



Arolygiaeth Ei Mawrhydi dros Addysg
a Hyfforddiant yng Nghymru

Her Majesty's Inspectorate
for Education and Training in Wales

Annual Report and Accounts 2006-2007

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.

Mission

Estyn's mission during 2006-07 was expressed as "the achievement of excellence for all in education and training in Wales", to be achieved by providing an independent, high quality inspection and advice service distinctive to and meeting the needs of Wales.

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 main area of Estyn's activity. The inspection programme in 2006-07 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;
- ▲ work-based learning;
- ▲ careers companies; and
- ▲ the education, guidance and training elements of Jobcentre Plus 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.

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

Principal aim and objectives

In 2006-2007, Estyn's aim was to raise standards and quality in education and training in Wales through inspection and advice, in support of the Welsh Assembly Government's strategic direction particularly expressed in 'The Learning Country', 'Making the Connections' and 'Delivering the Connections'.

Estyn's objectives for 2006-2007 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

Estyn is headed by Susan Lewis, Her Majesty's Chief Inspector of Education and Training in Wales. Estyn's staff are members of the UK Civil Service. At 31 March 2007, Estyn had ninety-nine permanent staff in post deployed in the Headquarters in Cardiff and in a local office in North Wales. Just over half of these staff are HMI (Her Majesty's Inspectors), and the other half or so are staff who deal with organisational policy, planning and development.

A number of inspectors were also seconded into Estyn throughout 2006-2007. 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.

The senior management team is made up of the Chief Inspector and three Heads of Directorate. All are senior civil servants. At 31 March 2007, Estyn's Board comprised the senior management team and four non-executive directors. In 2006-07, membership of the Audit Committee comprised the four non-executive directors, the Chief Inspector and the Head of Directorate: Organisational Policy, Planning and Development. The Committee was chaired by one of the non-executive directors, Mrs P Ryan.

Estyn Board Membership

Non-executive directors

Mrs P Ryan OBE	Former Principal of Coleg Gorseinon (Board member: 1 April 2006 – 31 March 2007)
Prof S Prosser	Professor of Leadership and Organisation Development, Business School, University of Glamorgan (Board member: 1 April 2006 – 31 March 2007)
Mrs J James	Former Director of Personnel, Monarch Airlines (Board member: 1 April 2006 – 31 March 2007)

Co-opted Non-executive director

Mrs S Davies OBE	Education consultant and former Head of Ogmores School (Board member: 1 April 2006 – 26 January 2007)
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Senior officers

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

Miss S Lewis	Her Majesty's Chief Inspector of Education and Training in Wales & Accounting Officer (Board member: 1 April 2006 – 31 March 2007)
Mrs E Allinson	Head of Inspection Directorate: Education Partnerships, Training and Inclusion (Board member: 1 April 2006 – 31 March 2007)
Mrs S Howells	Head of Directorate: Organisational Policy, Planning and Development Services (Board member: 1 April 2006 – 31 March 2007)
Mrs A Keane	Head of Inspection Directorate: Education Providers (Board member: 1 April 2006 – 31 March 2007)

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

Existing members of Estyn's Audit Committee, at the time the Board was established, were appointed to the Board as non-executive directors for the remaining period of their three-year appointment to the Audit Committee. With effect from November 2005, appointment of non-executive directors has been made following a process of open competition. 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 will be for no more than a calendar year. Co-options are not intended to circumvent the process of membership appointment through open competition and may therefore only be used when circumstances warrant this action, e.g. for reasons of Board continuity.

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 13 to 16 of these accounts.

Non-executive directors are not remunerated but are entitled to claim an honorarium of £264 per Board meeting and Audit Committee meeting (Chair of Audit Committee: £316 per meeting) plus travel and subsistence expenses. Total payments of £10,057 were made in the year as honoraria and £408 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 99.6% of all such payments made in 2006-2007 (2005-2006: 99.1%).

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 she ought to have taken to make herself aware of any relevant audit information and to establish that Estyn's auditors are aware of that information.

