number of inspections within the six year cycle of inspections). The net result of the lower number of contracted-out inspection contracts was a year-to-year reduction in our inspection programme costs of approximately £703k.

'Other costs' (see Note 4) have also been significantly reduced. At the start of 2011 we closed our North Wales office and renegotiated the lease for our Cardiff office on the basis of a downsizing of office space. Despite reducing our office floor space we were able to create a conference area within our Cardiff office which has been used to host training and events for our staff, our external inspection resources (additional inspectors, peer inspectors and lay inspectors) and our stakeholder fora – this has helped to reduce the overall cost of venues for hosting our extensive programme of training.

In implementing our new 2010 inspection framework we reviewed our information system requirements and streamlined our data-capture and reporting processes. We have implemented low-cost solutions tailored to meet our operational processes which have realised significant savings. Further savings against our expenditure on Information, Communication and Technology (ICT) were also realised as a consequence of closing our North Wales office.

During 2011-2012 we delivered an increasing number of Estyn-led inspections without an attending increase in our inspection staff numbers. The restrictions of the general recruitment freeze within the Civil Service continued to apply to Estyn and we did not replace a number of inspection posts which were vacated in-year through staff retirements and end of secondments. This placed significant pressure on our staff and they coped admirably with heavy workloads. However, we have recognised that the position is not sustainable, particularly as we move to all inspections being Estyn-led and experience increasing levels of follow-up inspection work; we therefore reintroduced a recruitment programme in March 2012 to rebuild the workforce – with a 'core' inspection staffing level identified and agreed by the Estyn Strategy Board. New staff will therefore be taken on during the financial year 2012-2013 in order to ensure that the organisation continues to deliver its core objectives.

The Statement of Financial Position as at the year-end 31 March 2012 shows net liabilities of £1.378million (2010-2011: £0.222million). It is not unusual for Estyn's balance sheet to show a deficit position at the end of a financial year due to the high level of creditors. Most of these creditors are a normal consequence of Estyn's contractual arrangements for school inspections, as payment for a contract is not made until Estyn has received the inspection report. Under statutory requirements the report can be received up to 45 days after the inspection is completed. The level of 'inspection' creditors has diminished from the previous year as expected and such creditors will not appear in the 2012-2013 accounts as contracted out inspections will cease in 2012.

As in previous years, under payroll service provider and payment arrangements, the 'creditors' figure also includes an accrual in the accounts for our March salaries where the invoice payment by Estyn has not been cleared before the end of the financial year. Estyn will receive funding from the Welsh Government to meet all of the above liabilities when they mature in the 2012-2013 financial year and it has accordingly been considered appropriate to adopt a 'going-concern' basis for the preparation of these financial statements.

For 2011-2012 the Welsh Government provided Estyn with a capital budget of £339k of which £224k was spent, predominantly on replacement of aged computer equipment.

Looking ahead

During 2012-2013 we will complete our planned move to all our inspections being 'Estyn-led'. As part of this process we will be revising our procurement methodologies and terms and conditions for contracting directly with additional inspectors so that we can achieve a good balance between quality and cost criteria in the resourcing of inspection teams. Also during the next year, we will undertake a

mid-cycle review of the inspection arrangements we implemented from September 2010. This review will assess the experience of the first few years and identify where further improvements can be made to our processes. Indeed, we will continue to seek further efficiencies in all our processes and will begin planning for the next Comprehensive Spending Review and the challenges this is likely to bring.

Further information on the focus of our future work and our planned programme of activities can be found within our Annual Plan 2012-2013 on our website:

<http://www.estyn.gov.uk/>.

Auditor

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

So far as the Accounting Officer is aware:

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

Events since the end of the financial year

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



Ann D Keane

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

12th July 2012

Remuneration report

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

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

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

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

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

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

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

In considering staff bonuses, the following factors are taken into account:

- whether objectives had been met and to what degree;
- how the objectives were met and in particular whether leadership behaviours and professional skills had been demonstrated or not, and to what degree; and
- the degree of difficulty or ease of meeting objectives in light of actual events

During 2010-2011 year a base pay freeze across the Civil Service was announced and this took effect for the performance year 2009-2010. The base pay freeze will be in effect until April 2013. One member of Estyn's Board received a bonus in 2011-2012.

Service contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code. The Code requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

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

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

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk.

Remuneration (including salary) and pension entitlements

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

Remuneration (salary and payments in kind) *

Officials	2011-2012			2010-2011		
	Salary £'000	Non-Consolidated Performance Pay £'000	Benefits in kind (to nearest £100)	Salary £'000	Non-Consolidated Performance Pay £'000	Benefits in kind (to nearest £100)
Ann Keane Her Majesty's Chief Inspector of Education & Training in Wales	105-110	5-10	-	100-105	0	-
Simon Brown Strategic Director	75-80	0	-	70-75	0	-
Meilyr Rowlands Strategic Director	75-80	0	-	70-75	0	-
Band of Highest Paid Director's Total Remuneration	105-110			100-105		
Median total	£54,500			£56,960		
Ratio using the mid point of salary band	1.97			1.80		

