



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

# **Annual Report and Accounts**

## **2015-2016**

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## Section 1: The Performance Report

### 1.1 Overview

#### Chief Inspector's foreword

In this year, my first as Her Majesty's Chief Inspector of Education and Training in Wales, my focus has been to build on the work of my predecessor, Ann Keane, who retired at the end of May 2015, and undertake the groundwork that will take the inspectorate forward.



In 2015-2016, we delivered our cyclical schedule of rigorous core inspections alongside a substantial programme of 'follow-up' monitoring of those education providers found during initial inspection to be in need of improvement.

Our inspection and follow-up processes are held in high regard and they have continued to provide public accountability and support improvement across all the sectors we inspect.

Early in the year, we began the process of consulting on proposals for a revised Common Inspection Framework that will come into effect from September 2017. The response from stakeholders has been positive and the project to develop new inspection arrangements picked up pace during the year and is being taken forward in 2016 with pilot inspections planned for the autumn term.

Over the course of the year, we published 14 thematic surveys on various topics as requested in the annual remit letter from the Minister of Education and Skills. Among the reports that received widespread interest from practitioners were the reports on [Best practice in leadership development in schools](#) and [School to school support and collaboration](#). Our new website has improved access to these reports and to other information, such as our best practice case studies, which can be used by education and training providers as a benchmark and to support their own progress.

During the year, we have reorganised our work programme to make resources available to support the Welsh Government in carrying out curriculum reform arising from the Donaldson review. Our contribution to curriculum groups, for example Digital Competence, is furthering the recognition of Estyn as an authoritative voice on education and training in Wales.

Estyn's Civil Service People Survey results in 2015, as in previous years, indicate that we have a highly-engaged workforce. Throughout the ongoing period of austerity with the need to do 'more with less', we have delivered a range of new work streams in addition to our core statutory work. We could not have done this without the diligence and commitment of our staff. I would like to thank all my colleagues who have worked professionally and enthusiastically throughout the year.

**Meilyr Rowlands**

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

The Accounting Officer authorised these financial statements in section 3 of this report for issue on **7<sup>th</sup> July 2016**

## Purpose and activities of the organisation

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

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

In addition to corporate services staff, we employ Her Majesty's Inspectors (HMI) and supplement our internal inspection capacity by engaging secondees. We also train and contract with Additional Inspectors, peer inspectors (who currently work in education and training) and nominees (who act as the provider's representative) to work as part of inspection teams.

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

For the 2015-2016 financial year, all school inspections were undertaken directly by HMI or Additional Inspectors directly engaged by Estyn. A small number of Additional Inspectors also carried out some aspects of survey work and training work on behalf of Estyn.

Estyn's management team and corporate services staff are based in our office located in Anchor Court, Keen Road, Cardiff. All of Estyn's employed inspectors work from home. Estyn's [organisational structure](#) is available on our website.

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

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

## Key issues and risks

A key challenge for Estyn is to continue to deliver high-quality inspection and advice work and also meet additional developments, such as supporting curriculum reform, during a period of ongoing austerity. Resourcing issues for Estyn are not only related to budgetary constraints; ensuring that the organisation has a flexible workforce with the right set of skills is key to successful delivery of our objectives.

We produce an annual Training and Development Plan to meet individual and organisational development needs and we operate a distributed leadership model





which provides staff with opportunities to undertake a range of leadership roles and develop corporate knowledge across Estyn.

We run an annual recruitment campaign to bring in new HMI. This is a cost-effective method of recruitment, but can present problems when it is not possible to match the start date of new recruits with the end date of those staff leaving Estyn. We seek to make use of partial fixed-term contracts for retiring HMI to provide for a smooth handover of knowledge and roles. In addition, we run a programme of secondments from education and training providers for individuals to work with us as additional inspectors – this provides flexibility and additional capacity for Estyn and also provides an opportunity to build capacity for improvement in providers when the secondee returns to their substantive post. We need to tightly manage our resources and our staff are scheduled within a termly work programme which is adjusted, as necessary, to maximise the use of our resources.




### Performance summary

Each year Estyn publishes an [Annual Plan](#), which sets out the key activities for the year that support the delivery of our mission and reflect Estyn's delivery principles. The 2015-2016 Annual Plan can be found [here](#). Achievement against Performance Indicators is monitored on a quarterly or termly basis by the Estyn Strategy Board and the results are published throughout the year on our website [here](#). Each year, our performance targets are adjusted to emphasise continuous development. In 2015-2016, we met or exceeded all our targets. This performance summary highlights a number of performance measures referenced in the performance analysis section, including a selection of our performance indicators.





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

-  Full programme of core statutory inspections delivered (**376** inspections completed)
-  **30%** of providers inspected received follow-up inspections to help drive improvement
-  **100%** of inspection reports were published within deadlines (PI 4)
-  **98%** of providers indicated their satisfaction with the reliability and independence of Estyn's judgements following the publication of the inspection report (PI 3)






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

-  **14** thematic reports published – with more effective communication of report findings
-  **100%** of these thematic reports were published to deadlines (PI 6)
-  HMCI's Annual Report produced in-year on schedule - published on 26 January 2016 (PI 5)



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

-  **40** best practice case studies published
-  Held **45** training events and 13 best practice events
-  **98.6%** of delegates rated our training as good or excellent
-  Received nearly **2,000** responses to our national consultation on how Estyn inspects

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

-  Reduced Net Operating Costs by **2%** against previous year expenditure
-  High levels of staff engagement maintained - Estyn is in the top **3** of **96** civil service organisations (PI 8)
-  Accredited at **level 3** of the Green Dragon Environmental Standard
-  **100%** of complaints and requests for information (made under FOIA and DPA) completed within target timescales
-  7.4 days, on average, were lost through sickness per member of staff that is a **3.6%** annual sickness absence rate (PI 9)

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

-  **17** inspections, special investigations and joint thematic reviews were undertaken with other Welsh and UK inspectorates (PI 19)
-  Joint IAR seminar on 4 February 2016

## 1.2 Performance analysis

### Performance against strategic objectives and delivery principles

Progress against planned activities is regularly reported to Estyn's Strategic and Executive Boards and a summary for the year follows below. Activities are planned and reported against each of our Strategic Objectives and under our Delivery Principles.

Where Estyn's Performance Indicators (PIs) as outlined in the Annual Plan for 2015-2016 are referenced, the following symbol is used:





Click on the symbol to link to our website and view performance against our targets for the year.

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

**Core inspection programme**

A [common inspection framework](#) (CIF) applies to all the sectors that Estyn inspects, other than local authorities, and is available on our website. The common inspection framework is designed so that inspections meet the statutory requirements set out in legislation. Guidance handbooks on carrying out inspections and making judgements are available on our website [here](#) for each sector we inspect.

**Estyn Core Inspections by sector 2015 - 2016**

● Number in Annual Plan  
● Actual number



All education and training providers in Wales are inspected at least once within a six year period beginning 1 September 2014. In December 2015, the Minister for Education and Skills proposed a more flexible approach to inspection by amending regulations to allow Estyn to inspect schools and other providers once in a seven year period instead of a six year period for one inspection cycle. These changes will come into effect from September 2016 and will enable Estyn to repond more flexibly to our ongoing consultation on inspections and to consider how best to deploy inspection resources where they are most needed.

In all sectors, apart from primary and non-maintained nursery settings, all inspections in 2015-2016 were led by HMI. In the primary sector, HMI led around half of the inspections and Registered Inspectors, working under contract with Estyn, led the other half.

In the non-maintained nursery sector, we undertook a joint-working project during the year with the Care Services and Standards Inspectorate for Wales (CSSIW). This involved HMI and CSSIW working together on inspections with some led by HMI and some led by CSSIW. As a result, about 20% of non-maintained nursery inspections were led by either HMI or CSSIW. The remainder were led by Registered Nursery Inspectors, working under contract with Estyn.

### Inspection – external resources

In 2015-2016 we continued to recruit, train and deploy peer inspectors as part of our inspection teams for all sectors apart from mainstream independent schools. Peer inspectors are individuals who have a managerial role in a school or provider and have teaching or training experience in the relevant sector. They are full members of an inspection team and contribute to the inspection work in all key questions. They also write sections within inspection reports allocated to them by the Reporting Inspectors. We reimburse providers for the cost of supply cover, and travel and subsistence expenses incurred on inspection are paid for by Estyn.



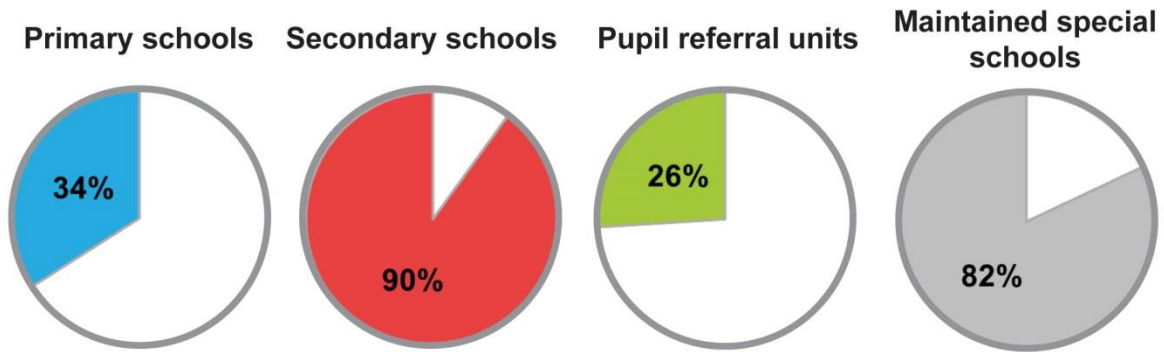
The peer inspector programme has been a great success and, by the end of 2015-2016, there were almost 1,000 peer inspectors across all providers in Wales.

Only a very few inspections took place in 2015-2016 without at least one peer inspector on the team.

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**Percentage of providers who have at least 1 peer inspector**

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Here are a few testimonials from individuals regarding the benefit of being a peer inspector.

*"Very much enjoyed going out as a Peer Inspector.  
An invaluable experience both as continuing professional development and for your own education context."*

*"The Peer Inspector Programme has been the most valuable professional development that I have undertaken, personally and professionally and has also had a benefit to the school."*

*"I would whole-heartedly recommend the training (and have done so to many colleagues). The opportunity to join a team on an inspection was extremely developmental for me and I would relish the opportunity to undertake another in future."*

And, here is some feedback from providers.

*"The approach of the (lay and) peer inspector to gathering evidence and discussing matters with staff was effective and professional".*

*"The introduction of Peer inspectors (and Nominees) has been one of the best initiatives Estyn has introduced. It has increased respect for the inspection system and helped to confirm and/or share good practice more effectively than almost any other CPD".*

## **Statutory and enhanced 'inspection follow-up' activity**

Throughout 2015-2016 we continued to monitor the progress of providers found to require [follow-up](#) at their core inspection.

For providers in statutory follow-up (significant improvement and special measures), we have provided further support and challenge to help the provider to devise suitable action plans to bring about the required improvements. For example, we have ensured that the provider has linked the planned actions to measurable success criteria. We have ensured that the provider has carefully costed each action, has devised a suitable time frame and allocated each action to a specific, accountable postholder.

### **Case study**

In 2011, following a core inspection, inspectors judged that Deighton Primary School needed significant improvement. It received two monitoring visits from Estyn inspectors in 2012 and 2013. Following the school's next core inspection in July 2015, inspectors judged all indicators as good, and as a result no follow up was required.

The headteacher has been in post since April 2012, and the deputy headteacher was appointed in April 2013. The culture of the school has changed as a result of changes to the school's leadership. The headteacher leads the school very effectively. He has shared a clear vision to improve pupils' life chances, and promoted a positive learning environment where everyone is encouraged to develop ambition and to achieve their best. There are clear lines of accountability, and leaders challenge underperformance rigorously. As a result, pupils' standards, attendance and behaviour have all improved significantly since the last inspection. Leaders use data very effectively to inform future priorities for improvement. The strategic approach taken by the school has significantly improved the ambitions and achievements of disadvantaged pupils. A good example of this is the recent visit to Jesus College, Oxford, which successfully raised older pupils' aspirations to study at university when they leave school.

For other providers in follow-up, we have responded flexibly to use our resources proportionately and respond to the particular needs of the provider. For example, we have monitored a few providers using 'desk-based' monitoring, rather than sending a team of inspectors. In a very few instances, we have revisited a provider in follow-up after a further six months to check that improvements are embedded.