Events since the end of the financial year

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

Susan Lewis

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

5 July 2007

MANAGEMENT COMMENTARY

Results for the year

This year, through flexible use of resources, Estyn delivered its statutory programme of work and at the same time achieved significant savings against resource estimates. The results for the year show a net operating cost of £13.1 million for 2006-07 against an estimate of £13.9 million. In particular, capital expenditure was kept to a minimum with only essential replacement of some fixed assets.

Throughout the year, Estyn kept the Assembly informed of its projected expenditure so that potential savings could be offered for use within other areas of the Department for Education, Lifelong Learning and Skills (DELLS). During the year, Estyn met DELLS request to transfer a total amount of £0.695 million from Estyn's original budget to fund other programme areas of the department.

Savings shown in these accounts against 'Administration' reflect a combination of savings against the budget allocations for Staff Costs and Other Administration Costs. Constraints on recruitment, as explained in the section entitled 'Estyn's people', brought about a reduction in staff costs. Other Administration Costs were also contained below the budget allocation. Notable examples of savings included: minimum calls made against the budget for external consultancy; office accommodation costs kept down through robust negotiation of lease charges; and, staff travel and subsistence expenses reduced through effective scheduling of work with a lower than planned complement of staff.

Further savings were also achieved against the estimate for 'Programme'. The main component of Estyn's programme budget relates to the cost of contracted-out inspections. There was an unexpected fall in the average tender price for contracted-out inspections of primary schools in 2006-07 compared with the previous financial year. The reduction in inspection contracts costs accounted for the bulk of the savings shown against Programme.

Estyn's revenue budget for the year formed part of the National Assembly for Wales' revenue budget for 'Improved Standards' managed by DELLS. Estyn's budget is just over 1% of the total DELLS annual budget allocated for education and training in Wales in year. The relative contribution the inspectorate makes to the achievement of the Assembly's vision of a fairer, more prosperous, healthier and better educated country represents good value for money through this proportion of the budget.

The balance sheet as at the year-end 31 March 2007 shows net liabilities of £806,000 (2005-06: £602,000). 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. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements. Estyn will receive funding from the Welsh Assembly Government to meet all of the above liabilities when they mature in the 2007-2008 financial year.

Restructuring of inspection directorates

In June 2006, Estyn restructured its internal inspection teams into two new inspection directorates: Education Providers Directorate; and, Education Partnerships, Training and Inclusion Directorate.

The aim of the restructuring was to ensure that the organisation remains fit for purpose and could respond to internal and external strategic developments, including:

- The expansion of Estyn's inspection responsibilities due to legislative and strategic developments;
- The multiple inspections of individual providers to meet sectoral reporting requirements; and
- The requirement to deliver higher quality inspection services through increasingly joined-up thinking and working.

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 most recent document, produced for the first time using information stored within Estyn's inspection database system 'Athene', was laid before the National Assembly for Wales in January 2007. The report is available on Estyn's website (www.estyn.gov.uk).

In 2006-07, a total of 319 school inspections (including 5 Pupil Referral Units), 7 Local Education Authority inspections, 99 non-maintained nursery inspections, and 53 inspections of Post-16 education and training providers were carried out. The vast majority of inspections were carried out on a risk-assessed basis. Inspections result in inspection reports published on Estyn's website.

Estyn's distinctive inspection process starts from the education and training provider's own self-evaluation. Providers are invited to select their own representatives, called nominees, who are trained to work with Estyn's inspection teams. This approach strengthens the partnership between the inspectors and those being inspected and gives providers a better insight into the inspection process. It also enables providers to have on-going feedback of the inspection findings as they are identified through a member of staff who is well placed to help address the improvements that may need to be made. In addition, Estyn trains and deploys peer assessors across all education and training sectors. Peer assessors are practitioners who currently work in education and training. They take part in inspections in their own sector so that Estyn gains from having the perspective of current practitioners while they gain skills in evaluation which will benefit their own organisation. In support of the inspection process, Estyn continued with its comprehensive programme of training and updating nominees, peer assessors and independent inspectors throughout 2006-07.

In addition to inspection activities Estyn produced 31 commissioned reports for the Welsh Assembly Government which can be viewed on Estyn's website. Advice work requested by the Minister for Education, 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 published reports commissioned by the Welsh Assembly Government, Estyn also launched a discussion paper on 'Transforming Schools', which considered new approaches to school structure, organisation, the curriculum and so on.

