



Rhagoriaeth i bawb - Excellence for all

Arolygiaeth Ei Mawrhydi dros Addysg
a Hyfforddiant yng Nghymru

Her Majesty's Inspectorate
for Education and Training in Wales

Annual Report and Accounts 2007-2008



**BUDDSODDWR MEWN POBL
INVESTOR IN PEOPLE**



Annual Report and Accounts

Directors' report

Format of the accounts

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

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

Background statutory information and funding

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

Vision and Mission

Estyn's vision is to be recognized through the expertise of its staff as an authoritative voice on learning in Wales. Its mission during 2007-08 was "to achieve excellence for all in learning in Wales", to be achieved by providing an independent, high quality inspection and advice service in relation to education and training in Wales.

In particular, Estyn seeks to bring about improvement in Welsh education and training through:

- providing independent public accountability on the quality of provision;
- informing national policy by providing evidence and advice; and
- promoting improvement across the system by spreading effective practice.

Principal Activities

Her Majesty's Chief Inspector of Education and Training in Wales has a wide range of statutory inspection responsibilities. These responsibilities are carried out through an annual inspection programme that generates reports and data on all sectors of education and training in Wales and is the dominant area of Estyn's activity in terms of the resources consumed. The inspection programme in 2007-08 covered the following areas:

- ▲ nursery schools and settings that are maintained by, or receive funding from, local education authorities (LEAs);
- ▲ primary schools;
- ▲ secondary schools;
- ▲ special schools;
- ▲ pupil referral units;
- ▲ independent schools;
- ▲ further education;
- ▲ adult community-based learning;

- ▲ youth support services;
- ▲ LEAs;
- ▲ teacher education and training;
- ▲ youth and community work training;
- ▲ work-based learning;
- ▲ careers companies;
- ▲ offender learning; and
- ▲ the education, guidance and training elements of the Department for Work and Pensions funded training programmes.

Estyn's methods of inspection are detailed in published frameworks and guidance. These documents help ensure the quality and consistency of inspections and are reviewed and updated regularly.

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

Further information about the work of Estyn can be found on its website at www.estyn.gov.uk.

Principal aim and operational objectives

In 2007-2008, Estyn's principal aim was to raise standards and quality in education and training in Wales. Our high quality inspection and advice supports the Welsh Assembly Government's strategic direction as expressed in 'The Learning Country', 'Making the Connections' and 'Delivering Beyond Boundaries'.

Estyn's operational objectives for 2007-2008 were:

- To deliver a high quality education and training inspection service in Wales that is proportionate to risk and supports the continuous improvement of education and training in Wales.
- To provide sound advice, based on independent inspection evidence, to inform the Welsh Assembly Government in the formulation and evaluation of strategy and policy.

Structure

In February 2008, Dr William Maxwell succeeded Susan Lewis as Her Majesty's Chief Inspector of Education and Training in Wales and head of Estyn. Estyn's staff are members of the UK Civil Service. At 31 March 2008, Estyn had ninety-seven permanent staff in post deployed in the Headquarters in Cardiff and in a local office in North Wales (Her Majesty's Chief Inspector, fifty-five staff within the inspection directorates and forty-one staff who deal with organisational policy, planning and development).

Throughout 2007-2008, Estyn continued to second staff from a range of education and training-related organisations to fill a number of inspection posts. In addition to employed and seconded staff, Estyn contracts with organisations and independent inspectors to carry out some aspects of its work. The majority of school inspections are carried out by external contractors, led by Registered Inspectors trained and monitored by Estyn.

Estyn's senior management team is made up of the Chief Inspector and three Heads of Directorate. All are senior civil servants. At 31 March 2008, Estyn's Board comprised the senior management team, three appointed non-executive directors and one co-opted non-executive director.

In 2007-08, membership of the Audit Committee comprised all four non-executive directors, with Mrs Julie James, one of the non-executive directors, having succeeded Mrs Penny Ryan as Chair of the Committee in-year.

Estyn Board Membership

During 2007-2008, the following persons were non-executive directors or co-opted non-executive directors in Estyn for the periods shown:

Non-executive directors

Mr A Bellamy	Former Chief Executive of Glan Y Mor NHS Trust/Executive Director Swansea NHS Trust (Board member: 20 August 2007 – 31 March 2008)
Mrs J James	Former Director of Personnel, Monarch Airlines (Board member: 1 April 2007 – 31 March 2008)
Prof S Prosser	Professor of Leadership and Organisation Development, Business School, University of Glamorgan (Board member: 1 April 2007 – 4 May 2007)
Mrs P Ryan OBE	Former Principal of Coleg Gorseinon (Board member: 1 April 2007 – 4 May 2007)
Mr J Shelton	Former Director of Reach Supported Living Ltd (Board member: 20 August 2007 – 31 March 2008)

Co-opted Non-executive director

Mrs P Ryan OBE	Former Principal of Coleg Gorseinon (Board member: 5 May 2007 – 31 March 2008)
----------------	---

Senior officers

The senior officer members of the Board during the year were:

Dr William Maxwell	Her Majesty's Chief Inspector of Education and Training in Wales & Accounting Officer (Board member: 1 February 2008 – 31 March 2008)
Miss S Lewis	Her Majesty's Chief Inspector of Education and Training in Wales & Accounting Officer (Board member: 1 April 2007 – 31 January 2008)
Mrs E Allinson	Head of Inspection Directorate: Education Partnerships, Training and Inclusion (Board member: 1 April 2007 – 31 March 2008)
Mrs S Howells	Head of Directorate: Organisational Policy, Planning and Development Services (Board member: 1 April 2007 – 31 March 2008)
Mrs A Keane	Head of Inspection Directorate: Education Providers (Board member: 1 April 2007 – 31 March 2008)

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

Appointment of non-executive directors of the Estyn Board

All current non-executive directors were appointed following a process of open competition, with one non-executive director having been co-opted in-year in order to maintain Board continuity. In accordance with standard procedures, the Board may co-opt on to its membership such person or persons whom they consider may assist them to achieve the Board's stated purpose. Such co-options are for no more than a calendar year and may only occur when circumstances warrant this action, as illustrated above.

Remuneration of members of the Board

Details of the remuneration of Her Majesty's Chief Inspector of Education and Training in Wales and other senior staff members of the Estyn Board are set out in the Remuneration Report on pages 15 to 19 of these accounts.