*audited figures

Salary

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

Benefits in kind

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

Pension benefits*

Officials	Accrued pension at pension age as at 31/3/12 and related lump sum	Real increase/(decrease) in pension and related lump sum at pension age	CETV at 31/3/12	CETV at 31/3/11 (Restated)	Real increase/(decrease) in CETV
	£'000	£'000	£'000	£'000	£'000
Ann Keane Her Majesty's Chief Inspector of Education & Training in Wales	50 - 55 plus lump sum of 155 - 160	0 - 2.5 plus lump sum of 5- 7.5	1157	1080	40
Simon Brown Strategic Director	30 - 35 Plus lump sum of 60 - 65	(0 - 2.5) Plus lump sum of (2.5 - 5)	616	581	(17)
Meilyr Rowlands Strategic Director	30 - 35 plus lump sum of 90 - 95	(0 - 2.5) Plus lump sum of (0 - 2.5)	579	545	(13)

*audited figures

The actuarial factors used to calculate CETVs were changed in 2011-2012. The CETVs at 31/03/2011 and 31/03/2012 have both been calculated using the new factors for consistency. The CETV at 31/03/2011 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a

'final salary' scheme (**classic**, **premium** or **classic plus**); or a 'whole career' scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with changes in the Pensions Increase Legislation. Members who joined from October 2002 could opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (**partnership** pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. 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' 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, immediately after the scheme year end, the accrued pension is uprated in line with Pensions Increase Legislation. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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

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

Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer

the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

Redundancy

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

Ann Keane

Ann D Keane

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

12th July 2012

Statement of accounting officer's responsibilities

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

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

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

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

Governance statement

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- 1 Introduction**
- 2 The governance framework**
 - a How the management control system operates**
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 - f Partnership working**
 - g Managing risk**
 - h Audit and impact**
- 3 Reviewing the effectiveness of the operation of the governance framework**
- 4 Significant governance issues**

1 Introduction

Estyn is a non-ministerial civil service department that is independent of but funded by the Welsh Government under section 104 of the Government of Wales Act 1998. Information on Estyn's strategic objectives, its mission and its values can be found within the Annual Plan we publish on our website at the start of each financial year.

Budget resources for 2011-2012 were provided to Estyn via the Director General for Local Government and Communities in the Welsh Government. As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Estyn's policies, aims and objectives whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

In discharging this overall responsibility, I have maintained proper arrangements for the governance of Estyn's affairs. Estyn has a sound system of internal control that facilitates the effective exercise of Estyn's functions and includes arrangements for the management of risk. Where practical, Estyn has adopted the practices set out in **Corporate governance in central government departments: Code of good practice 2011** and the guidance in **Managing Public Money**.

This annual governance statement outlines how duties in relation to good governance have been carried out within Estyn in the course of the financial year 2011-2012 and how Estyn has complied with the above Code.

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. The system of internal control manages risk to a reasonable level rather than eliminating all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. Risk assessment is based on an on-going process designed to identify and prioritise the risks to the achievement of Estyn's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically by mitigating their potential impact and lowering the level of risk.

The governance framework, incorporating the system of internal control, has been used in Estyn during the year ending 31 March 2012 and up to the date of approval of the annual report and accounts. It accords with Treasury guidance.