**The percentage of Estyn core inspections requiring follow-up activity by sector**  
2014-15 to 2015-16

- Total core inspections
- % requiring statutory follow-up
- % requiring Estyn monitoring

Non-maintained nursery settings	2014 - 2015	124	n/a	9%
	2015 - 2016	116	n/a	16%
Primary schools	2014 - 2015	221	8%	28%
	2015 - 2016	202	4%	26%
Secondary schools	2014 - 2015	34	29%	35%
	2015 - 2016	35	14%	46%
All age schools	2014 - 2015	0	n/a	0%
	2015 - 2016	1	100%	0%
Special schools	2014 - 2015	7	14%	0%
	2015 - 2016	6	33%	33%
Pupil Referral Units	2014 - 2015	4	0%	75%
	2015 - 2016	2	100%	0%
Independent schools, independent special schools and independent specialist colleges	2014 - 2015	9	n/a	0%
	2015 - 2016	7	n/a	0%
Regional consortia	2014 - 2015	0	n/a	0%
	2015 - 2016	1	n/a	0%
Post-16 providers <small>* includes Further Education institutions, Work Based Learning, Adult Community Learning, Welsh for Adults and Initial Teacher Education and Training.</small>	2014 - 2015	10	10%	30%
	2015 - 2016	6	0%	17%
All inspections	2014 - 2015	409	7%	22%
	2015 - 2016	376	5%	24%

### Percentage of providers inspected requiring follow up activity<sup>a</sup>, 2010-2011 to 2015-2016<sup>b,c</sup>

Financial year	Number of core inspections	Number inspected found to require follow-up	Percentage found to require follow-up activity
2010-2011	269	51	19%
2011-2012	445	113	25%
2012-2013	419	116	28%
2013-2014	391	128	33%
2014-2015	409	123	30%
2015-2016	376	111	30%

<sup>a</sup> Only includes statutory follow-up (e.g.SI or SM) and Estyn monitoring. Does not include local authority monitoring or Link Inspector monitoring.

<sup>b</sup> Financial year

<sup>c</sup> Includes 11 pilot joint inspections with CSSIW for non-maintained nursery providers

## The quality assurance of Estyn inspections and reports

**PI 1**

We have maintained stakeholder confidence in the quality of inspections by quality assuring reports rigorously before their publication. In 2015-2016 we quality assured, validated and moderated all Estyn-led inspection reports. The quality assurance process is undertaken by HMI who are not part of the original inspection team. HMI who undertake the validation and moderation of reports follow [guidance](#) on the quality assurance of reports and inspections published on the Estyn website. In 2015-2016, none of our published inspection reports required amendment after publication as a result of substantial challenge to judgements.

Survey results collated in 2015-2016 indicate that inspections are experienced by providers as a positive process that promotes improvement.

**PI 2**
**PI 3**

In accordance with our [policy](#) (Estyn's arrangements for assuring the quality of inspections), we undertook quality assurance visits to about 10% of inspections in the primary sector and to about 20% of inspections in the non-maintained nursery sector led by Registered Inspectors. We also visited about 5% of inspections led by HMI as part of our quality assurance processes.

During 2015-2016, all our inspection reports were published in a timely manner.

**PI 4**

An internal audit of quality assurance systems and processes was carried out at the year-end and provided 'substantial assurance' that the controls in place to manage the issues in this area are suitably designed and consistently applied. The key finding of the report was that Estyn has a well-established and effective quality assurance process for inspections, seen by HMIs as being a valuable process incorporating an appropriate balance between support and challenge.

## **New inspection workstreams, including reviewing, piloting and updating the guidance on inspection**

In 2015-2016, we worked with CSSIW to develop a joint-inspection framework for non-maintained settings. During autumn 2015 and spring 2016 we piloted this framework in 11 non-maintained settings. The type of settings inspected as part of the pilots included day nurseries and playgroups as well as settings that offered English or Welsh-medium provision. We will be evaluating the pilots during summer 2016. We will continue to pilot inspection arrangements during autumn 2016 and 2017.

We also developed and piloted new arrangements for inspecting further education institutions in the spring term 2015, and provided training for peer inspectors in this sector in the summer term 2015. The new cycle of inspection for further education started with the inspection of Coleg Cambria in the autumn term 2015 and Bridgend College in the spring term 2016.

We have developed a framework for inspecting the regional school improvement consortia. We consulted with our key stakeholders during the development of the framework. As part of the evidence base, we conducted a perception survey of all maintained schools headteachers and chairs of governors to gather their views about the effectiveness of support and challenge they receive from the consortia. The Central South Consortium was inspected in late March 2016 and the other three consortia are to be inspected during the summer term 2016.

We have developed early proposals for the inspection of local authorities from 2017 onwards. The proposals will be considered and developed during 2016-2017, taking full account of the timetable for local government reform.

<b>Strategic Objective 2: Inform the development of national policy by the Welsh Government</b>
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**Publication of [thematic reports](#) in response to the annual Ministerial remit letter and provision of other advice to Welsh Government**

In response to the [Minister's annual remit letter](#), in 2015-2016, we published 14 thematic reports on the following topics:

Name	Date of publication
<a href="#">The impact of advisory teachers on funded non-maintained settings</a>	May 2015
<a href="#">Best practice in teaching and learning in the creative arts at key stage 2</a>	May 2015
<a href="#">How well do further education institutions manage learner complaints?</a>	May 2015
<a href="#">Improving schools through regional education consortia</a>	June 2015
<a href="#">Best practice in leadership development in schools</a>	June 2015
<a href="#">Effective practice in improving attendance in primary schools</a>	June 2015
<a href="#">Education other than at school: a good practice survey</a>	June 2015
<a href="#">School-to-school support and collaboration</a>	June 2015
<a href="#">Review of educational visits policies in the further education sector</a>	September 2015
<a href="#">Effective teaching and learning observation in further education colleges</a>	October 2015
<a href="#">Breaking down barriers to apprenticeships</a>	October 2015
<a href="#">Statutory use of leadership standards in the performance management of headteachers</a>	November 2015
<a href="#">Learner support services in further education for learners aged 16-19</a>	December 2015
<a href="#">The impact of the Additional Training Graduate Programme (Teach First) in Wales</a>	February 2016

All were published within timescales agreed with the Welsh Government.

<b>PI 6</b>
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We developed a toolkit and provided training for peer inspectors for their involvement in thematic surveys in the summer term 2015, introduced a training session for new HMI on our thematic surveys, and provided each thematic survey lead with a briefing pack that outlined existing relevant research and included a suggested framework for undertaking the project.

We provided advice and support to the Welsh Government's Department for Education and Skills (DfES) as required, including participating in a range of Welsh Government committees, working and advisory [groups](#).

We also contributed to reports on joint inspections and surveys involving other inspectorate, audit and regulatory bodies.

We have provided a range of support and guidance to the Welsh Government during the initial phase of the curriculum reform programme. Estyn is represented on many of the groups established by the Welsh Government to support the programme. This year, Estyn has liaised with the Welsh Government during the development of the Digital Competence Framework. In preparation for the availability of this framework from September 2016, we have made some amendments to our inspection handbooks and plan to provide additional training to our inspectors.

During 2015-2016, we worked with the DfES to revise the structure of thematic surveys for 2016-2017 to provide a more flexible model that allows for rapid response through to substantive items that may lead to regional and national conferences.

Looking forward, we have introduced a new performance indicator for 2016-2017 that aims to capture Estyn's impact on the development of national policy and education and training initiatives: target of 90% of recommendations for improvement that are fully accepted for implementation by Welsh Government

PI 7

## **Production and publication of HMCI's Annual Report**

HMCI produced his first Annual Report on the quality of education and training for the academic year 2014-2015, publishing it in January 2016.

**PI 5**

A web-based version of the foreword and thematic section of the report was produced, while the whole report was accessible online for reading on hand-held electronic devices, including tablets and mobile phones, as well as PCs and laptops. We also published an accessible version so that the 'pdf' version could be read by online screenreaders.

Estyn liaised effectively with the office of the Minister for Education and Skills and Welsh Government officials, in particular to communicate the key messages from our thematic chapter about the curriculum in Wales. The thematic section, particularly the self-evaluation questions, was well-received.

We launched Estyn's new interactive data website when we published HMCI's Annual Report. This means that the report does not include a summary of inspection outcomes, but includes links throughout the report to this website. The Annual Report also showcased a wide variety of case studies from a range of providers across Wales.

We designed and implemented a media campaign to support the launch of the Annual Report. This included a film, which achieved a great deal of positive publicity and generated media debate and discussion. The use of Twitter contributed significantly to public debate and discussion, and encouraged comment from a wide audience, including education professionals, teaching unions, consortia and members of the public.

## **Developing distributed leadership through Lead Inspector / Lead Officer / Link Inspector roles**

Estyn has established a constructive working relationship with every local authority through pairs of link inspectors. Working in pairs has reduced the risk that we lose touch with an authority if an inspector is off work or leaves the organisation. During 2015-2016, we maintained an ongoing evaluation of every local authority; these are succinct two-page summaries of our latest view of the authority and helpfully inform meetings through the year that HMCI and senior staff have with the Welsh Government and other stakeholders.

Routinely Estyn has:

- analysed and interpreted performance data and inspection reports, and used this effectively to challenge local authorities about their provision
- monitored providers' performance and progress against post-inspection action plans, and followed up specific concerns from reporting inspectors with local authorities for providers where progress is not good enough
- followed up specific issues with providers where appropriate

- aimed to identify best practice, although the limited time available for Local Authority Link Inspector (LALI) work makes this a challenge.

Throughout 2015-2016, we maintained an ongoing liaison with other inspectorates, auditors and regulators. This resulted in shared inspection activity in a few authorities where there was a common interest in an aspect of the local authority's work. We also drafted an evaluation of school performance, which is included in the latest Wales Audit Officer Annual Improvement Report for each local authority.

We advised the Welsh Government on the development of regional consortia and a key impact was the revision of the National Model for Regional Working. We also reviewed the lead officer roles in relation to the curriculum and redirected this resource to support the development of the new curriculum for Wales, including creating a new lead role in relation to curriculum development.

We provided training to support lead officers in relation to their roles, for example in relation to influencing skills, and we continued to develop our post-16 link inspector roles with regular meetings focusing on key issues in the post-16 sector.

### **Developing knowledge-management capabilities**

Estyn continued to develop its electronic systems (SharePoint) for sharing and collating information from external and internal groups and committees, taking account of new and emerging areas of our work such as supporting Successful Futures and our new inspection arrangements.

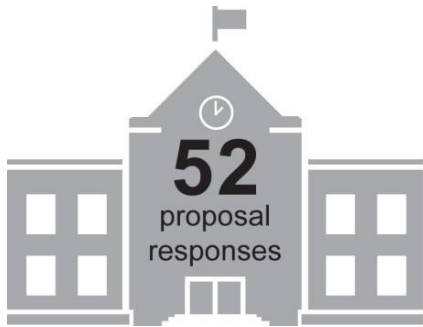
Specifically, we:

- set-up a series of research-focused seminars for HMI exploring the use of data in our inspection, thematic survey and wider work
- refined our monthly research update for staff to include news of relevant announcements such as written statements made by the Minister of Education and Skills, as well as summarising key pieces of internal, national and international research
- continued to provide support for the development of our thematic survey work, including the provision of training and refinement of support materials
- established a more robust referencing process based on the Harvard Referencing system and offered training on the principles and effective use of this new system
- developed a Legislation and Policy Guidance log to enable staff to easily access all legislation and policy guidance documents related to the inspection of education and training providers in Wales
- improved our data storage and retrieval processes, holding all data in secure SQL databases, which link efficiently to our various management information and pre-inspection information reporting systems.

In 2015 we also introduced a termly meeting with the Welsh Government's Knowledge and Analytical Services, and Public Policy Institute Wales to discuss and share information about research and thematic surveys.

## Estyn's role as a consultee on school organisation proposals

Estyn responded to 52 school reorganisation proposals.



We concluded that 45 proposals were likely to maintain or improve educational outcomes.

Seven proposals did not provide sufficient information for us to come to a view one way or the other.

We held discussions with officers in the Welsh Government to evaluate the usefulness of our responses and received positive feedback. We made a minor amendment to Estyn's internal guidance to align it closer with the Welsh Government's [school reorganisation code](#).

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

**Estyn-led training events and conferences**

Estyn makes valuable use of information from thematic survey and inspection work to inform our training programme and building capacity work. We provide a comprehensive programme of training to support providers to develop their knowledge and understanding of inspection and for senior leaders within those organisations to develop a range of skills that not only support inspection but inform their work as a senior leader in their school. In 2015-2016, we held a total of 45 training events and 13 best practice events, including six sector stakeholder forum events and a National Stakeholder Forum conference. Our aim is to ensure Estyn-hosted training events and best practice conferences meet the needs of delegates; 98.6% of delegates rated our training as good or excellent.

**PI 8**

The main thrust of our work in 2015-2016 was to train peer inspectors and challenge advisers to help us deliver our inspection programme. Our training provides excellent opportunities for senior leaders in schools and other providers to develop a better understanding of our work and to strengthen their understanding of the importance of self-evaluation and robust quality assurance systems to support improvement. Our training programme for ‘challenge advisers’ was adapted further in 2015 to ensure that it not only focuses on developing inspection skills but complements advisers’ work in supporting and challenging schools.

We have introduced a new indicator for 2016-2017 that aims to ensure peer inspectors regard their training/deployment as positive and beneficial activities: 95% target of peer inspectors providing a positive response to survey.

**PI 9**

**Identifying and disseminating best practice**

We have doubled the number of [best practice](#) case studies produced.



In 2015, on our website we improved the ease of access to best practice examples, allowing our case studies to be filtered by key question, quality indicator, key words, and by sector and local authority.

During 2015-2016, we began promoting best practice case studies via Twitter using tweets which include the school twitter handle, LA twitter handle, a link to the case study and an eye-catching image to draw the reader's attention. Each case study has one publication tweet and a reminder tweet posted about a week after the first one. Providers are informed when their case study is published, and case studies are included on Estyn's monthly update to all subscribers. The general design of case studies on our website has been improved so that they are more reader-friendly.