Estyn's people

In common with many other public organisations, Estyn has faced the challenge of trying to find candidates of suitably high-calibre to fill its vacancies on either a permanent or seconded basis. Several recruitment campaigns were run during 2006-07 but it was not possible to appoint to all vacancies. Even when appointments were made, the long recruitment process timeline for inspector appointments meant that several posts were vacant for long periods. This situation has demanded a flexible approach to resource allocation and the exploration of alternative methods of service delivery. One approach has been to increase the use of contracted or seconded additional inspectors to support some of the work of HMI. We have also reviewed particular areas of work, such as the training of independent inspectors, in order to identify less resource intensive solutions for service delivery.

In April 2006, as part of the drive to improve staff capacity and capability, Estyn implemented its new performance management system. The system incorporates the Cabinet Office's Professional Skills for Government (PSG) agenda, and places emphasis on growing leadership and management capacity within the organisation and enabling staff to perform and develop in a direction that will support better delivery in a modern Civil Service body.

During the year, Estyn's managers and union representatives made a shared commitment to using the Health and Safety Executive's (HSE) Management Standards as a long term continuous improvement tool. The standards focus on a range of characteristics, or culture, of an organisation to define a desirable set of conditions to work towards. Analysis of an initial survey showed a favourable comparison with other organisations using the standard. The survey painted a positive picture for Estyn and highlighted some areas for development and work on these is being taken forward.

Toward the end of 2006, a contract was set up to provide an Employee Assistance Programme which offers independent counselling and advisory service to all staff, secondees and their immediate family. In addition to this programme, a further contract was also set up in 2006 to provide Estyn with an advisory service relating to occupational health. These developments are part of Estyn's ongoing commitment to supporting the health and well-being of staff.

Other people related policies and procedures developed and implemented in 2006-07 included Managing Attendance and Whistle Blowing.

Stakeholder relations

Estyn's wide range of partners and stakeholders includes other government agencies and departments, education and training providers, learners and parents. During 2006-07, Estyn held a total of nine meetings of its four stakeholder forums for Schools, Local Education Authorities, Independent Schools, 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.

Throughout the year, Estyn staff were involved with, and contributed 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 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, Social Services Inspectorate for Wales, Care Standards in Wales, Jobcentre Plus, and various divisions of the Department for Education, Lifelong Learning and Skills. In 2006-07, new or updated agreements were produced with a number of organisations, including, the Higher Education Funding Council for Wales and the Basic Skills Agency.

Sustainability

Throughout 2006-07, staff in Estyn continued to undertake work to put in place environmental improvements. This work resulted in our being awarded Level 2 of the Green Dragon Environmental Standard. Further improvements to our environmental management system are planned, with the aim of achieving Level 3 in 2007-08.

Through its Common Inspection Framework, Estyn also continued to make judgements in 2006-07 on how well each provider it inspects is promoting learning for sustainable development.

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 Education, Lifelong Learning and Skills in Wales. Table 1 contains target and output information against a range of performance objectives Estyn set within its Corporate Plan for 2006-2009.

Performance objectives 1.1 to 1.6 relate to Estyn's Objective 1.
Performance objectives 2.1 to 2.4 relate to Estyn's Objective 2.
Performance objective 3.1 relates to Estyn's work in general.