Non-executive directors are not remunerated but are entitled to claim an honorarium of £271 per full day (including preparation and attendance) for a Board meeting and/or Audit Committee meeting (Chair of Audit Committee: £324 per full day) plus travel and subsistence expenses. Total payments of £10,100 were made in the year as honoraria and £1,634 was claimed as travel and subsistence expenses.

Pension scheme

Former and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is non-contributory and unfunded (see Note 1.9 to these accounts) and there is a separate scheme statement for the PCSPS as a whole.

Equal opportunities

It is Estyn's policy that all employees and job applicants should have equal opportunity for employment and advancement on the basis of their ability, qualifications and suitability for the work.

No job applicant or employee should receive less favourable treatment on grounds of race, colour, sex, sexual orientation, age, marital status, disability, religion, family/domestic responsibilities or working patterns e.g. part-time, nor any individual be disadvantaged by conditions or requirements which cannot be shown to be justifiable.

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

Dissemination of Information

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

Payment Policy

The Welsh Assembly Government provides a range of financial services to Estyn including the processing of supplier payments. Under the Late Payment of Commercial Debts (Interest) Act 1998, the Assembly Government is required to pay undisputed suppliers' invoices within 30 days of receipt of goods or services or valid invoice, whichever is the later. This was achieved for 99.5% of all such payments made in 2007-2008 (2006-2007: 99.6%).

Auditors

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

So far as the Accounting Officer is aware:

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

Events since the end of the financial year

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

Dr William S Maxwell
Her Majesty's Chief Inspector of Education and Training in Wales
and Accounting Officer

10 July 2008

Management commentary

Results for the year

In 2007/08, Estyn's total revenue expenditure, comprising administrative and programme costs, was just over £12.6 million, a decrease of 3.7% against the previous financial year. The main decrease in spend was in the programme area, relating to the continuing trend of falling average prices for contracted out school inspections. In addition, there were fewer programmed inspections in 2007/08 compared to the previous financial year because of school closures and amalgamations.

There was also a reduction in administration costs compared with the previous financial year. The underspend against the salary budget arose because, although we attracted considerable interest during our five recruitment campaigns, we were unable to identify suitable candidates of sufficient calibre to fill all vacancies for inspection posts and for some middle-management positions in business services. Alongside recruitment for permanent staff, Estyn continued with its programme of secondees to bring in recent and relevant experience to the organisation. The organisation's work was therefore carried out through a complementary mix of permanent staff, secondees, additional inspectors and contract staff.

In 2007/08, Estyn's funding from the Welsh Assembly Government was channelled through the Department for Public Service Performance (DPSP); in previous years funding was channelled through the Department for Children, Education, Lifelong Learning and Skills. Throughout the year, Estyn kept DPSP informed of its projected expenditure so that potential savings could be offered for use within other areas of the Assembly. During the year, Estyn transferred £1.15 million to DPSP for use in that way.

The balance sheet as at the year-end 31 March 2008 shows net liabilities of £567,000 (2006-07: £806,000). It is not unusual for Estyn's balance sheet to show a deficit position at the end of a financial year due to the high level of creditors. Most of these creditors are a normal consequence of Estyn's contractual arrangements for school inspections, as payment for a contract is not made until Estyn has received the inspection report. Under statutory requirements the report can be received up to 45 days after the inspection is completed. As in previous years, under payroll service provider and payment arrangements, the creditors figure also includes an accrual in the accounts for March salaries. Estyn will receive funding from the Welsh Assembly Government to meet all of the above liabilities when they mature in the 2008-2009 financial year and it has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

There was a relatively small amount of capital expenditure in 2007/08 (£126,000), predominantly used to replace staff computers as part of Estyn's three-year equipment refresh strategy. Despite the above investment in capital the net book value of Estyn's fixed assets, as shown in its balance sheet, has reduced by £253,000, mainly as the effect of the annual depreciation charge against the Athene database system.

Better value for the Estyn £

In 2007/08 we continued to take advantage of collaborative procurement contracts and e-procurement offered by Value Wales and the Office of Government Commerce (OGC) to both minimise costs and support sustainability. All contracted-out inspection work was subject to rigorous competitive tendering procedures and evaluation of the quality of

contractors. This approach to the procurement of goods and services helped contribute to the maintenance of our relatively low organisational running costs.

Internal staff resource efficiencies were enhanced through cross-functional team working, including joining-up directly delivered inspections, for example, undertaking a linked inspection of youth support services and the local education authority in Gwynedd, and a linked inspection of Area 14-19 providers and youth support service providers in the areas of Merthyr and Wrexham. These linked inspections avoided the need to establish multiple inspection teams and also helped avoid duplicating the inspection of common issues.

We also continued with our risk-based approach to inspection, focusing resources on those providers in most need of attention and support.

Inspection and advice work

Estyn's inspection findings are reported each year in 'The Annual Report of Her Majesty's Chief Inspector of Education and Training in Wales'. The report is a statement on the quality and standards of education and training in Wales for the academic year 2006/07 and can be found on Estyn's website: (www.estyn.gov.uk).

In 2007-08, a total of 307 school inspections (including 8 Pupil Referral Units), 9 Local Education Authority inspections, 101 non-maintained nursery inspections, and 48 inspections of Post-16 education and training providers were carried out, the vast majority on a risk-assessed basis.

Inspections result in reports that are published on Estyn's website. Also on Estyn's website are reports of the 21 commissioned pieces of advice work undertaken during 2007/08 for the Welsh Assembly Government. This advice work, requested by the Minister for Children, Education and Lifelong Learning and Skills, continued to be focussed within a number of key themes, including: Early Years and Key Stages 1-3; learning for 14-19 year olds and lifelong learning; and, practice and practitioners. In addition to commissioned work, Estyn also produced a number of ad-hoc pieces of advice work for the Assembly and other bodies such as the Department for Work and Pensions.

Throughout the year, Estyn staff continued to be involved with, and contribute to, a large number of external working groups and advisory panels, the purpose of which ranged from sharing information and good practice to developing advice and guidance to inform national policy relating to education and training in Wales.

Estyn ran a series of training events throughout 2007/08, continuing with its comprehensive programme of training and updating nominees, peer assessors and independent inspectors. Details of these roles can be found on Estyn's website.