### **More effective communication of thematic report findings**

During the year we improved the format of our website to present our thematic reports. For example, reports can be filtered by sector, word tag and document types (e.g. powerpoint, word document, video).

The image shows a search interface for thematic reports. It features a red background with white text and form elements. At the top, the heading "Thematic reports search:" is displayed in white. Below this is a white search input field. Underneath the search field are three dropdown menus: "Sector" with "All" selected, "Tags" with "All" selected, and "Document Type" with "All" selected. A white "Search" button is located to the right of the "Document Type" dropdown.

Recommendations are placed on the main page describing the thematic report to communicate the main messages more clearly. A few thematic reports, such as best practice in the creative arts in key stage 2, are promoted on YouTube with a video. We have been promoting this multimedia approach more often during 2015-2016. We also monitor the data on usage of these videos within quarterly reports on our communications which help us to evaluate how effective our communication of these reports actually is.

All reports are also promoted via twitter, and through newsletters as with the best practice case studies.

## **Develop strong partnerships with stakeholders**

Between October and November 2015 we conducted a national consultation on how Estyn inspects education and training in Wales. The consultation attracted a good deal of interest and traffic to our website. We received nearly 2,000 responses to our on-line questionnaire. The consultation included a specific focus on engaging 'hard to reach' stakeholders, which was carried out on our behalf by a research company. As part of the consultation process, we conducted workshops with specific groups, for example headteachers in the Central South consortium and the GwE consortium, HMI, and Estyn corporate staff. We also consulted with officers in Welsh Government.

We held an annual National Stakeholder Forum in Llandrindod in March 2016 for representatives from each official body listed in our stakeholder list. The event focused on the main messages from HMCI's Annual report and the emerging thinking in relation to our new inspection arrangements. Seventy delegates attended the event.

Estyn also carried out an online survey for all maintained schools headteachers and Chairs of Governors to gather their views about the work of the regional consortia and local authorities in supporting their schools. We also held a series of Sector Network Forum meetings, at least once for nearly all sectors during the year.

Assistant Directors or the relevant sector lead inspector attended events hosted by education bodies, including the Association of Directors of Education in Wales (ADEW), Colegau Cymru, the National Training Federation for Wales (NTfW), Governors Wales and Councils. We continued our engagement with the Welsh Government through meetings between HMCI, Strategic Directors and Assistant Directors and their equivalent Welsh Government officials, as part of a programme of regular meetings to provide advice to Government.

Estyn launched its new website and continued to make improvements based on feedback to ensure that teachers, other education professionals, parents and all stakeholders can easily access our inspection reports, thematic reports, best practice and other publications.

We published Estyn's stakeholder newsletter, twice a year, promoting it through all our communication channels, including email to all additional, peer and lay inspectors, education and training providers, and anyone who had subscribed through our website. We also issued a monthly Estyn Update email to our subscribers and education and training providers.

We engaged with other inspectorates, audit and regulatory bodies to consider and implement joint work where appropriate. For example, last year Estyn carried out 11 joint inspections with CSSIW piloting the new joint framework for non-maintained settings. We also engaged with inspectorates across Europe through our involvement in the home countries inspectorates group and the Standing

International Conference of national and regional Inspectorates of education (SICI), which has enabled us to learn from others and consider different approaches to inspection.



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

In 2015-2016, we continued our work on a number of cross-cutting initiatives to help improve Estyn as an organisation. Our action plans support aspects of the Well-being of Future Generations (Wales) Act 2015, which is about improving the social, economic, environmental and cultural wellbeing of Wales.

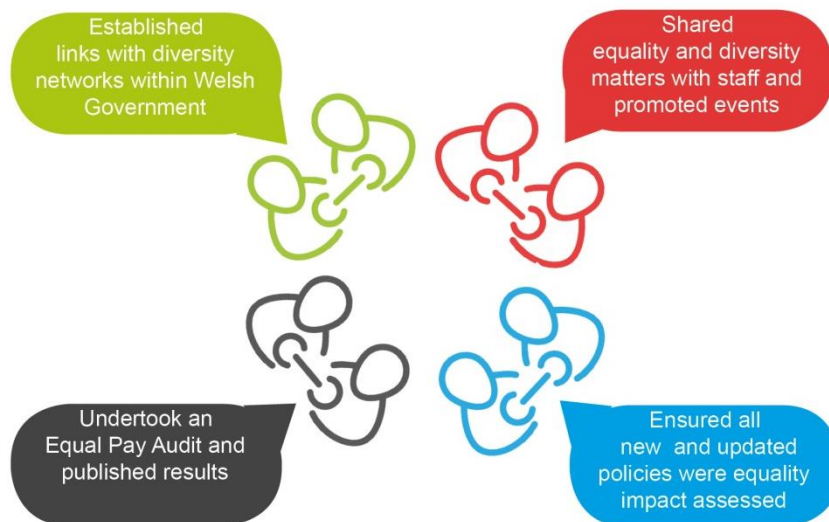
PI 16

**Equality**

We value diversity and strive to support equality both throughout Estyn and through our inspection processes. In March 2016, we published our second [Strategic Equality Plan \(SEP\)](#).

PI 18

The SEP was produced in consultation with staff and trade unions and continues the work undertaken within Estyn to fully embed diversity and equality into all we do. The SEP is underpinned by annual action plans; here are a few of the activities we undertook in 2015-2016:



**Sustainability**

We maintained an environmental management system and we were re-accredited with the 'Green Dragon Standard' (level 3) in October 2015. We used the accreditation process to identify any opportunities to improve our environmental management activities further and set these out in our [Environmental Policy and Statement](#).

We have identified that our main impacts on the environment arise from the consumption of energy, transport, the generation of waste and the consumption of office materials. Objectives and targets have been produced in order to improve environmental management and performance and reduce Estyn's environmental impacts.

Performance against environmental objectives for 2015-2016 can be found on our website in the [Summary Sustainability Report 2015-2016](#).

### Health standards

Our commitment to staff health and wellbeing remained a priority with the promotion of relevant issues, staff annual health checks and an Employee Assistance Programme. We also maintained the momentum of achieving the Silver Corporate Health Standard award in 2014 by dedicating the same level of resource and effort to our activities.

### Staff engagement

In 2015-2016, Estyn remained within the top 5% of organisations reported within the results of the annual Civil Service People Survey, with an overall engagement index score of 73%, which compares favourably to the Civil Service wide engagement index of 58%. The table below compares Estyn's performance with average civil service performance since the introduction of the Survey in 2010.

PI 10

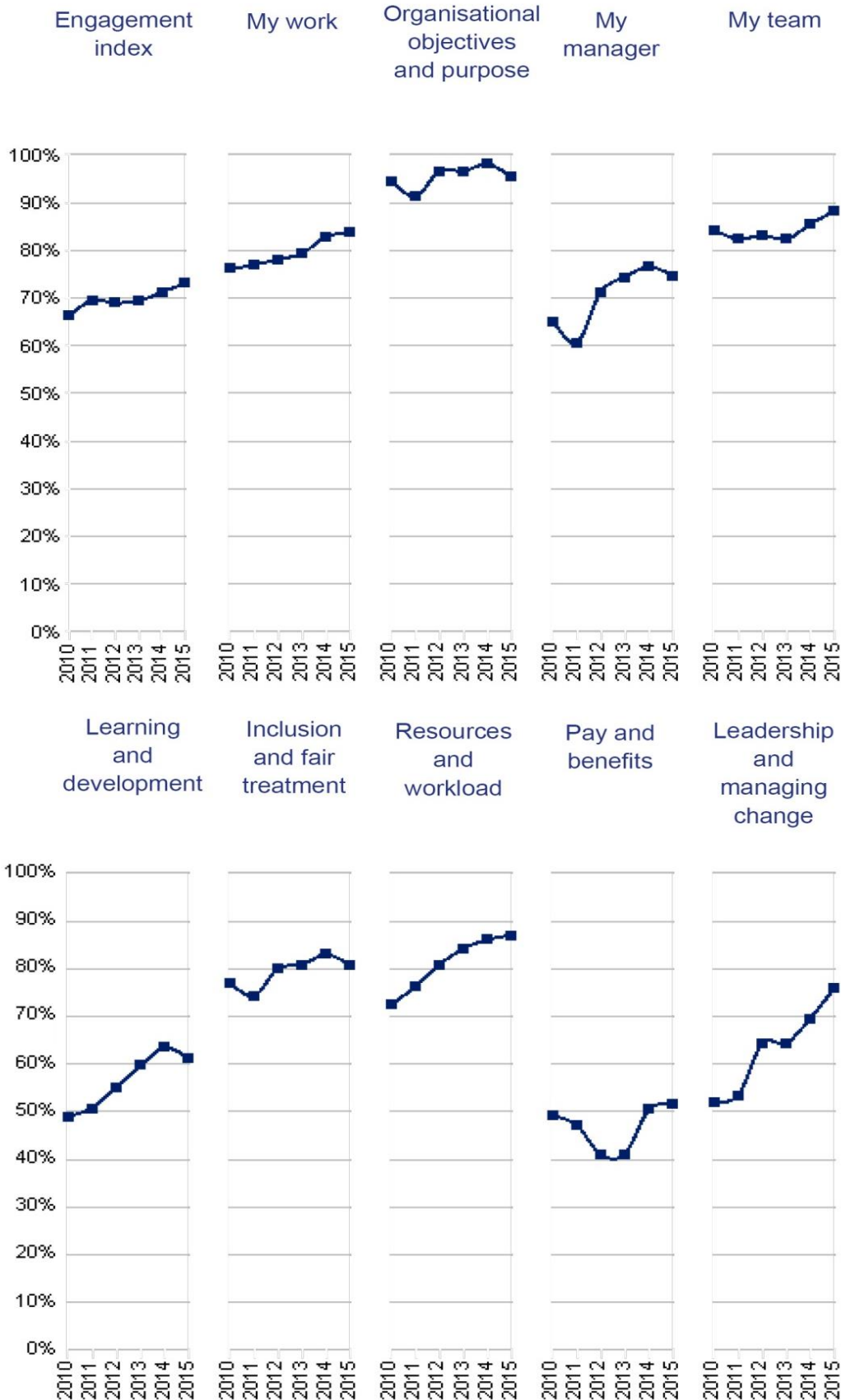
Year	Civil service engagement	Estyn engagement	Estyn position (out of 96+ organisations*)
2015	58%	73%	3
2014	59%	71%	4
2013	59%	69%	4
2012	62%	69%	5
2011	60%	70%	6
2010	56%	66%	9

Note: \*the number of organisations that take part in the Survey varies each year.

Considering the Survey themes charts, over the last five years, improvements can be seen in many areas including my work, my manager, my team, resources and workload, pay and benefits, leadership and managing change. However there are four themes, which include organisational objectives and purpose, my manager, learning and development and inclusion and fair treatment, that have seen a small decrease since 2014. Although scores for these themes have decreased, all compare favourably to the Civil Service results of 2015, and some compare favourably to the Civil Service high performers of 2015. See key headlines table on page 27.

## Estyn - Theme Scores 2010-2015

Improvements can be seen in many themes over the last five years, however there are four themes that have seen a decrease since 2014.



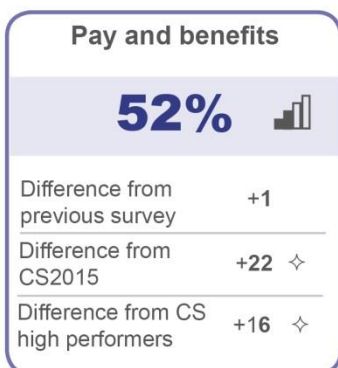
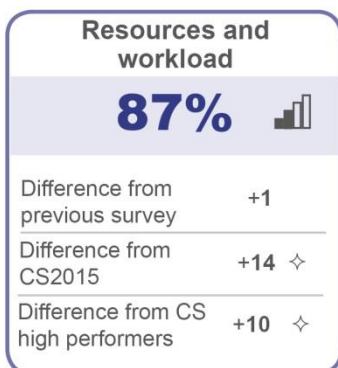
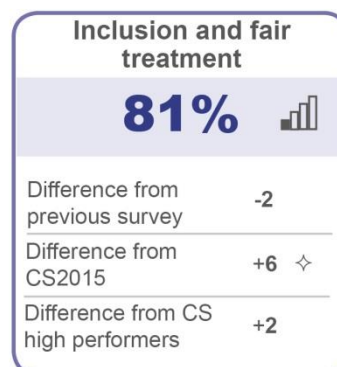
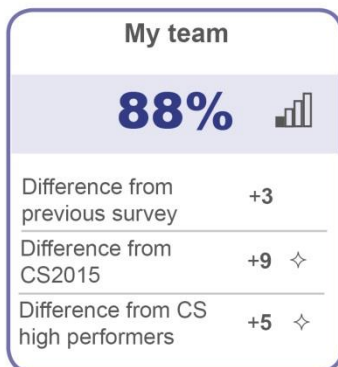
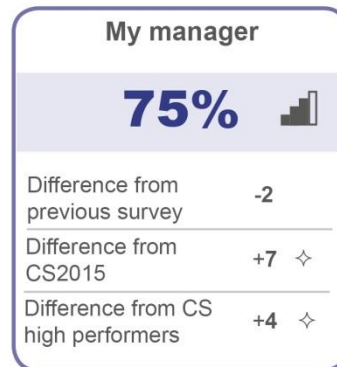
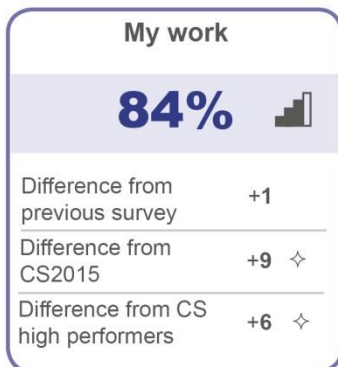
## Key headlines



- Many indicators are similar to 2014, and all are higher than the CS high performers and significantly higher than CS2015.
- Significant improvement in Leadership and managing change

**Your position out of 96 organisations in 2015: 3 (4 in 2014)**

- Statistically significant difference from comparison
- Strength of association with engagement



The full details of [Estyn people suvery results 2015](#) are available on our website.