Table 1: Estyn performance indicators

No.	Performance objective	Performance indicator	Target 2006-2007 (2005-2006)	Performance 2006-2007 (2005-2006)
1.1	To ensure that inspections of schools, pupil referral units and non-maintained nursery settings undertaken 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	30% (20%)	22% ¹ (30%)
		1.1.2 Percentage of inspections meeting the quality standards set out in Estyn's guidance	95% (95%)	100% (98%)
1.2	To ensure that reports of schools, pupil referral units and non-maintained nursery settings produced by independent inspectors meet the quality requirements set out in Estyn's frameworks for inspection and guidance	1.2.1 Percentage of reports reviewed that meet the quality standards set out in Estyn's guidance	95% (95%)	96% (98%)
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	85% (80%)	86.7% (85%)
1.4	To ensure that LEA inspection reports are published in a timely manner.	1.4.1 Percentage of reports that are published not more than 80 working days after the final day of the on-site inspection period.	75% (75%)	100% (55%)
1.5	To ensure that inspection of youth support services, initial teacher education and training, further education institutions, work-based learning providers, Careers Wales companies, Job centre Plus programmes and adult community-based learning meets the quality requirements set out in Estyn's published frameworks for inspection and guidance	1.5.1 Percentage of the above inspections to be directly quality assured by Managing Inspectors. (Managing Inspectors will be present for standard periods during each inspection as specified by Estyn's internal guidance)	20% (20%)	35% (20%)
		1.5.2 Percentage of above inspections meeting the quality standards set out in Estyn's guidance	95% (95%)	100% (100%)
1.6	To ensure that reports of youth support services, initial teacher education and training, further education institutions, work-based learning providers, Careers Wales companies, Job centre Plus programmes and adult community-based learning meet the quality requirements set out in Estyn's published frameworks for inspection and guidance	1.6.1 Percentage of reports meeting the quality standards set out in Estyn's guidance	96% (95%)	100% (100%)

¹ Staff resource constraints limited the work in this area. The performance figure for schools and pupil referral units (i.e., excluding non-maintained nursery settings) would be 31% in 2006-07.

No.	Performance objective	Performance indicator	Target 2006-2007 (2005-2006)	Performance 2006-2007 (2005-2006)
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 31/01/07 (28/02/06)	Achieved by 24/01/07 (23/01/06)
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	96% (95%)	100% (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	95% (95%)	96% (94%)
2.4	To measure the electronic use of Estyn's advice and guidance	2.4.1 Number of visits to Estyn's website	400,000 (250,000)	805,137 (526,874)
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%)	70% ² (63%)
		G2 The percentage of complainants who are satisfied with Estyn's response	80% (80%)	80% (100%)
		G3 Percentage of undisputed invoices paid within 30 days	98% (98%)	99.6% (99.1%)
		G4 Board report to be produced in-year	By end of August 2006 (June 2005)	By end of Nov 2006 (August 2005)
		G5 Resource accounts to be produced in-year	By end of June 2006 (Aug 2005)	Produced June 2006 (Aug 2005)

² In some cases, delays in providing a full response can be due to the complainant, for example, where further information is required from the complainant in order to provide a full response. Estyn's complaint procedures will be updated in 2007 to incorporate a mechanism for re-calculating the target completion date when further information is requested from the complainant.

Future developments

During 2007 Estyn will mark the centenary of the establishment of a distinct inspectorate in Wales with a number of events. The events included the launch of a booklet outlining the history of education and training in Wales over the last 100 years. The booklet is available on Estyn's website www.estyn.gov.uk.

Estyn is committed to continuous improvement of both its own services and those it inspects. Improving the capability and capacity of Estyn's staff will be essential to the future success of the organisation. The emphasis on performance management, improving the quality of work, and training and developing staff is already clearly evident within Estyn. The retention of our Investors in People accreditation will be an ongoing aim for the organisation. Estyn wants to be an employer of choice and is already benchmarking itself against national corporate standards, such as the Health and Safety Executive (HSE) Management Standard. Although Estyn already fares well when compared with other organisations using such standards, the aim is to further improve its rating.

In 2007, Estyn will be undertaking a wide-scale consultation exercise (Estyn 2010) to find out the views of stakeholders and other citizens on how its work can improve education and training in Wales. This consultation will help inform revisions to Estyn's processes and procedures for the next inspection cycle starting in 2010. Estyn will also continue to build bridges with local communities. For example, in 2007-08, the series of meetings and roadshows being held across Wales will continue in order to increase understanding of how inspections work and to strengthen Estyn's links with education and training providers. Estyn also wants to encourage wider readership and use of its reports and will be looking at presenting information in ways that can be more easily understood.

In the first quarter of 2007-08, Estyn will be developing its Information Systems Strategy for the following 5-year period. The strategy will help inform the future direction the organisation takes in terms of key processes and systems.

During 2006-07, Estyn engaged all its staff in a review of its business strategy in the context of all-Wales strategies such as Making the Connections, Beyond Boundaries (the Beecham review) and the Welsh Assembly Government's response to that review. The revised strategy has been given expression in Estyn's Corporate Plan 2007-2010 and the next year will see us embedding that strategy in our day to day operations.