Estyn's people

Improving the capacity and capability of our staff was one of our key strategic themes in 2007/08. We provided a broad range of training and development opportunities for staff, including such diverse training as: computer skills; managing pressure positively; safe driving skills, leadership skills; and, alcohol and drug awareness.

In November 2007, in recognition of the significant focus Estyn has placed on health and wellbeing, we were awarded the Bronze Standard of the Corporate Health Standard, a quality mark awarded by the Welsh Assembly Government to organisations which meet the prescribed standards across a range of specific criteria. In the past twelve months we have also continued to use the Health and Safety Executive's Management Standards as a long-term continuous improvement tool.

During 2007/08, we worked with the two trade unions recognised in Estyn to agree a Wellbeing Policy and a statement on bullying and harassment. We also maintained relevant and clearly worded equality plans on race, gender and disability; reflecting the most up to date legislation and working practices.

In 2007/08, our performance management system, which incorporates the Cabinet Office's Professional Skills for Government (PSG) agenda, was reviewed internally and slightly modified to provide a more streamlined performance reporting process.

Stakeholder relations

Estyn's wide range of partners and stakeholders includes other government agencies and departments, education and training providers, learners and parents. During 2007-08, Estyn held a total of nine meetings of its four stakeholder forums for Schools and Early Years, Independent Schools, Local Education Authorities and Post-16 Education and Training. The forums were used to gain feedback and views on Estyn's work and also to consider issues raised by the Chief Inspector's Annual Report.

During the year, the Chief Inspector led a series of 'roadshows' across Wales to engage stakeholders at a series of local venues. The team from Estyn was able to listen to stakeholders views on our work and debate issues concerning education and training services in Wales.

Estyn continued to deliver much of its partnership work through a number of protocols, formal and informal agreements and Memoranda of Understanding. Estyn's partners included the Wales Audit Office, Care and Social Services Inspectorate Wales, Ofsted, Department of Work and Pensions, and various divisions of the Department for Children, Education, Lifelong Learning and Skills. In 2007-08, we also began inspection of offender learning in conjunction with HM Inspectorate of Probation and HM Inspectorate of Prisons.

Sustainability

Last year we continued to consider sustainability issues as part of our everyday processes and achieved level 3 of the 'Green Dragon' sustainability award. Among the many initiatives undertaken to reduce our environmental impact we upgraded our office air conditioning and lighting systems and implemented auto-shutdown of computers at the end of each working day to reduce energy consumption. We also maximised the level of environmentally-friendly stationery products used by Estyn and received, in recognition of our commitment to sustainability, the Public Sector Green Customer Award from Office Depot, an international organisation and key supplier of office products to the public sector.

Personal data related incidents

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

Minimum scope of protected personal data

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

- A. Any information that links one or more identifiable living persons with information about them whose release would put them at a significant risk of harm or distress.

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

The above are not exhaustive lists.

- B. Any source of information about 1000 or more identifiable individuals, other than information sourced from the public domain.
 This could be a database with 1000 or more entries containing facts mentioned in box 1, or an electronic folder or drive containing 1000 or more records about individuals. Again, this is a minimum standard. Information on smaller numbers of individuals may warrant protection because of the nature of the individuals, nature or source of the information, or extent of information.

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

Table 1: SUMMARY OF PROTECTED PERSONAL DATA RELATED INCIDENTS FORMALLY REPORTED TO THE INFORMATION COMMISSIONER'S OFFICE IN 2007-08

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Further action on information risk	There were no incidents to report. However, Estyn will continue to monitor and assess its information risks in order to identify and address any weaknesses and ensure continuous improvement of systems.			

TABLE 2: SUMMARY OF OTHER PROTECTED PERSONAL DATA RELATED INCIDENTS IN 2007-08

Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within Estyn are set out in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures.

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises.	Nil
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises.	Nil
II	Insecure disposal of inadequately protected electronic equipment, devices or paper documents.	Nil
IV	Unauthorised disclosure.	Nil
V	Other.	Nil

TABLE 3: YEAR-ON-YEAR TOTAL NUMBERS OF PROTECTED PERSONAL DATA RELATED INCIDENTS PRIOR TO 2007-08

Total number of protected personal data related incidents formally reported to the Information Commissioner's Office, by category number							Total number of other personal data related incidents, by category number						
	I	II	III	IV	V	Total		I	II	III	IV	V	Total
2006-07	Nil	Nil	Nil	Nil	Nil	Nil	2006-07	Nil	Nil	Nil	Nil	Nil	Nil
2005-06	Nil	Nil	Nil	Nil	Nil	Nil	2005-06	Nil	Nil	Nil	Nil	Nil	Nil
2004-05	Nil	Nil	Nil	Nil	Nil	Nil	2004-05	Nil	Nil	Nil	Nil	Nil	Nil

Future developments

The current cycle of education and training provider inspections is due to come to an end in two year's time. In preparation for this we initiated the 'Estyn 2010' project in 2007. The first part of the project involved a widespread national consultation to gather citizen and stakeholder views about inspection and its role in the improvement of education and training. Continuing with Estyn 2010 will be a major piece of work for the organisation over the next two years. We will begin to develop new frameworks and guidance, identify training needs, establish information requirements and adapt or develop new data capture, analysis and reporting systems. Further consultation with all stakeholders will take place on the frameworks that we will develop for inspecting education and training in Wales for the next cycle that will start from September 2010.

In the next year, Estyn will take on new areas of inspection work, for example in relation to the inspection of training of teachers in Further Education, offender learning institutions and Local Safeguarding Children Boards.

Toward the end of 2007/08, Estyn adopted a new five year Information Systems Strategy. The strategy identifies a number of key developments which will underpin the delivery of Estyn's objectives. A significant development for 2008/09 will be a new resource planning system. Other planned developments for the next year will include the outsourcing of ICT support services and disaster recovery arrangements. Planned steps for the coming year also include full encryption of all data held on laptops, electronic storage devices and electronic back-up devices (tapes) used, transported or stored outside secured Estyn premises. In addition, Estyn will also consider its technical communication requirements, including its arrangements for email and internet services. Remote communication link facilities to Estyn's information systems will be one of the many considerations during the development of a 'home working' policy, also planned for 2008/09. In 2008/09 and linked to the information systems strategy, Estyn will review arrangements for accountancy and payment services.