Key actions taken forward by Estyn's Employee Engagement Group in the year included:

- considering learning and development activities to improve performance and career development, including encouraging staff to develop for the next grade by identifying informal training opportunities, completing personal development plans, encouraging mentoring and coaching and arranging job shadowing
- re-emphasising the total benefits package, promoting opportunities where employees can save in our staff newsletter 'Your Estyn', reminding employees of the Civil Service Sports Council membership and reviewing the 'Employment Guide' to ensure clarity on pay on appointment
- promoting consistency in the application of performance management through consistency checks and validation meetings
- continuing with various communication methods, including regular updates for inspectors in Professional Development Week, communicating recent changes to corporate services staff at Corporate Services updates, actively cascading minutes and feedback from management to team members and continuing communication of significant changes including Estyn's New Inspection Arrangements and Successful Futures.

### **Employee consultation**

Throughout 2015-2016, management continued to hold regular meetings with the trade unions including a TUS/Management operational forum and a TUS/Management strategic forum. The strategic forum allows for the exchange of strategic information and views on strategic matters that affect employees and the effective delivery of services, for example negotiation of pay and terms and conditions of service. The operational forum supports the delivery of Estyn's work and helps inform strategic discussions. During the meetings the unions are invited to comment on Estyn policies and procedures. During 2015-2016, the following policies and procedures have been consulted on, including:

- Travel and Subsistence Policy
- Social Media Policy and Guidance
- Flexible Working Policy and Guidance
- Redundancy Policy
- Managing Conflict of Interest Policy

In addition to union consultation, consultation with all staff takes place and impact assessments are completed, for each policy.

### **Welsh language standards**

The Welsh Language (Wales) Measure 2011 establishes a legal framework to impose duties on persons to comply with statutory standards relating to the Welsh language. The standards replace the system of Welsh language schemes established under the Welsh Language Act 1993.

**PI 17**

During 2015-2016, we promoted and supported bilingualism by implementing our [Welsh language scheme](#) and worked towards meeting the statutory standards set by

the Welsh Language Commissioner. We made good strides in developing our Welsh language services, although there are requirements within the standards that we had not fully addressed by the year-end. It is however a matter of developing and evolving our systems and practice at Estyn rather than making wholesale changes.

### **Comments, complaints and requests for information**

As an organisation, we take all comments and complaints seriously and will respond to all complaints fully, fairly and as quickly as possible. In 2015-2016, we dealt with 3 formal complaints, all of which were responded to within our target timescale of 20 working days.

Estyn also has a statutory duty to respond to any requests for information made under the Freedom of Information Act (FOIA) and the Data Protection Act (DPA) in a timely manner. In 2015-2016, we responded to 19 requests for information made under FOIA. All were completed within the target of 20 working days. During the same period, we responded to 40 requests for information made under DPA. Again, all were completed with the target of 40 calendar days from receipt of identity.

For transparency, we publish [Comments, complaints and requests for information](#) on our website.

### **Governance**

Our [Governance framework](#) of Boards, Committees and Groups helps us to fulfil our strategic objectives as a well-run and efficient organisation, accountable to our staff, stakeholders and the general public. Further details of our governance process, including the outcomes of the programme of internal audits, are included within the Governance Statement.

In line with legislation we produced and published an Annual Plan for 2015-2016. Our plan for 2016-2017 was approved by the First Minister in April 2016 and is available on our website [here](#).

PI 12

### **Financial performance highlights <sup>1</sup>**

Savings of around £1million against a resource budget of £11.664million reflect: reductions across our administration and other running costs of around £100k; unused depreciation of £294k (depreciation is a ring-fenced budget and may not be redeployed); a reduction in Programme expenditure of around £100k, and, an underspend of around £500k against our resource allocation for staffing.

Our Programme expenditure relates largely to the cost of training and contracting with Additional Inspectors (AI) and Peer Inspectors (PI). General inspection costs include the cost of translating inspection reports into Welsh. Programme

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<sup>1</sup> Section 3 provides the financial statements and notes to the accounts.

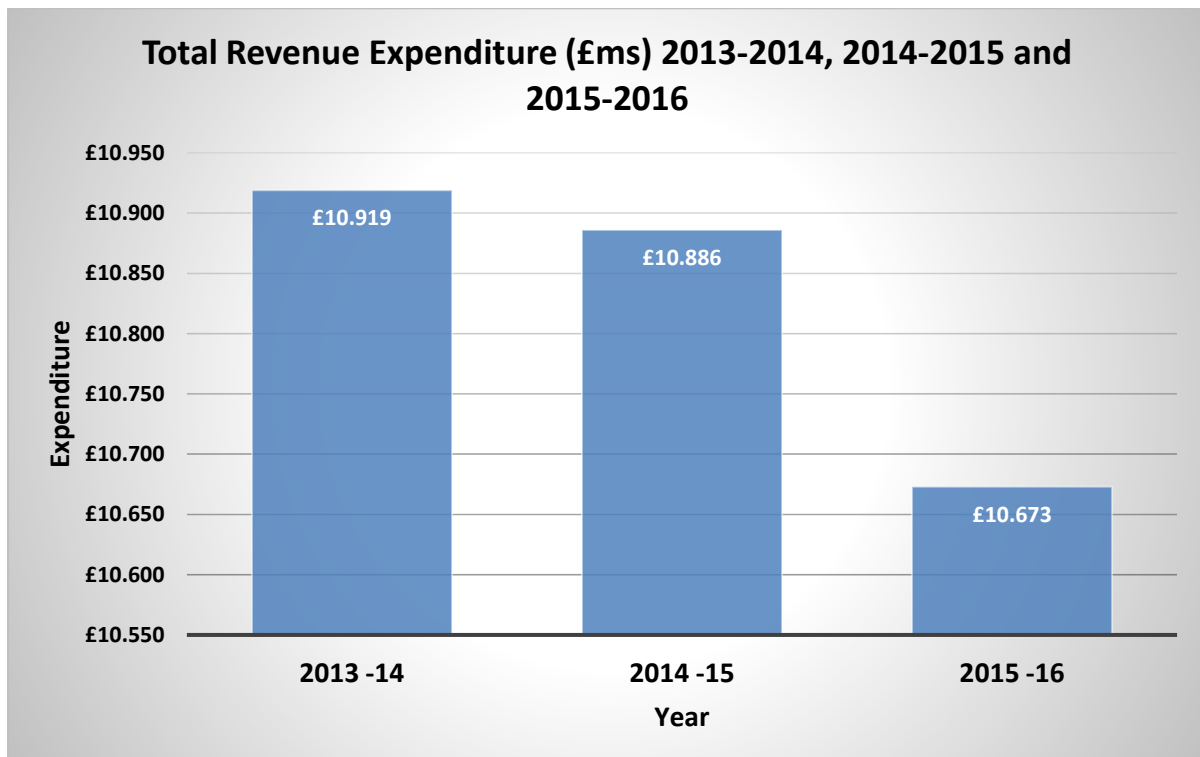


expenditure in 2015-2016 was lower than the previous year in line with the year-to-year reduction in the number of core inspections.

The savings against the staff budget are mainly due to the time-lag in staff being able to take up posts which were vacated at the end of the previous financial year and other vacancies which also arose due to leavers within the current year. In order to minimise costs Estyn moved to a single recruitment point (spring) for inspection staff; a cadre of nine new permanent inspection staff took up posts in September 2015. In order to deliver our programme of inspections and other work we have set a threshold for the number of permanent HMI required and expenditure on staff costs is expected to increase in 2016-17 in line with the budget published in our Annual Plan 2016-17.

In August 2015, Estyn shadowed the pay award implemented by Welsh Government for its staff in April 2015. Despite an increase in pay rates, and with overall staffing numbers remaining broadly in line with the previous year, total expenditure on staff was lower than the previous year. However, a significant variance between years is that in 2014-15 we incurred £238k in respect of early departure costs for four staff who left Estyn at the end of March 2016 to facilitate a rebalancing of our in-house inspection skills. As in previous years, we continued to engage secondees from across the education sectors to work with us as Additional Inspectors; this has provided essential support to deliver our extensive programme of work. It has also provided budget flexibility, i.e. avoiding over-commitment to long-term expenditure at a time when there is uncertainty around future funding, and facilitated the transfer of skills and knowledge to help strengthen capacity across education providers.

The following graph shows the total resource outturn for the past three years and illustrates Estyn’s commitment to curtailing expenditure during an ongoing period of public sector austerity.

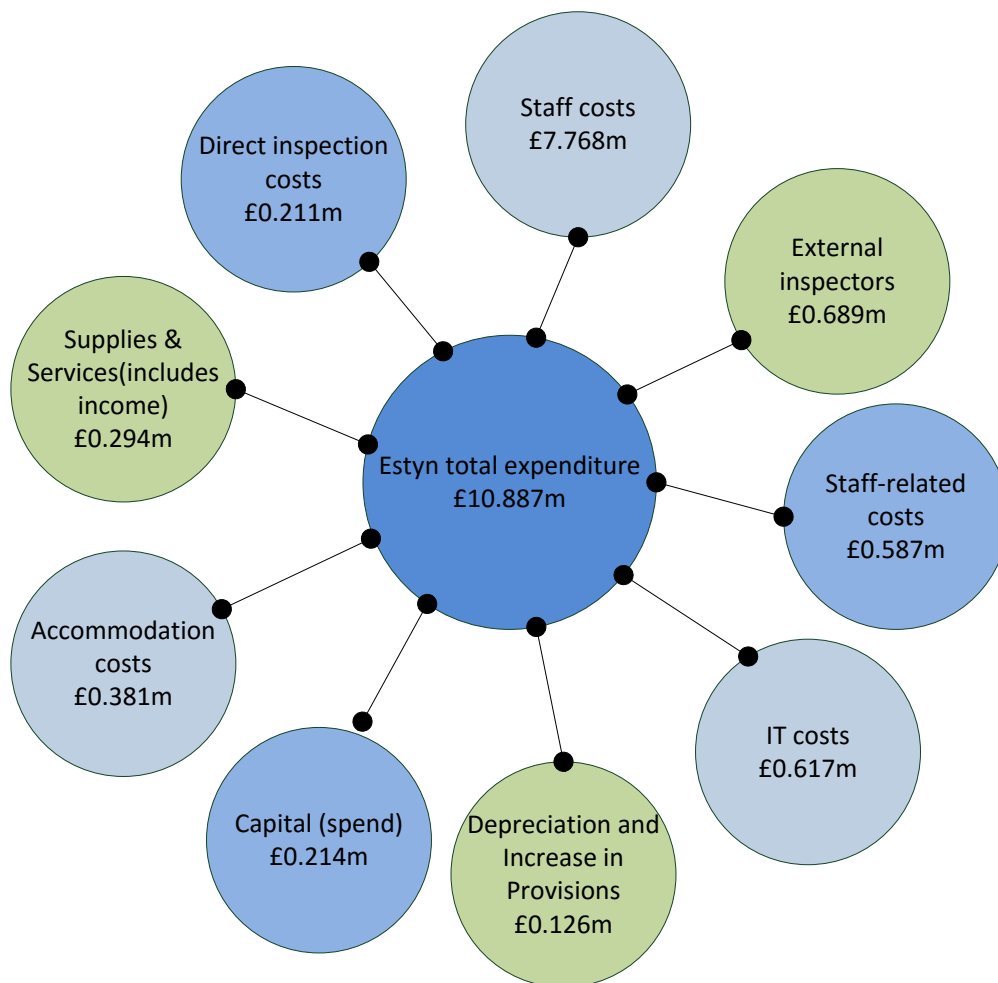


In 2015-2016, we used £214k of the £281k capital funding allocated to us by Welsh Government. The bulk of this expenditure was used to refresh the essential IT equipment used by our inspectors.