Ann D Keane

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

12th July 2012

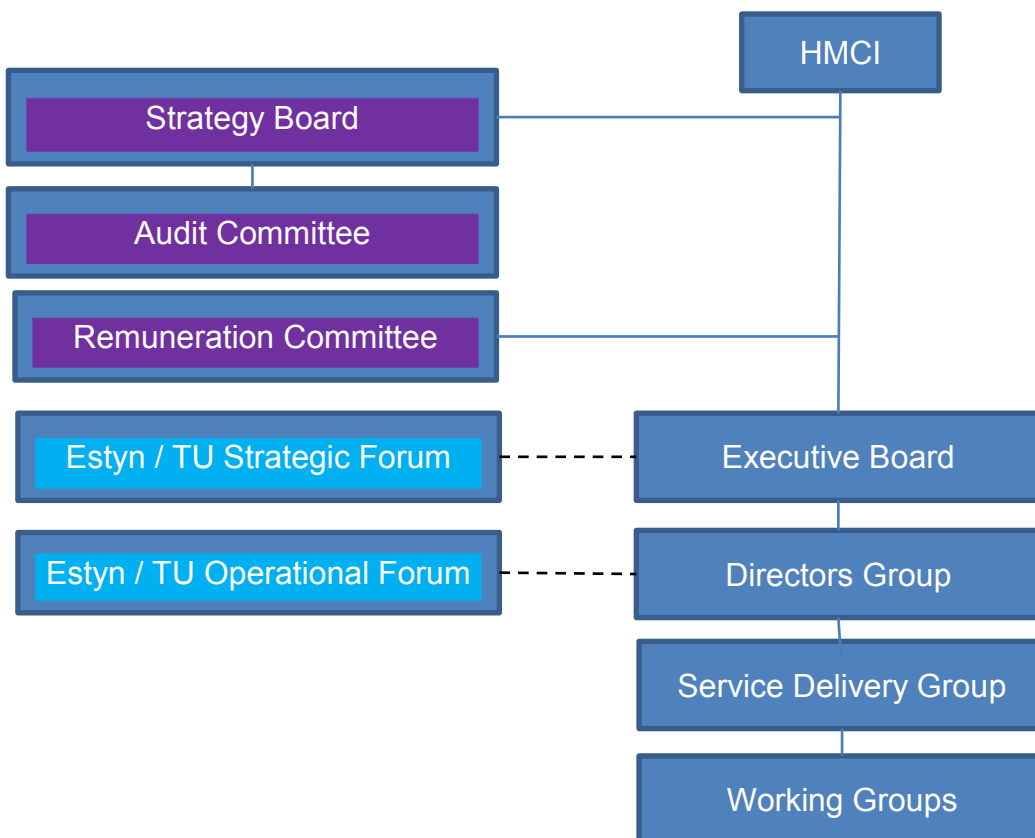
2 The governance framework

Estyn's corporate governance framework is published on our website. The document explains the key responsibilities of Her Majesty's Chief Inspector for Education and Training in Wales (HMCI), the Strategy Board for Estyn (and its two sub-committees: the Audit Committee and the Remuneration Committee) and the Executive Board. It also articulates HMCI's powers of delegation; the conduct expected of the Strategy Board; and the proceedings of boards and committees.

A clear statement of Estyn's purpose and vision is set out in its Annual Plan. The Annual Plan outlines Estyn's overarching vision and sets out its principal aims and objectives. It is required to be published by Estyn under Section 87 of the Learning and Skills Act 2000 and has to be approved by the First Minister of the Welsh Government. In alignment with the Annual Plan, business/activity plans are developed and individual officer work plans are agreed with performance objectives and targets.

a How the management and control system operates

Structure of Estyn groups and committees:



Attended by senior management and non-executive directors

Attended by staff and regional/national representatives of Public and Commercial Services Union (PCS) and First Division Association (FDA)

Throughout 2011-2012, Estyn's Executive Board met formally on a monthly basis and also held brief fortnightly sessions to discuss upcoming activities and emerging issues. Risk management, performance review and policy development/approval featured regularly on the agenda and informed papers for consideration by the Strategy Board. The Executive Board approved the budget allocation, the delegated budget process, all business cases for additional expenditure and any requests for departure from normal procurement rules.

During 2011-2012, the Strategy Board met quarterly and all meetings were fully-attended by members. Standing agenda items included: risk management (review), performance indicators, service delivery and financial updates. The Strategy Board also held an 'away-day' to undertake a strategic review, including an analysis of Strengths, Weaknesses, Opportunities and Threats. Strategy Board discussions included manpower planning (leading to identification of a 'core' level of HMI staff and an agreed recruitment strategy) and approaches to managing within a reducing annual budget. In 2011-2012, no significant new risks were identified as part of the Board's consideration of risks and 'risk appetite'.

Each meeting of the Strategy Board was concluded with a self-evaluation of proceedings and the papers presented. Minutes of meetings held during 2011-2012 confirm that the Board is content with proceedings and the quality of information presented and discussed (minutes of all meetings of the Executive Board, Strategy Board and Audit Committee are posted on Estyn's intranet for all staff to access).

The Audit Committee, chaired by one of the non-executive directors, met four times during the year to: consider regular reports from internal audit on systems reviews; review and approve the Annual Accounts; consider reports from external audit; and, discuss other standard agenda item detailed within its terms of reference. Every meeting was attended in full. The quality of the Audit work and that of the Committee has been evaluated during the year using several different methods:

- end of meeting evaluation;
- self-assessment checklist completed by members;
- annual meeting with the Internal and External Auditors; and
- paper from the Assistant Director (Finance) on the Internal Auditor's performance.

These evaluations led to minor changes in the work, improved communications and training needs being identified.

The Remuneration Committee, a further sub-committee of the Strategy Board, is also chaired by one of the non-executive directors. The Remuneration Committee met once (all members in attendance) during 2011-2012 to consider the performance and remuneration of Estyn's senior staff, including HMCI. Non-senior staff remuneration is subject to local agreement but is based on standard civil service pay grades and is closely aligned with Welsh Government pay rates.

b Finance

The Executive Board is attended by the Assistant Director (Corporate Services) who is Estyn's Principal Finance Officer (PFO). The PFO provides detailed finance protocols, procedures and guidance and training for managers and staff (including Estyn's **Finance Manual**). Within Estyn's day-to-day operations, a framework of internal controls (eg authorisation, reconciliations, separation of duties, etc – which are captured within the Finance Manual and various desk instructions) control the risks of fraud or error. This framework is reviewed by internal audit (including in-year unannounced 'spot-checks'). All internal audit reports relating to Estyn's finance systems and procedures provided substantial assurance that effective processes and controls were in place throughout 2011-2012.

c Performance

Estyn's PFO provides quarterly budget reports and management information on internally and externally (published) performance indicators. Performance against targets is monitored and reviewed quarterly by both the Executive Board and Strategy Board. Key Performance Indicators are published in Estyn's Annual Plan and are reported within Section 1 of this Annual Report and Accounts.

Throughout 2011-2012 we have continued to embed the changes arising through the transformation programme started in 2009. Our transformation goals were to create a much stronger strategic alignment of our business with our mission, our purpose and our strategic objectives; our Inspection Performance and Conformance Group is one of our key working groups that has helped to deliver our strategic objectives. Operational benefits arising from our transformation include more streamlined, efficient and proportionate inspections and more flexible, efficient and effective use of available resources, generating more impact from the funds we have voted to us. The effectiveness of the transformation programme was monitored by the Executive Board with quarterly updates provided to the Strategy Board. Financial considerations were not the primary driver to our transformation plans, but our statement of annual accounts for 2011-2012 clearly show our contribution to Welsh Government's efficiency agenda.

d Staffing

In March 2011, Estyn was awarded Investors in People (IiP) Gold. Whilst this was a very pleasing achievement, the IiP assessor identified further areas of development in Estyn's culture and this work was taken forward during 2011-2012 by our Employee Engagement Task Group. Estyn's results for the 2011 Civil Service People survey illustrate that Estyn continues to have high levels of engagement significantly above the Civil Service average and benchmarks for high performers (see the case study on page 28 for further details).