In 2008/09 we will benchmark ourselves using the Investors in People standard and review opportunities to achieve the next level of other corporate standards already held, for example, Green Dragon and the Corporate Health Standard.

Performance information

Estyn set a number of specific targets to be achieved in the financial year, some of which were influenced by a remit from the Minister for Children, Education, Lifelong Learning and Skills in Wales. Table 4 contains target and output information against a range of performance objectives Estyn set within its Corporate Plan for 2007-2010.

Performance objectives 1.1 to 1.7 relate to Estyn's Objective 1.

Performance objectives 2.1 to 2.3 relate to Estyn's Objective 2.

Performance objective 3.1 relates to Estyn's work in general.

Table 4: Estyn performance indicators

No.	Performance objective	Performance indicator	Target 2007-2008 (2006-2007)	Performance 2007-2008 (2006-2007)
1.1	To ensure that inspections carried out under contract by independent inspectors meet the quality requirements set out in Estyn's published frameworks for inspection and guidance.	1.1.1 Percentage of inspections to be directly quality assured by HMI monitoring	20% ¹ & 30% (30%)	19% & 29% (22%)
		1.1.2 Percentage of inspections meeting the quality standards set out in Estyn's guidance	95% (95%)	100% (100%)
1.2	To ensure that reports of inspections carried out under contract by inspectors meet the quality requirements set out in Estyn's frameworks for inspection and guidance	1.2.1 Percentage of reports to be directly quality assured by HMI monitoring	30% (n/a)	30% (n/a)
		1.2.2 Percentage of reports reviewed that meet the quality standards set out in Estyn's guidance	96% (95%)	96% (96%)
1.3	To obtain another perspective on the quality of inspection of individual providers by analysing the feedback in questionnaires returned by providers from all sectors during the year.	1.3.1 Percentage of responses in returned questionnaires that fall into the agree or strongly agree category across the range of questions posed in the questionnaire	86% (85%)	86.5% (88%)
1.4	To ensure that LEA inspection reports are published in a timely manner.	1.4.1 Percentage of reports that are published within statutory or agreed deadlines	75% (n/a)	100% (n/a)
1.5	To ensure that LEA inspection reports are published in a timely manner.	1.5.1 Percentage of reports that are placed on Estyn's website not more than 78 working days after the final day of the on-site inspection period	80% (75%)	100% (100%)
1.6	To ensure that Estyn-led inspections meet the quality requirements set out in Estyn's published frameworks for inspection and guidance	1.6.1 Percentage of inspections to be directly quality assured by Managing Inspectors.	30% (20%)	30% (35%)
		1.6.2 Percentage of inspections meeting the quality standards set out in Estyn's guidance	97% (96%)	100% (100%)
1.7	To ensure that reports produced by Estyn HMI meet the quality requirements set out in Estyn's published frameworks for inspection and guidance	1.7.1 Percentage of reports meeting the quality standards set out in Estyn's guidance	97% (96%)	100% (100%)

¹ The target for non-maintained nursery settings is lower as this is a relatively new area of inspection.

Annual Report and Accounts 2007-2008
Estyn: Her Majesty's Inspectorate for Education and Training in Wales

No.	Performance objective	Performance indicator	Target 2007-2008 (2006-2007)	Performance 2007-2008 (2006-2007)
2.1	To report annually to the Welsh Assembly Government on the standards and quality of education and training provision in Wales	2.1.1 The Chief Inspector's Annual Report to be produced in-year	By 29/02/08 (31/01/07)	26/02/08 ² (24/01/07)
2.2	To produce an annual plan in accordance with the Learning and Skills Act 2000.	2.1.2 Corporate Plan to be produced in-year	By 31/03/07 (31/03/06)	Achieved by 31/03/07 (31/03/06)
2.3	To verify that the independent advice and surveys requested by the Welsh Assembly Government remit is provided to the quality required within the timescale agreed	2.3.1 Percentage of advice work that meets the requirements as set out in the remit and/or any subsequent correspondence according to feedback from the Welsh Assembly Government	97% (96%)	95% (100%)
		2.3.2 Percentage of advice work that meets the timescales as set out in the remit and/or any subsequent correspondence according to feedback from the Welsh Assembly Government	96% (95%)	76% ³ (96%)
3.1	To provide a responsive service to the public that increasingly meets their needs	G1 The percentage of formal complaints received by Estyn to which a full response is sent within 25 working days	75% (75%)	75% (70%)
		G2 The percentage of complainants who are satisfied with Estyn's response	80% (80%)	71% ⁴ (80%)
		G3 Percentage of undisputed invoices paid within 30 days	98.5% (98%)	99.5% (99.6%)
		G4 Board report to be produced in-year	31/08/07 31/08/06	31/08/07 ⁵ (13/11/06)
		G5 Resource accounts to be produced in-year	30/06/07 (30/06/06)	30/06/07 ⁶ (27/06/06)
		G6 Average number of unique visits to Estyn website in each month.	20,000 (n/a)	26,824 ⁷ (n/a)

² The publication was rescheduled to be launched on this date by the Dr W S Maxwell, who took up his post as Chief Inspector on 1 February 2008.

³ The performance figure includes some pieces of work which have been regarded by WAG as late because formal adjustments to timescale were not agreed by Estyn and WAG. For 2008-09, all adjustments to timescales will be formally agreed.

⁴ Two complainants were dissatisfied with Estyn's response: in one case a decision was taken by Estyn not to conduct an internal review as the request was received outside the timeframe (complainant informed of option of taking the complaint to the Public Services Ombudsman for Wales); and, in the other case, the complainant expressed concerns about the outcome of the initial complaint investigation.

⁵ Report published on Estyn website on 25 September 2007.

⁶ Accounts laid before Welsh Assembly Government on 18 July 2007.

⁷ Figure relates to final quarter of year, only (discontinuity in website hosting arrangements meant that statistics unavailable for earlier periods).

Remuneration report

The remuneration of Her Majesty's Chief Inspector of Education and Training in Wales is determined by the National Assembly for Wales under paragraph 3 of Schedule 1 to the Schools Inspections Act 1996. The Schedule requires that approval be obtained from the Minister of the Civil Service.

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

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

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

The Estyn Pay Committee takes account of the evidence available in respect of wider economic considerations and the affordability of its recommendations.