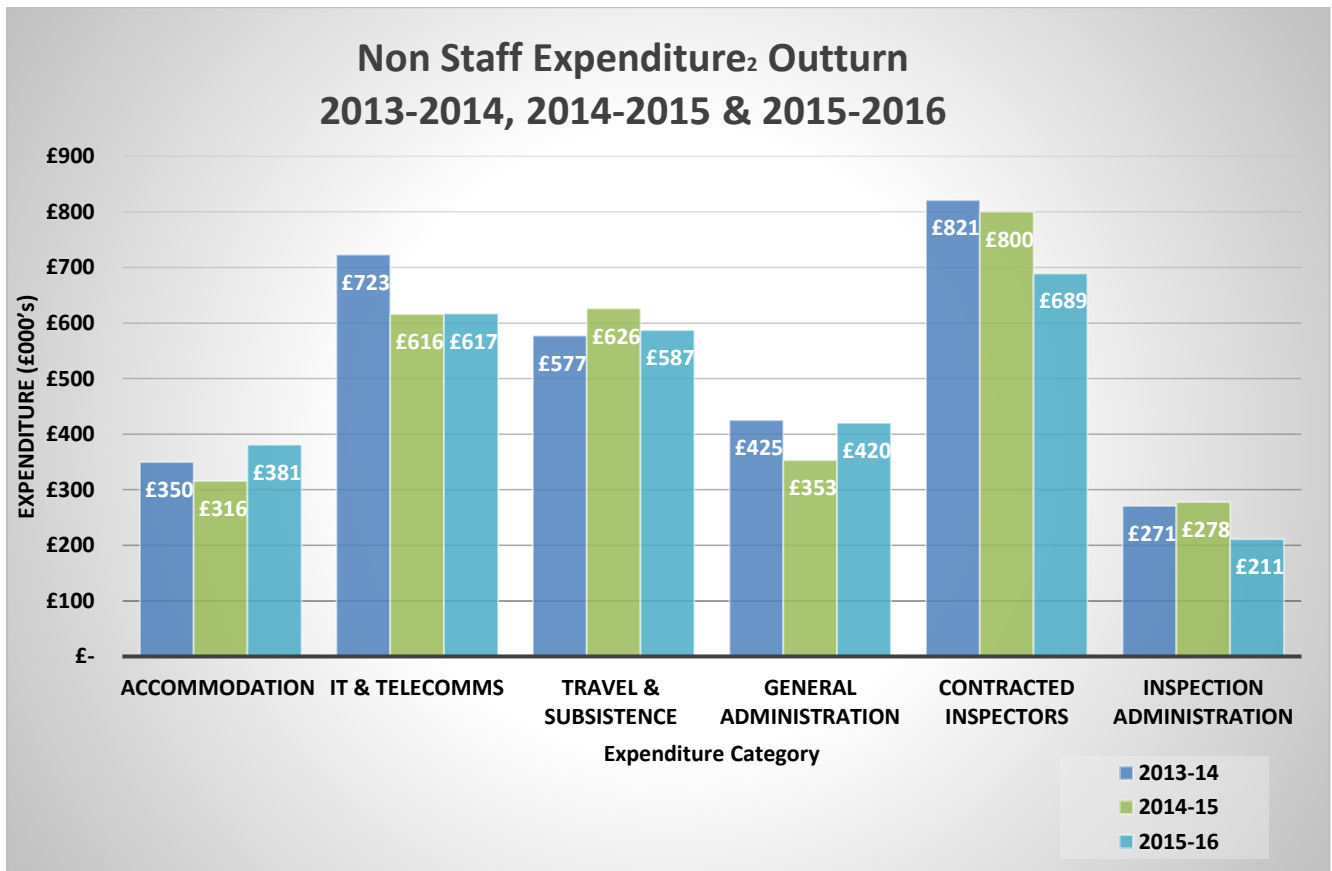
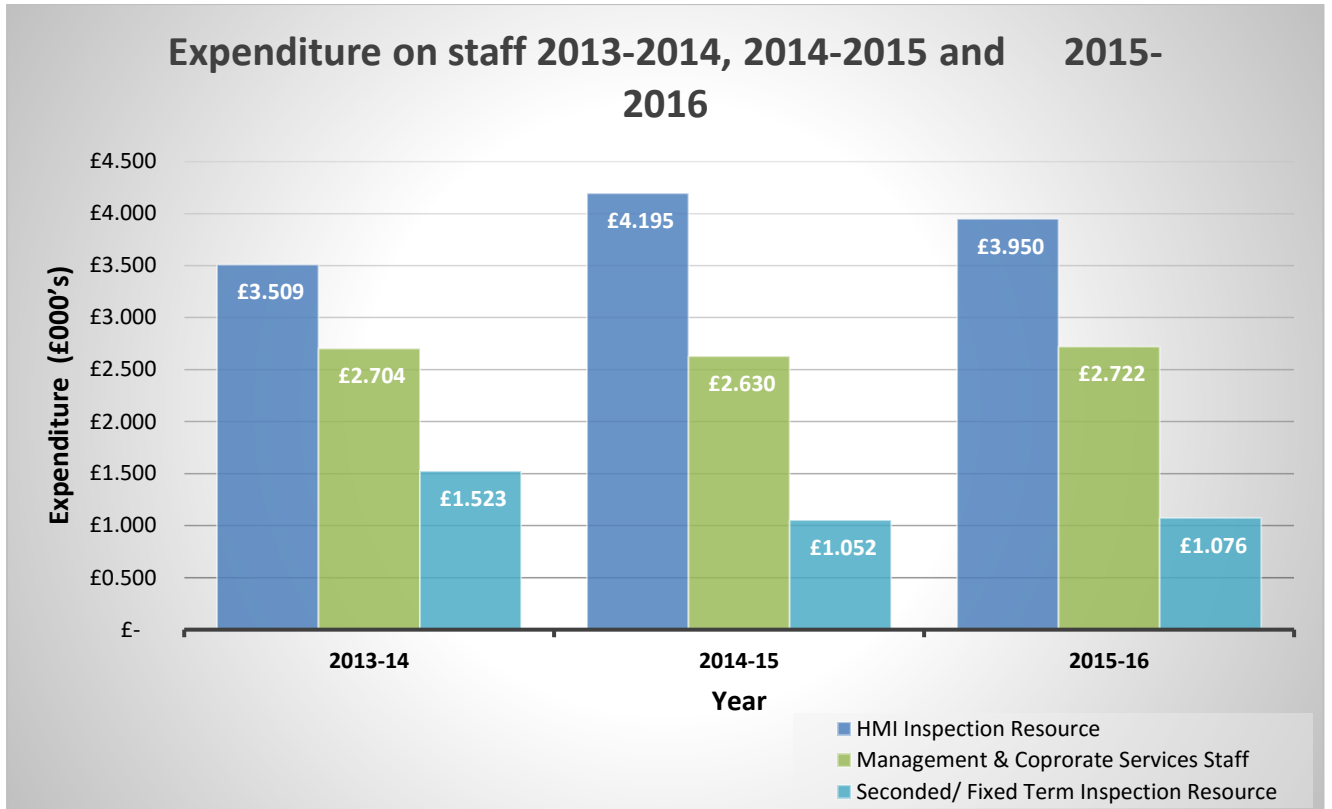
The Statement of Financial Position (SofFP) as at the year-end 31 March 2016 shows net liabilities £181k (2014-2015: £508k). It is usual for Estyn's SofFP to show a deficit position at the end of a financial year due to the high level of payables. Payables are a normal consequence of Estyn's arrangements for resourcing inspections with Peer Inspectors, Lay Inspectors and Additional Inspectors (including secondees) and result from the timing of the receipt of the invoice.

During 2016-2017, Estyn will receive funding from the Welsh Government to meet all of the above liabilities in line with the 'going-concern' basis adopted in the preparation of these financial statements.

### Total Expenditure Across All Budget Heads for 2015-2016







<sup>2</sup> Excludes Capital Expenditure

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

Estyn has continued to ensure that our joint and collaborative working is guided by a common vision and purpose agreed between the IAR bodies in Wales and the UK through Inspection Wales and the Heads of UK Inspectorates forum.

PI 19

We have supported the role of the Inspection Wales Project Manager through our financial contribution to the post. We also continued to develop approaches to information and knowledge sharing between Estyn and other IAR bodies to help ensure that intelligence is actively and promptly shared and used to support service improvement, inform policy making and strengthen public accountability, such as a joint IAR seminar on 4 February 2016. Here is a link to the [Joint Inspectorate Programme](#).

We co-ordinated our inspection activities, where appropriate, with those of the other IAR bodies so that they resulted in proportionate programmes of work that avoided duplication and ensured that key risks and concerns were examined, such as the remit on regional consortia and the involvement of Wales Audit Office inspectors on Estyn's teams for the inspection of regional consortia.

Estyn contributed to the work of the Welsh Government on its White Paper on Devolution, Democracy and Delivery – Reforming Local Government and contributed to CSSIW's Inspection Project Board on their development of a judgement framework for the inspection of care and social services. We ensured the effective co-ordination by Estyn and CSSIW of inspections of schools and colleges that have residential provision.

We worked with the Standing International Conference of Inspectorates (SICI) on plans for Estyn to host an international workshop in Cardiff in April 2016. Staff have attended SICI workshops in Serbia, Finland and Norway and presented at the home countries education inspectorates meetings in Manchester and London.

We have continued to work closely with Education Scotland, ETI (Northern Ireland) and Ofsted to share lessons learnt about new approaches to inspection. We worked closely with the Welsh Government, the Higher Education Funding Council for Wales (HEFCW), the Quality Assurance Agency (QAA) and the Education Workforce Council (EWC) to share information and discuss issues of mutual interest. We continued to liaise with the Home Office over matters related to the educational oversight of providers wishing to become a Tier 4 sponsor. We also contributed to the inspections of two youth offending teams (YOT), led by HMI Probation, two prisons led by HMI Prisons and one young person's secure unit led by CSSIW.

## Section 2: The Accountability Report

### 2.1 Corporate governance report

#### The Directors report

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

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

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

#### Significant interests held by members

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

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

#### Personal data related incidents

There have been no personal data related incidents to report to the Information Commissioner's Office during the year.

In line with good practice Estyn has a board level officer designated as Senior Information Risk Owner who is responsible for Estyn's information charter.

Throughout 2015-2016, Estyn's Information Governance Group monitored and reviewed information governance arrangements across the organisation and reviewed and updated policies under Estyn's [information governance framework](#). An internal audit of Information Governance undertaken in January 2016 provided substantial assurance that controls over information governance processes are suitably designed; some suggestions for improvement were identified and are being taken forward.

#### Payment policy

In 2015-2016, 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 100% of all such payments made in 2015-2016 (2014-2015: 99.2% and 2013-2014: 99.4%).

PI 15

### Statement of accounting officer's responsibilities

PI 13

PI 14

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

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

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

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

## The governance statement

### Introduction

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

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

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

### The governance framework

I have established a governance framework that describes the systems, processes, culture and values by which Estyn is directed and controlled and by which we monitor the achievement of our strategic objectives and engagement with our stakeholders. Estyn's corporate governance framework is published on our website. The diagram at Annex 1 of this statement succinctly illustrates the range and level of assurances which underpin Estyn's governance arrangements. A clear statement of Estyn's purpose and vision is set out on our website and in our Annual Plan. The Annual Plan outlines Estyn's overarching vision and sets out its principal aims and objectives. Information on Estyn's performance and delivery against the Annual Plan is also published on our website.

Oversight of Estyn is exercised through the Strategy Board and its sub-committees (Audit and Risk Assurance Committee and Remuneration Committee). During 2015-2016, the Strategy Board and the Audit and Risk Assurance Committee met on a quarterly basis and all meetings were attended in full by all members. In the second quarter of the year there was a smooth handover from the departing chair of the Audit and Risk Assurance Committee, Hadyn Edwards, to another highly experienced existing Estyn non-executive director, Rheon Tomos. Also in this quarter, two other serving members of the committee, Judith Fabian (co-opted member) and Arwel Thomas were respectively appointed and re-appointed as non-executive directors. The continuity provided by the above appointments has ensured that Estyn's Strategy Board has received sound external advice on strategic matters and risk management as part of the non-executive director role to provide challenge and support to Estyn's executive.

Some of the key areas of review and discussion by the Strategy Board during 2015-2016 included:

- Estyn's Annual Plan, incorporating Estyn's Key Performance Indicators
- HMCI's Annual Report
- Estyn's contribution to Welsh Government initiatives, including the curriculum reform and New Deal
- Amendments to Estyn's cycle of inspections and development of future arrangements, including changes to Estyn's inspection framework

Each meeting concludes with a self-evaluation of the effectiveness of the meeting; non-executive directors have confirmed they are content with proceedings and the quality of information presented and discussed at meetings, that they have appropriate input to agenda and have sufficient opportunity to raise any concerns. The Strategy Board is satisfied that Estyn's whistleblowing arrangements are effective; no whistleblowing cases were raised in 2015-2016. Estyn's Whistleblowing Policy was reviewed during the year and reissued in August 2015, alongside updates to the Risk Management and Anti-fraud and Anti-bribery policies, with a reminder of the Civil Service Code and the standards of conduct expected of all Estyn staff.

As a result of structural changes within the Welsh Government, the Additional Accounting Officer role for Estyn was transferred to Andrew Goodall, Director General and Chief Executive Officer of NHS Wales. The link governance arrangement helps maintain Estyn's independence in training and education matters, although close links with the Department for Education and Skills continue to develop a strategic and coherent approach on key matters such as development of thematic reviews and other advisory work. During the year, non-executive directors met with Julie Rogers, Director of Workforce and Organisational Development, whose role is to represent Mr Goodall in his role as Estyn's Additional Accounting Officer within the Welsh Government. The meeting provided an opportunity to share views on governance processes and the key issues and challenges which Estyn faces.

### **Audit and impact**

An annual report of the Chair of the Audit Risk and Assurance Committee (ARAC) is published on Estyn's website; the report highlights some of the work undertaken during the year and comments on the internal audit reviews undertaken and reported to the committee. The Chair's report for 2015-2016 provides assurances on the quality of audit work and the effectiveness of the committee. The committee remained satisfied that Estyn has appropriate arrangements for governance and has an effective risk management policy which is overseen by the Strategy Board. Non-executive directors serve on both the Strategy Board and ARAC.