All posts in Estyn are job evaluated via a service level agreement with the Welsh Government. Following an internal reorganisation staff posts within our Corporate Services functions were re-evaluated during the summer of 2011. Job Descriptions and Person Specifications have been drawn up for all posts within Estyn. Staff recruitment panels are balanced in terms of equalities/diversity and management

responsibilities, and usually include an external member. All Estyn appointments, including the appointment of a new non-executive director in 2011/12 were done on the basis of merit via open competition. The new non-executive director, Rheon Tomos, took up his post in the financial year 2012-2013.

All staff and non-executive directors receive an Annual Performance Review at which performance is measured against agreed objectives. Development needs are also identified as part of this process and addressed via corporate and individual training programmes which are captured within an Annual Training Plan. Training requirements are also identified through other mechanisms. For example, the results of the 2010 People Survey indicated particular challenges for our middle-management tier in Corporate Services and a programme to address development needs ran throughout the financial year 2011-2012.

The behaviour and conduct of staff and non-executive directors is promoted through compliance with the **Civil Service Code** and various Estyn policies and procedures, including policies on: Anti-fraud, Whistleblowing, Internet/email Usage, Procurement, Employee Handbook and numerous HR policies. A comprehensive induction programme is provided to all new staff and NEDs, which covers standards of conduct and general governance arrangements.

Estyn maintains a register of interest for Board members and a register of interest for all permanent employees, secondees and temporary staff. No member of the Board holds directorships or other significant interests which may conflict with their management responsibilities. Registers for the recording of the receipt of gifts and hospitality are also maintained for both staff and NEDs.

e Complaints

Estyn has a formal Complaints Procedure which is managed by a designated Complaints Officer, with a separate complaints policy in place specifically for recruitment matters. Targets are set and monitored for responses to all complaints – with quarterly reporting to both the Executive and Strategy Boards.

f Partnership working

Our partnership working is governed by agreements, protocols or memoranda of understanding relevant to the type of work or relationship involved. In addition to partnership working we recognise that communication with key stakeholders can play a fundamental role in the successful achievement of Estyn's mission. A number of fora exist for engaging with stakeholders from different education and training sectors. In early 2012, we sought stakeholder views in respect of a mid-cycle review of our inspection framework and feedback received will be used to inform modifications to the framework and our processes.

There are a number of groups/forums that support the total governance framework, including an operational and a strategic forum for Trade Unions/Management engagement. There is also a robust policy development framework which involves widespread staff and, where appropriate, trade union consultation. Internally, staff are consulted regularly through surveys, briefings and team meetings.

g Managing risk

Estyn's risk management policy sets out:

- the purpose of Estyn's risk management arrangements;
- risk management principles;
- relative responsibilities within Estyn; and
- risk tolerance and appetite.

In line with the policy, line managers at Grade 7 level and above, took responsibility during 2011-2012 to ensure that everyone in their teams understood their risk management responsibilities. As part of Estyn's induction programme for new starters, all new staff and secondees were introduced to Estyn's risk system and to managing risk in a way that accords with their post and responsibilities.

During 2011-2012 Estyn maintained a composite risk register that provided visibility of risks at both strategic and operational levels (including key risks for specific projects and programmes and a specific register for Information Risks). Risk registers were updated at least quarterly and reviewed on a comprehensive basis annually at both senior and corporate management team levels. This ensured that strategic and corporate risks, including information risks, were identified, objectively assessed and actively managed.

Risk management was embedded in the activity of the organisation through the requirement for all significant work to be appropriately risk assessed, and managed in accordance with those assessments, by all concerned. Maintenance of awareness of risk, including early identification and active management, was achieved at all levels in the organisation through the regular review of the risk register and through the requirement on managers to complete annual assurance statements based on their management of operational risks. During 2011-2012, Estyn's internal audit service provider (Deloitte) facilitated risk management workshops attended by groups of Corporate Services staff, Assistant Directors and Strategic Directors. These workshops provided an excellent opportunity for staff from all levels of the organisation to brainstorm risk identification and mitigating strategies. A key risk emerging in 2011 relates to our ability to maintain capacity to meet an increasing work programme, i.e. the demand for more follow up inspections along with collaborative working. During a period where it is necessary to exercise tight controls on external recruitment we continue to explore options that maintain and improve quality of service delivery.

In addition to its Risk Management Policy, Estyn operated a stand-alone Information Risk Management Policy and maintained a specific Information Risk Register. Assurance statements completed by managers covered requirements to report cases of unauthorised disclosure or loss of personal data. All Estyn staff have completed mandatory training in information governance and were required to comply with Estyn's Information Assurance Policy. Contractors and other Estyn partners were also obliged to work within the Information Assurance Policy. In line with government requirements, an appointed Senior Information Risk Owner was responsible for identifying information assets for assignment to designated Information Asset Owners. During 2011-2012, Estyn's Information Governance Group assessed

compliance with the core set of mandatory minimum measures and reviewed and updated all information-related policies and procedures.