Service Contracts

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

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 65. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Having served for over ten years as Chief Inspector, Susan Lewis retired on 31 January 2008. On 15 November 2007, Dr W S Maxwell was appointed as Chief Inspector for Education and Training in Wales (by Order in Council under Section 19 of the Education Act 2005) for a five year term commencing 1 February 2008. The rules of appointment are set out in the Civil Service Management Code.

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

Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the most senior officials of Estyn.

Remuneration*

Officials	2007-08		2006-07	
	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
Dr William Maxwell ⁸ Her Majesty's Chief Inspector of Education & Training in Wales	15 – 20 (95 – 100 full year equivalent)	-		-
Susan Lewis ⁹ Her Majesty's Chief Inspector of Education & Training in Wales	90 - 95 (110 - 115 full year equivalent)	-	105-110	-
Elaine Allinson Head of Inspection Directorate: Education Partnerships, Training and Inclusion	65 – 70	-	60 - 65	-
Shan Howells Head of Directorate: Organisational Policy, Planning and Development	90 - 95	-	85 - 90	-
Ann Keane Head of Inspection Directorate: Education Providers	70 – 75	-	65 – 70	-

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 the Inland Revenue as a taxable emolument.

⁸ Dr William Maxwell was appointed on 1 February 2008.

⁹ Susan Lewis retired on 31 January 2008.

Pension Benefits*

Officials	Accrued pension at age 65 as at 31/3/08	Real increase in pension at age 65	CETV at 31/3/08	CETV at 31/3/07	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Dr William Maxwell Her Majesty's Chief Inspector of Education & Training in Wales	45-50	2 -3	795	728 ¹⁰	46	0
Susan Lewis Her Majesty's Chief Inspector of Education & Training in Wales	45-50	0 -1	1,214	1,079	24	0
Elaine Allinson Head of Inspection Directorate: Education Partnerships, Training and Inclusion	20-25	0-1	423	357	14	0
Shan Howells Head of Directorate: Organisational Policy, Planning and Development	25-30	1-2	573	478	27	0
Ann Keane Head of Inspection Directorate: Education Providers	25-30	0-1	737	647	9	0

* This information is subject to audit

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Retail Prices Index (RPI). Members joining

¹⁰ CETV at 31 January 2008.

from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated 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 RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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

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

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

Cash Equivalent Transfer Values

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

Real increase in CETV

This reflects the increase in CETV effectively 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

Estyn did not make any compensation payments to senior officials in 2007-2008.

Dr William S Maxwell
Her Majesty's Chief Inspector of Education and Training in Wales and Accounting Officer

10 July 2008

Statement of Accounting Officer's responsibilities

Under Schedule 6(5) 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. 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, resources applied to objectives, recognised gains and losses 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 of Schedule 6 to the Government of Wales Act 1998, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the *Government Financial Reporting Manual*, have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

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

Statement on internal control

1. Scope of responsibility

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

Estyn is a non-ministerial government body that is independent of but funded by the Welsh Assembly Government under section 104 of the Government of Wales Act 1998.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Estyn's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. This system of internal control has been in place in Estyn for the year ending 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

3. Capacity to handle risk

Estyn's risk management policy sets out:

- the purpose of Estyn's risk management arrangements;
- risk management principles;
- relative responsibilities within Estyn;
- risk tolerance;
- Estyn's risk management framework and how it will work; and
- how risk management contributes to providing assurance.

Under the policy, team leaders at Branch Head level and above, are responsible for ensuring that everyone in their teams understands their risk management responsibilities and for making clear the extent to which staff are empowered to take risks in line with the risk policy and other guidance. Staff are introduced to Estyn's risk system, as part of their induction to the organisation, and to managing risk in a way that accords with their post and responsibilities. Risk management profiles are required in relation to plans for all significant projects or pieces of work.

4. The risk and control framework

Statements of internal control are produced by Estyn staff at branch and managing HMI team level in support of the directorate statements of control that in turn supports this statement.

Estyn's risk register is updated quarterly and reviewed annually at both senior and corporate management team levels. This ensures that strategic and corporate risks, including information risks, are identified, objectively assessed and actively managed. As referred to earlier, Estyn's risk management policy sets out its approach to risk tolerance by defining what are acceptable risks and prohibited risk areas.

Risk management is embedded in the activity of the organisation through the requirement for all significant work to be appropriately risk assessed, and managed in accordance with those assessments, by all concerned. In line with our Common Inspection Framework, most inspection work is now undertaken on a risk-assessed basis. The exceptions to this are areas where full cycles of inspection have not yet been completed to provide risk assessment data and, until 2010, non-maintained nurseries.

Maintenance of awareness of risk, including early identification and active management, is achieved at all levels in the organisation through the regular review of the risk register and through the requirement on managers to complete annual management assurance statements based on their management of team risks. In addition, certain staff have specific responsibility for the ongoing development of risk management in Estyn within their job descriptions.

Furthermore, where systems or procedures are newly created or come up for review, risk is placed at the heart of Estyn's considerations and we encourage those with whom we work to also take a risk-based approach and to be involved with us in assessing and managing risk. For example, schools inspection contractors are awarded contracts on a basis that includes their identification and management of risks. Similarly, Estyn has four inspection forums covering different aspects of our core business and involving key stakeholders, to provide an external perspective on our work and development, so as to mitigate the risk of our not having external challenge to what we do as an organisation.

External challenge is also provided through Estyn's Audit Committee with its independent members and independent chair. The Committee supports the Accounting Officer in his responsibility for issues of risk, control, governance and associated assurance in Estyn. During the year, at Estyn's request, the Wales Audit Office ran a workshop for current members of the Audit Committee. The workshop facilitated a self-assessment of the work and performance of the Committee and helped members to develop an appropriate action plan for the Committee. Further external challenge is provided by the Estyn Board, as mentioned earlier in the accounts. The Board's responsibilities include ensuring that the organisation is operating appropriately and effectively. In order to improve understanding and knowledge of Estyn's financial affairs, the non-executive directors of the Board attended an in-house finance seminar during January 2008.

5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system for internal control is informed by the work of the internal auditors and the executive managers within Estyn who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by Estyn's Audit Committee.