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.

Susan Lewis was appointed on 1 June 2002 for a second five year term by Order in Council under section 4 of the School Inspections Act 1996. On 21 March 2007, and at her request, she was re-appointed for a period of six months commencing 1 June 2007, by Order in Council under Section 19 of the Education Act 2005. 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	2006-07		2005-06	
	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
Susan Lewis Her Majesty's Chief Inspector of Education & Training in Wales	105 -110	-	100 -105	-
Elaine Allinson ³ Head of Inspection Directorate: Education Partnerships, Training and Inclusion	60 - 65	-	10 - 15	-
Shan Howells Head of Directorate: Organisational Policy, Planning and Development	85 - 90	-	75 - 80	-
Ann Keane ⁴ Head of Inspection Directorate: Education Providers	65 - 70	-	10 – 15	-

The remuneration of two senior officials who left Estyn in 2005-06 is not shown above. At the time that these officials left Estyn they were not required to disclose details of their remuneration.

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.

³ Elaine Allinson was appointed on 9 January 2006. Figures for 2005-06 are pro rata.

⁴ Ann Keane was appointed on 9 January 2006. Figures for 2005-06 are pro rata.

Pension Benefits*

Officials	Accrued pension at age 65 as at 31/3/07	Real increase in pension at age 65	CETV at 31/3/07	CETV at 31/3/06	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Susan Lewis Her Majesty's Chief Inspector of Education & Training in Wales	45-50	0 -1	1,070	1,007	16
Elaine Allinson Head of Inspection Directorate: Education Partnerships, Training and Inclusion	15-20	1-2	357	319	29
Shan Howells Head of Directorate: Organisational Policy, Planning and Development	20-25	1-2	483	443	25
Ann Keane Head of Inspection Directorate: Education Providers	25-30	1-2	649	579	44

* This information is subject to audit

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement 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 and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary 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 (but members may give up (commute) some of their pension to provide a lump

sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly in the same way as in classic.

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 selection of approved products. 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).

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 CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Please note that the factors used to calculate the CETV were revised on 1 April 2005 on the advice of the Scheme Actuary.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of 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.

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

5 July 2007

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under Schedule 6(5) of the Government of Wales Act 1998, Estyn is required to prepare resource accounts for each financial year, in conformity with a Treasury direction, detailing the resources acquired, held, or disposed of during the year and the use of resources by Estyn during the year.

The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Estyn, the net cash requirement, the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

The Treasury has appointed Her Majesty's Chief Inspector of Education and Training in Wales as Accounting Officer of Estyn with responsibility for preparing Estyn's accounts and for transmitting them to the Auditor General for Wales.

In preparing the accounts the Accounting Officer is required to comply with the Government Financial Reporting Manual prepared by the Treasury, 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 responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an 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 2007 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 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 2008, 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 her responsibility for issues of risk, control, governance and associated assurance in Estyn. Members of the Audit Committee, who were available, attended a seminar during the year on 'Best Practice for Audit Committees in Government' run by the National School of Government. This seminar helped to keep members up to date with latest Audit Committee thinking and with the review of "The Audit Committee Handbook" subsequently published by HM Treasury in March 2007. 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.

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.

Following the withdrawal by the National Assembly for Wales of the audit service they provided to Estyn, in 2006-07, we appointed, through competitive tender, new internal auditors, Bentley-Jennison.

Bentley-Jennison operate to Government Internal Audit Standards. During 2006-2007, they undertook 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 2006-07, Bentley-Jennison were able to provide their highest category of assurance (substantial 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 Sir Jon Shortridge as Permanent Secretary of the National Assembly for Wales provides a further assurance on the effectiveness of the systems of internal control.

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

5 July 2007

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 in Wales for the year ended 31 March 2007 under Paragraph 6 of Schedule 6 to 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 described in that Report as having been audited.