The Board gained assurance on the quality of the information they received during the year through the audits that were conducted as part of the Annual Internal Audit Plan and the resulting substantial assurance received through the year. In addition a number of "spot checks" took place by Deloitte which once again confirmed the quality of the systems in place.

h Audit and impact

Estyn's internal audit coverage was planned using a risk-based approach. The Audit Committee approved the annual programme of audits and for 2011-2012 ensured that there was sufficient coverage of key areas in line with an agreed three-year audit programme. Progress against the audit plan was monitored and at the year-end an annual report 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 the Committee. All internal audit reports were reviewed and the main issues arising discussed at Audit Committee, with appropriate assurances that action has been taken or was planned.

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, reported in his annual report. Work completed by Estyn's internal auditors during 2011-2012 resulted in reports that included an independent opinion on the adequacy and effectiveness of the system of internal control together with recommendations for improvement. Any areas for improvement identified through internal (and external) audit reports were addressed to ensure continuous improvement. In addition the substantial assurance achieved from the audits ensured that the Estyn Board could be satisfied that they were receiving information of acceptable quality. The following table provides an extract of pertinent information from the annual report of the Head of Internal Audit:

2011-2012 internal audit programme		Audit recommendations				
Internal audit area	Assurance	High priority	Medium priority	Low priority	Advisory	Total
Corporate Governance*	Substantial	-	-	-	-	-
Risk Management*	Substantial	-	-	-	-	-
Financial systems	Substantial	-	1	2	-	3
Travel, subsistence & expenses	Substantial	-	1	4	-	5
IT general controls	Substantial	-	1	1	-	2
Procurement & contract compliance	Substantial	-	2	5	-	7

Staff performance management	N/A	-	-	-	5	5
Quality assurance – HMI-led inspections	Full	-	-	1	-	1
Policy & procedures for managing attendance		-	-	-	-	-
Total		-	5	13	5	23

* These audits were follow-ups from the previous year and informed the auditors annual report and assurance on Estyn's Governance and Risk Management.

3 Reviewing the effectiveness of the operation of the governance framework

A review of the effectiveness of Estyn's governance framework was conducted by the Strategy Board and informed this Governance Statement. The review was further informed by: the work of the senior managers and the Strategy Board who have responsibility for the development and maintenance of Estyn's governance environment; the Head of Internal Audit's annual report; and by comments made by the external auditors and other reviews eg Investors in People.

The process that was applied in maintaining and reviewing the effectiveness of the governance framework included:

- an annual self-assessment of the adequacy of the governance arrangements completed by the Strategy Board. In May 2012, the Strategy Board: undertook an annual self-evaluation of the effectiveness of the Board, reviewed and updated Estyn's Corporate Governance Framework; and, confirmed Estyn's compliance with the '**Corporate Governance Code**';
- completion of Annual Statements of Assurance by all Assistant Directors and Strategic Directors. A review of returns concluded that, based on self-assessment, effective controls were in place;
- a review of the annual report prepared by the Head of Internal Audit. For all audits undertaken in relation to the year covered by these accounts, Deloitte were able to provide either substantial or full assurance that risks material to the achievement of objectives in each area audited were being properly managed and controlled. Areas for improvement identified through internal and external audit reports were either addressed or 'in train' with explanations for any delays reported to the Audit Committee;
- the annual review of the effectiveness of the internal audit function. The IA was compliant with Government Internal Audit Standards (GIAS). Deloitte LLP provided Estyn's internal auditor service and operated to GIAS while undertaking audits in accordance with a three year audit strategy and an agreed annual plan;

- access to audit reports on any services provided to Estyn by the Welsh Government under a Service Level Agreement;
- the Audit Committee (with the assistance of internal audit) undertaking an annual self-assessment of the work and performance of the Committee which helped members to produce an action plan for the Committee;
- Investors in People and other similar assessments and accreditation;
- Wales Audit Office opinion on Estyn's financial statements;
- monitoring of policies, such as Complaints, Health and Safety, and the corporate budget challenge process; and
- the work of the Audit Committee, which reviewed the outcomes from the annual audit plan, including the implementation of audit recommendations, and the report of the Head of Internal Audit. An over-arching tracking system was used by the Executive Board and Audit Committee to monitor completion of and compliance with audit recommendations. There were no significant events or issues of judgement or control that had to be considered by the Committee during the year.

4 Significant governance issues

The review, as detailed above, provides good assurance about the effectiveness of Estyn's systems of internal control. No significant issues have been identified during the year in relation to Estyn's overall governance framework. Specific opportunities for enhancing governance and internal controls that were identified as part of the assurance processes detailed above have either been addressed or are included in action plans for the relevant managers.

Ann Keane

Ann D Keane

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

12th July 2012

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

I certify that I have audited the financial statements of Estyn: Her Majesty's Inspectorate for Education and Training in Wales for the year ended 31 March 2012 under the Government of Wales Act 1998. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of changes in Taxpayers equity and related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Estyn's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Estyn; and the overall presentation of the financial statements.

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

In addition I read all the financial and non-financial information in the Annual Report and Management Commentary to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on Financial Statements

In my opinion the financial statements:

- give a true and fair view of the state of Estyn's affairs as at 31 March 2012 and of its net operating cost, for the year then ended; and
- have been properly prepared in accordance with HM Treasury directions issued under the Government of Wales Act 1998.