During 2007-2008, Estyn's internal auditor service provider (Bentley-Jennison) operated to Government Internal Audit Standards while undertaking audits in accordance with a three year audit strategy and an agreed annual plan. Work completed by our internal auditors results in reports which include an independent opinion on the adequacy and effectiveness of the system of internal control together with recommendations for improvement to me. For all audits undertaken in relation to the year covered by these accounts, Bentley-Jennison were able to provide assurance that risks material to the achievement of objectives in each area audited were being properly managed and controlled. These reports are shared with Estyn's Audit Committee. Any areas for improvement identified through internal and external audit reports are addressed to ensure continuous improvement is in place. The Audit Committee monitors completion of and compliance with audit recommendations.

The Financial Accountability Division of the Welsh Assembly Government undertakes a range of services on behalf of Estyn and is therefore part of Estyn's internal control framework. The Internal Control Statement produced by the Head of Financial Accountability Division in support of the Internal Control Statement signed by Dame Gillian Morgan as Permanent Secretary of the National Assembly for Wales provides a further assurance on the effectiveness of the systems of internal control.

Dr William S Maxwell
Her Majesty's Chief Inspector of Education and Training in Wales and Accounting Officer

10 July 2008

The Certificate and Report of the Auditor General for Wales to the National Assembly for Wales

I certify that I have audited the financial statements of Estyn: Her Majesty's Inspectorate for Education and Training for the year ended 31 March 2008 under the Government of Wales Act 1998. These comprise the Statement of Resource Outturn, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the Statement of Operating Costs by Departmental Aim and Objectives and the 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 required to be audited.

Respective responsibilities of the Accounting Officer and the Auditor

The Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government of Wales Act 1998 and HM Treasury directions made there-under and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government of Wales Act 1998. I report to you whether, in my opinion, the information in the Director's Report, management commentary and the unaudited part of the Remuneration Report included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by National Assembly for Wales and the financial transactions conform to the authorities which govern them.

In addition, I report to you if in my opinion Estyn has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed. I review whether the Statement on Internal Control reflects Estyn's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of Estyn's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report. This other information comprises the Director's Report, the Management Commentary and the unaudited part of the Remuneration Report. I consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to Estyn's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government of Wales Act 1998 and directions made there under by HM Treasury, of the state of Estyn: Her Majesty's Inspectorate for Education and Training in Wales' affairs as at 31 March 2008, and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government of Wales Act 1998; and
- information which comprises the management commentary included within the Annual Report, is consistent with the financial statements.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

Jeremy Colman
Auditor General for Wales

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

14 July 2008

Statement of Resource Outturn
 for the year ended 31 March 2008

	Note	2007-08						2006-07	
		Estimate			Outturn				
		Gross expenditure	Income	NET TOTAL	Gross expenditure	Income	NET TOTAL	Net total ¹¹ outturn compared with Estimate saving/ (excess)	Prior-year outturn
		1	2	3	4	5	6	7	8
		£000	£000	£000	£000	£000	£000	£000	£000
Administration Costs		9,252	-	9,252	8,447	(228)	8,219	1,033	8,514
Programme Costs		4,496	-	4,496	4,164	(3)	4,161	335	4,579
Total Resources	2	13,748	-	13,748	12,611	(231)	12,380	1,368	13,093
Net Cash Requirement	3			13,809			12,359	1,450	13,107

The notes on pages 32 to 43 form part of these accounts

¹¹ Explanations of variations between estimate and outturn are given in the Management Commentary.

Operating Cost Statement
for the year ended 31 March 2008

	Note	2007-2008		2006-2007
		£000	£000	£000
Administration costs				
Staff costs	4		6,627	6,608
Other administration costs	5		1,820	1,907
Gross administration costs			8,447	8,515
Operating income			(228)	(1)
Net administration costs			8,219	8,514
Programme costs				
Expenditure	6		4,164	4,585
Less: income	7		(3)	(6)
Net programme costs			4,161	4,579
Net operating cost	2		12,380	13,093

All income and expenditure is derived from continuing operations.

All recognised gains or losses are recorded in the Operating Cost Statement.

The notes on pages 32 to 43 form part of these accounts

Balance Sheet
as at 31 March 2008

	Note	31 March 2008		31 March 2007	
		£000	£000	£000	£000
Fixed assets					
Intangible Assets	8a		5		-
Tangible Assets	8b		684		956
			689		956
Current assets					
Debtors	10	409		169	
Cash at bank and in hand	11	439		145	
		848		314	
Creditors: amounts falling due within one year	12	(2,053)		(2,076)	
Net current liabilities			(1,205)		(1,762)
Total assets less current liabilities			(516)		(806)
Provisions for liabilities and charges	13		(51)		-
NET LIABILITIES			(567)		(806)
Taxpayer's equity					
General fund	14		(567)		(806)
			(567)		(806)

Dr William S Maxwell
Her Majesty's Chief Inspector of Education and Training in Wales and Accounting Officer

10 July 2008

Cash Flow Statement

for the year ended 31 March 2008

	<i>Note</i>	2007-2008 £000	2006-2007 £000
Net cash outflow from operating activities	15	(12,233)	(13,083)
Capital expenditure and financial investment	15	(126)	(24)
Financing from the Welsh Assembly Government	15	12,653	12,921
Increase / (Decrease) in cash	11	294	(186)

The notes on pages 32 to 43 form part of these accounts

Statement of Operating Costs by Departmental Aim & Objectives
for the year ended 31 March 2008

Aim: To raise standards and quality in education and training in Wales through independent inspection and advice.

	2007-2008			2006-2007
	Gross	Income	Net	Net
	£000	£000	£000	£000
Objectives				
1. To deliver high quality inspection of individual education and training providers, and related services in Wales.	11,302	(231)	11,071	11,772
2. To provide independent and sound advice, based on inspection evidence, to inform the Welsh Assembly Government in the formulation and evaluation of education and training policy.	1,309	-	1,309	1,321
Net operating costs	12,611	(231)	12,380	13,093

The notes on pages 32 to 43 form part of these accounts

Notes to the departmental resource accounts

1. Statement of accounting policies

The financial statements have been prepared in accordance with the Government Financial Reporting Manual issued by the Welsh Assembly Government. The particular accounting policies adopted by Estyn are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 *Accounting convention*

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

1.2 *Intangible fixed assets*

Expenditure is capitalised where the asset purchased is expected to have a useful life extending over a number of years and the cost of the item(s) exceeds £1,000. Fixed assets are shown at cost less an allowance for depreciation (see note 1.4 below) and, in 2007/08, relate to the production costs of inspection training materials for which Estyn owns the intellectual property rights. In the opinion of Estyn, there is no material difference between the historic net book value of the assets, and their current replacement cost less depreciation.