Respective responsibilities of the Accounting Officer and the Auditor General for Wales

The Accounting Officer is responsible for preparing the Annual Report, including a Remuneration Report, and the financial statements in accordance with Schedule 6 (5) of the Government of Wales Act 1998 and HM Treasury directions made thereunder 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 the Government of Wales Act 1998 and HM Treasury directions issued thereunder. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Directors' Report, the Management Commentary and the unaudited part of the Remuneration 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 the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

In addition I report to you if 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 relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control on pages 18 to 20 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 also read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report 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

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government of Wales Act 1998 and directions made thereunder by HM Treasury, of the state of Estyn: Her Majesty's Inspectorate for Education and Training in Wales' affairs as at 31 March 2007 and the net cash requirement, net resource outturn, resources 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 the Government of Wales Act 1998 and HM Treasury directions issued thereunder; and
- information given within the Annual Report, which comprises the Directors' Report, the Management Commentary and the unaudited part of the Remuneration Report, is consistent with the financial statements.

Audit 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

17 July 2007

Wales Audit Office
2-4 Park Grove
Cardiff
CF10 3PA

Statement of Resource Outturn
 for the year ended 31 March 2007

		2006-07						2005-06	
	Note	Estimate			Outturn				
		Gross expenditure	Income	NET TOTAL	Gross expenditure	Income	NET TOTAL	Net total 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		9,025	0	9,025	8,515	(1)	8,514	511	8,310
Programme Costs		4,833	0	4,833	4,585	(6)	4,579	254	4,148
Total Resources	2	13,858	0	13,858	13,100	(7)	13,093	765	12,458
Net Cash Requirement	3			13,919			13,107	812	13,050

The notes on pages 28 to 38 form part of these accounts

Operating Cost Statement
 for the year ended 31 March 2007

	Note	2006-2007		2005-2006
		£000	£000	£000
Administration costs				
Staff costs	4		6,608	6,157
Other administration costs	5		1,907	2,154
Gross administration costs			8,515	8,311
Operating income			(1)	(1)
Net administration costs			8,514	8,310
Programme costs				
Expenditure	6	4,585		4,153
Less: income	7	(6)		(5)
Net programme costs			4,579	4,148
Net operating cost	2		13,093	12,458

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 28 to 38 form part of these accounts

Balance Sheet
as at 31 March 2007

	Note	31 March 2007		31 March 2006	
		£000	£000	£000	£000
Fixed assets					
Tangible Assets	8		956		1,373
Current assets					
Debtors	10	169		180	
Cash at bank and in hand	11	145		331	
		314		511	
Creditors: amounts falling due within one year	12	(2,076)		(2,478)	
Net current liabilities			(1,762)		(1,967)
Total assets less current liabilities			(806)		(594)
Provisions for liabilities and charges	13		-		(8)
NET LIABILITIES			(806)		(602)
Taxpayer's equity					
General fund	14		(806)		(602)
			(806)		(602)

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

5 July 2007

Cash Flow Statement
 for the year ended 31 March 2007

	Note	2006-2007 £000	2005-2006 £000
Net cash outflow from operating activities	15	(13,083)	(12,043)
Capital expenditure and financial investment	15	(24)	(1,007)
Financing from the Welsh Assembly Government	15	12,921	13,310
Increase / (Decrease) in cash	11	(186)	260

Statement of Operating Costs by Departmental Aim & Objectives
 for the year ended 31 March 2007

Aim: To raise standards and quality in education and training in Wales through inspection and advice, in support of the vision and strategic direction set by the Welsh Assembly Government.

	2006-2007			2005-2006
	Gross £000	Income £000	Net £000	Net £000
Objectives				
1. 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.	11,779	(7)	11,772	11,115
2. To provide sound advice, based on inspection evidence, to inform the Welsh Assembly Government in the formulation and evaluation of strategy and policy.	1,321	-	1,321	1,343
Net operating costs	13,100	(7)	13,093	12,458

The notes on pages 28 to 38 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 HM Treasury. 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 *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 1.3 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.

1.3 *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 | 3-5 years |
| • Furniture & Fittings | 5 years |
| • Office Equipment | 5 years |
| • IT Systems (Athene) | 5 years |

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

1.4 *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.

1.5 *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.

1.6 *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.

1.7 *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.

1.8 *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.

1.9 *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.

1.10 *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.