Opinion on Regularity

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

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Huw Vaughan Thomas
Auditor General for Wales

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

24 July 2012

Estyn Annual Accounts 2011-2012 (International Financial Reporting Standards – IFRS)

Statement of comprehensive net expenditure for the year ended 31 March 2012

		2011-2012			2010-2011
	Note	Budget	Actual Outturn	Net Total Outturn compared with Estimate (saving)/excess	Prior Year Outturn
		£000	£000	£000	£000
Resources:					
Staff costs	3	6,981	6,640	(341)	7,362
Depreciation	6&7	400	163	(237)	120
Other costs	4	3,056	2,859	(197)	3,968
Gross Operating Costs		10,437	9,662	(775)	11,450
Operating income	5	-	(6)	(6)	(138)
Net Operating Costs for the Year		10,437	9,656	(781)	11,312

Net expenditure is reported as a single segment in line within Estyn's Annual Plan 2011-2012 (available at www.estyn.gov.uk).

Staff costs are show in more detail in Note 3 and Other costs detailed in Note 4.

The notes on pages 63 to 73 form part of these accounts.

Statement of financial position as at 31 March 2012

	Note	31 March 2012		31 March 2011	
		£000	£000	£000	£000
Non current assets					
Property, plant and equipment	6	190		93	
Intangible assets	7	4		40	
Total non-current assets			194		133
Current assets					
Trade and other receivables	9	99		83	
Cash and cash equivalents	10	70		1,305	
Total current assets			169		1,388
Total assets			363		1,521
Current liabilities					
Trade and other payables	11	(1,552)		(1,530)	
Provisions within one year ¹	12	(45)		(43)	
			(1,597)		(1,573)
Total current liabilities					
Total assets less current liabilities			(1,234)		(52)
Non-current liabilities					
Provisions:					
Between two and five years	12	(144)		(170)	
Total non-current liabilities			(144)		(170)
Assets less liabilities			(1,378)		(222)
Taxpayer's equity					
General fund		(1,378)		(222)	
Total taxpayers' equity			(1,378)		(222)

Ann Keane

Ann D Keane

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

12th July 2012

¹ Provisions within one year shown under non current liabilities in 2010-2011 Resource Accounts as required. Reporting requirements changed to show this in current liabilities for 2011-2012.

Statement of cash flows for the year ended 31 March 2012

	Note	2011- 2012 £000	2010- 2011 £000
<u>Cash flow from operating activities</u>			
Net operating cost		(9,656)	(11,312)
Adjustments for non-cash transactions:			
Depreciation	6&7	163	120
Salaries (provision)	3	-	37
Other costs (provision)	4	20	(35)
Increase / (decrease) in trade and other payables	11	22	(1,074)
(Increase) / decrease in trade and other receivables	9	(16)	429
Less movements not passing through the Statement of Comprehensive Net Expenditure, eg capital creditors	6	(17)	(10)
Use of provisions	12	(44)	(140)
Net cash outflow from operating activities		(9,528)	(11,985)
<u>Cash flows from investing activities</u>			
Purchase of property, plant and equipment	6	(207)	-
Purchase of intangible assets	7	-	-
Net cash flow from investing activities		(207)	-
<u>Cash flows from financing activities</u>			
Net financing (from the Welsh Government)		8,500	12,500
Net increase/(decrease) in cash and cash equivalents		(1,235)	515
Cash and cash equivalents at the beginning of year	10	1,305	790
Cash and cash equivalents at the end of the year	10	70	1,305

Note: Purchase of property, plant and equipment excludes creditors of £17k.

The notes on pages 63 to 73 form part of these accounts.

Statement of changes in taxpayers' equity for the year ended 31st March 2012

Changes in taxpayers' equity for 2010-2011	2010-2011	
	£000s	£000s
Balance as at 31 March 2010		
Net operating cost for the year	(1,410)	
Total recognised income and expense for 2010-2011	<u>(11,312)</u>	
Net Welsh Government funding	(11,312)	
Balance at 31 March 2011	<u>12,500</u>	
	<u>1,188</u>	
	(222)	
	2011-2012	
	£000s	£000s
Balance at 31 March 2011		(222)
Changes in taxpayers' equity for 2011-2012		
Net operating cost for the year	<u>(9,656)</u>	
Total recognised income and expense for 2011-2012	(9,656)	
Net Welsh Government funding	<u>8,500</u>	
		(1,156)
Balance at 31 March 2012		(1,378)

The notes on pages 63 to 73 form part of these accounts.

Notes to the departmental resource accounts

1 Statement of accounting policies

The financial statements have been prepared in accordance with the Government Financial Reporting Manual (FReM) 2011-2012 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 2011-2012 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 have agreed a revised accounts direction. The Summary of Resource Outturn is no longer required and in addition, the Summary of Comprehensive Net Expenditure is reported as a single segment, rather than across the four strategic objectives as in 2010-2011. The changes have been implemented to reflect that all costs incurred by Estyn are in respect of the overall function of the Inspectorate. Prior year figures have been restated to reflect the changes.