1.3 *Tangible fixed assets*

Expenditure is capitalised where the asset purchased is expected to have a useful life extending over a number of years and the cost of the item(s) exceeds £1,000. Fixed assets are shown at cost less an allowance for depreciation (see note 1.4 below). In the opinion of Estyn, there is no material difference between the historic net book value of the assets, and their current replacement cost less depreciation.

1.4 *Depreciation*

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

- IT Equipment 3 years
- Furniture & Fittings 5 years
- Office Equipment 5 years
- IT Systems (Athene) 5 years
- Intangible (training DVD) 3 years

Where an impairment of a tangible or intangible fixed asset has occurred the net impairment is charged to the Operating Cost Statement in the year in which it has occurred.

1.5 *Operating Income*

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

1.6 *Administration expenditure*

The Operating Cost Statement is analysed between administration and programme costs. Administration costs reflect the costs of running Estyn as defined under the administration cost-control regime, together with associated income.

1.7 *Programme expenditure*

Programme costs reflect non-administration disbursements by Estyn. These are mainly payments to third parties under contract for inspection work. Any amounts remaining unpaid at the year-end for Spring Term inspections are included in creditors. Any contracts entered into in the year for inspections to be carried out in subsequent school terms are disclosed as commitments in the notes to the accounts.

1.8 *Capital charge*

A credit, reflecting the cost of capital utilised by Estyn, is included in operating and programme costs. The credit is calculated at the government's standard rate of 3.5 per cent in real terms on all assets less liabilities, except for cash balances held with the Office of HM Paymaster General.

1.9 *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.

1.10 *Pensions*

Present and past employees are covered by the provisions of the Civil Service Pension Schemes, which are described in Note 4. 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.

1.11 *Early departure costs*

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

1.12 *Operating leases*

Operating lease rentals are charged to the Operating Cost Statement in equal amounts over the lease term.

2. Reconciliation of net resource outturn to net operating cost

	2007-2008 £000	2006-2007 £000
Net resource outturn	12,380	13,093
Net operating cost	12,380	13,093

Net resource outturn represents Estyn's net resource requirement for the year against Estimate. Net operating cost is the total of expenditure and income appearing in the Operating Cost Statement.

3. Reconciliation of resources to cash requirement

	Note	Estimate £000	2007-2008 Outturn £000	Outturn compared with Estimate saving/ (excess) £000	2006-07 £000
Net total resource outturn		13,748	12,366	1,382	13,093
Fixed asset acquisitions	8	445	126	319	24
Accruals adjustments:					
Non-cash items	5&6	(384)	(396)	12	(409)
Changes in working capital other than cash	9	-	263	(263)	391
Use of provision	13	-	-	-	8
Net cash requirement		13,809	12,359	1,450	13,107

4. Staff numbers and costs

Staff costs consist of:

	2007-2008 £000	2006-2007 £000
Wages and salaries	4,374	4,293
Social security costs	412	404
Other pension costs	963	959
Total Net Costs	5,749	5,656
Plus:		
Secondees In	674	769
Secondees Out	(83)	(121)
Agency Staff	266	304
Compensation payment	21	-
Total	6,627	6,608

The PCSPS is an unfunded multi-employer defined benefit scheme but Estyn is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (<http://www.civilservice-pensions.gov.uk/>).

For 2007-08 employers' contributions of £963,040 were payable to the PCSPS (2006-07 £959,280) at one of four rates in the range 17.1% to 25.5% per cent of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a scheme valuation. Rates will be increased from 2007-08. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Estyn does not have any Partnership Pension Accounts.

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

	2007-2008	2006-2007
Objective 1	92	98
Objective 2	16	17
Total Number	108	115

The apportionment of total staff numbers to objectives has been made with reference to the relative amounts of time spent on core activities by staff within Estyn.

5. Other administration costs

	2007-2008 £000	2006-2007 £000
Rental under operating leases: photocopier hire	8	9
Rental under operating leases: accommodation	362	346
Other accommodation costs	314	355
IT & telecommunications	181	180
Welsh Assembly Government central services	33	47
Travel, subsistence and hospitality	321	303
Auditor's remuneration – audit of accounts	23	21
Other expenditure	420	474
Non-cash items:		
- depreciation	115	162
- surplus/deficit on disposal of fixed assets	-	1
- cost (credit) of capital	(8)	9
- provision for accommodation refit costs	51	0
	1,820	1,907
Less: Operating income	(228)	(1)
	1,592	1,906

6. Net programme costs

	2007-2008	2006-2007
	£000	£000
Current expenditure		
Post 16 education inspections and associated costs	432	359
School inspections and associated costs	2,765	3,415
Local Education Authority inspections and associated costs ¹²	175	109
Remit costs	42	44
Common programme costs	498	421
	3,912	4,348
Non cash items:		
- depreciation	278	278
- cost of capital credit	(26)	(41)
	4,164	4,585
Less: programme income (Note 7)	(3)	(6)
	4,161	4,579

7. Income

	2007-2008	2006-2007
	£000	£000
Programme income		
- registration fees ¹³	3	6
Administration income		
- recharge for inspection work ¹⁴	227	
- miscellaneous	1	1
Total	231	7

¹² Includes payments made to Estyn's external auditor in respect of joint inspection work, i.e. payments in respect of services other than those of the audit, amounting to £128,000 (2007-08), and, £92,000 (2006-07).

¹³ As the amount of income received from registration fees is small and can vary year on year, it is excluded from Estimate figures in the Statement of Resource Outturn.

¹⁴ Income receivable from the Department of Work and Pensions (DWP) under the terms of a Memorandum of Understanding between Estyn and DWP for the inspection of the education, guidance and training elements of DWP funded training programmes. For the year 2006/2007, Estyn received its Welsh Assembly Government funding via the Department for Children, Education, Lifelong Learning and Skills (DCELLS). Income in respect of work carried out by Estyn for DWP in 2006/2007, under the afore-mentioned memorandum of understanding, was received directly by DCELLS and was therefore not shown within Estyn's resource account statement for 2006/2007.