1.11 *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

	2006-2007 £000	2005-2006 £000
Net resource outturn	13,093	12,458
Net operating cost	13,093	12,458

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	2006-07 Outturn	Outturn compared with Estimate saving/ (excess)	2005-06
		£000	£000	£000	£000
Net total resource outturn		13,858	13,093	765	12,458
Fixed asset acquisitions	8	445	24	421	1,007
Accruals adjustments:					
Non-cash items	5&6	(384)	(409)	25	(396)
Changes in working capital other than cash	9	-	391	(391)	(53)
Use of provision	13	-	8	(8)	34
Net cash requirement		13,919	13,107	812	13,050

4. Staff numbers and costs

Staff costs consist of:

	2006-2007 £000	2005-2006 (Restated) ⁵ £000
Wages and salaries	4,293	4,191
Social security costs	404	393
Other pension costs	959	900
Total Net Costs	5,656	5,484
Plus:		
Seconded In	769	481
Seconded Out	(121)	(71)
Agency Staff	304	263
Total	6,608	6,157

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 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (<http://www.civilservice-pensions.gov.uk/>).

For 2006-07 employers' contributions of £959,280 were payable to the PCSPS (2005-06 £900,156) 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.

⁵ In the 2005-06 published accounts the figure for wages and salaries was shown as £4,120,000, after deducting recoveries of £71,000 in respect of outward secondments. These recoveries are now disclosed separately within Note 4, above and the 2005-06 figures have been restated accordingly. The total reported staff costs of £6,157,000 last year remain unchanged.

Rates will be increased from 2009-10. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Estyn has one employee who holds a Partnership Pension Account. One individual retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £3,755.

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

	2006-2007	2005-2006
Objective 1	98	97
Objective 2	17	17
Total Number	115	114

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

	2006-2007	2005-2006 (Restated) ⁶
	£000	£000
Rental under operating leases:		
- hire of photocopiers	9	8
- accommodation	346	376
Other accommodation costs	355	320
IT & telecommunications	180	185
Welsh Assembly Government central services	47	46
Travel, subsistence and hospitality	303	351
Auditor's remuneration – audit of accounts	21	21
Other expenditure	474	684
Non-cash items:		
- depreciation	162	156
- surplus/deficit on disposal of fixed assets	1	-
- cost of capital	9	4
- provision for early departure costs		3
	1,907	2,154
Less: Operating income	(1)	(1)
	1,906	2,153

⁶ In the 2005-06 published accounts Internal Audit fees of £16,000 were included in Welsh Assembly Government central services costs. Internal Audit fees are now included within Other Expenditure in Note 5, above and the 2005-06 figures have been restated accordingly. There is no impact on the total Other Administration Costs of £2,153,000 reported last year.

6. Net programme costs

	2006-2007	2005-2006
	£000	£000
Current expenditure		
Post 16 education inspections and associated costs	359	292
School inspections and associated costs	3,415	3,190
Local Education Authority inspections and associated costs	109	90
Remit costs	44	96
Common programme costs ⁷	421	252
	4,348	3,920
Non cash items:		
- depreciation	278	279
- cost of capital credit	(41)	(46)
	4,585	4,153
Less: programme income (Note 7)	(6)	(5)
	4,579	4,148

7. Income

	2006-2007	2005-2006
	£000	£000
Programme income		
- registration fees	6	5
Administration income		
- miscellaneous	1	1
Total	7	6

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.

⁷ Common Programme Costs include those services that apply across all inspection and remit work, such as translation and printing services, courier services and ICT support specific to inspection ICT systems.

8. Fixed assets

	Athene System £000	IT Equipment £000	Furniture & Fittings £000	Office Equipment £000	Total £000
Cost or valuation					
At 1 April 2006	1,393	379	310	78	2,160
Additions	-	2	13	9	24
Disposals	-	(3)	-	-	(3)
At 31 March 2007	1,393	378	323	87	2,181
Depreciation					
At 1 April 2006	279	215	276	17	787
Charged in year	278	126	17	19	440
Disposals	-	(2)	-	-	(2)
At 31 March 2007	557	339	293	36	1,225
Net book value					
At 31 March 2007	836	39	30	51	956
At 1 April 2006	1,114	164	34	61	1,373