1.1 Accounting convention

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

1.2 Property, plant and equipment and Intangible assets

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

1.3 Depreciation

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

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

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

1.4 Provisions

Provisions are included in the accounts for liabilities that are likely or certain to arise but uncertain as to the amount or dates on which they will arise. Provisions are created or increased by making a charge to revenue expenditure in the year of creation. When the expenditure is actually incurred, the expenditure is charged directly to the provision. The provisions included within these accounts are regarded as short-term and subject to annual review and are therefore expressed in current prices, ie not discounted.

1.5 Operating income

Operating income is income that relates directly to the operating activities of Estyn. It principally comprises fees and charges for services provided (on a full-cost basis to external customers) and other miscellaneous income. HM Treasury has issued a receipts direction allowing Estyn to retain such receipts.

1.6 Staff costs and other costs

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

1.7 Value Added Tax

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

1.8 Pensions

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

1.9 Early departure costs

Estyn is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. Estyn provides for this cost in full when the liability arises. There were no early departure or redundancies in 2011-2012.

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 2012-2013 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	2011-2012 Budget £000	2011-2012 Outturn £000	Outturn compared with estimate (saving) / excess £000	2010- 2011
Net total resource outturn		10,037	9,656	(381)	11,312
Acquisition of property, plant and equipment	6&7	339	224	(115)	10
Accruals adjustments:					
Non-cash items	6&7	(400)	(163)	237	(118)
Changes in working capital other than cash	9&11	-	(6)	(6)	645
Dilapidation Provision	12	-	(20)	(20)	-
Use of provision	12	-	44	44	(140)
Net cash requirement		9,976	9,735	(241)	11,709

3 Staff costs and numbers

Staff costs consist of:

	Total 2011- 2012 £000s	Permanently employed staff £000s	Others £000's	2010-2011 £000's
Wages and salaries	4,633	4,633	-	4,890
Social security costs	451	451	-	451
Other pension costs	986	986	-	1,018
Total net costs	6,070	6,070	-	6,359
Plus:				
Secondees in	428	-	428	749
Secondees out	(116)	(116)	-	(142)
Agency staff	252	-	252	289
Early departure costs – in-year	6	6	-	70
Early departure provision				37
Total	6,640	5,960	680	7,362

There were no new early departure costs in 2011-2012, the costs identified above relate to the difference between the provision made when the departure occurs and the actual in-year charge.

All Estyn employees are members of the Principal Civil Service Pension Scheme (PCSPS) which is an unfunded multi-employer defined benefit scheme. Estyn is unable to identify its share of the underlying assets and liabilities of this scheme. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (<http://www.civilservice.gov.uk/pensions>).

For 2011-2012, employers' contributions of £986k were payable to the PCSPS (2010-2011: £1,018k) at one of four rates in the range 17.1% to 25.5% of pensionable pay (2010-2011: 17.1% to 25.5%) based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2012-2013, the rates will be in the range 17.1% to 25.5%. The contribution rates are set to meet the cost of the benefits accruing during 2011-2012 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

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

Reporting of Civil Service and other compensation schemes – exit packages

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

No new redundancy or any other departure costs have been incurred during 2011-2012.

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

Number of permanent staff	Number of other staff ¹	Total staff 2011-2012	Total staff 2010-2011
97.5	15.18	113	113

¹ Other staff refers to secondees and agency staff.

4 Other costs

	2011-2012 £000	2010-2011 £000
Rental under operating leases: accommodation	125	324
Other accommodation costs	285	319
IT & telecommunications	455	627
Welsh Government central services	14	8
Travel and subsistence	394	326
Auditor's remuneration – audit of accounts	32	32
General administration expenditure ¹	194	324
Non-cash items:		
- provision for accommodation dilapidation	20	(35)
- tangible asset depreciation	127	84
- Intangible asset depreciation	36	36
	1,682	2,045
Less: Operating income (Note 5)	(6)	(138)
Subtotal: Net administration costs	1,676	1,907
Post 16 education inspections and associated costs	7	8
School inspections and associated costs	945	1,590
Local education authority inspections and associated costs ²	115	81
General inspection related costs	271	336
Remit costs	2	28
Subtotal: Programme costs	1,340	2,043
Total other costs	3,016	3,950
Total Other costs without Income and depreciation	2,859	3,968

¹ Includes a credit of £47,549 in respect of the recovery of relocation expenses paid in 2009-2010.

² Includes payments made to Estyn's external auditors in respect of joint inspection work, ie payments in respect of services other than audit, amounting to £115,000 (2011-2012) and £81,000 (2010-2011).

5 Income

	2011-2012 £000	2010-2011 £000
Income		
- recharge for inspection work*	-	(136)
- registration fees	(2)	(2)
- miscellaneous	(4)	-
Total	(6)	(138)

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.

*Income receivable from the Department of Work and Pensions (DWP) under the terms of a Memorandum of Understanding between Estyn and DWP in respect of inspection of work-based learning programmes in Wales (which ended in 2010-2011).