In the second quarter of the year an extensive process was used to appoint RSM as Estyn's new internal audit service provider. The appointment has ensured continuity of a high-level professional service, as provided by the previous auditors (Deloitte) and has provided a different perspective and 'fresh' approach to audit activities. The ARAC approved the annual programme of audits for 2015-2016, continuing to use a risk-based approach to establish areas of coverage within a three-year audit

programme. Progress against the audit plan was monitored and at the year-end an annual report of the Internal Auditor was considered. This report advised on the work undertaken during the year and furnished an overall view on the internal control environment for consideration by members of the ARAC. The outcome from the internal audit coverage informed the Head of Internal Audit's opinion on the overall adequacy of Estyn's internal control framework; *'the organisation has an adequate and effective framework for risk management, governance and internal control'*. Work completed by Estyn's internal auditors during 2015-2016 resulted in reports that included an independent opinion on the adequacy and effectiveness of the system of internal control together with recommendations for improvement – the Annual internal audit report stated *'all assurance work undertaken during the year resulted in a positive opinion'*. All internal audit assurance reports were reviewed and the main issues arising discussed by the ARAC, which was satisfied that all management actions had been implemented or were being actioned. In addition to the internal audit programme reported in Table 1 below, Internal Audit also undertook a programme of unannounced compliance 'spot-checks' and Expense Claim validations – overall compliance was deemed to be good and there were no significant concerns raised during 2015-2016.

<b>Table 1 2015-2016 internal audit programme</b>					
<b>Internal audit area</b>	<b>Assurance level</b>	<b>Number of enhancement actions agreed by management</b>			
		<b>High priority</b>	<b>Medium priority</b>	<b>Low priority</b>	<b>Total</b>
Information Governance	Substantial	0	2	3	<b>5</b>
Key Financial Controls – Payroll	Substantial	0	0	0	<b>0</b>
Key Financial Controls – Budgetary	Substantial	0	0	2	<b>2</b>
Quality Assurance of Inspections	Substantial	0	0	3	<b>3</b>
Governance, Risk Management and Assurance	Substantial	0	1	3	<b>4</b>
Assets & Inventories	Reasonable	0	0	7	<b>7</b>
<b>Total</b>			<b>3</b>	<b>18</b>	<b>21</b>
Project Management	N/A Advisory audit				

Estyn's Remuneration Committee met three times (with all members in attendance) during 2015-2016 to consider the performance and remuneration of Estyn's senior staff, including HMCI. This committee also provided advice regarding proposals for Estyn's non-senior staff pay award; this pay award was effective from 1 August 2015, shadowed the award made for Welsh Government staff and was duly authorised by the First Minister.



Estyn has ensured compliance with all Welsh Dear Accounting Officer (DAO) letters; for example, Estyn has obtained appropriate assurances and evidence to confirm that the tax obligations of off-(Estyn) payroll staff, i.e. agency staff and secondees, have been duly met, as per DAO (Wales) 1/13. In February 2016 DAO (Wales) 01/16 was issued alongside an update to 'Managing Welsh Public Money' – Estyn has duly followed the latest guidance in ensuring regularity and propriety in expending public resources.

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

### **Managing risk**

Estyn's risk-management system is based on an ongoing process designed to identify and prioritise the risks to the achievement of Estyn's aims and objectives, and to evaluate the likelihood of these risks being realised and the impact should they be realised. For 2015-2016, risk registers continued to be maintained at a strategic level by the Executive Board, at a corporate level by Estyn's Directors Group and at operational levels by working groups, functional teams and project teams. Each risk has an individual owner responsible for detailing and recording the controls in place and further actions planned to mitigate the risk – and there is an escalation process in place to raise risks to a higher level of management.

Annual assurance statements for 2015-2016 completed by all Estyn directors provided confirmation that there were no major concerns and that action had been taken where minor issues of control had been identified; there are no reportable breaches of security and no reportable losses of personal data in 2015-2016. The internal audit of governance reviewed all assurance statements to examine the supporting evidence on which statements are based and made a minor recommendation to enhance the format of the statement. Estyn also received an assurance from the Welsh Government in respect of the payroll and human resources services it provides to Estyn under a formal service level agreement. At the annual review meeting to discuss the SLA Estyn raised some concerns with Welsh Government officials regarding the number of payroll errors experienced this year, but I am satisfied that necessary corrective actions were and continue to be taken.

The most significant risk Estyn continues to manage each year relates to resourcing core activities and new work streams in the context of diminishing funding from the Welsh Government. Implications of budget cuts have been clearly communicated to relevant colleagues within the Welsh Government and planning for future activities, including proposals for changes to Estyn's inspection arrangements, are predicated on additional funding not being available in the immediate future.

There are a number of other challenges that have remained from the previous year and will continue throughout the next year, including:

- **Delivering new work streams** – including representation on additional working groups arising from Welsh Government initiated reviews such as Donaldson



- **Delivering on-going efficiency savings to meet continuing budget reductions** – the Executive Board and Strategy Board have and will continue to regularly review the approach to potential budget scenarios and to assess the potential impact of any reductions on Estyn’s operations and the achievement of its objectives
- **Developing arrangements to ensure that the requirements of the new Welsh language standards are met** – assessing the impact in relation to the way Estyn delivers its work and implementing appropriate actions to mitigate the risk of failing to meet the standards, including providing additional Welsh language training opportunities for Estyn staff and developing bilingual internal systems and processes
- **Enhancing joint working undertaken with CSSIW** – developing arrangements and piloting joint inspections of Early Years in non-maintained nurseries
- **Developing Estyn’s new inspection framework and supporting processes and systems** – taking forward the NIA Project work in addition to delivering the existing programme of inspections, advice and improvement work.

### **Significant governance issues**

No significant issues have been identified during the year in relation to Estyn’s overall governance framework. Internal audit reviews covered substantial areas of Estyn’s business and it is pleasing to report that there were no significant areas of control weaknesses identified and no high-priority recommendations that required management action. I am satisfied that specific opportunities for enhancing governance and internal controls that were identified as part of Estyn’s assurance processes have been duly reported to the Audit and Risk Assurance Committee and actioned by management. Estyn’s external scrutiny and assurance components were discussed by the Strategy Board during the year and adjustments made to the framework shown on page 42.

Having been appointed to the role of Accounting Officer on 1 June 2015 I have not been in post for the full financial year to which this statement applies but due to the timing of the annual Accounts this is nevertheless the second Governance Statement I have been responsible for. I have received good support in my Accounting Officer role from colleagues, including those staff appointed temporarily to director posts in order to provide continuity and an opportunity for me to reflect on management structures ahead of recruitment to permanent positions.

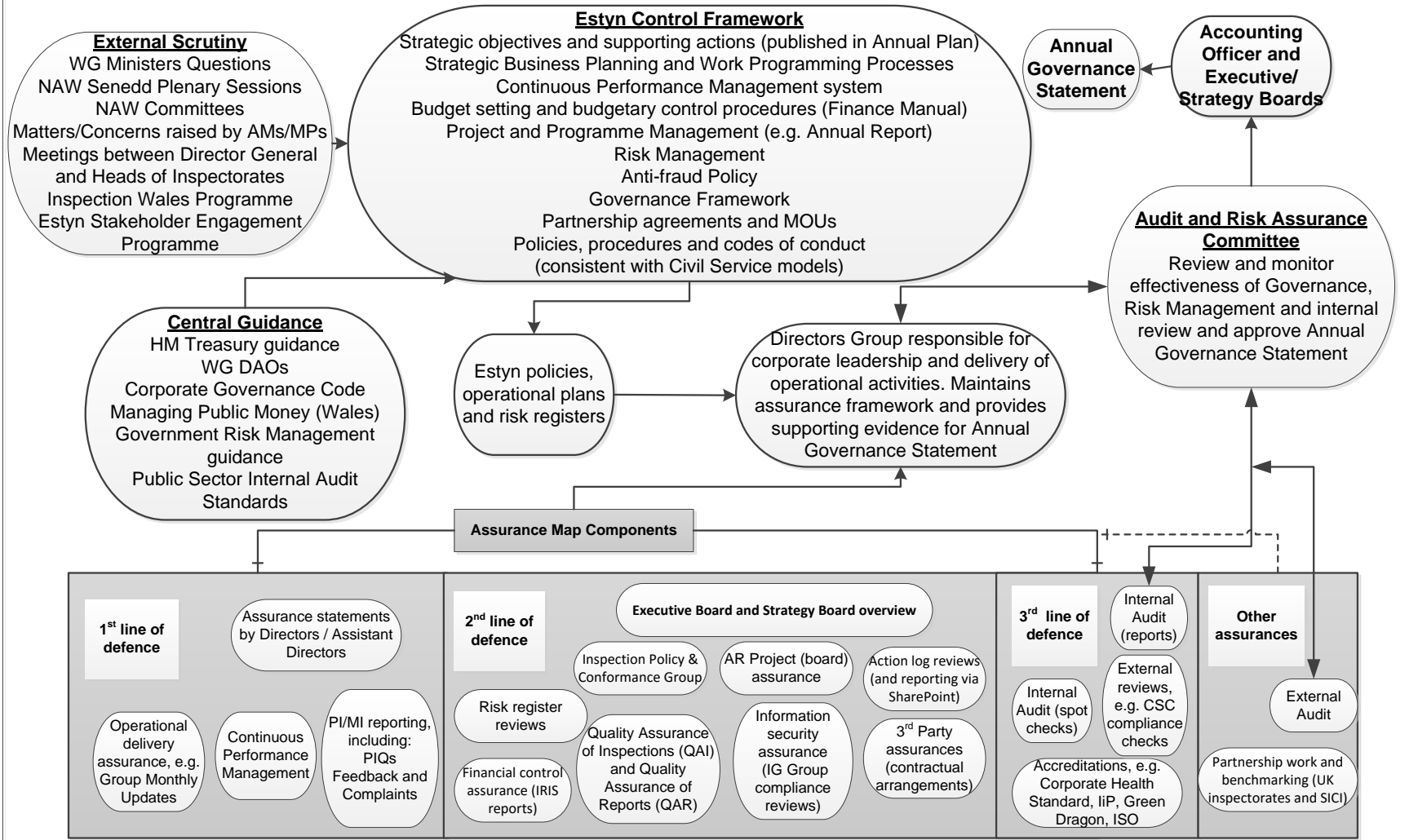
In 2015-2016, I believe Estyn remained a good place to work, a view that is borne out by the ongoing positive results of the annual Civil Service People Survey. Again it is particularly pleasing to report high levels of positive staff engagement, which I believe helps underpin good governance and signals the commitment by staff to Estyn’s values and the civil service code.