9. Movements in working capital other than cash

	2006-2007 £000	2005-2006 £000
Increase/(Decrease) in debtors	(11)	7
(Increase)/Decrease in creditors	402	(60)
	391	(53)

10. Debtors

10a. Analysis by Type

	31 March 2007 £000	31 March 2006 £000
Amounts falling due within one year:		
Other debtors	35	36
Taxation	23	18
Prepayments and accrued income	111	126
	169	180

10b. Intra-Government Balances

	Debtors: amounts falling due within one year	
	At 31 March 2007 £000	At 31 March 2006 £000
Balances with other central government bodies	51	14
Balances with local authorities	-	-
Balances with bodies external to government	118	166
Total	169	180

11. Cash at bank and in hand

	31 March 2007 £000	31 March 2006 £000
Balance at 1 April	331	71
Net cash inflow/(outflow)	(186)	260
Balance at 31 March	145	331

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

	31 March 2007 £000	31 March 2006 £000
Balances at OPG	142	326
Commercial banks and cash-in-hand	3	5
	145	331

12. Creditors

12a. Analysis by type

	31 March 2007 £000	31 March 2006 £000
Amounts falling due within one year		
Trade creditors	900	1,524
Other creditors	-	188
Payroll Funding	479	461
Accruals & deferred income	697	305
	2,076	2,478

12b. Intra-Government Balances

	Creditors: amounts falling due within one year	
	At 31 March 2007 £000	At 31 March 2006 £000
Balances with other central government bodies	499	465
Balances with local authorities	138	72
Balances with bodies external to government	1,439	1,941
Total	2,076	2,478

13. Provisions for liabilities and charges

Early departure costs: Obligations arising above the normal pension benefits of former employees who have retired early.

	£000
Balance at 1 April 2006	(8)
Increase in provision	-
Amounts utilised in the year	8
	-

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

	2006-2007 £000	2005-2006 £000
Net operating cost for the year	(13,093)	(12,458)
Net funding from the National Assembly for Wales	12,921	13,310
	(172)	852
Notional cost adjustments:		
- cost of capital credit	(32)	(43)
Net increase/(decrease) in the General Fund	(204)	809
General fund at 1 April	(602)	(1,411)
General fund at 31 March	(806)	(602)

15. Notes to Consolidated Cash Flow Statement

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

	<i>Note</i>	2006-2007 £000	2005-2006 £000
Net cost of operating activities for the year		13,093	12,458
Adjustments for non cash transactions			
Other administration costs	5	(172)	(163)
Programme costs	6	(237)	(233)
Adjustments for movements in working capital other than cash	9	391	(53)
Provisions utilised	13	8	34
Net cash outflow from operating activities		13,083	12,043

15(b) Analysis of capital expenditure and financial investment

	2006-2007 £000	2005-2006 £000
Payments to acquire tangible fixed assets	24	1,007
Receipts from disposal of fixed assets	-	0
Net cash outflow from investing activities	24	1,007

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

	<i>Note</i>	2006-2007 £000	2005-2006 £000
From the Welsh Assembly Government	14	12,921	13,310
(Increase)/Decrease in cash	11	186	(260)
Net cash requirement		13,107	13,050

16. Commitments under operating leases

	2006-2007 £000		2005-2006 £000	
	Land & Buildings	Other	Land & Buildings	Other
At 31 March 2007 Estyn was committed to making the following payments during the next year in respect of operating leases expiring:				
- within one year	-	-	-	1
- between two and five years	362	7	431	-
- after five years	-	-	-	-
	362	7	431	1

17. Capital commitments

There are no capital commitments as at 31 March 2007.

18. Other commitments

Estyn has entered into non-cancellable contracts (which are not operating leases) totalling £665,135 as at 31 March 2007 (2005-2006: £868,430).

19. Contingent liabilities

There were no contingent liabilities as at 31 March 2007.

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:

	2006-2007	2005-2006
	£000	£000
1. 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.	4,541	4,057
2. To provide sound advice, based on inspection evidence, to inform the Welsh Assembly Government in the formulation and evaluation of strategy and policy.	44	96
Programme Costs	4,585	4,153

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

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 18 July 2007.