Fixed assets

8a Intangible Fixed Assets

	Intangibles £000	Total £000
Cost		
At 1 April 2007	-	-
Additions	8	8
Disposals	-	-
At 31 March 2008	8	8
Depreciation		
At 1 April 2007	-	-
Charged in year	3	3
Disposals	-	-
At 31 March 2008	3	3
Net book value		
At 31 March 2008	5	5
At 1 April 2007	-	-

8b. Tangible Fixed Assets

	Athene System £000	IT Equipment £000	Furniture & Fittings £000	Office Equipment £000	Total £000
Cost or valuation					
At 1 April 2007	1,393	378	323	87	2,181
Additions	-	113	2	3	118
Disposals	-	-	-	-	-
At 31 March 2008	1,393	491	325	90	2,299
Depreciation					
At 1 April 2007	557	339	293	36	1,225
Charged in year	278	76	19	17	390
Disposals	-	-	-	-	-
At 31 March 2008	835	415	312	53	1,615
Net book value					
At 31 March 2008	558	76	13	37	684
At 1 April 2007	836	39	30	51	956

9. Movements in working capital other than cash

	2007-2008 £000	2006-2007 £000
Increase/(Decrease) in debtors	240	(11)
(Increase)/Decrease in creditors	23	402
	263	391

10. Debtors

10a. Analysis by Type

	31 March 2008 £000	31 March 2007 £000
Amounts falling due within one year:		
Trade debtors	227	-
Other debtors	30	35
Taxation	27	23
Prepayments and accrued income	125	111
	409	169

10b. Intra-Government Balances

	Debtors: amounts falling due within one year	
	At 31 March 2008 £000	At 31 March 2007 £000
Balances with other central government bodies	278	51
Balances with local authorities	-	-
Balances with bodies external to government	131	118
Total	409	169

11. Cash at bank and in hand

	31 March 2008 £000	31 March 2007 £000
Balance at 1 April	145	331
Net cash inflow/(outflow)	294	(186)
Balance at 31 March	439	145

The Office of HM Paymaster General (OPG) provides a current account banking service. The following balances were held at 31 March:

	31 March 2008 £000	31 March 2007 £000
Balances at OPG	437	142
Commercial banks and cash-in-hand	2	3
	439	145

12. Creditors

12a. Analysis by type

	31 March 2008 £000	31 March 2007 £000
Amounts falling due within one year		
Trade creditors	668	900
Other creditors	3	0
Payroll Funding	479	479
Accruals & deferred income	903	697
	2,053	2,076

12b. Intra-Government Balances

Creditors: amounts falling due
within one year

	At 31 March 2008 £000	At 31 March 2007 £000
Balances with other central government bodies	488	499
Balances with local authorities	168	138
Balances with bodies external to government	1,397	1,439
Total	2,053	2,076

13. Provisions for liabilities and charges

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

	£000
Balance at 1 April 2007	-
Increase in provision	51
Amounts utilised in the year	-
	51

14. Reconciliation of net operating cost to changes in the general fund

	2007-2008 £000	2006-2007 £000
Net operating cost for the year	(12,380)	(13,093)
Net funding from the Welsh Assembly Government	12,653	12,921
	273	(172)
Notional cost adjustments:		
- cost of capital credit	(34)	(32)
Net increase/(decrease) in the General Fund	239	(204)
General fund at 1 April	(806)	(602)
General fund at 31 March	(567)	(806)

15. Notes to Consolidated Cash Flow Statement

15(a) Reconciliation of operating cost to operating cash flows

	<i>Note</i>	2007-2008 £000	2006-2007 £000
Net cost of operating activities for the year		12,380	13,093
Adjustments for non cash transactions			
Other administration costs	5	(158)	(172)
Programme costs	6	(252)	(237)
Adjustments for movements in working capital other than cash	9	263	391
Provisions utilised	13	-	8
Net cash outflow from operating activities		12,233	13,083

15(b) Analysis of capital expenditure and financial investment

	2007-2008	2006-2007
	£000	£000
Payments to acquire intangible fixed assets	8	-
Payments to acquire tangible fixed assets	118	24
Receipts from disposal of fixed assets	-	-
Net cash outflow from investing activities	126	24

15(c) Analysis of financing and reconciliation to the net cash requirement

	<i>Note</i>	2007-2008	2006-2007
		£000	£000
From the Welsh Assembly Government	14	12,653	12,921
(Increase)/Decrease in cash	11	(294)	186
Net cash requirement		12,359	13,107

16. Commitments under operating leases

	2007-2008		2006-2007	
	£000		£000	
	Land & Buildings	Other	Land & Buildings	Other
At 31 March 2008 Estyn was committed to making the following payments during the next year in respect of operating leases expiring:				
- within one year	-	-	-	-
- between two and five years	362	7	362	7
- after five years	-	-	-	-
	362	7	362	7

17. Capital commitments

There are no capital commitments as at 31 March 2008.

18. Other commitments

Estyn has entered into non-cancellable contracts (which are not operating leases) totalling £776,680 as at 31 March 2008 (2006-2007: £665,135).

19. Contingent liabilities

There were no contingent liabilities as at 31 March 2008.

20. Note to Statement of Operating Costs by Departmental Aim & Objectives

Estyn's cost of capital credit has been distributed between objectives on the basis of related gross costs.

Programme expenditure has been allocated as follows:

	2007-2008	2006-2007
	£000	£000
1. To deliver high quality inspection of individual education and training providers, and related services in Wales.	4,122	4,541
2. To provide independent and sound advice, based on inspection evidence, to inform the National Assembly for Wales in the formulation and evaluation of education and training policy.	42	44
Programme Costs	4,164	4,585

Administration costs have been attributed to objectives in accordance with the planned use of resources in the year. Income has been allocated to objectives in the same proportions as related expenditure.

21. Related Party Transactions

Estyn has had a small number of material transactions during the year with the Welsh Assembly Government and the following Government organisations that are regarded as related parties:

Office of the Paymaster General
Wales Audit Office
Department for Work and Pensions

None of the key managerial staff or other related parties has undertaken any material transactions with Estyn during the year.

22. Financial Instruments

Financial Reporting Standard 13 (FRS 13), *Derivatives and Other Financial Instruments*, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the non-trading nature of its activities and the way in which government departments are financed, Estyn is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. Estyn's financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the department in undertaking its activities.

Liquidity Risk

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

Interest Rate and Foreign Currency Risk

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

23. Post Balance Sheet Events

The Accounting Officer authorised these financial statements for issue on 10 July 2008.