### **Meilyr Rowlands**

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

7th July 2016

Estyn assurance and scrutiny framework arrangements



## 2.2 Remuneration and staff report

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

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

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

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

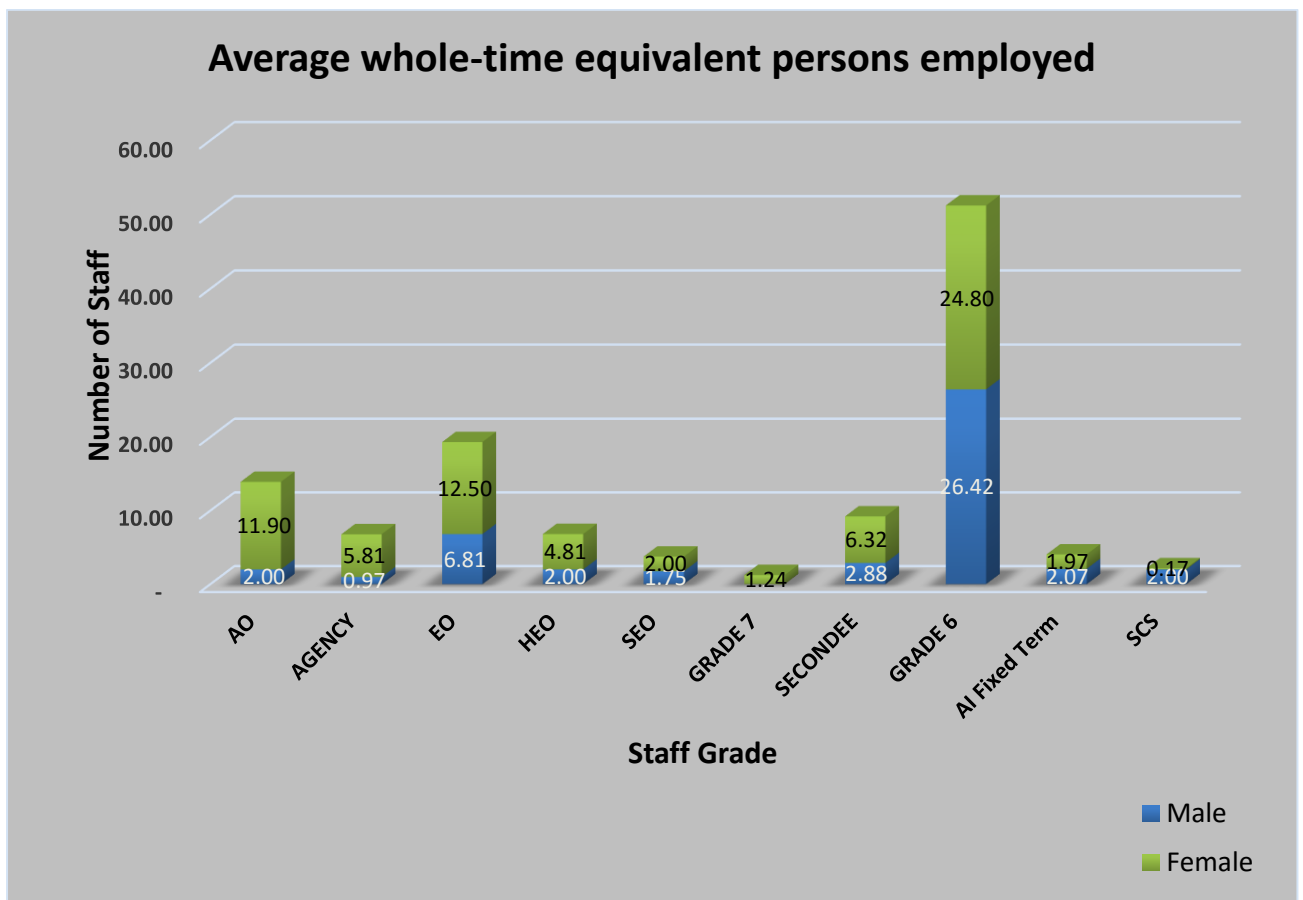
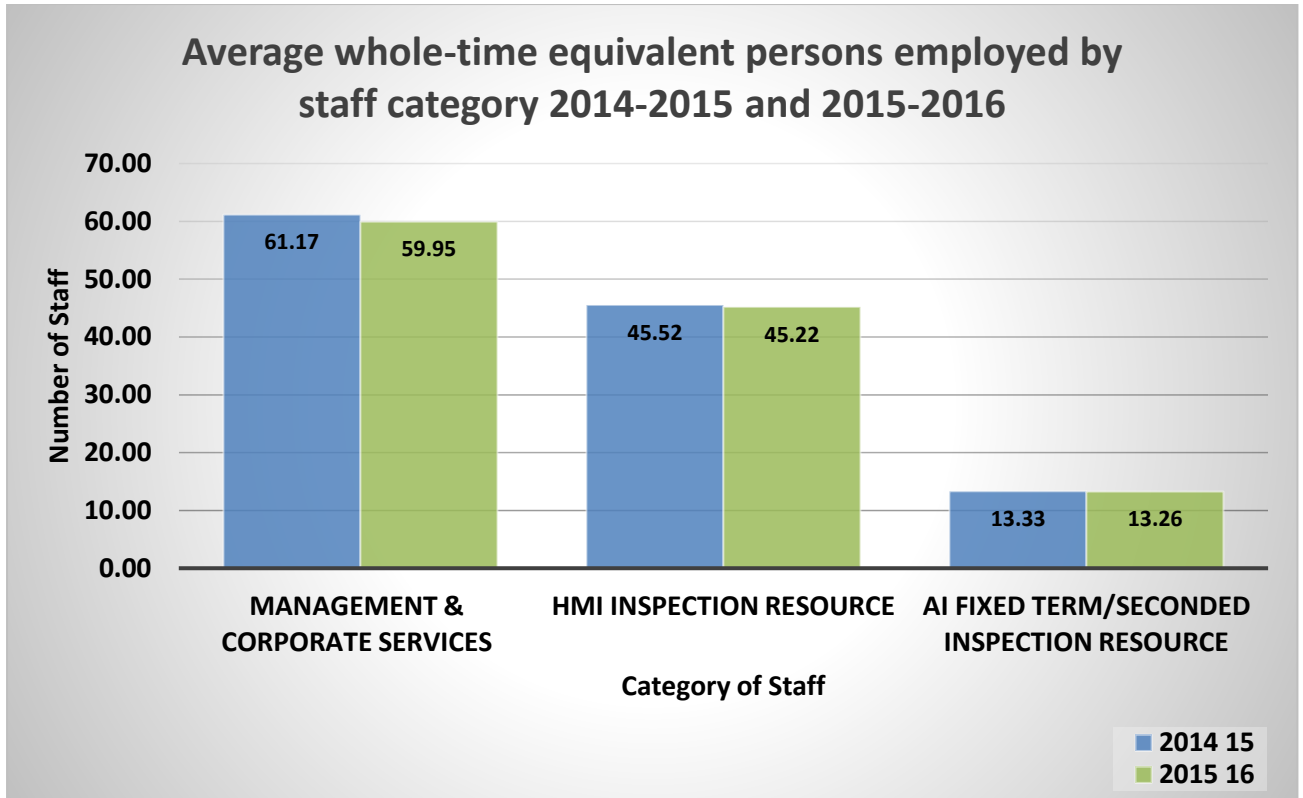
The Estyn Remuneration Committee takes account of the evidence available in respect of wider economic considerations and the affordability of its recommendations. As a result of the last Comprehensive Spending Review, Estyn has already reduced the number of its senior civil service posts from four to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

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

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

No SCS staff bonuses were paid in 2015-2016.

In line with the pay award for Welsh Government SCS officials (1<sup>st</sup> April 2015) Estyn SCS Band 1 officials were awarded a consolidated pay uplift of 2% effective from 1<sup>st</sup> August 2015 to 31 March 2017.



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

Year	Permanently employed staff	Others <sup>4</sup>	Total staff
2015-16	98	20	118
2014-15	99	21	120

**Staff Sickness rates are as follows:**

Headline staff measures		
Measure	2015-2016	2014-2015
Sickness absence rate	3.6% (a)	3.6%
Proportion of staff accruing sickness absence	52%	52.8%
Average working days lost per employee	7.4 days (b)	7.5 days
Average length of absence	8.4 days	7.3 days
Sickness absence occurrences	110 occurrences	128 occurrences

**Note:** if we exclude one member of staff who was on nil pay due to long-term absence for the whole of 2015-2016, these measures would be (a) 2.7% (b) 5.4 days.

PI 11

### Service contracts

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

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

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

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

<sup>4</sup> Other staff refers to secondees, fixed-term contract staff and agency staff.

**Remuneration (including salary) and pension entitlements**

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

Remuneration (salary and payments in kind) <sup>5</sup>

Officials	2015-2016					2014-2015				
	Salary £000's	Non- Consolidated Performance Pay £000's	Benefits in kind (to nearest £100)	Pension benefits to nearest £1,000 <sup>6</sup>	Total £000's	Salary £000's	Non- Consolidated Performance Pay £000's	Benefits in kind (to nearest £100)	Pension benefits to nearest £1,000	Total £000's
Meilyr Rowlands Her Majesty's Chief Inspector of Education & Training in Wales (1 June 2015 onwards)	90-95	-	-	311	400-405	-	-	-	-	-
Meilyr Rowlands Strategic Director (April & May 2015)	10-15	-	-	-	15-20	75-80	-	-	19 <sup>7</sup>	85-90
Ann Keane Her Majesty's Chief Inspector of Education & Training in Wales (to 31 May 2015)	15-20	-	-	-	15-20	110-115	-	-	-	110-115
Simon Brown Strategic Director	75-80	-	-	32	105-110	75-80	-	-	28	100-105
Claire Morgan Acting Strategic Director (from 1 June 2015)	65-70	-	-	26	90-95	N/A				
Band of Highest Paid Director's Total Salary	110-115					110-115				
Median total	£60,050					£60,050				
Ratio using the mid-point of salary band	1.87					1.87				
Range of staff remuneration	£17,200 - £110,000					£17,200 - £112,200				

<sup>5</sup> Audited<sup>6</sup> The value of pension benefits accrued during the year is calculated as (the real increase in pension x 20) + (the real increase in any lump sum) – (contributions made by the individual)<sup>7</sup> Restated from 2014-2015 figures due to retrospective update to salary data.



## 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<sup>8</sup>

Pension benefits for current employees in the pension scheme.

Officials	Accrued pension at pension age as at 31/3/16 and related lump sum £000's	Real increase/ (decrease) in pension and related lump sum at pension age £000's	CETV at 31/3/16 £000's	CETV at 31/3/15 £000's	Real increase/ (decrease) in CETV in CETV £000's	Employer contribution to partnership pension account nearest £100
Meilyr Rowlands <sup>9</sup> Her Majesty's Chief Inspector of Education & Training in Wales (1 June 2015 onwards)	45-50  plus lump sum of  145-150	12.5-15  plus lump sum of  40-42.5	1,074	721 <sup>10</sup>	296	-
Simon Brown Strategic Director	40-45  plus lump sum of  70-75	0-2.5  plus lump sum of  0-2.5	902	813	32	-
Claire Morgan Acting Strategic Director (1 <sup>st</sup> June 2015 onwards)	10-15	0-2.5	193	165	1	-

<sup>8</sup> audited

<sup>9</sup> Pension figures per person are stated for all posts occupied in the year.

<sup>10</sup> restated

## Civil Service Pensions

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

### Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

**Compensation for loss of office**

No member of staff left under a Voluntary Exit Scheme or under former Compulsory, Flexible or Approved Early Retirement terms.

**Meilyr Rowlands**

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

7<sup>th</sup> July 2016

## 2.3 Accountability and audit report

### 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 2016, under the Government of Wales Act 1998. These comprise the Statement on Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers Equity and related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for preparing the 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, certify and report on the financial statements in accordance with applicable law and with International Standards on Auditing (UK and Ireland). These standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

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

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

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

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

In addition, I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate and 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 2016 and of its net cash requirement, net resource out-turn and net operating cost, for the year then ended; and
- have been properly prepared in accordance with HM Treasury directions issued under the Government of Wales Act 1998.

### **Opinion on Regularity**

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

### **Opinion on other matters**

In my opinion:

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

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

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

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

### **Report**

I have no observations to make on these financial statements.

**Huw Vaughan Thomas**  
Auditor General for Wales  
13th July 2016

Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

## Section 3: Financial statements

### Estyn Annual Accounts 2015-2016 (International Financial Reporting Standards – IFRS)

#### 3.1 Statement of comprehensive net expenditure for the year ended 31st March 2016

		2015-2016			2014-2015
	Note	Budget	Actual Outturn	Net Total Outturn compared with Estimate (saving)/excess	(Restated) Prior Year Outturn
		£000's	£000's	£000's	£000's
<b>Resources:</b>					
Staff costs	3	8,250	7,768	(482)	7,897
Depreciation	6&7	400	106	(294)	52
Other costs	4	3,014	2,801	(213)	2,938
<b>Gross Operating Costs</b>		<b>11,664</b>	<b>10,675</b>	<b>(989)</b>	<b>10,887</b>
<b>Operating income</b>	5	<b>-</b>	<b>(2)</b>	<b>(2)</b>	<b>(1)</b>
<b>Net Operating Expenditure for the Year</b>		<b>11,664</b>	<b>10,673</b>	<b>(991)</b>	<b>10,886</b>

Net expenditure is reported as a single segment in line within Estyn's Annual Plan 2015-2016 (available at [www.estyn.gov.wales](http://www.estyn.gov.wales)).

The notes on pages 58 to 68 form part of these accounts.



**3.2 Statement of financial position as at 31st March 2016**

	Note	31st March 2016		31st March 2015	
		£000's	£000's	£000's	£000's
<b>Non-current assets</b>					
Property, plant and equipment	6	139		46	
Intangible assets	7	15		-	
<b>Total non-current assets</b>			<b>154</b>		<b>46</b>
<b>Current assets</b>					
Trade and other receivables	9	115		154	
Cash and cash equivalents	10	647		694	
<b>Total current assets</b>			<b>762</b>		<b>848</b>
<b>Total assets</b>			<b>916</b>		<b>894</b>
<b>Current liabilities</b>					
Trade and other payables	11	(942)		(1,267)	
Provisions within one year	12	-		(135)	
<b>Total current liabilities</b>			<b>(942)</b>		<b>(1,402)</b>
<b>Total assets less current liabilities</b>			<b>(26)</b>		<b>(508)</b>
<b>Non-current liabilities</b>					
Provisions:					
Between two and five years	12	(155)		-	
<b>Total non-current liabilities</b>			<b>(155)</b>		<b>-</b>
<b>Assets less liabilities</b>			<b>(181)</b>		<b>(508)</b>
<b>Tax Payers' Equity</b>		<b>(181)</b>		<b>(508)</b>	
<b>Total Tax Payers Equity</b>			<b>(181)</b>		<b>(508)</b>

The notes on pages 58 to 68 form part of these accounts.