6 Property, plant and equipment

	IT systems £000	IT equipment £000	Furniture & fittings £000	Office equipment £000	Total £000
Cost or valuation					
At 1 April 2011	196	412	260	90	958
Additions	-	224	-	-	224
Disposals	-	(50)	-	-	(50)
At 31 March 2012	196	586	260	90	1,132
Depreciation					
At 1 April 2011	117	402	256	90	865
Charged in year	39	87	1	-	127
Disposals	-	(50)	-	-	(50)
At 31 March 2012	156	439	257	90	942
Carrying amount					
At 31 March 2012	40	147	3	-	190
At 1 April 2011	79	10	4	-	93

Note: Capital creditors of £17k are included within the Additions total for 2011-2012

7 Intangible assets

	Software £000	DVD £000	Total £000
Cost			
At 1 April 2011	11	109	120
Additions	-	-	-
Disposals	-	-	-
At 31 March 2012	11	109	120
Depreciation			
At 1 April 2011	7	73	80
Charged in year	2	34	36
Disposals	-	-	-
At 31 March 2012	9	107	116
Carrying amount			
At 31 March 2012	2	2	4
At 1 April 2011	4	36	40

8 Financial instruments

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

Liquidity risk

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

Interest rate and foreign currency risk

Estyn holds no material deposits, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or foreign currency risk.

9 Trade receivables and other current assets

9a Analysis by type

	31 March 2012 £000	31 March 2011 £000
Amounts falling due within one year:		
Trade receivables	-	15
Other receivables	27	37
Prepayments and accrued income	72	31
Total	99	83

9b Intra-Government balances

	At 31 March 2012 £000	At 31 March 2011 £000
Amounts falling due within one year:		
Balances with other central government bodies	23	15
Balances with local authorities	-	13
Balances with bodies external to government	76	55
Total	99	83

10 Cash and cash equivalents

	31 March 2012 £000	31 March 2011 £000
Balance at 1 April 2011	1,305	790
Net change in cash and cash equivalent balances	(1,235)	515
Balance at 31 March 2012	70	1,305

Estyn uses the Government Banking Service and operates two bank accounts. The Citi Bank is used for collection of BACS income and the NatWest account provides a BACS payment service and local banking facilities. The following balances were held at 31 March 2012:

	31 March 2012 £000	31 March 2011 £000
Balances at Citi Bank	70	1,305
Balances at NatWest	-	-
	70	1,305

11 Trade payables and other current liabilities

11a Analysis by type

	31 March 2012 £000	31 March 2011 £000
Amounts falling due within one year		
Trade payables	199	88
Payroll funding	513	544
Accruals & deferred income	840	898
	1,552	1,530

11b Intra-Government balances

	At 31 March 2012 £000	At 31 March 2011 £000
Balances with other central government bodies	676	779
Balances with local authorities	92	94
Balances with bodies external to government	784	657
Total	1,552	1,530

12 Provisions for liabilities and charges

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

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

Provisions	Accommodation refit £000	Early departure £000	Total £000
Balance at 1 April 2011			
- Within one year	-	43	43
- Between two and five years	110	60	170
- After five years	-	-	
Increase/(Decrease) in provision	20	-	20
Amounts utilised in the year	-	(44)	(44)
Remaining provision:			
- Within one year	-	45	45
- Between two and five years	130	14	144
- After five years	-	-	-
Total provision as at 31st March 2012	130	59	189

13 Capital commitments

There are no capital commitments as at 31 March 2012.

14 Commitments under leases

Operating leases

	2011-2012 £000		2010-2011 £000	
	Land & Buildings	Other	Land & Buildings	Other
At 31 March 2012 Estyn was committed to making the following payments during future years in respect of operating leases expiring:				
- within one year	106	-	108	-
- between two and five years	298	-	428	-
- after five years	-	-	-	-
	404	-	536	-

15 Other commitments

Estyn has entered into non-cancellable contracts (which are not operating leases) totaling £107,658 as at 31 March 2012 (£309,166 as at March 31st 2011).

16 Contingent liabilities

There were no contingent liabilities as at 31 March 2012 (there were no contingent liabilities as at March 31st 2011).

17 Related party transactions

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

- Wales Audit Office

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

18 Post balance sheet events

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

Glossary of acronyms used in this report

ACL	Adult community learning
AI	Additional Inspector
BACS	Bankers' Automated Clearing Services
CETV	Cash Equivalent Transfer Value
COBAS	Estyn business planning tool
CSSIW	The Care and Social Services Inspectorate Wales
DfES	The Department for Education and Skills
DPA	Data Protection Act
DYSG	Welsh Government newsletter
FDA	First Division Association
FOI	Freedom of Information
FReM	Financial Reporting Manual
GIAS	Government Internal Audit Standards
GTCW	The General Teaching Council for Wales
HEFCW	The Higher Education Funding Council for Wales
HIW	The Health Inspectorate Wales
HMCI	Her Majesty's Chief Inspector of Education and Training in Wales
HMI	Her Majesty's Inspector
HMIC	Her Majesty's Inspectorate Constabulary
HR	Human Resources
IA	Internal audit
IAR	Inspectorate, Audit and Regulation
ICT	Information and communication technology
IFRS	International Financial Reporting Standards
liP	Investors in People
LSCB	Local Safeguarding Children's Board
NED	Non-Executive Director
Ofsted	Office of Standards in Education (England)
PCS	Public and Commercial Services Union
PCSPS	Principal Civil Service Pension Scheme
PFO	Principal Finance Officer
PRU	Pupil referral unit
QA	Quality assurance

QAA	The Quality Assurance Agency for Higher Education
QEF	Quality and Effectiveness Framework
SAIT	Self-Assessment and Improvement Tool
SEF	School Effectiveness Framework
SICI	Standard International Conference of Inspectorates
TU	Trade Union
VAT	Value Added Tax
VIR	Virtual inspection room
WAO	The Wales Audit Office