**Meilyr Rowlands**

Her Majesty's Chief Inspector of Education and Training in Wales and  
Accounting Officer  
7th July 2016

**3.3 Statement of cash flows for the year ended 31<sup>st</sup> March 2016**

	Note	2015-2016 £000's	2014-2015 £000's
<b><u>Cash flow from operating activities</u></b>			
Net operating cost		(10,673)	(10,886)
<b>Adjustments for non-cash transactions:</b>			
Depreciation	6&7	106	52
Other costs (provision)	4	20	3
Increase / (decrease) in trade and other payables	11	(325)	84
(Increase) / decrease in trade and other receivables	9	39	21
<b>Less movements not passing through the Statement of Comprehensive Net Expenditure</b>			
Capital creditors		-	(12)
Use of provisions		-	(6)
<b>Net cash outflow from operating activities</b>		<b>(10,833)</b>	<b>(10,744)</b>
<b><u>Cash flows from investing activities</u></b>			
Purchase of property, plant and equipment	6	(192)	(9)
Purchase of Intangible Assets	7	(22)	-
<b>Net cash flow from investing activities</b>		<b>(214)</b>	<b>(9)</b>
<b><u>Cash flows from financing activities</u></b>			
<b>Net financing (from the Welsh Government)</b>		<b>11,000</b>	<b>10,500</b>
<b>Net (decrease) in cash and cash equivalents</b>	10	<b>(47)</b>	<b>(253)</b>
<b>Cash and cash equivalents at the beginning of year</b>	10	<b>694</b>	<b>947</b>
<b>Cash and cash equivalents at the end of the year</b>	10	<b>647</b>	<b>694</b>

The notes on pages 58 to 68 form part of these accounts.

**3.4 Statement of changes in taxpayers' equity for the year ended 31st March 2016**

<b>Changes in taxpayers' equity</b>	<b>2014-2015 £000's</b>
<b>Balance as at 31 March 2014</b>	(122)
Net operating cost for the year	(10,854)
Auditors Remuneration	<u>(32)</u>
Total recognised income and expense for 2014-2015	<u>(10,886)</u>
Net Welsh Government funding	10,500
<b>Balance at 31 March 2015</b>	<u>(386)</u> <b>(508)</b>
<b>Changes in taxpayers' equity for 2015-2016</b>	<b>2015-2016 £000's</b>
<b>Balance at 31 March 2015</b>	(508)
Net operating cost for the year	(10,643)
Auditors Remuneration	<u>(30)</u>
Total recognised income and expense for 2015-2016	<u>(10,673)</u>
Net Welsh Government funding	<u>11,000</u>
<b>Balance at 31 March 2016</b>	<u>327</u> <b>(181)</b>

The notes on pages 58 to 68 form part of these accounts.



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 are subject to annual review.

### **1.5 Operating income**

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

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

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

### **1.7 Value Added Tax**

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

### **1.8 Pensions**

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

### **1.9 Early departure costs**

Estyn is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. Estyn provides for this cost in full when the liability arises. There were no early departures in 2015-2016.

### **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 2016-2017 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	2015-2016 Budget £000's	2015-2016 Outturn £000's	Outturn compared with estimate (saving) / excess £000's	2014-2015 £000's
<b>Resource Outturn</b>		11,264	10,673	(591)	10,886
<b>Capital Outturn</b>	6&7	281	214	(67)	21
<b>Accruals to cash adjustments:</b>					
<b>Adjustments to remove non-cash items:</b>					
Depreciation	6&7	(400)	(106)	294	(52)
New provisions and adjustments to previous provisions	12	-	(20)	(20)	(3)
<b>Adjustments to reflect movements in working balances:</b>					
Increase/(decrease) in receivables	9	-	(39)	(39)	(21)
(Increase)/decrease in payables	11	-	325	325	(84)
Use of provisions	12	-	-	-	6
<b>Net cash requirement</b>		<b>11,145</b>	<b>11,047</b>	<b>(98)</b>	<b>10,753</b>

**3 Staff costs consist of:**

	<b>Total 2015- 2016 £000's</b>	<b>Permanently employed staff £000's</b>	<b>Others £000's</b>	<b>2014-2015 (Restated) £000's</b>
Wages and salaries	4,901	4,901		4,844
Social security costs	469	469		472
Other pension costs	1,069	1,069		1,016
<b>Total net costs</b>	<b>6,439</b>	<b>6,439</b>		<b>6,332</b>
Plus:				
Secondees in	744	-	744	702
Secondees out	<sup>11</sup>	-	-	(16)
Agency staff	214	-	214	272
Fixed Term Contract	350	-	350	351
NEDs costs*	20	-	20	18 <sup>12</sup>
Early departure costs –in-year	1	-	1	238
<b>Total</b>	<b>7,768</b>	<b>6,439</b>	<b>1,329</b>	<b>7,897</b>

\* Individual details in the table below

<b>Payments to NEDs for 2014-2015 and 2015-2016</b>		
<b>Name</b>	<b>2015-16 Total £000's</b>	<b>2014-15 Total £000's</b>
H Edwards	3	9
J Fabian	6	1
A Thomas	5	4
R Tomos	6	4
<b>Total</b>	<b>20</b>	<b>18</b>

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) - known as "alpha" are unfunded multi-employer defined benefit scheme but Estyn is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation [here](#).

For 2015-16, employers' contributions of £1.069m were payable to the PCSPS (2014-15 £1.016m) at one of four rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2015-16 to

<sup>11</sup> Recovery of costs of staff seconded from Estyn to Welsh Government.

<sup>12</sup> Accounts restated to include NED costs in Staff costs (Note 3) and not non staff costs (Note 4) as previously reported for 2014-2015.



be paid when the member retires and not the benefits paid during this period to existing pensioners.

#### 4 Other costs

	2015-2016 £000's	2014-2015 (Restated) £000's
Rental under operating leases: accommodation	131	132
Other accommodation costs	250	184
IT & telecommunications	617	616
Welsh Government central services	13	19
Travel and subsistence	587	626
Auditor's remuneration – audit of accounts	30	32
General administration expenditure	253	248 <sup>13</sup>
<b>Non-cash items:</b>		
- change in provision for accommodation dilapidation	20	3
- tangible asset depreciation	99	52
- intangible asset depreciation	7	-
	<b>2,007</b>	<b>1,912</b>
Less: Operating income (Note 5)	(2)	(1)
<b>Subtotal: Net administration costs</b>	<b>2,005</b>	<b>1,911</b>
Post 16 education inspections and associated costs	8	21
School inspections and associated costs	672	750
General inspection related costs	211	278
Remit costs	9	29
<b>Subtotal: Programme costs</b>	<b>900</b>	<b>1,078</b>
<b>Total other costs</b>	<b>2,905</b>	<b>2,989</b>
<b>Total Other costs without Income and depreciation</b>	<b>2,801</b>	<b>2,938</b>

#### 5 Income

	2015-2016 £000's	2014-2015 £000's
<b>Income</b>		
- registration fees	(2)	(1)
<b>Total</b>	<b>(2)</b>	<b>(1)</b>

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

<sup>13</sup> Figure restated from originally reported in 2014-15 to exclude NED costs which are now shown separately in Staff costs in Note 3.

## 6 Property, plant and equipment

	IT systems	IT equipment	Furniture & fittings	Office equipment	Total
	£000's	£000's	£000's	£000's	£000's
<b>Cost or valuation</b>					
At 1 April 2015	196	692	246	90	1,224
Additions	-	192 <sup>14</sup>	-	-	192
Disposals	-	(135)	(3)	(81)	(219)
<b>At 31 March 2016</b>	<b>196</b>	<b>749</b>	<b>243</b>	<b>9</b>	<b>1,197</b>
<b>Depreciation</b>					
At 1 April 2015	196	652	240	90	1,178
Charged in year	-	98	1	-	99
Disposals	-	(135)	(3)	(81)	(219)
<b>At 31 March 2016</b>	<b>196</b>	<b>615</b>	<b>238</b>	<b>9</b>	<b>1,058</b>
<b>Carrying amount</b>					
<b>At 31 March 2016</b>	<b>-</b>	<b>134</b>	<b>5</b>	<b>-</b>	<b>139</b>
At 1 April 2015	-	40	6	-	46

<sup>14</sup> Purchase of mobile phones and laptops

**7 Intangible assets**

	Software	DVD	Total
	£000's	£000's	£000's
<b>Cost</b>			
At 1 April 2015	11	109	120
Additions	-	22 <sup>15</sup>	22
At 31 March 2016	11	131	142
<b>Depreciation</b>			
At 1 April 2015	11	109	120
Charged in year	-	7	7
At 31 March 2016	11	116	127
<b>Carrying amount</b>			
At 31 March 2016	-	15	15
At 1 April 2015	-	-	-

<sup>15</sup> Production of inspection training DVDs

## 8 Financial instruments

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

### Liquidity risk

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

### Interest rate and foreign currency risk

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

## 9 Trade and other receivables

### 9a Analysis by type

	At 31 <sup>st</sup> March 2016 £000's	At 31 <sup>st</sup> March 2015 £000's
<b>Amounts falling due within one year:</b>		
Other receivables	27	46
Prepayments and accrued income	88	108
<b>Total</b>	<b>115</b>	<b>154</b>

### 9b Intra-Government balances

	At 31 <sup>st</sup> March 2016 £000's	At 31 <sup>st</sup> March 2015 £000's
<b>Amounts falling due within one year:</b>		
Balances with other central government bodies	26	46
Balances with bodies external to government	89	108
<b>Total</b>	<b>115</b>	<b>154</b>

## 10 Cash and cash equivalents

	2016 £000's	2015 £000's
Balance	694	947
Net change in cash and cash equivalent balances	(47)	(253)
<b>Balance at 31st March</b>	<b>647</b>	<b>694</b>

Estyn uses the Government Banking Service and operates one bank account. The NatWest account provides a BACS payment service, collection of BACS income and local banking facilities. The following balance was held at 31st March 2015 and 31st March 2016:

	At 31 <sup>st</sup> March 2016 £000's	At 31 <sup>st</sup> March 2015 £000's
Balances at Citi Bank	16	694
Balances at NatWest	647	-
	<b>647</b>	<b>694</b>

## 11 Trade and other payables

### 11a Analysis by type

	At 31 <sup>st</sup> March 2016 £000's	At 31 <sup>st</sup> March 2015 £000's
Amounts falling due within one year		
Trade payables	122	190
Payroll funding	229	220
Accruals & deferred income	591	857
	<b>942</b>	<b>1,267</b>

### 11b Intra-Government balances

	At 31 <sup>st</sup> March 2016 £000's	At 31 <sup>st</sup> March 2015 £000's
Balances with other central government bodies	39	53
Balances with local authorities	254	178
Balances with bodies external to government	649	1,036
<b>Total</b>	<b>942</b>	<b>1,267</b>

<sup>16</sup> Estyn no longer has a Citi Bank account following the Government Banking Service's reorganisation of accounts during 2015-2016.

## 12 Provisions for liabilities

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

Provisions	Accommodation refit	Total
	£000's	£000's
Balance at 1 April 2015		
- Within one year	135	135
- Between two and five years	-	-
- After five years	-	-
Increase/(Decrease) in provision	20 <sup>17</sup>	20
Amounts utilised in the year	-	-
Remaining provision:	155	155
- Within one year	-	-
- Between two and five years	155	155
- After five years	-	-
Total provision as at 31st March 2016	155	155

## 13 Capital commitments

There are no capital commitments as at 31<sup>st</sup> March 2016.

## 14 Commitments under leases

### Operating leases

	2016 £000's Land & Buildings	2015 £000's Land & Buildings
At 31 March Estyn was committed to making the following payments during future years in respect of operating leases expiring:		
- within one year	96	86
- between two and five years <sup>18</sup>	532	-
- after five years	-	-
	628	86

IFRS16 issued in January 2016 but not effective until January 1 2019, requires that all leases with a lease term of more than 12 months be recognised as assets and liabilities in financial statements. It is not yet known if this standard will be adopted within the FrEM but if it had been for 2015-16, there would have been an increase in both assets and liabilities of £627k.

<sup>17</sup> Increase in provision following updated quote from Surveyor.

<sup>18</sup> Lease renewed for office accommodation.

## **15 Other commitments**

Estyn has not entered into any non-cancellable contracts (which are not operating leases) as at 31st March 2016 (there were no non-cancellable contracts as at 31<sup>st</sup> March 2015).

## **16 Contingent liabilities**

There were no contingent liabilities at the end of 2015-2016 (there were no contingent liabilities as at 31<sup>st</sup> March 2015).

## **17 Related party transactions**

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

- Wales Audit Office

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

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

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

## Annex 1: Glossary of acronyms used in this report

ACL	Adult community learning
ADEW	Association of Directors of Education in Wales
AI	Additional Inspector
ARAC	Audit Risk and Assurance Committee
BACS	Bankers' Automated Clearing Services
CETV	Cash Equivalent Transfer Value
CiF	Common inspection framework
CSSIW	The Care and Social Services Inspectorate Wales
DfES	The Department for Education and Skills
DPA	Data Protection Act
ETI	Education and Training Inspectorate (Northern Ireland)
EWC	Education Welfare Council
FOI	Freedom of Information
FReM	Financial Reporting Manual
GBS	Government Banking Service
HEFCW	The Higher Education Funding Council for Wales
HIW	The Health Inspectorate Wales
HMCI	Her Majesty's Chief Inspector of Education and Training in Wales
HMI	Her Majesty's Inspector
IAR	Inspectorate, Audit and Regulation
IFRS	International Financial Reporting Standards
ITET	Initial teacher education and training
LALI	Local authority link inspector
NED	Non-Executive Director
NTFW	National Training Federation for Wales
Ofsted	Office of Standards in Education (England)
PCSPS	Principal Civil Service Pension Scheme
PI	Performance Indicator
PRU	Pupil referral unit
QAA	The Quality Assurance Agency for Higher Education
SEP	Strategic Equality Plan
SICI	Standing International Conference of Inspectorates
VAT	Value Added Tax
WAO	The Wales Audit Office
WBL	Work-based learning
WfA	Welsh for Adults
YOT	Youth Offending Teams